

University of Southern Indiana Foundation

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2021 and 2020



University of Southern Indiana Foundation

June 30, 2021 and 2020

Contents

Independent Auditor's Report	1
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Consolidated Financial Statements

Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

Supplementary Information

Consolidating Schedule of Financial Position Information.....	29
Consolidating Schedule of Activities Information	30

Independent Auditor's Report

Board of Directors
University of Southern Indiana Foundation
Evansville, Indiana

We have audited the accompanying consolidated financial statements of the University of Southern Indiana Foundation and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Southern Indiana Foundation and its subsidiary as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information as of and for the year ended June 30, 2021, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Evansville, Indiana
October 1, 2021

University of Southern Indiana Foundation
Consolidated Statements of Financial Position
June 30, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
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	<u>5,370</u>	<u>4,445</u>
Total assets	<u>\$ 190,258,500</u>	<u>\$ 145,463,749</u>

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	<u>840,608</u>	<u>1,606,430</u>
Total liabilities	<u>1,599,276</u>	<u>2,999,193</u>

Net Assets

Without donor restrictions		
Undesignated	7,481,807	6,758,895
Undesignated board endowments	<u>12,950,947</u>	<u>9,737,095</u>
	<u>20,432,754</u>	<u>16,495,990</u>
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	<u>7,440,670</u>	<u>7,345,010</u>
	<u>168,226,470</u>	<u>125,968,566</u>
Total net assets	<u>188,659,224</u>	<u>142,464,556</u>
Total liabilities and net assets	<u>\$ 190,258,500</u>	<u>\$ 145,463,749</u>

University of Southern Indiana Foundation
Consolidated Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues and Other Support			
Contributions	\$ 136,523	\$ 6,199,432	\$ 6,335,955
Grants	-	164,719	164,719
Change in value of split-interest agreements	-	832,240	832,240
Rental property income, net	5,445	-	5,445
Miscellaneous income	11,952	101,367	113,319
Reclassification of donor intent	-	-	-
Net assets released from restrictions	<u>3,249,894</u>	<u>(3,249,894)</u>	<u>-</u>
Total revenues and other support	<u>3,403,814</u>	<u>4,047,864</u>	<u>7,451,678</u>
Expenses			
Program Services – University of Southern Indiana			
Scholarships and awards	2,635,078	-	2,635,078
Educational grants and academic enhancements	692,844	-	692,844
Athletic support	6,954	-	6,954
Other University support	241,272	-	241,272
Capital projects	2,310	-	2,310
Community outreach	<u>7,147</u>	<u>-</u>	<u>7,147</u>
Total program services	3,585,605	-	3,585,605
Management and general	770,344	-	770,344
Fundraising	72,306	-	72,306
Uncollectible pledge loss	<u>670</u>	<u>944,216</u>	<u>944,886</u>
Total expenses	<u>4,428,925</u>	<u>944,216</u>	<u>5,373,141</u>
Other Changes			
Investment income, net	4,954,778	38,213,085	43,167,863
Change in fair value of perpetual trusts and Community Foundation	-	930,934	930,934
Mineral royalty income	7,097	-	7,097
Gain on cash value of life insurance	<u>-</u>	<u>10,237</u>	<u>10,237</u>
Total other changes	<u>4,961,875</u>	<u>39,154,256</u>	<u>44,116,131</u>
Change in Net Assets	3,936,764	42,257,904	46,194,668
Net Assets, Beginning of Year	<u>16,495,990</u>	<u>125,968,566</u>	<u>142,464,556</u>
Net Assets, End of Year	<u>\$ 20,432,754</u>	<u>\$ 168,226,470</u>	<u>\$ 188,659,224</u>

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 50,389	\$ 5,541,722	\$ 5,592,111
-	429,171	429,171
-	210,504	210,504
15,544	-	15,544
135,233	72,886	208,119
55	(55)	-
<u>5,200,373</u>	<u>(5,200,373)</u>	<u>-</u>
<u>5,401,594</u>	<u>1,053,855</u>	<u>6,455,449</u>
2,858,219	-	2,858,219
1,290,824	-	1,290,824
142,670	-	142,670
502,324	-	502,324
13,386	-	13,386
<u>10,000</u>	<u>-</u>	<u>10,000</u>
4,817,423	-	4,817,423
732,657	-	732,657
226,036	-	226,036
<u>-</u>	<u>151,292</u>	<u>151,292</u>
<u>5,776,116</u>	<u>151,292</u>	<u>5,927,408</u>
1,423,467	3,042,199	4,465,666
-	(109,474)	(109,474)
14,843	-	14,843
<u>-</u>	<u>8,455</u>	<u>8,455</u>
<u>1,438,310</u>	<u>2,941,180</u>	<u>4,379,490</u>
1,063,788	3,843,743	4,907,531
<u>15,432,202</u>	<u>122,124,823</u>	<u>137,557,025</u>
<u>\$ 16,495,990</u>	<u>\$ 125,968,566</u>	<u>\$ 142,464,556</u>

