

University of Southern Indiana Foundation

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2022 and 2021

University of Southern Indiana Foundation

June 30, 2022 and 2021

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Independent Auditor's Report

Board of Directors
University of Southern Indiana Foundation
Evansville, Indiana

Opinion

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of Southern Indiana Foundation and its subsidiary as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University of Southern Indiana Foundation and its subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Southern Indiana Foundation and its subsidiary's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Southern Indiana Foundation and its subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Southern Indiana Foundation and its subsidiary's ability to continue as a going concern for a reasonable period of time.

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

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, 2022, 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.

FORVIS, LLP

Evansville, Indiana
October 3, 2022

University of Southern Indiana Foundation
Consolidated Statements of Financial Position
June 30, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Cash	\$ 748,136	\$ 885,478
Accounts and interest receivable	135,400	136,927
Contributions receivable, net	5,843,232	5,152,758
Prepaid expenses	6,389	1,319
Investments	149,362,145	174,028,302
Cash value of life insurance	513,090	495,898
Beneficial interest in charitable remainder trusts	451,134	1,446,653
Beneficial interest in perpetual trusts	6,246,242	4,927,772
Beneficial interest in Community Foundation	67,674	82,811
Real estate held for investment	2,480,215	2,480,215
Land and land improvements, net of accumulated depreciation; 2022 – \$17,929, 2021 – \$12,687	306,366	311,608
Buildings, net of accumulated depreciation; 2022 – \$658,346, 2021 – \$614,703	244,420	288,062
Equipment, net of accumulated depreciation; 2022 – \$0, 2021 – \$0	34,601	15,327
Property management deposits	<u>7,890</u>	<u>5,370</u>
Total assets	<u>\$ 166,446,934</u>	<u>\$ 190,258,500</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 36,244	\$ 39,320
Deposits	5,890	5,370
Deferred income	6,574	6,230
Payable to related party	1,277,584	707,748
Annuities payable	<u>798,218</u>	<u>840,608</u>
Total liabilities	<u>2,124,510</u>	<u>1,599,276</u>

Net Assets

Without donor restrictions		
Undesignated	8,480,407	7,481,807
Undesignated board endowments	<u>10,652,480</u>	<u>12,950,947</u>
	<u>19,132,887</u>	<u>20,432,754</u>
With donor restrictions		
Perpetual-in-nature endowments	87,960,091	106,488,118
Purpose-restricted board endowments	27,966,575	34,230,694
Purpose restrictions	21,985,014	20,066,988
Time restrictions for future periods	<u>7,277,857</u>	<u>7,440,670</u>
	<u>145,189,537</u>	<u>168,226,470</u>
Total net assets	<u>164,322,424</u>	<u>188,659,224</u>
Total liabilities and net assets	<u>\$ 166,446,934</u>	<u>\$ 190,258,500</u>

University of Southern Indiana Foundation
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions of cash and other financial assets	\$ 439,613	\$ 5,359,714	\$ 5,799,327
Contributions of nonfinancial assets	180,000	-	180,000
Grants	-	210,994	210,994
Change in value of split-interest agreements	-	(162,121)	(162,121)
Rental property income (loss), net	(41,371)	-	(41,371)
Miscellaneous income	28,001	72,015	100,016
Net assets released from restrictions	<u>3,813,105</u>	<u>(3,813,105)</u>	<u>-</u>
Total revenues and other support	<u>4,419,348</u>	<u>1,667,497</u>	<u>6,086,845</u>
Expenses			
Program Services – University of Southern Indiana			
Scholarships and awards	2,839,484	-	2,839,484
Educational grants and academic enhancements	810,864	-	810,864
Athletic support	246,179	-	246,179
Other University support	439,975	-	439,975
Capital projects	3,600	-	3,600
Community outreach	<u>9,476</u>	<u>-</u>	<u>9,476</u>
Total program services	4,349,578	-	4,349,578
Management and general	810,758	-	810,758
Fundraising	97,448	-	97,448
Uncollectible pledge loss	<u>2,419</u>	<u>2,805</u>	<u>5,224</u>
Total expenses	<u>5,260,203</u>	<u>2,805</u>	<u>5,263,008</u>
Other Changes			
Investment income (loss), net	(620,124)	(23,609,066)	(24,229,190)
Change in fair value of perpetual trusts and Community Foundation	-	(1,109,750)	(1,109,750)
Mineral royalty income	20,727	-	20,727
Gain on disposal of property held for sale	140,385	-	140,385
Gain on cash value of life insurance	<u>-</u>	<u>17,191</u>	<u>17,191</u>
Total other changes	<u>(459,012)</u>	<u>(24,701,625)</u>	<u>(25,160,637)</u>
Change in Net Assets	(1,299,867)	(23,036,933)	(24,336,800)
Net Assets, Beginning of Year	<u>20,432,754</u>	<u>168,226,470</u>	<u>188,659,224</u>
Net Assets, End of Year	<u>\$ 19,132,887</u>	<u>\$ 145,189,537</u>	<u>\$ 164,322,424</u>

