USI

University of Southern Indiana

Financial Report 2020–2021

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Additional copies of this report may be obtained from:

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Orr Center, Room 027
University of Southern Indiana
8600 University Boulevard
Evansville, IN 47712-3597
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or from the website at **USI.edu/about/financing/annual-financial-report**

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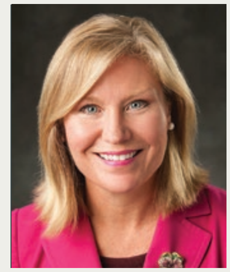

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Message from the President

Keeping our campus community safe and healthy during COVID-19 was one of many priorities at the University of Southern Indiana this fiscal year. With the dedication and help of our faculty, staff and student body, I am proud to convey the University remained open, operational, fully staffed and committed to our mission to serve our community's educational goals and maintain academic excellence.

Dr. Ronald S. Rochon
President

USI increased its overall enrollment from 2019–2020, setting a record in graduate enrollment for the fifth consecutive year with an increase of 14.9%, but experienced a slight dip in undergraduate enrollment of 2.1%. The development and creation of several new certificate and degree programs were rolled out this year to provide greater career-path opportunities, including a master of arts in criminal justice, and 13 undergraduate, graduate and post-graduate certificates, ranging from cybersecurity, data analytics, public administration, instructional communications, educational leadership and administration, and more. A bachelor of science in health administration was approved by the Board of Trustees and has gone before the Indiana Commission for Higher Education for final approval.

Additionally, courses in agricultural business (drone technology and farm/ranch management) were launched to serve the growing needs of this $2.1 billion industry in Indiana. USI's Manufacturing Engineering Program received accreditation by the Engineering Accreditation Commission of ABET, making it the only one in the state and one of less than 25 in the nation.

Phase II renovation and expansion of USI's Screaming Eagles Complex (formerly the Physical Activities Center) and construction of the new Aquatic Center were completed this year. The facilities created state-of-the-art spaces that enhance student learning and education. The 25-meter by 25-yard pool allowed USI to create a 50-student program, with men's and women's swimming and dive teams to begin competition in Fall 2022, and a site to host college and high school meets.

The University received several grants and award funding that allowed us to expand and elevate our educational offerings for students. The U.S. Department of Education awarded $1.3 million to USI's TRIO Student Support Services Program to continue operation through the 2024–25 academic year. The Hershel B. Whitney estate donated $2 million to the USI Foundation to create scholarships for undergraduates in the Nursing program. Lilly Endowment awarded USI just under $2.5 million to create a Center for Adult Learner Success, including grant-funded positions for seven new employees for a two-year period. The doors opened in Fall 2021.

Collaborations and community partnerships continue to be vital to USI's growth and success. This fiscal year we teamed up with Vincennes University to pool resources to address the challenges among suppliers and contractors due to geography and scale. We partnered with 31 nursing homes in the Indiana Nursing Home COVID-19 Action Network Extension to improve COVID-19 preparedness, safety and infection control. Students representing USI's Engineers in Action chapter traveled to West Virginia to rebuild a bridge damaged by severe flooding in 2016 and 2017. The 30-foot bridge is capable of supporting vehicle traffic and allows homeowners access to healthcare, education and safety.

The University's new strategic plan, *Accelerating Impact: USI's Strategic Plan 2021–2025*, is built around four goals: improve student success, foster impactful engagement, elevate visibility and reputation, and strengthen financial viability. Each goal has measurable objectives with supporting strategies and action steps. As implementation of the plan gets underway, significant attention will be given to track, report and evaluate the effectiveness of the strategies and actions steps executed.

These are a few illustrations of how USI continues to hold true to its mission. This financial report highlights the many ways in which USI maintains a proud reputation as a responsible steward to the southwest Indiana region through our responsiveness and quality academic offerings. The institution's future is filled with as much potential as our history.
I am proud of this institution, its people and all we have achieved, and grateful for the continued support we receive.

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:

I am pleased to present the University of Southern Indiana's audited financial report for the fiscal year ended June 30, 2021, 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 have been added as required by GASB Statement 84.

The University remains in sound financial condition despite the ongoing challenges of COVID-19. 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 University increased its net position by $49.6 million during 2020–2021. Most of the increase resulted from policy changes related to other postemployment benefits, the capitalization of assets and grants from the Higher Education Emergency Fund for COVID-19.

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 2020–2021 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 and a solid financial foundation, the University of Southern Indiana is well positioned to meet short-term challenges and fulfill its long-term objectives.

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 Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit as of and for the years ended June 30, 2021 and 2020, and the aggregate remaining fund information as of and for the year ended June 30, 2021, of the University of Southern Indiana (University), a component unit of the State of Indiana, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Southern Indiana Foundation (Foundation), a component unit of the University as described in Note 1, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards.*

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

Unmodified Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit as of June 30, 2021 and 2020, and the aggregate remaining fund information as of June 30, 2021, of the University, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2021, the University adopted new accounting guidance GASB Statement 84 *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Board of Trustees and University Officers, Message from the President, Message from the Vice President and Treasurer, and Home Counties of USI Undergraduate and Graduate Students Fall 2020 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Board of Trustees and University Officers, Message from the President, Message from the Vice President and Treasurer, and Home Counties of USI Undergraduate and Graduate Students Fall 2020 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

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

October 28, 2021

Management's Discussion and Analysis

Management's discussion and analysis reviews the financial performance of the University of Southern Indiana (the University or USI) during the fiscal year ended June 30, 2021 and compares that performance with select information for the years ended June 30, 2020 and 2019. It is designed to focus on current activities, resulting changes and currently known facts, and it is intended to answer questions that may result from the review of the information presented in the financial statements and to explain the financial position of the University.

Using the Financial Report

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

In addition, the Consolidated Statements of Financial Position, the Consolidated Statements of Activities, the Consolidated Statements of Cash Flows and the accompanying note disclosures of the University of Southern Indiana Foundation are presented discretely. The Foundation is subject to the reporting standards of the Financial Accounting Standards Board (FASB), which differ in some respects from GASB requirements. No modifications have been made to the statements of either entity to reconcile these differences.

The University adopted GASB Statement 84, ***Fiduciary Activities,*** for the fiscal year ended June 30, 2021. A Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the fiscal year have been added to the University financial report for the Voluntary Employees' Beneficiary Association (VEBA) Trust related to other postemployment benefits.

Statement of Net Position

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

CONDENSED STATEMENT OF NET POSITION			
Year Ended June 30 (in thousands)	2021	2020 Reclass*	2019
Current Assets	$166,838	$113,122	$ 89,367
Noncurrent Assets:			
Capital assets, net of depreciation	222,622	214,636	209,995
Other non-current	39,856	34,011	63,402
Total Assets	**$429,316**	**$361,769**	**$362,764**
Deferred Outflow of Resources	**$ 3,593**	**$ 4,213**	**$ 2,530**
Current Liabilities	$ 33,533	$ 28,853	$ 25,938
Noncurrent Liabilities	134,853	123,621	140,380
Total Liabilities	**$168,386**	**$152,474**	**$166,318**
Deferred Inflow of Resources	**$ 9,782**	**$ 8,408**	**$ 5,084**
Net Position:			
Net investment in capital assets	$127,256	$122,917	$122,743
Restricted–expendable	69	122	101
Unrestricted	127,416	82,061	71,048
Total Net Position	**$254,741**	**$205,100**	**$193,892**

*See Note 18 in Notes to Financial Statements.

Assets

Current assets are used to support current operations and consist primarily of cash and cash equivalents, short-term investments, receivables net of allowances, inventory and deposits with bond trustee. Lesser-valued resources like prepaid expenses and accrued interest are grouped together and listed under the term "Other". Noncurrent assets include capital assets net of depreciation, long-term investments, net other postemployment benefits (OPEB) asset and deposits with bond trustee.

Total assets increased by $67.5 million, or 18.7%, compared to a $995,000, or .3%, decrease in fiscal year 2020. Asset activity during the 2021 fiscal year is summarized by the following events.

Cash and cash equivalents increased by $37.8 million to $92.9 million in fiscal year 2021 after a $32.9 million increase in fiscal year 2020. Management continued a planned, targeted liquidation of investments during fiscal year 2021 as part of its transition to new investment managers as approved by the Finance/Audit Committee of the University Board of Trustees in March 2020. COVID-19 caused a backlog of critical projects during 2020 that necessitated a delay in negotiations with the investment managers. Funds were held in liquid, interest-bearing accounts during the transition. The University transferred $65.3 million in cash to three investment managers during July and August 2021.

Total investments declined to $46 million at June 30, 2021, from $63.6 million at June 30, 2020. Short-term investments decreased by $11.2 million in fiscal year 2021 while long-term investments decreased by $6.4 million during the year. Investments purchased in prior fiscal years and scheduled to mature in fiscal year 2022 were reclassified from long-term to short-term.

The current portion of deposits with bond trustee increased by $29.2 million from the proceeds of the Series N student fee bonds issued in August 2020 for the construction and equipping of the Health Professions Center Classroom Renovation and Expansion. Current deposits with bond trustee decreased by $15.9 million during 2020 as the University continued to spend the proceeds from the Series M student fee bonds, which were issued during fiscal year 2019 for the second phase of the renovation and expansion of the Physical Activities Center. Noncurrent deposits with bond trustee for future debt service payments decreased by $102,000 in 2021 compared to an increase of more than $9,000 in 2020. Funds are transferred to bond trustees during September and March for semiannual bond payments on October 1 and April 1.

Inventories decreased by nearly $1.1 million in 2021 as the University liquidated Campus Store inventory and transitioned store management to Barnes & Noble College in October 2020. The recent pattern of inventory reduction began during fiscal year 2020 as inventories declined by nearly $294,000 primarily because the Campus Store had less merchandise on hand at June 30 due to the COVID-19 pandemic and the temporary transition to an exclusively remote learning and working environment beginning in March 2020.

Net accounts receivable decreased $533,000 in 2021 following a $1.6 million decline in 2020. Other current assets fell by $527,000 after a $287,000 increase in 2020.

Net capital assets grew by $8 million during the fiscal year ending June 30, 2021. Asset additions of $22.2 million included a $21.5 million increase to construction in progress and a $733,000 increase to equipment and library materials. These additions were offset partially by depreciation of $14.2 million. Miscellaneous asset disposals and adjustments accounted for the remaining changes. Net capital assets increased by $4.6 million in 2020.

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. This modification resulted in the other postemployment benefit (OPEB) liability of $17.3 million at June 30, 2020, becoming a net OPEB asset of $12.3 million at June 30, 2021, in a fully funded position with a funded ratio of 167.9%.

Deferred Outflow of Resources

Deferred outflow of resources, which represent the consumption of resources applicable to a future period, decreased by $620,000. This amount includes the reclassification of $2.1 million in deferred amount on bond refundings from noncurrent bonds and leases payable for fiscal year 2020. For fiscal year 2021, the deferred amount on bond refundings was $1.9 million. Deferred outflow related to pensions increased by $257,000 after falling by $240,000 in 2020. Likewise, deferred outflow related to other postemployment benefits (OPEB) dropped by $342,000 after a $174,000 decline in 2020. Finally, hedging derivate instruments associated with the Series 2006 and Series 2008A bonds decreased by $282,000 compared to a $7,000 decrease in 2020.

Liabilities

Current liabilities are primarily composed of accounts payable; accrued payroll, related benefits and deductions, which includes the current portions of the liabilities for compensated absences and termination benefits; the current portion of bonds payable; the current portion of leases payable; debt interest payable; unearned revenues and other miscellaneous liabilities. Noncurrent liabilities consist of bonds payable, leases payable, the June 30 mark-to-market valuation for the Series 2006 and Series 2008A hedgeable financial derivatives, 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 increased by $15.9 million, or 10.4%, in fiscal year 2021 following a decrease of $13.8 million, or 8.3%, in fiscal year 2020. Current liabilities grew by $4.7 million, and noncurrent liabilities increased by $11.2 million.

