

University of Southern Indiana Foundation

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2015 and 2014



University of Southern Indiana Foundation

June 30, 2015 and 2014

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

Board of Directors
University of Southern Indiana Foundation
Evansville, Indiana

We have audited the accompanying consolidated financial statements of the University of Southern Indiana Foundation, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Southern Indiana Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information as of and for the year ended June 30, 2015 (with comparative totals for 2014), as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Evansville, Indiana
November 2, 2015

University of Southern Indiana Foundation
Consolidated Statements of Financial Position
June 30, 2015 and 2014

Assets

	2015	2014
Cash	\$ 923,585	\$ 1,461,508
Accounts and interest receivable	95,468	71,696
Contributions receivable, net	7,965,219	4,301,085
Prepaid expenses	18,175	118,551
Investments	103,220,173	99,516,754
Cash value of life insurance	500,841	403,565
Beneficial interest in charitable remainder trusts	756,368	780,615
Beneficial interest in perpetual trusts	3,899,466	3,959,521
Beneficial interest in Community Foundation	60,979	64,555
Life interest in real estate	371,425	371,425
Real estate held for investment	2,471,215	2,471,215
Land	225,468	225,468
Buildings, net of accumulated depreciation; 2015 – \$369,662, 2014 – \$311,146	376,595	435,110
Property management deposits	4,200	4,125
Total assets	\$ 120,889,177	\$ 114,185,193

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 32,293	\$ 50,580
Deposits	4,200	3,050
Deferred income	1,380	525
Payable to related parties	483,090	680,321
Use obligation of life interest	222,283	246,213
Annuities payable	1,899,935	2,088,144
Total liabilities	2,643,181	3,068,833

Net Assets

Unrestricted	14,637,893	14,440,126
Temporarily restricted	61,354,409	56,920,378
Permanently restricted	42,253,694	39,755,856
Total net assets	118,245,996	111,116,360
Total liabilities and net assets	\$ 120,889,177	\$ 114,185,193

University of Southern Indiana Foundation
Consolidated Statements of Activities
Years Ended June 30, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and Other Support				
Contributions	\$ 132,119	\$ 6,276,394	\$ 2,461,181	\$ 8,869,694
Grants	-	218,571	-	218,571
Change in value of split-interest agreements	-	(88,607)	(19,343)	(107,950)
Change in split-interest life interest	-	23,930	-	23,930
Rental loss, net	(25,117)	-	-	(25,117)
Miscellaneous income	87,012	126,985	-	213,997
Reclassification of donor intent	-	(3,888)	3,888	-
Net assets released from restrictions	<u>4,387,874</u>	<u>(4,387,874)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>4,581,888</u>	<u>2,165,511</u>	<u>2,445,726</u>	<u>9,193,125</u>
Expenses				
Programs – University of Southern Indiana				
Scholarships and awards	2,110,577	-	-	2,110,577
Educational grants and academic enhancements	1,299,256	-	-	1,299,256
Athletic support	87,316	-	-	87,316
Other University support	572,041	-	-	572,041
Capital projects	655,184	-	-	655,184
Community outreach	<u>20,680</u>	<u>-</u>	<u>-</u>	<u>20,680</u>
Total program services	4,745,054	-	-	4,745,054
Management and general	578,171	-	-	578,171
Fundraising	323,532	-	-	323,532
Uncollectible pledge loss	<u>-</u>	<u>5,247</u>	<u>31</u>	<u>5,278</u>
Total expenses	<u>5,646,757</u>	<u>5,247</u>	<u>31</u>	<u>5,652,035</u>
Other Changes				
Investment income, net	1,218,948	2,213,322	92,806	3,525,076
Change in value of beneficial interest in trusts	-	(25,468)	(40,663)	(66,131)
Mineral royalty income	43,688	-	-	43,688
Gain on cash value of life insurance	<u>-</u>	<u>85,913</u>	<u>-</u>	<u>85,913</u>
Total other changes	<u>1,262,636</u>	<u>2,273,767</u>	<u>52,143</u>	<u>3,588,546</u>
Change in Net Assets	197,767	4,434,031	2,497,838	7,129,636
Net Assets, Beginning of Year	<u>14,440,126</u>	<u>56,920,378</u>	<u>39,755,856</u>	<u>111,116,360</u>
Net Assets, End of Year	<u>\$ 14,637,893</u>	<u>\$ 61,354,409</u>	<u>\$ 42,253,694</u>	<u>\$ 118,245,996</u>

