



# FINANCIAL REPORT

2019-2020

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12/17/2020

# VINCENNES UNIVERSITY

# MISSION & VISION

## Mission Statement

Vincennes University develops people and enhances communities through accessible, high-quality educational programs, strategic partnerships, and active engagement.

## Vision Statement

Vincennes University is a premier learning institution, widely recognized for leadership in innovation and delivery of successful educational experiences. A broad range of program offerings and a commitment to superior service ensure the University's role as an important link in Indiana's economic and cultural vitality. VU is a diverse community whose members all share responsibility for supporting the University's mission and are respected for their contributions.

## Vincennes University Values

- Personal growth and academic excellence for our students, faculty, and staff.
- Collaborative relationships with our stakeholders and communities.
- An environment that encourages open dialogue and cooperation.
- Continuous improvement through data-informed planning and evaluation.
- Cultural enrichment, diversity, and individual freedom.

# Vincennes University Financial Report

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## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, VINCENNES, INDIANA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Vincennes University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Vincennes University 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. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

**Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Employer's Share of Net Pension Liability Teachers' Retirement Fund Pre-1996 Accounts (TRF Pre-1996), Schedule of Employer Contributions Teachers' Retirement Fund Pre-1996 Accounts, Schedules of Employer's Share of Net Pension Liability Teachers' Retirement Fund 1996 Account (TRF 1996), Schedule of Employer Contributions Teachers' Retirement Fund 1996 Account (TRF 1996), Vincennes University Healthcare Plan Schedule of Changes in Net OPEB Liability and Related Ratios, and Vincennes University Healthcare Plan Schedule of the University's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Treasurer's Report and Board of Trustees and University Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Treasurer's Report and Board of Trustees and University Officers have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

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 October 20, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

October 20, 2020

# Vincennes University

## Treasurer's Report

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The COVID-19 pandemic brought about changes the university and its peers had never navigated before as it halted traditional education as we knew it. As we quickly transitioned to a complete virtual learning environment, the University experienced lost dorm revenues and increased expenses related to virtual delivery including significant investments in technology and professional development for our faculty. Preparing for the safe return of our students brought additional outlays related to personal protective equipment and sanitation. Vincennes University's past prudent management of its financial resources ensured the University was well prepared for this uncertain time. We are thankful for the state and federal governments' financial partnership and quick responsiveness as they supported our efforts to continue providing education to our students.

VU's partnerships remain an important and exciting opportunity as we expand our footprint and our programming. Our partnerships with the k-12 system have allowed us to redesign Indiana's career and technical education at the secondary level. With 18 Career and Technical Early Colleges located throughout the state, the university is providing students access to post-secondary education in high-demand areas such as industrial maintenance, precision machining, information technology and cyber security. Our partnerships with industry are a true testament to the quality of our graduates. Growing the number of work-based learning and apprenticeship programs is an important part of Vincennes University's strategic plan. Through our partnerships with Toyota, John Deere, Cummins, Subaru, Amazon and many others, VU is making great progress on this goal.

Vincennes University celebrated the reopening of the Curtis G. Shake Learning Resource Center in January. The nearly \$8 million renovation created a student-centered hub with flexible, digital-oriented features. The Resource Center provides a convenient location for students to use several support departments such as the Center for Teaching and Learning, Student Success Center, Knowledge Market and the Shake Library. This much-anticipated, transformational project has created a hub of student study, research, tutoring and collaboration.

VU broke ground on its French Quarter housing development in October. This project brought together what Vincennes University is proud to represent – community revitalization, economic development and student recruitment. Designed to meet the interests of today's students, the apartment-style living pays homage to the French heritage of the area. What was once a disconnect between the University and the community, the revitalized corridor is now an important connection between Vincennes University, the Wabash riverfront and the Main Street areas of Vincennes.

Many repair and renovation projects including renovations to Davis Hall and the Summers Building are ongoing as we continue to invest in mechanical and electrical upgrades that promote energy efficiency and provide our students with a safe and effective learning environment.

I am grateful for the hard work and dedication put forth every day by our faculty and our staff. Their commitment to education was exhibited during the pandemic more than ever. They make Vincennes University the great institution that it is today. I am pleased to present the 2019-2020 Vincennes University Financial Report for the fiscal year ended June 30, 2020. This report is a complete and permanent record of the financial status of Vincennes University for the period stated.

Respectfully submitted,



Linda Waldroup  
University Treasurer/Vice President For Financial Services

# Management's Discussion and Analysis

Vincennes University is pleased to present its financial statements for fiscal year 2020. The following discussion and analysis provides an overview of the financial position and activities of Vincennes University (the "University") for the fiscal year ended June 30, 2020, along with comparative information for the fiscal years ended June 30, 2019 and June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes following this section.

One of the first two-year colleges in America, Vincennes University is also Indiana's oldest college. Located in Vincennes, the University is a comprehensive public institution of higher learning with a fall 2020 enrollment of approximately 8,914 full-time equivalents. The University offers a broad range of degrees including baccalaureate programs. These degrees include Bachelor of Science degrees in Homeland Security and Public Safety, Education (Science, Special Education and Math Concentrations), Nursing, and a growing number of Technology Concentrations. Vincennes University has a statewide mission and is a state-supported university. Major extension sites in Indiana are located in Fort Branch, Jasper, and Indianapolis. The University also offers over 1,000 courses through its Distance Education program and at ten military sites across the United States. The University is accredited by the Higher Learning Commission.

The University remains committed to an open admission policy and recognizes that promoting individual growth and development must be its primary consideration. The report presented conveys the financial performance of the University. The financial analysis should be combined with non-financial data for a complete assessment of the University's performance. The University recognizes its role as a key contributor for programs of community development, cultural enrichment, and services appropriate to a post-secondary educational institution.

## Using the Financial Statements

The University's financial report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be

presented for aggregate operations which includes the Vincennes University Foundation, Incorporated.

## Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year by reporting all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the fiscal years presented. The difference between total assets/deferred outflows of resources and total liabilities/deferred inflows of resources, net position, is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2020, 2019, and 2018 is summarized as follows:

| Statement of Net Position | 2020<br>(in thousands) | 2019<br>(in thousands) | 2018<br>(in thousands) |
|---------------------------|------------------------|------------------------|------------------------|
| Current Assets            | \$ 109,836             | \$ 85,530              | \$ 77,984              |
| Non-current Assets        |                        |                        |                        |
| Investments               | 119,039                | 131,593                | 122,214                |
| Capital Assets, net       | 260,215                | 246,440                | 233,428                |
| Other                     | 14,712                 | 502                    | 652                    |
| <b>Total Assets</b>       | <b>\$ 503,802</b>      | <b>\$ 464,065</b>      | <b>\$ 434,278</b>      |
| <b>Deferred Outflows</b>  | <b>\$ 13,412</b>       | <b>\$ 15,824</b>       | <b>\$ 12,404</b>       |
| Current Liabilities       | \$ 23,731              | \$ 21,253              | \$ 24,563              |
| Non-current Liabilities   | 43,811                 | 51,597                 | 57,755                 |
| <b>Total Liabilities</b>  | <b>\$ 67,542</b>       | <b>\$ 72,850</b>       | <b>\$ 82,318</b>       |
| <b>Deferred Inflows</b>   | <b>\$ 18,706</b>       | <b>\$ 8,957</b>        | <b>\$ 6,223</b>        |
| <b>Net Position</b>       | <b>\$ 430,966</b>      | <b>\$ 398,082</b>      | <b>\$ 358,141</b>      |

## Fiscal Year 2020

As of June 30, 2020, the University's financial position remained solid, with total assets and deferred outflows of \$517.2 million as compared to \$479.9 million from the

previous fiscal year. The increase of \$37.3 million dollars in total assets is related to the \$13.8 million increase in capital assets, the \$12.2 million increase in cash and investments, and the \$11.8 million increase in the OPEB asset.

Current assets consist mainly of cash, short-term investments, inventory and accounts receivable. Accounts receivable includes sponsored programs, student loans, and student receivables for tuition and room and board. There was a net increase of \$24.3 million in current assets. This increase is related to the movement of \$12.2 million in long-term and short-term investments to cash and cash equivalents. The remaining increase is a result of positive operations.

Non-current assets increased \$15.4 million from 2019. The majority of this fluctuation is related to the shift from the \$1.1 million OPEB liability in 2019 to a \$14.3 million OPEB asset in 2020. This is predominately related to the change in assumptions and the differences between the expected and actual experience from the actuarial valuation. The University fell below the expected health care trending rates for retirees which caused this change from a liability to an asset. Capital asset additions consist of new construction and renovations. Projects finalized during 2020 included the new diesel agricultural tech building and the renovations of the business building, the public service building, and the learning resource center. The University ended the fiscal year with \$11.4 million in construction in progress which is primarily related to the construction of the French Quarter housing project and improvements to the campus infrastructure.

Deferred outflows of resources represent consumption of net assets that are applicable to a future reporting period. The deferred outflow of \$13.4 million is primarily a result of the change in the assumptions (predominately the discount rate lowering from 5.2% to 4.6%) and the net difference between the expected and actual experience in the OPEB plan. The change of assumptions and the expected and actual experience will be amortized over 5 years as required by GASB 75.

Total current liabilities include all liabilities that are payable within the next fiscal year and consist primarily of accounts payable, bonds payable, accrued compensation, accrued vacation liability, deposits held in custody, and unearned revenue. Total current liabilities increased \$2.5 million from the previous year which is primarily related to the timing of payables for construction projects and the addition of deposits held in custody for the Regional Development Corporation.

The largest non-current liability for the University is outstanding bonds payable. Non-current bonds payable decreased \$6.6 million which consist primarily of the current portion of bonds payable. More detailed information concerning the University's long-term debt is presented in the Notes to the Financial Statements. As mentioned beforehand, the OPEB liability moved from a \$1.1 million liability to a

\$14.3 million asset during the 2020 year.

Deferred inflows of resources represent an acquisition of net assets applicable to a future reporting period and will not be recognized as revenue until that reporting period. The deferred inflows include \$18.5 million, representing the difference between the expected and actual experience of the OPEB plan, which will be amortized over a period of 5 years.

## **Fiscal Year 2019**

As of June 30, 2019 and 2018, total assets were approximately \$464.1 and \$434.3 million, an increase of \$29.8 million, or 6.9 percent. The University's net capital assets grew \$13.0 million. Additions to the capital assets comprised mostly of construction in progress at the end the year. These projects include a new academic building and renovations of several academic buildings and dorms. Cash and the investment portfolio had an increase of \$17.6 of million, mainly due to the increase in the fair value of the investments from the prior year.

Current assets consist mainly of cash and cash equivalents, short-term investments, inventory and net accounts receivable. Accounts receivable includes sponsored programs, student loan receivables, and student receivables for tuition and room and board. The University's current assets increased \$7.5 million from 2018 to 2019. The majority of this increase is from cash and cash equivalents and short-term operating investments which grew as a result of positive operations.

Major components of non-current assets are endowment and operating investments and capital assets, net of accumulated depreciation. Non-current assets increased \$22.2 million or 6.2 percent from the previous year. Part of this fluctuation is related to the increase in the fair value of University's long-term investments. Long-term investments increased \$9.4 million or 7.7 percent from the prior year. Capital assets, net of depreciation increased \$13.0 million from the previous year. This increase, offset by disposal activity and depreciation, was the result of \$19.4 million remaining in construction in progress at the end of the year. These projects include the new diesel agricultural tech building and the renovations of the business building, the public service building, the learning resource center and several dorms.

Deferred outflows of resources represent consumption of net assets that are applicable to a future reporting period. The deferred outflows of resources increased \$3.4 million as a result of change in the assumptions and the net difference between the projected and actual earnings in the OPEB plan investments. The change of assumptions will be amortized over the expected future service life and the difference between the projected and actual earnings will be amortized over 5 years.

Total current liabilities include all liabilities that are payable within the next fiscal year and consist primarily of accounts payable, bonds payable, accrued compensation, accrued vacation liability, deposits held in custody, and unearned revenue. Total current liabilities decreased \$3.3 million from 2018 to 2019. At year end, accounts payable increased slightly with unearned revenue decreasing \$1.3 million. This decrease is primarily related to the change in the recognition of the funds from the Corporation for Public Broadcasting and the decrease in summer tuition for credit and noncredit classes. Accrued payroll and deductions payable decreased \$1.2 million. This change was related to the decrease in salaries and benefits and the timing in the payment of the benefit liabilities from 2018 to 2019.

Non-current liabilities include principal amount due on University bonds payable, pension and other post-employment benefit obligations. The largest liability for the University is outstanding bonds payable. Current bonds payable of \$6.7 million consist primarily of the \$6.2 million decrease in non-current liabilities. The University has maintained its Aa3 bond credit rating. More detailed information concerning the University's long-term debt is presented in the Notes to the Financial Statements.

Deferred inflows of resources represent an acquisition of net assets applicable to a future reporting period and will not be recognized as revenue until that reporting period. The deferred inflows include a \$2.7 million increase, representing the difference between the expected and actual experience of the OPEB plan, which will be amortized over a period of 5 years.

## Net Position

Net position represents the residual interest in the University's assets after liabilities are deducted. A summarized comparison of the University's net position is presented below:

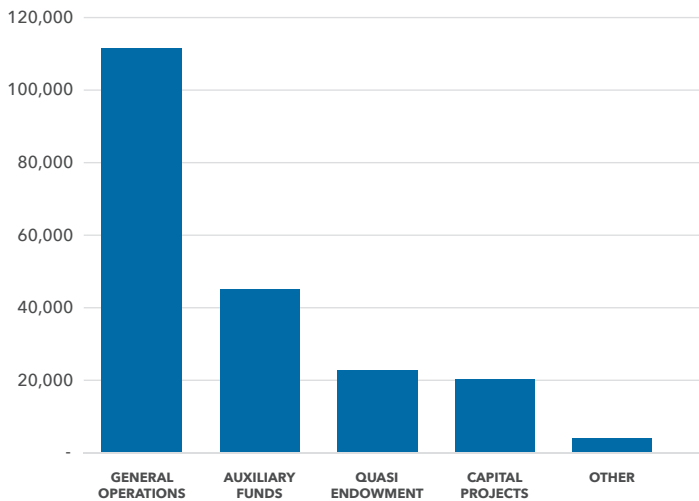
| Summary of Net Position          | 2020<br>(in thousands) | 2019<br>(in thousands) | 2018<br>(in thousands) |
|----------------------------------|------------------------|------------------------|------------------------|
| Net Investment in Capital Assets | \$ 211,026             | \$ 190,328             | \$ 170,637             |
| <b>Restricted:</b>               |                        |                        |                        |
| Non-expendable                   | 2,379                  | 2,380                  | 2,379                  |
| Expendable                       | 17,479                 | 23,345                 | 18,718                 |
| <b>Unrestricted:</b>             |                        |                        |                        |
| Designated - Capital & Other     | 22,932                 | 19,497                 | 17,034                 |
| Designated for Quasi Endowment   | 22,070                 | 20,945                 | 26,981                 |
| General Operations               | 111,263                | 92,191                 | 69,838                 |
| Auxiliary                        | 43,817                 | 49,396                 | 52,554                 |
| <b>Total Net Position</b>        | <b>\$ 430,966</b>      | <b>\$ 398,082</b>      | <b>\$ 358,141</b>      |

*Net Investment in Capital Assets* represents the institution's equity in property, plant and equipment net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets, or related debt, are included in this component of net position. This category increased by \$20.7 million in 2020. This increase is largely driven by the completion of a new academic building, renovations of several academic buildings and campus infrastructure projects. This increase is also related to the French Quarter project reported as construction in progress at year end. From 2018 to 2019, the 11.5 percent increase is related to the construction in progress at year end as well.

*Restricted net position* is the restricted component of net position which consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. *Restricted net position non-expendable* primarily includes the University's permanent endowment funds. The corpus of these resources is only available for investment purposes. This amount remains unchanged from the previous year. *Restricted net position - expendable* is subject to externally imposed restrictions governing its use. This category of net position includes funds restricted for capital projects, external loan funds, and scholarship funds. In 2020, this net position returned near its previous level as reported in 2018. Restricted- expendable net position increased 24.7 percent from the 2018 to 2019. The majority of this increase is related to the recognition of the unspent funds from capital appropriations.