Total bonds and leases payable increased by more than $32.1 million following the issuance of Series N student fee bonds in August 2020. The current portion of bonds and leases payable increased by $2.7 million while the noncurrent portion rose by $29.4 million. Likewise, the current portion of debt interest payable rose by $289,000 in fiscal year 2021 after a $92,000 decline in 2020. Total bonds and leases payable decreased by $9.1 million in 2020, which includes the reclassification of $2.1 million from noncurrent bonds payable to deferred outflow of resources for the deferred amount on bond refundings.

The current liability for unearned revenue climbed by nearly $2.5 million in 2021. The University received an advanced-funded grant from Lilly Endowment totaling just under $2.5 million that accounted for much of the increase. Unearned revenue grew $2.1 million in 2020 because students planning to return to USI for the 2020–2021 academic year were permitted to carry forward dining dollars from 2019–2020 due to the COVID-19 pandemic.

Noncurrent liabilities related to other postemployment benefits declined by $17.3 million in 2021 following a change to medical insurance for Medicare eligible retirees described above, which resulted in a net OPEB asset of $12.3 million. The net OPEB liability decreased by $6.1 million in 2020.

The University's noncurrent portion of net pension liability for employees who participate in the Public Employee's Hybrid Plan fell by $559,000 in 2021 and by $281,000 in 2020. The noncurrent portion of compensated absences and termination benefits fell modestly by $75,000 following a slight increase of $251,000 in 2020.

The cumulative effect of changes to all other current and noncurrent liabilities resulted in a decrease of almost $1.1 million compared to a $676,000 decrease in those same liabilities during 2020.

Deferred Inflow of Resources

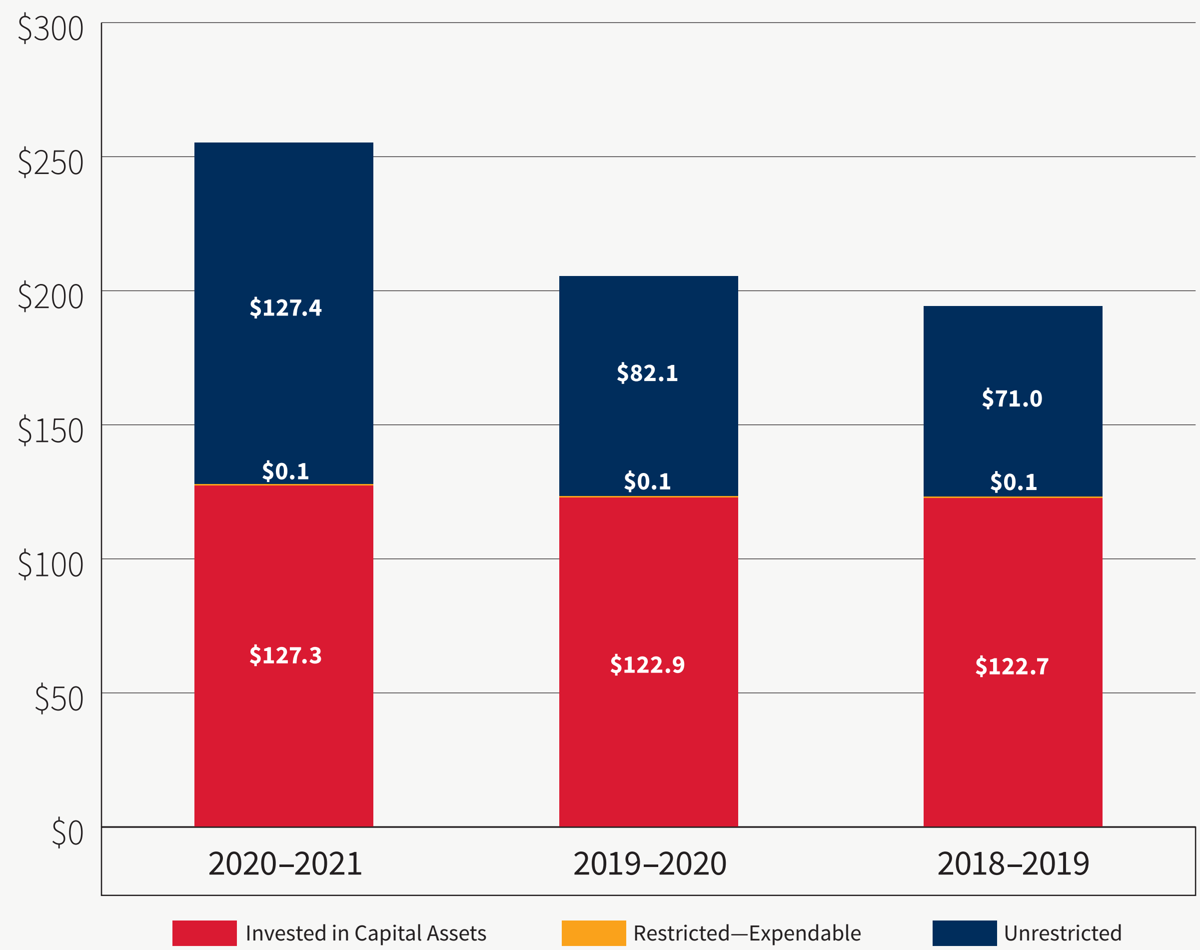
Deferred inflows of resources, which represent acquisitions of resources applicable to a future period, increased by nearly $1.4 million, or 16.3%, in fiscal year 2021 after a $3.3 million, or 65.4%, increase in fiscal year 2020. Deferred inflow of resources related to other postemployment benefits accounted for $1 million of the 2021 increase while deferred inflow of resources related to pensions comprised the remaining $373,000.

Net Position

Net Position in fiscal year 2021 grew by $49.6 million, or 24.2% in 2021 compared to a $11.2 million, or 5.8%, increase in 2020. Net investment in capital assets grew by $4.3 million during 2021 while unrestricted net position increased by $45.4 million. Restricted expendable net position declined slightly by $54,000. At June 30, 2021, unrestricted net position totaled $127.4 million and comprised 50% of total net position. Of the total unrestricted amount, $96.8 million has been internally designated as follows.

- $20.6 million for equipment and facilities maintenance and replacement
- $4.7 million for technology and software replacement
- $21.2 million for auxiliary systems
- $482,000 for working capital and outstanding encumbrances
- $11.8 million for academic operations and initiatives
- $3.4 million for insurance and campus safety
- $34.6 million for medical premiums and other employee benefits

ANALYSIS OF NET POSITION (IN MILLIONS)



Statement of Revenues, Expenses and Changes in Net Position

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

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

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

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Year Ended June 30 (in thousands of dollars)	2021	2020	2019
Operating Revenues	$ 74,064	$ 76,452	$ 82,435
Operating Expenses	(121,502)	(155,083)	(160,454)
Operating Loss	**(47,438)**	**(78,631)**	**(78,019)**
Non-operating Revenues	100,323	92,349	91,192
Non-operating Expenses	(4,681)	(3,687)	(3,394)
Income before other revenues, expenses, gains or losses	**48,204**	**10,031**	**9,779**
Other Revenues	1,113	1,177	1,383
Increase in Net Position	**49,317**	**11,208**	**11,162**
Net Position—Beginning of Year	205,100	193,892	182,730
Prior-period Adjustment for Change in Accounting Principle	324	—	—
Net Position—End of Year	**$ 254,741**	**$ 205,100**	**$ 193,892**

Revenues

Operating revenues decreased by $2.4 million in fiscal year 2021 compared to a $6 million decrease in fiscal year 2020. The 2021 decrease was driven by the following factors.

- Net student fees remained steady, decreasing modestly from $51.6 million in 2020 to $51.4 million in 2021. Gross student fees decreased by $816,000 while scholarship discounts and allowances decreased by $593,000.
- Net revenues from auxiliary enterprises decreased from $20.6 million in 2020 to $19.2 million in 2021.
  - Campus Store revenues fell by almost $2.1 million as the University transitioned management of the store to Barnes & Noble College. Revenues for 2021 reflect sales recorded by the University-operated store from July 2020 through October 2020 prior to the management transition and subsequent income received from Barnes & Noble as provided by the contract.
  - Net housing revenues increased by $549,000. This increase was expected following the $2.5 million decline in 2020, most of which was attributable to $1.9 million in credits applied to student accounts when student housing closed in Spring 2020 due to COVID-19.
  - Dining revenues increased by $703,000. Students who returned to USI for the 2020–2021 academic year were permitted to carry forward unused dining dollars from the 2019–2020 academic year due to COVID-19. This revenue was recognized in fiscal year 2021.
  - Parking revenues fell by $230,000 as the University offered more online courses in response to the ongoing COVID-19 pandemic and as the University experienced continued growth in its online graduate programs.
  - All other auxiliary revenues declined by $370,000.
- Income from operating grants and contracts remained steady, growing by $99,000, while all other operating revenues declined by $850,000 during 2021.

Non-operating revenues increased by nearly $8 million in fiscal year 2021 after an increase of $1.2 million in fiscal year 2020. The following elements contributed to the growth in 2021.

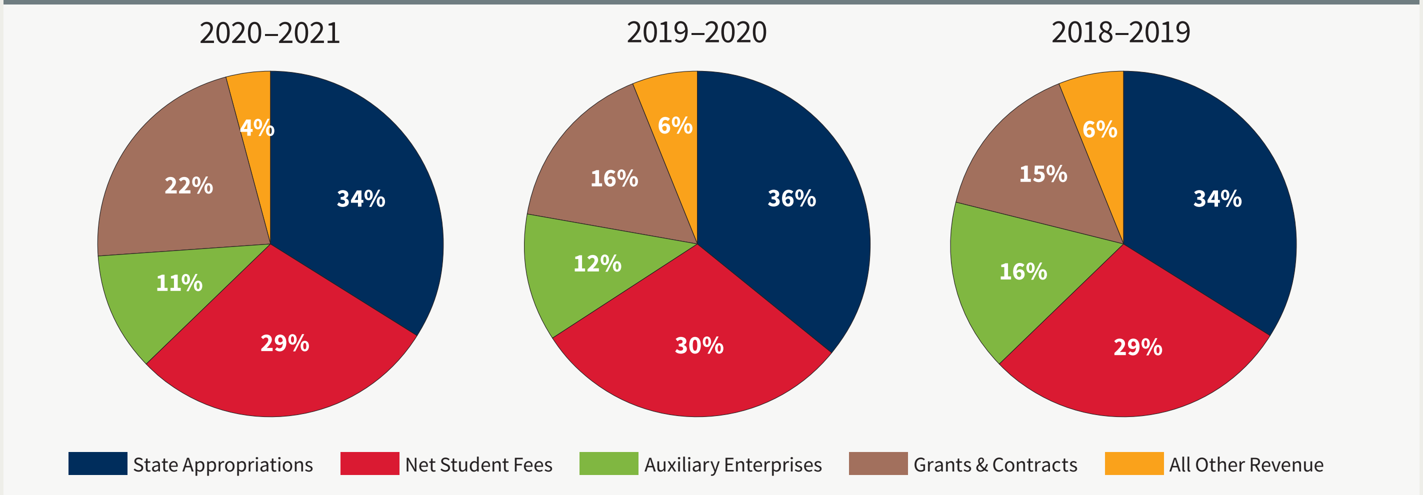
- State operating and fee replacement appropriations grew by $1.2 million from $59.3 million in 2020 to $60.5 million in 2021.
- Non-operating gift income, which comes almost entirely from the USI Foundation, fell from $4.1 million in 2020 to $3.3 million in 2021.
- Non-operating grants and contracts from all sources increased by $10 million. Federal grants and contracts increased by $10.7 million due primarily to awards from the Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The University received the funds to provide emergency aid grants to eligible students for expenses associated with the disruption of campus operations due to COVID-19. In addition, the University received funds to cover lost revenues and to defray costs associated with COVID-19. State, local, and nongovernmental grants and contracts declined by $700,000 in 2021.

