

University of Southern Indiana Foundation

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2019 and 2018



University of Southern Indiana Foundation

June 30, 2019 and 2018

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Independent Auditor's Report on Consolidated Financial Statements and Supplementary Information

Board of Directors
University of Southern Indiana Foundation
Evansville, Indiana

We have audited the accompanying consolidated financial statements of University of Southern Indiana Foundation and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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 University of Southern Indiana Foundation and its subsidiary as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 13 of the consolidated financial statements, in 2019, University of Southern Indiana Foundation and its subsidiary adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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, 2019 (with comparative totals for 2018), as listed in the table of contents, is presented for the purposes of additional analysis, rather than to present the financial position, results of operations and cash flows of the individual entities, 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 consolidating financial 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, 2019

University of Southern Indiana Foundation
Consolidated Statements of Financial Position
June 30, 2019 and 2018

Assets

	2019	2018
Cash	\$ 971,033	\$ 1,052,106
Accounts and interest receivable	111,574	113,973
Contributions receivable, net	6,270,353	6,300,954
Prepaid expenses	946	85,079
Investments	125,260,153	122,664,419
Cash value of life insurance	503,182	468,736
Beneficial interest in charitable remainder trusts	815,838	792,619
Beneficial interest in perpetual trusts	4,122,365	4,107,062
Beneficial interest in Community Foundation	66,758	64,605
Real estate held for investment	2,471,215	2,471,215
Land and land improvements, net of accumulated depreciation; 2019 – \$3,315, 2018 – \$0	274,848	246,338
Buildings, net of accumulated depreciation; 2019 – \$531,020, 2018 – \$490,310	300,711	341,421
Property management deposits	5,320	5,570
Total assets	\$ 141,174,296	\$ 138,714,097

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 39,988	\$ 46,287
Deposits	5,320	5,570
Deferred income	7,240	2,350
Payable to related parties	2,023,298	3,486,272
Annuities payable	1,541,425	1,625,899
Total liabilities	3,617,271	5,166,378

Net Assets

Without donor restrictions		
Undesignated	5,230,474	5,286,316
Undesignated board endowments	10,201,728	10,190,449
	15,432,202	15,476,765
With donor restrictions		
Perpetual-in-nature endowments	73,729,822	69,906,296
Purpose restrictions	41,789,760	41,633,796
Time restrictions for future periods	6,605,241	6,530,862
	122,124,823	118,070,954
Total net assets	137,557,025	133,547,719
Total liabilities and net assets	\$ 141,174,296	\$ 138,714,097

University of Southern Indiana Foundation
Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 185,858	\$ 4,039,541	\$ 4,225,399
Grants	-	207,159	207,159
Change in value of split-interest agreements	-	(125,650)	(125,650)
Rental property income, net	9,379	-	9,379
Miscellaneous income	74,517	129,878	204,395
Reclassification of donor intent	(1,682)	1,682	-
Net assets released from restrictions	<u>5,281,163</u>	<u>(5,281,163)</u>	<u>-</u>
Total revenues and other support	<u>5,549,235</u>	<u>(1,028,553)</u>	<u>4,520,682</u>
Expenses			
Programs – University of Southern Indiana			
Scholarships and awards	2,613,154	-	2,613,154
Educational grants and academic enhancements	2,497,859	-	2,497,859
Athletic support	98,127	-	98,127
Other University support	873,851	-	873,851
Capital projects	216,867	-	216,867
Community outreach	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total program services	6,314,858	-	6,314,858
Management and general	718,881	-	718,881
Fundraising	201,508	-	201,508
Uncollectible pledge loss	<u>-</u>	<u>34,915</u>	<u>34,915</u>
Total expenses	<u>7,235,247</u>	<u>34,915</u>	<u>7,270,162</u>
Other Changes			
Investment return, net	1,616,179	5,065,436	6,681,615
Change in fair value of beneficial interest in trusts and Community Foundation	-	17,455	17,455
Mineral royalty income	25,270	-	25,270
Gain on cash value of life insurance	<u>-</u>	<u>34,446</u>	<u>34,446</u>
Total other changes	<u>1,641,449</u>	<u>5,117,337</u>	<u>6,758,786</u>
Change in Net Assets	<u>(44,563)</u>	<u>4,053,869</u>	<u>4,009,306</u>
Net Assets, Beginning of Year, as Previously Reported	-	-	-
Reclassification of Pledges for Adoption of ASU 2016-14	-	-	-
Net Assets, Beginning of Year, as Adjusted	<u>15,476,765</u>	<u>118,070,954</u>	<u>133,547,719</u>
Net Assets, End of Year	<u>\$ 15,432,202</u>	<u>\$ 122,124,823</u>	<u>\$ 137,557,025</u>