See Notes to Consolidated Financial Statements

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 136,523	\$ 6,199,432	\$ 6,335,955
-	-	-
-	164,719	164,719
-	832,240	832,240
5,445	-	5,445
11,952	101,367	113,319
<u>3,249,894</u>	<u>(3,249,894)</u>	<u>-</u>
<u>3,403,814</u>	<u>4,047,864</u>	<u>7,451,678</u>
2,635,078	-	2,635,078
692,844	-	692,844
6,954	-	6,954
241,272	-	241,272
2,310	-	2,310
<u>7,147</u>	<u>-</u>	<u>7,147</u>
3,585,605	-	3,585,605
770,344	-	770,344
72,306	-	72,306
<u>670</u>	<u>944,216</u>	<u>944,886</u>
<u>4,428,925</u>	<u>944,216</u>	<u>5,373,141</u>
4,954,778	38,213,085	43,167,863
-	930,934	930,934
7,097	-	7,097
-	-	-
<u>-</u>	<u>10,237</u>	<u>10,237</u>
<u>4,961,875</u>	<u>39,154,256</u>	<u>44,116,131</u>
3,936,764	42,257,904	46,194,668
<u>16,495,990</u>	<u>125,968,566</u>	<u>142,464,556</u>
<u>\$ 20,432,754</u>	<u>\$ 168,226,470</u>	<u>\$ 188,659,224</u>

University of Southern Indiana Foundation
Consolidated Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	2022					
	Program Services					
	Scholarships and Awards	Educational Grants and Academic Enhancements	Athletic Support	Other University Support	Capital Projects	Community Outreach
Scholarships	\$ 2,830,112	\$ -	\$ -	\$ -	\$ -	\$ -
Student awards	9,372	-	-	-	-	-
University programs	-	810,864	246,179	428,165	-	9,476
Capital projects	-	-	-	-	3,600	-
Special events	-	-	-	8,640	-	-
Office expenses	-	-	-	-	-	-
Insurance	-	-	-	2,972	-	-
Administrative services provided by University	-	-	-	-	-	-
Legal services	-	-	-	-	-	-
Accounting and auditing services	-	-	-	-	-	-
Financial advisor services	-	-	-	-	-	-
Real estate expenses	-	-	-	-	-	-
Donor relations	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	198	-	-
Total expenses by function	2,839,484	810,864	246,179	439,975	3,600	9,476
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	\$ 2,839,484	\$ 810,864	\$ 246,179	\$ 439,975	\$ 3,600	\$ 9,476

See Notes to Consolidated Financial Statements

2022

Management and General	Fundraising	Total
\$ -	\$ -	\$ 2,830,112
-	-	9,372
-	-	1,494,684
-	-	3,600
-	2,063	10,703
245	-	245
5,490	-	8,462
567,800	-	567,800
24,376	-	24,376
43,230	-	43,230
112,104	-	112,104
178,399	-	178,399
-	35,819	35,819
-	55,855	55,855
<u>12,292</u>	<u>3,711</u>	<u>16,201</u>
943,936	97,448	5,390,962
<u>(133,178)</u>	<u>-</u>	<u>(133,178)</u>
<u>\$ 810,758</u>	<u>\$ 97,448</u>	<u>\$ 5,257,784</u>