- Net investment income declined by $2.5 million in 2021. Interest on investments totaled $1.2 million for the year, but $556,000 in changes to unrealized gains and losses and fees of $74,000 reduce the amount reported on the face of the Statement of Revenues, Expenses and Changes in Net Position.

Other revenues, which includes capital appropriations, grants and gifts, remained steady, declining moderately from $1.2 million in 2020 to $1.1 million in 2021.

Total revenues (operating, non-operating and other) increased by $5.5 million, or 3.2%, in fiscal year 2021 after decreasing by $5 million, or 2.9%, in fiscal year 2020. The graph below shows the composition of the University's revenues for the three most recent fiscal years ended June 30.

REVENUE SOURCES



Expenses

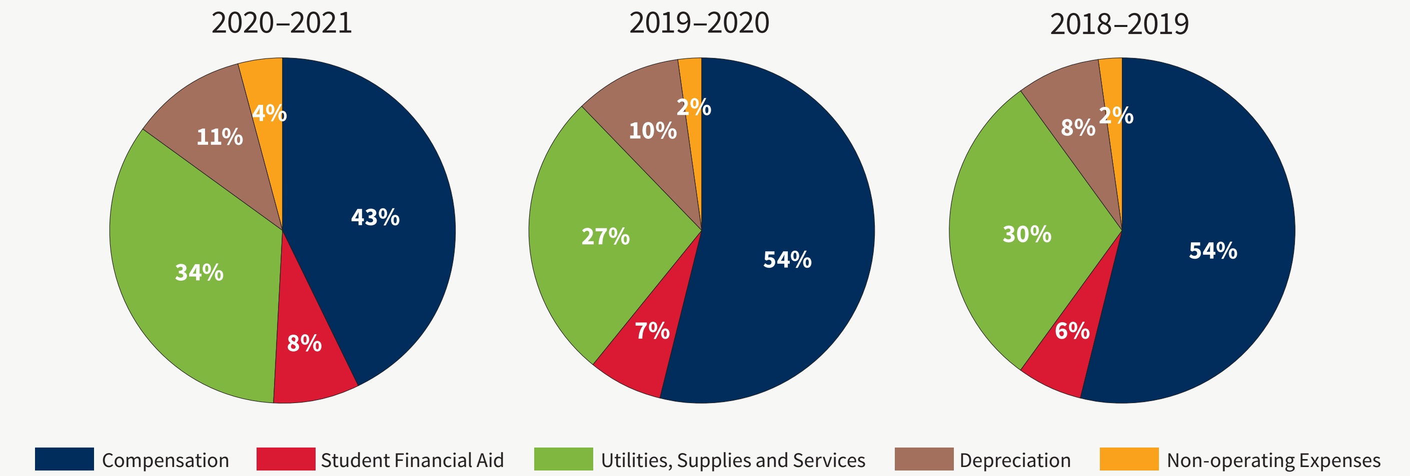
Operating expenses dropped significantly by $33.6 million in fiscal year 2021 following a decrease of $5.4 million in fiscal year 2020. The following expenses contributed to the current year decrease.

- Compensation, which includes salaries, wages and benefits, decreased by $31.1 million in 2021. Salaries and wages decreased by $2.5 million, and benefits decreased by $28.6 million. Of that amount, $28.3 million of the expense reduction relate to the change in other postemployment benefits (OPEB) described above that resulted in the net OPEB liability becoming a net OPEB asset.
- Student financial assistance expenses decreased by $843,000 in 2021. 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. The $10.4 million student financial aid expense includes more than $3.3 million in payments to eligible students from the Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA).
- All other operating expenses decreased by $1.6 million cumulatively. Depreciation decreased by $1.1 million and supplies and other services decreased by $750,000. In contrast, utilities increased slightly by $215,000.

Non-operating expenses consist of interest on capital asset-related debt and other costs associated with issuing bonds and refinancing debt. These expenditures increased by $994,000 in fiscal year 2021 due to greater debt interest costs and the issuance costs associated with the Series N student fee bonds.

Total expenses (operating and non-operating) decreased by $32.6 million, or 20.5%, in fiscal year 2021 compared to a decrease of $5.1 million, or 3.1%, in fiscal year 2020. The composition of total expenses for the last three fiscal years is depicted by major categories in the following graph.

EXPENSE PURPOSES



Change in Net Position

The difference between revenues and expenses results in an increase or decrease to net position. Total revenues exceeded total expenses in fiscal year 2021, resulting in an increase in net position of $49.3 million after increases of $11.2 million in both 2020 and 2019. In addition, the net position for fiscal year 2021 increased further by $324,000 from a prior-period adjustment required by the implementation of GASB Statement 84, culminating in an ending net position of $254.7 million at June 30, 2021.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the financial health of the University by helping the user assess the ability to generate future cash flows, the ability to meet obligations as they come due and the need for external financing.

This statement identifies the sources and uses of cash and equivalents throughout the fiscal year and informs the user how much cash was used by or provided by the following activities: operating, noncapital financing, capital financing and investing. The chart below shows the University's sources, uses and changes in cash and cash equivalents for the three most recent fiscal years ended June 30.

CONDENSED STATEMENT OF CASH FLOWS

Year Ended June 30 (in thousands of dollars)	2021	2020	2019
Net cash provided (used) by			
Operating activities	$ (57,530)	$ (63,485)	$ (61,594)
Noncapital financing activities	99,380	89,832	87,727
Capital financing activities	(22,160)	(17,686)	(23,767)
Investing activities	18,118	24,262	2,255
Net Increase (Decrease) in Cash	**$ 37,808**	**$ 32,923**	**$ 4,621**
Beginning Cash and Cash Equivalents	55,106	22,183	17,562
Ending Cash and Cash Equivalents	**$ 92,914**	**$ 55,106**	**$ 22,183**

Operating activities

- Cash used by operating activities decreased by $6 million in fiscal year 2021 compared to an increase of $1.9 million in fiscal year 2020.
- Student fees and auxiliary enterprises generated the largest inflows of cash for all fiscal years.
- Payments of salaries and wages to employees, payments for employee benefits and payments to suppliers used the most cash in all fiscal years.

Noncapital financing activities

- Cash provided by noncapital financing activities increased by $9.5 million following an increase of $2.1 million in 2020.

- State appropriations and non-capital gifts and grants provided the largest inflows of cash in all fiscal years. Cash inflows from non-capital grants include receipts from the Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA).

Capital financing activities

- Cash used by capital financing activities increased by $4.5 million in 2021 after decreasing by $6.1 million in 2020.
- Proceeds from the issuance of Series N student fee bonds generated the most cash inflows for 2021. Cash activity associated with funds on deposit with bond trustee resulted in the most cash inflows for 2020. Proceeds from the issuance of Series M student fee revenue bonds provided the most cash in 2019.
- Cash activity associated with funds on deposit with bond trustee, which coincides with the issuance of student fee bonds for construction, resulted in the most cash outflows for 2021 and 2019. The purchase of capital assets resulted in the largest cash outflows for 2020.

Investing activities

- Cash provided by investing activities decreased by $6.1 million in fiscal year 2021 following an increase of $22 million during the 2020 fiscal year.
- Proceeds from sales and maturities of investments decreased $16.6 million in 2021 compared to an increase of $10.7 million in 2020.
- Cash from interest earned on investments was $1.1 million in 2021, down from $2.2 million in 2020.
- Purchases of investments declined by $11.5 million during 2021 and by $10.8 million during 2020. The decreased activity reflects the delay in the transition to new investment managers described previously.

Summary of Statement of Cash Flows

For the 2021 fiscal year, the University cash balance increased by $37.8 million. In 2020, the University cash balance increased by $32.9 million. The cash balance at June 30, 2021, was $92.9 million compared to $55.1 million at June 30, 2020, and $22.2 million at June 30, 2019. The University expects cash balances to decline during fiscal year 2022 as the revised University investment strategy is implemented fully, resulting in more assets classified as long-term and short-term investments.

Factors Affecting Future Periods

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

In April 2021, the Indiana General Assembly passed HEA 1001, the 2021–2023 biennial state budget. The University of Southern Indiana received a general operating appropriation of $48.2 million for the 2022 fiscal year and $51 million for the 2023 fiscal year, which represents a 5.8% increase in the second year of the biennium. In addition, the General Assembly approved $14.4 million in 2022 and $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 remained stable as well. Further, the State approved funding of $1.1 million in both 2022 and 2023 for repair and rehabilitation projects.

The University benefits from its location in a financially strong state. In July 2021, State Auditor Tera Klutz announced that Indiana closed the 2021 fiscal year with reserves of $3.9 billion despite the COVID-19 pandemic and the economic downturn. Currently, the State of Indiana's Issuer Rating is AAA from S&P, Aaa from Moody's and AAA from Fitch. The State of Indiana is one of 13 states to achieve AAA ratings from the three rating agencies. In August 2021, Moody's Investor Services assigned Issuer Ratings to 469 higher education institutions. As part of that process, Moody's affirmed the A1 Issuer Rating for the University.

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 $274.96 in 2021–2022, and $280.51 in 2022–2023, a 2% increase in both years. These rates will 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 addition to affordable tuition, the University is working to broaden its services to degree-seeking and non-degree-seeking students alike. The University launched the Center for Adult Learner Success (CALS) in Fall 2021, an innovative infrastructure for adult learners to obtain additional educational credentials through both credit and non-credit instruction. CALS will fill an untapped opportunity to assist adults seeking to expand their education through career readiness and advancement opportunities, helping employers address their needs for educating their workforce with skills necessary to meet the needs of future work environments. CALS is the result of a $2.5 million grant through the Lilly Endowment as part of its Charting the Future for Indiana's College and Universities Initiative.

In Fall 2021, the University welcomed another record number of graduate students with 1,845 students enrolled in masters and doctoral programs, a 4.5% increase over the prior year, with increases in both continuing and new students. New first-time freshmen and transfers for Fall 2021 increased 3.2% and 2.2%, respectively. The University greeted 1,327 new first-time freshmen and 461 new first-time transfers for the start of the academic year. Students came from 90 Indiana counties, 45 other states and 45 other countries. Overall, graduate and undergraduate enrollment for Fall 2021 totaled 7,938, a decrease of 6.7% from Fall 2020.

The University remains well-positioned to operate effectively during the COVID-19 pandemic while continuing to offer students a high-quality educational experience. Each college offers a diverse selection of courses with a variety of delivery modes to ensure a positive experience for students. The University received $9 million under the American Rescue Plan (ARP) for grants to students in need during the 2021–2022 academic year. In addition, the University received $8.9 million under the ARP to meet institutional needs stemming from the ongoing public health emergency. Maximum housing occupancy of 85% was maintained with apartment buildings left vacant intentionally with individual bedrooms and bathrooms reserved for possible quarantine use. The University has maintained instruction throughout the duration of the pandemic and remains ready to adapt if future challenges emerge. Supply chain disruptions have impacted the availability of many resources nationally, including textbooks and computers in some cases. The potential effects of sustained supply and labor shortages on higher education remain unclear. The University has weathered the challenges without significant impediments to its core activities and will continue to explore options to minimize the financial and academic impacts of these circumstances on students.

The University Board of Trustees approved the new strategic plan for 2021–2025 at its January 2021 meeting. The plan, *Accelerating Impact: USI's Strategic Plan for 2021–2025* followed a period of review and research, incorporating feedback from more than 2,600 students, employees, retirees, alumni and friends of the University. The plan is built around four goals: improve student success, foster impactful engagement, elevate visibility and reputation, and strengthen financial viability. Each goal has measurable objectives with supporting strategies and action steps. *Accelerating Impact* is a roadmap that will help the University advance toward its vision to be a recognized leader in higher education, boldly shaping the future and transforming lives of students through exceptional learning and intentional innovation.

The 2021 Financial Report demonstrates that the University is well-positioned financially to face challenges, to achieve its strategic plan and to meet the needs of students, the State of Indiana and the region.