See Notes to Consolidated Financial Statements

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 80,494	\$ 6,053,162	\$ 6,133,656
-	216,154	216,154
-	(121,681)	(121,681)
18,584	-	18,584
72,360	129,063	201,423
(261,234)	261,234	-
<u>6,210,597</u>	<u>(6,210,597)</u>	<u>-</u>
<u>6,120,801</u>	<u>327,335</u>	<u>6,448,136</u>
2,785,614	-	2,785,614
1,551,338	-	1,551,338
129,179	-	129,179
522,536	-	522,536
2,062,030	-	2,062,030
<u>14,282</u>	<u>-</u>	<u>14,282</u>
7,064,979	-	7,064,979
683,567	-	683,567
229,944	-	229,944
<u>-</u>	<u>2,535</u>	<u>2,535</u>
<u>7,978,490</u>	<u>2,535</u>	<u>7,981,025</u>
2,067,150	9,426,502	11,493,652
-	22,386	22,386
27,597	-	27,597
<u>-</u>	<u>11,233</u>	<u>11,233</u>
<u>2,094,747</u>	<u>9,460,121</u>	<u>11,554,868</u>
<u>237,058</u>	<u>9,784,921</u>	<u>10,021,979</u>
15,225,109	108,300,631	123,525,740
<u>14,598</u>	<u>(14,598)</u>	<u>-</u>
<u>15,239,707</u>	<u>108,286,033</u>	<u>123,525,740</u>
<u>\$ 15,476,765</u>	<u>\$ 118,070,954</u>	<u>\$ 133,547,719</u>

University of Southern Indiana Foundation
Consolidated Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019					
	Program Services					
	Scholarships and Awards	Educational Grants and Academic Enhancements	Athletic Support	Other University Support	Capital Projects	Community Outreach
Scholarships	\$ 2,560,084	\$ -	\$ -	\$ -	\$ -	\$ -
Student awards	53,070	-	-	-	-	-
University programs	-	2,311,657	92,922	830,950	-	15,000
Capital projects	-	-	-	-	216,867	-
Speaker series	-	186,202	-	-	-	-
Special events	-	-	3,177	33,829	-	-
Office expenses	-	-	-	-	-	-
Meeting expenses	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Administrative services provided by University	-	-	-	-	-	-
Legal services	-	-	-	-	-	-
Accounting and auditing services	-	-	-	-	-	-
Financial advisor services	-	-	-	-	-	-
Real estate expenses	-	-	-	-	-	-
Donor relations	-	-	-	-	-	-
Fundraising	-	-	77	-	-	-
Miscellaneous expenses	-	-	1,951	9,072	-	-
Total expenses by function	2,613,154	2,497,859	98,127	873,851	216,867	15,000
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>\$ 2,613,154</u>	<u>\$ 2,497,859</u>	<u>\$ 98,127</u>	<u>\$ 873,851</u>	<u>\$ 216,867</u>	<u>\$ 15,000</u>

See Notes to Consolidated Financial Statements

2019

Management and General	Fundraising	Total
\$ -	\$ -	\$ 2,560,084
-	-	53,070
-	-	3,250,529
-	-	216,867
-	-	186,202
-	79,262	116,268
7,627	-	7,627
7,668	-	7,668
7,794	-	7,794
523,800	-	523,800
17,124	-	17,124
46,722	-	46,722
85,702	-	85,702
98,398	-	98,398
-	86,674	86,674
-	26,483	26,560
8,386	9,089	28,498
803,221	201,508	7,319,587
(84,340)	-	(84,340)
\$ 718,881	\$ 201,508	\$ 7,235,247

University of Southern Indiana Foundation
Consolidated Statements of Functional Expenses (Continued)
Years Ended June 30, 2019 and 2018

