

UNIVERSITY OF INDIANAPOLIS
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

UNIVERSITY OF INDIANAPOLIS
Indianapolis, Indiana

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8



Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University of Indianapolis
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the University of Indianapolis ("University"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Indianapolis as of June 30, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Crowe LLP". The script is cursive and fluid, with the "C" being particularly large and stylized.

Crowe LLP

Indianapolis, Indiana
October 27, 2020

UNIVERSITY OF INDIANAPOLIS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 10,942,080	\$ 9,535,246
Restricted funds for construction and other capital projects	449,075	790,320
Receivables:		
Student accounts receivable, net of allowance	1,809,569	1,706,009
Contributions receivable, net of allowance	4,888,439	4,794,241
Student notes receivable – government guaranteed	1,851,980	2,333,037
Other receivables	2,207,315	1,731,853
Investments	104,656,145	106,361,280
Property and equipment, net	135,086,683	101,003,336
Other assets	<u>3,337,089</u>	<u>3,410,207</u>
	<u>\$ 265,228,375</u>	<u>\$ 231,665,529</u>
LIABILITIES		
Accounts payable	\$ 3,367,477	\$ 2,470,503
Accrued payroll and expenses	4,870,857	4,866,483
Student deposits	784,370	1,214,400
Funds held for student organizations	968,064	967,240
Deferred revenue	2,710,538	2,870,928
Annuities and trusts obligations	1,380,679	1,408,436
Direct financing lease liabilities	16,951,873	-
Capital lease liabilities	851,950	1,361,689
Mortgages payable	23,736,986	1,730,591
Tax-exempt bonds payable	57,428,506	58,528,790
Interest rate swap agreements	9,468,734	6,510,825
Federal Perkins loan liability	2,105,062	2,764,985
Other accrued liabilities	<u>1,810,259</u>	<u>2,137,236</u>
Total liabilities	<u>126,435,355</u>	<u>86,832,106</u>
NET ASSETS		
Without donor restrictions	12,054,394	16,509,142
With donor restrictions	<u>126,738,626</u>	<u>128,324,281</u>
Total net assets	<u>138,793,020</u>	<u>144,833,423</u>
	<u>\$ 265,228,375</u>	<u>\$ 231,665,529</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF INDIANAPOLIS
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Tuition and fees, net of discounts	\$ 85,947,166	\$ -	\$ 85,947,166
Contributions	2,020,432	3,525,339	5,545,771
Investment return designated for current operations	4,738,994	-	4,738,994
Federal and state grants	6,703,131	21,636	6,724,767
Auxiliary services	17,315,334	-	17,315,334
Sales and service	884,233	478,629	1,362,862
Change in split-interest agreements	-	(434,557)	(434,557)
Rental	950,998	-	950,998
Other	<u>781,117</u>	<u>56,929</u>	<u>838,046</u>
	119,341,405	3,647,976	122,989,381
Net assets released from restrictions	<u>6,061,025</u>	<u>(6,061,025)</u>	<u>-</u>
Total revenues	125,402,430	(2,413,049)	122,989,381
EXPENSES			
Instruction	54,554,769	-	54,554,769
Academic support	10,327,629	-	10,327,629
Student services	27,617,752	-	27,617,752
Community services	1,088,885	-	1,088,885
Auxiliary services	<u>11,483,044</u>	<u>-</u>	<u>11,483,044</u>
Total program service expenses	105,072,079	-	105,072,079
Institutional support	16,055,122	-	16,055,122
Fundraising	<u>2,228,367</u>	<u>-</u>	<u>2,228,367</u>
Total expenses	<u>123,355,568</u>	<u>-</u>	<u>123,355,568</u>
Change in net assets from operating activities	2,046,862	(2,413,049)	(366,187)
Non-operating activities			
Investment return in excess (deficient) of amount designated for current operations	(3,081,740)	827,394	(2,254,346)
Loss on disposal of fixed assets	(207,951)	-	(207,951)
Change in fair value of interest rate swap agreements	<u>(2,957,909)</u>	<u>-</u>	<u>(2,957,909)</u>
Change in net assets from continuing operations	(4,200,738)	(1,585,655)	(5,786,393)
Discontinued operations			
Loss from discontinued operations of UIndy International, LLC	<u>(254,010)</u>	<u>-</u>	<u>(254,010)</u>
Change in net assets	(4,454,748)	(1,585,655)	(6,040,403)
Net assets, beginning of year	<u>16,509,142</u>	<u>128,324,281</u>	<u>144,833,423</u>
Net assets, end of year	<u>\$ 12,054,394</u>	<u>\$ 126,738,626</u>	<u>\$ 138,793,020</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF INDIANAPOLIS
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Tuition and fees, net of discounts	\$ 86,650,753	\$ -	\$ 86,650,753
Contributions	2,417,558	2,952,930	5,370,488
Investment return designated for current operations	5,413,174	-	5,413,174
Federal and state grants	2,204,654	544,996	2,749,650
Auxiliary services	19,263,371	-	19,263,371
Sales and service	1,011,693	720,855	1,732,548
Change in split-interest agreements	-	(451,451)	(451,451)
Rental	963,968	-	963,968
Other	<u>449,559</u>	<u>106,143</u>	<u>555,702</u>
	118,374,730	3,873,473	122,248,203
Net assets released from restrictions	<u>7,789,021</u>	<u>(7,789,021)</u>	<u>-</u>
Total revenues	126,163,751	(3,915,548)	122,248,203
EXPENSES			
Instruction	53,321,449	-	53,321,449
Academic support	10,113,670	-	10,113,670
Student services	26,411,816	-	26,411,816
Community services	981,598	-	981,598
Auxiliary services	<u>12,595,878</u>	<u>-</u>	<u>12,595,878</u>
Total program service expenses	103,424,411	-	103,424,411
Institutional support	16,788,271	-	16,788,271
Fundraising	<u>2,301,980</u>	<u>-</u>	<u>2,301,980</u>
Total expenses	<u>122,514,662</u>	<u>-</u>	<u>122,514,662</u>
Change in net assets from operating activities	3,649,089	(3,915,548)	(266,459)
Non-operating activities			
Investment return in excess (deficient) of amount designated for current operations	(3,405,657)	3,200,607	(205,050)
Loss on disposal of fixed assets	(385,508)	-	(385,508)
Change in fair value of interest rate swap agreements	<u>(1,771,433)</u>	<u>-</u>	<u>(1,771,433)</u>
Change in net assets from continuing operations	(1,913,509)	(714,941)	(2,628,450)
Discontinued operations			
Loss from discontinued operations of UIndy International, LLC	<u>(257,684)</u>	<u>-</u>	<u>(257,684)</u>
Change in net assets	(2,171,193)	(714,941)	(2,886,134)
Net asset, beginning of year	<u>18,680,335</u>	<u>129,039,222</u>	<u>147,719,557</u>
Net assets, end of year	<u>\$ 16,509,142</u>	<u>\$ 128,324,281</u>	<u>\$ 144,833,423</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF INDIANAPOLIS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years ended June 30, 2020 and 2019

