UNIVERSITY OF SOUTHERN INDIANA

Financial Report | 2022–2023

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USI.edu/about/administration-and-operations/financial-transparency

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Message from the President

The University of Southern Indiana witnessed several significant advancements in 2022–2023, including increased enrollment in underserved populations, larger state funding, awarding of notable grants, new programming, secured accreditations, and top rankings by *U.S. News and World Report*.

Dr. Ronald S. Rochon
President

The Institution continues to represent underserved populations with students of color and international students making up a record 16.9% of the student population, up from the previous year's record of 15.9%. Overall undergraduate enrollment is 5,539. Total enrollment at USI, combining undergraduate, graduate and dual credit students taking courses in 33 high schools across the state through the College Achievement Program (CAP), is 9,178. In Fall 2022, 1,817 students were enrolled in the high school dual credit CAP program. Statistics show those coming to the University with CAP credit have higher rates of retention and are more likely to graduate and graduate on time.

USI received significant support from the Indiana General Assembly, through appropriations during the 2022–2023 fiscal year. The University received an operating appropriation increase of $2.8 million or 5.9% over the prior year. This results from the impressive performance of our faculty and staff in the metrics utilized by the Commission for Higher Education to determine its budget recommendations. Those metrics include student persistence, on-time graduation and overall graduation. The central tenets of these metrics are student retention and success. Our performance in these areas directly correlates with the collective effort of all our faculty and staff to create an environment that is welcoming to our students and puts those students in the best position to find success while at USI and as they enter or progress in their careers.

The University is pleased to report receiving substantial support from organizations such as Lilly Endowment, Inc. USI's Historic New Harmony was awarded over $2 million Spring 2023 for a project that includes the restoration and renovation of two historic buildings to be used as exhibition and programming space, development of a new permanent exhibit detailing the religious history of New Harmony and creation of community engagement programming, including a multi-day interfaith festival. The five-year grant also funds the development of a Collections and Exhibition Curator and student fellowship to work with exhibition design and programming.

In July 2022, the University received a generous $1 million leadership gift from the Sol and Arlene Bronstein Foundation to expand excellence in dementia care and advance care planning education. A $750,000 endowment and $250,000 in immediate funding are supporting five critical initiatives, including training, AI and smart home technology development, faculty research awards, visiting faculty positions and keynote speakers. This gift is helping to enhance the understanding of aging and well-being for older adults through interdisciplinary education, research and partnerships.

Furthermore, the University of Southern Indiana's Romain College of Business also received a $100,000 gift from Warehouse Services, Inc., to establish an endowment to support students in the Supply Chain Management Certificate Program.

Significant program updates were implemented in 2022–2023 designed to enhance opportunities for prospective and current students. In the College of Liberal Arts, the English Department introduced a new undergraduate minor in literary editing and publishing, preparing students for careers in fields like advertising, media and marketing. The college's Communication and Media Department offers two Joint Undergraduate Masters Paths (JUMP) for students pursuing degrees in communication studies and journalism, enabling a fast track to graduate education. The College of Nursing and Health Professions expanded its Master of Science in Nursing program with two new specialties: Healthcare Systems Leadership and Nursing Education Leadership. These specialties equip graduates with critical skills and leadership acumen. Lastly, the USI Board of Trustees approved two new certificate programs: the Indiana College Core (ICC) Certificate and the Social Services Designee Certificate, both designed to enhance student access and align with state educational goals. The ICC Certificate facilitates seamless transitions for high school students into USI, improving retention rates and bolstering the University's reputation. The Social Services Designee Certificate program meets the educational needs of students preparing for careers working with older adults, contributing to the Geriatrics Workforce Enhancement Program's objectives and addressing the growing demand for social workers in Indiana.

The University of Southern Indiana's Intensive English Program (IEP) has secured a prestigious 10-year reaccreditation from the Commission on English Language Program Accreditation. This achievement, following the initial five-year accreditation, underscores the excellence and professionalism of the IEP faculty and staff. This recognition not only certifies the program's high quality but also enhances USI's competitiveness among English language programs nationwide.

Additionally, USI's Romain College of Business received a five-year extension on its accreditation in Spring 2023 for its business programs from the Association to Advance Collegiate Schools of Business (AACSB) International, the world's largest and longest-serving accrediting body for business schools. AACSB accreditation is considered the "gold standard" for business accreditation, and the Romain College of Business is among only 5.7% of business schools, globally, to have earned the accreditation. USI's Master of Business Administration program has been recognized as one of the top 25 most affordable online MBA programs and consistently ranks among the best online MBA programs.

USI continues its track record of accomplishments in its second year in Division I athletics after transitioning from Division II, with Ohio Valley Conference Championship and Tournament wins. USI's Cross Country runners won championship titles, while our Women's Soccer, Men's Basketball, Baseball and Softball each earned a berth in the OVC Tournament. Softball also earned its first Division I post-season win. The University experienced a successful first year in Division I play, and we are looking forward to future accomplishments.

Our winning streak continues with the release of the *U.S. News and World Report* in 2022 which ranked the University of Southern Indiana as 14th for Top Public School—Regional Universities Midwest. USI also ranked 21st for Best Value in Regional Universities in the Midwest.

The University of Southern Indiana attracts exceptionally qualified students as a result of its commitment to high-quality, affordable academic programs and building partnerships that benefit students.

Ronald S. Rochon, PhD
President

Message From The Vice President and Treasurer

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

I am pleased to present the University of Southern Indiana's audited financial report for the fiscal year ended June 30, 2023, with comparative data from the previous fiscal year. In addition, the audited financial statements and note disclosures of the University of Southern Indiana Foundation, a component unit of the University, are included. Furthermore, a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the VEBA Trust are provided as required by GASB Statement 84.

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

University leadership continues to manage resources responsibly while striving for excellence in teaching and learning to achieve our core mission. The net position of the University increased again in 2022–2023, continuing a longstanding record of positive financial performance.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. The financial statements are prepared in accordance with guidelines established by the Governmental Accounting Standards Board (GASB) and audited by the Indiana State Board of Accounts. Management's Discussion and Analysis (MD&A) provides an introduction and overview of the basic financial statements, as well as information regarding the 2022–2023 financial position and results of operations of the University. The financial statements and accompanying notes follow the MD&A. The unmodified audit opinion, the most favorable outcome of the audit process, is contained within the report.

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

Steve Bridges
Vice President for Finance and Administration and Treasurer

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Southern Indiana (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the University of Southern Indiana Foundation, Inc. (Foundation), a component unit of the University as described in Note 1, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended. Those statements, which were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2023, the University adopted new accounting guidance Governmental Accounting Standards Board Statement 93, *Replacement of Interbank Offered Rates*, Governmental Accounting Standards Board Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and Governmental Accounting Standards Board Statement 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

Required Supplementary Information

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

Other Information

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

November 1, 2023

Management’s Discussion and Analysis

Introduction

This discussion and analysis prepared by management provides a summary of the financial position and activities of the University of Southern Indiana (the University or USI) during the fiscal year ended June 30, 2023 and compares that performance with select information for the years ended June 30, 2022 and 2021. It should be read in conjunction with the accompanying financial statements and note disclosure. included in the 2022–2023 Financial Report.

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

Using the Financial Report

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

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

Statement of Net Position

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

CONDENSED STATEMENT OF NET POSITION

Year Ended June 30 (in thousands)	2023	2022* Restated	2021
Current Assets	$ 57,961	$ 65,903	$120,844
Noncurrent Assets:			
Capital assets, net of depreciation	209,120	212,664	222,257
Other non-current	142,907	138,353	87,092
Total Assets	$409,988	$416,920	$430,193
Deferred Outflow of Resources	$ 6,837	$ 9,315	$ 3,593
Current Liabilities	$ 33,471	$ 31,898	$ 33,562
Noncurrent Liabilities	114,459	122,846	134,870
Total Liabilities	$147,930	$154,744	$168,432
Deferred Inflow of Resources	$ 4,435	$ 7,267	$ 10,602
Total Net Position	$264,460	$264,224	$254,752

*See Note 20 in Notes to Financial Statements.

Assets

Current assets are used to support current operations and consist primarily of cash and cash equivalents, short-term investments, accounts receivable net of allowances, leases receivable, and inventories. Noncurrent assets include cash equivalents and investments held by a bond trustee, leases receivable, long-term investments, net other postemployment benefits (OPEB) asset, net leased assets, net subscription assets, and net capital assets. Lesser-valued current assets are grouped and listed as other current assets.

Total assets decreased $6.9 million, or nearly 1.7%, in fiscal year 2023 compared to a $13.3 million, or 3.1% decrease in fiscal year 2022.

The current portion of cash and cash equivalents decreased by almost $14.7 million. Over $9 million was placed into short-term and long-term investments while the remaining amount was used for operating needs. Total investments excluding deposits with bond trustee increased to $111.1 million at June 30, 2023, from $102 million at June 30, 2022. Short-term investments increased by $7.7 million during the year while long-term investments grew by $1.4 million. Total cash and investments excluding deposits with bond trustee declined from $141.9 million at the end of the 2022 fiscal year to $136.4 million at the end of fiscal year 2023.

Investments – deposit with bond trustee fell by $24.9 million during fiscal year 2023 as the investments matured and were held as cash equivalent – deposit with bond trustee for the construction and equipping of the Health Professions Center Classroom Renovation and Expansion, which was funded by the Series N student fee bonds issued in August 2020. Combined, deposits with bond trustee declined by nearly $1.2 million during the fiscal year ended June 30, 2023.

Net accounts receivable decreased by more than $522,000 during fiscal year 2023. This change resulted from a combination of lower revenues from tuition and fees and an increase in uncollectible accounts. This decrease was expected as fiscal year 2023 marked the first time since 2020 that the University did not receive award Higher Education Emergency Relief Fund (HEERF) dollars to aid students with their educational expenses.

Net other postemployment benefit (OPEB) asset increased by $2.2 million to $6.9 million at June 30, 2023, primarily as the result of a net increase in the fair value of Voluntary Employees' Benefit Association (VEBA) Trust investments during the fiscal year. The University withdrew $1.1 million from the VEBA Trust to cover OPEB expenses and made no additional contributions to the trust during fiscal year 2023. See the sections on Deferred Outflow of Resources and Deferred Inflow of Resources below for related OPEB balances affecting the Statement of Net Position.

The University added net subscription assets to the Statement of Net Position as part of its adoption of GASB Statement 96 for Subscription-Based Information Technology Arrangements (SBITAs). Net subscription assets were $6.1 million at June 30, 2023, an increase of almost $2.2 million from fiscal year 2022, which was restated for the implementation of GASB Statement 96 as required. Refer to Note 8, Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization and Note 20, Restatement of Prior Year Balances, in the Notes to Financial Statements for additional information.

Net changes to current and noncurrent leases receivable, inventories, net leased assets, and other current assets resulted in a combined decrease to assets of approximately $553,000 during fiscal year 2023.

Capital Assets

Net capital assets declined from $212.7 million at June 30, 2022, to $209.1 million at June 30, 2023. New assets totaled $3.4 million, and construction in progress increased by $7 million during the 2023 fiscal year. Accumulated depreciation grew by $14 million, resulting in an overall $3.6 million decrease in net capital assets.

Deferred Outflow of Resources

Deferred outflow of resources, which represent the consumption of resources applicable to a future period, decreased by $2.5 million in fiscal year 2023. The majority of the decrease is attributable to $2.3 million decrease in the deferred outflow of resources related to other postemployment benefits (OPEB) resulting from the net difference between projected and actual investment returns. Cumulative changes of $223,000 to deferred outflow of resources related to hedging derivative instruments, bond refundings, and pensions accounted for the remaining decline.

Liabilities

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

Total liabilities decreased by $6.8 million, or 4.4%, in fiscal year 2023 following a $13.7 million, or 8.1%, reduction in fiscal year 2022. Current liabilities increased by more than $1.6 million in 2023, but noncurrent liabilities decreased by $8.4 million during the same period.

Unearned revenue grew from $7.4 million at June 30, 2022, to $8.7 million at June 30, 2023. The growth stemmed from an increase in dollars received from advance-funded grants.

The University's noncurrent portion of net pension liability for employees who participate in the Public Employee's Hybrid Plan increased by $2.5 million in fiscal year 2023 after a $2.6 million decrease in fiscal year 2022. This liability increase corresponds to a decrease in the deferred inflow related to pensions below. The University expects this liability to decline over time as fewer active employees remain eligible to participate in PERF as evidenced by the trend in participants during recent years. The University contributed retirement funds for 115 PERF participants in 2023 compared to 139 PERF participants in 2022 and 159 PERF participants in 2021.

Debt and Financing Activity

Total bonds payable decreased by $11.3 million during fiscal year 2023 after declining by nearly $16 million during fiscal year 2022. The current portion of bonds payable increased slightly by $357,000 as the University expects to retire more debt principal in fiscal year 2024 than it did in 2023. However. the current portion of debt interest payable was $961,000 at June 30, 2023, down from $1.1 million at June 30, 2022, indicating that the University will pay less in debt interest during fiscal year 2024 than it did in 2023.

In August 2022, the University issued $6,840,000 in Series O student fee bonds with a fixed interest rate of 2.76% to refund $6,730,000 of outstanding fixed-rate Series K-1 student fee bonds with an interest rate of 4%. See Note 11, 2023 Refunding Bond Issue, in Notes to Financial Statement for information about that bond issue.

In June 2023, the University replaced the reference rate of the hedging derivative's variable payment due to the cessation of the USD LIBOR panel. Per the federal Adjustable Interest Rate (LIBOR) Act, the primary replacement benchmark will be the 1-Month Secured Overnight Financing Rate (SOFR) plus a slight margin adjustment to account for the difference between historic LIBOR and SOFR rates. The two rates are essentially equivalent, resulting in no material change to the accounting for the Series 2006 bonds. All major terms of the original bond purchase agreement remain intact, including the existing quarterly payment schedule. The new reference rate is effective July 1, 2023. See Note 4, Derivative Instruments, in Notes to Financial Statements for additional details.

The University added liabilities related to subscription-based information technology arrangements (SBITAs) as part of its implementation of GASB Statement 96 for fiscal year 2023. Liabilities related to SBITAs totaled $4.9 million at June 30, 2023. Of the total liability for SBITAs, $1.7 million was classified as current, and $3.2 million was classified as noncurrent. These amounts are included in the amounts reported for leases and subscriptions payable on the Statement of Net Position. Amounts for fiscal year 2022 were restated for SBITAs as required by GASB Statement 96.

The cumulative change of all other current and noncurrent liabilities was immaterial for fiscal year 2023.

Deferred Inflow of Resources

Deferred inflows of resources, which represent acquisitions of resources applicable to a future period, decreased by $2.8 million in fiscal year 2023 following a $3.3 million decrease in 2022. Deferred inflow of resources related to other postemployment benefits increased slightly by $275,000 in 2023, but deferred inflow related to pensions declined by $2.7 million during the same period. Also, the University reported no deferred inflow related to leases at June 30, 2023, following the amendment of the agreement with Sodexo Management, Inc., for the management and operation of food service. At June 30, 2022, the University reported a deferred inflow of resources of $442,000 as lessor under the former food service agreement with Sodexo.

Net Position

Net Position increased by $236,000 in fiscal year 2023 following a $9.5 million increase in fiscal year 2022. Net investment in capital assets grew by $5.7 million during 2023 while unrestricted net position decreased by $5.2 million. Restricted expendable net position decreased slightly by $196,000. At June 30, 2023, unrestricted net position totaled $129 million and comprised 48.8% of total net position. Of the total unrestricted amount, $94.5 million has been internally designated as follows.