See Notes to Consolidated Financial Statements

2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 90,356	\$ 6,707,291	\$ 1,868,341	\$ 8,665,988
-	-	-	-
-	(37,153)	(54,388)	(91,541)
-	13,732	-	13,732
(34,117)	-	-	(34,117)
86,821	161,757	-	248,578
-	(6,832)	6,832	-
<u>2,763,796</u>	<u>(2,763,796)</u>	<u>-</u>	<u>-</u>
<u>2,906,856</u>	<u>4,074,999</u>	<u>1,820,785</u>	<u>8,802,640</u>
1,836,997	-	-	1,836,997
594,791	-	-	594,791
68,694	-	-	68,694
519,792	-	-	519,792
2,500	-	-	2,500
<u>9,980</u>	<u>-</u>	<u>-</u>	<u>9,980</u>
3,032,754	-	-	3,032,754
589,514	-	-	589,514
344,278	-	-	344,278
-	7,581	2,914	10,495
<u>3,966,546</u>	<u>7,581</u>	<u>2,914</u>	<u>3,977,041</u>
2,313,243	11,720,031	523,212	14,556,486
-	11,113	339,363	350,476
77,914	-	-	77,914
-	78,496	-	78,496
<u>2,391,157</u>	<u>11,809,640</u>	<u>862,575</u>	<u>15,063,372</u>
1,331,467	15,877,058	2,680,446	19,888,971
<u>13,108,659</u>	<u>41,043,320</u>	<u>37,075,410</u>	<u>91,227,389</u>
<u>\$ 14,440,126</u>	<u>\$ 56,920,378</u>	<u>\$ 39,755,856</u>	<u>\$ 111,116,360</u>

University of Southern Indiana Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ 7,129,636	\$ 19,888,971
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized gain on sale of investments	(3,970,481)	(2,381,757)
Increase in cash value of life insurance	(97,276)	(78,495)
(Gain) loss on beneficial interest investments	87,878	(813,292)
Contribution of investments and real estate, net	(1,338,005)	(983,641)
Depreciation	58,515	58,515
Amortization of use obligation of life interest	(23,930)	(13,732)
Unrealized loss (gain) on investments	2,724,484	(10,171,091)
Changes in		
Accounts and interest receivable	(23,772)	(19,788)
Contributions receivable	(3,664,134)	1,295,175
Prepaid expenses	100,376	(99,101)
Accounts payable and payable to related parties	(215,518)	202,654
Deposits	1,075	-
Annuities payable	(188,209)	63,012
Deferred income	<u>855</u>	<u>(2,775)</u>
Net cash provided by operating activities	<u>581,494</u>	<u>6,944,655</u>
Investing Activities		
Purchase of investments	(21,455,808)	(16,362,920)
Sales and maturities of investments	<u>20,336,391</u>	<u>10,171,261</u>
Net cash used in investing activities	<u>(1,119,417)</u>	<u>(6,191,659)</u>
Increase (Decrease) in Cash	(537,923)	752,996
Cash, Beginning of Year	<u>1,461,508</u>	<u>708,512</u>
Cash, End of Year	<u>\$ 923,585</u>	<u>\$ 1,461,508</u>

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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

Nature of Operations

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

Principles of Consolidation

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

Use of Estimates

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

Cash

The Foundation considers all liquid investments not classified with investments and with original maturities of three months or less to be cash equivalents. At June 30, 2015 and 2014, the Foundation did not have any cash equivalents.

At June 30, 2015, the Foundation's cash accounts exceeded federally insured limits by approximately \$27,000.

Contributions Receivable – Deferred Gifts

During 2015, the Foundation received certain irrevocable pledges to be paid from individual estates or more commonly referred to as deferred gifts. These contribution receivables are recorded as either temporarily or permanently restricted revenues based on the intent of the donor. The amounts were recorded at gross, less allowances for an estimate of amounts that may be uncollectible and a discount based on expected mortality of the individuals and overall credit risks. The allowance for uncollectible contributions was based on a combination of qualitative factors, including mortality, relationship to the Foundation and University, historical contribution levels and history of gifting to the Foundation. The discount rates ranged from 3.62% to 5.59%.

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments. Investment return is presented net of fees.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

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

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

Property and Equipment

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

Long-Lived Asset Impairment

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

No asset impairment was recognized during the year ended June 30, 2015 and 2014.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those which use by the Foundation has been limited by donors to a specific time period or purpose. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Contributions

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

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case, the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

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

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

Contributed Services

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

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

Income Taxes

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

The Foundation files tax returns in U.S. federal and state jurisdictions. With a few exceptions, the Foundation is no longer subject to U.S. federal and state examinations by tax authorities for years before 2011.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Functional Allocation of Expenses

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

Reclassifications

Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Contributions Receivable

Contributions receivable at June 30, 2015 and 2014, consisted of the following:

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ 1,213,428	\$ 558,763	\$ 1,772,191
Due in one to five years	2,938,424	1,040,910	3,979,334
Due in five or more years	<u>2,893,000</u>	<u>3,295,000</u>	<u>6,188,000</u>
	7,044,852	4,894,673	11,939,525
Less			
Allowance for uncollectible contributions	613,920	1,018,000	1,631,920
Unamortized discount	<u>974,521</u>	<u>1,367,865</u>	<u>2,342,386</u>
	<u>\$ 5,456,411</u>	<u>\$ 2,508,808</u>	<u>\$ 7,965,219</u>

The discount rates ranged from 1.14% to 5.59% for 2015. Approximately 38% of the contributions receivable at June 30, 2015, were due from two donors.