*Unrestricted net position* is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is not subject to externally imposed stipulations. However, many of the University's unrestricted net assets have been designated or reserved for specific purposes such as auxiliaries, quasi endowment, dormitory reserves, and repair and replacement reserves for capital and infrastructure. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled the University to maintain its credit rating. General Operations' net assets increased \$19.1 million from fiscal year 2019 to 2020; and \$22.4 million from fiscal year 2018 to 2019. The majority of these changes are related to the recognition of the fair value of investments and positive operations. During fiscal year 2020, auxiliary services had a decrease which is directly related to funding auxiliary capital projects. The following graph shows the 2020 unrestricted net assets of \$200.1 million by designation:

## 2020 Unrestricted Net Position (in thousands of dollars)



## Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position are the result of activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues, operating and non-operating expense, other revenues, expenses, gains, losses, and changes in net position. Governmental appropriations, while budgeted for operations, are considered non-operating revenues as defined by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. A condensed statement for the years ended June 30, 2020, 2019 and 2018 is provided below:

| Statement of Revenues, Expenses, & Changes in Net Position     | 2020<br>(in thousands) | 2019<br>(in thousands) | 2018<br>(in thousands) |
|--|------------------------|------------------------|------------------------|
| <b>Operating Revenue:</b>                                      |                        |                        |                        |
| Tuition and Fees, Net  | \$ 21,635              | \$ 23,274              | \$ 24,922              |
| Auxiliary, Net   | 9,363                  | 11,958                 | 14,075                 |
| Grants and Contracts   | 17,021                 | 18,315                 | 16,652                 |
| Other  | 3,495                  | 2,806                  | 2,012                  |
| <b>Total Operating Revenue</b>                                 | <b>\$ 51,514</b>       | <b>\$ 56,353</b>       | <b>\$ 57,661</b>       |
| <b>Operating Expenses</b>                                      | <b>\$ 118,348</b>      | <b>\$ 117,059</b>      | <b>\$ 120,064</b>      |
| <b>Net Operating Loss</b>                                      | <b>\$ (66,834)</b>     | <b>\$ (60,706)</b>     | <b>\$ (62,403)</b>     |
| <b>Non-Operating Revenues (Expenses):</b>                      |                        |                        |                        |
| Governmental Appropriations                                    | \$ 56,272              | \$ 54,661              | \$ 54,081              |
| Federal and State Student Aid                                  | 18,220                 | 18,615                 | 20,545                 |
| State Grant Revenue  | 4,772                  | 4,783                  | 4,454                  |
| Other Grants and Contracts                                     | 4,549                  | -                      | -                      |
| Gifts (Including Endowment and Capital)                        | 1,760                  | 1,333                  | 1,598                  |
| Investment and Endowment Income                                | 6,877                  | 9,257                  | 54                     |
| Gain (Loss) on Disposition of Capital Assets                   | (839)                  | 573                    | 4                      |
| Other Income and Expense                                       | (1,696)                | (1,982)                | (2,976)                |
| <b>Total Non-Operating Revenue</b>                             | <b>\$ 89,915</b>       | <b>\$ 87,240</b>       | <b>\$ 77,760</b>       |
| <b>Income before Other Revenues, Expenses, Gains or Losses</b> | <b>\$ 23,081</b>       | <b>\$ 26,534</b>       | <b>\$ 15,357</b>       |
| <b>Other Revenues, Expenses, Gains or Losses</b>               |                        |                        |                        |
| Capital Appropriations   | \$ 7,284               | \$ 13,407              | \$ 12,407              |
| Insurance Recovery on Capital Asset Impairment, Net            | 2,284                  | -                      | -                      |
| Insurance Recovery for Other Storm Damage                      | 235                    | -                      | -                      |
| <b>Increase in Net Position</b>                                | <b>\$ 32,884</b>       | <b>\$ 39,941</b>       | <b>\$ 27,764</b>       |
| <b>Net position - Beginning of year</b>                        | <b>\$ 398,082</b>      | <b>\$ 358,141</b>      | <b>\$ 350,379</b>      |
| Prior Period Adjustment for Change in Accounting Principle     | -                      | -                      | (20,002)               |
| <b>Net position - End of year</b>                              | <b>\$ 430,966</b>      | <b>\$ 398,082</b>      | <b>\$ 358,141</b>      |

# Revenues

## Fiscal Year 2020

Total University revenues of \$153.8 million consist of operating revenue, non-operating revenue, capital appropriations and insurance recoveries from storm damage. In general, operating revenues are earned from providing goods and services, including tuition and fees, housing and other auxiliary activity, grants and contracts, and other operating activities. Non-operating revenues include state appropriations, revenue from certain grants and contracts, gifts, and investment income.

Operating revenues decreased \$4.8 million, or 8.6 percent, in 2020. The changes in revenue are related to the following activities:

- Student tuition and fees, net of scholarship allowances and bad debt, decreased \$1.6 million. The decrease was driven by a decrease in student enrollment.
- Auxiliary revenues are generated primarily from student housing, bookstores, student activities, and workshops. Net auxiliary revenues decreased \$2.6 million from the prior year. This decrease is related to the reduction in housing charges applied to student accounts for the unoccupied days in housing. Students were required to move out of the University's housing during Spring 2020 due to the COVID-19 pandemic.
- Grants and contracts revenue decreased \$1.3 million. This decrease is not related to a specific grant since there were small decreases for grants and contracts overall. The University received an estimated 58 percent of grant and contract revenue from federal agencies, 27 percent from state agencies, and 15 percent from nongovernmental agencies in fiscal year 2020.

Non-operating revenue before other revenues, expenses, gains or losses increased 3.7 percent during fiscal year 2020. The majority of this increase is related to the funds received from the Higher Education Emergency Relief Funds under the CARES Act. The University received \$2.4 million from the Higher Education Emergency Relief Fund for the student portion. Initial funds were distributed to students using a formulated approach with an online application utilized for the remaining dollars. The University also spent \$2.1 million from the Higher Education Emergency Relief Fund for the institutional portion. The majority of these funds were given to students as housing refunds for Spring 2020.

The University also experienced severe storm damage in April 2020 which destroyed the Harrison Hall dorm along with other property damage on the Vincennes campus. The net effect of the damage and insurance proceeds is reported as recovery line items of \$2.5 million on the Statement of Revenues, Expenses, and Changes in Net Position. Further details are in Note 18.

## Fiscal Year 2019

Total University revenues of \$159.0 million consist of operating revenue, non-operating revenue and capital appropriations. In general, operating revenues are earned from providing goods and services, including tuition and fees, housing and other auxiliary activity, grants and contracts, and other operating activities. Non-operating revenues include state appropriations, revenue from certain grants and contracts, gifts, and investment income.

Operating revenue for fiscal year 2019 is \$56.4 million. Operating revenues decreased \$1.3 million, or 2.3 percent from the prior year. The changes in revenue are related to the following activities:

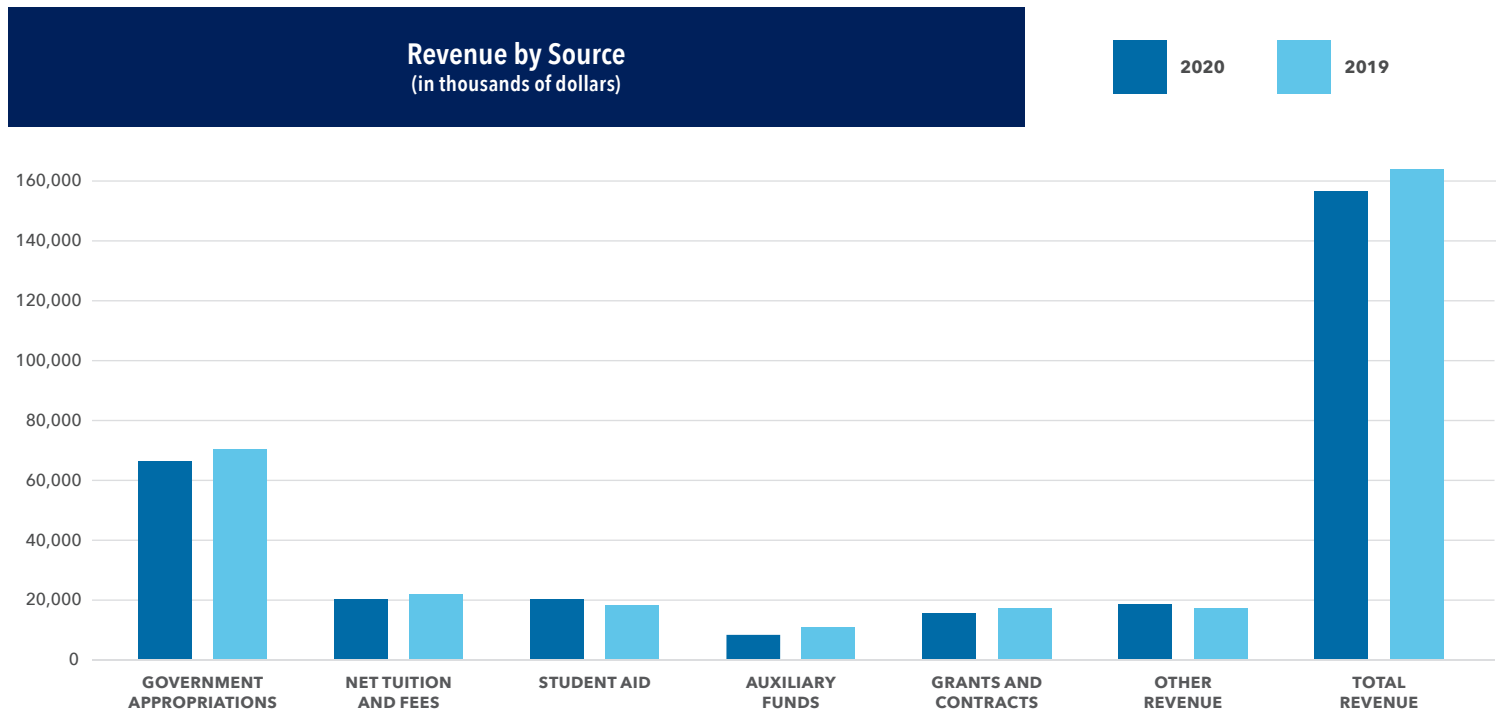
- Student tuition and fees, net of scholarship allowances and bad debt, decreased \$1.6 million. The decrease in tuition reflects the changing composition of the student enrollment model and related changes in fee structure.
- Auxiliary revenues are generated primarily from student housing, bookstores, student activities, and workshops. Net auxiliary revenues decreased \$2.1 million. This decrease was primarily related to the decline in residence hall occupancy and bookstore sales.
- Grants and Contracts revenue increased \$1.7 million. The University received several small grants totaling \$800,000 during fiscal year 2019. The remaining amount of the increase is related to recognizing the funds from the Corporation for Public Broadcasting as revenue in the year the funds are received. The University received an estimated 51 percent of grant and contract revenue from federal agencies, 24 percent from state agencies, and 25 percent from nongovernmental agencies in fiscal year 2019.

Non-operating revenue increased \$8.5 million from 2018 to 2019. Activity related to the net increase included:

- Government appropriations increased slightly from the prior year to \$54.7 million.
- Federal and state student aid decreased \$1.9 million as a result of enrollment decline.
- State and grant revenue reported for 2019 is \$4.8 million. This total represents the University's required revenue reporting for the Teachers' Retirement Fund Pre-1996 State Contributions. An equal amount is reported as a benefit cost, resulting in a \$0 net effect on the Statement of Revenues, Expenses, and Changes in Net Position.
- Investment and endowment income increased \$9.20 million due to a rise in the market value of investments at June 30, 2019.

The University received \$13.4 million during 2018-2019 in capital appropriations for academic building renovations.

The following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University for the years ended June 30, 2020 and 2019.



## Expenses

A comparative of the University's expenses for the years ending June 30, 2020, 2019, and 2018 is as follows:

| Expense By Natural Object        | 2020<br>(in thousands) | 2019<br>(in thousands) | 2018<br>(in thousands) |
|----------------------------------|------------------------|------------------------|------------------------|
| Operating:                       |                        |                        |                        |
| Compensation and Benefits        | \$ 64,563              | \$ 66,084              | \$ 68,746              |
| Supplies, Services and Equipment | 31,043                 | 32,324                 | 32,772                 |
| Depreciation                     | 12,402                 | 11,170                 | 10,369                 |
| Scholarships and Fellowships     | 10,340                 | 7,481                  | 8,177                  |
| <b>Total Operating Expenses</b>  | <b>\$ 118,348</b>      | <b>\$ 117,059</b>      | <b>\$ 120,064</b>      |
| Non-Operating:                   |                        |                        |                        |
| Interest and Other               | 2,675                  | 2,067                  | 2,976                  |
| <b>Total Expenses</b>            | <b>\$ 121,023</b>      | <b>\$ 119,126</b>      | <b>\$ 123,040</b>      |

### Fiscal Year 2020

For fiscal year 2020, total expenses of \$121.0 million included operating expenses of \$118.3 million and interest expense and other non-operating expenses of \$2.7 million.

Operating expenses increased \$1.3 million, or 1.1 percent, during fiscal year 2020. Significant changes include:

- Compensation and benefits decreased \$1.5 million as a result of the actuarial changes in the University's retiree health care trending rates for retiree postemployment benefits. The University follows GASB Statement No. 75 to record the postemployment benefits and adjusts to the reported amounts in the actuarial valuation on an annual basis.
- Overall, there is a \$1.3 million decrease in supplies, services and equipment for which auxiliary enterprises were particularly affected by the low enrollment along with the COVID-19 pandemic. Auxiliary enterprises include housing, the bookstores, student activities, camps, and athletics.
- Depreciation increased \$1.2 million from the addition of a new academic building, renovations of several academic buildings and equipment purchases.
- Scholarships and fellowships increased \$2.9 million dollars. This increase is directly related to the funds received from the Higher Education Emergency Relief Funds for the student portion of the CARES Act.

## Fiscal Year 2019

For fiscal year 2019, total expenses of \$119.1 million included operating expenses of \$117.1 million and interest expense and other non-operating expenses of \$2.0 million.

Operating expenses decreased \$3.0 million, or 2.5 percent, during fiscal year 2019. Significant changes include:

- Compensation, which includes salaries, wages and benefits comprised \$66.1 million (56.4 percent of operating expenses) decreased 4.0 percent from the prior year. The compensation and benefits decreased \$2.7 million as a result of employee retirements and attrition.
- Overall supplies, services and equipment decreased slightly from the previous year. The University continues to make cost containment an ongoing effort for all related supply and expense expenditures.
- Scholarships and fellowships decreased \$700,000 from the prior year. With the enrollment decrease, the University continued to commit institutional dollars to fund scholarships.

## Statement of Cash Flows

The Statement of Cash Flows provides information about the University's financial results by reporting the major sources and uses of cash. Cash received from operations primarily consists of student tuition, sponsored programs, and auxiliary revenues. Significant sources of cash provided by non-capital financing activities, as defined by GASB, include state appropriations and gifts used to fund operating activities. For higher education institutions, these cash inflows are critical to funding the operations of the University. A comparative of the Statement of Cash Flows for the years ended June 30, 2020, 2019 and 2018 is as follows:

| <b>Statement of Cash Flows</b>                              | <b>2020</b><br>(in thousands) | <b>2019</b><br>(in thousands) | <b>2018</b><br>(in thousands) |
|---|-------------------------------|-------------------------------|-------------------------------|
| Cash Received from Operations                               | \$ 52,557                     | \$ 55,957                     | \$ 58,377                     |
| Cash Expended for Operations                                | (108,413)                     | (107,457)                     | (109,378)                     |
| <b>Net Cash Used in Operating Activities</b>                | <b>\$ (55,856)</b>            | <b>\$ (51,500)</b>            | <b>\$ (51,001)</b>            |
| Net Cash Provided by Non-Capital Financing Activities       | 85,563                        | 78,394                        | 78,250                        |
| Net Cash Provided by/Used in Investing Activities           | 39,282                        | (17,839)                      | (12,419)                      |
| Net Cash Used in Capital and Related Financing Activities   | (24,658)                      | (18,332)                      | (14,800)                      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>\$ 44,331</b>              | <b>\$ (9,277)</b>             | <b>\$ 30</b>                  |
| Cash and Cash Equivalents - Beginning of Year               | 25,186                        | 34,463                        | 34,433                        |
| <b>Cash and Cash Equivalents - End of Year</b>              | <b>\$ 69,517</b>              | <b>\$ 25,186</b>              | <b>\$ 34,463</b>              |

For fiscal years 2019 and 2020, the differences are largely driven by the net proceeds and the movement of funds between cash and cash equivalents and investments.

## Economic Factors that Will Affect the Future

Vincennes University remains a long-standing and stable enterprise. University leaders have made cuts and reallocations of resources in response to instructional challenges as a result of the COVID-19 pandemic. Leadership has also made strategic plans to invest in student success, engagement and outreach, and stewardship of the State's financial resources.



Appropriations from the State of Indiana provide the largest source of funding for the University. With the seven percent decrease in the 2021 funding, the University recognizes the challenges created by the COVID-19 pandemic and is aware of its fiduciary responsibility to control costs in order to provide an affordable education to its students. Despite the challenges generated by the pandemic and state funding, the University strives to maintain its financial position using diversified revenue sources and system-wide cost containment measures. Leadership is committed to investing in initiatives that align with the mission of the University as well as creating an environment that streamlines operations across all campuses.

Recent trends demonstrate the changing landscape for U.S. colleges and universities. The University recognizes the importance of strategic direction and the effective alignment of resources to fulfill the mission of the institution. Indiana faces a shortage of sufficiently trained workers to meet employer needs. The ability to attract and retain employers in the state remains vital to Indiana's future sustained economic growth. The University is well positioned for a prominent role in addressing the challenges facing higher education with competitive tuition rates, continued expansion of online and early college course offerings, and innovative technology training.

The University, with the capital appropriations from the State, continues to address aging facilities with significant renovations to the Shircliff Humanities Building, the Summers Social Science Building, the Welsh Administration Building, and campus electrical infrastructure.

The University has developed a new dynamic type of student housing called the French Quarter. As part of phase one, two housing units were opened to students for Fall 2020 and two housing units will open for Spring 2021.

Health care is a continually changing environment. The Primary Care Center provides on-site access to medical care for students and employees. Health screenings and expanded wellness initiatives provide important information to employees for use in managing and improving personal health. The University continues to place emphasis on preventive health care to improve patient outcomes, create efficiencies and lower health care costs.

The University continues to take steps to enhance student recruitment, both in marketing efforts and in providing additional scholarship funding. The ability to face and effectively address institutional challenges has been a consistent trait in the successful history of the University. Strategic leadership and planning remain key to actively engaging the institution's talent and resources in these efforts.