	2018					
	Program Services					
	Scholarships and Awards	Educational Grants and Academic Enhancements	Athletic Support	Other University Support	Capital Projects	Community Outreach
Scholarships	\$ 2,730,209	\$ -	\$ -	\$ -	\$ -	\$ -
Student awards	55,405	-	-	-	-	-
University programs	-	1,551,338	120,619	473,553	-	14,282
Capital projects	-	-	-	-	2,062,030	-
Special events	-	-	4,895	39,388	-	-
Office expenses	-	-	-	-	-	-
Meeting expenses	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Administrative services provided by University	-	-	-	-	-	-
Legal services	-	-	-	-	-	-
Accounting and auditing services	-	-	-	-	-	-
Financial advisor services	-	-	-	-	-	-
Real estate expenses	-	-	-	-	-	-
Donor relations	-	-	99	-	-	-
Fundraising	-	-	-	-	-	-
Miscellaneous expenses	-	-	3,566	9,595	-	-
Total expenses by function	2,785,614	1,551,338	129,179	522,536	2,062,030	14,282
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>2,785,614</u>	\$ <u>1,551,338</u>	\$ <u>129,179</u>	\$ <u>522,536</u>	\$ <u>2,062,030</u>	\$ <u>14,282</u>

2018

Management and General	Fundraising	Total
\$ -	\$ -	\$ 2,730,209
-	-	55,405
-	-	2,159,792
-	-	2,062,030
-	95,392	139,675
7,924	-	7,924
9,225	-	9,225
6,156	-	6,156
500,100	-	500,100
7,329	-	7,329
41,625	-	41,625
82,522	-	82,522
87,333	-	87,333
-	76,047	76,146
-	46,944	46,944
<u>9,503</u>	<u>11,561</u>	<u>34,225</u>
751,717	229,944	8,046,640
<u>(68,150)</u>	<u>-</u>	<u>(68,150)</u>
<u>\$ 683,567</u>	<u>\$ 229,944</u>	<u>\$ 7,978,490</u>

University of Southern Indiana Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 4,009,306	\$ 10,021,979
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized gain on sale of investments	(3,610,879)	(9,093,814)
Increase in cash value of life insurance	(34,446)	(11,233)
Change in fair value of beneficial interest in trusts and Community Foundation	(40,675)	(48,649)
Contributions and receipts on contributions receivable restricted for endowment and long-term purposes	(1,934,314)	(589,879)
Depreciation	44,025	40,216
Unrealized gain on investments	(668,650)	(164,458)
Changes in		
Accounts and interest receivable	2,399	(5,741)
Contributions receivable	(364,800)	379,813
Prepaid expenses	84,133	(68,875)
Accounts payable and payable to related parties	(1,469,273)	2,159,932
Annuities payable	(84,474)	(79,119)
Deferred income	4,890	1,077
Net cash provided by (used in) operating activities	(4,062,758)	2,541,249
Investing Activities		
Purchase of property improvements	(31,825)	-
Purchase of investments	(22,868,448)	(35,834,823)
Sales and maturities of investments	24,552,243	32,419,224
Net cash provided by (used in) investing activities	1,651,970	(3,415,599)
Financing Activities		
Proceeds from contributions restricted for endowment and long-term purposes		
Investment in scholarships and awards	941,980	812,952
Investment in education and academic enhancements	1,387,146	98,297
Investment in other University support	589	326
Net cash provided by financing activities	2,329,715	911,575
Increase (Decrease) in Cash	(81,073)	37,225
Cash, Beginning of Year	1,052,106	1,014,881
Cash, End of Year	\$ 971,033	\$ 1,052,106

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

Principles of Consolidation

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

Use of Estimates

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

Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors (board).

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, the Foundation did not have any cash equivalents.

At June 30, 2019, the Foundation's cash accounts exceed federally insured limits by \$48,000.

Contributions Receivable – Deferred Gifts

During 2019 and 2018, the Foundation received certain irrevocable pledges to be paid from individual estates or more commonly referred to as deferred gifts. These contribution receivables are recorded as revenues with donor restrictions based on the intent of the donor. The amounts were recorded at gross, less allowances for an estimate of amounts that may be uncollectible and a discount based on expected mortality of the individuals and overall credit risks. The allowance for uncollectible contributions was based on a combination of qualitative factors, including mortality, relationship to the Foundation and University, historical contribution levels and history of gifting to the Foundation. The discount rates ranged from 3.61% to 5.59%.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investments in private investment funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investment. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments. Investment return is presented net of fees.