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ 1,156,685	\$ 335,194	\$ 1,491,879
Due in one to five years	1,877,107	563,920	2,441,027
Due in five or more years	<u>534,033</u>	<u>-</u>	<u>534,033</u>
	3,567,825	899,114	4,466,939
Less			
Allowance for uncollectible contributions	17,000	-	17,000
Unamortized discount	<u>114,002</u>	<u>34,852</u>	<u>148,854</u>
	<u>\$ 3,436,823</u>	<u>\$ 864,262</u>	<u>\$ 4,301,085</u>

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

The discount rates ranged from 1.14% to 2.29% for 2014. Approximately 36% of the contributions receivable at June 30, 2014, were due from two donors.

Contributions receivable designated for specific purposes and with time restrictions at June 30, 2015 and 2014, were as follows:

	2015	2014
Scholarships and awards	\$ 2,075,840	\$ 953,795
Educational grants and academic enhancements	1,052,429	767,525
Athletic support	120,395	158,085
Other University support	2,544,840	1,521,314
Capital projects	1,852,259	768,064
Community outreach	193	289
Time restrictions	319,263	132,013
	\$ 7,965,219	\$ 4,301,085

Note 3: Conditional Gifts

As of June 30, 2014 the Foundation recorded two deferred conditional promises to give related to its capital campaign, *Campaign USI: Elevating Excellence*. These deferred conditional promises to give totaled \$3,000,000, of which \$282,458 was recognized as contributions receivable as of June 30, 2014.

In August 2014, one of the deferred conditional gift agreements was superseded by a new gift agreement that changed the \$2,500,000 gift commitment from a deferred conditional pledge to an outright pledge. During the year ended June 30, 2015, the previously recorded contributions receivable associated with the former \$2,500,000 deferred conditional pledge was reversed and the total amount of the outright pledge was recorded as contributions receivable. The outright pledge is scheduled to be paid in full by the donor no later than December 15, 2020.

In September 2014, the second deferred conditional gift agreement was superseded by a new gift agreement that changed the \$500,000 gift commitment from a deferred conditional pledge to a commitment from a donor-advised fund. During the year ended June 30, 2015, the previously recorded contributions receivable associated with the former \$500,000 deferred conditional pledge was reversed. The value of the donor-advised fund commitment was not recorded as contributions receivable because donor-advised funds cannot make pledges nor can they pay on a pledge for an individual. The donor may only advise the donor-advised fund administrator as to which charities to contribute. Contribution revenue is recognized when the Foundation receives distributions from the donor-advised fund. The commitment is scheduled to be fulfilled no later than December 31, 2015.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 4: Investments and Investment Return

Investments at June 30, 2015 and 2014, consisted of the following:

	Market	
	2015	2014
Short-term investments	\$ 2,394,571	\$ 2,432,660
U.S. Treasury securities	3,041,925	2,247,098
Corporate debt securities	4,082,125	4,042,975
Common stocks	12,642,939	14,578,313
Mutual funds		
Fixed income	15,855,867	15,956,473
International	17,710,807	16,983,106
Large cap	37,833,742	34,339,697
Small cap	7,065,979	6,230,031
Alternative investment – private investment fund	2,592,218	2,706,401
	\$ 103,220,173	\$ 99,516,754

Included in the Foundation's investments above are investments subject to split-interest agreements with a fair market value of \$84,835 and \$85,569 as of June 30, 2015 and 2014, respectively.

Total investment return at June 30, 2015 and 2014, was comprised of the following:

	2015	2014
Interest and dividend income	\$ 2,475,315	\$ 2,143,084
Investment management fees	(198,047)	(141,108)
	2,277,268	2,001,976
Net realized and unrealized gains on investments reported at fair value	1,247,808	12,554,510
	\$ 3,525,076	\$ 14,556,486

Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30, 2015 and 2014, consist of the following:

	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	\$ 2,592,218	\$ 807,000	N/A	N/A
	2014			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	\$ 2,706,401	\$ 867,000	N/A	N/A

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

Accordingly, the value of the investment in the underlying partnership is generally increased by additional contributions to the underlying partnership and the partner's share of net earnings from the underlying partnership investment.

