USI

University of Southern Indiana

Financial Report 2021–2022

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Additional copies of this report may be obtained from:

Controller and Assistant Treasurer, Business Office
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University of Southern Indiana
8600 University Boulevard
Evansville, IN 47712-3597
Telephone: 812-464-1967
or from the website at
USI.edu/about/administration-and-operations/financial-transparency

Message from the President

The University of Southern Indiana is proud of the advancements it achieved in 2021–2022, ranging from the addition of new programs designed to meet and align with regional and national career trends, to accepting an invitation to join the Ohio Valley Conference (OVC) and move our athletic program from Division II to Division I.

Dr. Ronald S. Rochon
President

USI's decades-long winning athletics record and academic reputation prepared us well for this move. Joining Division I delivers our players and our institution into the homes of millions of people to watch USI Athletics as we become part of ESPN's 24/7 sports entertainment streaming on ESPN+. This level of exposure will deliver national recognition and provide USI with many opportunities to capture the attention of potential students across the nation, generating interest in both athletic and non-athletic students seeking to earn a quality education. In Spring 2022, we proudly transitioned from DII to DI on a high note as our Women's Softball team advanced to the Final Eight at the NCAA Division II National Championship.

When USI released its 2021–2025 strategic plan two years ago, one of the four key goals was to elevate visibility and reputation. Joining DI in the OVC makes it possible for the University of Southern Indiana to promote academics and athletics to a broader set of prospective students fulfilling a key goal. Increasing our brand awareness through this expanded footprint allows USI to broaden our student recruiting efforts and may generate a more diverse and inclusive campus population.

For the first time since 2017, the University of Southern Indiana grew in new, first-time freshman students in 2021–2022. The incoming Class of 2025 had 1,327 students, representing a 3.2% increase over 2020–2021 enrollment figures. The GPA of incoming high school students has steadily risen over the past five years, from 3.33 (2017) to 3.49 (2021). In addition, our student-athletes consistently achieve GPAs averaging 3.3.

Graduate enrollment at USI also rose 4.5% in 2021–2022, over 2020–2021, marking the sixth consecutive year of growth for Graduate Studies. Of the 1,845 graduate students at USI, more than 1,680 are choosing programs that are offered exclusively online, such as the accelerated Master of Business Administration (MBA) program offered by the Romain College of Business.

The development and creation of several new certificate and degree programs were rolled out this year to provide greater career-path opportunities, including a new concentration of Marketing in our Master of Business Administration, a Bachelor of Science in Diagnostic Medical Sonography and several new certificates including Supply Chain Management Certificate, Activity Professional and a Post-Baccalaureate Certificate in Health Informatics.

We continue to offer students international experience by partnering with institutions in more than 60 countries. We sent our third student engineering team to Bolivia through the Engineers in Action (EIA) program, to construct a 354-foot bridge at 14,300-foot elevation providing 300 residents living in remote areas near Japo access to schools, a health center, farmers market and more. Additionally, USI welcomed its fifth cohort of Panamanian students. USI is one of only two public institutions in the United States approved as a scholarship recipient for the National Secretariat of Science and Technology of Panama's (SENACYT) Institute for the Formation and Use of Human Resources.

USI continues to follow in the path our founding fathers implemented in 1965 by keeping the cost of education affordable. Between 2020–2021 and 2021–2022, USI increased in-state undergraduate credit hour mandatory fees by $5.44, and out-of-state undergraduate credit hour mandatory fees by $13.81.

Attracting and retaining quality, learned faculty, administrators and staff remains a priority for USI. We provided every eligible employee with a 2-3% raise in 2021–2022. In 2022–2023, we increased salaries again by 3% and provided support staff and administrators with alternate work options ranging from compressed work week to two days a week remote work. These new options align with national workplace trends and provide USI employees with greater flexibility and workplace satisfaction.

A comprehensive university, the University of Southern Indiana attracts exceptionally qualified students as a result of its commitment to high-quality, affordable academic programs and building partnerships that benefit students, faculty, employers, the community and the state. Guided by the 2021–2025 Strategic Plan, the University has made progress during a time of economic challenge and is well-positioned for the future.

Ronald S. Rochon, PhD
President

Message From The Vice President and Treasurer

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

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

I am pleased to present the University of Southern Indiana's audited financial report for the fiscal year ended June 30, 2022, with comparative data from the previous fiscal year. In addition, the audited financial statements and note disclosures of the University of Southern Indiana Foundation, a component unit of the University, are included. Furthermore, a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the VEBA Trust are provided as required by GASB Statement 84.

University leadership continues to be diligent and to carefully manage resources within our resource base while striving for excellence in teaching and learning to achieve our core mission. The net position of the University grew by $9.3 million during 2021–2022, marking another year of strong financial performance despite the lingering effects of COVID-19, a competitive enrollment environment and broader economic factors.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. The financial statements are prepared in accordance with guidelines established by the Governmental Accounting Standards Board (GASB) and audited by the Indiana State Board of Accounts. Management's Discussion and Analysis (MD&A) provides an introduction and overview of the basic financial statements, as well as information regarding the 2021-2022 financial position and results of operations of the University. The financial statements and accompanying notes follow the MD&A. The unmodified audit opinion, the most favorable outcome of the audit process, is contained within the report.

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

Steve Bridges
Vice President for Finance and Administration and Treasurer

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Southern Indiana (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of University of Southern Indiana Foundation, Inc. (Foundation), a component unit of the University as described in Note 1, which represent 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended. Those statements, which were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2022, the University adopted new accounting guidance Governmental Accounting Standards Board Statement 87 *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

October 31, 2022

Management's Discussion and Analysis

Introduction

This discussion and analysis prepared by management provides a summary of the financial position and activities of the University of Southern Indiana (the University or USI) during the fiscal year ended June 30, 2022 and compares that performance with select information for the years ended June 30, 2021 and 2020. It should be read in conjunction with the accompanying financial statements and note disclosures included in the 2021-2022 Financial Report.

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

Using the Financial Report

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

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

Statement of Net Position

The Statement of Net Position presents the value of the assets, liabilities, and net position at the end of the fiscal year as well as deferred inflows of resources and deferred outflows of resources that affect the net position of the University. It is prepared under the accrual basis of accounting: revenues and expenses, and their impact on assets and liabilities, are recognized when service is provided or received by the University, regardless of when cash is exchanged. Assets and liabilities are classified as current (accessible or payable in one year or less) or noncurrent (accessible or payable beyond one year). Net position is categorized in one

CONDENSED STATEMENT OF NET POSITION			
Year Ended June 30 (in thousands)	2022	2021* Restated	2020
Current Assets	$ 65,984	$120,844	$113,122
Noncurrent Assets:			
Capital assets, net of depreciation	212,663	222,257	214,636
Other non-current	134,416	87,092	34,011
Total Assets	**$413,063**	**$430,193**	**$361,769**
Deferred Outflow of Resources	$ 9,315	$ 3,593	$ 4,213
Current Liabilities	$ 30,505	$ 33,562	$ 28,853
Noncurrent Liabilities	120,593	134,870	123,621
Total Liabilities	**$151,098**	**$168,432**	**$152,474**
Deferred Inflow of Resources	$ 7,267	$ 10,602	$ 8,408
Total Net Position	**$264,013**	**$254,752**	**$205,100**

*See Note 18 in Notes to Financial Statements.

of three ways: net investment in capital assets, restricted for specific purposes, or unrestricted, and it is one indicator of current financial health. The increases or decreases in net position that occur over time indicate improvements or deteriorations of the University's financial condition.

Assets

Current assets are used to support current operations and consist primarily of cash and cash equivalents, short-term investments, accounts and leases receivable net of allowances, and inventories. Lesser-valued resources like prepaid expenses and accrued interest that are grouped together and listed under the term "Other." Noncurrent assets include cash equivalents and investments held by a bond trustee, leases receivable, long-term investments, net other postemployment benefits (OPEB) asset, leased assets net of amortization, and capital assets net of depreciation.

Total assets decreased $17.1 million, or nearly 4.0%, in fiscal year 2022 compared to a $68.4 million, or 18.9% increase in fiscal year 2021. Asset activity during the 2022 fiscal year is summarized by the following events.

The current portion of cash and cash equivalents decreased by almost $53 million in fiscal year 2022 as management completed the implementation of the intermediate investment policy for unrestricted funds. The project included the selection of two new investment managers and the retention of two additional investment managers as approved by the Finance/Audit Committee of the University Board of Trustees in March 2020. The project was delayed for over a year by COVID-19, which resulted in a $37.8 million increase in cash and cash equivalents for fiscal year 2021 as dollars were held in interest-bearing accounts awaiting investment.

Deposits with bond trustee of $46.4 million were reclassified from current assets to noncurrent assets as cash equivalent—deposits with bond trustee for fiscal year 2021. In fiscal year 2022, $24.9 million of unspent Series N bond proceeds were invested to generate income while projects were delayed due to increased costs and labor shortages. Series N student fee bonds were issued in August 2020 for the construction and equipping of the Health Professions Center Classroom Renovation and Expansion. These investments are presented as investments—deposit with bond trustee under noncurrent assets on the Statement of Net Position. $17.8 million of unspent bond proceeds remain classified as cash equivalent—deposit with bond trustee under noncurrent assets. Total deposits with bond trustee declined by $3.7 million in fiscal year 2022 as bond proceeds were spent on construction costs.

Total investments excluding deposits with bond trustee increased to $102 million at June 30, 2022, from $46 million at June 30, 2021. Short-term investments decreased by $3.2 million in fiscal year 2022 while long-term investments increased by $59.1 million during the year as cash was allocated among four investment managers to fund the intermediate investment strategy of the University.

Despite a 3.1% decline in total revenue during fiscal year 2022, net accounts receivable showed virtually no change, declining slightly from $6.5 million at June 30, 2021, to $6.4 million at June 30, 2022. The stability of receivables is attributable in part to greater participation by students in payment plans, which streamlines cash flow and decreases the likelihood of unpaid balances.

Net other postemployment benefit (OPEB) asset decreased to $4.7 million in fiscal year 2022 from $12.3 million in fiscal year 2021 primarily as the result of a net decrease in the fair value of Voluntary Employees' Benefit Association (VEBA) Trust investments during the fiscal year. 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 effective January 1, 2021. This modification resulted in the OPEB liability becoming and OPEB asset in fiscal year 2021. Retirees and dependents who are not eligible for Medicare continue to participate in the Anthem cost-plus plans along with active employees. See Note 13, Other Postemployment Benefits (OPEB), in the Notes to Financial Statements and the Statement of Changes in Fiduciary Net Position for details.

The University added leases receivable and net leased assets to the Statement of Net Position as part of its adoption of GASB Statement 87. Total leases receivable totaled $824,629 at June 30, 2021 and declined to $446,458 at June 30, 2022. Likewise, net leased assets declined from $417,218 to $311,896 over the same timeframe. Refer to Note 6, Leases Receivable; Note 8, Capital Assets Net of Accumulated Depreciation and Leased Assets Net of Accumulated Amortization; and Note 18, Reclassifications and Restatements, in the Notes to Financial Statements for additional information.

Other current assets grew $1.4 million from $2 million in fiscal year 2021 to $3.4 million in fiscal year 2022. A $540,000 increase in accrued interest on investments and a $787,000 increase in prepaid expenses account for the increase.

Capital Assets

Net capital assets declined from $222.3 million at June 30, 2021, to $212.7 million at June 30, 2022. Accumulated depreciation increased by $14.9 million while new assets increased by only $5.8 million. A decline in construction-in-progress accounted for the remainder of the change. The unexpected delays to the capital projects funded by the Series N Bonds resulted in less construction in progress than expected at the conclusion of fiscal year 2022.

Deferred Outflow of Resources

Deferred outflow of resources, which represent the consumption of resources applicable to a future period, increased by $5.7 million in fiscal year 2022. The increase is attributable to an increase in the deferred outflow of resources related to other postemployment benefits (OPEB), which stems from the net difference between projected and actual investment returns.

Liabilities

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

Total liabilities decreased by $17.3 million, or 10.3%, in fiscal year 2022 following an increase of $16 million, or 10.5%, in fiscal year 2021. Current liabilities declined by slightly more than $3 million in 2022, and noncurrent liabilities decreased by $14.3 million during the same period.

The current liability for accounts payable and accrued liabilities grew by $1.7 million in fiscal year 2022. The majority of the increase stemmed an increase in outstanding vendor invoices at June 30 ($3.2 million in 2022 versus $2.2 million in 2021) and an increase in year-end accruals ($1 million in 2022 and $269,000 in 2021). These variances are due in part to staff turnover in Accounts Payable that slowed invoice processing at a time when invoice volume is at its highest.

The University's noncurrent portion of net pension liability for employees who participate in the Public Employee's Hybrid Plan fell by $2.6 million in fiscal year 2022 and by $559,000 in fiscal year 2021. The University expects this liability to continue to decline as fewer active employees remain eligible to participate in PERF. The University contributed retirement funds for 139 PERF participants in 2022, which was down from 159 employees in 2021 and 182 employees in 2020.

Debt and Financing Activity

Total bonds and leases payable decreased by nearly $16 million for the fiscal year ending June 30, 2022, after increasing last year by more than $32.2 million following the issuance of Series N student fee bonds in August 2020. The current portion of bonds and leases payable decreased by $4.9 million while the noncurrent portion decreased by $11.1 million in fiscal year 2022. The current portion of debt interest payable fell $113,000 in 2022 compared to a $289,000 increase in 2021. The noncurrent liability for the derivative instrument associated with the Series 2006 Bonds declined from $433,374 at June 30, 2021, to $164,276 at June 30, 2022. The final principal and interest payment for the Series 2008A Bonds was made in October 2021.

The University issued no new debt during fiscal year 2022. See Note 19, Subsequent Events, in the Notes to Financial Statements for details on debt issued after June 30, 2022.

The cumulative change of all other current and noncurrent liabilities was immaterial for fiscal year 2022.

Deferred Inflow of Resources

Deferred inflows of resources, which represent acquisitions of resources applicable to a future period, decreased by more than $3.3 million, or 31.5%, in fiscal year 2022 compared to an increase of nearly $1.4 million, or 16.3%, in fiscal year 2021. Deferred inflow of resources related to other postemployment benefits decreased by $5 million, and deferred inflow of resources related to pensions increased by $2 million. The remaining change related to deferred inflow of resources related to leases, which was added to the Statement of Net Position with the adoption of GASB Statement 87.