University of Southern Indiana Foundation
Consolidated Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2021					
	Program Services					
	Scholarships and Awards	Educational Grants and Academic Enhancements	Athletic Support	Other University Support	Capital Projects	Community Outreach
Scholarships	\$ 2,625,728	\$ -	\$ -	\$ -	\$ -	\$ -
Student awards	9,350	-	-	-	-	-
University programs	-	692,844	6,954	229,432	-	7,147
Capital projects	-	-	-	-	2,310	-
Special events	-	-	-	3,777	-	-
Office expenses	-	-	-	-	-	-
Insurance	-	-	-	5,286	-	-
Administrative services provided by University	-	-	-	-	-	-
Legal services	-	-	-	-	-	-
Accounting and auditing services	-	-	-	-	-	-
Financial advisor services	-	-	-	-	-	-
Real estate expenses	-	-	-	-	-	-
Donor relations	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	2,777	-	-
	2,635,078	692,844	6,954	241,272	2,310	7,147
Total expenses by function						
Less expenses included in revenues on the statement of activities						
Rental property expenses	-	-	-	-	-	-
Total expenses included in the expenses section of the statement of activities	<u>\$ 2,635,078</u>	<u>\$ 692,844</u>	<u>\$ 6,954</u>	<u>\$ 241,272</u>	<u>\$ 2,310</u>	<u>\$ 7,147</u>

See Notes to Consolidated Financial Statements

2021

Management and General	Fundraising	Total
\$ -	\$ -	\$ 2,625,728
-	-	9,350
-	-	936,377
-	-	2,310
-	10,940	14,717
7,747	-	7,747
4,097	-	9,383
554,400	-	554,400
13,664	-	13,664
56,194	-	56,194
97,649	-	97,649
110,694	-	110,694
-	29,710	29,710
-	30,992	30,992
<u>6,884</u>	<u>664</u>	<u>10,325</u>
851,329	72,306	4,509,240
<u>(80,985)</u>	<u>-</u>	<u>(80,985)</u>
<u>\$ 770,344</u>	<u>\$ 72,306</u>	<u>\$ 4,428,255</u>

University of Southern Indiana Foundation
Consolidated Statements of Functional Expenses (Continued)
Years Ended June 30, 2021 and 2020

	2020					
	Program Services					
	Scholarships and Awards	Educational Grants and Academic Enhancements	Athletic Support	Other University Support	Capital Projects	Community Outreach
Scholarships	\$ 2,822,178	\$ -	\$ -	\$ -	\$ -	\$ -
Student awards	36,041	-	-	-	-	-
University programs	-	1,290,824	135,831	482,958	-	10,000
Capital projects	-	-	-	-	13,386	-
Special events	-	-	3,937	9,395	-	-
Office expenses	-	-	-	-	-	-
Meeting expenses	-	-	-	-	-	-
Insurance	-	-	-	8,255	-	-
Administrative services provided by University	-	-	-	-	-	-
Legal services	-	-	-	-	-	-
Accounting and auditing services	-	-	-	-	-	-
Financial advisor services	-	-	-	-	-	-
Real estate expenses	-	-	-	-	-	-
Donor relations	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-
Miscellaneous expenses	-	-	<u>2,902</u>	<u>1,716</u>	-	-
 Total expenses by function	 2,858,219	 1,290,824	 142,670	 502,324	 13,386	 10,000
 Less expenses included in revenues on the statement of activities						
Rental property expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenses included in the expenses section of the statement of activities	 <u>\$ 2,858,219</u>	 <u>\$ 1,290,824</u>	 <u>\$ 142,670</u>	 <u>\$ 502,324</u>	 <u>\$ 13,386</u>	 <u>\$ 10,000</u>

2020

Management and General	Fundraising	Total
\$ -	\$ -	\$ 2,822,178
-	-	36,041
-	-	1,919,613
-	-	13,386
-	133,705	147,037
7,794	-	7,794
5,350	-	5,350
3	-	8,258
548,900	-	548,900
11,710	-	11,710
44,525	-	44,525
86,640	-	86,640
103,978	-	103,978
-	64,906	64,906
-	21,551	21,551
<u>6,397</u>	<u>5,874</u>	<u>16,889</u>
815,297	226,036	5,858,756
<u>(82,640)</u>	<u>-</u>	<u>(82,640)</u>
<u>\$ 732,657</u>	<u>\$ 226,036</u>	<u>\$ 5,776,116</u>

University of Southern Indiana Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	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	(3,714,853)	(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

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.