2020									
	Program Services					Institutional Support	Fundraising	Total Expenses	
	Instruction	Academic Support	Student Services	Community Services	Auxiliary Services	Total			
Salaries and wages	\$ 33,155,935	\$ 4,257,845	\$ 10,589,228	\$ 504,009	\$ 1,095,864	\$ 49,602,881	\$ 6,653,000	\$ 1,493,526	\$ 57,749,407
Fringe benefits	10,323,241	1,525,235	3,819,022	159,797	245,892	16,073,187	2,249,987	548,629	18,871,803
Supplies and equipment	1,225,326	988,486	1,211,803	9,272	243,370	3,678,257	650,657	21,602	4,350,516
Fee related services	219,640	1,101,657	2,350,030	80,085	14,750	3,766,162	2,941,179	3,850	6,711,191
Outsourced operations	75,298	34,192	284,668	10,478	5,263,251	5,667,887	81,059	3,573	5,752,519
Advertising and marketing	71,814	5,411	4,262	1,306	-	82,793	1,238,401	1,006	1,322,200
Other expenses*	1,787,915	1,184,260	2,902,816	183,636	23,600	6,082,227	918,668	154,407	7,155,302
Space and occupancy	2,528,364	447,736	1,520,418	14,485	1,559,005	6,070,008	279,638	1,774	6,351,420
Depreciation	3,515,809	547,832	1,673,890	125,817	2,086,599	7,949,947	871,490	-	8,821,437
Interest	1,651,427	234,975	996,680	-	950,713	3,833,795	171,043	-	4,004,838
CARES Act student grants	-	-	2,264,935	-	-	2,264,935	-	-	2,264,935
Total	\$ 54,554,769	\$ 10,327,629	\$ 27,617,752	\$ 1,088,885	\$ 11,483,044	\$ 105,072,079	\$ 16,055,122	\$ 2,228,367	\$ 123,355,568
2019									
	Program Services					Institutional Support	Fundraising	Total Expenses	
	Instruction	Academic Support	Student Services	Community Services	Auxiliary Services	Total			
Salaries and wages	\$ 32,744,878	\$ 4,106,902	\$ 10,761,463	\$ 469,716	\$ 1,189,425	\$ 49,272,384	\$ 6,675,729	\$ 1,465,531	\$ 57,413,644
Fringe benefits	9,665,220	1,324,855	3,605,842	141,209	240,236	14,977,362	2,436,480	537,507	17,951,349
Supplies and equipment	1,602,642	1,100,102	1,286,754	24,779	287,514	4,301,791	937,600	26,270	5,265,661
Fee related services	298,543	898,750	2,154,955	59,506	26,854	3,438,608	2,781,796	8,643	6,229,047
Outsourced operations	115,220	48,491	393,996	16,934	6,028,899	6,603,540	144,898	8,278	6,756,716
Advertising and marketing	21,270	2,146	13,160	535	-	37,111	1,066,012	1,890	1,105,013
Other expenses*	1,772,482	1,389,153	3,819,273	188,311	6,944	7,176,163	1,151,285	246,995	8,574,443
Space and occupancy	3,459,939	590,635	2,092,940	9,380	1,645,662	7,798,556	703,965	6,866	8,509,387
Depreciation	2,667,688	514,111	1,695,859	71,228	2,223,590	7,172,476	784,866	-	7,957,342
Interest	973,567	138,525	587,574	-	946,754	2,646,420	105,640	-	2,752,060
Total	\$ 53,321,449	\$ 10,113,670	\$ 26,411,816	\$ 981,598	\$ 12,595,878	\$ 103,424,411	\$ 16,788,271	\$ 2,301,980	\$ 122,514,662

* Other expenses include items such as travel, campus events and promotion, professional development, printing and postage, bad debt expense, real estate taxes, and other miscellaneous expenses

See accompanying notes to consolidated financial statements.