University of Southern Indiana Foundation
Consolidated Statements of Functional Expenses (Continued)
Years Ended June 30, 2022 and 2021

	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	-	-
Total expenses by function	2,635,078	692,844	6,954	241,272	2,310	7,147
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>

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 Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ (24,336,800)	\$ 46,194,668
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized gain on sale of investments	(11,257,489)	(7,208,279)
Uncollectible pledge loss	5,224	939,886
(Increase) decrease in cash value of life insurance	(17,192)	15,740
Change in fair value of beneficial interest in trusts, perpetual trusts and Community Foundation	1,181,331	(1,233,291)
Contributions and receipts on contributions receivable restricted for endowment and long-term purposes	(594,843)	(2,466,353)
Contributions of nonfinancial assets	(180,000)	-
Contributions of beneficial interests in trusts	(2,413,083)	-
Gain on disposal of property held for sale	(140,385)	-
Depreciation	48,885	45,751
Unrealized (gain) loss on investments	37,914,585	(33,833,359)
Changes in		
Accounts and interest receivable	1,527	21,168
Contributions receivable	(1,124,687)	(25,665)
Prepaid expenses	(5,070)	201
Accounts payable and payable to related party	566,760	(639,750)
Annuities payable	(42,390)	(765,822)
Deposits	(2,000)	-
Deferred income	344	4,730
	<u>(395,283)</u>	<u>1,049,625</u>
Investing Activities		
Proceeds from the disposal of property held for sale	320,385	-
Purchase of property and equipment	(19,275)	(24,327)
Purchase of investments	(29,902,926)	(23,536,029)
Sales and maturities of investments	28,835,925	19,845,503
	<u>(765,891)</u>	<u>(3,714,853)</u>
Financing Activities		
Proceeds from contributions restricted for endowment and long-term purposes		
Scholarships and awards	687,044	2,769,587
Education and academic enhancements	281,058	29,058
Other University support	55,730	18,947
	<u>1,023,832</u>	<u>2,817,592</u>
Increase (Decrease) in Cash	(137,342)	152,364
Cash, Beginning of Year	<u>885,478</u>	<u>733,114</u>
Cash, End of Year	<u>\$ 748,136</u>	<u>\$ 885,478</u>

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

Nature of Operations

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

Principles of Consolidation

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

Use of Estimates

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

Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets include funds designated by the governing body to function as endowments (board endowments) that are not subject to donor-imposed restrictions. The spendable allocations from the board endowment net assets and non-endowed net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. These net assets include funds designated by the governing body to function as endowments (board endowments) that are subject to donor-imposed restrictions but are not endowed by the donor.

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

Cash

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

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

Contributions Receivable – Deferred Gifts

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

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

Investments and Net Investment Return

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

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

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

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

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

Property and Equipment

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

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

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

Long-Lived Asset Impairment

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

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

Contributions

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

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

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

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

Contributed Services

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

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

Income Taxes

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

Functional Allocation of Expenses

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

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 2: Contributions Receivable

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

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

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

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

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

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

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

Note 3: Liquidity and Availability

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

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

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

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

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

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Note 4: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Scholarships and awards	\$ 7,452,157	\$ 6,673,573
Educational grants and academic enhancements	7,122,250	6,365,613
Capital projects	431,290	433,095
Athletics	389,346	451,846
Other University support	4,582,395	4,337,610
Community outreach	232,487	231,542
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	653,530	649,053
Educational grants and academic enhancements	226,551	34,299
Athletics	14,015	10,313
Other University support	808,773	796,233
Community outreach	4,546	1,000
 Beneficial interest in assets held by Community Foundation not subject to spending policy or appropriation	 <u>67,674</u>	 <u>82,811</u>
	<u>21,985,014</u>	<u>20,066,988</u>
 Subject to the passage of time		
Beneficial interests in charitable remainder trusts held by others	451,134	1,446,653
Assets held under split-interest agreements	266,612	767,070
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	313,869	299,175
 Beneficial interest in perpetual trusts not subject to spending policy or appropriation	 <u>6,246,242</u>	 <u>4,927,772</u>
	<u>7,277,857</u>	<u>7,440,670</u>