Investment return that is initially restricted by donor stipulation, and for which the restriction will be satisfied in the same year, is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities as net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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

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

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Property and Equipment

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

Long-Lived Asset Impairment

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

No impairment loss was recognized for the years ended June 30, 2019 and 2018.

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.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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

Income Taxes

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

Functional Allocation of Expenses

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

Note 2: Contributions Receivable

Contributions receivable at June 30, 2019 and 2018, consisted of the following:

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

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

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 11,125	\$ 1,309,824	\$ 1,320,949
Due in one to five years	-	1,325,068	1,325,068
Due in five or more years	-	10,227,500	10,227,500
	11,125	12,862,392	12,873,517
Less			
Allowance for uncollectible contributions	-	3,477,105	3,477,105
Unamortized discount	-	3,095,458	3,095,458
	\$ 11,125	\$ 6,289,829	\$ 6,300,954

The discount rates ranged from 1.14% to 5.59% for 2018. Approximately 35% of the contributions receivable at June 30, 2018, were due from three donors.

Contributions receivable designated for specific purposes and with time restrictions at June 30, 2019 and 2018, were as follows:

	2019	2018
Scholarships and awards	\$ 2,794,228	\$ 2,660,598
Educational grants and academic enhancements	1,346,061	1,341,696
Athletic support	21,162	16,418
Other University support	1,752,573	1,950,703
Capital projects	95	2,116
Community outreach	5,211	8,656
Time restrictions	351,023	320,767
	\$ 6,270,353	\$ 6,300,954

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Total financial assets (including cash, accounts and interest receivable, contributions receivable and investments)	\$ 132,613,113	\$ 130,131,452
Board-designated endowments with underlying donor-imposed restrictions		
Restricted funds	(1,152,843)	(1,099,380)
Endowments	(25,194,679)	(24,335,617)
Donor-imposed restrictions		
Restricted funds	(15,503,602)	(16,237,116)
Assets held under split-interest agreements	(1,334,584)	(1,321,775)
Endowments	<u>(73,729,822)</u>	<u>(69,906,296)</u>
Net financial assets after donor-imposed restrictions	15,697,583	17,231,268
Designations without donor restrictions		
Board-designated endowment spendable funds	(424,410)	(604,562)
Board-designated endowments	<u>(9,777,318)</u>	<u>(9,585,887)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>5,495,855</u>	\$ <u>7,040,819</u>

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 endowment of \$34,971,997 is subject to an annual spending rate of 4.25% as described in Note 8. Although the Foundation does not intend to spend from this board-designated endowment, 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.

University of Southern Indiana Foundation
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Note 4: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018, are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Scholarships and awards	\$ 5,585,957	\$ 5,096,453
Educational grants and academic enhancements	4,005,738	5,252,013
Capital projects	419,548	515,222
Athletics	131,983	122,822
Other University support	3,979,295	3,511,708
Community outreach	217,813	273,270
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	607,837	651,489
Educational grants and academic enhancements	12,583	37,810
Capital projects	100	2,200
Athletics	22,044	16,783
Other University support	1,539,970	1,744,917
Community outreach	5,455	8,887
	<u>16,528,323</u>	<u>17,233,574</u>
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	815,838	792,619
Assets held under split-interest agreements	1,334,584	1,321,775
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	332,454	309,406
	<u>2,482,876</u>	<u>2,423,800</u>
Endowments		
Board-designated endowments subject to endowment spending policy and appropriation for specific purpose		
Restricted by donors for		
Scholarships and awards	13,183,618	12,632,740
Educational grants and academic enhancements	9,939,665	9,654,181
Athletics	827,068	816,991
Other University support	785,749	775,881
Community outreach	219,255	216,555
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	1,418	1,363
Educational grants and academic enhancements	211,083	211,083
Other University support	26,823	26,823
	<u>25,194,679</u>	<u>24,335,617</u>

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Notes to Consolidated Financial Statements

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	2019	2018
Donor-restricted endowments subject to endowment spending policy and appropriation		
Scholarships and awards	\$ 48,617,918	\$ 46,883,014
Educational grants and academic enhancements	10,928,644	9,195,068
Other University support	10,692,822	10,549,148
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	2,167,335	1,994,799
Educational grants and academic enhancements	1,129,888	1,098,188
Other University support	<u>193,215</u>	<u>186,079</u>
	<u>73,729,822</u>	<u>69,906,296</u>
Total endowments	<u>98,924,501</u>	<u>94,241,913</u>
Not subject to spending policy or appropriation		
Beneficial interest in assets held by Community Foundation	66,758	64,605
Beneficial interests in perpetual trusts	<u>4,122,365</u>	<u>4,107,062</u>
	<u>4,189,123</u>	<u>4,171,667</u>
	<u>\$ 122,124,823</u>	<u>\$ 118,070,954</u>

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.