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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:

	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	-	<u>9,763,000</u>	<u>9,763,000</u>
	6,888	11,286,463	11,293,351
Less			
Allowance for uncollectible contributions	-	3,330,280	3,330,280
Unamortized discount	-	<u>2,810,313</u>	<u>2,810,313</u>
	<u>\$ 6,888</u>	<u>\$ 5,145,870</u>	<u>\$ 5,152,758</u>

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.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

	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:

	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
	\$ 5,152,758	\$ 6,418,219

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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:

	<u>2021</u>	<u>2020</u>
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	<u>(106,488,118)</u>	<u>(75,969,041)</u>
Net financial assets after donor-imposed restrictions	18,650,677	16,075,612
Designations without donor restrictions		
Board-designated endowments	<u>(12,950,947)</u>	<u>(9,737,095)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,699,730</u>	<u>\$ 6,338,517</u>

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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:

	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

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

	2021	2020
Subject to the passage of time		
Beneficial interests in charitable remainder 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	<u>299,175</u>	<u>297,255</u>
	<u>2,512,898</u>	<u>3,332,907</u>
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	<u>28,043</u>	<u>28,038</u>
	<u>34,230,694</u>	<u>25,436,586</u>
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	<u>284,789</u>	<u>284,406</u>
	<u>106,488,118</u>	<u>75,969,041</u>
Total endowments with restrictions	<u>140,718,812</u>	<u>101,405,627</u>
Not subject to spending policy or appropriation		
Beneficial interest in assets held by Community Foundation	82,811	67,545
Beneficial interests in perpetual trusts	<u>4,927,772</u>	<u>4,012,103</u>
	<u>5,010,583</u>	<u>4,079,648</u>
	<u>\$ 168,226,470</u>	<u>\$ 125,968,566</u>

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

	<u>2021</u>	<u>2020</u>
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	<u>7,147</u>	<u>10,000</u>
	<u>1,933,272</u>	<u>3,740,765</u>
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	<u>36,000</u>	<u>13,474</u>
	<u>1,316,622</u>	<u>1,459,608</u>
	<u>\$ 3,249,894</u>	<u>\$ 5,200,373</u>

Note 5: Investments and Investment Return

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

	<u>Fair Value</u>	
	<u>2021</u>	<u>2020</u>
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 equity funds	<u>1,014,853</u>	<u>971,325</u>
	<u>\$ 174,028,302</u>	<u>\$ 129,296,137</u>

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

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

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:

2021				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	\$ <u>1,014,853</u>	\$ <u>906,000</u>	N/A	N/A
2020				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	\$ <u>971,325</u>	\$ <u>906,000</u>	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.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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:

	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	<u>\$ 12,950,947</u>	<u>\$ 142,257,132</u>	<u>\$ 155,208,079</u>

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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	<u>-</u>	<u>29,646,859</u>	<u>29,646,859</u>
Total endowment funds	<u>\$ 9,737,095</u>	<u>\$ 104,033,736</u>	<u>\$ 113,770,831</u>

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:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ <u>9,737,095</u>	\$ <u>104,033,736</u>	\$ <u>113,770,831</u>
Investment return			
Investment income	687,591	7,295,881	7,983,472
Net appreciation	<u>2,891,846</u>	<u>30,697,689</u>	<u>33,589,535</u>
Total investment return	<u>3,579,437</u>	<u>37,993,570</u>	<u>41,573,007</u>
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	<u>-</u>	<u>25,976</u>	<u>25,976</u>
	<u>(365,585)</u>	<u>229,826</u>	<u>(135,759)</u>
Endowment net assets, end of year	<u>\$ 12,950,947</u>	<u>\$ 142,257,132</u>	<u>\$ 155,208,079</u>

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ <u>9,777,318</u>	\$ <u>100,942,459</u>	\$ <u>110,719,777</u>
Investment return			
Investment income	329,765	3,691,169	4,020,934
Net depreciation	<u>(77,125)</u>	<u>(847,298)</u>	<u>(924,423)</u>
Total investment return	<u>252,640</u>	<u>2,843,871</u>	<u>3,096,511</u>
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	<u>-</u>	<u>(60,926)</u>	<u>(60,926)</u>
	<u>(292,863)</u>	<u>247,406</u>	<u>(45,457)</u>
Endowment net assets, end of year	\$ <u>9,737,095</u>	\$ <u>104,033,736</u>	\$ <u>113,770,831</u>

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.