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	2022	2021
Endowments		
Board-designated endowments subject to endowment spending policy and appropriation for specified purpose		
Restricted by donors for		
Scholarships and awards	\$ 14,950,970	\$ 18,101,906
Educational grants and academic enhancements	10,847,805	13,485,123
Athletics	868,811	1,085,074
Other University support	826,216	1,031,591
Community outreach	230,398	287,724
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	50	150
Educational grants and academic enhancements	211,083	211,083
Other University support	<u>31,242</u>	<u>28,043</u>
	<u>27,966,575</u>	<u>34,230,694</u>
Donor-restricted endowments subject to endowment spending policy and appropriation for specified purpose		
Scholarships and awards	56,865,449	69,941,334
Educational grants and academic enhancements	13,606,935	16,301,600
Other University support	13,914,029	17,128,764
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	1,553,314	1,611,681
Educational grants and academic enhancements	1,790,217	1,219,950
Other University support	<u>230,147</u>	<u>284,789</u>
	<u>87,960,091</u>	<u>106,488,118</u>
Total endowments with restrictions	<u>115,926,666</u>	<u>140,718,812</u>
	<u>\$ 145,189,537</u>	<u>\$ 168,226,470</u>

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

Note 5: Investments and Investment Return

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

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

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

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

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

- (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.

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Note 6: Beneficial Interest in Trusts

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

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

Note 7: Annuities Payable

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

Note 8: Endowment

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

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

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

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 10,652,480	\$ 27,966,575	\$ 38,619,055
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	55,015,405	55,015,405
Accumulated investment gains	<u>-</u>	<u>34,093,053</u>	<u>34,093,053</u>
Total endowment funds	<u>\$ 10,652,480</u>	<u>\$ 117,075,033</u>	<u>\$ 127,727,513</u>
	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	<u>-</u>	<u>54,518,346</u>	<u>54,518,346</u>
Total endowment funds	<u>\$ 12,950,947</u>	<u>\$ 142,257,132</u>	<u>\$ 155,208,079</u>

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

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

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

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	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
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 of cash and other financial assets	19,184	2,905,117	2,924,301
Appropriation of endowment assets for expenditure	(384,769)	(3,388,694)	(3,773,463)
Reclassification of donor intent	-	30,540	30,540
Other changes – uncollectible pledge loss	-	(20,083)	(20,083)
Other changes – change in value of split-interest agreements	-	676,970	676,970
Other changes – gain on life insurance proceeds	<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>

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.

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

Underwater Endowments

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

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

Note 9: Disclosures About Fair Value of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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Recurring Measurements

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

	Fair Value Measurements 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, 2022				
Investments				
Short-term investments and cash equivalents	\$ 2,654,603	\$ 2,654,603	\$ -	\$ -
U.S. Treasury securities	2,385,357	-	2,385,357	-
Municipal securities	610,227	-	610,227	-
Corporate debt securities	5,109,114	-	5,109,114	-
Common stocks	22,436,282	22,436,282	-	-
Mutual funds				
Fixed income	32,627,516	32,627,516	-	-
International	16,692,993	16,692,993	-	-
Large cap	57,612,108	57,612,108	-	-
Small cap/mid cap	7,802,070	7,802,070	-	-
Private investment fund, measured at net asset value (A)	<u>932,965</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 148,863,235</u>	<u>\$ 139,825,572</u>	<u>\$ 8,104,698</u>	<u>\$ -</u>
Beneficial interest in charitable remainder trusts	<u>\$ 451,134</u>	<u>\$ -</u>	<u>\$ 451,134</u>	<u>\$ -</u>
Beneficial interest in perpetual trusts	<u>\$ 6,246,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,246,242</u>
Beneficial interest in Community Foundation	<u>\$ 67,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,674</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, 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>
Total investments	<u>\$ 173,531,966</u>	<u>\$ 164,488,411</u>	<u>\$ 8,028,702</u>	<u>\$ -</u>
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>\$ -</u>	<u>\$ 4,927,772</u>
Beneficial interest in Community Foundation	<u>\$ 82,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,811</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.