	2019	2018
Expiration of time restrictions	\$ 23,542	\$ 18,802
Satisfaction of purpose restrictions		
Scholarships and awards	1,193,682	1,267,746
Educational grants and academic enhancements	1,723,369	1,287,326
Athletics	87,111	118,854
Other University support	194,060	236,669
Capital projects	215,867	2,062,030
Community outreach	<u>12,500</u>	<u>14,282</u>
	<u>3,450,131</u>	<u>5,005,709</u>
Restricted-purpose spending-rate distributions and appropriations		
Scholarships and awards	1,040,950	1,046,787
Educational grants and academic enhancements	578,197	144,553
Athletics	11,015	10,325
Other University support	<u>200,870</u>	<u>3,223</u>
	<u>1,831,032</u>	<u>1,204,888</u>
	<u>\$ 5,281,163</u>	<u>\$ 6,210,597</u>

University of Southern Indiana Foundation
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Note 5: Investments and Investment Return

Investments at June 30, 2019 and 2018, consisted of the following:

	Fair Value	
	2019	2018
Short-term investments and cash	\$ 889,030	\$ 2,041,334
Certificate of deposit	250,000	-
U.S. Treasury securities	2,393,063	2,476,458
Corporate debt securities	4,915,155	3,775,377
Common stocks	15,723,530	15,055,287
Mutual funds		
Fixed income	28,037,671	21,653,519
International	17,008,932	20,389,715
Large cap	46,085,557	45,321,334
Small cap/mid cap	8,678,880	10,089,403
Alternative investment – private investment fund	<u>1,278,335</u>	<u>1,861,992</u>
	<u>\$ 125,260,153</u>	<u>\$ 122,664,419</u>

Total investment return for the years ended June 30, 2019 and 2018, was comprised of the following:

	2019	2018
Interest and dividend income	\$ 2,611,603	\$ 2,450,769
Investment management fees	<u>(209,517)</u>	<u>(215,389)</u>
	2,402,086	2,235,380
Net realized and unrealized gains on investments reported at fair value	<u>4,279,529</u>	<u>9,258,272</u>
	<u>\$ 6,681,615</u>	<u>\$ 11,493,652</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, 2019 and 2018, consist of the following:

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	\$ <u>1,278,335</u>	\$ <u>906,000</u>	N/A	N/A

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	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	\$ <u>1,861,992</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.

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 \$4,122,365 and \$4,107,062, which represents the fair value of the trusts' assets at June 30, 2019 and 2018, respectively. The change in fair value of these trusts for 2019 and 2018 was \$15,302 and \$20,050, 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, 2019 and 2018, the residual benefits were valued at \$815,838 and \$792,619, respectively. The change in fair value of these trusts for 2019 and 2018 was \$23,219 and \$26,264, respectively.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
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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, 2019 and 2018, in the funds with donor restrictions, of \$1,541,425 and \$1,625,889, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from approximately 1% to 8%.

Note 8: Endowment

The Foundation's endowment consists of approximately 470 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

University of Southern Indiana Foundation
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The composition of net assets by type of endowment fund at June 30, 2019 and 2018, was:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 9,777,318	\$ 25,194,679	\$ 34,971,997
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	45,684,767	45,684,767
Accumulated investment gains	-	<u>30,063,013</u>	<u>30,063,013</u>
Total endowment funds	<u>\$ 9,777,318</u>	<u>\$ 100,942,459</u>	<u>\$ 110,719,777</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 9,585,887	\$ 24,335,617	\$ 33,921,504
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	43,063,742	43,063,742
Accumulated investment gains	-	<u>28,782,222</u>	<u>28,782,222</u>
Total endowment funds	<u>\$ 9,585,887</u>	<u>\$ 96,181,581</u>	<u>\$ 105,767,468</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, 2019 and 2018, these assets were valued at \$2,017,958 and \$1,939,668, respectively.