# VINCENNES UNIVERSITY STATEMENT OF NET POSITION

As of June 30, 2020 and June 30, 2019

| ASSETS  | 2020                  | 2019                  |
|---|-----------------------|-----------------------|
| <b>Current Assets</b>   |                       |                       |
| Cash and Cash Equivalents   | \$ 69,517,370         | \$ 25,185,704         |
| Short-term Investments  | 30,645,519            | 50,258,277            |
| Funds held with Bond Trustee  | 17,842                | 19,157                |
| Accounts Receivable (Less Allowance of \$3,360,613 2020 and \$2,757,907 2019)                                       | 7,140,284             | 7,248,177             |
| Current Portion of Notes Receivable   | 411,715               | 520,577               |
| Inventories   | 1,404,935             | 1,311,041             |
| Accrued Interest Income   | 360,465               | 599,047               |
| Prepaid Expenses  | 337,673               | 388,245               |
| <b>Total Current Assets</b>   | <b>\$ 109,835,803</b> | <b>\$ 85,530,225</b>  |
| <b>Non-current Assets</b>   |                       |                       |
| Funds held with Bond Trustee for Debt Service   | \$ 219,712            | \$ 218,858            |
| Investments   | 119,039,199           | 131,593,097           |
| Net Pension Asset   | 29,192                | -                     |
| Net OPEB Asset  | 14,289,382            | -                     |
| Notes Receivable  | 173,811               | 283,218               |
| Capital Assets, Net of Accumulated Depreciation   | 260,214,727           | 246,439,644           |
| <b>Total Non-current Assets</b>   | <b>\$ 393,966,023</b> | <b>\$ 378,534,817</b> |
| <b>Total Assets</b>   | <b>\$ 503,801,826</b> | <b>\$ 464,065,042</b> |
| <b>DEFERRED OUTFLOWS</b>  |                       |                       |
| Accumulated decrease in fair value of hedging derivatives   | \$ 359,124            | \$ 180,253            |
| Deferral of Resources Indiana State Teachers Pension Plan   | 73,123                | 125,379               |
| Deferral of Resources OPEB  | 12,980,069            | 15,518,552            |
| <b>Total Deferred Outflows</b>  | <b>\$ 13,412,316</b>  | <b>\$ 15,824,184</b>  |
| <b>LIABILITIES</b>  |                       |                       |
| <b>Current Liabilities</b>  |                       |                       |
| Accounts Payable  | \$ 3,959,727          | \$ 2,695,077          |
| Accrued Payroll and Deductions Payable  | 2,920,310             | 3,543,239             |
| Accrued Vacation Liability  | 1,339,512             | 1,203,066             |
| Unearned Revenue  | 2,532,130             | 2,159,957             |
| Accrued Interest on Debt  | 224,955               | 258,149               |
| Bonds Payable   | 6,449,748             | 6,737,765             |
| Deposits  | 183,999               | 167,825               |
| Deposits Held in Custody for Others   | 3,502,467             | 2,007,818             |
| Other Liabilities   | 2,617,865             | 2,480,372             |
| <b>Total Current Liabilities</b>  | <b>\$ 23,730,713</b>  | <b>\$ 21,253,268</b>  |
| <b>Non-current Liabilities</b>  |                       |                       |
| Bonds Payable (Net of Unamortized Bond Premium (Discount) of \$247,112 2020 and \$399,512 2019)                     | \$ 42,751,667         | \$ 49,353,815         |
| Net Pension Liability   | -                     | 31,654                |
| Net OPEB Liability  | -                     | 1,071,232             |
| Derivative Instrument - Interest Rate Swap  | 359,124               | 180,253               |
| Advances from Federal Government  | 700,556               | 959,902               |
| <b>Total Non-current Liabilities</b>  | <b>\$ 43,811,347</b>  | <b>\$ 51,596,856</b>  |
| <b>Total Liabilities</b>  | <b>\$ 67,542,060</b>  | <b>\$ 72,850,124</b>  |
| <b>DEFERRED INFLOWS</b>   |                       |                       |
| Net Difference in the projected and actual investments along with Indiana State Teachers 2016 Pension Contributions | \$ 229,851            | \$ 214,296            |
| Net Differences in OPEB   | 18,476,037            | 8,743,090             |
| <b>Total Deferred Inflows</b>   | <b>\$ 18,705,888</b>  | <b>\$ 8,957,386</b>   |
| <b>NET POSITION</b>   |                       |                       |
| Net Investment in Capital Assets  | \$ 211,025,911        | \$ 190,327,929        |
| Restricted for Non-expendable:  |                       |                       |
| Scholarships and Instruction  | 2,379,586             | 2,379,586             |
| Expendable:   |                       |                       |
| Capital Projects  | 12,348,540            | 18,350,540            |
| Loan Funds  | 310,482               | 303,356               |
| Scholarships, Grants, and Instruction   | 4,819,599             | 4,691,267             |
| Unrestricted  | 200,082,076           | 182,029,038           |
| <b>Total Net Position</b>   | <b>\$ 430,966,194</b> | <b>\$ 398,081,716</b> |

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

# VINCENNES UNIVERSITY FOUNDATION, INC.

## COMPONENT UNIT — STATEMENT OF FINANCIAL POSITION

As of June 30, 2020 with comparative figures for 2019

| ASSETS                                  | 2020                  | 2019                  |
|---|-----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                   |                       |                       |
| Cash                                    | \$ 406,353            | \$ 229,947            |
| Investments                             | 2,252,446             | 2,192,055             |
| Other Accounts Receivable               | 7,708                 | 10,556                |
| Accrued Interest Receivable             | 48,502                | 54,194                |
| Prepaid Expense                         | 77,624                | 50,644                |
| <b>Total Current Assets</b>             | <b>\$ 2,792,633</b>   | <b>\$ 2,537,396</b>   |
| Endowment Investments                   | \$ 33,238,283         | \$ 33,085,288         |
| Trust Investments                       | 67,417,783            | 65,532,241            |
| Equipment                               | 8,107                 | 8,107                 |
| Accum. Deprec. - Equipment              | (8,107)               | (8,107)               |
| Property                                | 998,139               | 998,139               |
| <b>Total Assets</b>                     | <b>\$ 104,446,838</b> | <b>\$ 102,153,064</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                       |                       |
| Current Liabilities                     |                       |                       |
| Accounts Payable                        | \$ 9,324              | \$ 7,908              |
| Vacation Accrual                        | 14,462                | 15,173                |
| Deferred Income Other                   | 70,220                | 87,150                |
| Due VU General Fund                     | 110,382               | 22,325                |
| <b>Total Current Liabilities</b>        | <b>\$ 204,388</b>     | <b>\$ 132,556</b>     |
| Funds Held In Trust                     | \$ 64,541,955         | \$ 62,675,734         |
| <b>Total Liabilities</b>                | <b>\$ 64,746,343</b>  | <b>\$ 62,808,290</b>  |
| <b>NET ASSETS</b>                       |                       |                       |
| Without Donor Restrictions              | \$ 3,691,879          | \$ 3,483,424          |
| With Donor Restrictions                 | 36,008,616            | 35,861,350            |
| <b>Total Net Assets</b>                 | <b>\$ 39,700,495</b>  | <b>\$ 39,344,774</b>  |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 104,446,838</b> | <b>\$ 102,153,064</b> |

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

# VINCENNES UNIVERSITY

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2020 and June 30, 2019

|   | 2020                   | 2019                   |
|---|------------------------|------------------------|
| <b><i>Operating Revenues</i></b>                                  |                        |                        |
| Student Tuition & Fees  | \$ 34,742,862          | \$ 36,244,897          |
| Scholarship Allowance - Tuition & Fees                            | (13,107,960)           | (12,970,316)           |
| Grants and Contracts  | 17,021,075             | 18,314,722             |
| Auxiliary Enterprises   | 13,327,969             | 15,842,607             |
| Scholarship Allowance - Auxiliary Enterprises                     | (3,965,456)            | (3,884,782)            |
| Other Revenues  | 3,495,579              | 2,806,400              |
| <b>Total Operating Revenues</b>                                   | <b>\$ 51,514,069</b>   | <b>\$ 56,353,528</b>   |
| <b><i>Operating Expenses</i></b>                                  |                        |                        |
| Salaries and Wages  | \$ 45,307,950          | \$ 45,015,031          |
| Benefits  | 19,254,748             | 21,069,099             |
| Scholarships and Fellowships                                      | 10,340,651             | 7,481,028              |
| Supplies and Other Services                                       | 27,379,911             | 29,491,013             |
| Equipment   | 3,662,862              | 2,832,890              |
| Depreciation  | 12,401,823             | 11,169,851             |
| <b>Total Operating Expenses</b>                                   | <b>\$ 118,347,945</b>  | <b>\$ 117,058,912</b>  |
| <b>Operating Loss</b>   | <b>\$ (66,833,876)</b> | <b>\$ (60,705,384)</b> |
| <b><i>Non-Operating Revenues (Expenses)</i></b>                   |                        |                        |
| Governmental Appropriations                                       | \$ 56,272,226          | \$ 54,660,886          |
| Federal and State Student Aid                                     | 18,219,655             | 18,615,433             |
| State Grant Revenue   | 4,771,603              | 4,782,810              |
| Other Grants and Contracts  | 4,549,185              | -                      |
| Gifts and Bequests  | 1,760,232              | 1,332,927              |
| Investment Income   | 5,357,476              | 7,744,322              |
| Endowment Income  | 1,519,992              | 1,513,090              |
| Gain (Loss) on Disposition of Capital Assets                      | (839,345)              | 573,120                |
| Interest & Other Costs on Capital Asset - Related Debt            | (1,835,340)            | (2,067,478)            |
| Other Non-Operating Revenues (Expenses)                           | 138,897                | 83,904                 |
| <b>Total Non-Operating Revenues (Expenses)</b>                    | <b>\$ 89,914,581</b>   | <b>\$ 87,239,014</b>   |
| Income before other revenues, expenses, gains or losses           | \$ 23,080,705          | \$ 26,533,630          |
| <b><i>Other Revenues, Expenses, Gains or Losses</i></b>           |                        |                        |
| Capital Appropriations  | \$ 7,283,786           | \$ 13,406,602          |
| Insurance Recovery on Capital Asset Impairment, Net - See Note 18 | 2,284,517              | -                      |
| Insurance Recovery for Other Storm Damage                         | 235,470                | -                      |
| <b>Increase in Net Position</b>                                   | <b>\$ 32,884,478</b>   | <b>\$ 39,940,232</b>   |
| <b>Net Position - Beginning of Year</b>                           | <b>\$ 398,081,716</b>  | <b>\$ 358,141,484</b>  |
| <b>Net Position - End of Year</b>                                 | <b>\$ 430,966,194</b>  | <b>\$ 398,081,716</b>  |

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

# VINCENNES UNIVERSITY FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ending in June 30, 2020 with comparative figures for 2019

| <b>Support and Revenue</b>                       | <b>Without Donor Restrictions</b> | <b>With Donor Restrictions</b> | <b>2020 Total</b>   | <b>2019 Total</b>   |
|--|-----------------------------------|--------------------------------|---------------------|---------------------|
| Contributions                                    | \$ 215,778                        | \$ 444,354                     | \$ 660,132          | \$ 5,146,019        |
| Grants and Contracts                             | -                                 | 264,250                        | 264,250             | 45,603              |
| Other Income                                     | 71,967                            | 92,072                         | 164,039             | 170,761             |
| Investment Income (Loss)                         | 40,079                            | 602,473                        | 642,552             | 4,033,434           |
| Unrealized Gain (Loss) on Investments            | 41,589                            | 750,227                        | 791,816             | (2,254,272)         |
| Administrative Income                            | 431,997                           | -                              | 431,997             | 370,216             |
| Alumni Income & Community Series                 | 5,523                             | 120,140                        | 125,663             | 121,256             |
| <b>Total Support and Revenue Before Releases</b> | <b>\$ 806,933</b>                 | <b>\$ 2,273,516</b>            | <b>\$ 3,080,449</b> | <b>\$ 7,633,017</b> |
| <b>Net Assets Released from Restrictions</b>     | <b>\$ 2,126,250</b>               | <b>\$ (2,126,250)</b>          | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Total Support and Revenue</b>                 | <b>\$ 2,933,183</b>               | <b>\$ 147,266</b>              | <b>\$ 3,080,449</b> | <b>\$ 7,633,017</b> |

| <b>Expenses</b>                          |                     |                      |                      |                      |
|--|---------------------|----------------------|----------------------|----------------------|
| Program Expenditures                     | \$ 1,945,315        | \$ -                 | \$ 1,945,315         | \$ 2,390,997         |
| Management and General                   | 711,452             | -                    | 711,452              | 611,538              |
| Fundraising                              | 67,961              | -                    | 67,961               | 63,170               |
| <b>Total Expenses</b>                    | <b>\$ 2,724,728</b> | <b>\$ -</b>          | <b>\$ 2,724,728</b>  | <b>\$ 3,065,705</b>  |
| <b>Increase (Decrease) in Net Assets</b> | <b>\$ 208,455</b>   | <b>\$ 147,266</b>    | <b>\$ 355,721</b>    | <b>\$ 4,567,312</b>  |
| Additions                                | -                   | -                    | -                    | 400                  |
| Deductions                               | -                   | -                    | -                    | (400)                |
| <b>Total Change in Net Assets</b>        | <b>\$ 208,455</b>   | <b>\$ 147,266</b>    | <b>\$ 355,721</b>    | <b>\$ 4,567,312</b>  |
| <b>Net Assets - Beginning of Year</b>    | <b>\$ 3,483,424</b> | <b>\$ 35,861,350</b> | <b>\$ 39,344,774</b> | <b>\$ 34,777,462</b> |
| <b>Net Assets - End of Year</b>          | <b>\$ 3,691,879</b> | <b>\$ 36,008,616</b> | <b>\$ 39,700,495</b> | <b>\$ 39,344,774</b> |

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

# VINCENNES UNIVERSITY STATEMENT OF CASH FLOWS

For the year ended June 30, 2020 and June 30, 2019

|  | 2020                   | 2019                   |
|--|------------------------|------------------------|
| <b><i>Cash Flows From (For) Operating Activities</i></b>                         |                        |                        |
| Tuition and Fees   | \$ 22,928,996          | \$ 23,160,712          |
| Grants and Contracts   | 16,735,520             | 17,509,020             |
| Payments to Suppliers  | (29,682,159)           | (32,722,320)           |
| Payments to Employees  | (45,079,641)           | (45,047,468)           |
| Payments for Benefits  | (23,051,760)           | (22,206,635)           |
| Payments for Scholarships and Fellowships  | (10,340,551)           | (7,481,028)            |
| Collection of Loans to Students  | 218,269                | 178,394                |
| Repayments of Advances from Federal Government                                   | (259,346)              | -                      |
| Auxiliary Enterprise   | 9,348,629              | 11,774,215             |
| Other Receipts   | 3,326,249              | 3,334,873              |
| <b>Net Cash Used in Operating Activities</b>                                     | <b>\$ (55,855,794)</b> | <b>\$ (51,500,237)</b> |
| <b><i>Cash Flows From (For) Non-Capital Financing Activities</i></b>             |                        |                        |
| Governmental Appropriations  | \$ 56,272,226          | \$ 54,660,886          |
| Gifts and Grants for Other than Capital Purposes                                 | 27,797,852             | 24,309,941             |
| Funds Held in Trust for Others   | 1,492,757              | (577,280)              |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>                     | <b>\$ 85,562,835</b>   | <b>\$ 78,393,547</b>   |
| <b><i>Cash Flows From (For) Capital &amp; Related Financing Activities</i></b>   |                        |                        |
| Capital Appropriations   | \$ 7,283,786           | \$ 13,406,602          |
| Capital Grants and Gifts Received  | -                      | 148,496                |
| Proceeds (Loss) from Sale of Capital Assets                                      | 10,759                 | 1,051,929              |
| Insurance Recovery   | 3,794,771              | -                      |
| Purchases of Capital Assets and Construction                                     | (26,989,158)           | (24,191,961)           |
| Bond Reserve Cash Returned (Deposited)   | 461                    | (4,137)                |
| Principal Paid on Capital Debt   | (6,737,765)            | (6,462,444)            |
| Interest Paid on Capital Debt & Lease  | (2,020,934)            | (2,280,516)            |
| <b>Net Cash Provided by (Used in) Capital &amp; Related Financing Activities</b> | <b>\$ (24,658,080)</b> | <b>\$ (18,332,031)</b> |
| <b><i>Cash Flows From (For) Investing Activities</i></b>                         |                        |                        |
| Proceeds from Sales and Maturities of Investments                                | \$ 92,424,327          | \$ 50,497,384          |
| Investment Income  | 5,002,616              | 5,044,625              |
| Purchase of Investments  | (58,144,238)           | (73,380,926)           |
| <b>Net Cash Used in Investing Activities</b>                                     | <b>\$ 39,282,705</b>   | <b>\$ (17,838,917)</b> |
| <b>Net Increase (Decrease) in Cash</b>   | <b>\$ 44,331,666</b>   | <b>\$ (9,277,638)</b>  |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                             | <b>25,185,704</b>      | <b>34,463,342</b>      |
| <b>Cash and Cash Equivalents - End of Year</b>                                   | <b>\$ 69,517,370</b>   | <b>\$ 25,185,704</b>   |

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

# VINCENNES UNIVERSITY STATEMENT OF CASH FLOWS

For the year ended June 30, 2020 and June 30, 2019

|  | 2020                   | 2019                   |
|--|------------------------|------------------------|
| <b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities:</b>       |                        |                        |
| Net Operating Revenues and Expenses  | \$ (66,833,876)        | \$ (60,705,384)        |
| <b>Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities</b> |                        |                        |
| Depreciation Expense   | 12,401,823             | 11,169,851             |
| <b>Changes in Assets and Liabilities:</b>  |                        |                        |
| Receivables, Net   | 345,835                | 640,416                |
| Inventories  | (93,894)               | 149,821                |
| Other Assets   | 50,572                 | (130,364)              |
| Student Loans  | 218,269                | 178,394                |
| Advances from Federal Government   | (259,346)              | -                      |
| Net OPEB Asset   | (3,089,184)            | -                      |
| TRF Benefit  | 6,965                  | 8,520                  |
| Net OPEB Liability   | -                      | 63,799                 |
| Accounts Payable and Accrued Liabilities   | 933,727                | (1,680,441)            |
| Unearned Income  | 372,173                | (1,292,702)            |
| <b>Cash Flows Reported in Other Categories:</b>  |                        |                        |
| Other Non-Operating Revenues (Expenses)  | 91,142                 | 97,853                 |
| <b>Net Cash Used in Operating Activities</b>   | <b>\$ (55,855,794)</b> | <b>\$ (51,500,237)</b> |

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

# Vincennes University

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies

**Reporting Entity:** Vincennes University (University) is an institution of higher education and is considered to be a component unit of the State of Indiana. The University is governed by a Board of Trustees as established by Indiana Code 21-25-3. The Board of Trustees of the University consists of ten trustees appointed by the Governor of the State. One of the trustees must be a resident of Knox County, one must be an alumnus of the University, and one must be a full-time student of the University during the term. There are also four ex-officio members of the board: the president of the University, the superintendent of the Vincennes Community School Corporation, the superintendent of the South Knox School Corporation, and the superintendent of the North Knox School Corporation. The University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations for operations, capital improvements, and grants from various state agencies.