Note 5: Beneficial Interest in Trusts

The Foundation is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the Foundation has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$3,899,466 and \$3,959,521, which represents the fair value of the trusts' assets at June 30, 2015 and 2014, respectively. The gain (loss) from these trusts for 2015 and 2014 was \$(62,554) and \$344,967, respectively.

The Foundation has been named a secondary beneficiary in certain charitable remainder trusts administered by outside parties. Upon termination of the trusts, the Foundation will receive the assets remaining in the trusts. Prior to termination of the trusts and transfer of assets, the Foundation records the present value of the estimated residual benefits as assets. At June 30, 2015 and 2014, the residual benefits were valued at \$756,368 and \$780,615, respectively. The gain (loss) from these trusts for 2015 and 2014 was \$(24,247) and \$69,353, respectively.

Note 6: Line of Credit

The Foundation has a \$2,697,000 bank line of credit expiring in December 2020. At June 30, 2015, there were no borrowings against this line. The line is collateralized by a gift agreement between the Foundation and a donor, as more fully described in Note 12. Interest varies with one-month London Interbank Offered Rate plus 1.80% and is payable annually.

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 7: Annuities Payable

The Foundation has been the recipient of several gift annuities, which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value and are recorded in temporarily or permanently restricted funds in accordance with the donor restrictions. The Foundation has recorded a liability at June 30, 2015 and 2014, in the temporarily restricted funds of \$371,245 and \$400,222, respectively, and in the permanently restricted funds of \$1,528,690 and \$1,687,922, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from approximately 1% to 8%.

Note 8: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014, are available for the following purposes or periods:

	2015	2014
Scholarships and awards	\$ 29,805,292	\$ 29,330,775
Educational grants and academic enhancements	14,130,209	14,240,793
Athletic support	973,280	1,013,919
Other University support	8,529,835	7,468,395
Capital projects	7,181,006	4,304,737
Community outreach	415,698	429,747
For periods after June 30	319,089	132,012
	\$ 61,354,409	\$ 56,920,378

Athletic support and other University support may be spent on fundraising activities if approved by the officers and/or directors of the support organizations for which the net assets are restricted.

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 and 2014, are restricted to:

	2015	2014
Investment in perpetuity, the income of which is expendable to support		
Scholarships and awards	\$ 27,249,814	\$ 25,455,135
Educational grants and academic enhancements	7,688,948	7,217,019
Other University support	7,314,932	7,083,702
	\$ 42,253,694	\$ 39,755,856

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Net Assets Released From Restrictions

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

	<u>2015</u>	<u>2014</u>
Purpose restrictions released		
Scholarships and awards	\$ 1,949,902	\$ 1,743,784
Educational grants and academic enhancements	1,237,115	540,733
Athletic support	87,316	68,694
Other University support	437,677	398,105
Capital projects	655,184	2,500
Community outreach	<u>20,680</u>	<u>9,980</u>
	<u>\$ 4,387,874</u>	<u>\$ 2,763,796</u>

Note 9: Endowment

The Foundation's endowment consists of approximately 400 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (Board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the *State of Indiana Prudent Management of Institutional Funds Act* (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

During 2015, the Foundation's governing body changed its policy with respect to the presentation of endowment funds that are temporarily restricted and have been Board-designated as endowed funds. For preceding years, only unrestricted Board-designated endowment funds were presented as endowed funds based on the Foundation's initial interpretation of accounting principles generally accepted in the United States of America. The fair value of the temporarily restricted Board-designated endowment funds was \$15,797,999 as of July 1, 2014 and is shown as temporarily restricted Board-designated endowment net assets, beginning of year in the 2015 changes in endowment assets calculation.

The composition of net assets by type of endowment fund at June 30, 2015 and 2014, was:

2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 22,968,690	\$ 38,442,378	\$ 61,411,068
Board-designated endowment funds	<u>9,263,670</u>	<u>16,029,608</u>	<u>-</u>	<u>25,293,278</u>
Total endowment funds	<u>\$ 9,263,670</u>	<u>\$ 38,998,298</u>	<u>\$ 38,442,378</u>	<u>\$ 86,704,346</u>
2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 23,051,027	\$ 35,908,164	\$ 58,959,191
Board-designated endowment funds	<u>9,212,026</u>	<u>-</u>	<u>-</u>	<u>9,212,026</u>
Total endowment funds	<u>\$ 9,212,026</u>	<u>\$ 23,051,027</u>	<u>\$ 35,908,164</u>	<u>\$ 68,171,217</u>