UNIVERSITY OF INDIANAPOLIS
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (6,040,403)	\$ (2,886,134)
Items not requiring (providing) cash:		
Depreciation and amortization	8,841,154	7,977,469
Net realized and unrealized gain on investments	(593,830)	(2,653,834)
Loss on sale of property and equipment	207,951	385,508
Change in fair value of interest rate swap agreements	2,957,909	1,771,433
Contributions restricted for long-term investment	(844,055)	(968,290)
Actuarial change in split interest agreements	434,557	451,451
Changes in:		
Student accounts receivable, net of allowance	(103,560)	267,738
Contributions receivable	(94,198)	785,328
Student notes receivable	481,057	516,769
Other receivables	(475,462)	(636,503)
Other assets	73,118	(62,508)
Accounts payable and accrued expenses	574,371	686,191
Student deposits	(430,030)	(85,183)
Deferred revenue	(160,390)	(510,241)
Funds held for other organizations	824	(1,283)
Annuities and trust obligations	(462,314)	(1,241,106)
Advances from government for student loans	(659,923)	28,401
Net cash from operating activities	<u>3,706,776</u>	<u>3,825,206</u>
Cash flows from investing activities		
Purchases of property and equipment	(3,572,525)	(7,646,460)
Purchases of investments	(9,468,554)	(15,477,441)
Proceeds from disposition of investments	11,767,519	20,859,857
Net cash from investing activities	<u>(1,273,560)</u>	<u>(2,264,044)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investments	844,055	968,290
Principal payments on direct financing lease	(352,030)	-
Principal payments on capital leases	(509,739)	(445,374)
Principal payments on tax-exempt bonds	(1,120,000)	(1,065,000)
Proceeds from issuance of mortgages	90,052	173,021
Principal payments on mortgages	(319,965)	(205,239)
Net cash from financing activities	<u>(1,367,627)</u>	<u>(574,302)</u>
Net change in cash and cash equivalents	1,065,589	986,860
Cash and cash equivalents, beginning of year	<u>10,325,566</u>	<u>9,338,706</u>
Cash and cash equivalents, end of year	<u>\$ 11,391,155</u>	<u>\$ 10,325,566</u>
Cash and cash equivalents	\$ 10,942,080	\$ 9,535,246
Restricted funds for construction and other capital projects	<u>449,075</u>	<u>790,320</u>
Cash and cash equivalents, end of year	<u>\$ 11,391,155</u>	<u>\$ 10,325,566</u>
Supplementary cash flow information		
Interest paid, net of capitalized interest	\$ 3,989,712	\$ 2,718,482
In-kind contributions	17,621	297,978
Property and equipment in accounts payable	1,128,425	95,420
Mortgage and lease financed purchase of property	39,540,211	-

See accompanying notes to consolidated financial statements.

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The University of Indianapolis ("University") is a private, coeducational university affiliated with the United Methodist Church. The University's revenues and other support are derived principally from student tuition and fees, investment return, contributions and grants, operation of residence and dining halls and various related activities. The University is located in Indianapolis, Indiana.

The consolidated financial statements include the accounts of the University of Indianapolis and its wholly-owned subsidiaries, UIndy International LLC, who owns 100% interest in the operations of University of Indianapolis – Athens Campus, and SOH Rental Properties, LLC, of which the University is the sole member (collectively, the University). All significant inter-organizational accounts have been eliminated.

University of Indianapolis – Athens, Greece: During fiscal year 2014, the University made the decision to discontinue the operations of the Athens campus and to complete the one remaining MBA cohort under a renegotiated contract managed by the main campus in the United States. In 2016, the final cohort completed its studies and in June of 2017, the University entered into a voluntary disclosure agreement to finalize payroll-related tax obligations to Greek tax authorities. In 2018, final tax obligations were settled and the University is in the process of liquidating the entity. The net activity of UIndy International, LLC is presented as discontinued operations on the statement of activities.

The Greece campus did not have revenue or net assets as of June 30, 2020 and 2019.

SOH Rental Properties, LLC: During 2018, the University created SOH Rental Properties, LLC to hold rental properties owned by the University. Assets of the LLC totaled \$2,820,465 and \$2,705,939, revenues totaled \$516,110 and \$263,765 and net assets totaled \$1,076,447 and \$848,151 as of and for the years ended June 30, 2020 and 2019, respectively.

Income Taxes: The University is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University is not considered to be a private foundation. Current accounting standards require the University to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended June 30, 2020 and 2019, management has determined that the University does not have any tax positions that result in any uncertainties regarding the possible impact on the University's financial statements. The University does not expect the total amount of unrecognized tax benefits to change significantly in the next 12 months.

The University recognizes interest and/or penalties related to income tax matters in income tax expense. The University did not have any amounts accrued for interest and penalties at June 30, 2020 or 2019. SOH Rental Properties, LLC is treated as a disregarded entity under the exemption of the University for taxation purposes.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of demand deposit accounts, interest-bearing deposit accounts and money market funds. During 2020 and 2019, the University's cash accounts exceeded federally insured limits.

Restricted Funds: As of June 30, 2020 and 2019, the University held proceeds from the 2017 bond issuance that was restricted for payment of various capital projects. Amounts held in money market funds for the facility were \$449,075 and \$790,320 as of June 30, 2020 and 2019, respectively.

Student Accounts Receivable: Student accounts receivable is stated at the amount of tuition, housing and fees billed to students plus any accrued and unpaid service charges. The University estimates an allowance for doubtful accounts, which is based upon review of outstanding receivables, historical collection information and existing economic conditions. As of June 30, 2020 and 2019, the allowance was \$600,000, respectively. Student receivables are ordinarily due on the first day of each term. The University offers a payment plan whereby students enrolled in the plan may make scheduled payments throughout the term. Accounts that are past due are assessed a service charge for each month the account remains overdue. A financial hold is placed on past due accounts, which bars a student from registering for any new classes, receiving grades or obtaining a transcript until payment arrangements are made. Accounts past due more than two consecutive terms are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Student Notes Receivable: Student notes receivable are reported at the outstanding principal balances. These loans have been issued to eligible students under the Federal Perkins Loan Program. The repayment period begins after an initial grace period of either six or nine months after the student ceases to be at least a half-time student. Interest income is recorded as monthly payments are received. Interest is charged at 5% for Perkins loans. The University does not provide an allowance for loan loss on federal loans. The University has estimated that its share of any uncollectible amounts under the Federal Perkins Loan Program would not be material to the consolidated financial statements.