The University adheres to Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. GASB Statement No. 61 and GASB Statement No. 80 modify certain requirements for inclusion of component units in the financial reporting entity.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Vincennes University Foundation, Inc.

The Vincennes University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the University. 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 resources that the Foundation holds and invests are restricted to the activities of the University by the donors. Since these

restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. During the year ended June 30, 2020, the Foundation distributed \$1,745,665 to the University for restricted and unrestricted purposes. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private, not-for-profit organization that reports its financial results according to Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are Financial Accounting Standards Board Accounting Standards Codification 958 (formerly FSP 116 and 117), and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). (ASC) 958-205 was effective January 1, 2018. 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 reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

Financial statements for the Foundation can be obtained by calling the Vincennes University Foundation, Inc. at 812-888-4510.

**Financial Statement Presentation:** The financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities - an amendment of GASB Statement No. 34*, and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB. In May 2020, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in



Statements and Implementation Guides. The University has chosen to postpone implementation of applicable provisions contained in recent pronouncements based upon GASB Statement No. 95. As a result, there were no new GASB Statement adoptions in fiscal year 2020.

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant intra-agency transactions have been eliminated.

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana State Teachers' Retirement Fund (TRF), and additions to/deductions from TRF's fiduciary net position have been determined on the same basis as they are reported by the 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. Investments are reported at fair value.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States

of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash Equivalents:** For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Investments:** The University accounts for its investments at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. 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.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The majority of each group resides in the State of Indiana. Accounts receivable also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories:** Inventories are recorded using various methods, including lower of cost or market value on either the first-in, first-out ("FIFO") basis or the average cost basis.

**Non-current Assets:** Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as non-current assets in the Statement of Net Position. Included in these assets are the Net Pension Asset for the Indiana State Teacher's Pension Plan and the OPEB Asset.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Infrastructure costs are minimal and included in the cost of Building and Improvements. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, and 3 to 10 years for equipment.

**Deferred Outflows of Resources:** As prescribed by GASB Statement No. 63, the Statement of Financial Position reports a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to a future period. Deferred outflows of resources consist of accumulated changes in the fair value of hedging derivative instruments, the deferral of resources for the Indiana State Teacher's Pension Plan, and for the Post Employment Benefit Plan.

**Unearned Revenues:** Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Deposits/Deposits Held in Custody for Others:** Deposits represent dormitory room deposits and other miscellaneous deposits. Current balances in Deposits Held in Custody for Others result from the University acting as an agent or fiduciary, for another entity. These include amounts held for student clubs and for the Complete College America, Inc.

**Compensated Absences:** Liabilities for compensated absences are recorded for vacation leave for eligible employees based on actual earned amount. This accrual includes the employer share of social security and Medicare taxes and contributions to pension plans. The maximum number of days an employee may be paid upon termination of employment remains limited to the number of days which can be earned in 12 months.

The liability and expense incurred are recorded at year-end as accrued vacation liability in the Statement of Net Position and as a component of salary and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position.

**Non-current Liabilities:** Non-current liabilities consist primarily of principal amounts of revenue bonds payable with a contractual maturity of greater than one year and advances from the federal government.

**Deferred Inflows of Resources:** As prescribed by GASB Statement No. 63, the Statement of Financial Position reports a separate section for deferred inflows of resources. Deferred inflows of resources is an acquisition of net assets that is applicable to a future reporting period. These inflows include the Net Differences for the projected and actual investments for the Indiana State Teacher's Pension Plan and the OPEB Plan.

**Net Position:** The University's net position is classified as follows:

*Net Investment in capital assets:* This represents the University's total investment in capital assets net of outstanding debt obligations related to those capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

*Restricted net position:* The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resources flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Restricted net position-non-expendable:* Non-expendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net position-expendable:* Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Unrestricted net position:* The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University and may be designated for specific purposes by action of management or the Board of Trustees. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. Substantially all unrestricted net assets are designated for academic programs and initiatives and general operations of the University.

When an expense is incurred for which both restricted and unrestricted resources are available, the University applies the most appropriate fund source based on the relevant facts and circumstances.

**Income Taxes:** The University, as a political subdivision of the State of Indiana, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Classification of Revenues and Expenses:** The University has classified its revenues and expenses as either operating or non-operating according to the following criteria:

*Operating revenues and expenses:* Operating revenues and expenses generally have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods and services. Examples of operating revenues include student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, net of scholarship discounts and allowances, grants and contracts, and other operating revenues. Since the University's mission is to play a key role in programs of community development, cultural enrichment, and services appropriate to a post-secondary educational institution, most grants and contracts are considered operating. Examples of operating expenses include employee compensation, benefits and related expenses, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

*Non-operating revenues and expenses:* Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions. Examples of non-operating revenues include state appropriations, most federal and state student aid, nonexchange grants, gifts and contributions, and investment income. Non-operating revenues and expenses are defined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion Analysis – for State and Local*

*Governments.* Examples of non-operating expenses include interest on capital asset related debt and bond expenses.

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or non-governmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Component Unit:** Net assets and changes therein are classified as follows:

#### *Net Assets without donor restrictions*

Net assets without donor restrictions include all contributions received, and all revenue and expenses. It includes both undesignated and board designated funds. Undesignated net assets may be used at the discretion of management to support the mission of the Foundation and consist of net assets accumulated from the results of operations. Designated funds are net assets designated by the Foundation's Board of Directors as a quasi endowment to be used for the purpose of providing endowment draws to fund operations. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

#### *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, where by the donor has stipulated the funds be maintained in perpetuity.

Revenues are recorded when earned. Contributions, including promises to give, are recognized as revenue in the period received at their fair value. Promises to give, or pledges, must be unconditional and legally enforceable to be recognized.

Expenses are recognized when incurred.

Investments in marketable securities are stated at fair market value.

## Note 2 Cash and Investments

Cash and investments as of June 30, 2020 and June 30, 2019, are stated at market value. The University's trustees have the responsibility as a fiduciary body for the University's investments. Indiana Code 30-4-3-3 requires the trustees to "exercise judgement and care required by Indiana Code 30-4-3.5," the *Indiana Uniform Prudent Investor Act*. The University invests in obligations of the U.S. Treasury and U.S. agencies, certificates of deposits, repurchase agreements, savings and money market accounts, and negotiable order of withdrawal accounts. Cash deposits are insured by agencies of the federal government up to \$250,000. Amounts over \$250,000 are covered by the Indiana Public Depository Fund which covers all public funds held in approved depositories. The total amount reported by checking and money market accounts at various banks on June 30, 2020 and on June 30, 2019 equaled \$69,517,370 and \$25,185,704 respectively.

Quasi-endowment funds are managed by the trust departments of three major regional banks. These funds are invested in accordance with the policies set by the Finance Committee of the Board of Trustees. Other endowment funds held in trust consist of U.S. Treasury and U.S. Government Agency obligations, tax exempt municipal bonds, savings accounts, and certificates of deposit.

As of June 30, 2020, the University had the following investments:

| Investment Type           | Market Value          | Maturity Less than 1 Year | 1-5 Years             | 6-10 Years           |
|---------------------------|-----------------------|---------------------------|-----------------------|----------------------|
| Certificates of Deposit   | \$ 8,000,000          | \$ 8,000,000              | \$ -                  | \$ -                 |
| U. S. Treasury Bonds      | 10,811,687            | 1,137,409                 | 6,696,728             | 2,977,550            |
| U. S. Government Agencies | 130,439,361           | 21,508,110                | 99,299,322            | 9,631,929            |
| Mutual Funds              | 433,670               | -                         | 433,670               | -                    |
| <b>Total</b>              | <b>\$ 149,684,718</b> | <b>\$ 30,645,519</b>      | <b>\$ 106,429,720</b> | <b>\$ 12,609,479</b> |

As of June 30, 2019, the University had the following investments:

| Investment Type           | Market Value          | Maturity Less than 1 Year | 1-5 Years            | 6-10 Years            |
|---------------------------|-----------------------|---------------------------|----------------------|-----------------------|
| Certificates of Deposit   | \$ 48,134,781         | \$ 48,134,781             | \$ -                 | \$ -                  |
| U. S. Treasury Bonds      | 9,626,554             | 373,951                   | 6,123,568            | 3,129,035             |
| U. S. Government Agencies | 123,669,825           | 1,749,545                 | 6,275,781            | 115,644,499           |
| Mutual Funds              | 420,214               | -                         | 420,214              | -                     |
| <b>Total</b>              | <b>\$ 181,851,374</b> | <b>\$ 50,258,277</b>      | <b>\$ 12,819,563</b> | <b>\$ 118,773,534</b> |

**Credit Risk:** As a means of managing credit risk, the University's investment policy limits investments to A1 (Standard & Poor's) or P1 (Moody's). If a rating change occurs which disqualifies a security that is already present in the University portfolio, it must be sold within 30 days of the discovery, unless it matures within six months of the rating change. On June 30, 2020 and June 30, 2019, the University was in compliance with its credit risk policy for all investments.

The Moody's credit ratings for the investments at June 30, 2020 were as follows:

| Rating       | Certificates of Deposit | U.S. Treasury Bonds  | U.S. Government Agencies | Mutual Funds      | Total                 |
|--------------|-------------------------|----------------------|--------------------------|-------------------|-----------------------|
| AAA          | \$ -                    | \$ 10,811,687        | \$ 130,439,361           | \$ -              | \$ 141,251,048        |
| AA           | -                       | -                    | -                        | -                 | -                     |
| A            | -                       | -                    | -                        | -                 | -                     |
| BBB          | -                       | -                    | -                        | -                 | -                     |
| BB           | -                       | -                    | -                        | -                 | -                     |
| Below BB     | -                       | -                    | -                        | -                 | -                     |
| Not Rated    | 8,000,000               | -                    | -                        | 433,670           | 8,433,670             |
| <b>Total</b> | <b>\$ 8,000,000</b>     | <b>\$ 10,811,687</b> | <b>\$ 130,439,361</b>    | <b>\$ 433,670</b> | <b>\$ 149,684,718</b> |

The Moody's credit ratings for the investments at June 30, 2019 were as follows:

| Rating       | Certificates of Deposit | U.S. Treasury Bonds | U.S. Government Agencies | Mutual Funds      | Total                 |
|--------------|-------------------------|---------------------|--------------------------|-------------------|-----------------------|
| AAA          | \$ -                    | \$ 9,626,554        | \$ 123,669,825           | \$ -              | \$ 133,296,379        |
| AA           | -                       | -                   | -                        | -                 | -                     |
| A            | -                       | -                   | -                        | -                 | -                     |
| BBB          | -                       | -                   | -                        | -                 | -                     |
| BB           | -                       | -                   | -                        | -                 | -                     |
| Below BB     | -                       | -                   | -                        | -                 | -                     |
| Not Rated    | 48,134,781              | -                   | -                        | 420,214           | 48,554,995            |
| <b>Total</b> | <b>\$ 48,134,781</b>    | <b>\$ 9,626,554</b> | <b>\$ 123,669,825</b>    | <b>\$ 420,214</b> | <b>\$ 181,851,374</b> |

**Concentration of Credit Risk:** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's investment policy places no limit on the amount that can be invested in any single issuer. There are currently no investments that represent 5 percent or more of the University's Net Assts being held at a single banking institution. U.S. government issues and U.S. governmental agency securities are exempt from this requirement.

**Interest Rate Risk:** Interest rate risk 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 maintains investments in cash, cash equivalents, and short term investments to be in position to take advantage of the best rates in a timely fashion as well as sustaining adequate cash flow for operating needs.

**Custodial Credit Risk:** For an investment, custodial credit risk 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's investment policy does not limit the value of investments that may be held by an outside party. Of the University's investments, \$10,811,687 of the U.S. Treasury Notes, \$9,127,219 of the U.S. Government Agencies, and \$433,670 of the Mutual Funds are held by the counterparty, a trust department, or an agent not in the University's name.

**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 does not hold any foreign currency-denominated investments.

## Note 3 Disclosures About Fair Value of Assets and Liabilities

GASB 72 - *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

**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 the fair value on a recurring basis and the level within the fair value hierarchy in which fair value measurements fall on June 30, 2020 and June 30, 2019:

|  |           | Fair Value Measurements Using: |                      |                       |                     |
|--|-----------|--------------------------------|----------------------|-----------------------|---------------------|
| <b>JUNE 30, 2020</b>                   |           |                                | Quoted Prices in     | Significant Other     | Significant         |
| <b>Investments by fair value level</b> |           | Fair Value                     | Active Markets for   | Observable Inputs     | Unobservable Inputs |
|  |           |                                | Identical Assets     | (Level 2)             | (Level 3)           |
|  |           |                                | (Level 1)            |                       |                     |
| U.S. Treasury Bonds                    | \$        | 10,811,687                     | \$ 10,811,687        | \$ -                  | \$ -                |
| Agency Securities                      |           | 9,127,219                      | -                    | 9,127,219             | -                   |
| Agency Mortgage Securities             |           | 121,312,142                    | -                    | 121,312,142           | -                   |
| Mutual Funds                           |           | 433,670                        | 433,670              | -                     | -                   |
| <b>Total Investments</b>               | <b>\$</b> | <b>141,684,718</b>             | <b>\$ 11,245,357</b> | <b>\$ 130,439,361</b> | <b>\$ -</b>         |
| Interest Rate Swaps                    |           | (359,124)                      | -                    | (359,124)             | -                   |
| <b>Total Derivative Instruments</b>    | <b>\$</b> | <b>(359,124)</b>               | <b>\$ -</b>          | <b>\$ (359,124)</b>   | <b>\$ -</b>         |

|  |           | Fair Value Measurements Using: |                      |                       |                     |
|--|-----------|--------------------------------|----------------------|-----------------------|---------------------|
| <b>JUNE 30, 2019</b>                   |           |                                | Quoted Prices in     | Significant Other     | Significant         |
| <b>Investments by fair value level</b> |           | Fair Value                     | Active Markets for   | Observable Inputs     | Unobservable Inputs |
|  |           |                                | Identical Assets     | (Level 2)             | (Level 3)           |
|  |           |                                | (Level 1)            |                       |                     |
| U.S. Treasury Bonds                    | \$        | 9,626,554                      | \$ 9,626,554         | \$ -                  | \$ -                |
| Agency Securities                      |           | 9,801,489                      | -                    | 9,801,489             | -                   |
| Agency Mortgage Securities             |           | 113,868,335                    | -                    | 113,868,335           | -                   |
| Mutual Funds                           |           | 420,214                        | 420,214              | -                     | -                   |
| <b>Total Investments</b>               | <b>\$</b> | <b>133,716,592</b>             | <b>\$ 10,046,768</b> | <b>\$ 123,669,824</b> | <b>\$ -</b>         |
| Interest Rate Swaps                    |           | (180,253)                      | -                    | (180,253)             | -                   |
| <b>Total Derivative Instruments</b>    | <b>\$</b> | <b>(180,253)</b>               | <b>\$ -</b>          | <b>\$ (180,253)</b>   | <b>\$ -</b>         |

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.

The University utilizes the market based valuation approach in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, and there have been no significant changes in the valuation techniques during the years ending June 30, 2020 and June 30, 2019.

## Note 4 Accounts Receivable

Accounts Receivable are primarily comprised of the following at June 30:

|                                  | 2020                 | 2019                 |
|----------------------------------|----------------------|----------------------|
| Student Tuition                  | \$ 4,832,583         | \$ 4,966,856         |
| Auxiliaries                      | 1,641,203            | 1,700,241            |
| Sponsored Programs               | 2,470,868            | 2,261,113            |
| Other Receivable                 | 1,556,243            | 1,077,874            |
| <b>Total Accounts Receivable</b> | <b>\$ 10,500,897</b> | <b>\$ 10,006,084</b> |
| Allowance for Doubtful Accounts  | (3,360,613)          | (2,757,907)          |
| <b>Net Accounts Receivable</b>   | <b>\$ 7,140,284</b>  | <b>\$ 7,248,177</b>  |

## Note 5 Inventories

Inventories are stated at the lower of cost or market value. As of June 30, 2020 and 2019, total inventories were valued at \$1,404,935 and \$1,311,041. Of these totals, the bookstore's inventory was \$1,034,061 and \$938,710, respectively.

## Note 6 Derivative Instruments

The fair value balance and notional amount of the derivative instrument outstanding on June 30, 2020 and June 30, 2019, classified by type and the changes in fair value of such derivative instrument for the year ended as reported in the comparative financial statements are as follows:

| Changes in Fair Value        |                              |             | Fair Value at June 30, 2020   |             |                  |
|------------------------------|------------------------------|-------------|-------------------------------|-------------|------------------|
|                              | Classification               | Amount      | Classification                | Amount      | Current Notional |
| <i>Cash flow Hedge:</i>      |                              |             |                               |             |                  |
| Pay-Fixed Interest Rate Swap | Pay-Fixed Interest Rate Swap | (\$178,871) | Deferred Outflow of Resources | (\$359,124) | \$4,710,000      |

| Changes in Fair Value        |                              |             | Fair Value at June 30, 2019   |             |                  |
|------------------------------|------------------------------|-------------|-------------------------------|-------------|------------------|
|                              | Classification               | Amount      | Classification                | Amount      | Current Notional |
| <i>Cash flow Hedge:</i>      |                              |             |                               |             |                  |
| Pay-Fixed Interest Rate Swap | Pay-Fixed Interest Rate Swap | (\$173,058) | Deferred Outflow of Resources | (\$180,253) | \$5,190,000      |

As of June 30, 2020 and as of June 30, 2019, the University determined that the pay-fixed interest rate swap met the criteria for effectiveness. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate bonds. The fair value of the interest rate swap was estimated based on the present value of their estimated future cash flows.