- $16.9 million for equipment and facilities maintenance and replacement
- $4.6 million for technology and software replacement
- $16.9 million for auxiliary systems
- $1.5 million for working capital and outstanding encumbrances
- $13.1 million for academic operations and initiatives
- $3.9 million for insurance and campus safety
- $37.6 million for medical premiums and other employee benefits

A summary of net position for the 2021 through 2023 fiscal years follows.

NET POSITION

Year Ended June 30 (in thousands)	2023	2022* Restated	2021
Net Position:			
Net investment in capital assets	$135,355	$129,680	$127,267
Restricted—expendable	60	256	69
Unrestricted	129,045	134,288	127,416
Total Net Position	$264,460	$264,224	$254,752

*See Note 20 in Notes to Financial Statements.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

A key point to recognize on this financial statement is that state appropriations and non-exchange governmental and corporate grants and contracts are required to be classified as non-operating revenues. This creates large operating deficits for public universities, which rely heavily on state funding and governmental grants to meet their missions and goals. The change in net position is a more complete indicator of whether the University is in a better or worse financial position compared to the previous fiscal year.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Year Ended June 30 (in thousands)	2023	2022* Restated	2021
Operating Revenues	66,030	69,954	73,678
Operating Expenses	(156,868)	(156,586)	(121,506)
Operating Loss	**$ (90,838)**	**$ (86,632)**	**$ (47,828)**
Non-operating Revenues	93,268	99,007	100,685
Non-operating Expenses	(3,739)	(4,016)	(4,649)
Income before other revenues, expenses, gains or losses	**$ 1,309**	**$ 8,359**	**$ 48,208**
Other Revenues	1,545	1,113	1,113
Increase in Net Position	**$ 236**	**$ 9,472**	**$ 49,321**
Net Position—Beginning of Year	264,224	254,752	205,100
Prior-period Adjustment for Change in Accounting Principle	—	—	331
Net Position—End of Year	**$ 264,460**	**$ 264,224**	**$ 254,752**

*See Note 20 in Notes to Financial Statements.

Revenues

Operating revenues decreased by $3.9 million in fiscal year 2023 after a decrease of $3.7 million in fiscal year 2022. The 2023 decrease was driven by the following factors.

- Net student fees declined by $5.4 million in 2023.
  - Gross student fees decreased by $3.1 million while scholarship discounts and allowances increased by $2.3 million.
  - The increase in scholarship discounts and allowances stemmed in part from the adoption of a new calculation method to estimate student financial aid applied against student fees. This method is based on an advisory from the National Association of College and University Business Officers to improve the accuracy of the calculation.
- Net revenues from auxiliary enterprises increased from $15.5 million in 2022 to $17.1 million in 2023.
  - Campus Store revenues grew by $2.4 million. Beginning in Fall 2022, all undergraduate students were assessed a per-credit-hour fee for required course materials as a way to make materials more affordable and costs more predictable. Students maintain the option to opt out of Archie's Book Bundle based on their circumstances and preferences. The revenues from the program are offset by an equivalent expense in supplies and other services for the payment to Barnes & Noble College for the service.
  - Housing revenues remained steady at $10.6 million, down slightly from $10.8 million in 2022. Room and board discounts and allowances applied to auxiliary revenues grew from $1.8 million in 2022 to $2.9 million in 2023 due to the adoption of a new calculation method for scholarship discounts and allowances as described above for student fees.
  - Dining revenues increased slightly from $4.4 million in 2022 to $4.5 million in 2023.
  - Parking and other auxiliary revenues grew by a combined $397,000.

- Income from operating grants and contracts decreased by $991,000. In particular, nongovernmental grants and contracts decreased by $894,000 primarily due to a decrease in contract revenue from Lifelong Learning programs. A small decline in federal an. state operating grants and contracts accounted for the remaining decline.
- Other operating revenues increased by $861,000 during 2023. These revenues include sales and services by educational units, athletics and theater ticket sales, sponsorships, commissions, facilities rental, special event fees, and other miscellaneous income. The increase was spread across multiple categories, but revenues from athletics provided the majority of the increase.

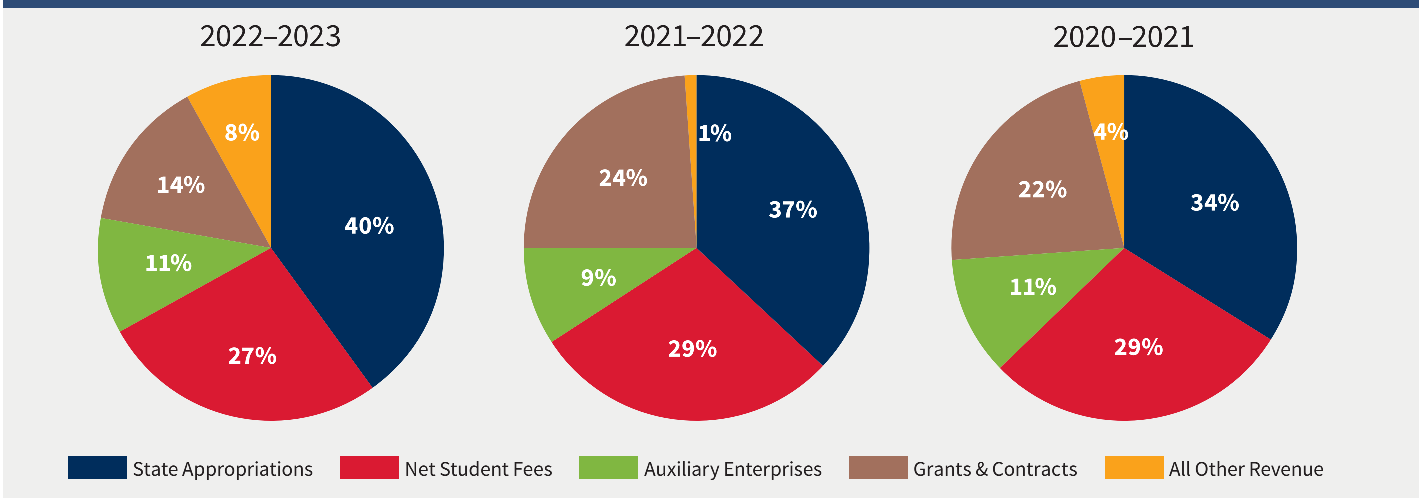
Non-operating revenues decreased from $99 million in fiscal year 2022 to $93.3 million in fiscal year 2023. The following elements contributed to the decline in 2023.

- State operating and fee replacement appropriations grew from $63.6 million in 2022 to $64.4 million in 2023.
- Non-operating gift income, which comes almost entirely from the USI Foundation, increased to $4.4 million in 2023, an increase of $382,000 over the previous year. This increase aligns with *Accelerating Impact*: USI's Strategic Plan, 2021–2025, which established annual fundraising increases as one of its financial objectives.
- Non-operating grants and contracts from all sources decreased by $16.1 million in the 2023 fiscal year.
  - Federal grants and contracts decreased by $15.7 million due primarily to a $15.1 million decrease in Higher Education Emergency Award Fund (HEERF) dollars. A decline in federal student financial aid and other federal grants and contracts accounted for the remaining decline.
  - State and local grants and contracts fell by $441,000 due mainly to a decline in state student financial aid.
- Net investment income improved by $418,000 in fiscal year 2023. Investment income for the year totaled $2.3 million before expenses. The $2.8 million net investment income reported on the Statement of Revenues, Expenses, and Changes in Net Position for 2023 includes a $754,000 change in unrealized investment losses as the market value of University investments improved from June 30, 2022, to June 30, 2023. See Note 2, Deposits and Investments, in Notes to Financial Statements for more information.

Capital appropriations remained steady at $1.1 million in both fiscal years 2022 and 2023. In addition, the University received $432,000 in capital grant dollars from the USI Foundation during 2023 for the replacement of the Atheneum roof in New Harmony and other capital asset purchases.

Total revenues (operating, non-operating, and other) decreased $9.2 million, or 5.4%, in fiscal year 2023 after decreasing by $5.4 million, or 3.1%, in fiscal year 2022. The graph below shows the composition of the University's revenues by source for the three most recent fiscal years ended June 30.

REVENUE SOURCES



Expenses

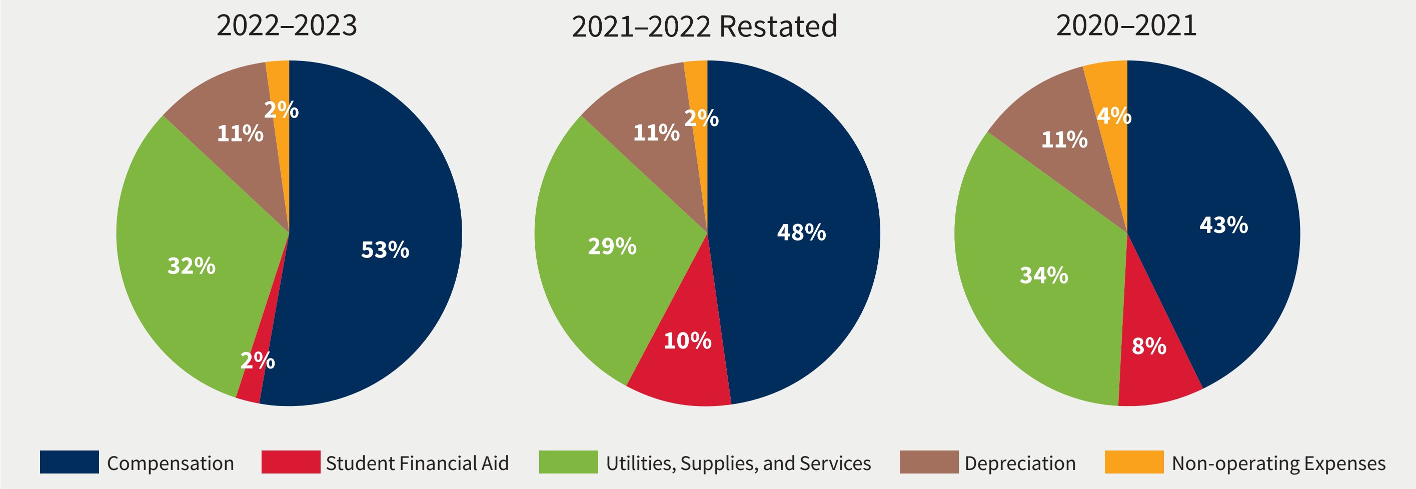
Operating expenses were relatively stable during fiscal year 2023, increasing by only $282,000 compared to fiscal year 2022. The following expenses contributed to the current year increase.

- After decreasing every year since 2020, salaries and wages increased by $1.4 million or 2.3%, which is less than the rate of inflation. The majority of the increase occurred in three areas—University Marketing & Communications, Information Technology, and Athletics.
- Benefits expense increased by $5.5 million. However, $3.5 million of that change was a paper adjustment for other postemployment benefits (OPEB) based on changes in the market value of the VEBA Trust and the value of the related net OPEB asset.
- Student financial aid decreased by $12.3 million. The majority of this drop stems from the absence of one-time Higher Education Emergency Relief Fund (HEERF) dollars in 2023. In 2022, the University awarded students over $9 million dollars from those funds, the majority of which were refunded to students and recorded as student financial aid expense. The remaining decline relates to the change in methodology for scholarship discounts and allowances prescribed by the National Association of College and University Business Officers and described previously. This change resulted in more aid dollars being reported as scholarship discounts and allowances as a reduction of revenue rather than as student aid expense. The sum of scholarship discounts and allowances and student financial aid for 2023 was $34.7 million, a slight increase from $34.6 million in 2022 excluding HEERF funds.
- Supplies and other services increased by $5.2 million. Payments to Barnes & Noble College related to the implementation of Archie's Book Bundle accounted for nearly $2.5 million of the growth, which was offset by corresponding revenues. Costs for honoraria and professional services grew by $5 million as the University relied more heavily on contractors to provide necessary services and complete essential projects. Expense reductions in other categories offset a portion of the increases in these two areas.
- Utilities, depreciation, and amortization increased modestly to account for the remaining increase in operating expenses.

Non-operating expenses consist of interest on capital asset-related debt and other costs associated with issuing bonds and refinancing debt. Interest on debt declined from $4 million in 2022 to $3.7 million in 2023. Costs associated with the issuance of the Series O student fee bonds in August 2022 were nominal.

Total expenses (operating and non-operating) were stable in fiscal year 2023, totaling $160.6 million as they did in fiscal year 2022. Expense trends for the past three years are depicted in the graph below. Expenses for fiscal year 2021 were deflated by a one-time accounting adjustment to benefits expense related to a change in retiree health benefits. Other than that adjustment, expenses have been relatively stable since 2017.

EXPENSE PURPOSES



Statement of Cash Flows

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

Factors Affecting Future Periods

The University continues to rely on operating and capital appropriations provided by the State of Indiana to fulfill its mission. USI will receive a general operating appropriation of $52.6 million for the 2024 fiscal year, an increase from $51 million in the 2023 fiscal year. In addition, the University will get $12.3 million in fiscal year 2024 for fee replacement associated with debt service on student fee bonds. Further, the University qualified for $510,380 in funding under the outcomes-based prospective model for the first year of the biennium; that amount can grow to more than $1 million in the second year of the biennium. In addition, the University received a $600,000 line item for its Pathways to College Program, which is committed to providing historically underrepresented scholars with holistic services and support. Lastly, the University will receive $1.4 million in fiscal year 2024 for repair and rehabilitation projects. The line item for Historic New Harmony will remain at $486,878 for 2024 while the appropriation for dual credit will decline modestly from $555,480 in 2023 to $510,900 in 2024. Total appropriations for 2024–2025 are expected to increase by $1 million. In July 2023, the State Comptroller announced that the State of Indiana ended the 2023 fiscal year with a $2.9 billion surplus. The strong financial position of the University coupled with the strong financial position of the State of Indiana continues to provide an extremely positive outlook for the future of USI.

In June 2023, the University Board of Trustees approved tuition rates for the 2023–2024 and 2024–2025 academic years. Undergraduate residents of Indiana will pay $289.70 in 2023–2024 and $299.19 in 2024–2025, a 3.3% increase in both years. These rates allow the University to retain its position as one of the most affordable baccalaureate degree-granting institutions in Indiana, making quality education accessible to residents of the state and the region.

For the first time in more than a decade, the University of Southern Indiana saw an increase in its overall enrollment for Fall 2023. Combined, undergraduate, graduate and dual credit enrollment totaling 9,286 was up 1.2% from Fall 2022. The University also saw an increase in its first-time, full-time freshman enrollment, 1,283, up by 2.6% compared to 2022. A record 1,854 students are enrolled in graduate programs, an increase of 1.8% over 2022, with an increase of 4.9% in new graduate student enrollment. While new freshman enrollment was up, overall undergraduate enrollment saw a small dip at 5,409, down 2.3% from 2022. The decrease in total undergraduate enrollment can be attributed, in part, to smaller classes in recent years.

In 32 high schools across the state, 2,023 students are enrolled in dual credit through the College Achievement Program (CAP)—an increase of 11.3% from 2022. Notably, CAP courses are now offered free of charge to all students. In the past, the majority of USI dual credit courses required a fee of $25 per credit hour. According to a 2020 study conducted by the Society for the Study of Emerging Adulthood, dual enrollment can serve as a beneficial approach to ease the progression from high school to college, particularly for underrepresented students, including first-generation, minority and low-income.