The availability of funds for loans under the Perkins program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$2,105,062 and \$2,764,985 are ultimately refundable to the government and are classified as liabilities in the statement of financial position at June 30, 2020 and 2019, respectively. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2020 and 2019, the following amounts were past due under the loan programs:

	1 – 270 Days <u>Past due</u>	270 Days - 2 Years <u>Past due</u>	2 - 5 Years <u>Past due</u>	5 + Years <u>Past due</u>	Total Past Due
<u>June 30</u>					
2020	\$ 9,785	\$ 30,936	\$ 187,955	\$ 903,582	\$ 1,132,258
2019	\$ 17,771	\$ 44,141	\$ 161,252	\$ 692,340	\$ 915,504

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Return: Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are recorded based on estimated fair values or the equity method, as described in Note 14. 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 that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as with net assets with donor restriction and then released from restriction. Other investment return is reflected in the statements of activities based upon the existence and nature of any donor or legally imposed restrictions.

The University has investments in stocks, bonds and mutual funds, and is therefore subject to market, credit and interest rate risk. Investments are made by investment managers engaged by the University, and the investments are monitored by management, the University's Finance Committee and an outside investment advisor. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the University and its beneficiaries.

State law allows the Board to appropriate as much of the net appreciation as is prudent considering the University's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. Under the University's spending policy for 2020 and 2019, a total of 4.5% and 5.5%, respectively, of an eight quarter rolling average of the fair value of the University's endowment funds was appropriated to support current operations.

Land, Property and Equipment: Expenditures for land, property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The University capitalizes assets with an estimated useful life of at least three years and a cost basis of \$5,000 or greater. Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset as follows:

	<u>Years</u>
Buildings	40
Building Improvements	15-20
Property Improvements	15-20
Equipment	3-12

Impairment of Long-Lived Assets: On an ongoing basis, the University reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The University recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows. No impairment is thought to exist as of June 30, 2020 or 2019.

Cash Surrender Value of Life Insurance Policies: The University is the owner and beneficiary of several life insurance policies. These assets are recorded at the current cash surrender value of these policies, and are included with other assets on the statement of financial position.

Artwork: The University's collection of paintings, which were donated to the University, are recorded at their estimated fair value at the time of the donation. The artwork is included with other assets on the statement of financial position.

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UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances from Federal Agency for Student Loans: The University participates in the Federal Perkins Student Loan Program. The liability balance represents an accumulation of funds advanced to the University, net of the University's matching portion. If the University terminates the program, the net funds advanced are repayable to the program.

Net Assets without Donor Restriction: Net assets without donor restrictions include general assets and liabilities of the University that may be used at the discretion of management to support the University's purposes and operations and those funds designated by the board for future programs, investment or other uses. Board designated funds are held in the University's endowment (see Note 15).

Net Assets with Donor Restriction: Net assets with donor restriction are those whose use by the University has been limited by donors to a specific time period or purpose or restricted by donors to be maintained by the University in perpetuity. Funds to be held in perpetuity are held in the University's endowment (Note 15).

Revenue Recognition:

Tuition and Fees, Net of Discounts and Auxiliary Services

Net tuition and fee revenue consists of tuition, net of scholarships, and fees derived from courses taught by the University, as well as from related educational and service resources that the University provides to its students. Tuition revenue is recognized pro-rata over the applicable period of instruction. For the years ended June 30, 2020 and 2019, the University's revenue was reduced by approximately \$66.1 million and \$59.8 million, respectively, for scholarships that the University offered to students. The University enters into contracts with students covering a course or semester and revenue recognition commences once students start attending a course or semester. The University does not capitalize costs to obtain or fulfill a contract with a student.

Tuition discounts represent discounts allowed to students to reduce the student's overall cost for tuition, room, board and other fees. These discounts are given to students in the course of providing educational services and the amount of discount, as well as the individual recipient, are decided by the University. The University utilizes earnings on investments restricted for scholarships and other sources to finance the tuition discounts. Tuition discounts are reported as a reduction to tuition income as the University does not receive any goods or services in exchange for the discount.

Auxiliary services consist primarily of revenue derived from room and board charges for students that lived on campus and or enrolled in one of the meal plans offered by the University. Revenue recognition occurred once the student started using these services.

Auxiliary services consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Food services	\$ 10,002,162	\$ 10,375,971
Housing services	8,743,437	8,488,863
Other	<u>268,233</u>	<u>398,537</u>
	19,013,832	19,263,371
Less: refunds (Note 17)	<u>(1,698,498)</u>	<u>-</u>
	<u>\$ 17,315,334</u>	<u>\$ 19,263,371</u>

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The University has identified performance obligations associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services are provided to students.

The University's student account receivables, net of allowance, represent unconditional rights to consideration from its contracts with students. The revenue recognition process commences as students start attending a course. Once a student has been invoiced, payment is due within thirty days. Included in each invoice to students are all educational related items including tuition, net of scholarships, auxiliary services, and fees.

The University's contract liabilities are presented as deferred revenue and student deposits in the consolidated statement of financial position. Deferred revenue and student deposits in any period represented the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the consolidated statement of activities. The University's education programs have starting and ending dates that differ from its fiscal year end. Therefore, at the end of the fiscal year end, a portion of revenue from these programs is not yet earned. The University's contracts with students all had original terms of less than one year.