The following tables display the objective and terms of the University's hedging derivative instrument outstanding as of June 30, 2020 and as of June 30, 2019, along with the credit rating of the associated counterparty:

| As of June 30, 2020          |   |                         |                |               |   |                            |
|------------------------------|---|-------------------------|----------------|---------------|---|----------------------------|
| Type                         | Objective   | Current Notional Amount | Effective Date | Maturity Date | Terms   | Counterparty Credit Rating |
| Pay-Fixed Interest Rate Swap | Hedge of changes in cash flows on the 2009 Series I Bonds | \$4,710,000             | 12/23/08       | 12/1/28       | 65% of 6 mo. USD-LIBOR-BBA w/ 1 Day Lookback + 208.00 bps | Aa3                        |

| As of June 30, 2019          |   |                         |                |               |   |                            |
|------------------------------|---|-------------------------|----------------|---------------|---|----------------------------|
| Type                         | Objective   | Current Notional Amount | Effective Date | Maturity Date | Terms   | Counterparty Credit Rating |
| Pay-Fixed Interest Rate Swap | Hedge of changes in cash flows on the 2009 Series I Bonds | \$5,190,000             | 12/23/08       | 12/1/28       | 65% of 6 mo. USD-LIBOR-BBA w/ 1 Day Lookback + 208.00 bps | Aa3                        |

**Credit Risk:** As a means of managing credit risk, the University's investment policy limits investments to A1(Standard & Poor's) or P1 (Moody's). If a rating change occurs which disqualifies a security that is already present in the University portfolio, it must be sold within 30 days of the discovery, unless it matures within six months of the rating change. On June 30, 2020 and June 30, 2019, the University is in compliance with its credit risk policy for all investments. The fair value of the hedging derivative instrument, in a liability position as of June 30, 2020 and June 30, 2019, was \$359,124 and \$180,253. Since both the derivative instrument and the debt being hedged with the same counterparty, there is no credit risk exposure since the fair value of the derivative instrument would be netted against the payoff of the debt.

**Interest Rate Risk:** Interest Rate Risk is the risk that changes in interest rates will adversely impact the fair market value of the derivative instrument. On its pay-fixed, receive-variable interest rate swap, the University will be negatively impacted by the lower rate environment, which will decrease the fair market value of its derivative instrument. The derivative instrument fixes the hedged debt at 4.09%.

**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 the derivative instrument and the debt being hedged are both based on the six-month London InterBank Offered Rate (LIBOR) index.

**Termination risk:** The University or its counterparties may terminate a derivative instrument if the other party fails to

perform under the terms of the contract. The University is also exposed to termination risk if the student fee bonds are prepaid or partially prepaid, but only to the extent the notional amount of the swap transaction exceeds the remaining amount after the prepayment of the student fee bond.

**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 instrument and the debt being hedged have identical maturity dates, there is no rollover risk to the University.



## Note 7 Capital Assets

The following are summaries of the University's capital asset activity as of June 30:

| <b>2020</b>  |                               |                      |                     |                     |                            |
|--|-------------------------------|----------------------|---------------------|---------------------|----------------------------|
|  | <i>Beginning<br/>Balances</i> | <i>Increases</i>     | <i>Decreases</i>    | <i>Transfers</i>    | <i>Ending<br/>Balances</i> |
| <b>Capital Assets Not Being Depreciated:</b>       |                               |                      |                     |                     |                            |
| Land   | \$ 23,133,514                 | \$ 401,498           | \$ 56,333           | \$ -                | \$ 23,478,679              |
| Construction in Progress                           | 19,352,302                    | 20,490,211           | 2,850               | (28,456,160)        | 11,383,503                 |
| <b>Total Capital Assets Not Being Depreciated</b>  | <b>42,485,816</b>             | <b>20,891,709</b>    | <b>59,183</b>       | <b>(28,456,160)</b> | <b>34,862,182</b>          |
| <b>Capital Assets Being Depreciated:</b>           |                               |                      |                     |                     |                            |
| Building and Improvements                          | 296,100,418                   | 343,337              | 4,369,481           | 28,216,743          | 320,291,017                |
| Equipment  | 47,157,801                    | 7,186,624            | 2,257,920           | 239,417             | 52,325,922                 |
| <b>Total Capital Assets Being Depreciated</b>      | <b>343,258,219</b>            | <b>7,529,961</b>     | <b>6,627,401</b>    | <b>28,456,160</b>   | <b>372,616,939</b>         |
| <b>Less Accumulated Depreciation For:</b>          |                               |                      |                     |                     |                            |
| Building and Improvements                          | 109,656,343                   | 8,596,491            | 3,019,935           | -                   | 115,232,899                |
| Equipment  | 29,648,048                    | 3,805,332            | 1,421,885           | -                   | 32,031,495                 |
| <b>Total Accumulated Depreciation</b>              | <b>139,304,391</b>            | <b>12,401,823</b>    | <b>4,441,820</b>    | <b>-</b>            | <b>147,264,394</b>         |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>203,953,828</b>            | <b>(4,871,862)</b>   | <b>2,185,581</b>    | <b>28,456,160</b>   | <b>225,352,545</b>         |
| <b>Capital Assets, Net</b>                         | <b>\$ 246,439,644</b>         | <b>\$ 16,019,847</b> | <b>\$ 2,244,764</b> | <b>\$ -</b>         | <b>\$ 260,214,727</b>      |

| <b>2019</b>  |                               |                      |                   |                  |                            |
|--|-------------------------------|----------------------|-------------------|------------------|----------------------------|
|  | <i>Beginning<br/>Balances</i> | <i>Increases</i>     | <i>Decreases</i>  | <i>Transfers</i> | <i>Ending<br/>Balances</i> |
| <b>Capital Assets Not Being Depreciated:</b>       |                               |                      |                   |                  |                            |
| Land   | \$ 21,397,834                 | \$ 1,903,503         | \$ 47,666         | \$ (120,157)     | \$ 23,133,514              |
| Construction in Progress                           | 2,087,718                     | 18,016,120           | -                 | (751,536)        | 19,352,302                 |
| <b>Total Capital Assets Not Being Depreciated</b>  | <b>23,485,552</b>             | <b>19,919,623</b>    | <b>47,666</b>     | <b>(871,693)</b> | <b>42,485,816</b>          |
| <b>Capital Assets Being Depreciated:</b>           |                               |                      |                   |                  |                            |
| Building and Improvements                          | 294,690,483                   | 830,737              | 292,495           | 871,693          | 296,100,418                |
| Equipment  | 45,884,094                    | 3,978,836            | 2,705,129         | -                | 47,157,801                 |
| <b>Total Capital Assets Being Depreciated</b>      | <b>340,574,577</b>            | <b>4,809,573</b>     | <b>2,997,624</b>  | <b>871,693</b>   | <b>343,258,219</b>         |
| <b>Less Accumulated Depreciation For:</b>          |                               |                      |                   |                  |                            |
| Building and Improvements                          | 102,119,414                   | 7,795,713            | 258,784           | -                | 109,656,343                |
| Equipment  | 28,512,423                    | 3,374,138            | 2,238,513         | -                | 29,648,048                 |
| <b>Total Accumulated Depreciation</b>              | <b>130,631,837</b>            | <b>11,169,851</b>    | <b>2,497,297</b>  | <b>-</b>         | <b>139,304,391</b>         |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>209,942,740</b>            | <b>(6,360,278)</b>   | <b>500,327</b>    | <b>871,693</b>   | <b>203,953,828</b>         |
| <b>Capital Assets, Net</b>                         | <b>\$ 233,428,292</b>         | <b>\$ 13,559,345</b> | <b>\$ 547,993</b> | <b>\$ -</b>      | <b>\$ 246,439,644</b>      |

## Note 8 Non-Current Liabilities

The non-current liability activity for the fiscal years ended June 30, 2020 and 2019 are summarized as follows:

|  | <i>Balance</i><br><i>June 30, 2019</i> | <i>Additions</i>  | <i>Reductions</i>   | <i>Balance</i><br><i>June 30, 2020</i> |
|--|--|-------------------|---------------------|--|
| Bonds Payable, Net of Unamortized Premium and Discount | \$ 49,353,815                          | \$ -              | \$ 6,602,148        | \$ 42,751,667                          |
| Net Pension Liability                                  | 31,654                                 | -                 | 31,654              | -                                      |
| Derivative Instrument - Interest Rate Swap             | 180,253                                | 178,871           | -                   | 359,124                                |
| Advances from Federal Government                       | 959,902                                | -                 | 259,346             | 700,556                                |
| OPEB Liability   | 1,071,232                              | -                 | 1,071,232           | -                                      |
| <b>Total Non-current Liabilities</b>                   | <b>\$ 51,596,856</b>                   | <b>\$ 178,871</b> | <b>\$ 7,964,380</b> | <b>\$ 43,811,347</b>                   |

|  | <i>Balance</i><br><i>June 30, 2018</i> | <i>Additions</i>  | <i>Reductions</i>   | <i>Balance</i><br><i>June 30, 2019</i> |
|--|--|-------------------|---------------------|--|
| Bonds Payable, Net of Unamortized Premium and Discount | \$ 56,270,174                          | \$ -              | \$ 6,916,359        | \$ 49,353,815                          |
| Net Pension Liability                                  | 207,930                                | -                 | 176,276             | 31,654                                 |
| Derivative Instrument - Interest Rate Swap             | 7,195                                  | 173,058           | -                   | 180,253                                |
| Advances from Federal Government                       | 959,902                                | -                 | -                   | 959,902                                |
| OPEB Liability   | 309,531                                | 761,701           | -                   | 1,071,232                              |
| <b>Total Non-current Liabilities</b>                   | <b>\$ 57,754,732</b>                   | <b>\$ 934,759</b> | <b>\$ 7,092,635</b> | <b>\$ 51,596,856</b>                   |

## Note 9 Long-Term Debt

Long-term debt activity for the years ended June 30, 2020, and June 30, 2019 is summarized as follows:

|   | Interest Rate | Amount Issued | Direct Placement                 |                        |                                  |                            | Other Debit                      |                        |                                  |                            |
|---|---------------|---------------|----------------------------------|------------------------|----------------------------------|----------------------------|----------------------------------|------------------------|----------------------------------|----------------------------|
|   |               |               | Amount Outstanding June 30, 2019 | Amount Retired 2019-20 | Amount Outstanding June 30, 2020 | Amount Due Within One Year | Amount Outstanding June 30, 2019 | Amount Retired 2019-20 | Amount Outstanding June 30, 2020 | Amount Due Within One Year |
| Dormitory and Dining Facilities Revenue Bonds of 1983, Series A | 3.000%        | \$5,000,000   |                                  |                        |                                  |                            | \$ 820,000                       | \$ 200,000             | \$ 620,000                       | \$ 200,000                 |
| Auxiliary Facilities System Revenue Bonds, Series 2006          | 4.126%        | 13,440,000    |                                  |                        |                                  |                            | 2,395,000                        | 1,125,000              | 1,270,000                        | 625,000                    |
| Auxiliary Facilities System Revenue Bonds, Series 2009          | 4.728%        | 10,160,000    |                                  |                        |                                  |                            | 6,620,000                        | 470,000                | 6,150,000                        | 495,000                    |
| Auxiliary Facilities System Revenue Bonds, Series 2013          | 3.630%        | 4,526,800     | \$ 3,669,000                     | \$ 190,000             | \$ 3,479,000                     | \$ 195,000                 |                                  |                        |                                  |                            |
| Student Fee Bonds, Series H                                     | 4.373%        | 4,545,000     |                                  |                        |                                  |                            | 2,340,000                        | 245,000                | 2,095,000                        | 255,000                    |
| Student Fee Bonds, Series I                                     | 4.090%        | 9,095,000     | 5,190,000                        | 480,000                | 4,710,000                        | 500,000                    |                                  |                        |                                  |                            |
| Student Fee Bonds, Series J                                     | 3.858%        | 26,795,000    |                                  |                        |                                  |                            | 10,065,000                       | 2,070,000              | 7,995,000                        | 2,170,000                  |
| Student Fee Bonds, Series K                                     | 3.160%        | 5,895,000     | 3,091,000                        | 401,000                | 2,690,000                        | 414,000                    |                                  |                        |                                  |                            |
| Student Fee Bonds, Series L                                     | 2.350%        | 8,045,000     | 4,903,400                        | 527,400                | 4,376,000                        | 540,000                    |                                  |                        |                                  |                            |
| Student Fee Bonds, Series M-1                                   | 2.730%        | 10,000,000    | 8,578,852                        | 420,832                | 8,158,020                        | 432,400                    |                                  |                        |                                  |                            |
| Student Fee Bonds, Series M-2                                   | 2.420%        | 10,000,000    | 8,019,816                        | 608,533                | 7,411,283                        | 623,348                    |                                  |                        |                                  |                            |
| <b>Total Bonds Payable</b>                                      |               |               | <b>\$ 33,452,068</b>             | <b>\$ 2,627,765</b>    | <b>\$ 30,824,303</b>             | <b>\$ 2,704,748</b>        | <b>\$ 22,240,000</b>             | <b>\$ 4,110,000</b>    | <b>\$ 18,130,000</b>             | <b>\$ 3,745,000</b>        |
| <b>Unamortized Bond Premium (Discount)</b>                      |               |               |                                  |                        |                                  |                            | <b>399,512</b>                   |                        | <b>247,112</b>                   |                            |
| <b>Due Within One Year</b>                                      |               |               | <b>(2,627,765)</b>               |                        | <b>(2,704,748)</b>               |                            | <b>(4,110,000)</b>               |                        | <b>(3,745,000)</b>               |                            |
| <b>Total Long-Term Liabilities</b>                              |               |               | <b>\$ 30,824,303</b>             |                        | <b>\$ 28,119,555</b>             |                            | <b>\$ 18,529,512</b>             |                        | <b>\$ 14,632,112</b>             |                            |

Debt obligations are generally callable by the University, bear interest at fixed and variable rates ranging from 2.35% to 4.728%, and mature at various dates through fiscal year 2036. Using rates as of June 30, 2020, scheduled fiscal year maturities of bonds payable and related interest expense are shown below. These amounts assume that the current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates change, interest rates on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. See Footnote 6 for information on derivative instruments.

| Fiscal Year<br>Ending June<br>30, | Fixed Rate Bonds<br>Total |                    | Fixed Rate Bonds    |                    |                     |                    | Variable Rate Bonds |                  | Hedging<br>Derivatives, |                     |
|-----------------------------------|---------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|------------------|-------------------------|---------------------|
|                                   | Principal                 | Interest           | Direct Placement    |                    | Other Debt          |                    | Principal           | Interest         | Net                     | Total               |
|                                   |                           |                    | Principal           | Interest           | Principal           | Interest           |                     |                  |                         |                     |
| 2021                              | 5,949,748                 | 1,554,570          | 2,204,748           | 702,838            | 3,745,000           | 851,732            | 500,000             | 151,899          | 35,628                  | 8,191,845           |
| 2022                              | 6,197,409                 | 1,309,092          | 2,267,409           | 642,674            | 3,930,000           | 666,418            | 510,000             | 135,252          | 31,722                  | 8,183,475           |
| 2023                              | 5,087,366                 | 1,066,284          | 2,327,366           | 580,827            | 2,760,000           | 485,457            | 520,000             | 118,273          | 27,740                  | 6,819,663           |
| 2024                              | 5,063,038                 | 863,626            | 2,393,038           | 517,242            | 2,670,000           | 346,384            | 540,000             | 100,880          | 23,661                  | 6,591,205           |
| 2025                              | 3,365,042                 | 679,283            | 2,455,042           | 451,899            | 910,000             | 227,384            | 560,000             | 82,824           | 19,426                  | 4,706,575           |
| 2026-2030                         | 13,726,068                | 1,828,928          | 9,611,068           | 1,347,553          | 4,115,000           | 481,375            | 2,080,000           | 138,647          | 32,520                  | 17,806,163          |
| 2031-2035                         | 4,593,205                 | 353,173            | 4,593,205           | 353,173            | -                   | -                  | -                   | -                | -                       | 4,946,378           |
| 2036                              | 262,427                   | 3,582              | 262,427             | 3,582              | -                   | -                  | -                   | -                | -                       | 266,009             |
| <b>Total</b>                      | <b>\$44,244,303</b>       | <b>\$7,658,538</b> | <b>\$26,114,303</b> | <b>\$4,599,788</b> | <b>\$18,130,000</b> | <b>\$3,058,750</b> | <b>\$4,710,000</b>  | <b>\$727,775</b> | <b>\$170,697</b>        | <b>\$57,511,313</b> |

## Bonds Secured by Dormitory Revenues

Bonds secured by dormitory revenues, are limited obligations of the University and are secured exclusively by a pledge of and lien on the net income as provided in the Indenture. Upon the occurrence of an event of default, the trustee will take appropriate action by judicial proceedings, or otherwise in respect of any existing default on the part of the University as the trustee may deem expedient in the interest of the holders of the bonds outstanding.

The Dormitory and Dining Facilities Revenue Bonds of 1983, Series A, were issued June 1983 by the Board of Trustees to fund construction for residential building of Vigo Hall. These bonds are secured by an income pledge of all net income generated from Vigo Hall and Tecumseh Dining Center.

The Auxiliary Facilities System Revenue Bonds, Series 2006, were issued in February 2006 by the Board of Trustees to refund the University's outstanding 1989, 1991 and 1996 series bonds for the construction of Vanderburgh and Godare Residence Halls. These bonds are secured by a pledge and parity lien on the net income from Auxiliary Facilities.

The Auxiliary Facilities System Revenue Bonds, Series 2009, were issued in November 2009 by the Board of Trustees to finance, refinance or reimburse certain costs of the renovation of Clark Residence Hall. These bonds are secured by a pledge and parity lien on the net income from Auxiliary Facilities.