The University remains dedicated to underrepresented populations with students of color and international students making up a record 18.1% of the student population, up from the previous year's record of 16.9%, and a continuous upward trend over the last decade. In recent years, the largest gains have been among Hispanic and Asian students. In each of the last two years, USI has also seen an increased proportion of male students landing at 37.4% this year.

The University welcomed a highly academically qualified Class of 2027 with an average GPA of 3.41 on a 4.0 scale. This reflects a consistent trend of attracting students with strong academic aspirations and standards, reinforcing USI's position as a preferred campus for high achieving students. Students at USI represent 87 Indiana counties, 47 states and 40 countries. In-state students comprise 76.0% of the student body, with out-of-state and international students making up the remaining 24.0%.

With a sound base of assets, reliable support from the State of Indiana, declining debt, growing enrollment, and stable expenses, the University of Southern Indiana is well positioned financially and academically to meet the educational and economic development needs of the State and the surrounding region for many years to come.

Statement of Net Position

As of June 30	2023	2022
ASSETS		*Restated**
Current Assets		
Cash and cash equivalents	$ 25,290,195	$ 39,954,294
Short-term investments	22,985,303	15,279,224
Accounts receivable, net	5,882,484	6,405,027
Leases receivable	—	382,329
Inventories	531,644	528,480
Other current assets	3,271,760	3,353,532
Total current assets	$ 57,961,386	$ 65,902,886
Noncurrent Assets		
Cash equivalent – Deposit with bond trustee	$ 41,462,776	$ 17,754,482
Investments – Deposit with bond trustee	—	24,897,108
Long-term investments	88,118,856	86,697,345
Leases receivable	—	64,129
Net OPEB asset	6,936,905	4,690,720
Subscription assets, net	6,104,877	3,937,682
Leased assets, net	283,575	311,896
Capital assets, net	209,120,330	212,663,490
Total noncurrent assets	$352,027,319	$351,016,852
Total Assets	**$409,988,705**	**$416,919,738**
DEFERRED OUTFLOW OF RESOURCES		
Hedging derivative instruments	$ 48,191	$ 164,276
Deferred amount on bond refundings	1,345,701	1,598,498
Deferred outflow of resources related to pensions	1,769,979	1,624,260
Deferred outflow of resources related to OPEB	3,673,572	5,927,878
Total deferred outflow of resources	$ 6,837,443	$ 9,314,912
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,775,799	$ 4,238,762
Accrued payroll, benefits, and deductions	6,364,244	6,537,536
Bonds payable	11,403,393	11,046,438
Leases and subscriptions payable	1,931,120	1,558,916
Debt interest payable	960,816	1,056,993
Unearned revenue	8,673,311	7,402,283
Other current liabilities	362,572	56,998
Total current liabilities	$ 33,471,255	$ 31,897,926
Noncurrent Liabilities		
Bonds payable	$103,841,109	$115,480,230
Leases and subscriptions payable	3,337,655	2,401,891
Derivative instruments—interest rate swap	48,191	164,276
Compensated absences and termination benefits	2,843,642	2,907,333
Net pension liability	4,381,619	1,883,504
Other noncurrent liabilities	7,010	8,465
Total noncurrent liabilities	$114,459,226	$122,845,699
Total Liabilities	**$147,930,481**	**$154,743,625**
DEFERRED INFLOW OF RESOURCES		
Deferred inflow of resources related to leases	$ —	$ 441,621
Deferred inflow of resources related to pensions	903,860	3,568,423
Deferred inflow of resources related to OPEB	3,531,583	3,256,878
Total deferred inflow of resources	$ 4,435,443	$ 7,266,922
NET POSITION		
Net investment in capital assets	$135,354,978	$129,680,177
Restricted		
Expendable		
Capital Project	—	251,829
Debt Service	50,214	8
Scholarship, research, and other	9,660	3,971
Unrestricted	129,045,372	134,288,118
Total Net Position	**$264,460,224**	**$264,224,103**

*See Note 20 in the Notes to Financial Statements.
The accompanying Notes to the Financial Statements are an integral part of this statement.

Component Unit

University of Southern Indiana Foundation

Consolidated Statements of Financial Position

Year Ended June 30	2023	2022
ASSETS		
Cash	$ 342,303	$ 748,136
Accounts and interest receivable	166,844	135,400
Contributions receivable, net	5,747,515	5,843,232
Prepaid expenses	1,185	6,389
Investments	163,656,890	149,362,145
Cash value of life insurance	528,590	513,090
Beneficial interest in charitable remainder trusts	456,301	451,134
Beneficial interest in perpetual trusts	6,610,938	6,246,242
Beneficial interest in Community Foundation	70,294	67,674
Real estate held for investment	2,480,215	2,480,215
Land and land improvements, net of accumulated depreciation; 2023 – $23,304, 2022 – $17,929	300,991	306,366
Buildings, net of accumulated depreciation; 2023 – $673,090, 2022 – $658,346	235,663	244,420
Equipment, net of accumulated depreciation; 2023 - $3,721, 2022 – $0	40,936	34,601
Property management deposits	8,190	7,890
Total assets	$180,646,855	$166,446,934
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 59,305	$ 36,244
Deposits	6,190	5,890
Deferred income	6,454	6,574
Payable to related parties	1,215,206	1,277,584
Annuities payable	550,647	798,218
Total liabilities	$ 1,837,802	$ 2,124,510
Net Assets		
Without donor restrictions		
Undesignated	$ 7,949,347	$ 8,480,407
Undesignated board endowments	11,939,244	10,652,480
	$ 19,888,591	$ 19,132,887
With donor restrictions		
Perpetual-in-nature endowments	$ 96,357,711	$ 87,960,091
Purpose-restricted board endowments	30,664,895	27,966,575
Purpose restrictions	23,203,353	21,985,014
Time restrictions for future periods	8,694,503	7,277,857
	$158,920,462	$145,189,537
Total net assets	$178,809,053	$164,322,424
Total liabilities and net assets	$180,646,855	$166,446,934

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30	2023	2022
		*Restated**
REVENUES		
Operating Revenues		
Student fees	$ 72,576,893	$ 75,688,044
Scholarship discounts and allowances	(28,641,403)	(26,321,386)
Grants and contracts	1,720,891	2,712,107
Auxiliary enterprises	20,047,565	17,305,761
Room and board discounts and allowances	(2,915,596)	(1,810,558)
Other operating revenues	3,241,211	2,380,180
Total operating revenues	$ 66,029,561	$ 69,954,148
EXPENSES		
Operating Expenses		
Salaries and wages	$ 61,189,002	$ 59,832,816
Benefits	24,020,246	18,554,655
Student financial aid	3,186,467	15,509,952
Utilities	6,080,312	5,686,215
Supplies and other services	45,350,764	40,108,609
Depreciation and amortization	17,041,262	16,894,295
Total operating expenses	$156,868,053	$156,586,542
Operating loss	$ (90,838,492)	$ (86,632,394)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 64,387,351	$ 63,629,666
Gifts	4,441,286	4,059,015
Federal grants and contracts	12,521,100	28,171,775
State/Local grants and contracts	7,996,275	8,437,200
Nongovernmental grants and contracts	1,079,977	1,129,081
Investment income (net of investment expense of $227,249 and $180,905 for 2023 and 2022)	2,841,751	(6,778,420)
Interest on capital asset related debt	(3,650,384)	(4,015,545)
Bond issuance costs	(88,629)	—
Other non-operating revenues/(expenses)	940	358,935
Net non-operating revenues (expenses)	$ 89,529,667	$ 94,991,707
Income before other revenues, expenses, gains or losses	$ (1,308,825)	$ 8,359,313
Capital appropriations	$ 1,112,962	$ 1,112,962
Capital gifts	431,984	—
Total other revenues	$ 1,544,946	$ 1,112,962
Increase in net position	$ 236,121	$ 9,472,275
NET POSITION		
Net position – beginning of year	$264,224,103	$254,751,828
Net position – end of year	**$264,460,224**	**$264,224,103**

*See Note 20 in the Notes to Financial Statements.
The accompanying Notes to the Financial Statements are an integral part of this statement.

Component Unit

University of Southern Indiana Foundation

Consolidated Statements of Activities

Year Ended June 30	2023	2022
REVENUES AND OTHER SUPPORT		
Contributions of cash and other financial assets	$ 2,645,058	$ 5,799,327
Contributions of nonfinancial assets	—	180,000
Grants	265,271	210,994
Change in value of split-interest agreements	158,361	(162,121)
Rental property income (loss), net	25,854	(41,371)
Miscellaneous income	226,461	100,016
Net assets released from restrictions	—	—
Total revenues and other support	$ 3,321,005	$ 6,086,845
EXPENSES		
Program Services – University of Southern Indiana		
Scholarships and awards	$ 3,136,177	$ 2,839,484
Educational grants and academic enhancements	1,105,005	810,864
Athletic support	350,587	246,179
Other University support	660,610	439,975
Capital projects	5,125	3,600
Community outreach	—	9,476
Total program services	$ 5,257,504	$ 4,349,578
Management and general	$ 837,434	$ 810,758
Fundraising	382,990	97,448
Uncollectible pledge loss	7,560	5,224
Total expenses	$ 6,485,488	$ 5,263,008
OTHER CHANGES		
Investment income (loss), net	$ 17,251,478	$ (24,229,190)
Change in fair value of perpetual trusts and Community Foundation	367,316	(1,109,750)
Mineral royalty income	16,818	20,727
Gain on disposal of property held for sale	—	140,385
Gain on cash value of life insurance	15,500	17,191
Total other changes	$ 17,651,112	$ (25,160,637)
CHANGE IN NET ASSETS	$ 14,486,629	$ (24,336,800)
NET ASSETS, BEGINNING OF YEAR	$164,322,424	$188,659,224
NET ASSETS, END OF YEAR	$178,809,053	$164,322,424

Statement of Cash Flows

Year Ended June 30	2023	2022
		*Restated**
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 43,413,677	$ 50,859,550
Grants and contracts	3,297,769	2,700,057
Payments to suppliers	(45,509,017)	(38,403,359)
Payments for utilities	(6,080,312)	(5,686,215)
Payments to employees	(61,457,322)	(59,802,644)
Payments for benefits	(24,018,250)	(23,324,890)
Payments for scholarships	(3,186,467)	(15,509,952)
Auxiliary enterprises receipts	17,295,755	15,306,793
Sales and services of educational depts.	603,422	349,498
Proceeds from Fiduciary Activities	438,024	433,526
Payments for Fiduciary Activities	(438,797)	(436,238)
Other receipts (payments)	3,094,653	1,130,122
Net cash used by operating activities	$ (72,546,865)	$ (72,383,752)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	$ 64,387,351	$ 63,629,666
Gifts and grants for other than capital purposes	26,404,659	41,276,251
Other non-operating receipts (payments)	34,954	(692)
Net cash provided by noncapital financing activities	$ 90,826,964	$104,905,225
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	$ 6,840,000	$ —
Capital appropriations	1,112,962	1,112,962
Capital gifts	431,984	—
Proceeds from leased assets	—	384,023
Bond financing costs	(119,333)	(25,450)
Purchase of capital assets	(10,785,453)	(5,796,424)
Principal paid on capital debt and right-to-use assets	(20,777,078)	(17,102,389)
Interest paid on capital debt and right-to-use assets	(4,382,407)	(4,461,183)
Net cash used by capital financing activities	$ (27,679,325)	$(25,888,461)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 71,718,751	$ 15,143,734
Interest on investments	1,920,008	1,066,404
Purchase of investments	(55,195,339)	(104,420,155)
Net cash provided by investing activities	$ 18,443,420	$ (88,210,017)
Net increase (decrease) in cash	$ 9,044,194	$ (81,577,005)
Cash – beginning of year	57,708,777	139,285,782
Cash – end of year	$ 66,752,971	$ 57,708,777

Statement of Cash Flows–continued

Year Ended June 30	2023	2022
		*Restated**
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$(90,838,492)	$(86,632,395)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation and amortization expense	17,041,262	16,894,295
Provision for uncollectible accounts	(751,134)	(293,042)
CHANGES IN ASSETS, LIABILITIES AND DEFERRED RESOURCES:		
Operating receivables	907,656	917,658
Inventories	(3,164)	(21,201)
Other assets	249,621	(705,965)
Accounts payable	(328,382)	1,436,767
Unearned revenue	1,271,028	470,319
Deposits held for others	(1,455)	2,902
Employee and retiree benefits	(93,032)	(4,450,378)
Fiduciary funds	(773)	(2,712)
Net cash used by operating activities:	$(72,546,865)	$(72,383,752)

NONCASH TRANSACTIONS		
Unrealized gain/(loss) on short-term investments	$ 71,379	$ (331,002)
Unrealized gain/(loss) on long-term investments	682,516	(8,117,207)
Subscription assets	(4,684,035)	(1,482,255)
Leased assets	(167,488)	(72,760)
Bonds payable – LT and ST Series K-1	988,951	—
Bonds payable – LT and ST Series O	(988,951)	—
Net noncash transactions	$ (4,097,628)	$(10,003,224)

*See Note 20 in the Notes to Financial Statements.
The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position

Year Ended June 30	2023	2022
	OPEB Trust	OPEB Trust
ASSETS		
Cash and cash equivalents	$ 272,889	$ 403,310
Investments:		
Equities	19,273,324	17,523,927
Fixed Income	7,315,885	7,200,885
Accrued income	35,259	28,252
Total assets	$26,897,357	$25,156,374
NET POSITION		
Restricted for other postemployment benefits	$26,897,357	$25,156,374
Total Net Position	$26,897,357	$25,156,374

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

Statement of Changes in Fiduciary Net Position

Year Ended June 30	2023	2022
	OPEB Trust	OPEB Trust
ADDITIONS		
Investment income		
Net increase/(decrease) in fair value of investments	$ 1,957,798	$(6,623,428)
Interest, dividends and other	469,796	459,274
Net gain/(loss) on sale of assets	449,249	2,182,480
Total investment earnings	2,876,843	(3,981,674)
Less investment costs	(34,675)	(39,556)
Net investment earnings	2,842,168	(4,021,230)
Total additions	2,842,168	(4,021,230)
DEDUCTIONS		
Other postemployment benefits	$ 1,100,000	$ 1,234,000
Taxes	1,185	1,185
Total deductions	1,101,185	1,235,185
Increase/(decrease) in net position	$ 1,740,983	$(5,256,415)
NET POSITION		
Net position – beginning of year	$25,156,374	$30,412,789
Net position – end of year	$26,897,357	$25,156,374

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

Notes to Financial Statements

NOTE 1 – Summary of Significant Accounting Policies

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

Basis of Accounting

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

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

New Accounting Pronouncements

The University adopted GASB Statement 93, Replacement of Interbank Offered Rates, effective for fiscal year ended June 30, 2023. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) due to amendments of GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments and GASB Statement 87, Leases.

The University adopted GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for the fiscal year ended June 30, 2023. This statement establishes standards of accounting and financial reporting for public-private and public-public partnerships and availability payment arrangements for governments.