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Changes in endowment net assets for the years ended June 30, 2015 and 2014, were:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 9,212,026	\$ 23,051,027	\$ 35,908,164	\$ 68,171,217
Temporarily restricted Board-designated endowment net assets, beginning of year	<u>-</u>	<u>15,797,999</u>	<u>-</u>	<u>15,797,999</u>
Total endowment net assets, beginning of year	<u>9,212,026</u>	<u>38,849,026</u>	<u>35,908,164</u>	<u>83,969,216</u>
Investment return				
Investment income	528,760	4,373,650	199,083	5,101,493
Net depreciation	<u>(281,914)</u>	<u>(2,330,038)</u>	<u>(106,277)</u>	<u>(2,718,229)</u>
Total investment return	<u>246,846</u>	<u>2,043,612</u>	<u>92,806</u>	<u>2,383,264</u>
Contributions	-	301,751	2,461,181	2,762,932
Appropriation of endowment assets for expenditure	(195,202)	(2,214,897)	-	(2,410,099)
Reclassification of donor intent	-	(3,888)	3,888	-
Other changes – uncollectible pledge loss	-	(1,236)	(31)	(1,267)
Other changes – change in value of split-interest life interest	-	23,930	-	23,930
Other changes – change in value of split-interest agreements	<u>-</u>	<u>-</u>	<u>(23,630)</u>	<u>(23,630)</u>
	<u>(195,202)</u>	<u>(1,894,340)</u>	<u>2,441,408</u>	<u>351,866</u>
Endowment net assets, end of year	<u>\$ 9,263,670</u>	<u>\$ 38,998,298</u>	<u>\$ 38,442,378</u>	<u>\$ 86,704,346</u>

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ <u>7,906,648</u>	\$ <u>14,793,775</u>	\$ <u>33,600,002</u>	\$ <u>56,300,425</u>
Investment return				
Investment income	357,796	2,253,597	133,214	2,744,607
Net appreciation	<u>1,086,335</u>	<u>6,846,201</u>	<u>389,998</u>	<u>8,322,534</u>
Total investment return	<u>1,444,131</u>	<u>9,099,798</u>	<u>523,212</u>	<u>11,067,141</u>
Contributions	-	110,518	1,868,341	1,978,859
Appropriation of endowment assets for expenditure	(138,753)	(946,232)	-	(1,084,985)
Reclassification of donor intent	-	(6,832)	6,832	-
Other changes – uncollectible pledge loss	-	-	(2,914)	(2,914)
Other changes – change in value of split-interest agreements	<u>-</u>	<u>-</u>	<u>(87,309)</u>	<u>(87,309)</u>
	<u>(138,753)</u>	<u>(842,546)</u>	<u>1,784,950</u>	<u>803,651</u>
Endowment net assets, end of year	\$ <u>9,212,026</u>	\$ <u>23,051,027</u>	\$ <u>35,908,164</u>	\$ <u>68,171,217</u>

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2015 and 2014, consisted of:

	2015	2014
Permanently restricted net assets – portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ <u>38,442,378</u>	\$ <u>35,908,164</u>
Temporarily restricted net assets – portion of perpetual endowment funds subject to a time restriction under SPMIFA – with purpose restrictions	\$ <u>38,998,298</u>	\$ <u>23,051,027</u>

University of Southern Indiana Foundation

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June 30, 2015 and 2014

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature, if any, are reported in unrestricted net assets and such amounts were immaterial to the overall financial statements for 2015 and 2014. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for scholarships and other programs supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those assets of Board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to offer equity and fixed income investments that are diversified among various asset classes, thus, minimizing risk of large losses, out-perform inflation by the long-term spending level for endowed funds and maximize total return with reasonable and prudent levels of risk.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income, such as dividends and interest) and capital appreciation (depreciation) (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's spending policy goals include maintaining reasonable inflation-adjusted spending into the future, providing for sufficient asset growth after spending to preserve the inflation-adjusted value of the assets and smoothing spending on a quarterly basis rather than vary it with short-term changes in interest rates and asset values. The Foundation sets the spending level to balance current need with growth for the future. The current spending rate is 4.5% calculated on a rolling twelve-quarter average market value of each endowment fund. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 10: Disclosures About Fair Value of Assets and Liabilities

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

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

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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2015				
Investments				
Short-term investments				
and cash	\$ 2,394,571	\$ 2,394,571	\$ -	\$ -
U.S. Treasury securities	3,041,925	-	3,041,925	-
Corporate debt securities	4,082,125	-	4,082,125	-
Common stocks	12,642,939	12,642,939	-	-
Mutual funds				
Fixed income	15,855,867	15,855,867	-	-
International	17,710,807	17,710,807	-	-
Large cap	37,833,742	37,833,742	-	-
Small cap	7,065,979	7,065,979	-	-
Private investment fund	<u>2,592,218</u>	<u>-</u>	<u>-</u>	<u>2,592,218</u>
	<u>\$ 103,220,173</u>	<u>\$ 93,503,905</u>	<u>\$ 7,124,050</u>	<u>\$ 2,592,218</u>
Beneficial interest in charitable remainder trusts				
	<u>\$ 756,368</u>	<u>\$ -</u>	<u>\$ 756,368</u>	<u>\$ -</u>
Beneficial interest in perpetual trusts				
	<u>\$ 3,899,466</u>	<u>\$ -</u>	<u>\$ 3,899,466</u>	<u>\$ -</u>
Beneficial interest in Community Foundation				
	<u>\$ 60,979</u>	<u>\$ -</u>	<u>\$ 60,979</u>	<u>\$ -</u>