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

Investments

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

Beneficial Interest in Charitable Remainder Trusts

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

Beneficial Interest in Perpetual Trusts

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

Beneficial Interest in Community Foundation

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

Note 10: Related-Party Transactions

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

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

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

Note 11: Significant Estimates, Concentrations and Commitments

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

Contributions

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

Contributions Receivable – Deferred Gifts

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

Note 12: Risks and Uncertainties

Investments

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

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

COVID-19

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

Note 13: Change in Accounting Principle

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

Note 14: Contributed Nonfinancial Assets

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

	2022	2021
Real estate	\$ <u>180,000</u>	\$ <u>-</u>

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

Note 15: Subsequent Events

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

Supplementary Information

University of Southern Indiana Foundation
Consolidating Schedule of Financial Position Information
June 30, 2022
(With Comparative Totals for 2021)

	2022	
	University of Southern Indiana Foundation	Southern Indiana Higher Education Holdings, LLC
Assets		
Cash	\$ 194,125	\$ 554,011
Accounts and interest receivable	127,691	7,709
Contributions receivable, net	5,843,232	-
Prepaid expenses	6,382	7
Investments	148,863,235	498,910
Cash value of life insurance	513,090	-
Beneficial interest in charitable remainder trusts	451,134	-
Beneficial interest in perpetual trusts	6,246,242	-
Beneficial interest in Community Foundation	67,674	-
Real estate held for investment	434,510	2,045,705
Investment in Southern Indiana Higher Education Holdings, LLC	3,286,317	-
Land and land improvements, net of accumulated depreciation; 2022 – \$17,929, 2021 – \$12,687	127,311	179,055
Buildings, net of accumulated depreciation; 2022 – \$658,345, 2021 – \$614,703	244,420	-
Equipment, net of accumulated depreciation; 2022 – \$0, 2021 – \$0	34,601	-
Property management deposits	<u>3,320</u>	<u>4,570</u>
Total assets	<u>\$ 166,443,284</u>	<u>\$ 3,289,967</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 36,239	\$ 5
Deposits	2,320	3,570
Deferred income	6,499	75
Payable to related party	1,277,584	-
Annuities payable	<u>798,218</u>	<u>-</u>
Total liabilities	<u>2,120,860</u>	<u>3,650</u>
Net Assets		
Without donor restrictions		
Undesignated	8,480,407	3,286,317
Undesignated board endowments	<u>10,652,480</u>	<u>-</u>
	19,132,887	3,286,317
With donor restrictions		
Perpetual-in-nature endowments	87,960,091	-
Purpose-restricted board endowments	27,966,575	-
Purpose restrictions	21,985,014	-
Time restrictions for future periods	<u>7,277,857</u>	<u>-</u>
	<u>145,189,537</u>	<u>-</u>
Total net assets	<u>164,322,424</u>	<u>3,286,317</u>
Total liabilities and net assets	<u>\$ 166,443,284</u>	<u>\$ 3,289,967</u>

		2022			2021
Eliminations		Total		Total	
\$	-	\$ 748,136	\$	885,478	
	-	135,400		136,927	
	-	5,843,232		5,152,758	
	-	6,389		1,319	
	-	149,362,145		174,028,302	
	-	513,090		495,898	
	-	451,134		1,446,653	
	-	6,246,242		4,927,772	
	-	67,674		82,811	
	-	2,480,215		2,480,215	
	(3,286,317)	-		-	
	-	306,366		311,608	
	-	244,420		288,062	
	-	34,601		15,327	
	-	7,890		5,370	
	<u>(3,286,317)</u>	<u>\$ 166,446,934</u>		<u>\$ 190,258,500</u>	
\$	-	\$ 36,244	\$	39,320	
	-	5,890		5,370	
	-	6,574		6,230	
	-	1,277,584		707,748	
	-	798,218		840,608	
	-	<u>2,124,510</u>		<u>1,599,276</u>	
	(3,286,317)	8,480,407		7,481,807	
	-	10,652,480		12,950,947	
	<u>(3,286,317)</u>	<u>19,132,887</u>		<u>20,432,754</u>	
	-	87,960,091		106,488,118	
	-	27,966,575		34,230,694	
	-	21,985,014		20,066,988	
	-	7,277,857		7,440,670	
	-	<u>145,189,537</u>		<u>168,226,470</u>	
	<u>(3,286,317)</u>	<u>164,322,424</u>		<u>188,659,224</u>	
\$	<u>(3,286,317)</u>	<u>\$ 166,446,934</u>	\$	<u>190,258,500</u>	