The University adopted GASB Statement 96, Subscription-Based Information Technology Arrangements, effective for the fiscal year ended June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The University has fully adopted GASB Statement 99, Omnibus 2022. GASB Statement 99 ¶4-25 was adopted for the fiscal year ended effective June 30, 2023. The requirements in paragraphs 4-10 relate to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement 53. The requirements in paragraphs 11-25 relate to accounting and financial reporting requirements for specific issues related to leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), clarification of certain provisions in Statement 87, Statement 94, and Statement 96 and terminology updates. GASB Statement 99 ¶26-32 was adopted previously for the fiscal year ended June 30, 2022.

Change in Accounting Estimate

Effective for the fiscal year ended June 30, 2023, the University changed its methodology for estimating tuition discounts. The Alternate Method of calculating the estimated discount is no longer endorsed by National Association of College and University Business Officers (NACUBO). In its place, NACUBO provided four options for estimation, and the University opted to use Method B—detail by student, by fiscal year. This change affects the following lines on the Statement of Revenues, Expenses and Changes in Net Position: scholarship discounts and allowances, room and board discounts, and student financial aid. Changes in accounting estimates are reported prospectively by recognizing the change in the current period. The change in methodology has no impact on the change in net position for prior years.

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Leases Receivable

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

Inventory

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

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

Cash Equivalent – Deposits with Bond Trustee

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

Investments – Deposits with Bond Trustee

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

Leased Assets, Net

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

Capital Assets Accounting Policies

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

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

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

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

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

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

The University owns a collection of museum exhibit items located in Historic New Harmony. The collection consists of approximately 3,000 objects that are primarily 19th century decorative arts, furniture, prints, medical equipment, and textiles. The collection consists of both donated and purchased items. Historic New Harmony does not place a monetary value on the collection because the museum is organized as a public trust which acts as a steward for the public in collecting, protecting, preserving, and interpreting objects. A well-documented inventory is maintained, but the value is unknown and therefore not included in the capitalized asset value at June 30, 2023.

The University owns a permanent art collection whose primary function and aim is education in accordance with one element of the University's mission: to enhance the cultural awareness of its students, faculty, staff, and the citizens of southwestern Indiana. The collection consists of both donated and purchased items. Some donated pieces were received without appraised values. Collection pieces, which have been appraised or otherwise valued, total $3,201,865. The currently known value is not included in the capitalized asset value at June 30, 2023.

Other Postemployment Benefits (OPEB)

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

Accrued Payroll, Benefits, and Deductions

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

Unearned Revenue

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

Compensated Absences and Termination Benefits

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

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

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by Indiana Public Retirement System (INPRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit (DB) funds) were recategorized as defined contribution (DC) funds based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. For more information refer to the Retirement Plans Note.

Deferred Outflows and Deferred Inflows

Deferred outflows of resources represent a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources record an acquisition of net assets that is applicable to a future reporting period.

Net Position

Net position represents the difference between all other elements in the Statement of Net Position, and it includes three components.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and outstanding debt. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of the assets are included in this component.

Restricted net position—expendable consists of resources which the University is legally or contractually obligated to use in accordance with restrictions imposed by parties external to the institution.

Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, which do not qualify for classification as net investment in capital assets or restricted net position-expendable.

Restricted and Unrestricted Resources

If both restricted and unrestricted resources are available to be expended for the same purpose or project, the determination of the funding source is made based on relevant facts and circumstances. The fund order is decided on a case-by-case basis.

Classification of Revenues and Expenses

- Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.
- Restricted revenues and receivables resulting from non-exchange transactions are recognized when all applicable eligibility requirements are met. Resources received before eligibility requirements are met are recorded as unearned revenues.
- Revenue from major sources is susceptible to accrual if the amount is measurable.
- Internal service activity, referred to as chargeback income/expense, has been eliminated from the Statement of Revenues, Expenses, and Changes in Net Position to prevent the double counting of expenses and the recognition of self-generated revenue.

Operating Revenues and Expenses

Operating revenues of the University consist of student fees (net of scholarship discounts and allowances), exchange grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues (net of scholarship discounts and allowances). Operating expenses include payments to suppliers for goods and services, employee wages and benefits, payments for scholarships, utilities, and depreciation of capital assets.

Non-operating Revenues and Expenses

Non-operating revenues of the University consist of state appropriations, gifts, non-exchange grants and contracts, and investment income. Non-operating expenses include interest on capital asset related debt, bond issuance costs and annual bond management fees.

Other Revenues

Other revenues of the University consist of appropriations, grants, and gifts received for capital expenditures.

Component Unit

The University includes the University of Southern Indiana Foundation, Inc. (Foundation) as a component unit as defined by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus*. The Foundation is a private nonprofit organization that reports under the standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial report for these differences.

The Foundation is a legally separate, tax-exempt entity formed in 1969 to provide support for the University and its faculty and students to promote educational, scientific, charitable, and related activities and programs exclusively for the benefit of the University and its students. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs.

The majority of the resources that the Foundation holds and invests, and the income generated by those resources, are restricted to the activities of the University by the donors. Because these resources can only be used by or for the benefit of the University, the Foundation is considered a component unit of the University, and its audited financial statements and notes are discretely presented in the University financial report.

Direct support from the Foundation for both restricted and unrestricted purposes is included in the amounts reported for gifts and capital gifts on the Statement of Revenues, Expenses and Changes in Net Position. Complete financial statements, including explanatory notes, for the Foundation can be obtained from the Office of the Vice President for Finance and Administration at 8600 University Boulevard, Evansville, IN 47712.

NOTE 2 – Deposits and Investments

Under authority granted by IC 21-24-3, the Board of Trustees authorizes management to invest in obligations of the U.S. Treasury and U.S. government agencies; money market funds; certificates of deposit, demand/transaction deposits and time deposits; commercial paper; bankers' acceptances; investment grade corporate notes and bonds; mortgage-backed securities; asset-backed securities; municipal bonds; and derivatives. Deposits with bond trustee are authorized to be invested under the same Board-approved investment policy as the unrestricted investments. Investments with Indiana institutions are limited to those banks, savings banks, and savings and loan institutions that provide deposit insurance for university funds under Indiana statutes by the Public Deposit Insurance Fund, in addition to the amounts insured by agencies of the United States government Federal Deposit Insurance Corporation/Savings Association Insurance Fund (FDIC/SAIF). Investments with non-Indiana institutions must be insured by agencies of the U.S. government to the maximum statutory amount of $250,000.

Deposits

At June 30, 2023, the bank balances of the University's operating demand deposit accounts were $26,556,400, of which $1,000,000 was covered by federal depository insurance. The bank balances of the University's operating demand deposit accounts were $33,637,589, at June 30, 2022, of which $801,712 was covered by federal depository insurance. The remaining balances were insured by the Public Deposit Insurance Fund, which covers all public funds held in approved Indiana depositories. None of these funds were exposed to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or collateral securities that are in the possession of an outside party. The balance of the cash equivalents - unrestricted investment accounts were $1,328,612, at June 30, 2023, and $6,150,370, at June 30, 2022. The balance of the cash equivalents - deposits with bond trustee were $41,462,776, at June 30, 2023, and $17,754,482, at June 30, 2022.

Investments

The University's investments at June 30, 2023, are identified in the table below.

INVESTMENTS							JUNE 30, 2023
			Maturities (in Years)				
Investment Type	Market Value	Type %	Less than 1 year	1–3 years	4–5 years	6–10 years	More than 10 years
Unrestricted investments							
Certificates of deposit	20,050,844	18%	14,258,757	5,266,806	525,281	—	—
Agency securities	13,775,669	12%	3,207,632	4,882,967	2,906,954	2,778,116	—
Asset-backed securities	9,270,622	8%	11,425	1,102,011	2,972,095	2,366,503	2,818,588
Corporate bonds	29,351,010	27%	2,376,139	7,103,142	7,252,758	11,922,839	696,132
Foreign bonds	1,671,662	2%	—	973,623	294,957	403,082	—
Municipal bonds	2,458,621	2%	—	596,860	457,751	1,211,605	192,405
U.S. treasury securities	34,525,731	31%	3,131,350	7,230,183	6,677,422	15,382,680	2,104,096
Total unrestricted investments	$111,104,159		$22,985,303	$27,155,592	$21,087,218	$34,064,825	$5,811,221
Maturity %	100%		21%	24%	19%	31%	5%

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

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

Investment Custodial Credit Risk

This is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University investment policy requires certificates of deposit, demand/transaction deposits, time deposits, and bankers' acceptances to be purchased from domestic banks and savings and loan associations that are designated by the Indiana State Board of Finance as a depository for public funds in accordance with Indiana Code 5-13-9-5-3; other investment types are not bound by this requirement. All certificates of deposit are insured by FDIC/SAIF, the Public Deposit Insurance Fund, or collateral as required by federal regulations.

Of the $111.1 million invested at June 30, 2023, $48.3 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. Of the $126.9 million invested at June 30, 2022, $24.9 million investments - deposits with bond trustee and $47.6 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not address exposure to fair value losses arising from changes in interest rates, but the investment objective is to obtain the highest revenue while maintaining safety and insuring adequate liquidity for institutional needs. To that end, management maintained 21% of investments in short-term investments to be in a position to take advantage of the best rates in a timely fashion as well as sustaining adequate cash flow for operating needs.

Credit Risk

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

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

June 30, 2023								
Rating	**A**	**Aa**	**Aaa**	**B**	**Ba**	**Baa**	**Unrated**	**Total**
Unrestricted investments								
Agency securities	—	4,102,643	9,673,026	—	—	—	—	13,775,669
Asset-backed securities	41,384	223,100	4,416,717	—	124,554	132,788	4,332,079	9,270,622
Certificates of deposit	—	—	—	—	—	—	20,050,844	20,050,844
Corporate bonds	14,421,590	707,364	585,429	73,793	100,908	11,318,335	2,143,591	29,351,010
Foreign bonds	192,342	470,857	—	—	—	892,100	116,363	1,671,662
Municipal bonds	519,043	1,285,631	65,825	—	—	—	588,122	2,458,621
U.S. treasury securities	—	—	31,717,573	—	—	—	2,808,158	34,525,731
Total unrestricted investments	$15,174,359	$6,789,595	$46,458,570	$73,793	$225,462	$12,343,223	$30,039,157	$111,104,159

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

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University has established the following requirements as part of its Investment Policy Statement. At June 30, 2023, and June 30, 2022, the University is in compliance with that policy.

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

Investments not explicitly guaranteed by the U.S. government are subject to disclosure if any one issuer represents 5% or more of total investments. The $34.5 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2023, and the $24.2 million investments - deposits with bond trustee and $27.1 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2022, were the only investments explicitly guaranteed. The following investments are neither guaranteed nor insured by the full faith and credit of the U.S. Treasury.

June 30, 2023							
Bank	**Certificates of Deposit**	**Percentage of CDs**	**Bonds**	**US Agency Securities**	**Asset-Backed Securities**	**Total**	**Percentage of Total**
Banterra Bank	4,248,513	21%	—	—	—	**4,248,513**	6%
Fifth Third	—	0%	4,706,607	1,941,580	2,779,571	**9,427,758**	12%
First Federal Savings Bank	4,104,444	20%	—	—	—	**4,104,444**	5%
First Financial Bank NA	1,010,973	5%	—	—	—	**1,010,973**	1%
German American Bank	5,306,526	27%	1,692,814	4,102,643	—	**11,101,983**	14%
Johnson	218,755	1%	12,301,930	1,297,700	389,772	**14,208,157**	19%
Longfellow	—	0%	8,796,959	—	5,085,733	**13,882,692**	18%
ONB	—	0%	5,982,983	5,267,923	1,015,546	**12,266,452**	16%
Regions	—	0%	—	1,165,823	—	**1,165,823**	2%
United Fidelity Bank	5,161,633	26%	—	—	—	**5,161,633**	7%
Total	**$20,050,844**	**100%**	**$33,481,293**	**$13,775,669**	**$9,270,622**	**$76,578,428**	**100%**

June 30, 2022							
Bank	**Certificates of Deposit**	**Percentage of CDs**	**Bonds**	**US Agency Securities**	**Asset-Backed Securities**	**Total**	**Percentage of Total**
Banterra Bank	4,158,704	26%	—	—	—	**4,158,704**	6%
Fifth Third	—	0%	4,220,991	8,286,215	1,478,875	**13,986,081**	19%
First Federal Savings Bank	4,018,557	25%	—	—	—	**4,018,557**	5%
First Financial Bank NA	1,001,219	6%	—	—	—	**1,001,219**	1%
German American Bank	302,202	2%	—	1,411,673	—	**1,713,875**	2%
Indiana Members Credit Union	1,189,682	7%	—	—	—	**1,189,682**	2%
Johnson	227,090	1%	15,097,291	501,184	—	**15,825,565**	21%
Longfellow	—	0%	9,643,738	935,362	4,643,744	**15,222,844**	20%
Lynnville National Bank	111,647	1%	—	—	—	**111,647**	0%
ONB	—	0%	3,147,196	7,723,971	—	**10,871,167**	15%
PNC Capital Markets	127,201	1%	—	—	—	**127,201**	0%
Regions	—	0%	—	1,656,961	—	**1,656,961**	2%
United Fidelity Bank	5,026,823	31%	—	—	—	**5,026,823**	7%
Total	**$16,163,125**	**100%**	**$32,109,216**	**$20,515,366**	**$6,122,619**	**$74,910,326**	**100%**

Foreign Currency Risk

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

NOTE 3 – Fair Value of Assets and Liabilities

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

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

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

Level 3 Unobservable inputs for an asset or liability

The following table presents value of University deposits and investments as reported in the accompanying Statement of Net Position at fair valuation on a recurring basis and their level within the fair-value hierarchy at June 30, 2023.

FAIR VALUE MEASUREMENTS				FAIR VALUE AT JUNE 30, 2023
	Fair Value Measurement Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unrestricted investments				
Agency securities	13,775,669	—	13,775,669	—
Asset-backed securities	9,270,622	—	9,270,622	—
Certificates of deposit	20,050,844	20,050,844	—	—
Corporate bonds	29,351,010	—	29,351,010	—
Foreign bonds	1,671,662	—	1,671,662	—
Municipal bonds	2,458,621	—	2,458,621	—
U.S. treasury securities	34,525,731	34,525,731	—	—
Total unrestricted investments	**$111,104,159**	**$54,576,575**	**$56,527,584**	**—**
Derivative instruments				
Interest rate swap	(48,191)	—	(48,191)	—
Total derivative instruments	**$ (48,191)**	**—**	**$ (48,191)**	**—**
Investments – deposits with bond trustee				
Agency securities	—	—	—	—
U.S. treasury securities	—	—	—	—
Total investments – deposits with bond trustee	**—**	**—**	**—**	**—**

The University had the following fair value measurements at June 30, 2022.

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

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy.

The University utilizes the market-based valuation approach in accordance with GASB Statement 72. Valuation techniques did not change significantly during the fiscal year ended June 30, 2023 and June 30, 2022.

NOTE 4 – Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2023, classified by type and the fair value changes of those derivative instruments are as follows.

CHANGE IN FAIR VALUE			FAIR VALUE AT JUNE 30, 2023		
Derivative Instrument	Type	Amount	Classification	Amount	Current Notional
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	$116,084	Derivative Instrument Interest Rate Swap	$ (48,191)	$2,360,059

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

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

The University determined that Series 2006 pay-fixed interest rate swap met the criteria for effectiveness as of June 30 of both years. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate bond. The fair value of the interest rate swap was estimated based on the present value of its estimated future cash flows.