Net Position

Net Position increased by $9.3 million, or 3.6%, in fiscal year 2022 following a $49.7 million, or 24.2% increase in fiscal year 2021. Net investment in capital assets grew by $2.2 million during 2022 while unrestricted net position increased by $6.9 million. Restricted expendable net position increased slightly by $188,000. At June 30, 2022, unrestricted net position totaled $134.3 million and comprised 50.9% of total net position. Of the total unrestricted amount, $101.1 million has been internally designated as follows.

- $17.9 million for equipment and facilities maintenance and replacement
- $4.7 million for technology and software replacement
- $21.1 million for auxiliary systems
- $1.4 million for working capital and outstanding encumbrances
- $12.8 million for academic operations and initiatives
- $3.6 million for insurance and campus safety
- $39.6 million for medical premiums and other employee benefits

A summary of net position for the 2020 through 2022 fiscal years follows.

NET POSITION			
Year Ended June 30 (in thousands)	2022	2021* Restated	2020
Net Position:			
Net investment in capital assets	$129,469	$127,267	$122,917
Restricted—expendable	256	69	122
Unrestricted	134,288	127,416	82,061
Total Net Position	$264,013	$254,752	$205,100

*See Note 18 in Notes to Financial Statements.

Statement of Revenues, Expenses and Changes in Net Position

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

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

A key point to recognize on this financial statement is that state appropriations and non-exchange governmental and corporate grants and contracts are required to be classified as non-operating revenues. This creates large operating deficits for public universities, which rely heavily on state funding and governmental grants to meet their missions and goals. A truer measure of fiscal year net income is the amount shown on the statement as "Income before other revenues, expenses, gains or losses."

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Year Ended June 30 (in thousands)	2022	2021* Restated	2020
Operating Revenues	69,954	73,678	76,452
Operating Expenses	(156,819)	(121,506)	(155,083)
Operating Loss	$ (86,865)	$ (47,828)	$ (78,631)
Non-operating Revenues	99,007	100,685	92,349
Non-operating Expenses	(3,994)	(4,649)	(3,687)
Income before other revenues, expenses, gains or losses	$ 8,148	$ 48,208	$ 10,031
Other Revenues	1,113	1,113	1,177
Increase in Net Position	$ 9,261	$ 49,321	$ 11,208
Net Position—Beginning of Year	254,752	205,100	193,892
Prior-period Adjustment for Change in Accounting Principle	—	331	—
Net Position—End of Year	$ 264,013	$ 254,752	$ 205,100

*See Note 18 in Notes to Financial Statements.

Revenues

Operating revenues decreased by $3.7 million in fiscal year 2022 after a decrease of $2.8 million in fiscal year 2021. The 2022 decrease was driven by the following factors.

- Net student fees declined by nearly $2 million from $51.4 million in 2021 to $49.4 million in 2022. Gross student fees decreased by $3.2 million while scholarship discounts and allowances decreased by $1.2 million.
- Net revenues from auxiliary enterprises decreased from $18.8 million in 2021 to $15.5 million in 2022.
  - Campus Store revenues fell by almost $2 million as Barnes & Noble College managed the store for its first full fiscal year. However, University expenses associated with the Campus Store declined by $2.5 million, netting the University a surplus for the fiscal year.
  - Housing revenues remained steady at $10.8 million, down slightly from $10.9 million in 2021. A decline in student occupancy was offset by rent increases approved by the USI Board of Trustees in September 2020.
  - Dining revenues decreased by more than $905,000 in line with enrollment and housing occupancy trends.
  - Parking and other auxiliary revenues fell by a combined $268,000.
  - Room and board discounts and allowances applied to auxiliary revenues remained consistent from 2021 to 2022 at $1.8 million.

- Income from operating grants and contracts increased by $826,000 from 2021. In particular, nongovernmental grants and contracts increased by $1.1 million due to an increase in contract revenue from Lifelong Learning programs. That increase was offset slightly by a $243,000 decrease in revenues from governmental grants and contracts.
- Other operating revenues increased by $707,000 during 2022. These revenues include sales and services by educational units, athletics and theatre ticket sales, sponsorships, commissions, facilities rental, special event fees, and other miscellaneous income. The increase was spread across multiple categories and attributable in part to the resumption of normal activities after COVID-19.

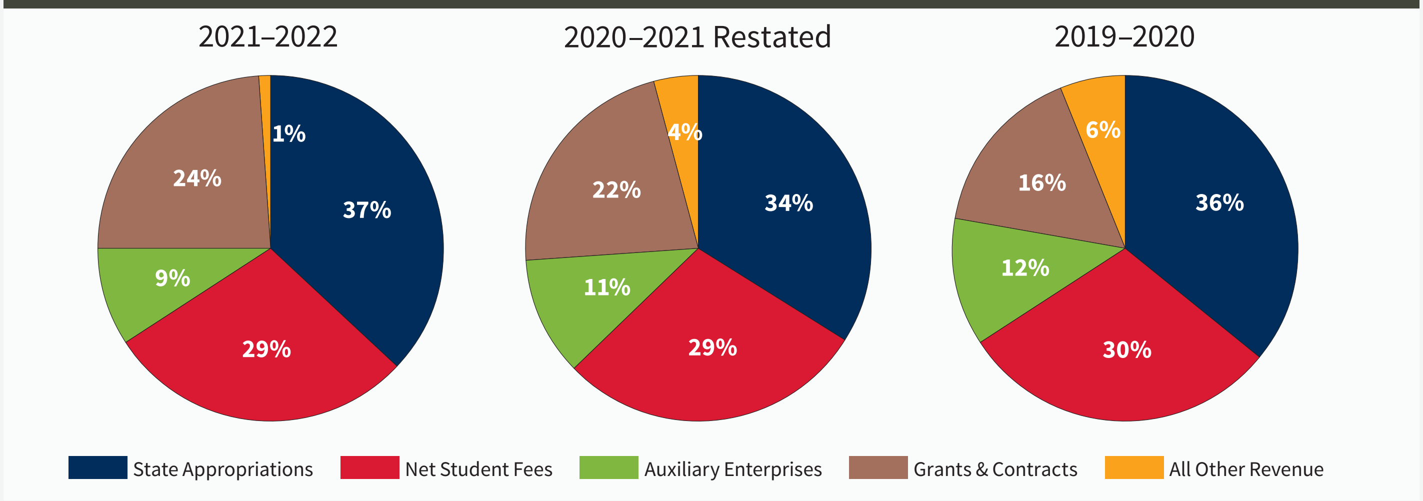
Non-operating revenues decreased from $100.7 million in the 2021 fiscal year to $99 million in 2022. The following elements contributed to the drop in 2022.

- State operating and fee replacement appropriations grew by $3.1 million from $60.5 million in 2021 to $63.6 million in 2022.
- Non-operating gift income, which comes almost entirely from the USI Foundation, increased to $4.1 million in 2022, an increase of $720,000 over the previous year. This increase aligns with USI's 2021-2025 Strategic Plan *Accelerating Impact*, which established annual fundraising increases as one of its financial objectives.
- Non-operating grants and contracts from all sources increased by $1.8 million in 2022. Federal grants and contracts increased by $1.9 million due primarily to awards from the Higher Education Emergency Relief Fund (HEERF). The University received $9 million to provide emergency aid grants to eligible students for expenses associated with the disruption of campus operations due to COVID-19. In addition, the University received $7.5 million to cover lost revenues and to defray costs associated with COVID-19. State and local grants and contracts declined by $810,000 while nongovernmental grants and contracts grew by $747,000.
- Net investment income improved by $546,000 in the 2022 fiscal year. Investment income totaled $1.9 million for the year before expenses, but an $8.4 million change in unrealized loss on investments resulted in a negative investment income amount on the on the face of the Statement of Revenues, Expenses, and Changes in Net Position. See Note 2, Deposits and Investments, in the Notes to Financial Statements for additional information.

Capital appropriations remained steady at $1.1 million in both 2021 and 2022.

Total revenues (operating, non-operating, and other) decreased by $5.4 million, or 3.1%, in fiscal year 2022 after increasing by $5.5 million, or 3.2%, in fiscal year 2021. The graph below shows the composition of the University's revenues for the three most recent fiscal years ended June 30.

REVENUE SOURCES



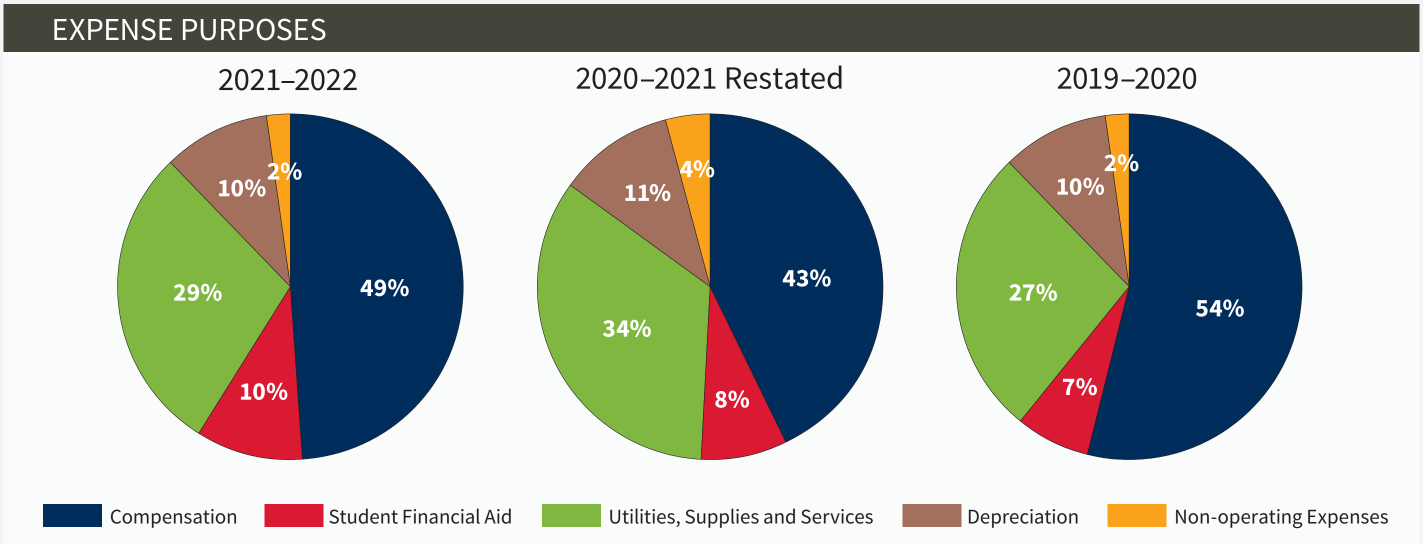
Expenses

Operating expenses increased by $35.3 million in fiscal year 2022, erasing the $33.6 million decrease in fiscal year 2021 and returning to pre-COVID levels. The following expenses contributed to the current year decrease.

- Compensation, which includes salaries, wages, and benefits, increased by $23.7 million in 2022. Salaries and wages decreased by $979,000 million, and benefits increased by $24.7 million during the year. That increase must be viewed in light of benefits expenses in 2021, which were reduced by a one-time adjustment of $28.3 million related to the change in other postemployment benefits (OPEB) that resulted in the net OPEB liability becoming a net OPEB asset.
- Student financial aid increased by $5.1 million in 2022. This amount represents financial aid paid to students because the dollars received exceeded charges owed to the University. Amounts applied to student accounts against outstanding charges are reported as contra revenues in the operating revenues section of the Statement of Revenues, Expenses, and Changes in Net Position. More than $9 million was paid to eligible students during fiscal year 2022 from the Higher Education Emergency Relief Fund (HEERF) in the ongoing response to COVID-19.
- Supplies and other services increased by $4.7 million, which reflects the return to pre-COVID levels of on-campus instruction during 2021-2022 and, accordingly, a return to pre-COVID spending levels.
- Depreciation and amortization increased by $1.3 million, and utility costs increased by $451,000 during fiscal year 2022.

Non-operating expenses consist of interest on capital asset-related debt and other costs associated with issuing bonds and refinancing debt. Interest on debt declined from $4.3 million in 2021 to $4 million in 2022. The University did not issue new debt during 2022. Therefore, no bond issuance or refinancing costs were incurred during the year.

Total expenses (operating and non-operating) increased by $34.7 million, or 27.5%, during the 2022 fiscal year following a decrease of $32.6 million, or 20.5%, in 2021. The composition of total expenses for the last three fiscal years is depicted by major categories in the graph below.



Statement of Cash Flows

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

Factors Affecting Future Periods

The University of Southern Indiana Board of Trustees on February 7, 2022, voted to transition from Division II to Division I athletics. Two days later, the University accepted an invitation to join the Ohio Valley Conference as its Division I partner beginning in the 2022-2023 academic year. Since 2018, the OVC has hosted its men's and women's basketball championships at the Ford Center in Evansville, setting attendance records in 2019. The OVC has a multi-year media rights agreement with ESPN as well as a sponsorship agreement with LEARFIELD collegiate sports marketing company. The move to Division I and the partnership with the OVC align with the third goal of USI's 2021-2025 Strategic Plan *Accelerating Impact*. That goal calls for the University to increase public awareness of the University and its academic distinctiveness. With a national media profile, the University has a unique opportunity to reach markets and potential students previously untapped.

In further support of this strategic goal, the University was featured on an episode of *The College Tour* in Spring 2022 available through Amazon Prime and a variety of additional streaming platforms. Hosted by *The Amazing Race* season two winner Alex Boylan, *The College Tour* is a powerful series created to empower high school students to virtually tour colleges across America from the comfort of their home. USI's episode featured 10 students and their unique experiences at the University.

U.S. News & World Report ranked USI 14th on its list of Top Public Schools – Regional Universities Midwest and 21st for Best Value in Regional Universities in the Midwest in September 2022. The rankings focus on academic quality and place emphasis on outcomes, including graduation rates, retention rates, graduate indebtedness and social mobility. *U.S. News & World Report* is a global authority in education rankings and serves as a guide for prospective students and their families.

The Indiana State Board of Education approved the University of Southern Indiana as a charter school authorizer. The University's vision for chartering is guided by its strategic plan to elevate its visibility and reputation and its institutional vision to be a recognized leader in higher education boldly shaping the future and transforming the lives of students through exception learning and intentional innovation. USI will play a role in expanding educational opportunities for students in urban and rural access to improve access to quality schools.

Individually and collectively, these developments have the potential to increase significantly public awareness of the University of Southern Indiana, its academic offerings, and its campus life on a scale not experienced previously, thereby positively impacting student recruitment into the future.