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
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)	<u>1,014,853</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 173,531,966</u>	<u>\$ 164,488,411</u>	<u>\$ 8,028,702</u>	<u>\$ -</u>

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2021 and 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)
June 30, 2021				
Beneficial interest in charitable remainder trusts	\$ <u>1,446,653</u>	\$ <u>-</u>	\$ <u>1,446,653</u>	\$ <u>-</u>
Beneficial interest in perpetual trusts	\$ <u>4,927,772</u>	\$ <u>-</u>	\$ <u>4,927,772</u>	\$ <u>-</u>
Beneficial interest in Community Foundation	\$ <u>82,811</u>	\$ <u>-</u>	\$ <u>82,811</u>	\$ <u>-</u>

	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)
June 30, 2020				
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)	<u>971,325</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 128,796,142</u>	<u>\$ 119,866,173</u>	<u>\$ 7,958,644</u>	<u>\$ -</u>

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 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)
June 30, 2020				
Beneficial interest in charitable remainder trusts	\$ <u>1,144,297</u>	\$ <u>-</u>	\$ <u>1,144,297</u>	\$ <u>-</u>
Beneficial interest in perpetual trusts	\$ <u>4,012,103</u>	\$ <u>-</u>	\$ <u>4,012,103</u>	\$ <u>-</u>
Beneficial interest in Community Foundation	\$ <u>67,545</u>	\$ <u>-</u>	\$ <u>67,545</u>	\$ <u>-</u>

(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.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

Supplementary Information

University of Southern Indiana Foundation
Consolidating Schedule of Financial Position Information
June 30, 2021
(With Comparative Totals for 2020)

	2021	
	University of Southern Indiana Foundation	Southern Indiana Higher Education Holdings, LLC
Assets		
Cash	\$ 336,779	\$ 548,699
Accounts and interest receivable	132,264	4,663
Contributions receivable, net	5,152,758	-
Prepaid expenses	1,319	-
Investments	173,531,966	496,336
Cash value of life insurance	495,898	-
Beneficial interest in charitable remainder trusts	1,446,653	-
Beneficial interest in perpetual trusts	4,927,772	-
Beneficial interest in Community Foundation	82,811	-
Real estate held for investment	434,510	2,045,705
Investment in Southern Indiana Higher Education Holdings, LLC	3,303,969	-
Land and land improvements, net of accumulated depreciation; 2021 – \$12,687, 2020 – \$8,108	132,553	179,055
Buildings, net of accumulated depreciation; 2021 – \$614,703, 2020 – \$573,531	257,814	30,248
Equipment, net of accumulated depreciation; 2021 – \$0	15,327	-
Property management deposits	<u>2,320</u>	<u>3,050</u>
Total assets	<u>\$ 190,254,713</u>	<u>\$ 3,307,756</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 38,583	\$ 737
Deposits	2,320	3,050
Deferred income	6,230	-
Payable to related parties	707,748	-
Annuities payable	<u>840,608</u>	<u>-</u>
Total liabilities	<u>1,595,489</u>	<u>3,787</u>
Net Assets		
Without donor restrictions		
Undesignated	7,481,807	3,303,969
Undesignated board endowments	<u>12,950,947</u>	<u>-</u>
	<u>20,432,754</u>	<u>3,303,969</u>
With donor restrictions		
Perpetual-in-nature endowments	106,488,118	-
Purpose-restricted board endowments	34,230,694	-
Purpose restrictions	20,066,988	-
Time restrictions for future periods	<u>7,440,670</u>	<u>-</u>
	<u>168,226,470</u>	<u>-</u>
Total net assets	<u>188,659,224</u>	<u>3,303,969</u>
Total liabilities and net assets	<u>\$ 190,254,713</u>	<u>\$ 3,307,756</u>