A summary of changes in contract liabilities is as follows:

	June 30, <u>2019</u>	Revenue <u>Recognized</u>	<u>Additions</u>	June 30, <u>2020</u>
Student deposits	\$ 1,214,400	\$ (1,214,400)	\$ 784,370	\$ 784,370
Deferred revenue	2,870,928	(2,870,928)	2,710,538	2,710,538

	June 30, <u>2018</u>	Revenue <u>Recognized</u>	<u>Additions</u>	June 30, <u>2019</u>
Student deposits	\$ 1,299,583	\$ (1,299,583)	\$ 1,214,400	\$ 1,214,400
Deferred revenue	3,381,169	(3,381,169)	2,870,928	2,870,928

The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during the stated refund period. If a student withdraws at a time when only a portion, or none of the tuition was refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded on a pro-rata basis over the applicable period of instruction. The University does not record revenue on amounts that may be refunded.

Contributions and Grants

Private gifts and government grants that are not considered exchange transactions, including pledges, are recognized in the period received. Gifts of cash and other assets, such as land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restriction unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as donor restricted revenue and net assets.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a donor stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction. Absent explicit donor stipulations for the time which long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restriction and then released from restriction.

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 rate commensurate with risk, 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.

In addition to receiving cash contributions, the University received in-kind contributions from various donors. It is the policy of the University to record the estimated fair value of certain in-kind donations as an expense or asset in its financial statements, and similarly increase donations by a like amount.

Revenue from government grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Sales and Service, Rental and Other

Sales and service, rental and other revenue is recognized as the applicable service is performed.

The University has identified performance obligations related to its dining services, fees, sale of merchandise and other auxiliary services and recognizes revenue at the point in time that goods or services are provided to customers.

Expense Allocation: Functional expenses have been classified as program services (instruction, academic support, student services, community service and auxiliary services), management and general (institutional support), and fund raising according to actual direct expenditures and cost allocations based upon estimates of time spent by University personnel. Facility related costs are allocated to the functional expense categories based on the applicable square footage.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2020 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended June 30, 2020. Management has performed their analysis through October 27, 2020, the date the financial statements were issued.

As discussed in Note 17, The operations and business results of the University could be materially adversely impacted by national, state and local efforts designed to contain the coronavirus. In addition, significant estimates as disclosed in Note 1, such as fair values of investments and the allowance for doubtful accounts, may be materially adversely impacted.

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 - CONTRIBUTIONS RECEIVABLE

The University's contributions receivable are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 1,066,435	\$ 978,659
Due in one to five years	3,043,561	2,402,136
After five years	<u>1,832,089</u>	<u>2,464,589</u>
	5,942,085	5,845,384
Present value discount and allowance for uncollectible contributions	<u>(1,053,646)</u>	<u>(1,051,143)</u>
	<u>\$ 4,888,439</u>	<u>\$ 4,794,241</u>

Contributions receivable were designated for specific purposes as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Capital projects	\$ 3,315,800	\$ 3,310,834
Instructional and Academic Support	1,011,274	1,527,266
Institutional and Student Services	912,071	177,184
Scholarships and awards	<u>702,940</u>	<u>830,100</u>
	5,942,085	5,845,384
Present value discount and allowance for uncollectible contributions	<u>(1,053,646)</u>	<u>(1,051,143)</u>
	<u>\$ 4,888,439</u>	<u>\$ 4,794,241</u>

As of June 30, 2020 and 2019, 68% and 66% of gross pledges receivable were from two contributors, respectively.

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN

The University's investments as of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 4,790,365	\$ 5,945,679
Fixed income:		
Mutual funds – bonds	24,733,374	26,329,907
Equity investments:		
Securities	14,831,929	15,487,662
Mutual funds – equities	42,262,241	40,223,731
Other – equity method investments	2,576,005	2,557,751
Alternative investments	<u>15,462,231</u>	<u>15,816,550</u>
	<u>\$ 104,656,145</u>	<u>\$ 106,361,280</u>

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)

The estimated fair value of alternative investments is based on net asset value or its equivalent, as reported by the external investment managers. The University considers the valuation of these investments to be a reasonable estimate of fair value. Because these investments are not readily marketable and may be subject to withdrawal restrictions, their estimated values are subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for such investments existed. Such differences could be material.

The following schedule summarizes the investment return and the amounts designated to support current operations.

	<u>2020</u>	<u>2019</u>
Dividends and interest, net of expenses	\$ 1,890,818	\$ 2,554,290
Net realized gains on investments	1,636,150	3,498,912
Net unrealized losses on investments	<u>(1,042,320)</u>	<u>(845,078)</u>
Total return on investments	2,484,648	5,208,124
Investment return designated for current operations	<u>(4,738,994)</u>	<u>(5,413,174)</u>
Investment gain in excess (deficient) of amounts Designated for current operations	<u>\$ (2,254,346)</u>	<u>\$ (205,050)</u>

NOTE 4 - PROPERTY AND EQUIPMENT

The University's property and equipment are as follows:

	<u>2020</u>	<u>2019</u>
Buildings and building improvements	\$ 205,178,204	\$ 166,193,951
Property improvements	15,689,237	14,779,479
Equipment	<u>35,052,168</u>	<u>34,609,207</u>
	255,919,609	215,582,637
Accumulated depreciation	<u>(126,836,882)</u>	<u>(118,325,543)</u>
	129,082,727	97,257,094
Land	3,325,759	3,297,868
Construction in progress	<u>2,678,197</u>	<u>448,374</u>
	<u>\$ 135,086,683</u>	<u>\$ 101,003,336</u>

At June 30, 2020, the University has remaining commitments of approximately \$3,500,000 for completion of construction projects. At June 30, 2020, construction in progress primarily consisted of costs related to the renovation of the engineering building.