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2023, along with the credit rating of the associated counterparty. On June 28, 2023, the University replaced the reference rate of the hedging derivative's variable payment due to the cessation of the USD LIBOR panel. Per the federal Adjustable Interest Rate (LIBOR) Act, the primary replacement benchmark will be the 1-Month Secured Overnight Financing Rate (SOFR) plus a slight margin adjustment to account for the difference between historic LIBOR and SOFR rates. The two rates are essentially equivalent, and all other conditions to continue hedge accounting under GASB Statement 93 have been met.

Type	Objective	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	1/1/2008	1/1/2028	65% of 3 mo. USD-LIBOR-BBA	A3
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	7/1/2023	10/1/2028	65% of 3 mo. USD-SOFR-CME	A3

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

Type	Objective	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	1/1/2008	1/1/2028	65% of 3 mo. USD-LIBOR-BBA	A3

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

Fiscal Year Ending	Series 2006		Total Debt Service
	Principal	Interest	
2024	455,626	102,328	557,954
2025	476,951	80,681	557,632
2026	499,270	58,021	557,291
2027	522,636	34,301	556,937
2028	405,576	9,470	415,046
Total	$2,360,059	$284,801	$2,644,860

Credit Risk — The fair value of the Series 2006 hedging derivative instruments is in a liability position as of June 30, 2023, and June 30, 2022, with a balance of $48,191 and $164,276 respectively. Because the Series 2006 derivative instrument and the debt being hedged are with the same counterparty, there is no credit risk exposure. The fair value of the derivative instrument would simply be netted against the payoff of the debt.

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

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

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

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

NOTE 5 – Accounts Receivable

The following schedule summarizes accounts receivable at June 30, 2023, compared to the previous fiscal year.

Accounts Receivable	2023	2022
Student fees receivable	$ 4,107,634	$ 4,765,883
Auxiliary enterprises	1,038,788	1,328,471
Gifts and nonoperating grants	2,100,353	2,550,928
Contracts and operating grants	119,295	185,174
Other	454,491	263,782
Current accounts receivable, gross	7,820,561	9,094,238
Allowance for uncollectible accounts	(1,938,077)	(2,689,211)
Current accounts receivable, net	$ 5,882,484	$ 6,405,027

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

NOTE 6 – Leases Receivable

The University leased building space to Sodexo Services of Indiana Limited Partnership, a third-party provider of food service (Sodexo) prior to and including the year ended June 30, 2022. Payments were generally fixed monthly per contract but changed annually due to square footage modifications and inflation adjustments based on the U.S. Department of Labor Consumer Price Index for Finished Consumer Foods. These modifications and inflation adjustments were not known until the beginning of each fiscal year, so therefore were not included in the measurement of the leases receivable and deferred inflow.

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

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

Fiscal year ending June 30	2022
Lease revenue	$377,256
Interest income	7,129
Total Lease revenue	**$384,385**

The University and Sodexo entered into a new agreement effective July 1, 2022, that is considered a public-private partnership under GASB Statement 94. This new agreement effectively ended the lessor/lessee arrangement. As a result, no lease receivables or deferred inflows related to leases are included in the Statement of Net Position for the year ended June 30, 2023. See Note 19 for additional information about public-private partnerships.

USI also provides space to Barnes & Noble College Booksellers, LLC, a third-party providing campus store management services. In exchange, the University receives consideration based on a percentage of sales. Under paragraph 45 of GASB 87, variable payments should be recognized as revenue in the period to which those payments relate. As a result, the variable payments based on future performance of Barnes & Noble do not qualify for treatment as leases receivable. The University recognized $405,083 and $413,064 from Barnes & Noble related to this agreement for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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

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

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

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

Effective January 1, 2021, the University changed its medical insurance for Medicare eligible retirees from a cost-plus arrangement with Anthem to a fully insured option with United Healthcare. Retirees and dependents who are not eligible for Medicare continue to participate in the Anthem cost-plus plans along with active employees. Dental insurance is provided to all eligible retirees from Paramount Dental (formerly HRI). Effective January 1, 2023, the University changed providers for retiree life insurance, moving from Standard Insurance Company to Sun Life Assurance Company of Canada.

Employees covered by benefit terms — At June 30, 2023, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving medical/dental benefit payments	289
Inactive employees entitled to but not yet receiving medical/dental benefit payments	0
Active employees eligible for medical/dental	238
Total	527

Inactive employees or beneficiaries currently receiving life insurance benefit payments	408
Inactive employees entitled to but not yet receiving life insurance benefit payments	0
Active employees eligible for life insurance	454
Total	862

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

The University uses a pay-as-you-go financing method where employee payroll deductions for post-retirement benefits and retiree contributions for medical and dental premiums are made at about the same time and in the same amount as benefit payments and expenses coming due. The University remits medical claims incurred and medical, dental, and life insurance premiums directly to the third-party insurers. The University payroll deduction rates for medical, dental, and life insurance ranged from $42.05 to $602.95 per month for single coverage and $511.81 to $1,666.96 for family coverage. Retiree contributions for medical and dental ranged from $41.35 to $600.17 per month for single coverage and $511.11 to $1,664.17 for family coverage. The University also offers retiree and spouse coverage, as well as retiree and dependent coverage, with rates falling within the ranges provided.

Net OPEB Liability (Asset)

For fiscal year ending June 30, 2023, a June 30, 2023 measurement date was used. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of July 1, 2022 with results projected to the June 30, 2023 measurement date, reflecting actual premiums and contributions. Liabilities as of June 30, 2022 are based on an actuarial valuation date of July 1, 2022 with no adjustments.

Actuarial assumptions — The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.00% for wages 2.50% for real rates of return
Salary increases	2.00–8.50%, including inflation
Healthcare cost trend rates	7.00% for 2024, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for pre 65 medical 6.25% for 2024, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for post 65 medical 4.00% for 2024 and later years for dental

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for healthy retirees, SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 for surviving spouses and SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021 for disabled retirees.

Retiree contributions are assumed to increase according to health care trend rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study in 2013.

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

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

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

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

YIELD AS OF	JUNE 30, 2023
Bond Buyer Go 20-Bond Municipal Bond Index	3.65%
S&P Municipal Bond 20-Year High Grade Rate Index	4.13
Fidelity 20-Year Go Municipal Bond Index	3.86
Bond Index Range	3.65–4.13%

CHANGES IN THE NET OPEB LIABILITY (ASSET)			JUNE 30, 2023
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at 6/30/2022	$20,465,654	$25,156,374	$(4,690,720)
Changes for the year:			
Service Cost	141,154		141,154
Interest	1,402,207		1,402,207
Change in assumptions			
Differences between expected and actual experience	(878,200)		(878,200)
Contributions – employer		70,363	(70,363)
Net Investment Income		2,876,843	(2,876,843)
Benefit Payments	(1,170,363)	(1,170,363)	—
Administrative Expense		(35,860)	35,860
Net Changes	(505,202)	1,740,983	(2,246,185)
Balances at 6/30/2023	**$19,960,452**	**$26,897,357**	**$(6,936,905)**

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

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

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net OPEB liability (asset)	$(4,862,637)	$(6,936,905)	$(8,696,770)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates — The following presents the net OPEB liability (asset) of the University, as well as what the University's net OPEB liability (asset) would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (6.00% decreasing to 3.50%) or 1-percentage-point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rates.

	1% Decrease (6.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
Net OPEB liability (asset)	$(8,750,283)	$(6,936,905)	$(4,807,446)

OPEB plan fiduciary net position — Information about the VEBA plan's fiduciary net position is available in the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the University recognized OPEB expense of $353,189. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

DEFERRED RESOURCES		JUNE 30, 2023
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	—	439,100
Changes in assumptions	—	—
Net differences between projected and actual earnings in OPEB plan investments	581,089	—
Total	$581,089	$439,100

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

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

YEAR ENDED JUNE 30	
2024	(507,457)
2025	(101,905)
2026	982,347
2027	(230,996)
2028	—
Thereafter	—

NOTE 8 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization

The table below displays the increase in total capital assets from $470.2 million at June 30, 2022, to $480.7 million on June 30, 2023. Gross capital assets, less accumulated depreciation of $271.6 million, equal net capital assets of $209.1 million at June 30, 2023.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Balance June 30, 2022	Additions	Transfers	Deletions	Balance June 30, 2023
Capital Assets Not Being Depreciated					
Land	$ 5,085,598	$ —	$ —	$ —	$ 5,085,598
Construction in Progress	4,059,763	9,439,109	(2,446,260)	—	11,052,612
Total Capital Assets Not Being Depreciated	$ 9,145,361	$ 9,439,109	$(2,446,260)	$ —	$ 16,138,210
Capital Assets Being Depreciated					
Land Improvements	$ 15,236,711	$ —	$ —	$ —	$ 15,236,711
Infrastructure	10,817,987	—	1,625,147	—	12,443,134
Educational Buildings	282,087,214	—	821,113	—	282,087,214
Auxiliary Buildings	122,230,850	—	—	(463,119)	122,588,844
Equipment	28,106,422	1,954,589	—	(477,747)	29,583,264
Library Materials	2,606,881	2,655	—	(13,737)	2,595,799
Total Capital Assets Being Depreciated	$ 461,086,065	$ 1,957,244	$ 2,446,260	$(954,603)	$ 464,534,966
Total Capital Assets	$ 470,231,426	$ 11,396,353	$ —	$(954,603)	$ 480,673,176
Less Accumulated Depreciation					
Land Improvements	$ (12,815,632)	$ (584,539)	$ —	$ —	$ (13,400,171)
Infrastructure	(4,055,449)	(303,344)	—	—	(4,358,793)
Educational Buildings	(128,991,311)	(9,470,206)	—	—	(138,461,517)
Auxiliary Buildings	(84,832,729)	(3,160,370)	—	430,587	(87,562,512)
Equipment	(24,410,471)	(1,353,989)	—	477,747	(25,286,713)
Library Materials	(2,462,344)	(34,533)	—	13,737	(2,483,140)
Total Accumulated Depreciation	$(257,567,936)	$(14,906,981)	—	$ 922,071	$(271,552,846)
Net Capital Assets Being Depreciated	$ 203,518,129	$(12,949,737)	$ 2,446,260	$ (32,532)	$ 192,982,120
Total Net Capital Assets	$ 212,663,490	$ (3,510,628)	$ —	$ (32,532)	$ 209,120,330

The table below displays the increase in total right-to-use assets from $5.9 million at June 30, 2022, to $9.6 million on June 30, 2023. Gross right-to-use assets, less accumulated amortization of $3.2 million, equal net right-to-use assets of $6.4 million at June 30, 2023. The June 30, 2022, balances have been restated due to the implementation of GASB 96 for Subscription-Based IT Arrangements.

RIGHT-TO-USE ASSETS, LESS ACCUMULATED AMORTIZATION

	Balance June 30, 2022	Additions	Transfers	Deletions	Balance June 30, 2023
Right-to-Use Asset Class					
Equipment	$ 545,734	$ 167,481	$ —	$ (125,012)	$ 588,203
Buildings	35,563	—	—	—	35,563
Vehicles	47,227	—	—	—	47,227
Subscription-Based IT Arrangements	5,264,049	4,684,035	—	(1,067,838)	8,880,246
Total Right-to-Use Assets Being Amortized	$ 5,892,573	$ 4,851,516	$ —	$(1,192,850)	$ 9,551,239
Less Accumulated Amortization					
Equipment	$ (290,197)	$ (144,275)	$ —	$ 103,628	$(330,844)
Buildings	(15,578)	(14,401)	—	—	(29,979)
Vehicles	(10,853)	(15,742)	—	—	(26,595)
Subscription-Based IT Arrangements	(1,326,367)	(1,959,863)	—	510,861	(2,775,369)
Total Accumulated Amortization	$(1,642,995)	$(2,134,281)	$ —	$ 614,489	$(3,162,787)
Total Net Right-to-Use Assets	$ 4,249,578	$ 2,717,235	$ —	$ (578,361)	$ 6,388,452

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Balance June 30, 2021	Additions	Transfers	Deletions	Balance June 30, 2022
Capital Assets Not Being Depreciated					
Land	$ 5,085,598	$ —	$ —	$ —	$ 5,085,598
Construction in Progress	4,622,347	4,522,096	(5,084,648)	(32)	4,059,763
Total Capital Assets Not Being Depreciated	$ 9,707,945	$ 4,522,096	$ (5,084,648)	$(32)	$ 9,145,361
Capital Assets Being Depreciated					
Land Improvements	$ 15,236,711	$ —	$ —	$ —	$ 15,236,711
Infrastructure	10,817,987	—	—	—	10,817,987
Educational Buildings	277,140,855	—	5,084,648	(138,289)	282,087,214
Auxiliary Buildings	122,230,850	—	—	—	122,230,850
Equipment	27,099,344	1,277,369	—	(270,291)	28,106,422
Library Materials	2,662,373	2,834	—	(58,326)	2,606,881
Total Capital Assets Being Depreciated	$ 455,188,120	$ 1,280,203	$ 5,084,648	$(466,906)	$ 461,086,065
Total Capital Assets	$ 464,896,065	$ 5,802,299	$ —	$(466,938)	$ 470,231,426
Less Accumulated Depreciation					
Land Improvements	$ (12,175,212)	$ (640,420)	$ —	$ —	$ (12,815,632)
Infrastructure	(3,762,939)	(292,510)	—	—	(4,055,449)
Educational Buildings	(119,419,111)	(9,709,409)	—	137,209	(128,991,311)
Auxiliary Buildings	(81,431,334)	(3,401,395)	—	—	(84,832,729)
Equipment	(23,370,514)	(1,305,484)	—	265,527	(24,410,471)
Library Materials	(2,480,043)	(40,627)	—	58,326	(2,462,344)
Total Accumulated Depreciation	$(242,639,153)	$(15,389,845)	—	$ 461,062	$(257,567,936)
Net Capital Assets Being Depreciated	$ 212,548,967	$(14,109,642)	$ 5,084,648	$ (5,844)	$ 203,518,129
Total Net Capital Assets	$ 222,256,912	$ (9,587,546)	$ —	$ (5,876)	$ 212,663,490

Gross right-to-use assets of $5.8 million, less accumulated amortization of $1.6 million, equal net right-to-use assets of $4.2 million at June 30, 2022. The balances for June 30, 2021, have been restated due to the implementation of GASB 96 for Subscription-Based IT Arrangements.

RIGHT-TO-USE ASSETS, LESS ACCUMULATED AMORTIZATION

	Balance June 30, 2021	Additions	Transfers	Deletions	Balance June 30, 2022
Right-to-Use Asset Class					
Equipment	$ 519,642	$ 26,092	$ —	$ —	$ 545,734
Buildings	32,055	15,279	—	(11,771)	35,563
Vehicles	36,377	31,390	—	(20,540)	47,227
Subscription-Based IT Arrangements	3,781,794	1,482,25	—	—	5,264,049
Total Right-to-Use Assets Being Amortized	$4,369,868	$ 1,555,016	$ —	$(32,311)	$5,892,573
Less Accumulated Amortization					
Equipment	$ (142,489)	$ (147,708)	$ —	$ —	$ (290,197)
Buildings	(13,068)	(14,281)	—	11,771	(15,578)
Vehicles	(15,299)	(16,094)	—	20,540	(10,853)
Subscription-Based IT Arrangements	—	(1,326,367)	—	—	(1,326,367)
Total Accumulated Amortization	$ (170,856)	$(1,504,450)	$ —	$ 32,311	$(1,642,995)
Total Net Right-to-Use Assets	$4,199,012	$ 50,566	$ —	$ —	$ 4,249,578

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

CONSTRUCTION WORK IN PROGRESS		
Facility	Balance as of June 30, 2022	Balance as of June 30, 2023
HVAC Building Controls Replacement	$1,744,872	$ 2,683,225
Wellness Center	591,200	5,411,915
Housing Fiber Optic Upgrade	1,317,714	—
HP Renovation (first and second floors)	34,775	1,074,663
Student Housing Fire System	—	885,621
UC West Electrical Transformers	200,099	608,618
Other projects (not exceeding $250,000)	171,103	388,570
Total	$4,059,763	$11,052,612

NOTE 9 – Noncurrent Liabilities

Changes in noncurrent liabilities for the fiscal years ended June 30, 2023 and 2022, are shown below.