	2021	2020
	Eliminations	Total
	Total	Total
\$	-	\$ 885,478
	-	136,927
	-	5,152,758
	-	1,319
	-	174,028,302
	-	495,898
	-	1,446,653
	-	4,927,772
	-	82,811
	-	2,480,215
	(3,303,969)	-
	-	311,608
	-	288,062
	-	15,327
	-	5,370
	-	4,445
\$	<u>(3,303,969)</u>	<u>\$ 190,258,500</u>
		<u>\$ 145,463,749</u>
\$	-	\$ 39,320
	-	5,370
	-	6,230
	-	707,748
	-	840,608
	-	1,599,276
	-	36,277
	-	4,445
	-	1,500
	-	1,350,541
	-	1,606,430
	-	2,999,193
	(3,303,969)	7,481,807
	-	12,950,947
	(3,303,969)	20,432,754
	-	6,758,895
	-	9,737,095
	-	16,495,990
	-	106,488,118
	-	34,230,694
	-	20,066,988
	-	17,217,929
	-	7,440,670
	-	7,345,010
	-	168,226,470
	-	125,968,566
	(3,303,969)	188,659,224
	-	142,464,556
\$	<u>(3,303,969)</u>	<u>\$ 190,258,500</u>
		<u>\$ 145,463,749</u>

University of Southern Indiana Foundation
Consolidating Schedule of Activities Information
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>			
	<u>Without Donor Restrictions</u>			
	<u>University of Southern Indiana Foundation</u>	<u>Southern Indiana Higher Education Holdings, LLC</u>	<u>Eliminations</u>	<u>Total</u>
Revenues and Other Support				
Contributions	\$ 136,523	\$ -	\$ -	\$ 136,523
Grants	-	-	-	-
Change in value of split-interest agreements	-	-	-	-
Rental property income, net	(1,875)	7,320	-	5,445
Miscellaneous income	11,952	-	-	11,952
Net assets released from restrictions	<u>3,249,894</u>	<u>-</u>	<u>-</u>	<u>3,249,894</u>
Total revenues and other support	<u>3,396,494</u>	<u>7,320</u>	<u>-</u>	<u>3,403,814</u>
Expenses				
Program Services – University of Southern Indiana				
Scholarships and awards	2,635,078	-	-	2,635,078
Educational grants and academic enhancements	692,844	-	-	692,844
Athletic support	6,954	-	-	6,954
Other University support	241,272	-	-	241,272
Capital projects	2,310	-	-	2,310
Community outreach	<u>7,147</u>	<u>-</u>	<u>-</u>	<u>7,147</u>
Total program services	3,585,605	-	-	3,585,605
Management and general	761,177	9,167	-	770,344
Fundraising	72,306	-	-	72,306
Uncollectible pledge loss	<u>670</u>	<u>-</u>	<u>-</u>	<u>670</u>
Total expenses	<u>4,419,758</u>	<u>9,167</u>	<u>-</u>	<u>4,428,925</u>
Other Changes				
Investment income, net	4,947,218	7,560	-	4,954,778
Change in fair value of perpetual trusts and Community Foundation	-	-	-	-
Mineral royalty income	42	7,055	-	7,097
Net income of subsidiary	12,768	-	(12,768)	-
Gain on cash value of life insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other changes	<u>4,960,028</u>	<u>14,615</u>	<u>(12,768)</u>	<u>4,961,875</u>
Change in Net Assets	<u>\$ 3,936,764</u>	<u>\$ 12,768</u>	<u>\$ (12,768)</u>	<u>\$ 3,936,764</u>

	2021	2020
With Donor Restrictions		
University of Southern Indiana Foundation	Total	Total
\$ 6,199,432	\$ 6,335,955	\$ 5,592,111
164,719	164,719	429,171
832,240	832,240	210,504
-	5,445	15,544
101,367	113,319	208,119
<u>(3,249,894)</u>	<u>-</u>	<u>-</u>
<u>4,047,864</u>	<u>7,451,678</u>	<u>6,455,449</u>
-	2,635,078	2,858,219
-	692,844	1,290,824
-	6,954	142,670
-	241,272	502,324
-	2,310	13,386
<u>-</u>	<u>7,147</u>	<u>10,000</u>
-	3,585,605	4,817,423
-	770,344	732,657
-	72,306	226,036
<u>944,216</u>	<u>944,886</u>	<u>151,292</u>
<u>944,216</u>	<u>5,373,141</u>	<u>5,927,408</u>
38,213,085	43,167,863	4,465,666
930,934	930,934	(109,474)
-	7,097	14,843
-	-	-
<u>10,237</u>	<u>10,237</u>	<u>8,455</u>
<u>39,154,256</u>	<u>44,116,131</u>	<u>4,379,490</u>
\$ <u>42,257,904</u>	\$ <u>46,194,668</u>	\$ <u>4,907,531</u>