The Auxiliary Facilities System Revenue Bonds, Series 2013, were issued in December 2013 by the Board of Trustees to finance a portion of the cost of acquiring or improving any

property for the Morris and Vanderburgh Residence Hall Renovations. These bonds are secured by a pledge and parity lien on the net income from Auxiliary Facilities.

## Bonds Secured by Student Fees

Bonds secured by student fees, are limited obligations of the University and are secured exclusively by a pledge of and lien on the student fees as provided in the Indenture. Upon the occurrence of an event of default, the trustee will have the right, upon demand to the University, to have all student fees deposited, as they are collected, in a fund to be maintained by the trustee, to invest as permitted and to apply amounts to the payment of principal or of interest on the bonds.

The following bonds are secured by a pledge of and first lien on all academic fees except the student union fees and other fees released from the lien of the Indenture pursuant to terms thereof.

The Vincennes University Student Fee Bonds, Series H, were issued on February 7, 2006, in the aggregate original principal amount of \$4,545,000. They bear interest at fixed rates as stated in the maturity schedule. The proceeds were used to fund construction of an academic building on the Jasper Campus.

The Vincennes University Student Fee Bonds, Series I, were issued on December 23, 2008, in the aggregate original principal amount of \$9,095,000. It bears a variable interest rate which is 65% of USD-LIBOR-BBA with a one day lookback plus 208.0 basis points; however, the University entered into a Swap Agreement fixing the rate at 4.09%. The

proceeds were used to fund the construction of the Indiana Center for Applied Technology and the renovation of the McCormick Science Center.

The Vincennes University Student Fee Bonds, Series J, were issued on March 10, 2010, to refinance the outstanding Variable Rate Demand Student Fee Bonds, Series F and G. The \$26,795,000 Student Fee Bond, Series J have a net interest cost of 3.858% and were issued to refund \$6,990,000 of outstanding Student Fee Bonds, Series F and \$21,065,000 of outstanding Student Fee Bonds, Series G.

The Vincennes University Student Fee Bonds, Series K, were issued on December 22, 2011. The \$5,895,000 Student Fee Bonds, Series K have a net interest cost of 3.16%. The proceeds were used to fund the Aquatic Center renovation of the Physical Education Complex and renovation expenditures for Davis Hall.

The Vincennes University Student Fee Bonds, Series L, were issued on December 11, 2012. The \$8,045,000 Student Fee Bonds, Series L have a net interest cost of 2.35%. The proceeds were used to fund the Jasper Center for Advanced Manufacturing and Technology.

The Vincennes University Student Fee Bonds, Series M, in the aggregate original principal amount of \$20,000,000 were issued to fund construction of Updike Hall-Center for Science, Engineering and Mathematics. Series M-1 (\$10,000,000) have a net interest cost of 2.73%, and were issued on December 18, 2015. Series M-2 (\$10,000,000) have a net interest cost of 2.42%, and were issued on February 4, 2016.

## Funds held with Bond Trustee

### Current Funds Expected to be Depleted Within a Year

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| Revenue Bonds, Series 2009                     | \$ 6,866          | \$ 6,386          |
| Revenue Bonds, Series 2006                     | 8,931             | 8,123             |
| Revenue Bonds, Series 2013                     | 455               | 287               |
| Other Bond & Interest Accounts                 | 1,590             | 4,361             |
| <b>Total Current Funds</b>                     | <b>\$ 17,842</b>  | <b>\$ 19,157</b>  |
| Dorm & Dining Bonds of<br>1983 A & B Vigo Hall | 219,712           | 218,858           |
| <b>Total Funds held with Bond Trustee</b>      | <b>\$ 237,554</b> | <b>\$ 238,015</b> |

## Note 10 Scholarships and Instruction

The endowment funds are classified under net position as Restricted for Scholarship & Instruction. They include both expendable and non-expendable funds. Net position for the endowment funds totaled \$6,245,899 as of June 30, 2020 and

\$6,130,691 as of June 30, 2019. The Opal C. Ramsey fund held \$3,928,368 of the total endowment funds at June 30, 2020 and \$3,850,111 at June 30, 2019.

## Note 11 TIAA/CREF Pension Plans

The University provides full time employees with a tax deferred 403(b) Retirement Annuity Plan (RA) through Teachers Insurance and Annuity Association of America (TIAA). This plan is a defined contribution plan under IRC 403(b). Income during retirement is based on the participant's total account balance. Participants are immediately 100% vested in both the funds contributed on their behalf and the earnings associated with those contributions. Participants may direct investments from many options available to allocate the contributions made on their behalf. An agreement between the University and TIAA is approved by the University Board of Trustees. The University contributes 10% of earned wages.

Faculty and professional staff hired prior to June 30, 2003, and having five or more years of continued employment, participate in a supplemental defined contribution retirement income plan with TIAA. The University contributes 5% of covered wages for this plan.

On June 30, 2020, 714 employees were covered by TIAA and total wages were \$38,795,969. During 2019-20, Vincennes University contributed \$3,718,652 to TIAA on the employees' behalf.

On June 30, 2019, 709 employees were covered by TIAA and total wages were \$38,687,874. During 2018-19, Vincennes University contributed \$3,642,135 to TIAA on the employees' behalf.

TIAA issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association of America, 730 Third Avenue, New York, NY 10017-3206.

## Note 12 TRF Pension Plans

### General Information about the Teachers' Retirement Pension Plans

**General Plan Description** The Indiana Retirement System (INPRS) is an independent instrumentality of the State of Indiana, administering twelve pension trust funds which includes the Indiana State Teachers' Retirement Fund (TRF). INPRS has the authority to establish and amend benefit terms of its pension trust funds. TRF was established by

the Indiana General Assembly in 1921. In 1955, TRF was designed as a pay-as-you-go defined benefit (DB) retirement plan. In 1995, legislation was passed that closed the pay-as-you-go plan (renamed the TRF Pre-1996 Account) to newly hired members and created a new account (named TRF 1996 Account) for all members hired after June 30, 1995. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit funds) were recategorized as defined contributions (DC) funds. DC member balances previously reported within TRF Pre-'96 DB and TRF '96 DB were transferred to the appropriate DC fund as of January 1, 2018. TRF is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.5.

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 governmental 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 adopts all applicable GASB pronouncements in accounting and reporting for its operations. Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRs Comprehensive Annual Financial Report (CAFR). This report may be obtained by writing the Indiana Public Retirement System, One North Capital, Suite 001, Indianapolis, IN 46204, or [www.in.gov/inprs/annualreports.htm](http://www.in.gov/inprs/annualreports.htm).

The following brief descriptions of TRF Pre-1996 Account and the TRF 1996 Account are provided for general information purposes only. Participants should refer to INPRS for more complete information. The actuarial assumptions for both plans follow the descriptions.

## **Teachers' Retirement Fund Pre-1996 Accounts (TRF Pre-1996)**

**Benefits** TRF Pre-1996 Defined Benefit (DB) is a pay-as-you-go cost sharing, multiple-employer defined benefit fund established to provide retirement, disability, and survivor benefits to teachers, administrators and certain INPRS employees. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.4, and 35 IAC 14 and other Indiana pension law. TRF Pre-'96' DB is a component of the Teachers' Hybrid Plan. The Teachers' Hybrid Plan consists of two components: TRF Pre-96 DB: the monthly employer-funded defined benefit component, along with TRF DC, a member-funded account.

**Membership** Membership in TRF Pre-'96 DB is closed to

new entrants. Membership is required for all legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees. Generally, members hired before 1996 participate in TRF Pre-'96 DB, and members hired after 1995 participate in TRF '96 DB.

**Contributions** According to statute, the TRF Pre-'96 DB Fund is funded primarily by appropriations from the state general fund and lottery proceeds. The Actuarially Determined Contribution (ADC) for TRF Pre-96 DB was \$947.4 million in 2019. This includes the base appropriation of \$892.2 million, a special appropriation of \$21.7 million for the 13th checks, \$30.0 million of lottery proceeds to fund the supplemental reserve account for postretirement benefits, and \$3.5 million of employer contributions from grant monies. Member contributions are not required. As a non-employer contributing entity, the State of Indiana contributed \$922.1 million in fiscal year 2018.

Members are required to contribute three percent of gross wages to their Defined Contribution Account. Employers have the option of making all or part of this contribution on behalf of the member in which Vincennes University elects to make the contribution. Members may also make voluntary contributions to the Defined Contribution Account up to an additional 10 percent of their wages, under certain limitations.

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

On June 30, 2020 and June 30, 2019, Vincennes University reported a liability of zero dollars. The State's proportionate share of the net pension liability is 100%. In the 2019 actuarial study, reported in the University's 2020 financial statements, standard actuarial roll forward techniques were used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date. The basis used by the actuary to determine the proportionate share of the net pension liability and corresponding pension amount is the actual contributions made to the Plan during the fiscal year since they are representative of future contributions.

In the 2018 actuarial study, reported in the University's 2019 financial statements, standard actuarial roll forward techniques were used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date. The basis used by the actuary to determine the employer's proportionate share is a weighted calculation using a combination of wages reported by employers relative to the collective wages of the plan, and benefits paid to the retirees of employers relative to the total benefits paid by the plan. The weighted calculation is the 31.5 percent for wages and 68.5 percent for the benefits paid, which are determined by the non-retirees and retirees

respective net pension liabilities. This method is used as it provided a fairer distribution so that employers with no active employees still show a proportionate share.

For the years ended June 30, 2020 and June 30, 2019, the University recognized pension expense totaling \$4,771,603 and \$4,782,810, along with non-operating revenue in the same amount for the State's contribution.

## Teachers' Retirement Fund 1996 Account (TRF 1996)

**Benefits** TRF '96 DB is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.4, 35 IAC 14 and other Indiana pension law. The Teachers' Hybrid Plan consists of two components: TRF 96 DB: the monthly employer-funded defined benefit component, along with TRF DC, a member-funded account.

**Membership** Membership in TRF '96 DB is required for all legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees. Additionally, faculty members and professional employees at Ball State University and Vincennes University have the option of selecting membership in the Fund or an alternate University plan not administered by INPRS. Membership in TRF '96 DB is optional for teachers employed by charter schools, employees and officials of the Indiana State Board of Education who were Indiana licensed teachers before their employment with the Board, and teachers employed by special management teams as defined under IC 20-31.

**Contributions** Employer contribution rates for the 1996 Account are determined annually by the INPRS Board based on recommendations by the INPRS actuary. The funding policy provided for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As the TRF 1996 Account is a cost-sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers. During fiscal year 2019, all participating employers in the TRF 1996 Account were required to contribute 7.50 percent of the covered payroll in which the University contributed \$49,680 based on payroll totaling \$662,397. During fiscal year 2018, all participating employers in the TRF 1996 Account were required to contribute 7.50 percent of the covered payroll in which the University contributed \$67,271 based on payroll totaling \$896,943.

Members are required to contribute three percent of gross wages to their Defined Contribution Account. Employers

have the option of making all or part of this contribution on behalf of the member in which Vincennes University elects to make the contribution. Members may also make voluntary contributions to the Defined Contribution Account up to an additional 10 percent of their wages, under certain limitations.

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

At June 30, 2020, Vincennes University reported an asset of \$29,192 for its proportionate share of the net pension liability. Standard actuarial roll forward techniques were used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date. Wages reported by employers relative to the collective wages of the plan serve as the basis to determine the employer's proportionate share. This basis of allocations measures the proportionate relationship of an employer to all employers and it consistent with the manner in which contributions to the pension plan are determined. At June 30, 2019, the University's proportion was .02032 percent.

At June 30, 2019, Vincennes University reported a liability of \$31,654 for its proportionate share of the net pension liability. Standard actuarial roll forward techniques were used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date. Wages reported by employers relative to the collective wages of the plan serve as the basis to determine the employer's proportionate share. This basis of allocations measures the proportionate relationship of an employer to all employers and it consistent with the manner in which contributions to the pension plan are determined. At June 30, 2018, the University's proportion was .02854 percent.

For the years ended June 30, 2020 and June 30, 2019, VU recognized pension expense of \$33,978 and \$57,997 respectively. On June 30, 2020 and June 30, 2019, VU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

| <b>2020</b>   |                                   |                                  |
|---|-----------------------------------|----------------------------------|
|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Differences between expected and actual experience  | \$ 11,809                         | \$ 33,197                        |
| Changes of assumptions  | 34,485                            | 66,330                           |
| Net difference between projected and actual earnings on pension plan investments                              | -                                 | 15,978                           |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 165                               | 114,346                          |
| Employer contributions subsequent to the measurement date   | 26,664                            | -                                |
| <b>Totals</b>   | <b>\$ 73,123</b>                  | <b>\$ 229,851</b>                |

Employer contributions totaling \$26,664 reported as deferred outflows of resources related to pensions resulting from VU's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

| <b>2019</b>   |                                   |                                  |
|---|-----------------------------------|----------------------------------|
|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Differences between expected and actual experience  | \$ 18,153                         | \$ 45,394                        |
| Changes of assumptions  | 53,816                            | 102,619                          |
| Net difference between projected and actual earnings on pension plan investments                              | 3,898                             | -                                |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 181                               | 66,283                           |
| Employer contributions subsequent to the measurement date   | 49,331                            | -                                |
| <b>Totals</b>   | <b>\$ 125,379</b>                 | <b>\$ 214,296</b>                |

Employer contributions totaling \$49,331 were reported as deferred outflows of resources related to pensions resulting from VU's contributions subsequent to the measurement date. This amount was recognized as a reduction of the net pension liability in the year ended June 30, 2020.

In the 2019 actuarial study, reported in the University's 2020 financial statements, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |             |
|----------------------------|-------------|
| 2020                       | \$ (16,763) |
| 2021                       | (25,966)    |
| 2022                       | (23,763)    |
| 2023                       | (18,697)    |
| 2024                       | (17,303)    |
| Thereafter                 | (80,900)    |

*The 2020 Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate (as reported in the 2019 Actuarial Report)* The following presents the University's proportionate share of the net pension liability calculated

using the discount rate of 6.75 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

| Net Pension Liability Discount Rate Sensitivity             |                        |                    |                        |
|---|------------------------|--------------------|------------------------|
|   | 1% Decrease<br>(5.75%) | Current<br>(6.75%) | 1% Increase<br>(7.75%) |
| Employer's proportionate share of the net pension liability | \$ 178,712             | \$ (29,192)        | \$ (197,589)           |

In the 2018 actuary study, reported in the University's 2019 financial statements, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

### Year ended June 30:

|            |          |
|------------|----------|
| 2019       | \$ 5,044 |
| 2020       | (10,743) |
| 2021       | (23,670) |
| 2022       | (20,575) |
| 2023       | (13,460) |
| Thereafter | (74,844) |

***The 2019 sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate (as reported in the 2018 Actuarial Report)*** The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

| Net Pension Liability Discount Rate Sensitivity             |                        |                    |                        |
|---|------------------------|--------------------|------------------------|
|   | 1% Decrease<br>(5.75%) | Current<br>(6.75%) | 1% Increase<br>(7.75%) |
| Employer's proportionate share of the net pension liability | \$ 305,991             | \$ 31,654          | \$ (190,229)           |

### Actuarial Assumptions for TRF Pre-1996 and TRF 1996 for 2020

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |  |
|----------------------------|--|
| Asset Valuation Date       | June 30, 2019  |
| Liabilities                | June 30, 2018- Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. |
| Actuarial Cost Method      | Entry Age Normal (Level Percent of Payroll)  |
| Inflation                  | 2.25%  |
| Salary increases           | 2.50% to 12.50%, including inflation   |
| Investment rate of return  | 6.75% (includes inflation and net investment expenses)   |
| Cost-of-living adjustments | 2020-2021- 13th check<br>2022-2033 - 0.40%<br>2034-2038 - 0.50%<br>2039 and on - 0.60%   |
| Experience Study Data      | Period of 3 years ended June 30, 2014  |

Mortality rates were based on the RP-2014 White Collar and Disabled Mortality Tables, with Social Security Administration generational improvement scale from 2006.

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. Various real return premiums over the baseline inflation rate have been established for each asset class. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected on a 30-year time horizon. These returns are combined with a projected covariance matrix and the target allocations to create

a range of expected longer-term real rates for the portfolio.

| Global Asset Classes               | Target Allocation | Geometric Basis Long-Term Expected Real Rate of Return |
|------------------------------------|-------------------|--|
| Public Equity                      | 22.00%            | 4.9%   |
| Private Equity                     | 14.00%            | 7.0%   |
| Fixed Income - Ex Inflation-Linked | 20.00%            | 2.5%   |
| Fixed Income - Inflation-Linked    | 7.00%             | 1.3%   |
| Commodities                        | 8.00%             | 2.0%   |
| Real Estate                        | 7.00%             | 6.7%   |
| Absolute Return                    | 10.00%            | 2.9%   |
| Risk Party                         | 12.00%            | 5.3%   |

**Discount Rate** The Total Pension Liability (TPL) for each defined benefit pension plan was calculated using the long-term expected rate of return of 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by Indiana statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's Fiduciary Net Position were 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 TPL for each plan.