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Notes to Consolidated Financial Statements

June 30, 2015 and 2014

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014				
Investments				
Short-term investments and cash	\$ 2,432,660	\$ 2,432,660	\$ -	\$ -
U.S. Treasury securities	2,247,098	-	2,247,098	-
Corporate debt securities	4,042,975	-	4,042,975	-
Common stocks	14,578,313	14,578,313	-	-
Mutual funds				
Fixed income	15,956,473	15,956,473	-	-
International	16,983,106	16,983,106	-	-
Large cap	34,339,697	34,339,697	-	-
Small cap	6,230,031	6,230,031	-	-
Private investment fund	<u>2,706,401</u>	<u>-</u>	<u>-</u>	<u>2,706,401</u>
	<u>\$ 99,516,754</u>	<u>\$ 90,520,280</u>	<u>\$ 6,290,073</u>	<u>\$ 2,706,401</u>
Beneficial interest in charitable remainder trusts	<u>\$ 780,615</u>	<u>\$ -</u>	<u>\$ 780,615</u>	<u>\$ -</u>
Beneficial interest in perpetual trusts	<u>\$ 3,959,521</u>	<u>\$ -</u>	<u>\$ 3,959,521</u>	<u>\$ -</u>
Beneficial interest in Community Foundation	<u>\$ 64,555</u>	<u>\$ -</u>	<u>\$ 64,555</u>	<u>\$ -</u>

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2015. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include short-term investments and cash equivalents, common stocks and mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified as Level 3 of the hierarchy and include a private investment fund. See the table below for inputs and valuation techniques used for Level 3 securities.

The value of certain investments, classified as a private investment fund, is determined using net asset value (or its equivalent) as a practical expedient. The Foundation does not expect to be able to redeem its investments with the investee within 12 months after the reporting date and, therefore, the investments are categorized as Level 3.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Foundation fiscal officer's office. The Foundation fiscal officer's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States of America.

Beneficial Interest in Charitable Remainder Trusts

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

Beneficial Interest in Perpetual Trusts

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

Beneficial Interest in Community Foundation

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

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

	Private Investment Fund
Balance, July 1, 2013	\$ 2,139,998
Total realized and unrealized gains and losses included in other changes in net assets	322,065
Net investment income	(1,662)
Purchases	<u>246,000</u>
Balance, June 30, 2014	2,706,401
Total realized and unrealized gains and losses included in other changes in net assets	73,628
Net investment income	(1,811)
Purchases	60,000
Sales	<u>(246,000)</u>
Balance, June 30, 2015	<u>\$ 2,592,218</u>

Level 3 realized and unrealized gains and losses included in investment income in the change in net assets for the years ended June 30 are reported in the consolidated statements of activities as follows:

	2015	2014
Total gains	\$ <u>71,817</u>	\$ <u>320,403</u>
Change in unrealized gains relating to assets still held at the consolidated statement of financial position date	\$ <u>73,628</u>	\$ <u>322,065</u>

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
June 30, 2015				
Private investment fund	\$ 2,592,218	Net asset value	NAV	N/A
June 30, 2014				
Private investment fund	\$ 2,706,401	Net asset value	NAV	N/A

University of Southern Indiana Foundation
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Fair Value of Financial Instruments

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated statements of financial position.

Cash

The carrying amount approximates fair value.

Contributions Receivable

Fair value is estimated at the present value of the future payments expected to be received.

Annuities Payable

Fair values of the annuity obligations are based on a calculation of discounted cash flows of the annuity or other payments under such obligations.

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash	\$ 923,585	\$ 923,585	\$ 1,461,508	\$ 1,461,508
Contributions receivable	\$ 7,965,219	\$ 7,965,219	\$ 4,301,085	\$ 4,301,085
Investments	\$ 103,220,173	\$ 103,220,173	\$ 99,516,754	\$ 99,516,754
Beneficial interest in charitable remainder trusts	\$ 756,368	\$ 756,368	\$ 780,615	\$ 780,615
Beneficial interest in perpetual trusts	\$ 3,899,466	\$ 3,899,466	\$ 3,959,521	\$ 3,959,521
Beneficial interest in Community Foundation	\$ 60,979	\$ 60,979	\$ 64,555	\$ 64,555
Financial liabilities				
Annuities payable	\$ 1,899,935	\$ 1,899,935	\$ 2,088,144	\$ 2,088,144

Note 11: Related-Party Transactions

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

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

The Foundation paid an annual administrative fee of \$420,000 and \$374,100 to the University for the years ended June 30, 2015 and 2014, respectively, for accounting, computer, administrative and other miscellaneous services provided to the Foundation by University personnel.