Statement of Net Position

As of June 30	2021	2020 Reclass*
ASSETS		
Current Assets		
Cash and cash equivalents	$ 92,913,542	$ 55,105,307
Short-term investments	18,492,173	29,656,004
Accounts receivable, net	6,508,823	7,041,981
Inventories	507,279	1,567,141
Deposits with bond trustee	46,372,166	17,180,846
Other current assets	2,044,182	2,570,800
Total current assets	$166,838,165	$113,122,079
Noncurrent Assets		
Long-term investments	$ 27,553,291	$ 33,909,011
Deposits with bond trustee	74	102,131
Net OPEB Asset	12,302,972	—
Capital assets, net	222,621,551	214,636,340
Total noncurrent assets	$262,477,888	$248,647,482
Total Assets	$429,316,053	$361,769,561
DEFERRED OUTFLOW OF RESOURCES		
Hedging derivative instruments	$ 433,374	$ 715,835
Deferred amount on bond refundings	1,851,295	2,104,092
Deferred outflow of resources related to pensions	1,139,718	882,537
Deferred outflow of resources related to OPEB	168,419	510,325
Total deferred outflow of resources	$ 3,592,806	$ 4,212,789
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,510,455	$ 2,701,233
Accrued payroll, benefits and deductions	6,827,221	6,997,711
Bonds and leases payable	16,030,593	13,309,999
Debt interest payable	1,170,230	881,335
Unearned revenue	6,931,964	4,471,610
Other current liabilities	62,259	490,901
Total current liabilities	$ 33,532,722	$ 28,852,789
Noncurrent Liabilities		
Bonds and leases payable	$126,761,577	$ 97,321,742
Derivative instruments—interest rate swap	433,374	715,836
Other postemployment benefits	—	17,291,193
Compensated absences and termination benefits	3,202,042	3,277,277
Net pension liability	4,450,249	5,008,824
Other noncurrent liabilities	5,563	6,712
Total noncurrent liabilities	$134,852,805	$123,621,584
Total Liabilities	$168,385,527	$152,474,373
DEFERRED INFLOW OF RESOURCES		
Deferred inflow of resources related to pensions	$ 1,552,143	$ 1,179,620
Deferred inflow of resources related to OPEB	8,230,332	7,228,492
Total deferred inflow of resources	$ 9,782,475	$ 8,408,112
NET POSITION		
Net investment in capital assets	$127,256,143	$122,917,304
Restricted		
Expendable		
Debt Service	66	102,131
Scholarship, research and other	68,225	19,902
Unrestricted	127,416,423	82,060,528
Total Net Position	**$254,740,857**	**$205,099,865**

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

Component Unit

University of Southern Indiana Foundation

Consolidated Statements of Financial Position

Year Ended June 30	2021	2020
ASSETS		
Cash	$ 885,478	$ 733,114
Accounts and interest receivable	136,927	158,095
Contributions receivable, net	5,152,758	6,418,219
Prepaid expenses	1,319	1,520
Investments	174,028,302	129,296,137
Cash value of life insurance	495,898	511,638
Beneficial interest in charitable remainder trusts	1,446,653	1,144,297
Beneficial interest in perpetual trusts	4,927,772	4,012,103
Beneficial interest in Community Foundation	82,811	67,545
Real estate held for investment	2,480,215	2,471,215
Land and land improvements, net of accumulated depreciation; 2021 – $12,687, 2020 – $8,108	311,608	316,187
Buildings, net of accumulated depreciation; 2021 – $614,703, 2020 – $573,531	288,062	329,234
Equipment, net of accumulated depreciation; 2021 – $0	15,327	—
Property management deposits	5,370	4,445
Total assets	$190,258,500	$145,463,749
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 39,320	$ 36,277
Deposits	5,370	4,445
Deferred income	6,230	1,500
Payable to related parties	707,748	1,350,541
Annuities payable	840,608	1,606,430
Total liabilities	$ 1,599,276	$ 2,999,193
Net Assets		
Without donor restrictions		
Undesignated	$ 7,481,807	$ 6,758,895
Undesignated board endowments	12,950,947	9,737,095
	$ 20,432,754	$ 16,495,990
With donor restrictions		
Perpetual-in-nature endowments	$106,488,118	$ 75,969,041
Purpose-restricted board endowments	34,230,694	25,436,586
Purpose restrictions	20,066,988	17,217,929
Time restrictions for future periods	7,440,670	7,345,010
	$168,226,470	$125,968,566
Total net assets	$188,659,224	$142,464,556
Total liabilities and net assets	$190,258,500	$145,463,749

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30	2021	2020
REVENUES		
Operating Revenues		
Student fees	$ 78,915,806	$ 79,731,906
Scholarship discounts and allowances	(27,561,602)	(28,154,751)
Grants and contracts	1,885,655	1,786,572
Auxiliary enterprises	20,925,765	22,098,071
Room and board discounts and allowances	(1,775,115)	(1,533,270)
Other operating revenues	1,673,352	2,523,433
Total operating revenues	$ 74,063,861	$ 76,451,961
EXPENSES		
Operating Expenses		
Salaries and wages	$ 60,812,201	$ 63,366,007
Benefits	(6,155,227)	22,411,937
Student financial aid	10,390,872	11,234,090
Utilities	5,234,868	5,020,249
Supplies and other services	36,999,461	37,749,806
Depreciation	14,219,610	15,300,728
Total operating expenses	$121,501,785	$155,082,817
Operating loss	$ (47,437,924)	$ (78,630,856)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 60,461,069	$ 59,250,228
Gifts	3,338,664	4,090,516
Federal grants and contracts	26,317,257	15,586,265
State/Local grants and contracts	9,246,931	10,161,130
Nongovernmental grants and contracts	381,828	185,047
Investment income (net of investment expense of $74,259 and $70,761 for 2021 and 2020)	577,429	3,075,926
Interest on capital asset related debt	(4,314,792)	(3,657,840)
Bond issuance costs	(338,112)	(2,007)
Other non-operating revenues/(expenses)	(28,150)	(27,650)
Net non-operating revenues (expenses)	$ 95,642,124	$ 88,661,615
Income before other revenues, expenses, gains or losses	$ 48,204,200	$ 10,030,759
Capital appropriations	$ 1,112,962	$ 1,112,962
Capital grants and gifts	—	64,614
Total other revenues	$ 1,112,962	$ 1,177,576
Increase in net position	$ 49,317,162	$ 11,208,335
NET POSITION		
Net position – beginning of year	$205,099,865	$193,891,530
Prior period adjustment for change in accounting principle	$ 323,830	—
Net position – end of year	**$254,740,857**	**$205,099,865**

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	2021	2020
REVENUES AND OTHER SUPPORT		
Contributions	$ 6,335,955	$ 5,592,111
Grants	164,719	429,171
Change in value of split-interest agreements	832,240	210,504
Rental property income, net	5,445	15,544
Miscellaneous income	113,319	208,119
Reclassification of donor intent	—	—
Net assets released from restrictions	—	—
Total revenues and other support	$ 7,451,678	$ 6,455,449
EXPENSES		
Program Services – University of Southern Indiana		
Scholarships and awards	$ 2,635,078	$ 2,858,219
Educational grants and academic enhancements	692,844	1,290,824
Athletic support	6,954	142,670
Other University support	241,272	502,324
Capital projects	2,310	13,386
Community outreach	7,147	10,000
Total program services	$ 3,585,605	$ 4,817,423
Management and general	$ 770,344	$ 732,657
Fundraising	72,306	226,036
Uncollectible pledge loss	944,886	151,292
Total expenses	$ 5,373,141	$ 5,927,408
OTHER CHANGES		
Investment income, net	$ 43,167,863	$ 4,465,666
Change in fair value of perpetual trusts and Community Foundation	930,934	(109,474)
Mineral royalty income	7,097	14,843
Gain on cash value of life insurance	10,237	8,455
Total other changes	$ 44,116,131	$ 4,379,490
CHANGE IN NET ASSETS	$ 46,194,668	$ 4,907,531
NET ASSETS, BEGINNING OF YEAR	$142,464,556	$137,557,025
NET ASSETS, END OF YEAR	$188,659,224	$142,464,556

Statement of Cash Flows

Year Ended June 30	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 51,403,221	$ 52,693,932
Grants and contracts	4,719,469	1,794,780
Payments to suppliers	(36,094,539)	(38,259,796)
Payments for utilities	(5,234,868)	(5,020,249)
Payments to employees	(60,979,810)	(63,434,180)
Payments for benefits	(22,616,541)	(24,635,445)
Payments for scholarships	(10,390,722)	(11,234,090)
Auxiliary enterprises receipts	18,617,267	22,128,026
Sales and services of educational depts.	367,001	767,159
Proceeds from fiduciary activities	485,214	—
Payments for fiduciary activities	(487,196)	—
Other receipts (payments)	2,681,235	1,714,748
Net cash used by operating activities	$(57,530,269)	$(63,485,115)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	$ 60,461,069	$ 59,250,228
Gifts and grants for other than capital purposes	39,057,932	30,563,888
Other non-operating receipts (payments)	(138,817)	17,439
Net cash provided by noncapital financing activities	$ 99,380,184	$ 89,831,555
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	$ 48,349,397	$ —
Capital appropriations	1,112,962	1,112,962
Capital grants and gifts	—	173,268
Bond financing costs	(366,262)	(29,657)
Purchase of capital assets	(22,204,821)	(19,481,778)
Principal paid on capital debt and leases	(15,587,788)	(11,649,470)
Interest paid on capital debt and leases	(4,374,281)	(3,739,084)
Deposits with trustees	(29,089,263)	15,928,214
Net cash used by capital financing activities	$(22,160,056)	$(17,685,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 36,320,802	$ 52,937,326
Interest on investments	1,145,089	2,175,499
Purchase of investments	(19,347,515)	(30,850,928)
Net cash provided by investing activities	$ 18,118,376	$ 24,261,897
Net increase (decrease) in cash	$ 37,808,235	$ 32,922,792
Cash – beginning of year	55,105,307	22,182,515
Cash – end of year	$ 92,913,542	$ 55,105,307

Statement of Cash Flows–continued

Year Ended June 30	2021	2020
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$(47,437,924)	$(78,630,856)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation expense	14,219,610	15,300,728
Provision for uncollectible accounts	(82,526)	(111,479)
CHANGES IN ASSETS, LIABILITIES AND DEFERRED RESOURCES:		
Operating receivables	842,432	1,039,598
Inventories	1,059,862	293,854
Other assets	505,221	(427,182)
Accounts payable	(325,279)	(687,806)
Unearned revenue	2,460,354	2,143,405
Deposits held for others	(1,150)	2,342
Employee and retiree benefits	(28,768,887)	(2,407,719)
Fiduciary funds	(1,982)	—
Net cash used by operating activities:	$(57,530,269)	$(63,485,115)
NONCASH TRANSACTIONS		
Unrealized gain/(loss) on short-term investments	$ (29,764)	$ 90,694
Unrealized gain/(loss) on long-term investments	(516,499)	950,207
Equipment	—	460,270
Capital lease	—	(460,270)
Net noncash transactions	$ (546,263)	$ 1,040,901