### Actuarial Assumptions for TRF Pre-1996 and TRF 1996 for 2019

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

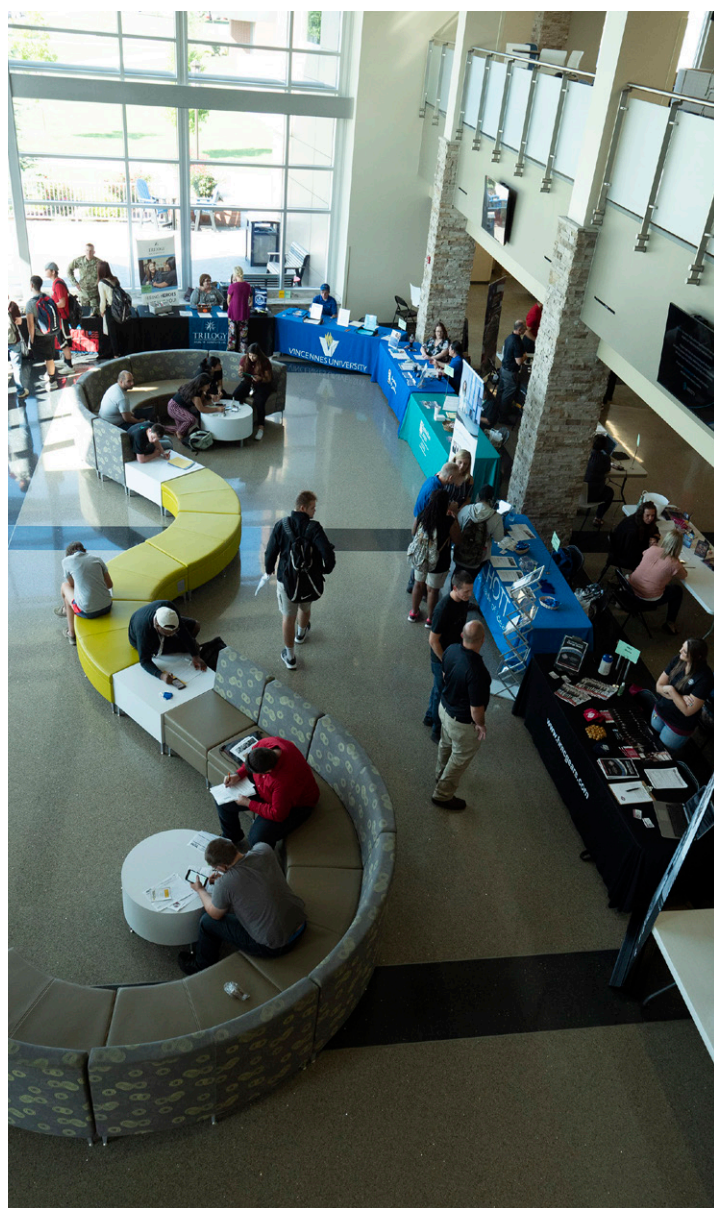
|                            |  |
|----------------------------|--|
| Asset Valuation Date       | June 30, 2018  |
| Liabilities                | June 30, 2017 - Member census data as of June 30, 2017 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date. |
| Actuarial Cost Method      | Entry Age Normal (Level Percent of Payroll)  |
| Inflation                  | 2.25%  |
| Salary increases           | 2.50% to 12.50%, including inflation   |
| Investment rate of return  | 6.75%  |
| Cost-of-living adjustments | 2019-2020 - 13th check<br>2021-2032 - 0.40%<br>2033-2037 - 0.50%<br>2038 and on - 0.60%  |
| Experience Study Data      | Period of 3 years ended June 30, 2014  |

Mortality rates were based on the RP-2014 White Collar and Disabled Mortality Tables, with Social Security Administration generational improvement scale from 2006.

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. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

| Global Asset Classes               | Target Allocation | Geometric Basis Long-Term Expected Real Rate of Return |
|------------------------------------|-------------------|--|
| Public Equity                      | 22.00%            | 4.4%   |
| Private Equity                     | 14.00%            | 5.4%   |
| Fixed Income - Ex Inflation-Linked | 20.00%            | 2.2%   |
| Fixed Income - Inflation-Linked    | 7.00%             | .8%  |
| Commodities                        | 8.00%             | 2.3%   |
| Real Estate                        | 7.00%             | 6.5%   |
| Absolute Return                    | 10.00%            | 2.7%   |
| Risk Party                         | 12.00%            | 5.2%   |

**Discount Rate** Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the 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 State statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's fiduciary net position were 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 for each plan.



## Note 13 Other Postemployment Benefits

This note reports the other postemployment benefits for fiscal years 2020 and 2019.

**Plan description** - Vincennes University Healthcare Plan is a single-employer defined benefit healthcare plan administered by Anthem. Vincennes University's Board of Trustees has the authority to establish and amend benefit provisions.

**Benefits provided** - The plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Employees are eligible for health care benefits if they meet one of the following:

- Earlier of (a) age 55 with 20 years of service or (b) age 65 with 10 years of service for employees hired prior to July 1, 1997
- Age 55 and rule of 85 (when age plus number of years worked is 85 or greater) for employees hired on after July 1, 1997

**Employees covered by benefit terms** - At June 30, 2020 and 2019, the number of employees covered by the benefit terms:

|  | 2020         | 2019         |
|--|--------------|--------------|
| Active Employees   | 710          | 704          |
| Inactive or beneficiaries currently receiving benefit payments | 305          | 313          |
| <b>Total</b>   | <b>1,015</b> | <b>1,017</b> |

**Contributions** - The contribution requirements of plan members for the Vincennes University Healthcare Plan are established by the University. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the actuarial study. For the fiscal years ended June 30, 2020 and 2019, the University contributed \$3,036,891 and \$2,415,203 for current retiree premiums (approximately 65% to 70% of total premiums).

In 2020, retiree plan members receiving benefits contributed approximately \$1,325,336 or approximately 30% of the total premiums, through their required contribution of \$265 per month for retiree-only coverage, and \$508 per month for retiree and spouse coverage. In 2019, retiree plan members receiving benefits contributed approximately \$1,325,259 or approximately 35% of the total premiums, through their required contribution of \$246 per month for retiree-only coverage, and \$471 per month for retiree and spouse coverage.

**Net OPEB Liabilities** - The University's net OPEB liabilities

were measured as of June 30, 2020 and 2019, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of those dates.

**Actuarial Assumptions** - The total OPEB liabilities (asset) as of June 30, 2020 were determined based on actuarial valuations prepared as of June 30, 2019. The total OPEB liabilities (asset) determined for 2019 were based on actuarial valuations prepared as of June 30, 2018. The following actuarial assumptions were used:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Inflation - 2.25%
- Payroll Growth – Based on Public Employees Retirement Fund actuarial valuation as of June 30, 2019 is as follows:

| Age   | Rate  |
|-------|-------|
| <31   | 2.00% |
| 31-45 | 1.50% |
| 46-55 | 1.00% |
| 56-60 | 0.50% |
| 61+   | 0.25% |

- Investment Rate of Return was 4.60% as of June 30, 2020 and 5.20% as of July 1, 2019.
- Retirement Age - Retirement rates are as shown below and they are based on the University’s actual retirement experience in 2011 through 2016.

| Age   | Rate    |
|-------|---------|
| 55-56 | 3.50%   |
| 57-58 | 4.00%   |
| 59    | 8.00%   |
| 60    | 17.50%  |
| 61    | 30.00%  |
| 62    | 20.00%  |
| 63    | 25.00%  |
| 64    | 30.00%  |
| 65-66 | 40.00%  |
| 67+   | 100.00% |

- Turnover Rates - Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. Withdrawal rates are based on standard withdrawal table Saranson T-9 adjusted to reflect the University’s actual withdrawal experience in 2011 through 2016.

- Healthcare cost trend rates: 8.5 percent for 2020 and 8.0 percent for 2021, decreasing .5 percent per year to an ultimate rate of 4.50 percent for 2028 and later years.
- Mortality Rates – For 2020, SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 was used for general employees and retirees. SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 was used for surviving spouses.
- For 2019, RPH-2017 Total Dataset Mortality fully generational using Scale MP-2017 (RPH-2017 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2017 using MP-2017 improvement).
- Spousal Coverage - 65% of male employees and 45% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. Actual spouse coverage and age is used for retirees.

The University’s last experience study was conducted in 2016.

**Discount Rate** – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 4.60% for 2020 and 5.20% for 2019. The plan’s net fiduciary position is projected to be sufficient to make projected benefit payments. When the OPEB plan investments are insufficient to meet the cash flow needs of the plan, a yield for 20-year tax exempt general obligation municipal bonds with average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used.

The long-term expected rate of return on OPEB plan investment was assumed to be 4.60% for 2020 and 5.20% for 2019. 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. This method was prescribed by GASB 75 which eliminated using general rates of return and best estimates. 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 (2.30%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation remained unchanged for 2020 and 2019; however, the long-term expected rate of return decreased from 2019 to 2020 as summarized below:

| <b>Asset Class</b>          | Target Allocation | 2020 L/T Expected ROR | 2019 L/T Expected ROR |
|-----------------------------|-------------------|-----------------------|-----------------------|
| U.S. Broad Equity           | 26.00%            | 7.10%                 | 7.10%                 |
| Global ex-U.S. Equity       | 8.00%             | 7.30%                 | 7.20%                 |
| Domestic Fixed Income       | 41.00%            | 2.80%                 | 3.70%                 |
| Short Duration Fixed Income | 20.00%            | 2.70%                 | 3.40%                 |
| Cash Equivalents            | 5.00%             | 2.30%                 | 2.50%                 |
| <b>Total</b>                | <b>100.00%</b>    | <b>4.60%</b>          | <b>5.20%</b>          |

**Changes in Net OPEB Liability** – The following table reports the components of 2020 changes in net OPEB liability:

|   | <b>Schedule of Changes in Net OPEB Liability</b> |                                    |                                   |
|---|--|------------------------------------|-----------------------------------|
|   | <b>Increase (Decrease)</b>                       |                                    |                                   |
|   | <b>Total OPEB Liability</b>                      | <b>Plan Fiduciary Net Position</b> | <b>Net OPEB Liability (Asset)</b> |
| <b>Beginning Balance</b>                          | \$ 63,468,044                                    | \$ 62,396,812                      | \$ 1,071,232                      |
| <b>Changes for the Year</b>                       |  |                                    |                                   |
| Service cost                                      | 376,951  | -                                  | 376,951                           |
| Interest  | 3,242,584  | -                                  | 3,242,584                         |
| Difference between expected and actual experience | (15,374,012)                                     | -                                  | (15,374,012)                      |
| Changes in assumptions                            | 1,305,275  | -                                  | 1,305,275                         |
| Benefit Payments                                  | (3,013,396)                                      | (3,013,396)                        | -                                 |
| Contributions - Employer                          | -  | 3,036,891                          | (3,036,891)                       |
| Net Investment income                             | -  | 1,922,418                          | (1,922,418)                       |
| Administrative expense                            | -  | (47,897)                           | 47,897                            |
| <b>Net Change</b>                                 | \$ (13,462,598)                                  | \$ 1,898,016                       | \$ (15,360,614)                   |
| <b>Ending Balance</b>                             | \$ 50,005,446                                    | \$ 64,294,828                      | \$ (14,289,382)                   |

The following table reports the components of 2019 changes in net OPEB liability:

|   | Schedule of Changes in Net OPEB Liability |                             |                            |
|---|---|-----------------------------|----------------------------|
|   | Increase (Decrease)                       |                             |                            |
|   | Total OPEB Liability                      | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
| <b>Beginning Balance</b>                          | \$ 59,902,789                             | \$ 59,593,258               | \$ 309,531                 |
| <b>Changes for the Year</b>                       |   |                             |                            |
| Service cost                                      | 382,426                                   | -                           | 382,426                    |
| Interest  | 2,718,431                                 | -                           | 2,718,431                  |
| Difference between expected and actual experience | 7,993,123                                 | -                           | 7,993,123                  |
| Changes in assumptions                            | (5,123,923)                               | -                           | (5,123,923)                |
| Benefit Payments                                  | (2,404,802)                               | (2,404,802)                 | -                          |
| Contributions - Employer                          | -   | 2,415,203                   | (2,415,203)                |
| Net Investment income                             | -   | 2,838,090                   | (2,838,090)                |
| Administrative expense                            | -   | (44,937)                    | 44,937                     |
| <b>Net Change</b>                                 | \$ 3,565,255                              | \$ 2,803,554                | \$ 761,701                 |
| <b>Ending Balance</b>                             | \$ 63,468,044                             | \$ 62,396,812               | \$ 1,071,232               |

**Sensitivity Results** The following presents the Net OPEB Liability (Asset) as of June 30, 2020 and 2019, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

| As of June 30, 2020         | Net OPEB Liability |
|-----------------------------|--------------------|
| 1% Decrease 3.60%           | \$ (7,402,426)     |
| Current Discount Rate 4.60% | \$ (14,289,382)    |
| 1% Increase 5.60%           | \$ 19,939,955      |

| As of June 30, 2019         | Net OPEB Liability |
|-----------------------------|--------------------|
| 1% Decrease 4.20%           | \$ 9,983,358       |
| Current Discount Rate 5.20% | \$ 1,071,232       |
| 1% Increase 6.20%           | \$ (6,211,273)     |

The following presents the Net OPEB Liability (Asset) as of June 30, 2020, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 9.00%, decreasing to an ultimate rate of 5.50%.

| As of June 30, 2020 | Net OPEB Liability |
|---------------------|--------------------|
| 1% Decrease         | \$ (19,410,822)    |
| Current Trend Rates | \$ (14,289,382)    |
| 1% Increase         | \$ (8,141,741)     |

The following presents the Net OPEB Liability as of June 30, 2019, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.50%, decreasing to an ultimate rate of 5.00%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.50%, decreasing to an ultimate rate of 4.00%.
- The 1% increase in health care trend rates would assume an initial rate of 9.50%, decreasing to an ultimate rate of 6.00%.

| As of June 30, 2019 | Net OPEB Liability |
|---------------------|--------------------|
| 1% Decrease         | \$ (6,086,907)     |
| Current Trend Rates | \$ 1,071,232       |
| 1% Increase         | \$ 9,732,393       |

**Deferred Outflows / (Inflows) of Resources** For the years ending June 30, 2020 and 2019, the University recognized OPEB expenses of \$(52,293) and \$2,479,002. The University reported deferred outflows of resources and deferred inflows of resources related OPEB from the following sources:

|  | 2020                           |                               | 2019                           |                               |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|  | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience                            | \$ 4,795,873                   | \$ (15,343,132)               | \$ 6,394,498                   | \$ (4,565,883)                |
| Changes in Assumptions   | 6,865,812                      | (3,074,353)                   | 8,732,387                      | (4,099,138)                   |
| Net difference between projects and actual earnings on OPEB plan investments | 1,318,384                      | (58,552)                      | 391,667                        | (78,069)                      |
| <b>Total</b>   | <b>\$ 12,980,069</b>           | <b>\$ (18,476,037)</b>        | <b>\$ 15,518,552</b>           | <b>\$ (8,743,090)</b>         |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB expenses are as follows:

| Year ended June 30, 2020: | Amount         | Year ended June 30, 2019: | Amount       |
|---------------------------|----------------|---------------------------|--------------|
| 2021                      | \$ (475,717)   | 2020                      | \$ 2,073,712 |
| 2022                      | \$ (475,713)   | 2021                      | \$ 2,073,712 |
| 2023                      | \$ (1,995,107) | 2022                      | \$ 2,073,716 |
| 2024                      | \$ (2,549,431) | 2023                      | \$ 554,322   |
| 2025                      | \$ -           | 2024                      | \$ -         |
| Thereafter                | \$ -           | Thereafter                | \$ -         |

## Note 14 Risk Management

The University is exposed to various risks of loss: torts, theft, damage or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; and health and other medical benefits provided to employees and their dependents. The University handles these risks of loss through combinations of risk retention and commercial insurance. For building and contents, the risk retention is \$100,000 per incident. General liability, commercial crime, cyber crime, aviation, worker's compensation, commercial automobile, and medical malpractice are all handled through fully insured commercial policies. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

For health benefits, the University has an insured self-funded arrangement. The University retains the risk for medical benefits up to a maximum stop loss provision of \$325,000 per member. There is a liability for incurred but unpaid claims. This liability is estimated to be \$1,203,986 for the fiscal year 2019-20. The estimated liability for the fiscal year 2018-19 was \$976,802. The University changed to Maxor as the administrator of the employee drug benefit program on January 1, 2020.

The liability, for medical claims incurred but not reported at June 30, 2020, is based on an average monthly claim multiplied by the plan's provider's average turnaround time from when the claims are incurred to when the claims are submitted for payment.

Changes in the total reported self-insured health, dental & drug benefit liability during the years ending June 30, 2020 and 2019 were as follows:

|                            | 2020         | 2019         |
|----------------------------|--------------|--------------|
| Balance, beginning of year | \$ 976,802   | \$ 870,234   |
| Claims incurred            | 13,351,971   | 12,737,647   |
| Claim payments             | (13,124,787) | (12,631,079) |
| Balance, end of year       | \$ 1,203,986 | \$ 976,802   |

## Note 15 Deposits Held in Custody of Others

As of June 30, 2020 and 2019, the University held \$1,822,790 and \$1,680,033 in deposits for Complete College America, Inc. Complete College America, Inc. is a 501(c)(3), nonprofit charitable organization working to significantly increase the number of Americans with a college degree or credential of value and to close attainment gaps for traditionally underrepresented populations.

At June 30, 2020, the University also held \$1,350,000 in deposits for the Wabash River Regional Development Authority. The Wabash River RDA includes Knox, Sullivan, and Vigo counties and was formed as part of the State's Regional Cities Initiative.

Student club accounts represent the remaining balance of deposits held by the University for others at June 30, 2020, and 2019.