The University of Southern Indiana Foundation received a $2 million leadership gift from award-winning composer and Posey County, Indiana, native Philip H. Hagemann for the establishment of a fund to support and develop music programs at USI.

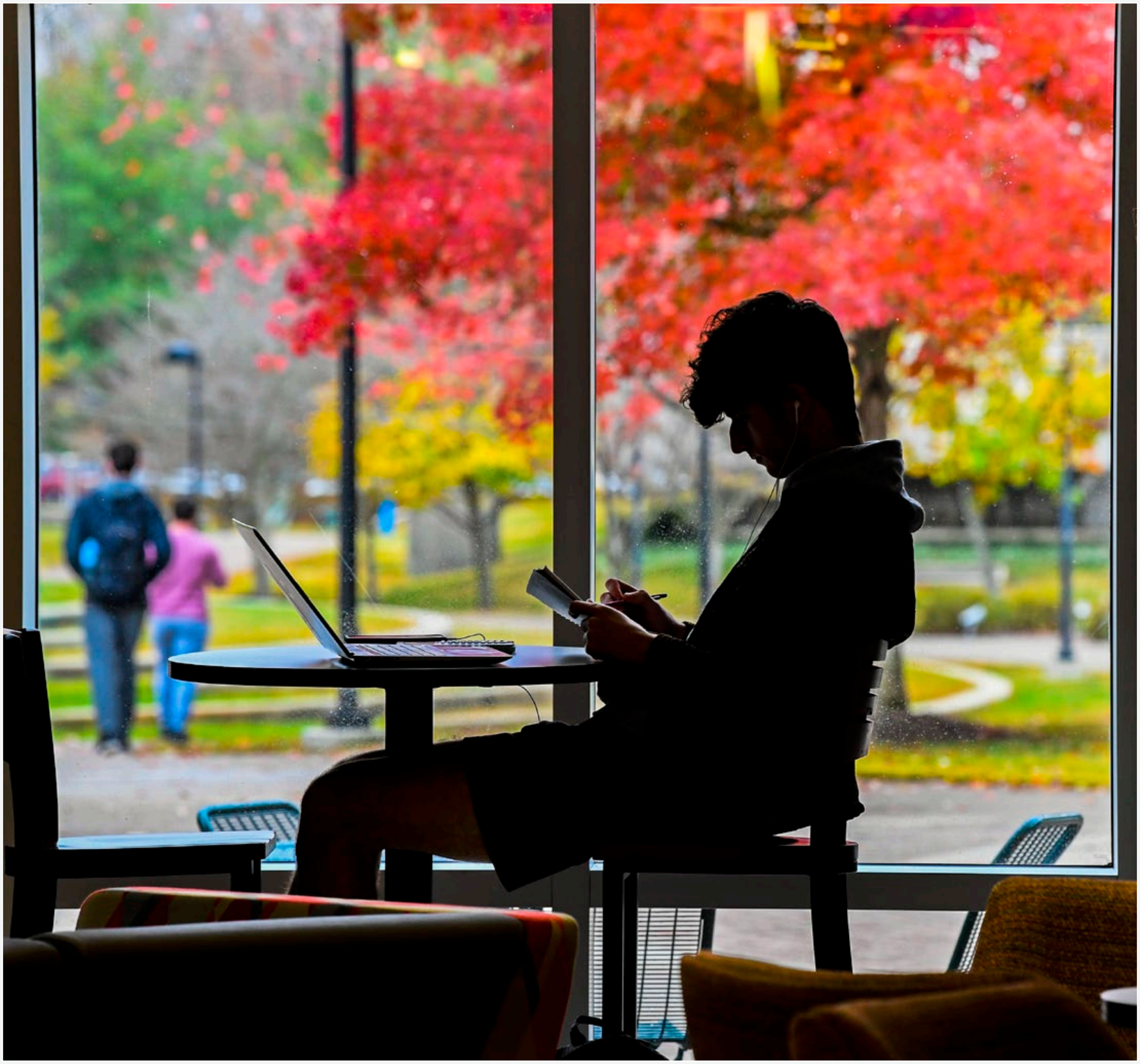
The University continues to rely on operating and capital appropriations provided by the State of Indiana to fulfill its mission. USI will receive a general operating appropriation of $51 million for the 2023 fiscal year, which represents a 5.8% increase in the second year of the biennium. In addition, the University will get $12.3 million in 2023 for fee replacement associated with debt service on student fee bonds. Line items for dual credit and Historic New Harmony will remain stable as well. Further, the State will provide $1.1 million in 2023 for repair and rehabilitation projects. In July 2022, the State announced a budget surplus of about $6.1 billion for 2021-2022, an increase from the record high of $3.9 billion in the previous year. Projections for 2022-2023 include another surplus for the State. The strong financial position of the University coupled with the strong financial position of the State of Indiana provides an extremely positive outlook for the future of USI.

On June 10, 2021, the University Board of Trustees approved tuition rates for the 2021-2022 and 2022-2023 academic years. Undergraduate residents of Indiana will pay $280.51 in 2022-2023, a 2% increase from 2021-2022. These rates allow the University to retain its position as one of the most affordable baccalaureate degree-granting institutions in Indiana, making quality education accessible to residents of the state and the region.

In Fall 2022, combined undergraduate and graduate enrollment totaled 7,361, down 7.3% compared to Fall 2021, with 5,539 undergraduate students and 1,822 graduate students. Total enrollment at USI, combining undergraduate, graduate, and students taking dual-credit courses in 33 high schools across the State of Indiana through the College Achievement Program (CAP), is 9,178. Statistics show those coming to the University with CAP credit have higher rates of retention and are more likely to graduate and to graduate on time. USI saw growth in graduate programs in three of its four colleges and expects to see continued growth with the addition of new offerings like the master's degree in criminal justice within the College of Liberal Arts and the education doctorate offered through the Pott College of Science, Engineering, and Education this past year. Master of Business Administration (MBA) enrollment in the Romain College of Business has begun to level off after six years of continuous growth, reflecting a national trend according to the Association to Advance Collegiate Schools of Business (AACSB). Of the 1,822 graduate students at USI, 1,675 students continue to choose programs exclusively offered online, including the accelerated MBA program, which added a new concentration in marketing earlier this year. Students at USI represent 88 Indiana counties, 47 states and 36 countries. In-state students comprise 77.1% of the student body, with out-of-state and international students making up the remaining 22.9%.

According to the National Clearinghouse, undergraduate enrollment was down nationally 4.7% in the 2022 Spring Semester compared to the previous spring. This represents 662,000 fewer students enrolled across the country. In Indiana, specifically, fewer high school graduates are deciding to go to college. According to the latest information from the Indiana Commission for Higher Education, only 53% of high school seniors enrolled in college during 2020-2021. This percentage equates to about 4,000 fewer high school graduates going to college compared to the previous year.

This is an exciting time for the University of Southern Indiana. The 2022 Financial Report demonstrates that the University is well-positioned financially to embrace new opportunities created by its increased visibility, accomplish its strategic plan goals, support the needs of the State of Indiana in education and in economic development, and become the first choice for students from Indiana, from the region, and from around the world.



Statement of Net Position

As of June 30	2022	2021
ASSETS		*Restated**
Current Assets		
Cash and cash equivalents	$ 39,954,294	$ 92,913,542
Short-term investments	15,279,224	18,492,173
Accounts receivable, net	6,405,027	6,508,823
Leases receivable	382,329	378,171
Inventories	528,480	507,279
Other current assets	3,434,416	2,044,182
Total current assets	$ 65,983,770	$120,844,170
Noncurrent Assets		
Cash equivalent – Deposit with bond trustee	$ 17,754,482	$ 46,372,240
Investments – Deposit with bond trustee	24,897,108	—
Long-term investments	86,697,345	27,553,291
Leases receivable	64,129	446,458
Net OPEB asset	4,690,720	12,302,972
Leased assets, net	311,896	417,218
Capital assets, net	212,663,490	222,256,912
Total noncurrent assets	$347,079,170	$309,349,091
Total Assets	**$413,062,940**	**$430,193,261**
DEFERRED OUTFLOW OF RESOURCES		
Hedging derivative instruments	$ 164,276	$ 433,374
Deferred amount on bond refundings	1,598,498	1,851,295
Deferred outflow of resources related to pensions	1,624,260	1,139,718
Deferred outflow of resources related to OPEB	5,927,878	168,419
Total deferred outflow of resources	$ 9,314,912	$ 3,592,806
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,238,762	$ 2,510,455
Accrued payroll, benefits, and deductions	6,537,536	6,827,221
Bonds and leases payable	11,211,963	16,059,972
Debt interest payable	1,056,993	1,170,230
Unearned revenue	7,402,283	6,931,964
Other current liabilities	56,999	62,259
Total current liabilities	$ 30,504,536	$ 33,562,101
Noncurrent Liabilities		
Bonds and leases payable	$115,629,622	$126,778,281
Derivative instruments—interest rate swap	164,276	433,374
Compensated absences and termination benefits	2,907,333	3,202,042
Net pension liability	1,883,504	4,450,249
Other noncurrent liabilities	8,465	5,563
Total noncurrent liabilities	$120,593,200	$134,869,509
Total Liabilities	**$151,097,736**	**$168,431,610**
DEFERRED INFLOW OF RESOURCES		
Deferred inflow of resources related to leases	$ 441,621	$ 820,154
Deferred inflow of resources related to pensions	3,568,423	1,552,143
Deferred inflow of resources related to OPEB	3,256,878	8,230,332
Total deferred inflow of resources	$ 7,266,922	$ 10,602,629
NET POSITION		
Net investment in capital assets	$129,469,268	$127,267,114
Restricted		
Expendable		
Capital Project	251,829	—
Debt Service	8	66
Scholarship, research and other	3,971	68,225
Unrestricted	134,288,118	127,416,423
Total Net Position	**$264,013,194**	**$254,751,828**

*See Note 18 in the Notes to Financial Statements.
The accompanying Notes to the Financial Statements are an integral part of this statement.

Component Unit

University of Southern Indiana Foundation

Consolidated Statements of Financial Position

Year Ended June 30	2022	2021
ASSETS		
Cash	$ 748,136	$ 885,478
Accounts and interest receivable	135,400	136,927
Contributions receivable, net	5,843,232	5,152,758
Prepaid expenses	6,389	1,319
Investments	149,362,145	174,028,302
Cash value of life insurance	513,090	495,898
Beneficial interest in charitable remainder trusts	451,134	1,446,653
Beneficial interest in perpetual trusts	6,246,242	4,927,772
Beneficial interest in Community Foundation	67,674	82,811
Real estate held for investment	2,480,215	2,480,215
Land and land improvements, net of accumulated depreciation; 2022 – $17,929, 2021 – $12,687	306,366	311,608
Buildings, net of accumulated depreciation; 2022 – $658,346, 2021 – $614,703	244,420	288,062
Equipment, net of accumulated depreciation; 2022 – $0, 2021 – $0	34,601	15,327
Property management deposits	7,890	5,370
Total assets	$166,446,934	$190,258,500
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 36,244	$ 39,320
Deposits	5,890	5,370
Deferred income	6,574	6,230
Payable to related parties	1,277,584	707,748
Annuities payable	798,218	840,608
Total liabilities	$ 2,124,510	$ 1,599,276
Net Assets		
Without donor restrictions		
Undesignated	$ 8,480,407	$ 7,481,807
Undesignated board endowments	10,652,480	12,950,947
	$ 19,132,887	$ 20,432,754
With donor restrictions		
Perpetual-in-nature endowments	$ 87,960,091	$106,488,118
Purpose-restricted board endowments	27,966,575	34,230,694
Purpose restrictions	21,985,014	20,066,988
Time restrictions for future periods	7,277,857	7,440,670
	$145,189,537	$168,226,470
Total net assets	$164,322,424	$188,659,224
Total liabilities and net assets	$166,446,934	$190,258,500

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30	2022	2021
		*Restated**
REVENUES		
Operating Revenues		
Student fees	$ 75,688,044	$ 78,915,806
Scholarship discounts and allowances	(26,321,386)	(27,561,602)
Grants and contracts	2,712,107	1,885,655
Auxiliary enterprises	17,305,761	20,540,465
Room and board discounts and allowances	(1,810,558)	(1,775,115)
Other operating revenues	2,380,180	1,673,352
Total operating revenues	$ 69,954,148	$ 73,678,561
EXPENSES		
Operating Expenses		
Salaries and wages	$ 59,832,816	$ 60,812,201
Benefits	18,554,655	(6,155,227)
Student financial aid	15,509,952	10,390,872
Utilities	5,686,215	5,234,868
Supplies and other services	41,667,894	36,965,750
Depreciation and amortization	15,567,928	14,257,728
Total operating expenses	$156,819,460	$121,506,192
Operating loss	$ (86,865,312)	$ (47,827,631)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 63,629,666	$ 60,461,069
Gifts	4,059,015	3,338,664
Federal grants and contracts	28,171,775	26,317,257
State/Local grants and contracts	8,437,200	9,246,931
Nongovernmental grants and contracts	1,129,081	381,828
Investment income (net of investment expense of $180,905 and $74,259 for 2022 and 2021)	(6,778,420)	577,429
Interest on capital asset related debt	(3,993,536)	(4,310,646)
Bond issuance costs	—	(338,112)
Other non-operating revenues/(expenses)	358,935	361,624
Net non-operating revenues (expenses)	$ 95,013,716	$ 96,036,044
Income before other revenues, expenses, gains or losses	$ 8,148,404	$ 48,208,413
Capital appropriations	$ 1,112,962	$ 1,112,962
Increase in net position	$ 9,261,366	$ 49,321,375
NET POSITION		
Net position – beginning of year	$254,751,828	$205,099,865
Prior period adjustment for change in accounting principle	$ —	$ 330,588
Net position – end of year	$264,013,194	$254,751,828

*See Note 18 in the Notes to Financial Statements.
The accompanying Notes to the Financial Statements are an integral part of this statement.