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

Component Unit

University of Southern Indiana Foundation

Consolidated Statements of Cash Flows

Year Ended June 30	2021	2020
OPERATING ACTIVITIES		
Change in net assets	$46,194,668	$ 4,907,531
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized gain on sale of investments	(7,208,279)	(2,876,980)
Uncollectible pledge loss	939,886	151,292
(Increase) decrease in cash value of life insurance	15,740	(8,455)
Change in fair value of beneficial interest in trusts, perpetual trusts and Community Foundation	(1,233,291)	(218,984)
Contributions and receipts on contributions receivable restricted for endowment and long-term purposes	(2,466,353)	(2,333,996)
Depreciation	45,751	47,304
Unrealized (gain) loss on investments	(33,833,359)	891,435
Changes in		
Accounts and interest receivable	21,168	(46,521)
Contributions receivable	(25,665)	(784,275)
Prepaid expenses	201	(575)
Accounts payable and payable to related parties	(639,750)	(676,468)
Annuities payable	(765,822)	65,005
Deferred income	4,730	(5,740)
Net cash provided by (used in) operating activities	$ 1,049,625	$ (889,427)
INVESTING ACTIVITIES		
Purchase of property and equipment	(24,327)	(117,166)
Purchase of investments	23,536,029	(21,986,628)
Sales and maturities of investments	19,845,503	19,936,189
Net cash used in investing activities	$43,357,205	$ (2,167,605)
FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment and long-term purposes		
Scholarships and awards	2,769,587	1,673,923
Education and academic enhancements	29,058	1,134,837
Other University support	18,947	10,353
Net cash provided by financing activities	$ 2,817,592	$ 2,819,113
Increase (Decrease) in Cash	152,364	(237,919)
Cash, Beginning of Year	733,114	971,033
Cash, End of Year	$ 885,478	$ 733,114

Statement of Fiduciary Net Position

Year Ended June 30	2021
	OPEB Trust
ASSETS	
Cash and cash equivalents	$ 333,116
Investments:	
Equities	22,215,791
Fixed Income	7,832,917
Accrued income	30,965
Total current assets	$30,412,789
NET POSITION	
Restricted for other postemployment benefits	$30,412,789
Total Net Position	$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	2021
	OPEB Trust
ADDITIONS	
Investment income	
Net increase/(decrease) in fair value of investments	$ 5,229,770
Interest, dividends and other	398,594
Net gain/(loss) on sale of assets	1,470,050
Total investment earnings	$ 7,098,414
Less investment costs	(38,904)
Net investment earnings	$ 7,059,510
Total additions	$ 7,059,510
DEDUCTIONS	
Other postemployment benefits	$ 1,220,000
Taxes	185
Total deductions	$ 1,220,185
Increase in net position	$ 5,839,325
NET POSITION	
Net position – beginning of year	$24,573,464
Net position – end of year	$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 alumnus, one resident of Vanderburgh County and one full-time student in good standing. Each member must be a citizen of the United States and a resident of the State of Indiana. Trustees serve four-year terms with varying expiration dates 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

As of July 2020, the University adopted GASB Statement 84, ***Fiduciary Activities***. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and specifies how those activities should be reported. A Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2021 are included in the University financial report as part of this adoption.

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Inventory

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

Inventories of retail merchandise are considered expenditures when sold. 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.

Deposits with Bond Trustee

Deposits with bond trustee consist of unexpended bond proceeds and associated interest earnings which will be used for capital expenditures related to construction or renovation projects, bond issuance costs and future debt payments. Amounts held for construction and renovation are classified as current assets on the Statement of Net Position. Amounts held for payment of long-term debt obligations are classified as noncurrent assets. Year-end balances do not meet the criteria established by GASB 9 to be considered cash or cash equivalents due to bond covenants and timing of projects and, therefore, are not included in the ending cash balance reported on the Statement of Cash Flows.

Capital Assets Accounting Policies

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

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

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

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

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

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

The University owns a collection of museum exhibit items located in Historic New Harmony. The collection consists of 2,800 objects that are primarily 19th century decorative arts, furniture, prints, medical equipment and textiles. The collection consists of both donated and purchased items. Historic New Harmony does not place a monetary value on the collection because the museum is organized as a public trust which acts as a steward for the public in collecting, protecting, preserving and interpreting objects. A well-documented inventory is maintained, but the value is unknown and therefore not included in the capitalized asset value at June 30, 2021.

The University owns a permanent art collection whose primary function and aim is education in accordance with one element of the University's mission: to enhance the cultural awareness of its students, faculty, staff and the citizens of southwestern Indiana. The collection consists of both donated and purchased items. Some of the donated pieces were received without appraised values. Collection pieces, which have been appraised or otherwise valued, total $3,008,401. The currently known value is not included in the capitalized asset value at June 30, 2021.

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.

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. 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, 2021, the bank balances of the University's operating demand deposit accounts were $89,951,019, of which $752,314 was covered by federal depository insurance. The bank balances of the University's operating demand deposit accounts were $48,842,831, at June 30, 2020, of which $809,132 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.

At June 30, 2021, bond proceeds of $46,372,240 were invested in government money market funds through accounts at Old National Wealth Management and BNY Mellon. At June 30, 2020, bond proceeds of $17,282,977 were invested in these accounts. The money market funds invest primarily in short-term U.S. Treasury and government securities, and repurchase agreements collateralized by U.S. Treasury and government agency securities. These deposits with bond trustees are held for capital expenditures and payment of long-term debt, and they are distinct from University investments and deposits. As a result, they are not included in the remaining disclosures below.

Investments

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

INVESTMENTS						JUNE 30, 2021
			Investment 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 %	100.0%		40%	49%	11%	0%

The University's investments at June 30, 2020, are identified in the table below.

INVESTMENTS						JUNE 30, 2020
			Investment 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	26,711,521	42%	19,848,143	6,863,378	—	—
Agency securities	33,392,123	53%	8,172,436	18,798,756	6,317,290	103,641
U.S. Treasury securities	3,461,371	5%	1,635,425	1,825,946	—	—
Totals	**$63,565,015**	**100%**	**$29,656,004**	**$27,488,080**	**$6,317,290**	**$103,641**
Maturity %	100.0%		47%	43%	10%	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 $46 million invested at June 30, 2021, $29.7 million in U.S. securities are held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. Of the $63.6 million invested at June 30, 2020, $36.9 million in U.S. securities were held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government.

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 40% 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

Of the $46 million in investments at June 30, 2021, $30 million were rated Aaa by Moody's Investors Service, and $16 million in investments were unrated. At June 30, 2020, $36.1 million in investments were rated Aaa by Moody's Investors Service, and $27.4 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, 2021, and June 30, 2020, 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	50% 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 $4.8 million invested in U.S. Treasury Securities at June 30, 2021, and $3.5 million invested in U.S. Treasury Securities at June 30, 2020, 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, 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%

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

The University had the following fair value measurements at June 30, 2020.

FAIR VALUE MEASUREMENTS				FAIR VALUE AT JUNE 30, 2020
	Fair Value Measurement Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Certificates of deposit	26,711,521	26,711,521		
U.S. Treasury securities	3,461,371	3,461,371		
Agency securities	33,116,452		33,116,452	
Agency mortgage securities	275,671		275,671	
Total investments	**$63,565,015**	**$30,172,892**	**$33,392,123**	—
Derivative Instruments				
Interest rate swap	(715,836)		(715,836)	
Total derivative instruments	**$ (715,836)**	—	**$ (715,836)**	—
Deposits with Bond Trustee	17,282,977	17,282,977		

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, 2021 and June 30, 2020.

NOTE 4 – Derivative Instruments

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

CHANGE IN FAIR VALUE			FAIR VALUE AT JUNE 30, 2020		
Derivative Instrument	Type	Amount	Classification	Amount	Current Notional
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	$(61,788)	Derivative Instrument Interest Rate Swap	$(546,789)	$3,608,322
Series 2008A	Cash flow hedge: Pay-fixed interest rate swap	$ 69,284	Derivative Instrument Interest Rate Swap	$(169,047)	$5,475,000

The 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 did not meet the criteria and was not effective at June 30, 2021 but was effective at June 30, 2020. The cumulative change in the Series 2008A at June 30, 2021 is less than the change in the hedged item (under-hedge). Therefore, no ineffectiveness will be 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, 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 table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2020, along with the credit rating of the associated counterparty.

Type	Objective	Current Notional	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	$3,608,322	1/1/2008	1/1/2028	65% of 3 mo. USD-LIBOR-BBA	A3
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2008 Bonds	$5,475,000	7/1/2008	10/1/2021	65% of 3 mo. USD-LIBOR-BBA w/- 1 day look back, 79.0 bps	A3

The following 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	
2022	$ 415,797	$142,762	$3,100,000	$55,580	$3,515,797	$198,342	**$3,714,139**
2023	435,257	123,007	—	—	435,257	123,007	**558,264**
2024	455,626	102,328	—	—	455,626	102,328	**557,954**
2025	476,951	80,681	—	—	476,951	80,681	**557,632**
2026	499,270	58,021	—	—	499,270	58,021	**557,291**
2027–2031	928,212	43,771	—	—	928,212	43,771	**971,983**
2032–2036	—	—	—	—	—	—	**—**
Total	**$3,211,113**	**$550,570**	**$3,100,000**	**$55,580**	**$6,311,113**	**$606,150**	**$6,917,263**

Credit Risk — The fair value of the hedging derivative instruments is in a liability position as of June 30, 2021, and June 30, 2020, with Series 2006 having a balance of $390,631 and $546,789 and Series 2008A having a balance of $42,743 and $169,047, respectively. Because both of the derivative instruments and the debts being hedged are with the same counterparty, there is no credit risk exposure. The fair value of the derivative instruments would simply be netted against the payoff of the debts.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the derivative instruments. On a pay-fixed, receive-variable interest rate swap, the University will be negatively impacted by the lower rate environment, which will decrease the fair market values of its derivative instrument. The derivative instrument for Series 2006 fixes the hedged debt at 4.67%, and Series 2008A is fixed at 3.97%.

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

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

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

NOTE 5 – Accounts Receivable

The following schedule summarizes accounts receivable at June 30, 2021, compared to the previous fiscal year.

ACCOUNTS RECEIVABLE	2021	2020
Student fees receivable	$ 5,723,408	$ 5,048,837
Auxiliary enterprises	1,260,389	1,866,424
Gifts and nonoperating grants	1,982,598	1,755,850
Contracts and operating grants	271,152	306,041
Other	253,529	1,129,608
Current accounts receivable, gross	9,491,076	10,106,760
Allowance for uncollectible accounts	(2,982,253)	(3,064,779)
Current accounts receivable, net	$ 6,508,823	$ 7,041,981

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

NOTE 6 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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

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

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

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

Effective January 1, 2021, the University changed its medical insurance for Medicare eligible retirees from a cost-plus arrangement with Anthem to a fully insured option with United Healthcare. 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, 2021, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving medical/dental benefit payments	279
Inactive employees entitled to but not yet receiving medical/dental benefit payments	0
Active employees eligible for medical/dental	314
Total	593

Inactive employees or beneficiaries currently receiving life insurance benefit payments	364
Inactive employees entitled to but not yet receiving life insurance benefit payments	0
Active employees eligible for life insurance	562
Total	926

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

The University uses a pay-as-you-go financing method where employee payroll deductions for post-retirement benefits and retiree contributions for medical and dental premiums are made at about the same time and in the same amount as benefit payments and expenses coming due. The University remits medical claims incurred and medical, dental and life insurance premiums directly to the third-party insurers. The University payroll deduction rates for medical, dental and life insurance ranged from $46.44 to $589.24 per month for single coverage and $141.49 to $1,627.04 for family coverage. Retiree contributions for medical and dental ranged from $45.49 to $585.44 per month for single coverage and $140.54 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, 2021, a June 30, 2020 measurement date was used. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of July 1, 2020 with results projected to the June 30, 2021 measurement date on a “no loss/no gain” basis. Liabilities as of July 1, 2020 are based on an actuarial valuation date of July 1, 2020 with no adjustments.

Actuarial assumptions — The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.25%
Salary increases	2.50–4.25%, including inflation
Healthcare cost trend rates	7.5% for 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years for medical 4.75% for 2022, decreasing 0.25% per year to an ultimate rate of 3.25% for 2028 and later for dental

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study in 2013.