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 – DIRECT FINANCING LEASE

In 2014, the University entered into a master lease agreement with a developer of a 152,000 square foot facility built on land owned by the University and known as the Health Pavilion. The term of the lease agreement was eleven years commencing in August 2015.

In August of 2019, the University executed an agreement for the purchase of the Health Pavilion for approximately \$34.5 million through a mortgage loan (Note 6) and lease transaction with a third party that has a security interest in the facility. The lease of the Health Pavilion contains provisions for base rent plus additional rent over a term of 30 years reflected as a direct financing lease liability with future minimum payments as follows:

<u>Year</u>	
2021	\$ 771,331
2022	790,639
2023	808,747
2024	822,520
2025	838,323
Thereafter	<u>26,626,278</u>
	30,657,838
Less portion attributable to interest	<u>(13,705,965)</u>
	<u>\$ 16,951,873</u>

Total interest expense recorded on the direct financing lease in 2020 was \$284,624.

NOTE 6 - MORTGAGES PAYABLE

The mortgage loan related to the Health Pavilion transaction disclosed in Note 5 has a principal balance of \$21,992,968 as of June 30, 2020. The loan has a maturity date of August 26, 2029 and an interest rate of 4.95%. Monthly principal and interest payments are required based on a 30-year amortization that commenced on October 1, 2019. Total interest expense recorded on this mortgage in 2020 was \$947,220.

Other mortgages payable consist of mortgages totaling \$1,744,018 and \$1,730,591 as of June 30, 2020 and 2019, respectively. The mortgages require monthly payments ranging from \$256 to \$1,296, including interest at fixed rates ranging from 4.11% to 5.91%, and are secured by real estate purchased for campus expansion and rental properties. The mortgages have maturity dates ranging from July 2021 to April 2029. Total interest expense recorded on these mortgages in 2020 and 2019 was \$80,542 and \$79,587, respectively.

Estimated future principal payments due on mortgages payable are:

2021	\$ 479,655
2022	531,422
2023	608,532
2024	606,932
2025	511,553
Thereafter	<u>20,998,892</u>
	<u>\$ 23,736,986</u>

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7 - TAX-EXEMPT BONDS PAYABLE

Tax-exempt bonds payable consists of the following:

	<u>2020</u>	<u>2019</u>
Indiana Finance Authority, Educational Facilities Revenue Bond, Series 2011 (A)	\$ 6,180,000	\$ 6,180,000
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2013 (B)	4,120,000	4,230,000
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2014 (C)	5,660,000	5,705,000
Indiana Finance Authority Educational Facilities Refunding Revenue Bond, Series 2016 (D)	30,655,000	31,620,000
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2017 (E)	<u>10,850,000</u>	<u>10,850,000</u>
Total tax-exempt bonds payable, gross	57,465,000	58,585,000
Plus unamortized bond premium	539,149	572,831
Less unamortized discount and issuance costs	<u>(575,643)</u>	<u>(629,041)</u>
Total tax-exempt bonds payable, net	<u>\$ 57,428,506</u>	<u>\$ 58,528,790</u>

- (A) In July 2011, the University entered into a loan agreement with the Indiana Finance Authority to partially finance the construction, equipping and furnishing of a new 80,000 square foot multi-story residence hall, and the acquisition, construction, expansion, renovation and equipping of various other educational facilities for the University, including streets, grounds, landscaping, parking and site improvements on campus. The loan was financed by the sale of \$10,300,000 principal amount of Educational Facilities Revenue Bonds, Series 2011 by the Authority. The bonds are dated July 13, 2011 and bear various interest rates ranging from 2.25% to 5.0% depending on the maturity date. Interest is payable semi-annually on April 1 and October 1. The principal amount of the bonds is payable annually on October 1 through 2031. During 2017, the bonds were partially defeased in the amount of \$2,210,000 by the issuance of the Series 2017 bonds. The amount held in escrow for these repayments was approximately \$930,000 and \$1,370,000 at June 30, 2020 and 2019, respectively. In addition, remaining principal payments were restructured with the first payment due in 2023 and the final payment due in 2032.
- (B) In August of 2013, The University entered into a loan agreement with the Indiana Finance Authority to partially finance the renovation of Krannert Memorial Library and to partially refund the 2004 bonds. The loan was financed by the sale of Educational Facilities Revenue Bonds, Series 2013 by the Authority. The total of the issue was \$5,510,000, with \$2,041,000 escrowed for the 2004 partial refunding and the remainder placed with the bond trustee in the library construction account that was fully utilized in 2016. The bond interest rates are fixed between 3% and 5% depending on the maturity date. The bonds are dated August 22, 2013 with interest payable on October 1, and April 1. Principal payments are due October 1 of each year through 2034. During 2017, the bonds were partially refunded and defeased in the amount of \$830,000 by the issuance of the Series 2017 bonds. The amount held in escrow for these repayments was approximately \$930,000 and \$350,000 at June 30, 2020 and 2019, respectively. In addition, remaining principal payments were restructured with the first payment due in 2018 and the final payment due in 2029.