Component Unit

University of Southern Indiana Foundation

Consolidated Statements of Activities

Year Ended June 30	2022	2021
REVENUES AND OTHER SUPPORT		
Contributions of cash and other financial assets	$ 5,799,327	$ 6,335,955
Contributions of nonfinancial assets	180,000	—
Grants	210,994	164,719
Change in value of split-interest agreements	(162,121)	832,240
Rental property income (loss), net	(41,371)	5,445
Miscellaneous income	100,016	113,319
Net assets released from restrictions	—	—
Total revenues and other support	$ 6,086,845	$ 7,451,678
EXPENSES		
Program Services – University of Southern Indiana		
Scholarships and awards	$ 2,839,484	$ 2,635,078
Educational grants and academic enhancements	810,864	692,844
Athletic support	246,179	6,954
Other University support	439,975	241,272
Capital projects	3,600	2,310
Community outreach	9,476	7,147
Total program services	$ 4,349,578	$ 3,585,605
Management and general	$ 810,758	$ 770,344
Fundraising	97,448	72,306
Uncollectible pledge loss	5,224	944,886
Total expenses	$ 5,263,008	$ 5,373,141
OTHER CHANGES		
Investment income, net	$ (24,229,190)	$ 43,167,863
Change in fair value of perpetual trusts and Community Foundation	(1,109,750)	930,934
Mineral royalty income	20,727	7,097
Gain on disposal of property held for sale	140,385	—
Gain on cash value of life insurance	17,191	10,237
Total other changes	$ (25,160,637)	$ 44,116,131
CHANGE IN NET ASSETS	$ (24,336,800)	$ 46,194,668
NET ASSETS, BEGINNING OF YEAR	$188,659,224	$142,464,556
NET ASSETS, END OF YEAR	$164,322,424	$188,659,224

Statement of Cash Flows

Year Ended June 30	2022	2021
		*Restated**
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 50,859,550	$ 51,403,221
Grants and contracts	2,700,057	4,719,469
Payments to suppliers	(39,962,644)	(36,067,586)
Payments for utilities	(5,686,215)	(5,234,868)
Payments to employees	(59,802,644)	(60,979,810)
Payments for benefits	(23,324,890)	(22,616,541)
Payments for scholarships	(15,509,952)	(10,390,722)
Auxiliary enterprises receipts	15,306,793	18,231,967
Sales and services of educational depts.	349,498	367,001
Proceeds from fiduciary activities	433,526	485,214
Payments for fiduciary activities	(436,238)	(487,196)
Other receipts (payments)	1,049,238	2,681,235
Net cash used by operating activities	$ (74,023,921)	$(57,888,616)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	$ 63,629,666	$ 60,461,069
Gifts and grants for other than capital purposes	41,276,251	39,057,932
Other non-operating receipts (payments)	(692)	(138,817)
Net cash provided by noncapital financing activities	$104,905,225	$ 99,380,184
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	$ —	$ 48,349,397
Capital appropriations	1,112,962	1,112,962
Proceeds from leased assets	384,023	385,300
Bond financing costs	(25,450)	(366,262)
Purchase of capital assets	(5,796,424)	(22,198,063)
Principal paid on capital debt and leases	(15,468,246)	(15,625,645)
Interest paid on capital debt and leases	(4,455,157)	(4,370,135)
Net cash used by capital financing activities	$ (24,248,292)	$ 7,287,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 15,143,734	$ 36,320,802
Interest on investments	1,066,404	1,145,089
Purchase of investments	(104,420,155)	(19,347,515)
Net cash provided by investing activities	$ (88,210,017)	$ 18,118,376
Net increase (decrease) in cash	$ (81,577,005)	$ 66,897,498
Cash – beginning of year	139,285,782	72,388,284
Cash – end of year	$ 57,708,777	$139,285,782

Statement of Cash Flows–continued

Year Ended June 30	2022	2021
		*Restated**
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$(86,865,313)	$(47,827,631)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation and amortization expense	15,567,928	14,257,728
Provision for uncollectible accounts	(293,042)	(82,526)
Other noncash adjustments	—	(6,758)
CHANGES IN ASSETS, LIABILITIES AND DEFERRED RESOURCES:		
Operating receivables	917,658	842,432
Inventories	(21,201)	1,059,862
Other assets	(786,849)	505,221
Accounts payable	1,436,767	(325,279)
Unearned revenue	470,319	2,460,354
Deposits held for others	2,902	(1,150)
Employee and retiree benefits	(4,450,378)	(28,768,887)
Fiduciary funds	(2,712)	(1,982)
Net cash used by operating activities:	$(74,023,921)	$(57,888,616)

NONCASH TRANSACTIONS		
Unrealized gain/(loss) on short-term investments	$ (331,002)	$ (29,764)
Unrealized gain/(loss) on long-term investments	(8,117,207)	(516,499)
Leased assets	(72,760)	—
Net noncash transactions	$ (8,520,969)	$ (546,263)

*See Note 18 in the Notes to Financial Statements.
The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position

Year Ended June 30	2022	2021
	OPEB Trust	OPEB Trust
ASSETS		
Cash and cash equivalents	$ 403,310	$ 333,116
Investments:		
Equities	17,523,927	22,215,791
Fixed Income	7,200,885	7,832,917
Accrued income	28,252	30,965
Total assets	$25,156,374	$30,412,789
NET POSITION		
Restricted for other postemployment benefits	$25,156,374	$30,412,789
Total Net Position	$25,156,374	$30,412,789

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

Statement of Changes in Fiduciary Net Position

Year Ended June 30	2022	2021
	OPEB Trust	OPEB Trust
ADDITIONS		
Investment income		
Net increase/(decrease) in fair value of investments	$ (6,623,428)	$ 5,229,770
Interest, dividends and other	459,274	398,594
Net gain/(loss) on sale of assets	2,182,480	1,470,050
Total investment earnings	(3,981,674)	$ 7,098,414
Less investment costs	(39,556)	(38,904)
Net investment earnings	(4,021,230)	$ 7,059,510
Total additions	(4,021,230)	$ 7,059,510
DEDUCTIONS		
Other postemployment benefits	$1,234,000	$ 1,220,000
Taxes	1,185	185
Total deductions	1,235,185	$ 1,220,185
Increase/(decrease) in net position	$ (5,256,415)	$ 5,839,325
NET POSITION		
Net position – beginning of year	$ 30,412,789	$24,573,464
Net position – end of year	$ 25,156,374	$30,412,789

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

Notes to Financial Statements

NOTE 1 – Summary of Significant Accounting Policies

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

Basis of Accounting

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

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

New Accounting Pronouncements

The University adopted GASB Statement 87, Leases, effective for the fiscal year ended June 30, 2022. This statement requires recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Additional details about the impact of these changes can be found in Note 6, Leases Receivable; Note 11, Leases Payable; and Note 18, Reclassifications and Restatements.

The University adopted GASB Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the fiscal year ended June 30, 2022. The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefits plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption of this standard by the University did not have a significant impact on the financial statements.

The University adopted GASB 98, the Annual Comprehensive Financial Report, effective for the fiscal year ended June 30, 2022. This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replaces instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

The University adopted GASB Statement 99 ¶26-32, Omnibus, effective for the fiscal year ended June 30, 2022. The requirements in paragraphs 26-32 of this statement relate to extension of the use of the London Interbank Offered Rate (LIBOR), disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. The adoption of this standard by the University did not have a significant impact on the financial statements. Additional provisions of the statement effective for fiscal years beginning June 15, 2022, and June 15, 2023, will be evaluated and applied to future periods as required.

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Leases Receivable

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

Inventory

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

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

Cash Equivalent – Deposits with Bond Trustee

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

Investments – Deposits with Bond Trustee

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

Leased assets, net

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

Capital Assets Accounting Policies

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

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

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

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

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

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

The University owns a collection of museum exhibit items located in Historic New Harmony. The collection consists of 2,800 objects that are primarily 19th century decorative arts, furniture, prints, medical equipment, and textiles. The collection consists of both donated and purchased items. Historic New Harmony does not place a monetary value on the collection because the museum is organized as a public trust which acts as a steward for the public in collecting, protecting, preserving, and interpreting objects. A well-documented inventory is maintained, but the value is unknown and therefore not included in the capitalized asset value at June 30, 2022.

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 $3,109,586. The currently known value is not included in the capitalized asset value at June 30, 2022.

Other Postemployment Benefits (OPEB)

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

Accrued Payroll, Benefits and Deductions

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

Unearned Revenue

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

Compensated Absences and Termination Benefits

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

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

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by Indiana Public Retirement System (INPRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit (DB) funds) were 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 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, 2022, the bank balances of the University's operating demand deposit accounts were $33,637,589, of which $801,712 was covered by federal depository insurance. The bank balances of the University's operating demand deposit accounts were $89,951,019, at June 30, 2021, of which $752,314 was covered by federal depository insurance. The remaining balances were insured by the Public Deposit Insurance Fund, which covers all public funds held in approved Indiana depositories. None of these funds were exposed to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or collateral securities that are in the possession of an outside party. The balance of the cash equivalents - unrestricted investment accounts were $6,150,370, at June 30, 2022, and $3,075,495, at June 30, 2021. The balance of the cash equivalents - deposits with bond trustee were $17,754,482, at June 30, 2022, and $46,372,240, at June 30, 2021.

Investments

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

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

The University's investments at June 30, 2021, are identified in the table below.

INVESTMENTS						JUNE 30, 2021
			Maturities (in Years)			
Investment Type	Market Value	Type %	Less than 1 year	1–5 years	6–10 years	More than 10 years
Certificates of deposit	16,312,742	36%	10,510,854	5,801,888	—	—
Agency securities	24,933,168	54%	5,580,957	14,197,656	5,074,660	79,895
U.S. treasury securities	4,799,554	10%	2,400,362	2,399,192	—	—
Totals	$46,045,464	100%	$18,492,173	$22,398,736	$5,074,660	$79,895
Maturity %	100%		40%	49%	11%	0%

Investment Custodial Credit Risk

This is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University investment policy 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 $126.9 million invested at June 30, 2022, $24.9 million investments - deposits with bond trustee and $47.6 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. Of the $46 million invested at June 30, 2021, $29.7 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 15% of investments in short-term investments to be in a position to take advantage of the best rates in a timely fashion as well as sustaining adequate cash flow for operating needs.

Credit Risk

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

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

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

At June 30, 2021, $30 million in unrestricted investments were rated Aaa by Moody's Investors Service, and $16 million were unrated. The unrated investments include Certificates of Deposit and other Treasury and Agency securities without ratings.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University has established the following requirements as part of its Investment Policy Statement. At June 30, 2022, and June 30, 2021, the University is in compliance with that policy.

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

Investments not explicitly guaranteed by the U.S. government are subject to disclosure if any one issuer represents 5% or more of total investments. The $24.2 million investments - deposits with bond trustee and $27.1 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2022, and $4.8 million unrestricted investments invested in U.S. Treasury Securities at June 30, 2021, 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, 2022							
Bank	**Certificates of Deposit**	**Percentage of CDs**	**Bonds**	**US Agency Securities**	**Asset-Backed Securities**	**Total**	**Percentage of Total**
Banterra Bank	4,158,704	26%	—	—	—	4,158,704	6%
Fifth Third	—	0%	4,220,991	8,286,215	1,478,875	13,986,081	19%
First Federal Savings Bank	4,018,557	25%	—	—	—	4,018,557	5%
First Financial Bank NA	1,001,219	6%	—	—	—	1,001,219	1%
German American Bank	302,202	2%	—	1,411,673	—	1,713,875	2%
Indiana Members Credit Union	1,189,682	7%	—	—	—	1,189,682	2%
Johnson	227,090	1%	15,097,291	501,184	—	15,825,565	21%
Longfellow	—	0%	9,643,738	935,362	4,643,744	15,222,844	20%
Lynnville National Bank	111,647	1%	—	—	—	111,647	0%
ONB	—	0%	3,147,196	7,723,971	—	10,871,167	15%
PNC Capital Markets	127,201	1%	—	—	—	127,201	0%
Regions	—	0%	—	1,656,961	—	1,656,961	2%
United Fidelity Bank	5,026,823	31%	—	—	—	5,026,823	7%
Total	$16,163,125	100%	$32,109,216	$20,515,366	$6,122,619	$74,910,326	100%

June 30, 2021					
Bank	**Certificates of Deposit**	**Percentage of CDs**	**US Agency Securities**	**Total**	**Percentage of Total**
Banterra Bank	4,132,036	25%	—	4,132,036	10%
Boonville Fed Savings	590,686	4%	—	590,686	2%
Fifth Third Bank	—	0%	11,857,549	11,857,549	29%
First Federal Savings Bank	3,381,178	21%	—	3,381,178	8%
First Financial Bank	2,003,658	12%	—	2,003,658	5%
German American Bank	296,689	2%	1,866,231	2,162,920	5%
Indiana Members Credit Union	1,157,088	7%	—	1,157,088	3%
Lynnville National Bank	109,338	1%	—	109,338	0%
Old National Bank	—	0%	9,159,476	9,159,476	22%
PNC Bank	386,658	2%	—	386,658	1%
Regions Bank	—	0%	2,049,912	2,049,912	5%
United Fidelity Bank	4,255,411	26%	—	4,255,411	10%
Total	$16,312,742	100%	$24,933,168	$41,245,910	100%

Foreign Currency Risk

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

NOTE 3 – Fair Value of Assets and Liabilities

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date

Level 2 Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly

Level 3 Unobservable inputs for an asset or liability

The following table presents value of University deposits and investments as reported in the accompanying Statement of Net Position at fair valuation on a recurring basis and their level within the fair-value hierarchy at June 30, 2022.

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

The University had the following fair value measurements at June 30, 2021.

FAIR VALUE MEASUREMENTS				FAIR VALUE AT JUNE 30, 2021
	Fair Value Measurement Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unrestricted investments				
Certificates of deposit	16,312,742	16,312,742	—	—
U.S. treasury securities	4,799,554	4,799,554	—	—
Agency securities	24,780,318	—	24,780,318	—
Agency mortgage securities	152,850	—	152,850	—
Total unrestricted investments	**$46,045,464**	**$21,112,296**	**$24,933,168**	—
Derivative Instruments				
Interest rate swap	(433,374)	—	(433,374)	—
Total derivative instruments	**$ (433,374)**	—	**$ (433,374)**	—
Deposits with bond trustee	46,372,240	46,372,240		—

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, 2022 and June 30, 2021.

NOTE 4 – Derivative Instruments

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

CHANGE IN FAIR VALUE			FAIR VALUE AT JUNE 30, 2022		
Derivative Instrument	Type	Amount	Classification	Amount	Current Notional
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	$226,355	Derivative Instrument Interest Rate Swap	$(164,276)	$2,795,316
Series 2008A	Cash flow hedge: Pay-fixed interest rate swap	$ 42,743	Derivative Instrument Interest Rate Swap	$ —	$ —

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2021, classified by type and the fair value changes of those derivative instruments are as follows.