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

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

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

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

YIELD AS OF	JUNE 30, 2021
Bond Buyer Go 20-Bond Municipal Bond Index	2.16%
S&P Municipal Bond 20-Year High Grade Rate Index	2.19
Fidelity 20-Year Go Municipal Bond Index	1.94
Bond Index Range	1.94–2.19%

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)**

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

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)	$(10,461,639)	$(12,302,972)	$(13,870,786)

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)	$(13,941,501)	$(12,302,972)	$(10,371,151)

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, 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	168,419	4,345,255
Total	**$168,419**	**$8,230,332**

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

DEFERRED RESOURCES		JUNE 30, 2020
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	—	6,768,181
Changes in assumptions	240,584	447,925
Net differences between projected and actual earnings in OPEB plan investments	269,741	12,386
Total	$510,325	$7,228,492

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	
2022	(4,872,130)
2023	(1,054,831)
2024	(1,050,702)
2025	(1,084,250)
2026	—
Thereafter	—

NOTE 7 – Capital Assets, Net of Accumulated Depreciation

The table below displays the increase in total capital assets from $443.8 million at July 1, 2020, to $465.6 million on June 30, 2021. Gross capital assets, less accumulated depreciation of $243.0 million, equal net capital assets of $222.6 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
Capital Lease Equipment	688,527	—	—	—	688,527
Total Capital Assets Being Depreciated	**$ 416,474,267**	**$ 732,958**	**$ 39,114,774**	**$(445,352)**	**$ 455,876,647**
Total Capital Assets	**$ 443,821,841**	**$ 22,208,103**	**$ —**	**$(445,352)**	**$ 465,584,592**
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)
Capital Lease Equipment	(186,183)	(137,705)	—	—	(323,888)
Total Accumulated Depreciation	**$(229,185,501)**	**$(14,219,610)**	**—**	**$ 442,070**	**$(242,963,041)**
Net Capital Assets Being Depreciated	**$ 187,288,766**	**$(13,486,652)**	**$39,114,774**	**$ (3,282)**	**$ 212,913,606**
Total Net Capital Assets	**$ 214,636,340**	**$ 7,988,493**	**—**	**$ (3,282)**	**$ 222,621,551**

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

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

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

CONSTRUCTION WORK IN PROGRESS

Facility	Balance as of June 30, 2020	Balance as of June 30, 2021
Physical Activities Center (PAC)	$21,223,129	$ —
HVAC Infrastructure Improvements	—	3,941,095
Wellness Center	—	507,009
Housing HVAC PTAC Replacement/Installation	403,659	—
Other projects (not exceeding $250,000)	635,188	174,243
Total	$22,261,976	$4,622,347

NOTE 8 – Noncurrent Liabilities

Changes in noncurrent liabilities for the fiscal years ended June 30, 2021 and 2020, are shown below.

	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	509,102	—	135,578	373,524	138,615	234,909
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	**$137,712,929**	**$55,184,417**	**$41,059,550**	**$151,837,796**	**$16,984,991**	**$134,852,805**

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
Bonds payable	$121,754,301	—	$11,631,662	$110,122,639	$13,174,420	$ 96,948,219
Leases payable	308,851	460,270	260,019	509,102	135,579	373,523
Derivative instruments – interest rate swap	723,332	61,788	69,284	715,836	—	715,836
Other postemployment benefits	23,407,069	3,851,007	9,966,883	17,291,193	—	17,291,193
Compensated absences	3,227,737	2,689,690	2,389,067	3,528,360	477,871	3,050,489
Termination benefits	380,205	403,807	253,749	530,263	303,475	226,788
Net pension liability	5,289,879	900,564	1,181,619	5,008,824	—	5,008,824
Other noncurrent liabilities	4,370	21,227	18,885	6,712	—	6,712
Total	**$155,095,744**	**$8,388,353**	**$25,771,168**	**$137,712,929**	**$14,091,345**	**$123,621,584**

The bonds payable balances and reductions shown above for the fiscal year ended June 30, 2020, have been adjusted from the noncurrent liabilities note published in the 2019–20 Financial Report for comparative purposes. Deferred amounts on bond refunding that were previously reported as a reduction of bonds payable have been reclassified as a deferred outflow of resources.

NOTE 9 – Debt Related to Capital Assets

Bonds Payable — 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 Bonds, Series 2003 and Series 2008A, are secured by a pledge of and parity first lien on the net income from the Auxiliary System (student housing, parking facilities and dining services), any insurance proceeds, amounts held in the debt service funds or project funds, and investment income thereon. These auxiliary system bonds also contain a provision that the bond trustee may, at its discretion and upon the written request of the holders of 25% of the bonds then outstanding, seek legal or equitable remedy in the event of default.

The deferred amount on bond refundings were $2,104,092 at June 30, 2020, and $1,851,295 at June 30, 2021.

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

ANNUAL DEBT SERVICE REQUIREMENTS				
	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 10 – Series N Bond Issue

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

NOTE 11 – Lease Obligations

The University spent $187,524 and $209,800 on operating leases as of June 30, 2021 and 2020, respectively. These leases are included in supplies and other services on the Statement of Revenues, Expenses and Changes in Net Position. The following schedule summarizes the types of operating lease payments at June 30, 2021, compared to the previous fiscal year.

OPERATING LEASE PAYMENTS		
	2021	2020
Off-campus facilities	$ 137,158	$ 134,350
Equipment	33,308	61,294
Vehicles	17,058	14,156

The University also has lease agreements with Xerox Corporation for the use of copiers that are substantively lease-purchases. These capital lease obligations are included in the Statement of Net Position. The gross amount of assets recorded for these capital leases totaled $688,527 and $688,527 as of June 30, 2021 and 2020, respectively. Accumulated depreciation of leased equipment totaled $323,888 and $186,183 as of June 30, 2021 and 2020, respectively.

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

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

FUTURE MINIMUM LEASE PAYMENTS		
Fiscal year ending June 30	Capital Leases	Operating Leases
2022	$145,609	$105,184
2023	132,412	13,662
2024	99,918	6,415
2025	7,918	5,630
2026	—	5,743
Total future minimum payments	$385,857	$136,634
Less interest	(12,334)	
Total principal payments outstanding	$373,523	

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 $5,586,423 to these programs in fiscal year 2020–21, which represents approximately 9.19% of the total University payroll and 10.73% 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 $4,651,899 to this plan for 646 participating employees for fiscal year ending June 30, 2021, and $4,724,583 for 667 participating employees for fiscal year ending June 30, 2020. The annual payroll for this group totaled $43,657,510 and $44,903,126 for fiscal years ending June 30, 2021 and 2020, 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 $254,521 to this plan for 165 participating employees for fiscal year ending June 30, 2021, and $229,200 to this plan for 159 participating employees for the fiscal year ending June 30, 2020. The annual payroll for this group totaled $3,636,020 and $3,274,286 for fiscal years ending June 30, 2021 and 2020, 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, 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: While in Active Service	Survivor Benefit: While Receiving a Benefit	COLA – Cost of Living Adjustment
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, 2020, postretirement benefits were issued to members as a 13th check.

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

RETIREMENT AND TERMINATION BENEFIT	DISABILITY BENEFIT	SURVIVOR BENEFIT
Members are entitled to the sum total of vested contributions plus earnings 30 days after separation from employment. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan or a monthly annuity (in accordance with INPRS requirements).	Upon providing proof of the member's qualification for social security disability benefits, the member is entitled to the sum total of contributions plus earnings. The amount can be paid in a full or partial withdrawal as a lump sum, direct rollover to another eligible retirement plan or a monthly annuity (in accordance with INPRS requirements).	Beneficiary is entitled to the sum total of contributions plus earnings. The amount can be paid in a lump sum, direct rollover to another eligible retirement plan or a monthly annuity (in accordance with INPRS requirements).

Contributions — The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. There are two parts to this plan: the PERF DC fund to which members contribute 3% of their salary and PERF DB fund to which the University contributed 11.2% of the employee's salary this fiscal year. The University contributed $680,003 for 159 employees participating in the PERF Hybrid plan during the 2020–21 fiscal year and $748,790 for 182 employees participating during 2019–20. These contribution amounts include the 3% member portion, which the University has elected to pay on behalf of its employees.

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

The University reported a liability of $4,450,249 at June 30, 2021, and $5,008,824 at June 30, 2020, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2020 for assets and June 30, 2019 rolled forward to June 30, 2020 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, 2020, the University's proportion was 0.15%, which is unchanged from June 30, 2019.

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

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

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

$680,003 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

YEAR ENDED JUNE 30	
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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	2.75–8.75%, including inflation
Investment rate of return	6.75%, net of investment expense
Cost of Living Increases	It is assumed a service-based 13th check will be paid in the 2020 and 2021 fiscal years. Thereafter, the following COLAs, compounded annually, are assumed: 0.40% beginning on January 1, 2022 0.50% beginning on January 1, 2034 0.60% beginning on January 1, 2039

A load of final average salary of $200 was included to reflect unused sick leave.

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, 2020 valuation were adopted by the INPRS Board in June 2020. 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 6.75% 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	22%	4.4%
Private Markets	14	7.6
Fixed Income – Ex Inflation-Linked	20	1.9
Fixed Income – Inflation-Linked	7	0.5
Commodities	8	1.6
Real Estate	7	5.8
Absolute Return	10	2.9
Risk Parity	12	5.5
Total	100%	

Discount rate — The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from 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 6.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

PROPORTIONATE SHARE OF NET PENSION LIABILITY

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
University's proportionate share of the net pension liability	$7,255,419	$4,450,249	$2,100,691

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 $200,000 minimum deductible for "Windstorm" meaning wind, wind driven rain or hail. Educators' legal liability has a $50,000 retention for each wrongful acts claim. General liability, cyber liability, professional liability, commercial crime, workers' compensation, pollution (which includes mold) and commercial auto are insured by commercial insurance subject to various deductibles. Life and disability insurance are handled through fully insured commercial policies. No liability exists at the balance sheet date for unpaid claims. The University did not 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 2019–20 and 2020–21 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
2019–2020	$1,282,467	$16,475,746	$(16,447,000)	$1,311,213
2020–2021	$1,311,213	$14,158,102	$(14,316,345)	$1,152,970

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 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 $3,482,813 and $3,528,360 for June 30, 2021 and 2020, respectively. The current year change represents a $43,505 decrease in accrued vacation; a $237 increase in sick leave liability; a $905 decrease in Social Security and Medicare taxes; a $2,432 decrease in Public Employees' Retirement Fund (PERF) contributions; and a $1,058 increase in Teacher's Insurance and Annuity Association (TIAA) contributions. During the fiscal year, $461,838 was paid out to terminating employees. Payout for terminating employees in fiscal year 2021–22 is expected to increase approximately 9.7% because of the number who will have reached the requisite retirement age and years of service. For that reason, $506,655 of the total compensated absence liability is classified as a current liability under accrued payroll, benefits and deductions, and the remaining $2,976,158 is classified as a noncurrent liability.

NOTE 15 – Termination Benefits Liability

GASB Statement 47, *Accounting for Termination Benefits*, requires the University to recognize a liability and an expense for voluntary termination benefits, such as early-retirement incentives, when the offer is accepted, and the amount can be estimated. Members of the University's regular full-time faculty and administrative staff who have been employed in an eligible position prior to January 1, 1999, who have 15 or more consecutive years of service, and who are age 60 or older may receive early-retirement benefits upon request. These benefits include a lump-sum retirement service pay calculated as a percent of final-year salary based on length of service, not to exceed 25%, and continued contribution to retirement annuity contracts through the end of the fiscal year in which the retiree reaches age 66. Salaries are assumed to remain static for purposes of calculating this liability.

The University has 25 retirees currently receiving early-retirement benefits, 13 of whose benefits stop after this fiscal year and 19 more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals $673,628 at June 30, 2021. Of that amount, $447,743 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 $225,885 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, 2021		
Function	Salaries and Wages	Benefits	Student Financial Aid	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	$32,493,459	$(2,839,787)			$ 2,428,838		$32,082,510
Academic Support	5,439,622	(935,010)			4,168,582		8,673,194
Student Services	5,795,540	(954,691)			2,983,468		7,824,317
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						14,219,610	14,219,610
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	10,801,673		16,031,533
TOTAL	**$60,812,201**	**$(6,155,227)**	**$10,390,872**	**$5,234,868**	**$36,999,461**	**$14,219,610**	**$121,501,785**

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

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 $1,683,192 and $17,493,932 at June 30, 2021 and 2020, respectively.