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7 - TAX-EXEMPT BONDS PAYABLE (Continued)

- (C) In August of 2014, The University entered into a loan agreement with the Indiana Finance Authority to complete the refunding of the 2004 bonds. The loan was financed by the sale of Educational Facilities Revenue Bonds, Series 2014 by the Authority. The total of the issue was \$5,810,000. The bond interest rates are fixed between 2% and 4% maturing through 2034. The bonds are dated August 1, 2014 with interest payable on October 1st, and April 1. Principal payments are due October 1 of each year.
- (D) In August of 2016, the University issued bonds in the amount of \$34,240,000. The 2016 bonds were issued to refund the 2010 bond issue. The bond Issuer is the Indiana Finance Authority. Both the trustee and the purchaser of the total issue is JPMorgan Chase Bank, N.A. The bonds are dated August 30, 2016 and effective January 2, 2019 and they bear interest at a variable rate equal to 79% of the one month LIBOR Rate plus 105 basis points in an initial Bank Purchase Mode that shall expire on January 1, 2024. Upon expiration, the University may elect to convert the Bonds to a new mode (with weekly or flexible interest rate periods), a new Bank Purchase Mode Term (but not beyond the Maturity Date), or the bonds shall be subject to mandatory tender for purchase. The decision as to whether the Bonds are converted to a new Bank Purchase Mode or a new mode is at the sole decision of the University. The Bonds are dated August 30, 2016 with interest payable monthly. Principal payments are due October 1 of each year though maturity in 2038.
- (E) In March of 2017, The University entered into a loan agreement with the Indiana Finance Authority to complete the refunding of the 2007 bonds, partially refund the Series 2011 and Series 2013 bonds and provide funds to finance the costs of the acquisition, construction, expansion and equipping of various capital projects. The loan was financed by the sale of Educational Facilities Revenue Bonds, Series 2017 by the Authority. The total issue was \$10,850,000. The bond interest rates are fixed at 5% maturity through 2043. The bonds are dated March 22, 2017 with interest payable on October 1, and April 1. Principal payments are due beginning October 1, 2040 and continue each year through maturity in 2044.

The future principal maturities of the bonds payable are as follows:

2021	\$ 1,340,000
2022	1,395,000
2023	2,125,000
2024	2,220,000
2025	2,315,000
Thereafter	<u>48,070,000</u>
	<u>\$ 57,465,000</u>

Interest expense, including settlements from swap agreements in Note 8, related to all tax-exempt bonds payable for the years ended June 30, 2020 and 2019, was \$2,693,274 and \$2,694,080, respectively.

Security for Bonds: The Series 2011, 2013, 2014, and 2017 Bonds are secured by loan agreements with the Authority. The 2016 Bond issue was a direct purchase agreement from JPMorgan Chase Bank, N.A and does not require a letter of credit. Under the direct purchase agreement, the University is required to comply with certain financial covenants, including maintaining minimum ratios of liquidity and debt service coverage.

On September 1, 2016, the University entered into an agreement with JPMorgan Chase Bank NA for a \$5,000,000 revolving line of credit. Interest on the outstanding principal balance is computed at a variable rate. The line may be renewed annually with the consent of the bank. There have been no draws on the line of credit for the years ending June 30, 2020 and 2019. The line of credit was renewed in September 2020, increased to \$10,000,000 with a rate of one-month LIBOR plus 2.5%, and will expire on September 1, 2021.

(Continued)

NOTE 8 - INTEREST RATE SWAP AGREEMENTS

As a strategy to maintain acceptable levels of exposure to the risk of interest rate fluctuations, the University entered into an interest rate swap agreement on 2001 bonds on June 1, 2004. This interest rate swap has been designated as a cash flow hedge of long-term debt and provides for the University to receive interest from the counterparty at 70% of one-month LIBOR and to pay interest to the counterparty at a fixed rate of 3.94% on a notional amount of \$920,000 and \$1,795,000 at June 30, 2020 and 2019, respectively. Although the 2001 issue was refunded in August of 2010 with the issuance of the 2010 bonds and in August of 2016 with the 2016 issuance, the interest rate swap will remain in force for the original term of the agreement. The average rate received during 2020 and 2019 was 1.11% and 1.59%, respectively, and the average interest rate paid for 2020 and 2019 was 3.94%. The interest rate swap matures in 2021. Total interest paid during 2020 and 2019 was \$32,065 and \$46,346, respectively, and is allocated to various expenses by function on the Statement of Activities. The expected fair value of the swap to be amortized in the next fiscal year is \$6,514.

On May 1, 2008, the University entered into an additional interest rate swap agreement on the 2008 bonds. The interest rate swap has been designated as a cash flow hedge of long-term debt and provides for the University to receive interest from the counterparty at 67% of three-month LIBOR and to pay interest to the counterparty at a fixed rate of 3.380% on a notional amount of \$29,460,000 and \$29,545,000 at June 30, 2020 and 2019, respectively. Although the 2008 issue was refunded in August of 2010 with the issuance of the 2010 bonds and in August of 2016 with the 2016 issuance, the interest rate swap will remain in force for the original term of the agreement. The average rate received during 2020 and 2019 was 1.12% and 1.67%, respectively, and the average interest rate paid for 2020 and 2019 was 3.38%. The interest rate swap matures in 2038. Total interest paid during 2020 and 2019 was \$644,642 and \$500,594, respectively, and is allocated to various expenses by function on the Statement of Activities. The expected fair value of the swap to be amortized in the next fiscal year is \$665,065.

Under the agreements, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreements are recorded at fair value with subsequent changes in fair value included in the change in net assets in the statements of activities. The valuation of the two interest rate swaps at June 30, 2020 and 2019 resulted in a liability of \$9,468,734 and \$6,510,825, respectively. If the agreements remain in force until maturity, the University's remaining liability related to the swaps would be \$0. The counterparties have no claim against the University's assets unless the University elects to terminate the swap agreements.

NOTE 9 - ANNUITIES AND TRUSTS OBLIGATIONS

The University has been the recipient of gift annuities which require future payments to the donor or their named beneficiaries. The assets originally received from the donor were recorded at fair value, along with an estimated liability for annuity payments. The University also administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the University's use. The portion of the trust attributable to the future interest of the University is recorded in the statements of activities as contributions with donor restriction in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the University's statements of financial position.