CHANGE IN FAIR VALUE			FAIR VALUE AT JUNE 30, 2021		
Derivative Instrument	Type	Amount	Classification	Amount	Current Notional
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	$156,158	Derivative Instrument Interest Rate Swap	$(390,631)	$3,211,113
Series 2008A	Cash flow hedge: Pay-fixed interest rate swap	$126,304	Derivative Instrument Interest Rate Swap	$ (42,743)	$3,100,000

The University determined that Series 2006 pay-fixed interest rate swap met the criteria for effectiveness as of June 30 of both years. The Series 2008A was paid off on October 1, 2021 and did not meet the criteria to be effective at June 30, 2021. The cumulative change in the Series 2008A at June 30, 2021 was less than the change in the hedged item (under-hedge). Therefore, no ineffectiveness was recognized. The pay-fixed, receive-variable interest rate swaps are designed to synthetically fix the cash flows on the variable rate bonds. The fair value of the interest rate swaps was estimated based on the present value of their estimated future cash flows.

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

Type	Objective	Current Notional	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	$2,795,316	1/1/2008	1/1/2028	65% of 3 mo. USD-LIBOR-BBA	A3
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2008 Bonds	$ —	7/1/2008	10/1/2021	65% of 3 mo. USD-LIBOR-BBA w/- 1 day look back, 79.0 bps	A3

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2021, along with the credit rating of the associated counterparty.

Type	Objective	Current Notional	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	$3,211,113	1/1/2008	1/1/2028	65% of 3 mo. USD-LIBOR-BBA	A3
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2008 Bonds	$3,100,000	7/1/2008	10/1/2021	65% of 3 mo. USD-LIBOR-BBA w/- 1 day look back, 79.0 bps	A3

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

Fiscal Year Ending	Series 2006		Series 2008A		Total		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	435,257	123,007	—	—	435,257	123,007	**558,264**
2024	455,626	102,328	—	—	455,626	102,328	**557,954**
2025	476,951	80,681	—	—	476,951	80,681	**557,632**
2026	499,270	58,021	—	—	499,270	58,021	**557,291**
2027	522,636	34,301	—	—	522,636	34,301	**556,937**
2028-2032	405,576	9,470	—	—	405,576	9,470	**415,046**
2033-2037	—	—	—	—	—	—	**—**
Total	$2,795,316	$407,808	$ —	$ —	$2,795,316	$407,808	$3,203,124

Credit Risk — The fair value of the Series 2006 hedging derivative instruments is in a liability position as of June 30, 2022, and June 30, 2021, with Series 2006 having a balance of $164,276 and $390,631 and Series 2008A that was paid off on October 1, 2021 having a balance of $0 and $42,743, 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 LIBOR index.

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

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

NOTE 5 – Accounts Receivable

The following schedule summarizes accounts receivable at June 30, 2022, compared to the previous fiscal year.

Accounts Receivable	2022	2021
Student fees receivable	$ 4,765,883	$ 5,723,408
Auxiliary enterprises	1,328,471	1,260,389
Gifts and nonoperating grants	2,550,928	1,982,598
Contracts and operating grants	185,174	271,152
Other	263,782	253,529
Current accounts receivable, gross	9,094,238	9,491,076
Allowance for uncollectible accounts	(2,689,211)	(2,982,253)
Current accounts receivable, net	$ 6,405,027	$ 6,508,823

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

NOTE 6 – Leases Receivable

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

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

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

Fiscal year ending June 30	2022	2021
Lease revenue	$377,256	$378,533
Interest income	7,129	11,242
Total Lease revenue	$384,385	$389,775

Future principal and interest payment requirements related to the leases receivable on June 30, 2022, are illustrated in the following schedule.

FUTURE MINIMUM LEASE PAYMENTS			
Fiscal year ending June 30	Principal	Interest	Total
2023	$382,329	$2,971	$385,300
2024	64,129	88	64,217
2025	—	—	—
2026	—	—	—
2027	—	—	—
Total future minimum payments	$446,458	$3,059	$449,517

NOTE 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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

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

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

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

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

Employees covered by benefit terms — At June 30, 2022, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving medical/dental benefit payments	295
Inactive employees entitled to but not yet receiving medical/dental benefit payments	0
Active employees eligible for medical/dental	256
Total	551

Inactive employees or beneficiaries currently receiving life insurance benefit payments	379
Inactive employees entitled to but not yet receiving life insurance benefit payments	0
Active employees eligible for life insurance	470
Total	849

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 postretirement 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 postretirement 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 $41.42 to $589.24 per month for single coverage and $499.48 to $1,627.04 for family coverage. Retiree contributions for medical and dental ranged from $40.47 to $585.44 per month for single coverage and $498.53 to $1,623.24 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, 2022, a June 30, 2022 measurement date was used. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2022 with no adjustments to the June 30, 2022 measurement date. Liabilities as of July 1, 2021 are based on an actuarial valuation date of July 1, 2020 projected to July 1, 2021 on a “no gain/no loss” basis.

Actuarial assumptions — The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.00%
Salary increases	2.00–8.50%, including inflation
Healthcare cost trend rates	7.50% for 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for pre 65 medical
	6.50% for 2022, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for post 65 medical
	4.00% for 2022 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 healthcare trend rates.

The actuarial assumptions used in the June 30, 2022 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% inflation assumption.

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

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

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

YIELD AS OF	JUNE 30, 2022
Bond Buyer Go 20-Bond Municipal Bond Index	3.54%
S&P Municipal Bond 20-Year High Grade Rate Index	4.09
Fidelity 20-Year Go Municipal Bond Index	3.69
Bond Index Range	3.54–4.09%

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

CHANGES IN THE NET OPEB LIABILITY (ASSET)			JUNE 30, 2021
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at 6/30/2020	$41,864,645	$24,573,452	$17,291,193
Changes for the year:			
Service Cost	351,193		351,193
Interest	2,902,760		2,902,760
Change in benefit terms	(22,980,672)		(22,980,672)
Differences between expected and actual experience	(2,506,700)		(2,506,700)
Contributions – employer		301,410	(301,410)
Net Investment Income		7,098,077	(7,098,077)
Benefit Payments	(1,521,410)	(1,521,410)	—
Administrative Expense		(38,741)	38,741
Net Changes	(23,754,829)	5,839,336	(29,594,165)
Balances at 6/30/2021	**$18,109,816**	**$30,412,788**	**$(12,302,972)**

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

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net OPEB liability (asset)	$(2,508,471)	$(4,690,720)	$(6,538,652)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates — The following presents the net OPEB liability (asset) of the University, as well as what the University's net OPEB liability (asset) would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (6.50% decreasing to 3.50%) or 1-percentage-point higher (8.50% decreasing to 5.50%) than the current healthcare cost trend rates.

	1% Decrease (6.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Net OPEB liability (asset)	$(6,434,841)	$(4,690,720)	$(2,643,240)

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

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

For the year ended June 30, 2021, the University recognized OPEB expense of $(27,949,009). At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

DEFERRED RESOURCES		JUNE 30, 2021
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	—	3,661,114
Changes in assumptions	—	223,963
Net differences between projected and actual earnings in OPEB plan investments	—	4,176,836
Total	$ —	$8,061,913

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	
2023	1,165,927
2024	162,639
2025	129,091
2026	1,213,343
2027	—
Thereafter	—

NOTE 8 – Capital Assets, Net of Accumulated Depreciation and Leased Assets, Net of Accumulated Amortization

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Balance June 30, 2021	Additions	Transfers	Deletions	Balance June 30, 2022
Capital Assets Not Being Depreciated					
Land	$ 5,085,598	$ —	$ —	$ —	$ 5,085,598
Construction in Progress	4,622,347	4,522,096	(5,084,648)	(32)	4,059,763
Total Capital Assets Not Being Depreciated	$ 9,707,945	$ 4,522,096	$ (5,084,648)	$(32)	$ 9,145,361
Capital Assets Being Depreciated					
Land Improvements	$ 15,236,711	$ —	$ —	$ —	$ 15,236,711
Infrastructure	10,817,987	—	—	—	10,817,987
Educational Buildings	277,140,855	—	5,084,648	(138,289)	282,087,214
Auxiliary Buildings	122,230,850	—	—	—	122,230,850
Equipment	27,099,344	1,277,369	—	(270.291)	28,106,422
Library Materials	2,662,373	2,834	—	(58,326)	2,606,881
Total Capital Assets Being Depreciated	$ 455,188,120	$ 1,280,203	$ 5,084,648	$(466,906)	$ 461,086,065
Total Capital Assets	$ 464,896,065	$ 5,802,299	$ —	$(466,938)	$ 470,231,426
Less Accumulated Depreciation					
Land Improvements	$ (12,175,212)	$ (640,420)	$ —	$ —	$ (12,815,632)
Infrastructure	(3,762,939)	(292,510)	—	—	(4,055,449)
Educational Buildings	(119,419,111)	(9,709,409)	—	137,209	(128,991,311)
Auxiliary Buildings	(81,431,334)	(3,401,395)	—	—	(84,832,729)
Equipment	(23,370,514)	(1,305,484)	—	265,527	(24,410,471)
Library Materials	(2,480,043)	(40,627)	—	58,326	(2,462,344)
Total Accumulated Depreciation	$(242,639,153)	$(15,389,845)	—	$ 461,062	$(257,567,936)
Net Capital Assets Being Depreciated	$ 212,548,967	$(14,109,642)	$ 5,084,648	$ (5,844)	$ 203,518,129
Total Net Capital Assets	$ 222,256,912	$ (9,587,546)	$ —	$ (5,876)	$ 212,633,490

The table below displays the increase in total leased assets from $588,074 at July 1, 2021, to $628,524 on June 30, 2022. Gross leased assets, less accumulated amortization of $316,628, equal net leased assets of $311,896 at June 30, 2022.

LEASED ASSETS, LESS ACCUMULATED AMORTIZATION

	Balance June 30, 2021	Additions	Transfers	Deletions	Balance June 30, 2022
Leased Asset Class					
Equipment	$ 519,642	$ 26,092	$ —	$ —	$ 545,734
Buildings	32,055	15,279	—	(11,771)	35,563
Vehicles	36,377	31,390	—	(20,540)	47,227
Total Leased Assets Being Amortized	$ 588,074	$ 72,761	$ —	$(32,311)	$ 628,524
Less Accumulated Amortization					
Equipment	$(142,489)	$(147,708)	$ —	$ —	$(290,197)
Buildings	(13,068)	(14,281)	—	11,771	(15,578)
Vehicles	(15,299)	(16,094)	—	20,540	(10,853)
Total Accumulated Amortization	$(170,856)	$(178,083)	$ —	$ 32,311	$(316,628)
Total Net Leased Assets	$ 417,218	$(105,322)	$ —	$ —	$ 311,896

The table below displays the increase in total capital assets from $443.1 million at July 1, 2020, to $464.9 million on June 30, 2021. Gross capital assets, less accumulated depreciation of $242.6 million, equal net capital assets of $222.3 million at June 30, 2021.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Balance June 30, 2020	Additions	Transfers	Deletions	Balance June 30, 2021
Capital Assets Not Being Depreciated					
Land	$ 5,085,598	$ —	$ —	$ —	$ 5,085,598
Construction in Progress	22,261,976	21,475,145	(39,114,774)	—	4,622,347
Total Capital Assets Not Being Depreciated	$ 27,347,574	$ 21,475,145	$(39,114,774)	$ —	$ 9,707,945
Capital Assets Being Depreciated					
Land Improvements	$ 15,236,711	$ —	$ —	$ —	$ 15,236,711
Infrastructure	10,577,490	—	240,497	—	10,817,987
Educational Buildings	239,219,979	—	37,920,876	—	277,140,855
Auxiliary Buildings	121,277,449	—	953,401	—	122,230,850
Equipment	26,772,907	724,797	—	(398,360)	27,099,344
Library Materials	2,701,204	8,161	—	(46,992)	2,662,373
Total Capital Assets Being Depreciated	$ 415,785,740	$ 732,958	$ 39,114,774	$(445,352)	$ 455,188,120
Total Capital Assets	$ 443,133,314	$ 22,208,103	$ —	$(445,352)	$ 464,896,065
Less Accumulated Depreciation					
Land Improvements	$ (11,526,484)	$ (648,728)	$ —	$ —	$ (12,175,212)
Infrastructure	(3,478,446)	(284,493)	—	—	(3,762,939)
Educational Buildings	(111,450,119)	(7,968,992)	—	—	(119,419,111)
Auxiliary Buildings	(77,796,420)	(3,634,914)	—	—	(81,431,334)
Equipment	(22,288,393)	(1,477,199)	—	395,078	(23,370,514)
Library Materials	(2,459,456)	(67,579)	—	46,992	(2,480,043)
Total Accumulated Depreciation	$(228,999,318)	$(14,081,905)	$ —	$ 442,070	$(242,639,153)
Net Capital Assets Being Depreciated	$ 186,786,422	$(13,348,947)	$39,114,774	$ (3,282)	$ 212,548,967
Total Net Capital Assets	$ 214,133,996	$ 8,126,198	—	$ (3,282)	$ 222,256,912

The table below displays the decrease in total leased assets from $593,041 at July 1, 2020, to $588,074 on June 30, 2021. Gross leased assets, less accumulated amortization of $170,856, equal net leased assets of $417,218 at June 30, 2021. The leased assets and accumulated amortization are restated for June 30, 2020 and June 30, 2021 due to the adoption of GASB 87.

LEASED ASSETS, LESS ACCUMULATED AMORTIZATION

	Balance June 30, 2020	Additions	Transfers	Deletions	Balance June 30, 2021
Leased Asset Class					
Equipment	$ 524,609	$ —	$ —	$(4,967)	$ 519,642
Buildings	32,055	—	—	—	32,055
Vehicles	36,377	—	—	—	36,377
Total Leased Assets Being Amortized	$ 593,041	$ —	$ —	$(4,967)	$ 588,074
Less Accumulated Amortization					
Equipment	$ —	$(147,456)	$ —	$ 4,967	$(142,489)
Buildings	—	(13,068)	—	—	(13,068)
Vehicles	—	(15,299)	—	—	(15,299)
Total Accumulated Amortization	$ —	$(175,823)	$ —	$ 4,967	$(170,856)
Total Net Leased Assets	$ 593,041	$(175,823)	$ —	$ —	$ 417,218

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

CONSTRUCTION WORK IN PROGRESS		
Facility	Balance as of June 30, 2021	Balance as of June 30, 2022
HVAC Building Controls Replacement	$ —	$1,744,872
HVAC Infrastructure Improvements	3,941,095	—
Wellness Center	507,009	591,200
Housing Fiber Optic Upgrade	125,000	1,317,714
Other projects (not exceeding $250,000)	49,243	405,977
Total	$4,622,347	$4,059,763

NOTE 9 – Noncurrent Liabilities

Changes in noncurrent liabilities for the fiscal years ended June 30, 2022 and 2021, are shown below.