NOTE 18 – Reclassify 2020 Financial Information

Reclassifications have been made to the Statement of Net Position for the year ended June 30, 2020 for comparative purposes. Deferred amounts on bond refunding that were previously reported under noncurrent liabilities on the Statement of Net Position as a reduction of bonds payable have been reclassified as a deferred outflow of resources. There was no change in net position or cash assets as the result of these reclassifications, and this change had no impact on the Statement of Cash Flows or the Statement of Revenues, Expenses and Changes in Net Position.

Details of the reclassifications appear in the table below.

Statement of Net Position	June 30, 2020 as reported	Reclassification	June 30, 2020 as reclassified
Deferred outflow of resources			
Deferred amount on bond refundings	—	$ 2,104,092	$ 2,104,092
Noncurrent liabilities			
Bonds and leases payable	$95,217,650	$ 2,104,092	$97,321,742

NOTE 19 – Beginning Net Position Restatement

The beginning net position balance at July 1, 2020 was increased by $323,830 due to the implementation of GASB Statement 84, which took effect for the 2021 fiscal year. This statement establishes criteria for identifying and reporting fiduciary activities that resulted in a change of how the University is required to account for the activity of several student clubs and organizations. This accounting activity was previously recorded in agency funds and was not reported in the University's financial statements except to recognize assets and liabilities associated with the funds. GASB 84 eliminated the agency fund type, and these amounts are now reported as business-type activities in the University's financial statements due to the substantive direct financial and administrative involvement with these funds. June 30, 2020 amounts have not been restated to reflect this change because it was not practical to do so given the significant number of funds affected by the change.

NOTE 20 – Subsequent Events

Transfer of Funds to Investment Managers

On July 20, 2021, the University transferred $30 million to the investment custody account for Johnson Asset Management and $30 million to the investment custody account for Longfellow Investment Management. On August 30, 2021, the University transferred $5.3 million to Fifth Third Institutional Services for investments. These investment managers for the University were approved by the Finance/Audit Committee of the USI Board of Trustees on March 5, 2020, but the contract negotiations and transfers of funds were delayed due to the COVID-19 pandemic.

Old National Wealth Management was approved as the fourth investment manager by the Finance/Audit Committee at its March 2020 meeting, but that account was fully funded previously under an existing investment management agreement.

The transfers were funded from unrestricted cash balances. Dollars from investments that matured since March 2020 were held in liquid, interest-bearing accounts in anticipation of these transfers and reported as cash and cash equivalents on the Statement of Net Position at June 30, 2021.

Approval as Charter School Authorizer

On August 26, 2021, the University announced its approval as a charter school authorizer by the Indiana State Board of Education. Authorizers are the entities that decide who can start a new charter school, set academic and operational expectations, and oversee school performance. USI oversight as an authorizer will begin with the Indiana Agriculture and Technology School, which opened in 2018 and is based in Central Indiana with a farm campus near Trafalgar and additional campus expansions in the southern and northern regions of the State. The tuition-free charter school has an enrollment of 234 students in the seventh through twelfth grade. As the relationship between the University and the charter school is formalized and implemented, the school will be evaluated as a potential component unit of the University.

Component Unit University of Southern Indiana Foundation

Notes to Consolidated Financial Statements June 30, 2021 and 2020

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

Nature of Operations
The University of Southern Indiana Foundation (Foundation) is a not-for-profit organization, the mission and principal activity of which is to support the activities of the University of Southern Indiana (University), and includes the activities of various University support organizations. The Foundation's revenues and other support are derived principally from contributions and 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 nonendowed 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. At June 30, 2021 and 2020, the Foundation did not have any cash equivalents.

Contributions Receivable – Deferred Gifts
During 2021 and 2020, 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%.

One deferred gift in the amount of $894,231, net of uncollectible allowance and discount, was written off during 2021 due to insufficient funding in the donor's estate.

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, 2021 and 2020.

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.

Revisions
Certain immaterial revisions were made to the 2020 financial statements for corrections related to the presentation of the uncollectible pledge loss and the change in contributions receivable in the consolidated statement of cash flows. The uncollectible pledge loss and change in contributions receivable were reported in the 2020 financial statements as ($151,292) and ($481,691), respectively. This presentation was revised to show an uncollectible pledge loss of $151,292 and a change in contributions receivable of ($784,275).

An additional immaterial revision has been made to reclassify a certificate of deposit from cash to investments in the consolidated statement of financial position. Cash and investments were previously reported at $983,114 and $129,046,137, respectively, and have been revised to $733,114 and $129,296,137, respectively. Within the consolidated statement of cash flows, purchases of investments were previously reported as ($21,736,628) and have been revised to ($21,986,628). Total net cash used in investing activities and the increase (decrease) in cash were previously reported as ($1,917,605) and $12,081, respectively. This presentation has been revised to ($2,167,605) and ($237,919), respectively. Additionally, ending cash per the consolidated statement of cash flows was $983,114 and is revised to $733,114.

Additionally, an immaterial revision has been made to reclassify board-designated endowment spendable funds from undesignated board endowments without donor restriction to undesignated net assets without donor restrictions on the consolidated statement of financial position. Undesignated net assets without donor restrictions were previously reported at $6,333,172 and have been revised to $6,758,895. Board endowments without donor restrictions were previously reported at $10,162,818 and have been revised to $9,737,095. Within Note 3, board-designated endowment spendable funds of ($425,723) were removed and the financial assets available to meet cash needs for general expenditures within one year was revised from $5,912,794 to $6,338,517.

Reclassifications
Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

NOTE 2 – Contributions Receivable

Contributions receivable at June 30, 2021 and 2020, consisted of the following:

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

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

Contributions receivable designated for specific purposes and with time restrictions at June 30, 2021 and 2020, were as follows:

SPECIFIC CONTRIBUTIONS RECEIVABLE		
	2021	2020
Scholarships and awards	$2,288,234	$2,502,455
Educational grants and academic enhancements	1,445,185	1,422,777
Athletic support	9,682	91,916
Other University support	1,103,005	2,093,510
Community outreach	924	1,911
Time restrictions	305,728	305,650
Total	$5,152,758	$6,418,219

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, 2021 and 2020, comprise the following:

FINANCIAL ASSETS AVAILABLE		
	2021	2020
Total financial assets (including cash, accounts and interest receivable, contributions receivable and investments)	$180,203,465	$136,605,565
Board-designated endowments with underlying donor-imposed restrictions		
Restricted funds	(1,845,987)	(1,390,995)
Endowments	(34,230,694)	(25,436,586)
Donor-imposed restrictions		
Restricted funds	(18,220,919)	(15,841,976)
Assets held under split-interest agreements	(767,070)	(1,891,355)
Endowments	(106,488,118)	(75,969,041)
Net financial assets after donor-imposed restrictions	18,650,677	16,075,612
Designations without donor restrictions		
Board-designated endowments	(12,950,947)	(9,737,095)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,699,730	$ 6,338,517

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 $47,181,641 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, 2021 and 2020, are restricted for the following purposes or periods:

NET ASSETS WITH DONOR RESTRICTIONS	2021	2020
Subject to expenditure for specified purpose		
Scholarships and awards	$ 6,673,573	$ 6,100,156
Educational grants and academic enhancements	6,365,613	3,977,272
Capital projects	433,095	430,603
Athletics	451,846	179,129
Other University support	4,337,610	3,657,537
Community outreach	231,542	218,278
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	649,053	658,849
Educational grants and academic enhancements	34,299	38,560
Athletics	10,313	96,026
Other University support	796,233	1,791,974
Community outreach	1,000	2,000
	19,984,177	**17,150,384**
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	$ 1,446,653	$ 1,144,297
Assets held under split-interest agreements	767,070	1,891,355
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	299,175	297,255
	2,512,898	**3,332,907**
Endowments		
Board-designated endowments subject to endowment spending policy and appropriation for specific purpose		
Restricted by donors for		
Scholarships and awards	18,101,906	13,388,525
Educational grants and academic enhancements	13,485,123	9,997,095
Athletics	1,085,074	817,649
Other University support	1,031,591	777,078
Community outreach	287,724	216,766
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	150	352
Educational grants and academic enhancements	211,083	211,083
Other University support	28,043	28,038
	34,230,694	**25,436,586**
Donor-restricted endowments subject to endowment spending policy and appropriation		
Scholarships and awards	69,941,334	49,960,965
Educational grants and academic enhancements	16,301,600	12,109,757
Other University support	17,128,764	10,613,643
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	1,611,681	1,817,041
Educational grants and academic enhancements	1,219,950	1,183,229
Other University support	284,789	284,406
	106,488,118	**75,969,041**
Total endowments with restrictions	**140,718,812**	**101,405,627**
Not subject to spending policy or appropriation		
Beneficial interest in assets held by Community Foundation	82,811	67,545
Beneficial interests in perpetual trusts	4,927,772	4,012,103
	5,010,583	**4,079,648**
	$168,226,470	**$125,968,566**

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	2021	2020
Expiration of time restrictions	$ 7,406	$ 69,280
Satisfaction of purpose restrictions		
Scholarships and awards	1,208,960	1,252,334
Educational grants and academic enhancements	616,238	1,081,920
Athletics	6,954	130,153
Other University support	84,257	1,183,692
Capital projects	2,310	13,386
Community outreach	7,147	10,000
	1,933,272	**3,740,765**
Restricted-purpose spending-rate distributions and appropriations		
Scholarships and awards	1,204,016	1,273,979
Educational grants and academic enhancements	76,606	159,638
Athletics	—	12,517
Other University support	36,000	13,474
	1,316,622	**1,459,608**
	$3,249,894	**$5,200,373**

NOTE 5 – Investments and Investment Return

Investments at June 30, 2021 and 2020, consisted of the following:

INVESTMENTS	Fair Value	
	2021	2020
Short-term investments and cash equivalents	$ 2,664,714	$ 2,442,877
Certificate of deposit	496,336	499,995
U.S. Treasury securities	2,581,671	2,677,491
Municipal securities	480,447	424,799
Corporate debt securities	4,966,584	4,856,354
Common stocks	27,327,538	17,964,596
Mutual funds		
Fixed income	33,354,030	29,235,291
International	22,249,449	16,770,708
Large cap	66,356,074	45,185,724
Small cap/mid cap	12,536,606	8,266,977
Alternative investment – private investment fund	1,014,853	971,325
Total	**$174,028,302**	**$129,246,137**

Total investment return for the years ended June 30, 2021 and 2020, was comprised of the following:

INVESTMENT RETURN		
	2021	2020
Interest and dividend income	$ 2,348,925	$2,683,250
Investment management fees	(222,700)	(203,129)
	2,126,225	**2,480,121**
Net realized and unrealized gains on investments reported at fair value	41,041,638	1,985,545
	$43,167,863	**$4,465,666**

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, 2021 and 2020, consist of the following:

ALTERNATIVE INVESTMENTS				
2021				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	$1,014,853	$906,000	N/A	N/A
2020				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	$ 971,325	$906,000	N/A	N/A

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

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

Note 6 – Beneficial Interest in Trusts

The Foundation is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the Foundation has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $4,927,772 and $4,012,103, which represents the fair value of the trusts' assets at June 30, 2021 and 2020, respectively. The change in fair value of these trusts for 2021 and 2020 was $915,669 and ($110,262), 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, 2021 and 2020, the residual benefits were valued at $1,446,653 and $1,144,297, respectively. The change in fair value of these trusts for 2021 and 2020 was $302,356 and $328,459, 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, 2021 and 2020, in the funds with donor restrictions, of $840,608 and $1,466,579, 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%. During the year ended June 30, 2021, 13 charitable gift annuities matured releasing an annuity liability totaling $543,716.