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Notes to Consolidated Financial Statements
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Changes in endowment net assets for the years ended June 30, 2019 and 2018, were:

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ <u>9,585,887</u>	\$ <u>96,181,581</u>	\$ <u>105,767,468</u>
Investment return			
Investment income	414,307	4,298,413	4,712,720
Net appreciation	<u>58,266</u>	<u>600,065</u>	<u>658,331</u>
Total investment return	<u>472,573</u>	<u>4,898,478</u>	<u>5,371,051</u>
Contributions	67,186	2,778,111	2,845,297
Appropriation of endowment assets for expenditure	(348,328)	(2,838,707)	(3,187,035)
Reclassification of donor intent	-	1,682	1,682
Other changes – uncollectible pledge loss	-	(2,208)	(2,208)
Other changes – change in value of split-interest agreements	<u>-</u>	<u>(76,478)</u>	<u>(76,478)</u>
	<u>(281,142)</u>	<u>(137,600)</u>	<u>(418,742)</u>
Endowment net assets, end of year	\$ <u>9,777,318</u>	\$ <u>100,942,459</u>	\$ <u>110,719,777</u>
	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ <u>8,965,089</u>	\$ <u>85,711,906</u>	\$ <u>94,676,995</u>
Investment return			
Investment income	983,608	9,244,792	10,228,400
Net depreciation	<u>(1,967)</u>	<u>(18,494)</u>	<u>(20,461)</u>
Total investment return	<u>981,641</u>	<u>9,226,298</u>	<u>10,207,939</u>
Contributions	-	3,861,442	3,861,442
Appropriation of endowment assets for expenditure	(360,843)	(2,823,384)	(3,184,227)
Reclassification of donor intent	-	280,836	280,836
Other changes – uncollectible pledge loss	-	(275)	(275)
Other changes – change in value of split-interest agreements	<u>-</u>	<u>(75,242)</u>	<u>(75,242)</u>
	<u>(360,843)</u>	<u>1,243,377</u>	<u>882,534</u>
Endowment net assets, end of year	\$ <u>9,585,887</u>	\$ <u>96,181,581</u>	\$ <u>105,767,468</u>

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

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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 for 2019 and 2018. 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.

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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, 2019 and 2018:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2019				
Investments				
Short-term investments and cash equivalents	\$ 889,030	\$ 889,030	\$ -	\$ -
U.S. Treasury securities	2,393,063	-	2,393,063	-
Corporate debt securities	4,915,155	-	4,915,155	-
Common stocks	15,723,530	15,723,530	-	-
Mutual funds				
Fixed income	28,037,671	28,037,671	-	-
International	17,008,932	17,008,932	-	-
Large cap	46,085,557	46,085,557	-	-
Small cap/mid cap	8,678,880	8,678,880	-	-
Private investment fund, measured at net asset value (A)	<u>1,278,335</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 125,010,153</u>	<u>\$ 116,423,600</u>	<u>\$ 7,308,218</u>	<u>\$ -</u>

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	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, 2019				
Beneficial interest in charitable remainder trusts	\$ <u>815,838</u>	\$ <u>-</u>	\$ <u>815,838</u>	\$ <u>-</u>
Beneficial interest in perpetual trusts	\$ <u>4,122,365</u>	\$ <u>-</u>	\$ <u>4,122,365</u>	\$ <u>-</u>
Beneficial interest in Community Foundation	\$ <u>66,758</u>	\$ <u>-</u>	\$ <u>66,758</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, 2018				
Investments				
Short-term investments and cash equivalents	\$ 2,041,334	\$ 2,041,334	\$ -	\$ -
U.S. Treasury securities	2,476,458	-	2,476,458	-
Corporate debt securities	3,775,377	-	3,775,377	-
Common stocks	15,055,287	15,055,287	-	-
Mutual funds				
Fixed income	21,653,519	21,653,519	-	-
International	20,389,715	20,389,715	-	-
Large cap	45,321,334	45,321,334	-	-
Small cap/mid cap	10,089,403	10,089,403	-	-
Private investment fund, measured at net asset value (A)	<u>1,861,992</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 122,664,419</u>	<u>\$ 114,550,592</u>	<u>\$ 6,251,835</u>	<u>\$ -</u>

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	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Beneficial interest in charitable remainder trusts	\$ <u>792,619</u>	\$ <u>-</u>	\$ <u>792,619</u>	\$ <u>-</u>
Beneficial interest in perpetual trusts	\$ <u>4,107,062</u>	\$ <u>-</u>	\$ <u>4,107,062</u>	\$ <u>-</u>
Beneficial interest in Community Foundation	\$ <u>64,605</u>	\$ <u>-</u>	\$ <u>64,605</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, 2019 and 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include short-term investments and cash equivalents, common stocks and mutual funds. 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.