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
Bonds payable	$126,526,668	$ 6,840,000	$18,122,166	$115,244,502	$11,403,393	$103,841,109
Leases and subscriptions payable	3,960,807	4,909,790	3,601,822	5,268,775	1,931,120	3,337,655
Derivative instruments – interest rate swap	164,276	—	116,085	48,191	—	48,191
Compensated absences	3,167,766	2,830,122	2,794,744	3,203,144	473,694	2,729,450
Termination benefits	440,530	241,526	272,713	409,343	295,151	114,192
Net pension liability	1,883,504	3,139,041	640,926	4,381,619	—	4,381,619
Other noncurrent liabilities	8,465	15,955	17,410	7,010	—	7,010
Total	$136,152,016	$17,976,434	$25,565,866	$128,562,584	$14,103,358	$114,459,226

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
Bonds payable	$142,418,646	—	$15,891,978	$126,526,668	$11,046,438	$115,480,230
Leases and subscriptions payable	4,201,402	1,570,998	1,811,593	3,960,807	1,558,916	2,401,891
Derivative instruments – interest rate swap	433,374	—	269,098	164,276	—	164,276
Compensated absences	3,482,812	2,615,501	2,930,547	3,167,766	430,237	2,737,529
Termination benefits	673,628	213,019	446,117	440,530	270,726	169,804
Net pension liability	4,450,249	1,459,307	4,026,052	1,883,504	—	1,883,504
Other noncurrent liabilities	5,563	10,154	7,252	8,465	—	8,465
Total	$155,665,674	$5,868,979	$25,382,637	$136,152,016	$13,306,317	$122,845,699

Leases & subscriptions payable for June 30, 2021, and June 30, 2022, has been restated due to the implementation of GASB Statement 96 on Subscription-Based Technology Arrangements.

NOTE 10 – Debt Related to Capital Assets

Bonds Payable — The following schedule details bonds payable at June 30, 2023, compared to the previous fiscal year.

SCHEDULE OF BONDS PAYABLE

	Issue Date	Interest Rate	Maturity Date	Original Issue Amount	Principal Outstanding June 30, 2023	Principal Outstanding June 30, 2022	Current Portion June 30, 2023
Student Fee Bonds							
Direct Placements of Debt							
Series 2006, Recreation and Fitness Center	2006	4.67%	2028	7,250,000	2,360,059	2,795,316	**455,626**
Series K-3, Refund Series H and I	2012	1.90%	2023	42,840,000	2,575,000	5,100,000	**2,575,000**
Series L-1, Health Professions Center 3rd Floor	2017	2.90%	2036	8,050,000	6,130,000	6,480,000	**360,000**
Series L-2, Refund Series J	2017	2.15%	2026	21,440,000	11,965,000	15,195,000	**3,305,000**
Series L-3, Refund Series J	2017	2.65%	2028	9,955,000	9,655,000	9,755,000	**100,000**
Series O, Refund Series K-1	2022	2.76%	2025	6,840,000	6,840,000	—	**635,000**
Student Fee Bonds – Direct Placements				96,375,000	39,525,059	39,325,316	**7,430,626**
Other Debt							
Series K-1, Teaching Theatre	2012	2.00% to 4.00%	2032	12,300,000	—	7,265,000	—
Series M, Physical Activities Center	2019	4.00% to 5.00%	2037	37,245,000	29,570,000	30,895,000	**1,380,000**
Series N, Health Professions Center Renovation	2020	3.00% to 5.00%	2039	41,170,000	35,865,000	37,285,000	**1,480,000**
Student Fee Bonds – Other Debt				90,715,000	65,435,000	75,445,000	**2,860,000**
Student Fee Bonds				187,090,000	104,960,059	114,770,316	**10,290,626**
Auxiliary System Bonds							
Other Debt							
Series 2003, Student Housing Facilities	2003	3.00% to 4.50%	2024	8,005,000	1,125,000	1,650,000	**550,000**
Auxiliary System Bonds				8,005,000	1,125,000	1,650,000	**550,000**
Subtotal Bonds Payable				$195,095,000	$106,085,059	$116,420,316	$10,840,626
Net Unamortized Premiums				—	$9,159,443	$ 10,106,352	$ 562,767
Total Bonds Payable					$115,244,502	$126,526,668	$11,403,393

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

SCHEDULE OF BONDS PAYABLE

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

The University of Southern Indiana Student Fee Bonds Series K-3 of 2012, Series L-1, L-2, and L-3 of 2017, Series M of 2019, Series N of 2020, and Series O of 2022 are secured by a pledge and first lien on student fees. Student Fee Bonds Series 2006 are secured by a pledge and junior lien on student fees. These student fee bonds contain a provision that the bond trustee may, at its discretion and upon the written request of the holders of 25% of the bonds then outstanding, seek legal or equitable remedy in the event of default.

The University of Southern Indiana Auxiliary System Revenue Bond, Series 2003 is secured by a pledge of and parity first lien on the net income from the Auxiliary System (student housing, parking facilities, and dining services), any insurance proceeds, amounts held in the debt service funds or project funds, and investment income thereon. The auxiliary system bond contains a provision that the bond trustee may, at its discretion and upon the written request of the holders of 25% of the bonds then outstanding, seek legal or equitable remedy in the event of default.

The deferred amount on bond refundings were $1,598,498 at June 30, 2022, and $1,345,701 at June 30, 2023.

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

ANNUAL DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2023				
	Direct Placements		Other Debt	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest
2024	$ 7,430,626	$ 955,613	$ 3,410,000	$ 2,734,350
2025	7,616,951	770,224	3,560,000	2,584,909
2026	7,344,270	574,988	3,115,000	2,435,175
2027	4,547,636	417,883	3,260,000	2,292,125
2028	4,540,576	288,508	3,410,000	2,142,375
2029–2033	6,035,000	506,271	19,635,000	8,116,150
2034–2038	2,010,000	118,755	24,620,000	3,145,450
2039–2043	—	—	5,550,000	167,700
Total	$39,525,059	$3,632,242	$66,560,000	$23,618,234

ANNUAL DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2022				
	Direct Placements		Other Debt	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest
2023	$ 6,640,257	$ 927,917	$ 3,805,000	$ 3,150,538
2024	6,795,626	775,592	3,970,000	2,992,350
2025	4,321,951	644,437	4,140,000	2,820,108
2026	4,434,270	534,830	3,720,000	2,646,675
2027	4,547,636	417,883	3,890,000	2,478,925
2028–2032	10,105,576	729,674	21,280,000	9,556,725
2033–2037	2,480,000	183,860	24,450,000	4,131,300
2038–2042	—	—	10,840,000	426,749
Total	$39,325,316	$4,214,193	$77,095,000	$28,203,370

NOTE 11 – 2023 Refunding Bond Issue

On August 4, 2022, the University of Southern Indiana issued $6,840,000 in Series O student fee bonds with a fixed interest rate of 2.76% to refund $6,730,000 of outstanding fixed-rate Series K-1 student fee bonds with an interest rate of 4%. The trustee redeemed the Series K-1 bonds on October 1, 2022, and the University paid the remaining $535,000 of principal. As a result, the liability for the Series K-1 bonds has been satisfied and removed from the Statement of Net Position. The University of Southern Indiana in effect reduced its aggregate debt service payment by $988,951 over the next 11 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $245,524.

NOTE 12 – Leases and Subscriptions Payable

The University leases certain assets from various third parties. The assets leased include equipment, buildings, and vehicles. Payments are generally fixed monthly with the exception of one equipment lease with fixed monthly payments that increase by 2% each year. Lease terms range from three years for vehicles, five years for equipment, and two to three years for buildings.

Future principal and interest payment requirements related to the lease liability on June 30, 2023, are illustrated in the following schedule.

FUTURE MINIMUM LEASE PAYMENTS			
Fiscal year ending June 30	Principal	Interest	Total
2024	$150,925	$5,260	$156,185
2025	56,073	3,208	59,281
2026	39,878	1,971	41,849
2027	35,248	833	36,081
2028	7,808	37	7,845
Total future minimum payments	$289,932	$11,309	$301,241

USI has also entered into various Subscription-Based IT Agreements (SBITAs). These subscriptions provide the University the right to use a vendors' IT software for a period of time. Payments are generally annual and either fixed over the term or include fixed annual increases of 2% to 5%. Three SBITAs were billed and paid in entirety upon commencement of the term instead of annual installments. SBITA terms range from one to seven years including potential renewal periods that are likely to be exercised.

Future principal and interest payment requirements related to the subscription liability on June 30, 2023, are illustrated in the following schedule.

FUTURE MINIMUM SBITA PAYMENTS			
Fiscal year ending June 30	Principal	Interest	Total
2024	$1,705,945	$87,229	$1,793,174
2025	1,383,880	59,239	1,443,119
2026	1,028,804	33,833	1,062,637
2027	658,654	12,071	670,725
2028	95,078	2,740	97,818
2029–2033	32,232	528	32,760
Total future minimum payments	$4,904,593	$195,640	$5,100,233

The asset activity related to leased assets and SBITAs is disclosed in Note 8 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization.

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

NOTE 13 – Retirement Plans

Substantially all regular employees of the University are covered by either the Teachers Insurance and Annuity Association (TIAA) Plan or by the Public Employees' Hybrid (PERF Hybrid) plan. The TIAA plan is an IRC 403(b) defined contribution plan; PERF Hybrid is a defined benefit and defined contribution plan under IRC 401(a) and a state plan described in IC 5-10.2, in IC 5-10.3, in 35 IAC 1.2 and other Indiana pension law. The University contributed $5,383,818 to these programs in fiscal year 2022–23, which represents approximately 8.80% of the total University payroll and 10.42% of the benefit-eligible employees' payroll for the same period.

Defined Contribution Retirement Plan

Faculty and Administrators — Eligible employees may participate in the TIAA Retirement Plan upon the completion of one year of employment. Participation may begin sooner if the employee was a participant in TIAA, or another university-sponsored retirement plan, for at least one year prior to eligible employment at the University. The University contributed $4,615,871 to this plan for 619 participating employees for fiscal year ending June 30, 2023, and $4,604,396 for 633 participating employees for fiscal year ending June 30, 2022. The annual payroll for this group totaled $44,606,939 and $43,459,761 for fiscal years ending June 30, 2023 and 2022, respectively.

Support Staff — For newly hired staff, the USI Board of Trustees approved a new defined contribution plan on March 6, 2014. The new plan applies only to newly hired support staff in regular assignments with a 50% or greater schedule with an employment date on or after July 1, 2014, and no prior PERF-eligible employment with the University. The new plan was established with TIAA, with the same immediate vesting and other features of the defined contribution plan for faculty and administrators, but with a fixed employer contribution of 7% of compensation and using the PERF definition of eligible compensation. The University contributed $226,659 to this plan for 142 participating employees for fiscal year ending June 30, 2023, and $220,132 to this plan for 144 participating employees for the fiscal year ending June 30, 2022. The annual payroll for this group totaled $3,237,986 and $3,144,748 for fiscal years ending June 30, 2023 and 2022, respectively.

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

Hybrid Defined Benefit and Defined Contribution Retirement Plan

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

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

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

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

	Survivor Benefit		
Disability Benefit	While in Active Service	While Receiving a Benefit	COLA – Cost of Living Adjustment
An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of $180 per month).	If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death.	A spouse or dependent receives the benefit associated with the member's selected form of payment: Five Year Certain and Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.	Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the Board. For the year ended June 30, 2022, postretirement benefits of $4.1 million were issued to members as a COLA.

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

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

Contributions — The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. There are two parts to this plan. the PERF DC fund to which members contribute 3% of their salary and PERF DB fund to which the University contributed 11.2% of the employee's salary this fiscal year. The University contributed $541,289 for 115 employees participating in the PERF Hybrid plan during the 2022–23 fiscal year and $612,424 for 139 employees participating during 2021–22. These contribution amounts include the 3% member portion, which the University has elected to pay on behalf of its employees.

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

The University reported a liability of $4,381,619 at June 30, 2023, and $1,883,504 at June 30, 2022, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2022 for assets and June 30, 2021 rolled forward to June 30, 2022 for liabilities. The University's proportion of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. At June 30, 2022, the University's proportion was 0.14%, which is unchanged from 2021.

For the year ended June 30, 2023, the University recognized pension expense of $(312,167). At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

DEFERRED RESOURCES		JUNE 30, 2023
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	94,484	16,664
Changes in assumptions	593,468	187,460
Net difference between projected and actual earnings on pension plan investments	540,738	—
Changes in proportion and differences between the University's contributions and proportionate share of contributions	—	699,736
The University's contributions subsequent to the measurement date	541,289	—
Total	$1,769,979	$903,860

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

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

$541,289 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

AS OF JUNE 30, 2023	
2023	(172,863)
2024	109,404
2025	(183,708)
2026	571,997
2027	—
Thereafter	—
Total	$ 324,830

AS OF JUNE 30, 2022	
2022	(841,621)
2023	(651,517)
2024	(364,392)
2025	(699,057)
2026	—
Thereafter	—
Total	$(2,556,587)

Actuarial assumptions — The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary Increases	2.65-8.65%, including inflation
Investment rate of return	6.25%, net of investment expense

Cost of Living Increases	0.40% beginning on January 1, 2024 0.50% beginning on January 1, 2034 0.60% beginning on January 1, 2039

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

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

The actuarial assumptions used in the June 30, 2022 valuation were adopted by the INPRS Board in April 2022. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 through June 30, 2019, and were first used in the June 30, 2020 valuation.

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

ASSET RATE OF RETURN

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	20%	3.6%
Private Markets	15	7.7
Fixed Income – Ex Inflation-Linked	20	1.4
Fixed Income – Inflation-Linked	15	(0.3)
Commodities	10	0.9
Real Assets	10	3.7
Absolute Return	5	2.1
Risk Parity	20	3.8
Cash and Cash Overlay	(15)	(1.7)
Total	100%	

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

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

PROPORTIONATE SHARE OF NET PENSION LIABILITY

	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
University's proportionate share of the net pension liability	$7,402,158	$4,381,619	$1,862,269

Basis of Accounting — The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by INPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

In 2015, the Indiana General Assembly passed legislation that required employers who chose to freeze participation in PERF to pay their share of the pension plan's unfunded liability. The University's share of this liability was $347,008, which was paid in full on June 27, 2016.

NOTE 14 – Risk Management

The University is exposed to various risks of loss: torts; errors or omissions; theft, damage to property or destruction of assets; vehicle losses; job-related illness or injuries to employees; and natural disasters. The University manages these risks through a combination of risk retention and risk transfer, or the purchase of commercial insurance. Property insurance for buildings and contents and other special form coverage is subject to a deductible of $200,000 per occurrence. Specifically, for earthquake, there is an additional 2% of loss deductible (per unit) for building, contents, and business income. For the University's main campus there is a minimum deductible of $200,000 for flood for each loss. There is also a 1% per unit and a $200,000 minimum deductible for "Windstorm" meaning wind, wind driven rain, or hail.