The Foundation has been the recipient of life insurance proceeds from a fringe benefit supplemental agreement, which requires future payments to an annuitant until death. The assets received are recorded at fair value with donor restrictions. The Foundation has recorded a liability at June 30, 2021 and 2020, in the fund with donor restrictions, of $0 and $139,851, respectively, which represents the present value of the future annuity obligation. The liability has been determined using a discount rate of 2.1%. During the year ended June 30, 2021, this annuity matured releasing an annuity liability of $131,114.

Note 8 – Endowment

The Foundation's endowment consists of approximately 489 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, 2021 and 2020, was:

COMPOSITION OF NET ASSETS BY ENDOWMENT

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**

2020			
Board-designated endowment funds	$9,737,095	$ 25,436,586	$ 35,173,681
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	48,950,291	48,950,291
Accumulated investment gains	—	29,646,859	29,646,859
Total endowment funds	**$9,737,095**	**$104,033,736**	**$113,770,831**

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, 2021 and 2020, these assets were valued at $1,538,320 and $2,628,109, respectively.

Changes in endowment net assets for the years ended June 30, 2021 and 2020, were:

CHANGES IN ENDOWMENT NET ASSETS

2021	Without Donor Restrictions	With Donor Restrictions	Total
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	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**

2020			
Endowment net assets, beginning of year	$9,777,318	$100,942,459	$110,719,777
Investment return			
Investment income	329,765	3,691,169	4,020,934
Net depreciation	(77,125)	(847,298)	(924,423)
Total investment return	**252,640**	**2,843,871**	**3,096,511**
Contributions	69,600	3,398,845	3,468,445
Appropriation of endowment assets for expenditure	(362,463)	(2,989,668)	(3,352,131)
Reclassification of donor intent	—	155	155
Other changes – uncollectible pledge loss	—	(101,000)	(101,000)
Other changes – change in value of split-interest agreements	—	(60,926)	(60,926)
	(292,863)	**247,406**	**(45,457)**
Endowment net assets, end of year	**$9,737,095**	**$104,033,736**	**$113,770,831**

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 $0 and $8,903 for 2021 and 2020, 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, 2021 and 2020. The valuation of certificates of deposit in the amount of $496,336 and $499,995 as of June 30, 2020 and 2021, respectively, is excluded from the tables.

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	$ —

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

(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, 2021 and 2020.

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

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

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

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

Note 10 – Related-Party Transactions

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

The Foundation paid an annual administrative fee of $554,400 and $548,900 to the University for the years ended June 30, 2021 and 2020, respectively, for accounting, computer, administrative and other miscellaneous services provided to the Foundation by University personnel.

Amounts due to the University for approved program expenditures included in payable to related parties as of June 30, 2021 and 2020, were $707,748 and $1,350,541, 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, 2021 and 2020, approximately 63% and 22%, respectively, of all contributions were received from two donors.

Contributions Receivable – Deferred Gifts
As of June 30, 2021 and 2020, the Foundation has recorded contribution pledges for deferred gifts of $9,763,000 and $10,763,000, respectively, of which $3,295,280 and $3,466,330, respectively, were reserved as an allowance for uncollectible amounts and $2,796,232 and $2,880,120, respectively, were recorded as a discount based on estimated discount rates for each individual pledge for a net pledge receivable amount of $3,671,488 and $4,416,550, 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 2021 and 2020, economic uncertainties have arisen, which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 13 – Subsequent Events

Subsequent events have been evaluated through October 1, 2021, 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 8 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**
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 9 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***
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 future salary increase assumption changed from an age-based table ranging from 2.50% to 4.25% to a service-based table ranging from 2.75% to 8.75%.

The mortality assumption changed from the 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 to the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The retirement assumption was updated based on recent experience and was updated from an age- and service-based table to an age-based table dependent on eligibility for a reduced benefit or unreduced benefit. Additionally, for actives who are eligible for early retirement (reduced benefit), 30% are now assumed to commence benefits immediately and 70% are assumed to commence benefits at unreduced retirement eligibility. Previously 33% of actives were assumed to commence benefits with early retirement while 67% were assumed to wait for unreduced retirement eligibility.

The termination assumption was updated based on recent experience. For state members the tables were combined from being split by salary and sex to being one unisex service-based table. For members in political subdivisions earning more than $20,000, the sex-distinct tables were combined to one unisex service-based table. For members in political subdivisions earning less than $20,000, the sex-distinct age-based table was maintained and the rates were updated based on experience.

The disability assumption was updated based on recent experience.

The marital assumption was updated based on recent experience. 80% of male members and 65% of female members are assumed to be married or to have a dependent beneficiary. Previously, 75% of male members and 60% of female members were assumed to be married or to have a dependent beneficiary.

The load placed on the final average earnings to account for additional wages received upon termination, such as severance pay or unused sick leave, decreased from $400 to $200.

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

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

Source: Indiana Public Retirement System
Public Employees' Retirement Fund
Report on Allocation of Pension Amounts
For the Year Ended June 30, 2020

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
2020	Period of 5 Years ended June 30, 2019	6.75%, Net of Investment Expense	13th check for 2020 and 2021 0.40% January 1, 2022 0.50% January 1, 2034 0.60% January 1, 2039	2.75%–8.75%	2.25%	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Employee table with a 3-year set forward for males and a 1-year set forward for females.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Disabled table with a 140% load.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Retiree table with a 3-year set forward for males and a 1- year set forward for females.	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Contingent Survivor table with no set forward for males and a 2-year set forward for females.

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

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

*Last 4 Fiscal Years**

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

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

*Last 4 Fiscal Years**

	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	301,410	578,788	1,197,189	1,888,109
Contribution deficiency (excess)	$ 1,558,132	$ 1,952,666	$ 1,515,710	$ 926,760
Covered employee payroll	$30,909,382	$32,786,514	$37,026,262	$42,347,069
Contributions as a percentage of covered employee payroll	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.

Net OPEB Liability

Changes in assumptions: There were no changes in assumptions for the fiscal year.

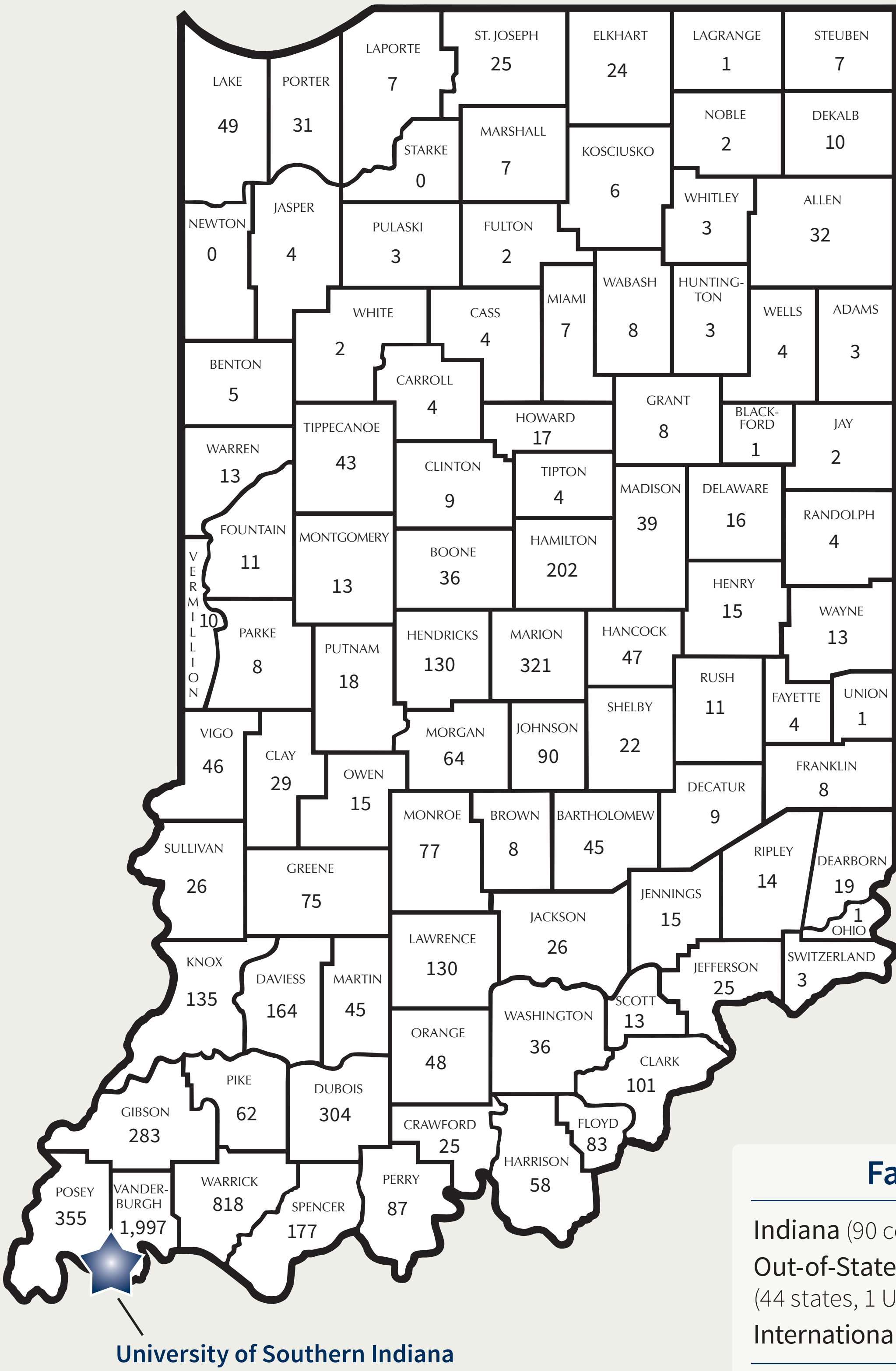
Methods and assumptions used to determine contribution rates:

Fiscal Year	Actuarial Cost Method	Amortization Type	Remaining Amortization Period	Asset Valuation Method	Inflation	Salary Increases	Investment Rate of Return
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
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	7.5% 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% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years	5% for 2021, decreasing 0.25% per year to an ultimate rate of 3% for 2029 and later years
2019	RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017	RPH-2017 Disabled Mortality Table fully generational using scale MP-2017	N/A	8.50% for 2020, decreasing 0.50% per year to an ultimate rate of 5% for 2027 and later years	4.75% for 2020, decreasing 0.25% per year to an ultimate rate of 3% for 2027 and later years
2018	RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017	RPH-2017 Disabled Mortality Table fully generational using scale MP-2017	N/A	9% for 2019, decreasing 0.50% per year to an ultimate rate of 5% for 2027 and later years	5% for 2019, decreasing 0.25% per year to an ultimate rate of 3% for 2027 and later years

Changes in Plan Provisions: Effective January 1, 2021, the University changed its medical insurance for Medicare eligible retirees from a cost-plus arrangement to a fully insured option. Retirees and dependents who are not eligible for Medicare continue to participate in the cost-plus plans along with active employees. Interim year valuation results have been projected from the prior year's valuation with adjustments for actual premium rate changes from 2020 to 2021. Making this change has resulted in a reduction in liabilities.

Home Counties of USI Students (Fall 2020)



Fall 2020

Indiana (90 counties)	6,787
Out-of-State (44 states, 1 U.S. territory)	1,569
International (49 nations)	149
Total Enrollment	**8,505**

It is the policy of the University of Southern Indiana to be in full compliance with all federal and state non-discrimination and equal opportunity laws, orders and regulations relating to race, color, religion, sex, pregnancy or marital status, national origin, age (40 or older), disability, genetic information, sexual orientation, gender identity, or veteran status. Questions or concerns should be directed to the Affirmative Action Officer/Title IX Coordinator, USI Human Resources Department, University of Southern Indiana, 8600 University Boulevard, Evansville, Indiana 47712.

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

UNIVERSITY OF SOUTHERN INDIANA

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Evansville, Indiana 47712

C21-131640