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
Bonds payable	$142,418,646	—	$15,891,978	$126,526,668	$11,046,438	$115,480,230
Leases payable	419,607	72,760	177,450	314,917	165,525	149,392
Derivative instruments – interest rate swap	433,374	—	269,098	164,276	—	164,276
Other postemployment benefits	—	—	—	—	—	—
Compensated absences	3,482,812	2,615,501	2,930,547	3,167,766	430,237	2,737,529
Termination benefits	673,628	213,019	446,117	440,530	270,726	169,804
Net pension liability	4,450,249	1,459,307	4,026,052	1,883,504	—	1,883,504
Other noncurrent liabilities	5,563	10,154	7,252	8,465	—	8,465
Total	$151,883,879	$4,370,741	$23,748,494	$132,506,126	$11,912,926	$120,593,200

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion	Noncurrent Portion
Bonds payable	$110,122,639	$48,349,397	$16,053,390	$142,418,646	$15,891,978	$126,526,668
Leases payable	593,041	—	173,434	419,607	167,994	251,613
Derivative instruments – interest rate swap	715,836	—	282,462	433,374	—	433,374
Other postemployment benefits	17,291,193	3,292,694	20,583,887	—	—	—
Compensated absences	3,528,360	2,327,453	2,373,001	3,482,812	506,655	2,976,157
Termination benefits	530,263	508,792	365,427	673,628	447,743	225,885
Net pension liability	5,008,824	692,900	1,251,475	4,450,249	—	4,450,249
Other noncurrent liabilities	6,712	13,181	14,330	5,563	—	5,563
Total	$137,796,868	$55,184,417	$41,097,406	$151,883,879	$17,014,370	$134,869,509

Leases Payable for June 30, 2020 and June 30, 2021 has been restated due to the implementation of GASB 87.

NOTE 10 – Debt Related to Capital Assets

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

SCHEDULE OF BONDS PAYABLE

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

The following schedule details bonds payable at June 30, 2021, compared to the previous fiscal year.

SCHEDULE OF BONDS PAYABLE

	Issue Date	Interest Rate	Maturity Date	Original Issue Amount	Principal Outstanding June 30, 2021	Principal Outstanding June 30, 2020	Current Portion June 30, 2021
Student Fee Bonds							
Direct Placements of Debt							
Series 2006, Recreation and Fitness Center	2006	4.67%	2028	7,250,000	3,211,113	3,608,322	**415,797**
Series K-3, Refund Series H and I	2012	1.90%	2023	42,840,000	9,620,000	14,060,000	**4,520,000**
Series L-1, Health Professions Center 3rd Floor	2017	2.90%	2036	8,050,000	6,820,000	7,150,000	**340,000**
Series L-2, Refund Series J	2017	2.15%	2026	21,440,000	18,355,000	21,440,000	**3,160,000**
Series L-3, Refund Series J	2017	2.65%	2028	9,955,000	9,855,000	9,955,000	**100,000**
Student Fee Bonds – Direct Placements				89,535,000	47,861,113	56,213,322	**8,535,797**
Other Debt							
Series K-1, Teaching Theatre	2012	2.00% to 4.00%	2032	12,300,000	7,780,000	8,280,000	**515,000**
Series M, Physical Activities Center	2019	4.00% to 5.00%	2037	37,245,000	32,170,000	33,395,000	**1,275,000**
Series N, Health Professions Center Renovation	2020	3.00% to 5.00%	2039	41,170,000	38,650,000	—	**1,365,000**
Student Fee Bonds – Other Debt				90,715,000	78,600,000	41,675,000	**3,155,000**
Student Fee Bonds				180,250,000	126,461,113	97,888,322	**11,690,797**
Auxiliary System Bonds							
Direct Placements of Debt							
Series 2008A, Student Housing Facilities	2008	3.97%	2021	9,800,000	3,100,000	5,475,000	**3,100,000**
Other Debt							
Series 2003, Student Housing Facilities	2003	3.00% to 4.50%	2024	8,005,000	2,150,000	2,630,000	**500,000**
Auxiliary System Bonds				17,805,000	5,250,000	8,105,000	**3,600,000**
Subtotal Bonds Payable				$198,055,000	$131,711,113	$105,993,322	$15,290,797
Net Unamortized Premiums				—	$ 10,707,533	$ 4,129,317	$ 601,181
Total Bonds Payable					$142,418,646	$110,122,639	$15,891,978

The University of Southern Indiana Student Fee Bonds Series K-1 and K-3 of 2012, Series L-1, L-2, and L-3 of 2017, Series M of 2019, and Series N of 2020 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 $1,851,295 at June 30, 2021, and $1,598,498 at June 30, 2022.

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

ANNUAL DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2022

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

ANNUAL DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2021

	Direct Placements		Other Debt	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest
2022	$11,635,797	$1,151,526	$ 3,655,000	$ 3,299,475
2023	6,640,257	927,917	3,805,000	3,150,538
2024	6,795,626	775,592	3,970,000	2,992,350
2025	4,321,951	644,437	4,140,000	2,820,113
2026	4,434,270	534,830	3,720,000	2,646,675
2027–2031	14,198,212	1,069,040	21,290,000	10,548,600
2032–2036	2,410,000	254,765	24,215,000	5,177,325
2037–2041	525,000	7,612	15,955,000	867,774
Total	$50,961,113	$5,365,719	$80,750,000	$31,502,850

NOTE 11 – Leases Payable

The University leases certain assets from various third parties. The assets leased include equipment, buildings, and vehicles. Payments are generally fixed monthly. The University has one equipment lease with fixed monthly payments that increase by 2% each year not included in the measurement of the lease liability.

The lease asset activity is disclosed in *Note 8 – Capital Assets, Net of Accumulated Depreciation and Leased Assets, Net of Accumulated Amortization.*

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

Future principal and interest payment requirements related to the leases liability on June 30, 2022, are illustrated in the following schedule.

FUTURE MINIMUM LEASE PAYMENTS

Fiscal year ending June 30	Principal	Interest	Total
2023	$165,525	$2,969	$168,494
2024	121,420	1,177	122,597
2025	22,685	172	22,857
2026	5,287	19	5,306
2027	—	—	—
Total future minimum payments	$314,917	$4,337	$319,254

NOTE 12 – 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 $5,436,953 to these programs in fiscal year 2021-22, which represents approximately 9.09% of the total University payroll and 10.68% of the benefit-eligible employees' payroll for the same period.

Defined Contribution Retirement Plan

Faculty and Administrators — Eligible employees may participate in the TIAA Retirement Plan upon the completion of one year of employment. Participation may begin sooner if the employee was a participant in TIAA, or another university-sponsored retirement plan, for at least one year prior to eligible employment at the University. The University contributed $4,604,396 to this plan for 633 participating employees for fiscal year ending June 30, 2022, and $4,651,899 for 646 participating employees for fiscal year ending June 30, 2021. The annual payroll for this group totaled $43,459,761 and $43,657,510 for fiscal years ending June 30, 2022 and 2021, 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 $220,132 to this plan for 144 participating employees for fiscal year ending June 30, 2022, and $254,521 to this plan for 165 participating employees for the fiscal year ending June 30, 2021. The annual payroll for this group totaled $3,144,748 and $3,636,020 for fiscal years ending June 30, 2022 and 2021, respectively.

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

Hybrid Defined Benefit and Defined Contribution Retirement Plan

Plan description — Support staff in eligible positions and who worked at least half-time and who were hired on or before July 1, 2014, participated in the PERF Hybrid Plan, a retirement program administered by the Indiana Public Retirement System (INPRS), an agency of the State of Indiana. PERF Hybrid is a cost-sharing, multiple-employer defined benefit and defined contribution plan which is administered in accordance with IC 5-10.2, IC 5-10.3, 5-10.5, 35 IAC 1.2 and other Indiana pension law. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit (DB) funds) were recategorized as defined contribution (DC) funds based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. DC member balances previously reported within PERF DB fund totals were transferred to the appropriate DC fund as of January 1, 2018. Benefit provisions are established and/or amended by the State of Indiana. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for PERF participants. That report may be obtained at in.gov/inprs/annualreports.htm.

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

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

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

Disability Benefit	Survivor Benefit		COLA – Cost of Living Adjustment
	While in Active Service	While Receiving a Benefit	
An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of $180 per month).	If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death.	A spouse or dependent receives the benefit associated with the member's selected form of payment: Five Year Certain and Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.	Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the Board. For the year ended June 30, 2021, postretirement benefits of $31.2 million were issued to members as a 13th check.

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

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

Contributions — The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. There are two parts to this plan: the PERF DC fund to which members contribute 3% of their salary and PERF DB fund to which the University contributed 11.2% of the employee's salary this fiscal year. The University contributed $612,424 for 139 employees participating in the PERF Hybrid plan during the 2021-22 fiscal year and $680,003 for 159 employees participating during 2020-21. 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 $1,883,504 at June 30, 2022, and $4,450,249 at June 30, 2021, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2021 for assets and June 30, 2020 rolled forward to June 30, 2021 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, 2021, the University's proportion was 0.14%, which is down 0.01% from 2020.

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

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

For the year ended June 30, 2021, the University recognized pension expense of $(443,233). At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

DEFERRED RESOURCES	JUNE 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	78,846	59,750
Changes in assumptions	—	927,246
Net difference between projected and actual earnings on pension plan investments	380,869	—
Changes in proportion and differences between the University's contributions and proportionate share of contributions	—	565,147
The University's contributions subsequent to the measurement date	680,003	—
Total	$1,139,718	$1,552,143

$612,424 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, 2023. 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, 2022	
2022	(841,621)
2023	(651,517)
2024	(364,392)
2025	(699,057)
2026	—
Thereafter	—
Total	$(2,556,587)

AS OF JUNE 30, 2021	
2021	(719,384)
2022	(363,844)
2023	(170,984)
2024	161,784
2025	—
Thereafter	—
Total	$(1,092,428)

Actuarial assumptions — The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary Increases	2.65-8.65%, including inflation
Investment rate of return	6.25%, net of investment expense
Cost of Living Increases	0.40% beginning on January 1, 2024
	0.50% beginning on January 1, 2034
	0.60% beginning on January 1, 2039

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

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

The actuarial assumptions used in the June 30, 2021 valuation were adopted by the INPRS Board in May 2021. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 through June 30, 2019 and were first used in the June 30, 2020 valuation.

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

ASSET RATE OF RETURN		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	20%	3.6%
Private Markets	15	7.3
Fixed Income – Ex Inflation-Linked	20	1.5
Fixed Income – Inflation-Linked	15	(0.3)
Commodities	10	0.8
Real Estate	10	4.2
Absolute Return	5	2.5
Risk Parity	20	4.4
Leverage Offset	(15)	(1.4)
Total	100%	

Discount rate — The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by Indiana statute. Based on those assumptions, each defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

PROPORTIONATE SHARE OF NET PENSION LIABILITY			
	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
University's proportionate share of the net pension liability	$4,926,190	$1,883,504	$(654,498)

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 13 – 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. Coverages currently having a $50,000 retention are Educators' Legal Liability for each wrongful acts claim, General Liability, and Site Pollution (which includes mold). Cyber Liability and Crime coverages each carry a $25,000 retention. Other coverages in existence include Internship and Professional Liability, Workers' Compensation, and Commercial Auto which are insured by commercial insurance policies subject to various deductibles. Life and disability insurance are handled through fully insured commercial policies. No liability exists at the balance sheet date for unpaid claims. The University did not have any settlements exceeding insurance coverage for any of the prior three years.

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

For the self-funded plans, the University assumes the risk for medical claims exceeding the maximum expected cost but has mitigated the additional risk by purchasing specific stop loss coverage for active employees' individual claims over $225,000. The University also has established a reserve to cover a significant portion of the aggregate liability beyond 125% of expected claims. The liability for medical claims incurred but not reported is based on an average monthly claim multiplied by the plan provider's average turnaround time from when claims are incurred to when claims are submitted to the University for payment. For the fully insured plans, the University pays a premium and the insurance company assumes the risk for claims incurred by the plan members. Changes in the balance of claims liabilities during the 2020-21 and 2021-22 fiscal years are as follows. The amounts reported reflect claims incurred and payments during the fiscal year and attributable to both the year listed and prior fiscal years.

CHANGE IN CLAIM LIABILITY

Fiscal Year	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2020–2021	$1,311,213	$14,158,102	$(14,316,345)	$1,152,970
2021–2022	$1,152,970	$14,047,328	$(14,044,395)	$1,155,903

NOTE 14 – Compensated Absence Liability

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

The total cumulative compensated absence liability is $3,167,766 and $3,482,813 for June 30, 2022 and 2021, respectively. The current year change represents a $256,403 decrease in accrued vacation; a $24,875 decrease in sick leave liability; a $21,518 decrease in Social Security and Medicare taxes; a $11,565 decrease in Public Employees' Retirement Fund (PERF) contributions; and a $686 decrease in Teacher's Insurance and Annuity Association (TIAA) contributions. During the fiscal year, $538,309 was paid out to terminating employees. Payout for terminating employees in fiscal year 2022-23 is expected to decrease approximately 20.08% because of the number who will have reached the requisite retirement age and years of service. For that reason, $430,237 of the total compensated absence liability is classified as a current liability under accrued payroll, benefits and deductions, and the remaining $2,737,529 is classified as a noncurrent liability.