Amounts due to the University for approved program expenditures, which are included in payable to related parties as of June 30, 2015 and 2014, were \$483,090 and \$680,321, respectively.

Note 12: Significant Estimates, Concentrations and Commitments

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

Contributions

In 2015 and 2014, approximately 42% and 35% of all contributions were received from two donors and one donor, respectively.

Contributions Receivable – Deferred Gifts

The Foundation has recorded contribution pledges for deferred gifts of \$5,868,000, of which \$1,618,920 was reserved as an allowance for uncollectible amounts and \$2,035,580 was recorded as a discount based on estimated discount rates for each individual pledge for a net pledge receivable amount of \$2,213,500. The estimated allowances for uncollectible amounts and discounts are based on factors that could change in the near term and for which such changes could materially affect the amount reported in the consolidated financial statements.

Commitments

The Foundation has committed up to \$2,000,000 to the University of Southern Indiana for the construction and outfitting of the USI Performance Center (formerly the USI Teaching Theatre). The first funding installment of approximately \$652,000 was paid in August 2014 with subsequent installments due upon receipt of invoices from the University. The expected payment for the year ending June 30, 2016 is approximately \$515,000. The funding source for this commitment is designated contributions for the USI Performance Center and unrestricted distributions from the Henry Ruston President's Endowment.

The Foundation has committed \$5,000,000 to the University of Southern Indiana for the construction and outfitting of the Griffin Center, a conference center on the University campus. Construction began in the latter part of 2014 and is expected to be completed in May 2016. Funding for this project is through an individual \$5,000,000 gift commitment to the Foundation's capital campaign, *Campaign USI: Elevating Excellence*. This gift commitment will be satisfied no later than December 15, 2020. Since construction of the conference center will occur in advance of full payment of the gift commitment, the Foundation has secured a line of credit with a local financial institution to cover the construction costs of the facility with repayment of the line of credit to be made by gift commitment payments from the donor. The gift commitment will be used

University of Southern Indiana Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

as collateral for the line of credit and the donor will be obligated to make annual gift commitment payments of at least the annual amount of the line of credit payment requirements until the gift commitment is fully satisfied and the line of credit is paid in full. A clause barring recourse to the Foundation is included in the financing agreement. Any recourse on the line of credit will be made exclusively against the donor's assets. As of October 2015, no draws on the line of credit have been taken by the Foundation. Payments to the University are due upon receipt of invoices from the University. As of October 2015, no invoices have been received from the University.

The Foundation has committed up to \$2,000,000 to the University of Southern Indiana for the construction and outfitting of a welcome center on the University campus. The project is in the planning stage and construction dates have not been established as of October 2015. Funding for this project is through individual gift commitments to the Foundation's capital campaign, *Campaign USI: Elevating Excellence*, designated for the welcome center. \$1,500,000 of the gift commitments will be satisfied no later than December 31, 2015, with the balance to be satisfied no later than June 30, 2018. All payments against this commitment are due upon receipt of invoices from the University.

Note 13: Risks and Uncertainties

Investments

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

Note 14: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

University of Southern Indiana Foundation

Consolidating Schedule of Financial Position Information

June 30, 2015

(With Comparative Totals for 2014)

	2015			
	University of Southern Indiana Foundation	Southern Indiana Higher Education Holdings, LLC	Eliminations	Total
Assets				
Cash	\$ 245,805	\$ 677,780	\$ -	\$ 923,585
Accounts and interest receivable	86,561	8,907	-	95,468
Contributions receivable, net	7,965,219	-	-	7,965,219
Prepaid expenses	18,175	-	-	18,175
Investments	103,220,173	-	-	103,220,173
Cash value of life insurance	500,841	-	-	500,841
Beneficial interest in charitable remainder trusts	756,368	-	-	756,368
Beneficial interest in perpetual trusts	3,899,466	-	-	3,899,466
Beneficial interest in Community Foundation	60,979	-	-	60,979
Life interest in real estate	371,425	-	-	371,425
Real estate held for investment	434,510	2,036,705	-	2,471,215
Investment in Southern Indiana Higher Education Holdings, LLC	3,113,988	-	(3,113,988)	-
Land	46,413	179,055	-	225,468
Buildings, net of accumulated depreciation; 2015 – \$369,662, 2014 – \$311,146	164,861	211,734	-	376,595
Property management deposits	1,875	2,325	-	4,200
Total assets	\$ 120,886,659	\$ 3,116,506	\$ (3,113,988)	\$ 120,889,177
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 32,100	\$ 193	\$ -	\$ 32,293
Deposits	1,875	2,325	-	4,200
Deferred income	1,380	-	-	1,380
Payable to related parties	483,090	-	-	483,090
Use obligation of life interest	222,283	-	-	222,283
Annuities payable	1,899,935	-	-	1,899,935
Total liabilities	2,640,663	2,518	-	2,643,181
Net Assets				
Unrestricted	14,637,893	3,113,988	(3,113,988)	14,637,893
Temporarily restricted	61,354,409	-	-	61,354,409
Permanently restricted	42,253,694	-	-	42,253,694
Total net assets	118,245,996	3,113,988	(3,113,988)	118,245,996
Total liabilities and net assets	\$ 120,886,659	\$ 3,116,506	\$ (3,113,988)	\$ 120,889,177