University of Southern Indiana Foundation
Consolidating Schedule of Activities Information
Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</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 of cash and other financial assets	\$ 439,613	\$ -	\$ -	\$ 439,613
Contributions of nonfinancial assets	180,000	-	-	180,000
Grants	-	-	-	-
Change in value of split-interest agreements	-	-	-	-
Rental property income (loss), net	2,636	(44,007)	-	(41,371)
Miscellaneous income	28,001	-	-	28,001
Net assets released from restrictions	<u>3,813,105</u>	<u>-</u>	<u>-</u>	<u>3,813,105</u>
Total revenues and other support	<u>4,463,355</u>	<u>(44,007)</u>	<u>-</u>	<u>4,419,348</u>
Expenses				
Program Services – University of Southern Indiana				
Scholarships and awards	2,839,484	-	-	2,839,484
Educational grants and academic enhancements	810,864	-	-	810,864
Athletic support	246,179	-	-	246,179
Other University support	439,975	-	-	439,975
Capital projects	3,600	-	-	3,600
Community outreach	<u>9,476</u>	<u>-</u>	<u>-</u>	<u>9,476</u>
Total program services	4,349,578	-	-	4,349,578
Management and general	810,354	404	-	810,758
Fundraising	97,448	-	-	97,448
Uncollectible pledge loss	<u>2,419</u>	<u>-</u>	<u>-</u>	<u>2,419</u>
Total expenses	<u>5,259,799</u>	<u>404</u>	<u>-</u>	<u>5,260,203</u>
Other Changes				
Investment income (loss), net	(626,250)	6,126	-	(620,124)
Change in fair value of perpetual trusts and Community Foundation	-	-	-	-
Mineral royalty income	94	20,633	-	20,727
Gain on disposal of property held for sale	140,385	-	-	140,385
Net income of subsidiary	(17,652)	-	17,652	-
Gain on cash value of life insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other changes	<u>(503,423)</u>	<u>26,759</u>	<u>17,652</u>	<u>(459,012)</u>
Change in Net Assets	<u>\$ (1,299,867)</u>	<u>\$ (17,652)</u>	<u>\$ 17,652</u>	<u>\$ (1,299,867)</u>

	2022	2021
With Donor Restrictions		
University of Southern Indiana Foundation	Total	Total
\$ 5,359,714	\$ 5,799,327	\$ 6,335,955
-	180,000	-
210,994	210,994	164,719
(162,121)	(162,121)	832,240
-	(41,371)	5,445
72,015	100,016	113,319
<u>(3,813,105)</u>	<u>-</u>	<u>-</u>
<u>1,667,497</u>	<u>6,086,845</u>	<u>7,451,678</u>
-	2,839,484	2,635,078
-	810,864	692,844
-	246,179	6,954
-	439,975	241,272
-	3,600	2,310
<u>-</u>	<u>9,476</u>	<u>7,147</u>
-	4,349,578	3,585,605
-	810,758	770,344
-	97,448	72,306
<u>2,805</u>	<u>5,224</u>	<u>944,886</u>
<u>2,805</u>	<u>5,263,008</u>	<u>5,373,141</u>
(23,609,066)	(24,229,190)	43,167,863
(1,109,750)	(1,109,750)	930,934
-	20,727	7,097
-	140,385	-
-	-	-
<u>17,191</u>	<u>17,191</u>	<u>10,237</u>
<u>(24,701,625)</u>	<u>(25,160,637)</u>	<u>44,116,131</u>
\$ <u>(23,036,933)</u>	\$ <u>(24,336,800)</u>	\$ <u>46,194,668</u>