NOTE 15 – Termination Benefits Liability

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

The University has 31 retirees currently receiving early-retirement benefits, 19 of whose benefits stop after this fiscal year and 9 more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals $440,530 at June 30, 2022. Of that amount, $270,726 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 $169,804 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

NOTE 16 – Functional Expenses

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

FUNCTIONAL EXPENSES						FISCAL YEAR ENDED JUNE 30, 2022	
Function	Salaries and Wages	Benefits	Student Financial Aid	Utilities	Supplies and Other Services	Depreciation and Amortization	Total
Instruction	$31,733,475	$ 8,669,374			$ 2,587,629		$ 42,990,478
Academic Support	5,543,534	1,573,559			4,104,654		11,221,747
Student Services	6,180,482	1,949,380			6,627,801		14,757,663
Institutional Support	8,825,359	3,449,165			9,517,782		21,792,306
Operation and Maintenance of Plant	2,879,317	649,048		4,807,263	6,774,937		15,110,565
Depreciation and Amortization						15,567,928	15,567,928
Student Aid			15,509,952				15,509,952
Public Service	1,256,106	349,973			2,127,581		3,733,660
Research	38,422	2,739			70,821		111,982
Auxiliary Enterprises	3,376,121	1,911,417		878,952	9,856,689		16,023,179
TOTAL	$59,832,816	$18,554,655	$15,509,952	$5,686,215	$41,667,894	$15,567,928	$156,819,460

FUNCTIONAL EXPENSES						FISCAL YEAR ENDED JUNE 30, 2021 (Restated)	
Function	Salaries and Wages	Benefits	Student Financial Aid	Utilities	Supplies and Other Services	Depreciation and Amortization	Total
Instruction	$32,493,459	$(2,839,787)			$ 2,428,838		$ 32,082,510
Academic Support	5,439,622	(935,010)			4,163,588		8,668,200
Student Services	5,795,540	(954,691)			2,967,981		7,808,830
Institutional Support	8,911,179	(329,787)			8,314,828		16,896,220
Operation and Maintenance of Plant	3,121,091	(1,600,585)		4,433,632	6,696,389		12,650,527
Depreciation and Amortization						14,257,728	14,257,728
Student Aid			10,390,872				10,390,872
Public Service	1,146,614	(98,722)			1,564,785		2,612,677
Research	77,483	1,944			40,898		120,325
Auxiliary Enterprises	3,827,213	601,411		801,236	10,788,443		16,018,303
TOTAL	$60,812,201	$(6,155,227)	$10,390,872	$5,234,868	$36,965,750	$14,257,728	$121,506,192

NOTE 17 – Contingent Liabilities and Commitments

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

Outstanding commitments for capital construction projects totaled $3,188,084 and $1,683,192 at June 30, 2022 and 2021, respectively.

NOTE 18 – Reclassifications and Restatements

Certain reclassifications and restatements have been made to the fiscal year 2021 financial statements for comparative purposes. Details of these adjustments are explained below.

Beginning Net Position Restatement

The beginning net position balance at July 1, 2020 was previously increased by $323,830 due to the implementation of GASB Statement 84, which took effect during the fiscal year ended June 30, 2021. This statement established new criteria for identifying and reporting fiduciary activities. The change impacted how the University accounted for the activity of several clubs and organizations and was reflected in the 2020-2021 Financial Report.

GASB Statement 87, *Leases*, took effect July 1, 2021, and required retroactive application to the beginning balance of the earliest period presented (i.e., July 1, 2020). This pronouncement established a new model for lease accounting based on the principle that leases are financings of the right to use an asset. This restatement increased the beginning net position at July 1, 2020 by an additional $6,758.

Restate 2021 Lease Activity

In addition to a beginning net position restatement, the implementation of GASB Statement 87 required the restatement of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows for the period ended June 30, 2021.

Under this pronouncement, lessors recognize a lease receivable and a deferred inflow of resources and lessees recognize an intangible right-to-use asset and a lease liability. As a result, leases receivable and a new deferred inflow of resources related to leases were added to the Statement of Net Position. Leases payable increased due to the recognition of leases that had been classified as operating leases under previous accounting guidance. Leased assets, net of accumulated amortization, also increased and are now presented separately from capital assets, net of accumulated depreciation.

These restatements on the Statement of Net Position have a corresponding impact on the Statement of Revenues, Expenses, and Changes in Net Position. Specifically, auxiliary revenue decreased, and other non-operating revenues increased in the reporting period. Expenses also increased slightly, decreasing the amount reported as supplies and other services and increasing the amounts reported as amortization and interest expenses.

This pronouncement had no impact on beginning or ending cash balances, but it did have an impact on how lease activity was presented on the Statement of Cash Flows. Specifically, auxiliary enterprises receipts decreased, and a new cash flow was added to recognize proceeds from leased assets as a capital financing activity. Cash outflows to suppliers and interest paid on capital debt and leases decreased, and cash outflows from purchases of capital assets and principal paid on capital debt and leases increased.

Reclassify and Restate 2021 Deposits with Bond Trustee

Deposits with bond trustees that were previously reported as current and noncurrent assets on the Statement of Net Position have been reclassified as noncurrent cash equivalents. As a result, the cash and equivalents—beginning of year on the Statement of Cash Flows has been restated to add the deposit with bond trustee balance from July 1, 2020.

This reclassification and restatement had no impact on net position or the Statement of Revenues, Expenses and Changes in Net Position.

Details of these reclassifications and restatements appear in the table below.

Statement of Net Position	June 30, 2021 as reported	Reclassification/ Restatement	June 30, 2021 as restated
Current Assets			
Leases receivable	$ —	$ 378,171	$ 378,171
Deposits with bond trustee	46,372,166	(46,372,166)	—
Noncurrent Assets			
Cash equivalent – deposits with bond trustee	—	46,372,240	46,372,240
Leases receivable	—	446,458	446,458
Deposits with bond trustee	74	(74)	—
Leased assets, net	—	417,218	417,218
Capital assets, net	222,621,551	(364,639)	222,256,912
Current Liabilities			
Bonds and leases payable	16,030,593	29,379	16,059,972
Noncurrent Liabilities			
Bonds and leases payable	126,761,577	16,704	126,778,281
Deferred Inflow of Resources			
Deferred inflow of resources related to leases	—	820,154	820,154
Net Position			
Net investment in capital assets	127,256,143	10,971	127,267,114
Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues			
Auxiliary enterprises	$ 20,925,765	$ (385,300)	$ 20,540,465
Operating Expenses			
Supplies and other services	36,999,461	(33,711)	36,965,750
Depreciation and amortization	14,219,610	38,118	14,257,728
Non-operating Revenues (Expenses)			
Interest on capital asset related debt	(4,314,792)	4,146	(4,310,646)
Other non-operating revenues/(expenses)	(28,150)	389,774	361,624
Prior period Adjustment for change in accounting principle	323,830	6,758	330,588
Statement of Cash Flows			
Cash Flows from Operating Activities			
Payments to suppliers	$(36,094,539)	$ 26,953	$(36,067,586)
Auxiliary enterprises receipts	18,617,267	(385,300)	18,231,967
Cash Flows from Capital Financing Activities			
Proceeds from leased assets	—	385,300	385,300
Purchases of capital assets	(22,204,821)	6,758	(22,198,063)
Principal paid on capital debt and leases	(15,587,788)	(37,857)	(15,625,645)
Interest paid on capital debt and leases	(4,374,281)	4,146	(4,370,135)
Deposit with trustee	(29,089,263)	29,089,263	—
Cash and equivalents – beginning of year	55,105,307	17,282,977	72,388,284
Cash and equivalents – end of year	92,913,542	46,372,240	139,285,782

NOTE 19 – Subsequent Events

Series O Bond Issue

On August 4, 2022, the University issued $6,840,000 in student fee revenue bonds with an all-inclusive interest cost of 3.317%. Net proceeds from the Series O Student Fee Bonds will be used to redeem $6,730,000 of the Series K-1 Student Fee Bonds and to pay an estimated $110,000 for the costs of issuing the Series O Bonds. Annual debt service payments for the Series O Bonds are scheduled through October 2025. The Series K-1 Bonds were issued in 2012 for the construction of the $16.5 million Performance Center, and they were scheduled to mature in October 2032. Additional details about the Series K-1 Bonds and other debt related to capital assets may be found in Note 10, Debt Related to Capital Assets, in the Notes to Financial Statements.

Component Unit University of Southern Indiana Foundation

Notes to Consolidated Financial Statements June 30, 2022 and 2021

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

Nature of Operations

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

Principles of Consolidation

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

Use of Estimates

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

Basis of Presentation

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

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets include funds designated by the governing body to function as endowments (board endowments) that are not subject to donor-imposed restrictions. The spendable allocations from the board endowment net assets and non-endowed net assets may be used at the discretion of the Foundation's management and the board of directors.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. These net assets include funds designated by the governing body to function as endowments (board endowments) that are subject to donor-imposed restrictions but are not endowed by the donor.
>
> Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Cash

The Foundation considers all liquid investments not classified with investments and with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowments, are not considered to be cash and cash equivalents. At June 30, 2022 and 2021, the Foundation did not have any cash equivalents.

At June 30, 2022, the Foundation's cash accounts did not exceed the federally insured limits.

Contributions Receivable – Deferred Gifts

During 2022 and 2021, the Foundation received certain irrevocable pledges to be paid from individual estates or more commonly referred to as deferred gifts. These contributions receivable are recorded as revenues with donor restrictions based on the intent of the donor. The amounts are recorded at gross, less allowances for an estimate of amounts that may be uncollectible and a discount based on expected mortality of the individuals and overall credit risks. The allowance for uncollectible contributions was based on a combination of qualitative factors, including mortality, relationship to the Foundation and University, historical contribution levels and history of gifting to the Foundation. The discount rates range from 3.61% to 5.59%.

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

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Certificates of deposit are stated at cost. Investments in private investment funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investment. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments. Investment return is presented net of fees. Investment return that is initially restricted by donor stipulation, and for which the restriction will be satisfied in the same year, is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities as net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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

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

Property and Equipment

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

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

Building	14–32 years
Furniture and equipment	5–15 years
Land improvements	8–10 years

Long-Lived Asset Impairment

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

No impairment loss was recognized for the years ended June 30, 2022 and 2021.

Contributions

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

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

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

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

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

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

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

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

NOTE 2 – Contributions Receivable

Contributions receivable at June 30, 2022 and 2021, consisted of the following:

CONTRIBUTIONS RECEIVABLE

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

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

CONTRIBUTIONS RECEIVABLE

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 6,888	$ 1,109,688	$ 1,116,576
Due in one to five years	—	413,775	413,775
Due in five or more years	—	9,763,000	9,763,000
	6,888	11,286,463	11,293,351
Less			
Allowance for uncollectible contributions	—	3,330,280	3,330,280
Unamortized discount	—	2,810,313	2,810,313
	$ 6,888	$ 5,145,870	$ 5,152,758

The discount rates ranged from 0.52% to 5.59% for 2021. Approximately 29% of the contributions receivable at June 30, 2021, were due from two donors.

Contributions receivable designated for specific purposes and with time restrictions at June 30, 2022 and 2021, were as follows:

SPECIFIC CONTRIBUTIONS RECEIVABLE	2022	2021
Scholarships and awards	$2,218,717	$2,288,234
Educational grants and academic enhancements	2,219,938	1,445,185
Athletic support	13,329	9,682
Other University support	1,067,079	1,103,005
Community outreach	4,578	924
Time restrictions	319,591	305,728
Total	$5,843,232	$5,152,758

NOTE 3 – Liquidity and Availability

Financial assets available for general expenditure, i.e., without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021, comprise the following:

FINANCIAL ASSETS AVAILABLE	2022	2021
Total financial assets (including cash, accounts and interest receivable, contributions receivable and investments)	$156,088,913	$180,203,465
Board-designated endowments with underlying donor-imposed restrictions		
Restricted funds	(2,351,987)	(1,845,987)
Endowments	(27,966,575)	(34,230,694)
Donor-imposed restrictions		
Restricted funds	(19,633,001)	(18,220,919)
Assets held under split-interest agreements	(266,612)	(767,070)
Time restrictions for future periods greater than one year	(313,202)	—
Endowments	(87,960,091)	(106,488,118)
Net financial assets after donor-imposed restrictions	**17,597,445**	**18,650,677**
Designations without donor restrictions		
Board-designated endowments	(10,652,480)	(12,950,947)
Financial assets available to meet cash needs for general expenditures within one year	**$ 6,944,965**	**$ 5,699,730**

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

The board-designated endowments of $38,619,055 are subject to an annual spending rate of 4.25% as described in Note 8. Although the Foundation does not intend to spend from these board-designated endowments, these amounts could be made available if necessary.

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

NOTE 4 – Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes or periods:

NET ASSETS WITH DONOR RESTRICTIONS	2022	2021
Subject to expenditure for specified purpose		
Scholarships and awards	$ 7,452,157	$ 6,673,573
Educational grants and academic enhancements	7,122,250	6,365,613
Capital projects	431,290	433,095
Athletics	389,346	451,846
Other University support	4,582,395	4,337,610
Community outreach	232,487	231,542
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	653,530	649,053
Educational grants and academic enhancements	226,551	34,299
Athletics	14,015	10,313
Other University support	808,773	796,233
Community outreach	4,546	1,000
Beneficial interest in assets held by Community Foundation not subject to spending policy or appropriation	67,674	82,811
	$ 21,985,014	$ 20,066,988
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	451,134	1,446,653
Assets held under split-interest agreements	266,612	767,070
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	313,869	299,175
Beneficial interest in perpetual trusts not subject to spending policy or appropriation	6,246,242	4,927,772
	$ 7,277,857	$ 7,440,670
Endowments		
Board-designated endowments subject to endowment spending policy and appropriation for specific purpose		
Restricted by donors for		
Scholarships and awards	$ 14,950,970	$ 18,101,906
Educational grants and academic enhancements	10,847,805	13,485,123
Athletics	868,811	1,085,074
Other University support	826,216	1,031,591
Community outreach	230,398	287,724
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	50	150
Educational grants and academic enhancements	211,083	211,083
Other University support	31,242	28,043
	$ 27,966,575	$ 34,230,694
Donor-restricted endowments subject to endowment spending policy and appropriation		
Scholarships and awards	$ 56,865,449	$ 69,941,334
Educational grants and academic enhancements	13,606,935	16,301,600
Other University support	13,914,029	17,128,764
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	1,553,314	1,611,681
Educational grants and academic enhancements	1,790,217	1,219,950
Other University support	230,147	284,789
	$ 87,960,091	$106,488,118
Total endowments with restrictions	$115,926,666	$140,718,812
	$145,189,537	$168,226,470

Net Assets Released from Restrictions

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

NET ASSETS RELEASED FROM RESTRICTIONS		
	2022	2021
Expiration of time restrictions	$ 1,529	$ 7,406
Satisfaction of purpose restrictions		
Scholarships and awards	1,286,147	1,208,960
Educational grants and academic enhancements	335,303	616,238
Athletics	246,179	6,954
Other University support	214,384	84,257
Capital projects	3,600	2,310
Community outreach	9,476	7,147
	$2,096,618	$1,933,272
Restricted-purpose spending-rate distributions and appropriations		
Scholarships and awards	1,218,591	1,204,016
Educational grants and academic enhancements	475,561	76,606
Other University support	22,335	36,000
	1,716,487	1,316,622
	$3,813,105	$3,249,894

NOTE 5 – Investments and Investment Return

Investments at June 30, 2022 and 2021, consisted of the following:

INVESTMENTS		
	Fair Value	
	2022	2021
Short-term investments and cash equivalents	$ 2,654,603	$ 2,664,714
Certificate of deposit	498,910	496,336
U.S. Treasury securities	2,385,357	2,581,671
Municipal securities	610,227	480,447
Corporate debt securities	5,109,114	4,966,584
Common stocks	22,436,282	27,327,538
Mutual funds		
Fixed income	32,627,516	33,354,030
International	16,692,993	22,249,449
Large cap	57,612,108	66,356,074
Small cap/mid cap	7,802,070	12,536,606
Alternative investment – private investment fund	932,965	1,014,853
Total	$149,362,145	$174,028,302

Total investment return for the years ended June 30, 2022 and 2021, was comprised of the following:

INVESTMENT RETURN	2022	2021
Interest and dividend income	$ 2,638,523	$ 2,348,925
Investment management fees	(210,618)	(222,700)
	2,427,905	2,126,225
Net realized and unrealized gain (loss) on investments reported at fair value	(26,657,095)	41,041,638
	$(24,229,190)	$43,167,863

Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held at June 30, 2022 and 2021, consist of the following:

ALTERNATIVE INVESTMENTS

2022	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	$ 932,965	$906,000	N/A	N/A

2021	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	$1,014,853	$906,000	N/A	N/A

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

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

Note 6 – Beneficial Interest in Trusts

The Foundation is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the Foundation has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $6,246,242 and $4,927,772, which represents the fair value of the trusts' assets at June 30, 2022 and 2021, respectively. The change in fair value of these trusts for 2022 and 2021 was $(1,094,613) and $915,669, respectively.