2014

Total

\$ 1,461,508
71,696
4,301,085
118,551
99,516,754
403,565

780,615
3,959,521
64,555
371,425
2,471,215

-
225,468

435,110
4,125

\$ 114,185,193

\$ 50,580
3,050
525
680,321
246,213
2,088,144

3,068,833

14,440,126
56,920,378
39,755,856

111,116,360

\$ 114,185,193

University of Southern Indiana Foundation
Consolidating Schedule of Activities Information
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015			
	Unrestricted			
	University of Southern Indiana Foundation	Southern Indiana Higher Education Holdings, LLC	Eliminations	Total
Revenues and Other Support				
Contributions	\$ 132,119	\$ -	\$ -	\$ 132,119
Grants	-	-	-	-
Change in value of split-interest agreements	-	-	-	-
Change in split interest life estate	-	-	-	-
Rental income (loss), net	437	(25,554)	-	(25,117)
Miscellaneous income	87,012	-	-	87,012
Reclassification of donor intent	-	-	-	-
Net assets released from restrictions	4,387,874	-	-	4,387,874
Total revenues and other support	4,607,442	(25,554)	-	4,581,888
Expenses				
Programs – University of Southern Indiana				
Scholarships and awards	2,110,577	-	-	2,110,577
Educational grants and academic enhancements	1,299,256	-	-	1,299,256
Athletic support	87,316	-	-	87,316
Other University support	572,041	-	-	572,041
Capital projects	655,184	-	-	655,184
Community outreach	20,680	-	-	20,680
Total program services	4,745,054	-	-	4,745,054
Management and general	578,171	-	-	578,171
Fundraising	323,532	-	-	323,532
Uncollectible pledge loss	-	-	-	-
Total expenses	5,646,757	-	-	5,646,757
Other Changes				
Investment income, net	1,217,652	1,296	-	1,218,948
Change in value of beneficial interest in trusts	-	-	-	-
Mineral royalty income	-	43,688	-	43,688
Net income of subsidiary	19,430	-	(19,430)	-
Gain on cash value of life insurance	-	-	-	-
Total other changes	1,237,082	44,984	(19,430)	1,262,636
Change in Net Assets	\$ 197,767	\$ 19,430	\$ (19,430)	\$ 197,767

2014

Temporarily Restricted	Permanently Restricted		
University of Southern Indiana Foundation	University of Southern Indiana Foundation	Total	Total
\$ 6,276,394	\$ 2,461,181	\$ 8,869,694	\$ 8,665,988
218,571	-	218,571	-
(88,607)	(19,343)	(107,950)	(91,541)
23,930	-	23,930	13,732
-	-	(25,117)	(34,117)
126,985	-	213,997	248,578
(3,888)	3,888	-	-
(4,387,874)	-	-	-
<u>2,165,511</u>	<u>2,445,726</u>	<u>9,193,125</u>	<u>8,802,640</u>
-	-	2,110,577	1,836,997
-	-	1,299,256	594,791
-	-	87,316	68,694
-	-	572,041	519,792
-	-	655,184	2,500
-	-	20,680	9,980
-	-	4,745,054	3,032,754
-	-	578,171	589,514
-	-	323,532	344,278
5,247	31	5,278	10,495
<u>5,247</u>	<u>31</u>	<u>5,652,035</u>	<u>3,977,041</u>
2,213,322	92,806	3,525,076	14,556,486
(25,468)	(40,663)	(66,131)	350,476
-	-	43,688	77,914
-	-	-	-
85,913	-	85,913	78,496
<u>2,273,767</u>	<u>52,143</u>	<u>3,588,546</u>	<u>15,063,372</u>
<u>\$ 4,434,031</u>	<u>\$ 2,497,838</u>	<u>\$ 7,129,636</u>	<u>\$ 19,888,971</u>