Educators' Legal Liability has a $125,000 deductible for each wrongful acts claim. Primary General Liability has a $75,000 deductible. Cyber Liability carries a $100,000 retention while Crime coverage carries a $50,000 retention. Site Pollution (which includes mold) has a $50,000 deductible. Internship and Professional Liability deductible is $25,000.

Other coverages in existence include Commercial Auto, Fine Arts, and Workers Compensation which are insured by commercial insurance policies subject to various deductibles. Life and disability insurance are handled through fully insured commercial policies. No liability exists at the balance sheet date for unpaid claims. The University did not have any settlements exceeding insurance coverage for any of the prior three years.

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

For the self-funded plans, the University assumes the risk for medical claims exceeding the maximum expected cost but has mitigated the additional risk by purchasing specific stop loss coverage for active employees' individual claims over $225,000. The University also has established a reserve to cover a significant portion of the aggregate liability beyond 125% of expected claims. The liability for medical claims incurred but not reported is based on an average monthly claim multiplied by the plan provider's average turnaround time from when claims are incurred to when claims are submitted to the University for payment. For the fully insured plans, the University pays a premium and the insurance company assumes the risk for claims incurred by the plan members. Changes in the balance of claims liabilities during the 2021–22 and 2022–23 fiscal years are as follows. The amounts reported reflect claims incurred and payments during the fiscal year and attributable to both the year listed and prior fiscal years.

CHANGE IN CLAIM LIABILITY

Fiscal Year	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2021–2022	$1,152,970	$14,047,328	$(14,044,395)	$1,155,903
2022–2023	$1,155,903	$14,562,864	$(14,543,580)	$1,175,187

NOTE 15 – Compensated Absence Liability

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

The total cumulative compensated absence liability is $3,203,144 and $3,167,766 for June 30, 2023 and 2022, respectively. The current year change represents a $64,553 increase in accrued vacation; a $24,599 decrease in sick leave liability; a $3,057 increase in Social Security and Medicare taxes; a $8,426 decrease in Public Employees' Retirement Fund (PERF) contributions; and a $793 increase in Teacher's Insurance and Annuity Association (TIAA) contributions. During the fiscal year, $410,365 was paid out to terminating employees. Payout for terminating employees in fiscal year 2023–24 is expected to increase approximately 15.43% because of the number who will have reached the requisite retirement age and years of service. For that reason, $473,694 of the total compensated absence liability is classified as a current liability under accrued payroll, benefits and deductions, and the remaining $2,729,450 is classified as a noncurrent liability.

NOTE 16 – Termination Benefits Liability

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

The University has 21 retirees currently receiving early-retirement benefits, 10 of whose benefits stop after this fiscal year and 9 more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals $409,343 at June 30, 2023. Of that amount, $295,151 is expected to be paid out during the following fiscal year and is classified as a current liability under accrued payroll, benefits and deductions and the remaining $114,192 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

NOTE 17 – Functional Expenses

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

FUNCTIONAL EXPENSES							FISCAL YEAR ENDED JUNE 30, 2023
Function	Salaries and Wages	Benefits	Student Financial Aid	Utilities	Supplies and Other Services	Depreciation and Amortization	Total
Instruction	$31,839,239	$11,048,978			$ 3,312,599		$ 46,200,816
Academic Support	5,657,900	2,274,505			3,860,461		11,792,866
Student Services	6,926,810	2,794,748			5,704,965		15,426,523
Institutional Support	9,516,580	3,891,600			8,240,516		21,648,696
Operation and Maintenance of Plant	2,726,426	1,253,080		5,068,356	9,163,308		18,211,170
Depreciation and Amortization						17,041,262	17,041,262
Student Aid			3,186,467				3,186,467
Public Service	1,303,807	492,300			1,566,415		3,362,522
Research	34,535	3,905			54,706		93,146
Auxiliary Enterprises	3,183,705	2,261,130		1,011,956	13,447,794		19,904,585
TOTAL	$61,189,002	$24,020,246	$3,186,467	$6,080,312	$45,350,764	$17,041,262	$156,868,053

FUNCTIONAL EXPENSES					FISCAL YEAR ENDED JUNE 30, 2022 (Restated)		
Function	Salaries and Wages	Benefits	Student Financial Aid	Utilities	Supplies and Other Services	Depreciation and Amortization	Total
Instruction	$31,733,475	$ 8,669,374			$ 2,587,629		$ 42,990,478
Academic Support	5,543,534	1,573,559			3,260,070		10,377,163
Student Services	6,180,482	1,949,380			6,438,406		14,568,268
Institutional Support	8,825,359	3,449,165			9,050,276		21,324,800
Operation and Maintenance of Plant	2,879,317	649,048		4,807,263	6,774,937		15,110,565
Depreciation and Amortization						16,894,295	16,894,295
Student Aid			15,509,952				15,509,952
Public Service	1,256,106	349,973			2,127,581		3,733,660
Research	38,422	2,739			70,821		111,982
Auxiliary Enterprises	3,376,121	1,911,417		878,952	9,798,889		15,965,379
TOTAL	$59,832,816	$18,554,655	$15,509,952	$5,686,215	$40,108,609	$16,894,295	$156,586,542

NOTE 18 – Contingent Liabilities and Commitments

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

Outstanding commitments for capital construction projects totaled $25,811,292 and $3,188,084 at June 30, 2023 and 2022, respectively.

NOTE 19 – Public-Private Partnerships

USI entered into a new agreement with Sodexo Services of Indiana Limited Partnership to provide food services effective July 1, 2022. The University as transferor will receive consideration based on a percentage of sales. For the year ended June 30, 2023, the University recognized $448,260 related to its public-private partnership agreement with Sodexo.

As part of the agreement, mandatory improvements are required to be made by Sodexo. As of June 30, 2023, no improvements have been placed into service that would require recognition.

NOTE 20 – Restatement of Prior Year Balances

The University implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements*, which was effective for the fiscal year ended June 30, 2023. The adoption of this standard required the restatement of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows for the period ended June 30, 2022, the earliest period presented in the University's comparative financial statements.

Implementation of this standard required the University to recognize an intangible right-to-use subscription asset and a subscription liability on the Statement of Net Position. In addition, the portion of one subscription that was previously reported as a prepaid expense at June 30, 2022, is reflected in the restated subscription asset value.

These restatements on the Statement of Net Position have a corresponding impact on the Statement of Revenues, Expenses, and Changes in Net Position. Specifically, expenses changed slightly, decreasing the amount reported as supplies and other services and increasing amounts reported as amortization and interest expenses.

This pronouncement had no impact on beginning or ending cash balances, but it did have an impact on how this activity was presented on the Statement of Cash Flows. Decreased payments to suppliers and other payments were offset by increased payments of principal and interest on capital debt and right-to-use assets.

The restated balances as the result of implementing GASB Statement 96 are detailed in the following table.

Statement of Net Position	June 30, 2022 as reported	Reclassification/ Restatement	June 30, 2022 as restated
Current Assets			
Other current assets	$ 3,434,416	$ (80,884)	$ 3,353,532
Noncurrent Assets			
Subscription assets, net	—	3,937,682	3,937,682
Current Liabilities			
Leases and subscriptions payable	165,525	1,393,391	1,558,916
Noncurrent Liabilities			
Leases and subscriptions payable	149,392	2,252,499	2,401,891
Net Position			
Net investment in capital assets	129,469,268	210,908	129,680,176
Statement of Revenues, Expenses, and Changes in Net Position			
Operating Expenses			
Supplies and other services	$ 41,667,894	$(1,559,285)	$ 40,108,609
Depreciation and amortization	15,567,928	1,326,367	16,894,295
Non-operating Revenues (Expenses)			
Interest on capital asset related debt	(3,993,536)	(22,009)	(4,015,545)
Statement of Cash Flows			
Cash Flows from Operating Activities			
Payments to suppliers	$(39,962,644)	$ 1,559,285	$(38,403,359)
Other receipts (payments)	1,049,238	80,884	1,130,122
Cash Flows from Capital Financing Activities			
Principal paid on capital debt and right-to-use assets	(15,468,246)	(1,634,143)	(17,102,389)
Interest paid on capital debt and right-to-use assets	(4,455,157)	(6,026)	(4,461,183)

Component Unit University of Southern Indiana Foundation

Notes to Consolidated Financial Statements June 30, 2023 and 2022

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

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

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

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

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

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

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

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

Cash
The Foundation considers all liquid investments not classified with investments and with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowments, are not considered to be cash and cash equivalents. At June 30, 2023 and 2022, the Foundation did not have any cash equivalents.

At June 30, 2023, the Foundation's cash accounts did not exceed the federally insured limits.

Contributions Receivable – Deferred Gifts
During 2023 and 2022, the Foundation received certain irrevocable pledges to be paid from individual estates or more commonly referred to as deferred gifts. These contributions receivable are recorded as revenues with donor restrictions based on the intent of the donor. The amounts are recorded at gross, less allowances for an estimate of amounts that may be uncollectible and a discount based on expected mortality of the individuals and overall credit risks. The allowance for uncollectible contributions was based on a combination of qualitative factors, including mortality, relationship to the Foundation and University, historical contribution levels and history of gifting to the Foundation. The discount rates range from 3.61% to 5.59%.

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

Investments and Net Investment Return

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

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

The Foundation maintains pooled investment accounts for its endowments. Investment income and losses 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.

Real Estate Held for Investment

Investments in real estate consists of land recorded at the fair market value when donated or at the lower of cost or market if purchased.

Property and Equipment

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

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

Building	7–32 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, 2023 and 2022.

Contributions

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

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

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

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

Contributed Services

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

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

Income Taxes

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

Functional Allocation of Expenses

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

NOTE 2 – Contributions Receivable

Contributions receivable at June 30, 2023 and 2022, consisted of the following:

CONTRIBUTIONS RECEIVABLE

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 3,987	$ 1,331,298	$ 1,335,285
Due in one to five years	—	1,122,370	1,122,370
Due in five or more years	—	9,363,000	9,363,000
	3,987	11,816,668	11,820,655
Less			
Allowance for uncollectible contributions	—	3,224,335	3,224,335
Unamortized discount	—	2,848,805	2,848,805
	$ 3,987	$ 5,743,528	$ 5,747,515

The discount rates ranged from 0.52% to 5.59% for 2023. Approximately 37% of the net contributions receivable at June 30, 2023, were due from three donors.

CONTRIBUTIONS RECEIVABLE

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

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

Contributions receivable designated for specific purposes and with time restrictions at June 30, 2023 and 2022, were as follows:

SPECIFIC CONTRIBUTIONS RECEIVABLE	2023	2022
Scholarships and awards	$2,054,374	$2,218,717
Educational grants and academic enhancements	1,977,793	2,219,938
Athletic support	272,693	13,329
Other University support	1,121,375	1,067,079
Community outreach	4,376	4,578
Time restrictions	316,904	319,591
Total	$5,747,515	$5,843,232

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, 2023 and 2022, comprise the following:

FINANCIAL ASSETS AVAILABLE	2022	2022
Total financial assets (including cash, accounts and interest receivable, contributions receivable and investments)	$169,913,552	$156,088,913
Board-designated endowments with underlying donor-imposed restrictions		
Restricted funds	(2,659,630)	(2,351,987)
Endowments	(30,664,895)	(27,966,575)
Donor-imposed restrictions		
Restricted funds	(20,543,723)	(19,633,001)
Assets held under split-interest agreements	(1,314,311)	(266,612)
Time restrictions for future periods greater than one year	(312,953)	(313,202)
Endowments	(96,357,711)	(87,960,091)
Net financial assets after donor-imposed restrictions	**18,060,329**	**17,597,445**
Designations without donor restrictions		
Board-designated endowments	(11,939,244)	(10,652,480)
Financial assets available to meet cash needs for general expenditures within one year	**$ 6,121,085**	**$ 6,944,965**

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 $42,604,139 are subject to an annual spending rate of 4.25% as described in Note 8. Although the Foundation does not intend to spend from these board-designated endowments, these amounts could be made available if necessary.

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

NOTE 4 – Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022, are restricted for the following purposes or periods:

NET ASSETS WITH DONOR RESTRICTIONS	2023	2022
Subject to expenditure for specified purpose		
Scholarships and awards	$ 8,104,147	$ 7,452,157
Educational grants and academic enhancements	7,623,891	7,122,250
Capital projects	427,561	431,290
Athletics	293,574	389,346
Other University support	4,511,816	4,582,395
Community outreach	242,850	232,487
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	624,806	653,530
Educational grants and academic enhancements	233,322	226,551
Athletics	252,411	14,015
Other University support	813,976	808,773
Community outreach	4,705	4,546
Beneficial interest in assets held by Community Foundation not subject to spending policy or appropriation	70,294	67,674
	$ 23,203,353	$ 21,985,014
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	$ 456,301	$ 451,134
Assets held under split-interest agreements	1,314,311	266,612
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	312,953	313,869
Beneficial interest in perpetual trusts not subject to spending policy or appropriation	6,610,938	6,246,242
	$ 8,694,503	$ 7,277,857
Endowments		
Board-designated endowments subject to endowment spending policy and appropriation for specific purpose		
Restricted by donors for		
Scholarships and awards	$ 16,513,581	$ 14,950,970
Educational grants and academic enhancements	11,898,250	10,847,805
Athletics	939,828	868,811
Other University support	844,080	826,216
Community outreach	249,278	230,398
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	150	50
Educational grants and academic enhancements	136,083	211,083
Other University support	83,645	31,242
	$ 30,664,895	$ 27,966,575
Donor-restricted endowments subject to endowment spending policy and appropriation		
Scholarships and awards	$ 62,850,331	$ 56,865,449
Educational grants and academic enhancements	14,985,371	13,606,935
Other University support	15,240,532	13,914,029
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	1,411,009	1,553,314
Educational grants and academic enhancements	1,638,724	1,790,217
Other University support	231,744	230,147
	96,357,711	$ 87,960,091
Total endowments with restrictions	127,022,606	$115,926,666
	$158,920,462	$145,189,537

Net Assets Released from Restrictions

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

NET ASSETS RELEASED FROM RESTRICTIONS		
	2023	2022
Expiration of time restrictions*	$ (812,048)	$ 1,529
Satisfaction of purpose restrictions		
Scholarships and awards	1,179,058	1,286,147
Educational grants and academic enhancements	702,812	335,303
Athletics	350,587	246,179
Other University support	352,998	214,384
Capital projects	5,125	3,600
Community outreach	—	9,476
	$1,778,532	**$2,096,618**
Restricted-purpose spending-rate distributions and appropriations		
Scholarships and awards	$1,696,194	$1,218,591
Educational grants and academic enhancements	330,506	475,561
Other University support	168,302	22,335
	2,195,002	**1,716,487**
	$3,973,534	**$3,813,105**

*During the year ended June 30, 2023, two charitable gift annuities with underwater net asset balances matured and were released from restriction. The deficiencies resulted from unfavorable market conditions that occurred after investment of the original contributions and payment of all liabilities as per the donor agreement. No such releases from restrictions occurred during the year ended June 30, 2022.