The Foundation has been named a secondary beneficiary in certain charitable remainder trusts administered by outside parties. Upon termination of the trusts, the Foundation will receive the assets remaining in the trusts. Prior to termination of the trusts and transfer of assets, the Foundation records the present value of the estimated residual benefits as assets. At June 30, 2022 and 2021, the residual benefits were valued at $451,134 and $1,446,653, respectively. During 2022 and 2021, the Foundation received $923,938 and $0 in assets remaining in trusts that were terminated. The change in fair value of these trusts for 2022 and 2021 was $(84,019) and $302,356, respectively.

Note 7 – Annuities Payable

The Foundation has been the recipient of several gift annuities, which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value with donor restrictions. The Foundation has recorded a liability at June 30, 2022 and 2021, in the funds with donor restrictions, of $798,218 and $840,608, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from approximately 1% to 8%.

Note 8 – Endowment

The Foundation's endowment consists of approximately 503 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

The composition of net assets by type of endowment fund at June 30, 2022 and 2021, was:

COMPOSITION OF NET ASSETS BY ENDOWMENT

2022	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$10,652,480	$ 27,966,575	$ 38,619,055
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	55,015,405	55,015,405
Accumulated investment gains	—	34,093,053	34,093,053
Total endowment funds	**$10,652,480**	**$117,075,033**	**$127,727,513**

2021	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$12,950,947	$34,230,694	$47,181,641
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	53,508,092	53,508,092
Accumulated investment gains	—	54,518,346	54,518,346
Total endowment funds	**$12,950,947**	**$142,257,132**	**$155,208,079**

Total endowment funds include the value of donor-restricted assets held under split-interest agreements (gift annuities) that will establish donor-restricted endowments upon maturity. At June 30, 2022 and 2021, these assets were valued at $1,148,367 and $1,538,320, respectively.

Changes in endowment net assets for the years ended June 30, 2022 and 2021, were:

CHANGES IN ENDOWMENT NET ASSETS

2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$12,950,947	$142,257,132	$155,208,079
Investment return			
Investment income	1,032,742	10,888,782	11,921,524
Net depreciation	(3,283,675)	(34,682,652)	(37,966,327)
Total investment return	(2,250,933)	(23,793,870)	(26,044,803)
Contributions of cash and other financial assets	350,201	2,201,608	2,551,809
Miscellaneous income	—	100	100
Appropriation of endowment assets for expenditure	(397,735)	(3,596,408)	(3,994,143)
Reclassification of donor intent	—	40,650	40,650
Other changes – uncollectible pledge loss	—	(1,916)	(1,916)
Other changes – change in value of split-interest agreements	—	(32,263)	(32,263)
	(47,534)	(1,388,229)	(1,435,763)
Endowment net assets, end of year	$10,652,480	$117,075,033	$127,727,513

2021			
Endowment net assets, beginning of year	$ 9,737,095	$104,033,736	$113,770,831
Investment return			
Investment income	687,591	7,295,881	7,983,472
Net appreciation	2,891,846	30,697,689	33,589,535
Total investment return	3,579,437	37,993,570	41,573,007
Contributions of cash and other financial assets	19,184	2,905,117	2,924,301
Appropriation of endowment assets for expenditure	(384,769)	(3,388,694)	(3,773,463)
Reclassification of donor intent	—	30,540	30,540
Other changes – uncollectible pledge loss	—	(20,083)	(20,083)
Other changes – change in value of split-interest agreements	—	676,970	676,970
Other changes – gain on life insurance proceeds	—	25,976	25,976
	(365,585)	229,826	(135,759)
Endowment net assets, end of year	$12,950,947	$142,257,132	$155,208,079

Investment and Spending Policies

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

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

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

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature, if any, are reported in net assets with donor restrictions and such amounts were $475,548 and $0 for 2022 and 2021, respectively. Deficiencies, if any, may result from unfavorable market fluctuations that occur after investment of new contributions with donor restrictions and continued appropriation for certain purposes deemed prudent by the governing body.

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

Note 9 – Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021. The valuation of certificates of deposit in the amount of $498,910 and $496,336 as of June 30, 2022 and 2021, respectively, is excluded from the tables.

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

FAIR VALUE MEASUREMENTS				JUNE 30, 2021
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Short-term investments and cash equivalents	$ 2,664,714	$ 2,664,714	$ —	$ —
U.S. Treasury securities	2,581,671	—	2,581,671	—
Municipal securities	480,447	—	480,447	—
Corporate debt securities	4,966,584	—	4,966,584	—
Common stocks	27,327,538	27,327,538	—	—
Mutual funds				
Fixed income	33,354,030	33,354,030	—	—
International	22,249,449	22,249,449	—	—
Large cap	66,356,074	66,356,074	—	—
Small cap/mid cap	12,536,606	12,536,606	—	—
Private investment fund, measured at net asset value (A)	1,014,853	—	—	—
	$173,531,966	$164,488,411	$8,028,702	$ —
Beneficial interest in charitable remainder trusts	$ 1,446,653	$ —	$1,446,653	$ —
Beneficial interest in perpetual trusts	$ 4,927,772	$ —	$ —	$ 4,927,772
Beneficial interest in Community Foundation	$ 82,811	$ —	$ —	$ 82,811

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

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2022 and 2021.

Investments

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

Beneficial Interest in Charitable Remainder Trusts

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

Beneficial Interest in Perpetual Trusts

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

Beneficial Interest in Community Foundation

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

Note 10 – Related-Party Transactions

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

The Foundation paid an annual administrative fee of $567,800 and $554,400 to the University for the years ended June 30, 2022 and 2021, respectively, for facilities and accounting, computer, administrative and other miscellaneous services provided to the Foundation by University personnel.

Amounts due to the University for approved program expenditures included in payable to related party as of June 30, 2022 and 2021, were $1,277,584 and $707,748, respectively.

Note 11 – Significant Estimates, Concentrations and Commitments

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

Contributions

For the years ended June 30, 2022 and 2021, approximately 33% and 63%, respectively, of all contributions were received from one donor and two donors, respectively.

Contributions Receivable – Deferred Gifts

As of June 30, 2022 and 2021, the Foundation has recorded contribution pledges for deferred gifts of $9,763,000, of which $3,201,210 and $3,295,280, respectively, were reserved as an allowance for uncollectible amounts and $2,725,218 and $2,796,232, respectively, were recorded as a discount based on estimated discount rates for each individual pledge for a net pledge receivable amount of $3,836,572 and $3,671,488, respectively. The estimated allowances for uncollectible amounts and discounts are based on factors that could change in the near term and for which such changes could materially affect the amount reported in the consolidated financial statements.

Note 12 – Risks and Uncertainties

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

COVID-19 — As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19 in 2022 and 2021, economic uncertainties have arisen, which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 13 – Change in Accounting Principle

In 2022, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958)*: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the consolidated statements of activities and disclosures within the notes to the consolidated financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

Note 14 – Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	2022	2021
Real estate	$180,000	$ —

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

Note 15 – Subsequent Events

Subsequent events have been evaluated through October 3, 2022, which is the date the consolidated financial statements were available to be issued.

Required Supplementary Information

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

Public Employees' Retirement Plan

Last 9 Fiscal Years*

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

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

Public Employees' Retirement Plan

Last 10 Fiscal Years

Fiscal Year	Contractually required contribution***	Contributions in relation to the contractually required contribution***	Contribution deficiency (excess)	University's covered-employee payroll***	Contributions as a percentage of covered-employee payroll***
2022	$ 482,436	$ (482,436)	—	$4,307,456	11.20%
2021	$ 534,796	$ (534,796)	—	$4,774,951	11.20%
2020	$ 591,745	$ (591,745)	—	$5,299,679	11.17%
2019	$ 681,948	$ (681,948)	—	$6,136,241	11.11%
2018	$ 765,870	$ (765,870)	—	$6,856,936	11.17%
2017	$ 882,030	$ (882,030)	—	$7,964,240	11.07%
2016	$ 917,353	$ (917,353)	—	$8,233,122	11.14%
2015	$1,015,471	$(1,015,471)	—	$9,112,942	11.14%
2014	$1,060,052	$(1,060,052)	—	$9,514,281	11.14%
2013	$ 924,385	$ (924,385)	—	$9,594,423	9.63%

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

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

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

Notes to Required Supplementary Information

Public Employees' Retirement Plan

Changes in assumptions: The interest rate/investment return assumption changed from 6.75% to 6.25%.
The inflation assumption changed from 2.25% to 2.00%.
The future salary scale assumption changed from 2.75%-8.75% to 2.65%-8.65%

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

Changes in plan provisions: HEA 1001-2021 granted a 1.00% COLA effective January 1, 2022.

Source: Indiana Public Retirement System
Public Employees' Retirement Fund
Report on Allocation of Pension Amounts
For the Year Ended June 30, 2021

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

Fiscal Year	Experience Study Date	Investment Rate of Return (Accounting)	Cost of Living Increases (COLA) or "Ad Hoc" COLA	Future Salary Increases, including Inflation	Inflation	Mortality–Healthy	Mortality–Disabled	Mortality–Retirees	Mortality–Beneficiaries
2021	Period of 5 Years ended June 30, 2019	6.25%, Net of Investment Expense	0.40% January 1, 2024 0.50% January 1, 2034 0.60% January 1, 2039	2.65%–8.65%	2.00%	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Employee table with a 3 year set forward for males and a 1 year set forward for females.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Disabled table with a 140% load.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Retiree table with a 3 year set forward for males and a 1 year set forward for females.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Contingent Survivor table with no set forward for males and a 2 year set forward for females.
2020	Period of 5 Years ended June 30, 2019	6.75%, Net of Investment Expense	13th check for 2020 and 2021 0.40% January 1, 2022 0.50% January 1, 2034 0.60% January 1, 2039	2.75%–8.75%	2.25%	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Employee table with a 3-year set forward for males and a 1-year set forward for females.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Disabled table with a 140% load.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Retiree table with a 3-year set forward for males and a 1- year set forward for females.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Contingent Survivor table with no set forward for males and a 2-year set forward for females.
2019	Period of 4 Years ended June 30, 2014	6.75%, Net of Investment Expense	13th check for 2020 and 2021 0.40% January 1, 2022 0.50% January 1, 2034 0.60% January 1, 2039	2.50%–4.25%	2.25%	RP-2014 Total Data Set Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report.	RP-2014 Disability Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report.	N/A	N/A

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

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

*Last 5 Fiscal Years**

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

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

*Last 5 Fiscal Years**

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

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

Notes to Schedules

Changes in assumptions: The following assumptions have been updated:

1. Mortality improvement scales for all mortality tables have been updated from MP-2019 to MP-2021. This resulted in a slight decrease in liabilities.
2. Medical/Rx trend rates have been updated to an initial rate of 7.50% decreasing by 0.50% annually to an ultimate rate of 4.50% for Pre-65 employees, an initial rate of 6.50% decreasing by 0.25% annually to an ultimate rate of 4.50% for Post-65 employees, and a flat 4.00% for dental. This change caused an increase in the University's liabilities.
3. Salary scales have been updated to reflect the PERF actuarial valuation as of June 30, 2021. This resulted in a slight increase in liabilities.

For the current year GASB valuation, the per capita costs have also been updated.

Methods and assumptions used to determine contribution rates:

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

Fiscal Year	Mortality–Healthy	Mortality–Disabled	Mortality–Surviving Spouses	Medical Trend Rates	Dental Trend Rates
2022	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2021	SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021	SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021	7.50% for 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for Pre 65. 6.50% for 2022, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for Post 65.	4.00% for 2022 and later years
2021	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2019	SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019	SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019	7.50% for 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years	4.75% for 2022, decreasing 0.25% per year to an ultimate rate of 3.25% for 2028 and later years
2020	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2019	SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using scale MP-2019	SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019	8.00% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years	5.00% for 2021, decreasing 0.25% per year to an ultimate rate of 3.00% for 2029 and later years

2019	RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017	RPH-2017 Disabled Mortality Table fully generational using scale MP-2017	N/A	8.50% for 2020, decreasing 0.50% per year to an ultimate rate of 5.00% for 2027 and later years	4.75% for 2020, decreasing 0.25% per year to an ultimate rate of 3.00% for 2027 and later years
2018	RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017	RPH-2017 Disabled Mortality Table fully generational using scale MP-2017	N/A	9.00% for 2019, decreasing 0.50% per year to an ultimate rate of 5.00% for 2027 and later years	5.00% for 2019, decreasing 0.25% per year to an ultimate rate of 3.00% for 2027 and later years

Changes in Plan Provisions: There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2020.

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