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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 \$523,800 and \$500,100 to the University for the years ended June 30, 2019 and 2018, respectively, for accounting, computer, administrative and other miscellaneous services provided to the Foundation by University personnel.

Amounts due to the University for approved program expenditures and approved construction commitments, as further described below, included in payable to related parties as of June 30, 2019 and 2018, were \$2,023,298 and \$3,486,272, respectively.

As of June 30, 2018, construction of the Fuquay Welcome Center was near completion and the \$2,000,000 commitment to the University for the construction and outfitting of the Fuquay Welcome Center was recorded as a payable to related parties. Funding for this project was through gift commitments to the Foundation's capital campaign, *Campaign USI: Elevating Excellence*, designated for the Fuquay Welcome Center. Full payment of this liability was completed in March 2019.

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, 2019 and 2018, approximately 32% and 65%, respectively, of all contributions were received from one donor.

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Contributions Receivable – Deferred Gifts

As of June 30, 2019 and 2018, the Foundation has recorded contribution pledges for deferred gifts of \$10,488,000 and \$10,250,500, respectively, of which \$3,462,605 and \$3,457,105, respectively, were reserved as an allowance for uncollectible amounts and \$3,068,052 and \$3,013,642, respectively, were recorded as a discount based on estimated discount rates for each individual pledge for a net pledge receivable amount of \$3,957,343 and \$3,779,753, 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.

Note 13: Change in Accounting Principle

In 2019, the Foundation adopted Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.
- Underwater donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses.

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Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.
- Amounts and purposes of board designations and appropriations as of the end of the period are disclosed.

These changes resulted in the reclassification of total past-due time-restricted pledges from with donor restrictions to without donor restrictions of \$(3,472) and \$14,598 for 2019 and 2018, respectively. The changes had no impact to total net assets previously reported.

Note 14: Subsequent Events

Subsequent events have been evaluated through October 1, 2019, 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, 2019
(With Comparative Totals for 2018)

	2019	
	University of Southern Indiana Foundation	Southern Indiana Higher Education Holdings, LLC
Assets		
Cash	\$ 285,730	\$ 685,303
Accounts and interest receivable	105,585	5,989
Contributions receivable, net	6,270,353	-
Prepaid expenses	946	-
Investments	125,010,153	250,000
Cash value of life insurance	503,182	-
Beneficial interest in charitable remainder trusts	815,838	-
Beneficial interest in perpetual trusts	4,122,365	-
Beneficial interest in Community Foundation	66,758	-
Real estate held for investment	434,510	2,036,705
Investment in Southern Indiana Higher Education Holdings, LLC	3,247,730	-
Land and land improvements, net of accumulated depreciation; 2019 – \$3,315, 2018 – \$0	95,793	179,055
Buildings, net of accumulated depreciation; 2019 – \$531,020, 2018 – \$490,310	209,968	90,743
Property management deposits	<u>2,270</u>	<u>3,050</u>
Total assets	<u>\$ 141,171,181</u>	<u>\$ 3,250,845</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 39,923	\$ 65
Deposits	2,270	3,050
Deferred income	7,240	-
Payable to related parties	2,023,298	-
Annuities payable	<u>1,541,425</u>	<u>-</u>
Total liabilities	<u>3,614,156</u>	<u>3,115</u>
Net Assets		
Without donor restrictions		
Undesignated	5,230,474	3,247,730
Undesignated board endowments	<u>10,201,728</u>	<u>-</u>
	<u>15,432,202</u>	<u>3,247,730</u>
With donor restrictions		
Perpetual-in-nature endowments	73,729,822	-
Purpose restrictions	41,789,760	-
Time restrictions for future periods	<u>6,605,241</u>	<u>-</u>
	<u>122,124,823</u>	<u>-</u>
Total net assets	<u>137,557,025</u>	<u>3,247,730</u>
Total liabilities and net assets	<u>\$ 141,171,181</u>	<u>\$ 3,250,845</u>