## NOTE 16 Functional Statement

### Operating expenses by functional classification are summarized as of June 30:

| 2020                               | Salaries and Benefits | Scholarships/ Fellowships | Supplies and Other Services | Equipment           | Depreciation         | Total                 |
|------------------------------------|-----------------------|---------------------------|-----------------------------|---------------------|----------------------|-----------------------|
| Instruction                        | \$ 36,334,528         | \$ -                      | \$ 9,279,470                | \$ 1,607,707        | \$ -                 | \$ 47,221,705         |
| Academic Support                   | 3,744,472             | -                         | 1,067,795                   | 211,217             | -                    | 5,023,484             |
| Public Service                     | 5,716,149             | -                         | 3,271,319                   | 165,057             | -                    | 9,152,525             |
| Student Service                    | 4,391,870             | -                         | 2,185,608                   | 27,696              | -                    | 6,605,174             |
| Operation and Maintenance of Plant | 3,780,723             | -                         | 4,121,669                   | 1,522,981           | -                    | 9,425,373             |
| Institutional Support              | 7,209,446             | -                         | 2,047,728                   | 48,878              | -                    | 9,306,052             |
| Depreciation                       | -                     | -                         | -                           | -                   | 12,401,823           | 12,401,823            |
| Auxiliary Enterprises              | 3,385,510             | -                         | 5,406,322                   | 79,326              | -                    | 8,871,158             |
| Student Aid Expense                | -                     | 10,340,651                | -                           | -                   | -                    | 10,340,651            |
| <b>Total Operating Expenses</b>    | <b>\$ 64,562,698</b>  | <b>\$ 10,340,651</b>      | <b>\$ 27,379,911</b>        | <b>\$ 3,662,862</b> | <b>\$ 12,401,823</b> | <b>\$ 118,347,945</b> |

### Operating expenses by functional classification are summarized as of June 30:

| 2019                               | Salaries and Benefits | Scholarships/ Fellowships | Supplies and Other Services | Equipment           | Depreciation         | Total                 |
|------------------------------------|-----------------------|---------------------------|-----------------------------|---------------------|----------------------|-----------------------|
| Instruction                        | \$ 36,279,664         | \$ -                      | \$ 9,788,064                | \$ 1,545,921        | \$ -                 | \$ 47,613,649         |
| Academic Support                   | 3,710,551             | -                         | 1,189,269                   | 240,357             | -                    | 5,140,177             |
| Public Service                     | 5,640,294             | -                         | 3,855,177                   | 311,355             | -                    | 9,806,826             |
| Student Service                    | 4,421,753             | -                         | 2,327,753                   | 49,200              | -                    | 6,798,706             |
| Operation and Maintenance of Plant | 3,660,290             | -                         | 3,912,837                   | 532,056             | -                    | 8,105,183             |
| Institutional Support              | 8,862,886             | -                         | 1,960,535                   | 97,881              | -                    | 10,921,302            |
| Depreciation                       | -                     | -                         | -                           | -                   | 11,169,851           | 11,169,851            |
| Auxiliary Enterprises              | 3,508,692             | -                         | 6,457,378                   | 56,120              | -                    | 10,022,190            |
| Student Aid Expense                | -                     | 7,481,028                 | -                           | -                   | -                    | 7,481,028             |
| <b>Total Operating Expenses</b>    | <b>\$ 66,084,130</b>  | <b>\$ 7,481,028</b>       | <b>\$ 29,491,013</b>        | <b>\$ 2,832,890</b> | <b>\$ 11,169,851</b> | <b>\$ 117,058,912</b> |



## Note 17 Operating Leases

For the fiscal years ended June 30, 2020 and 2019, the University spent \$656,329 and \$541,818 on operating leases which are included in supplies and other services in the Statement of Revenue, Expenses, and Changes in Net Position. Of the lease totals, \$651,457 was spent on leasing off-campus classroom and office space in fiscal year 2020, and \$531,040 in fiscal year 2019. The remaining amounts of \$4,872 for 2020, and \$10,778 for 2019, were spent on equipment leases.

The following schedule displays the noncancelable operating lease agreements for the rental of facilities by fiscal year.

| <b>Future Minimum Lease Payments</b>       |                    |                   |
|--|--------------------|-------------------|
| <b>Fiscal Year Ending June 30</b>          | <b>2020</b>        | <b>2019</b>       |
| 2020                                       | \$ -               | \$ 142,066        |
| 2021                                       | 433,923            | 188,599           |
| 2022                                       | 252,856            | -                 |
| 2023                                       | 224,136            | -                 |
| 2024                                       | 200,000            | -                 |
| 2025                                       | 200,000            | -                 |
| <b>Total Future Minimum Lease Payments</b> | <b>\$1,310,915</b> | <b>\$ 330,665</b> |

## Note 18 Insurance Recoveries

On April 8, 2020, the University experienced strong storms causing significant damage to Harrison Hall dorm and the surrounding area on the Vincennes campus. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, insurance recovery totaling \$3,559,301 received during the fiscal year 2020 was used to offset the amount of loss totaling \$1,274,784 for Harrison Hall. The net amount of \$2,284,517 for Harrison Hall and additional funds totaling \$235,470, for other damage on the Vincennes campus, are reported on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenue.

Additional insurance proceeds may be received in subsequent years as settlements are negotiated and processed; however, as of the issuance date of these financial statements, those amounts are not yet known.

## Note 19 Subsequent Events

The Indiana General Assembly's 2019-21 biennium budget included appropriations for University capital projects totaling \$26.3 million. The appropriated funds are being used for new electrical substations and related campus infrastructure, HVAC upgrades for both the Shircliff Humanities Building and Summer's Social Science Building, and renovation to the advanced manufacturing and product design industrial laboratories. Renovations will continue in the 2020-21 fiscal year.

The COVID-19 outbreak has contributed to a significant drop in tax collections for the State of Indiana. In response to an expected budget shortfall, the State has issued budget cuts across the board including a 7% reduction in funding for higher education in 2020-21. Vincennes University is one of seven Indiana public college systems impacted by the decrease in funding. Certain COVID-19 relief packages approved by Congress could help to offset a portion of the State funding cut.

As of September 2020, the University has spent approximately \$2.4 million combating the impact of COVID-19. These costs include reimbursing students for Spring 2020 housing, improving technology for online classes, purchasing personal protective supplies and equipment, and providing isolation housing for students. The University has received CARES funding which has partially offset these costs. As these costs continue, the University is seeking alternative funding sources.

## Note 20 Vincennes University Foundation Investments

Investments are presented in the financial statements in the aggregate at market value. Realized and unrealized gains (losses) are recorded as current income in the statement of activities and changes in net assets. Investment return is presented net of investment fees. A comparison with book (cost) value is as follows:

|                            | June 30, 2020        |                       | June 30, 2019        |                       |
|----------------------------|----------------------|-----------------------|----------------------|-----------------------|
|                            | Cost                 | Market                | Cost                 | Market                |
| Without Donor Restrictions | \$ 2,176,783         | \$ 2,252,446          | \$ 2,428,141         | \$ 2,192,055          |
| With Donor Restrictions    | 97,592,316           | 100,656,066           | 96,736,695           | 98,617,529            |
| <b>Totals</b>              | <b>\$ 99,769,099</b> | <b>\$ 102,908,512</b> | <b>\$ 99,164,836</b> | <b>\$ 100,809,584</b> |

**Investments composed of:**

|                                |                      |                       |                      |                       |
|--------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| U.S. Government Bonds          | \$ 3,467,812         | \$ 3,641,422          | \$ 3,968,818         | \$ 4,008,909          |
| Common Stock                   | 90,841,659           | 93,772,432            | 90,906,723           | 92,508,366            |
| Certificates of Deposit        | 725,000              | 760,030               | -                    | -                     |
| Miscellaneous Cash Equivalents | 4,734,628            | 4,734,628             | 4,289,295            | 4,292,309             |
| <b>Totals</b>                  | <b>\$ 99,769,099</b> | <b>\$ 102,908,512</b> | <b>\$ 99,164,836</b> | <b>\$ 100,809,584</b> |

The market value of the Foundation's investments in U.S. Government Bonds are measured by Level 2 inputs, while all other investments are measured by Level 1 inputs in accordance with ASC 820.

## Schedules of Required Supplementary Information

### Schedule of Employer's Share of Net Pension Liability

*Teachers' Retirement Fund Pre-1996 Accounts (TRF Pre-1996)*

Last 10 Fiscal Years\*

|   | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| 1. Employer's proportion of the net pension liability (asset)   | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| 2. Employer's proportionate share of the net pension liability (asset)  | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 3. The portion of the non-employer contributing entities total proportionate share (amount) of the collective NPL associated with the employer. | 100.00%      | 100.00%      | 100.00%      | 100.00%      | 100.00%      | 100.00%      |
| 4. Employer's covered-employee payroll  | \$ 2,921,880 | \$ 4,680,280 | \$ 4,171,811 | \$ 4,958,979 | \$ 5,211,158 | \$ 7,186,887 |
| 5. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll                          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 6. Plan fiduciary net position as a percentage of the total pension liability**   | 26.10%       | 25.40%       | 23.10%       | 22.60%       | 23.60%       | 25.90%       |

\*Complete data for this schedule is not available prior to 2014.

\*\* Adjusted to reflect DB activity only due to the DB/DC split effective January 1, 2018.

Measurement Dates were 6/30/2019, 6/30/2018, 6/30/2017, 6/30/2016, 6/30/2015 and 6/30/2014.

## Schedule of Employer Contributions

### Teachers' Retirement Fund Pre-1996 Accounts Last 10 Fiscal Years\*

|  | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contribution                                  | \$ 219,141   | \$ 351,021   | \$ 312,886   | \$ 371,923   | \$ 293,388   | \$ 269,508   |
| Contributions in relation to the statutorily required contribution | \$ 219,141   | \$ 351,021   | \$ 312,886   | \$ 371,923   | \$ 293,388   | \$ 269,508   |
| Contribution deficiency (excess)                                   | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Employer's covered-employee payroll                                | \$ 2,921,880 | \$ 4,680,280 | \$ 4,171,811 | \$ 4,958,979 | \$ 5,211,158 | \$ 7,186,887 |
| Contributions as percentage of covered-employee payroll            | 7.50%        | 7.50%        | 7.50%        | 7.50%        | 5.63%        | 3.75%        |

\* Complete data for this schedule is not available prior to 2014.

## Schedule of Employer's Share of Net Pension Liability

### Teachers' Retirement Fund 1996 Accounts (TRF 1996) Last 10 Fiscal Years\*

|  | 2019        | 2018       | 2017       | 2016         | 2015         | 2014         |
|--|-------------|------------|------------|--------------|--------------|--------------|
| 1. Employer's proportion of the net pension liability (asset)  | 0.0203200%  | 0.0285400% | 0.0314000% | 0.0362700%   | 0.0410200%   | 0.0527100%   |
| 2. Employer's proportionate share of the net pension liability (asset)   | \$ (29,192) | \$ 31,654  | \$ 207,930 | \$ 283,095   | \$ 216,002   | \$ 25,064    |
| 3. Employer's covered-employee payroll   | \$ 662,397  | \$ 896,943 | \$ 947,989 | \$ 1,044,676 | \$ 1,124,175 | \$ 1,364,195 |
| 4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 3.50%       | 3.50%      | 21.90%     | 27.10%       | 19.20%       | 1.80%        |
| 5. Plan fiduciary net position as a percentage of the total pension liability **                                       | 102.40%     | 98.00%     | 88.00%     | 84.90%       | 88.90%       | 98.80%       |

\*Complete data for this schedule is not available prior to 2014.

\*\* Adjusted to reflect DB activity only due to the DB/DC split effective January 1, 2018.

Measurement Dates were 6/30/2019, 6/30/2018, 6/30/2017, 6/30/2016, 6/30/2015 and 6/30/2014.

## Schedule of Employer Contributions

### Teachers' Retirement Fund 1996 Accounts (TRF 1996) Last 10 Fiscal Years\*

|  | 2019       | 2018       | 2017       | 2016         | 2015         | 2014         |
|--|------------|------------|------------|--------------|--------------|--------------|
| Statutorily required contribution                                  | \$ 49,680  | \$ 67,271  | \$ 71,099  | \$ 78,351    | \$ 84,313    | \$ 102,315   |
| Contributions in relation to the statutorily required contribution | \$ 49,680  | \$ 67,271  | \$ 71,099  | \$ 78,351    | \$ 84,313    | \$ 102,315   |
| Contribution deficiency (excess)                                   | \$ -       | \$ -       | \$ -       | \$ -         | \$ -         | \$ -         |
| Employer's covered-employee payroll                                | \$ 662,397 | \$ 896,943 | \$ 947,989 | \$ 1,044,676 | \$ 1,124,175 | \$ 1,364,195 |
| Contributions as percentage of covered-employee payroll            | 7.50%      | 7.50%      | 7.50%      | 7.50%        | 7.50%        | 7.50%        |

\* Complete data for this schedule is not available prior to 2014.

## Vincennes University Health Care Plan

Schedule of Changes in Net OPEB Liability & Related Ratios \*\*\*

|  | 2020                   | 2019                 | 2018                 |
|--|------------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>  |                        |                      |                      |
| Service cost   | \$ 376,951             | \$ 382,426           | \$ 270,195           |
| Interest   | 3,242,584              | 2,718,431            | 3,310,012            |
| Change in assumptions  | 1,305,275              | (5,123,923)          | 14,553,977           |
| Differences between expected and actual experience                             | (15,374,012)           | 7,993,123            | (7,609,805)          |
| Benefit payments, including refunds of member contributions                    | (3,013,396)            | (2,404,802)          | (2,509,814)          |
| <b>Net Change in Total OPEB Liability</b>                                      | <b>\$ (13,462,598)</b> | <b>\$ 3,565,255</b>  | <b>\$ 8,014,565</b>  |
| <b>Total OPEB Liability - Beginning (a)</b>                                    | <b>\$ 63,468,044</b>   | <b>\$ 59,902,789</b> | <b>\$ 51,888,224</b> |
| <b>Total OPEB Liability - Ending (a)</b>                                       | <b>\$ 50,005,446</b>   | <b>\$ 63,468,044</b> | <b>\$ 59,902,789</b> |
| <b>Plan Fiduciary Net Position</b>   |                        |                      |                      |
| Contributions - employer   | \$ 3,036,891           | \$ 2,415,203         | \$ 2,534,150         |
| Contributions - active employees   | -                      | -                    | -                    |
| Net Investment income  | 1,922,418              | 2,838,090            | 1,997,219            |
| Benefit payments, including refunds of member contributions                    | (3,013,396)            | (2,404,802)          | (2,509,814)          |
| Administrative expense   | (47,897)               | (44,937)             | (49,184)             |
| <b>Net Change in Plan Fiduciary Net Position</b>                               | <b>\$ 1,898,016</b>    | <b>\$ 2,803,554</b>  | <b>\$ 1,972,371</b>  |
| <b>Plan Fiduciary Net Position - Beginning (b)</b>                             | <b>\$ 62,396,812</b>   | <b>\$ 59,593,258</b> | <b>\$ 57,620,887</b> |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                | <b>\$ 64,294,828</b>   | <b>\$ 62,396,812</b> | <b>\$ 59,593,258</b> |
| <b>Net OPEB Liability (Asset) Beginning (a) - (b)</b>                          | <b>\$ 1,071,232</b>    | <b>\$ 309,531</b>    | <b>\$ 5,732,663</b>  |
| <b>Net OPEB Liability (Asset) Ending (a) - (b)</b>                             | <b>\$ (14,289,382)</b> | <b>\$ 1,071,232</b>  | <b>\$ 309,531</b>    |
| <b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b> | <b>128.6%</b>          | <b>98.3%</b>         | <b>99.5%</b>         |
| <b>Covered Employee Payroll</b>  | <b>\$ 34,031,574</b>   | <b>\$ 33,501,334</b> | <b>\$ 34,637,847</b> |
| <b>Net OPEB Liability (Asset) as a Percentage of Covered- Employee Payroll</b> | <b>-42.0%</b>          | <b>3.2%</b>          | <b>0.9%</b>          |

\*\*\* Complete data for this schedule is not available prior to 2018.

### Notes to RSI:

#### Fiscal Year 2020:

**Change in Benefit Terms:** There were no changes of benefit terms for the plan year ended June 30, 2020.

**Change in Assumptions:** From FY19 to FY20, the mortality tables moved from the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for general employees and retirees, and to SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses. The discount rate decreased to 4.60% as of June 30, 2020. The health care trend rates have been reset to an initial 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%.

#### Fiscal Year 2019:

**Change in Benefits Terms:** The University moved to a self-insured retiree life insurance plan for the period beginning January 1, 2019.

**Change in Assumptions:** The discount rate was 5.20% as of June 20, 2019, and 4.60% as of July 1, 2018. The health care trend rates have been reset to an initial 8.5% decreasing by 0.5% annually to an ultimate rate of 5.00%.

## Vincennes University Health Care Plan

### Schedule of the University's Contributions

|  | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially Determined Contribution (ADC)                        | \$ 481,468           | \$ 419,559           | \$ -                 | \$ 359,603           | \$ 1,060,381         |
| Contributions in relation to the ADC                             | 3,036,891            | 2,534,150            | 2,534,150            | 6,579,862            | 5,896,030            |
| <b>Contribution deficiency (excess)</b>                          | <b>\$(2,555,423)</b> | <b>\$(2,114,591)</b> | <b>\$(2,534,150)</b> | <b>\$(6,220,259)</b> | <b>\$(4,835,649)</b> |
| <b>Covered employee payroll</b>                                  | <b>\$34,031,574</b>  | <b>\$33,501,334</b>  | <b>\$34,637,847</b>  | <b>\$34,778,458</b>  | <b>\$34,557,145</b>  |
| <b>Contributions as a percentage of covered employee payroll</b> | <b>8.9%</b>          | <b>7.6%</b>          | <b>7.3%</b>          | <b>18.9%</b>         | <b>17.1%</b>         |

|  | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially Determined Contribution (ADC)                        | \$ 1,898,593         | \$ 2,507,561         | \$ 3,444,271         | \$ 3,868,513         | \$ 3,573,792         |
| Contributions in relation to the ADC                             | 6,428,380            | 4,384,798            | 5,234,790            | 8,522,882            | 4,839,405            |
| <b>Contribution deficiency (excess)</b>                          | <b>\$(4,529,787)</b> | <b>\$(1,877,237)</b> | <b>\$(1,790,519)</b> | <b>\$(4,654,369)</b> | <b>\$(1,265,613)</b> |
| <b>Covered employee payroll</b>                                  | <b>\$33,687,669</b>  | <b>\$32,706,475</b>  | <b>\$34,054,596</b>  | <b>\$32,774,506</b>  | <b>\$33,969,433</b>  |
| <b>Contributions as a percentage of covered employee payroll</b> | <b>19.1%</b>         | <b>13.4%</b>         | <b>15.4%</b>         | <b>26.0%</b>         | <b>14.2%</b>         |

The Actuarially Determined Contributions (ADC) shown above are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the University's 2013-2017 financial statements.



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