NOTE 5 – Investments and Investment Return

Investments at June 30, 2023 and 2022, consisted of the following:

INVESTMENTS		
	Fair Value	
	2023	2022
Short-term investments and cash equivalents	$ 2,001,625	$ 2,654,603
Certificate of deposit	930,440	498,910
U.S. Treasury securities	2,661,605	2,385,357
Municipal securities	637,489	610,227
Corporate debt securities	5,489,360	5,109,114
Common stocks	26,108,114	22,436,282
Mutual funds		
Fixed income	35,482,836	32,627,516
International	20,559,019	16,692,993
Large cap	59,649,514	57,612,108
Small cap/mid cap	9,385,974	7,802,070
Alternative investment – private investment fund	750,914	932,965
Total	**$163,656,890**	**$149,362,145**

Total investment return for the years ended June 30, 2023 and 2022, was comprised of the following:

INVESTMENT RETURN	2023	2022
Interest and dividend income	$ 3,373,934	$ 2,638,523
Investment management fees	(199,287)	(210,618)
	3,174,647	2,427,905
Net realized and unrealized gain (loss) on investments reported at fair value	14,076,831	(26,657,095)
	$17,251,478	$(24,229,190)

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, 2023 and 2022, consist of the following:

ALTERNATIVE INVESTMENTS

2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	$ 750,914	$906,000	N/A	N/A

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

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

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

Note 6 – Beneficial Interest in Trusts

The Foundation is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the Foundation has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $6,610,938 and $6,246,242, which represents the fair value of the trusts' assets at June 30, 2023 and 2022, respectively. The change in fair value of these trusts for 2023 and 2022 was $364,696 and ($1,094,613), 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, 2023 and 2022, the residual benefits were valued at $456,301 and $451,134, respectively. During 2023 and 2022, the Foundation received $1,516 and $923,938 in assets remaining in trusts that were terminated. The change in fair value of these trusts for 2023 and 2022 was $5,167 and ($84,019), 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, 2023 and 2022, in the funds with donor restrictions, of $550,647 and $798,218, 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 513 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

The composition of net assets by type of endowment fund at June 30, 2023 and 2022, was:

COMPOSITION OF NET ASSETS BY ENDOWMENT

2023	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$11,939,244	$ 30,664,895	$ 42,604,139
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	56,113,347	56,113,347
Accumulated investment gains	—	41,556,581	41,556,581
Total endowment funds	**$11,939,244**	**$128,334,823**	**$140,274,067**

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

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, 2023 and 2022, these assets were valued at $1,312,217 and $1,148,367, respectively.

Changes in endowment net assets for the years ended June 30, 2023 and 2022, were:

CHANGES IN ENDOWMENT NET ASSETS

2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$10,652,480	$117,075,033	$127,727,513
Investment return			
Investment income	454,100	4,762,428	5,216,528
Net depreciation	908,197	9,545,970	10,454,167
Total investment return	**1,362,297**	**14,308,398**	**15,670,695**
Contributions of cash and other financial assets	64,582	840,800	905,382
Proceeds from sale of property	290,380	—	290,380
Appropriation of endowment assets for expenditure	(430,495)	(3,990,713)	(4,421,208)
Reclassification of donor intent	—	152,858	152,858
Other changes – uncollectible pledge loss	—	(750)	(750)
Other changes – change in value of split-interest agreements	—	(50,803)	(50,803)
	(75,533)	**(3,048,608)**	**(3,124,141)**
Endowment net assets, end of year	**$11,939,244**	**$128,334,823**	**$140,274,067**

2022			
Endowment net assets, beginning of year	$12,950,947	$142,257,132	$155,208,079
Investment return			
Investment income	1,032,742	10,888,782	11,921,524
Net depreciation	(3,283,675)	(34,682,652)	(37,966,327)
Total investment return	**(2,250,933)**	**(23,793,870)**	**(26,044,803)**
Contributions of cash and other financial assets	350,201	2,201,608	2,551,809
Miscellaneous income	—	100	100
Appropriation of endowment assets for expenditure	(397,735)	(3,596,408)	(3,994,143)
Reclassification of donor intent	—	40,650	40,650
Other changes – uncollectible pledge loss	—	(1,916)	(1,916)
Other changes – change in value of split-interest agreements	—	(32,263)	(32,263)
	(47,534)	**(1,388,229)**	**(1,435,763)**
Endowment net assets, end of year	**$10,652,480**	**$117,075,033**	**$127,727,513**

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 $46,146 and $475,548 for 2023 and 2022, respectively. Deficiencies, if any, may result from unfavorable market fluctuations that occur after investment of new contributions with donor restrictions and continued appropriation for certain purposes deemed prudent by the governing body.

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

Note 9 – Disclosures About Fair Value of Assets and Liabilities

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

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

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

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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022. The valuation of certificates of deposit in the amount of $930,440 and $498,910 as of June 30, 2023 and 2022, respectively, is excluded from the tables.

FAIR VALUE MEASUREMENTS				JUNE 30, 2023
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Short-term investments and cash equivalents	$ 2,001,625	$ 2,001,625	$ —	$ —
U.S. Treasury securities	2,661,605	—	2,661,605	—
Municipal securities	637,489	—	637,489	—
Corporate debt securities	5,489,360	—	5,489,360	—
Common stocks	26,108,114	26,108,114	—	—
Mutual funds				
Fixed income	35,482,836	35,482,836	—	—
International	20,559,019	20,559,019	—	—
Large cap	59,649,514	59,649,514	—	—
Small cap/mid cap	9,385,974	9,385,974	—	—
Private investment fund, measured at net asset value (A)	750,914	—	—	—
Total investments	$162,726,450	$153,187,082	$8,788,454	$ —
Beneficial interest in charitable remainder trusts	$ 456,301	$ —	$ 456,301	$ —
Beneficial interest in perpetual trusts	$ 6,610,938	$ —	$ —	$6,610,938
Beneficial interest in Community Foundation	$ 70,294	$ —	$ —	$ 70,294

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

(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, 2023 and 2022.

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

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

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

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

Note 10 – Related-Party Transactions

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

The Foundation paid an annual administrative fee of $595,400 and $567,800 to the University for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, were $1,215,206 and $1,277,584, 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, 2023 and 2022, approximately 23% and 33%, respectively, of all contributions were received from two donors and one donor, respectively.

Contributions Receivable – Deferred Gifts

As of June 30, 2023 and 2022, the Foundation has recorded contribution pledges for deferred gifts of $9,763,000, of which $3,189,335 and $3,201,210, respectively, were reserved as an allowance for uncollectible amounts and $2,752,449 and $2,725,218, respectively, were recorded as a discount based on estimated discount rates for each individual pledge for a net pledge receivable amount of $3,821,216 and $3,836,572, 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 – Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	2023	2022
Real estate	$ —	$180,000

The Foundation recognized contributed nonfinancial assets within revenue during fiscal year 2022. 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 14 – Subsequent Events

Subsequent events have been evaluated through October 18, 2023, which is the date the consolidated financial statements were available to be issued.

Required Supplementary Information

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

Public Employees' Retirement Plan

Last 10 Fiscal Years

Fiscal Year	University's proportion of the net pension liability (asset)	University's proportionate share of the net pension liability (asset)	University's covered-employee payroll**	University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll**	Plan fiduciary net position as a percentage of the total pension liability*
2022	0.14%	$4,381,619	$4,307,456	101.72%	82.48%
2021	0.14%	$1,883,504	$4,774,951	39.45%	92.51%
2020	0.15%	$4,450,249	$5,299,679	83.97%	81.45%
2019	0.15%	$5,008,824	$6,136,241	81.63%	80.06%
2018	0.16%	$5,289,879	$6,856,936	77.15%	78.89%
2017	0.16%	$7,135,346	$7,964,240	89.59%	72.69%
2016	0.16%	$7,449,403	$8,233,122	90.48%	71.19%
2015	0.19%	$7,749,103	$9,112,942	85.03%	73.32%
2014	0.19%	$5,121,057	$9,514,281	53.82%	81.07%
2013	0.20%	$6,844,336	$9,594,423	71.34%	74.34%

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

Public Employees' Retirement Plan

Last 10 Fiscal Years

Fiscal Year	Contractually required contribution**	Contributions in relation to the contractually required contribution**	Contribution deficiency (excess)	University's covered-employee payroll**	Contributions as a percentage of covered-employee payroll**
2023	$ 426,244	$ (426,244)	—	$3,807,755	11.19%
2022	$ 482,436	$ (482,436)	—	$4,307,456	11.20%
2021	$ 534,796	$ (534,796)	—	$4,774,951	11.20%
2020	$ 591,745	$ (591,745)	—	$5,299,679	11.17%
2019	$ 681,948	$ (681,948)	—	$6,136,241	11.11%
2018	$ 765,870	$ (765,870)	—	$6,856,936	11.17%
2017	$ 882,030	$ (882,030)	—	$7,964,240	11.07%
2016	$ 917,353	$ (917,353)	—	$8,233,122	11.14%
2015	$1,015,471	$(1,015,471)	—	$9,112,942	11.14%
2014	$1,060,052	$(1,060,052)	—	$9,514,281	11.14%

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

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

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

Last 6 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	$ 141,154	$ 236,657	$ 351,193	$ 493,102	$ 504,688	$ 558,526
Interest	1,402,207	1,245,005	2,902,760	3,315,220	3,447,775	3,441,886
Changes of benefit terms	—	—	(22,980,672)	—	—	—
Changes in assumptions	—	833,491	—	(671,887)	—	962,342
Differences between expected and actual experience	(878,200)	1,181,345	(2,506,700)	(7,223,292)	(3,795,748)	(2,749,612)
Benefit Payments	(1,170,363)	(1,140,660)	(1,521,410)	(1,800,914)	(2,268,697)	(1,888,109)
Net change in total OPEB liability	$ (505,202)	$ 2,355,838	$(23,754,829)	$ (5,887,771)	$ (2,111,982)	$ 325,033
Total OPEB liability-beginning	$20,465,654	$18,109,816	$ 41,864,645	$47,752,416	$49,864,398	$49,539,365
Total OPEB liability-ending (a)	$19,960,452	$20,465,654	$ 18,109,816	$41,864,645	$47,752,416	$49,864,398
Plan fiduciary net position						
Contributions-employer	$ 70,363	$ (93,340)	$ 301,410	$ 578,788	$ 1,197,189	$ 1,888,109
Net investment income	2,876,843	(3,981,673)	7,098,077	1,492,916	1,649,321	1,243,292
Benefit payments	(1,170,363)	(1,140,660)	(1,521,410)	(1,800,914)	(2,268,697)	(1,888,109)
Administrative expense	(35,860)	(40,741)	(38,741)	(42,685)	(51,139)	(53,016)
Net change in plan fiduciary net position	$ 1,740,983	$ (5,256,414)	$ 5,839,336	$ 228,105	$ 526,674	$ 1,190,276
Plan fiduciary net position-beginning	$25,156,374	$30,412,788	$ 24,573,452	$24,345,347	$23,818,673	$22,628,397
Plan fiduciary net position-ending (b)	$26,897,357	$25,156,374	$ 30,412,788	$24,573,452	$24,345,347	$23,818,673
University's net OPEB liability (asset)-ending (a-b)	$ (6,936,905)	$ (4,690,720)	$(12,302,972)	$17,291,193	$23,407,069	$26,045,725
Plan fiduciary net position as a percentage of the total OPEB liability	134.75%	122.92%	167.94%	58.70%	50.98%	47.77%
Covered employee payroll	$28,272,281	$29,566,598	$ 30,909,382	$32,786,514	$37,026,262	$42,347,069
University's net OPEB liability (asset) as a percentage of covered-employee payroll	(24.54)%	(15.86)%	(39.80)%	52.74%	63.22%	61.51%

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

Last 6 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ —	$ —	$ 1,859,542	$ 2,531,454	$ 2,712,899	$ 2,814,869
Contributions in relation to the actuarially determined contribution	70,363	(93,340)	301,410	578,788	1,197,189	1,888,109
Contribution deficiency (excess)	$ (70,363)	$ 93,340	$ 1,558,132	$ 1,952,666	$ 1,515,710	$ 926,760
Covered employee payroll	$28,272,281	$29,566,598	$30,909,382	$32,786,514	$37,026,262	$42,347,069
Contributions as a percentage of covered employee payroll	0.25%	(0.32)%	0.98%	1.77%	3.23%	4.46%

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

Notes to Required Supplementary Information

Public Employees' Retirement Plan

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

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

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

Source: Indiana Public Retirement System
Public Employees' Retirement Fund
Report on Allocation of Pension Amounts
For the Year Ended June 30, 2022

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

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

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

Notes to Schedules

Changes in assumptions: The following assumptions have been updated:

1. Interim year valuation results have been projected from the prior year's valuation with adjustments for actual premium rate changes from 2022 to 2023. Making this change has resulted in a reduction in liabilities.

Methods and assumptions used to determine contribution rates:

Fiscal Year	Actuarial Cost Method	Amortization Type	Remaining Amortization Period	Asset Valuation Method	Inflation	Salary Increases	Investment Rate of Return
2023	Entry Age Normal Level % of Salary	Level Dollar, closed	23 years	Market value of assets	2.00% for wages 2.50% for real rates of return	2.00-8.5%	7%, net of OPEB plan investment expense, including inflation
2022	Entry Age Normal Level % of Salary	Level Dollar, closed	24 years	Market value of assets	2.00%	2.00-8.5%	7%, net of OPEB plan investment expense, including inflation
2021	Entry Age Normal Level % of Salary	Level Dollar, closed	25 years	Market value of assets	2.25%	2.50-4.25%	7%, net of OPEB plan investment expense, including inflation
2020	Entry Age Normal Level % of Salary	Level Dollar, closed	26 years	Market value of assets	2.25%	2.50-4.25%	7%, net of OPEB plan investment expense, including inflation
2019	Entry Age Normal Level % of Salary	Level Dollar, closed	27 years	Market value of assets	2.25%	2.50-4.25%	7%, net of OPEB plan investment expense, including inflation
2018	Entry Age Normal Level % of Salary	Level Dollar, closed	28 years	Market value of assets	2.25%	2.50-4.25%	7%, net of OPEB plan investment expense, including inflation

Fiscal Year	Mortality–Healthy	Mortality–Disabled	Mortality–Surviving Spouses	Medical Trend Rates	Dental Trend Rates
2023	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021	SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021	SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021	7.00% for 2024, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for Pre 65. 6.25% for 2024, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for Post 65.	4.00% for 2024 and later years
2022	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2021	SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021	SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021	7.50% for 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for Pre 65. 6.50% for 2022, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for Post 65.	4.00% for 2022 and later years
2021	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2019	SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019	SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019	7.50% for 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years	4.75% for 2022, decreasing 0.25% per year to an ultimate rate of 3.25% for 2028 and later years

2020	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2019	SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using scale MP-2019	SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019	8.00% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years	5.00% for 2021, decreasing 0.25% per year to an ultimate rate of 3.00% for 2029 and later years
2019	RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017	RPH-2017 Disabled Mortality Table fully generational using scale MP-2017	N/A	8.50% for 2020, decreasing 0.50% per year to an ultimate rate of 5.00% for 2027 and later years	4.75% for 2020, decreasing 0.25% per year to an ultimate rate of 3.00% for 2027 and later years
2018	RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017	RPH-2017 Disabled Mortality Table fully generational using scale MP-2017	N/A	9.00% for 2019, decreasing 0.50% per year to an ultimate rate of 5.00% for 2027 and later years	5.00% for 2019, decreasing 0.25% per year to an ultimate rate of 3.00% for 2027 and later years

Changes in Plan Provisions: There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2022.

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