	2019	2018
	Eliminations	Total
	Total	Total
\$	-	\$ 971,033
	-	111,574
	-	6,270,353
	-	946
	-	125,260,153
	-	503,182
	-	815,838
	-	4,122,365
	-	66,758
	-	2,471,215
(3,247,730)	-	-
	-	274,848
	-	300,711
-	5,320	5,570
<u>(3,247,730)</u>	<u>141,174,296</u>	<u>138,714,097</u>
\$	-	\$ 39,988
	-	5,320
	-	7,240
	-	2,023,298
-	1,541,425	1,625,899
-	3,617,271	5,166,378
(3,247,730)	5,230,474	5,286,316
-	10,201,728	10,190,449
<u>(3,247,730)</u>	<u>15,432,202</u>	<u>15,476,765</u>
	-	73,729,822
	-	41,789,760
-	6,605,241	6,530,862
-	122,124,823	118,070,954
<u>(3,247,730)</u>	<u>137,557,025</u>	<u>133,547,719</u>
<u>(3,247,730)</u>	<u>141,174,296</u>	<u>138,714,097</u>

University of Southern Indiana Foundation
Consolidating Schedule of Activities Information
Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019			
	Without Donor Restrictions			
	University of Southern Indiana Foundation	Southern Indiana Higher Education Holdings, LLC	Eliminations	Total
Revenues and Other Support				
Contributions	\$ 185,858	\$ -	\$ -	\$ 185,858
Grants	-	-	-	-
Change in value of split-interest agreements	-	-	-	-
Rental property income, net	5,395	3,984	-	9,379
Miscellaneous income	74,517	-	-	74,517
Reclassification of donor intent	(1,682)	-	-	(1,682)
Net assets released from restrictions	<u>5,281,163</u>	<u>-</u>	<u>-</u>	<u>5,281,163</u>
Total revenues and other support	<u>5,545,251</u>	<u>3,984</u>	<u>-</u>	<u>5,549,235</u>
Expenses				
Programs – University of Southern Indiana				
Scholarships and awards	2,613,154	-	-	2,613,154
Educational grants and academic enhancements	2,497,859	-	-	2,497,859
Athletic support	98,127	-	-	98,127
Other University support	873,851	-	-	873,851
Capital projects	216,867	-	-	216,867
Community outreach	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Total program services	6,314,858	-	-	6,314,858
Management and general	718,881	-	-	718,881
Fundraising	201,508	-	-	201,508
Uncollectible pledge loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>7,235,247</u>	<u>-</u>	<u>-</u>	<u>7,235,247</u>
Other Changes				
Investment income, net	1,603,760	12,419	-	1,616,179
Change in fair value of beneficial interest in trusts and Community Foundation	-	-	-	-
Mineral royalty income	76	25,194	-	25,270
Net income of subsidiary	41,597	-	(41,597)	-
Gain on cash value of life insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other changes	<u>1,645,433</u>	<u>37,613</u>	<u>(41,597)</u>	<u>1,641,449</u>
Change in Net Assets	<u>\$ (44,563)</u>	<u>\$ 41,597</u>	<u>\$ (41,597)</u>	<u>\$ (44,563)</u>

	2019	2018
With Donor Restrictions		
University of Southern Indiana Foundation	Total	Total
\$ 4,039,541	\$ 4,225,399	\$ 6,133,656
207,159	207,159	216,154
(125,650)	(125,650)	(121,681)
-	9,379	18,584
129,878	204,395	201,423
1,682	-	-
<u>(5,281,163)</u>	<u>-</u>	<u>-</u>
<u>(1,028,553)</u>	<u>4,520,682</u>	<u>6,448,136</u>
-	2,613,154	2,785,614
-	2,497,859	1,551,338
-	98,127	129,179
-	873,851	522,536
-	216,867	2,062,030
<u>-</u>	<u>15,000</u>	<u>14,282</u>
-	6,314,858	7,064,979
-	718,881	683,567
-	201,508	229,944
<u>34,915</u>	<u>34,915</u>	<u>2,535</u>
<u>34,915</u>	<u>7,270,162</u>	<u>7,981,025</u>
5,065,436	6,681,615	11,493,652
17,455	17,455	22,386
-	25,270	27,597
-	-	-
<u>34,446</u>	<u>34,446</u>	<u>11,233</u>
<u>5,117,337</u>	<u>6,758,786</u>	<u>11,554,868</u>
<u>\$ 4,053,869</u>	<u>\$ 4,009,306</u>	<u>\$ 10,021,979</u>