On an annual basis, the University revalues its liability to make distributions to the designated beneficiaries based on the actuarial assumptions. The University has recorded a liability at June 30, 2020 and 2019 of \$1,380,679 and \$1,408,436, respectively, which represents the present value of the future annuity and trust obligations. The liability has been determined using discount rates from IRS tables in effect at the date of the original gift ranging from 2.3% to 12.3% for each trust or annuity.

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 10 - EMPLOYEE BENEFITS

The University maintains a 403(b), defined-contribution retirement plan, administered by TIAA-CREF for the benefit of all eligible full-time employees with at least one year of service. Contributions are made at the employee's election and are matched by the University. Under the terms of the plan, the employee must contribute 3% to 5% of base salary to the plan to be eligible for an additional 8% to 10% contribution by the University. The University's contributions under the plan were \$3,657,099 and \$3,568,111 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 - OPERATING LEASES

The University has entered into various operating leases for office equipment, office space, and retail space expiring at various times through 2024.

The University, as the lessor, also entered into a sub-lease agreement for retail space with a lessee for \$300,000 per year for fiscal years 2020 and 2019. The sub-lease payments during 2020 and 2019 were equal to the University's obligation under the related operating lease.

Approximate future minimum payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2020 are as follows:

<u>Year</u>	
2021	\$ 400,087
2022	368,067
2023	379,109
2024	<u>31,669</u>
	<u>\$ 1,178,932</u>

Total rent expense under all operating leases was \$816,177 and \$3,059,399 for the years ended June 30, 2020 and 2019, respectively. Rent expense for 2020 and 2019 included rental payments of \$412,936 and \$2,570,816, respectively, related to the Health Pavilion prior to the purchase of the facility during 2020 as disclosed in Note 5.

NOTE 12 - RELATED PARTY TRANSACTIONS

The University periodically enters into business transactions with Board of Trustees members and outside vendors that employ members of the Board. Under the University's conflict of interest policy, the University's President and General Counsel monitor these transactions, and steps are taken by the Board to ensure that the transactions are appropriate. For the years ended June 30, 2020 and 2019, the primary activities of this nature included professional services.

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or time periods at June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Instructional and academic support	\$ 35,796,216	\$ 36,442,889
Community service	470,584	623,806
Student services	2,398,410	1,514,826
General endowment	16,981,646	17,429,916
Scholarships and awards	18,807,048	20,655,458
Center for Excellence in Leadership and Learning	347,490	59,612
Annuity and trust agreements	4,256,457	4,370,294
Plant, property and equipment	2,567,076	2,537,069
Institutional support	<u>1,719,005</u>	<u>1,719,235</u>
	83,343,932	85,353,105
Investment in perpetuity, the income of which is expendable to support:		
Instructional and academic support	15,269,232	14,844,589
Student Services	233,692	243,508
General operations	7,841,001	7,841,001
Scholarships and awards	20,050,769	19,639,757
Annuity and trust agreements	<u>-</u>	<u>402,321</u>
	43,394,694	42,971,176
Total net assets with donor restrictions	<u>\$ 126,738,626</u>	<u>\$ 128,324,281</u>

The composition of assets supporting these donor restrictions includes the endowment borrowings disclosed in Note 15.

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished		
Instructional and academic support	\$ 1,026,131	\$ 999,506
Community service	212,974	111,009
Student services	864,753	1,289,745
Scholarships and awards	3,154,611	1,994,569
Center for Excellence in Leadership and Learning	255,205	383,851
Property, plant & equipment	306,146	2,902,524
Institutional support	<u>241,205</u>	<u>107,817</u>
Total net assets released from restrictions	<u>\$ 6,061,025</u>	<u>\$ 7,789,021</u>

(Continued)

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the University's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The fair values of investments that are readily marketable, such as equity securities, mutual funds, and money market funds, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by the managers based upon the market prices of the underlying holdings (Level 2 inputs).

The fair value of the interest rate swap is based on a third-party proprietary valuation model that calculates the value based on recognized financial principles and current market rates, and is thought to provide a reasonable estimate of fair value using the market approach (Level 2 inputs).

Certain investments are valued using the net asset value (NAV) (or its equivalent) provided by the fund as a practical expedient. Those investments include alternative investments.

The fair value of alternative investments, such as limited partnership and hedge fund instruments, are based upon the financial reporting of the entities, and additional analysis performed by management, as such investments may have significant unobservable valuation inputs. To the extent that a legal or contractual restriction is specific to (and an attribute of) the investment and, therefore, would transfer with the investments upon sale to another market participant, it is considered as part of the investment's fair value determination.

The fair value of such investments can be determined using Net Asset Value ("NAV"), unless it is probable that the asset will be sold at something other than NAV. The University uses NAVs, under the market approach, as determined by the fund of hedge funds managers to determine fair value. These managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings in the funds. NAV is also used to determine the fair value of the limited partnership investments of the University.

Description of Alternative Investment Holdings:

During 2016, the University invested in a hedge fund that focuses on long and short equity investing based on fundamental, bottom-up research and seeks a mix of value and growth (or growth at a reasonable price), as well as catalyst managers and also seeks a diversified mix of stock capitalizations and sector exposures. The fair value is calculated at year end NAV using the market approach. The University has no additional commitments to this fund.

(Continued)

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The University also has an alternative investment in a limited partnership that invests in distressed corporate debt securities. This fund invests in other funds that invest in distressed securities, as well as direct investment in those types of instruments. The direct investment is limited to 30% of the fund's assets. The partnership began dissolution on December 31, 2018. Redemptions are possible at the sole discretion of the general partner. The fair value is calculated at year end NAV using the market approach. The University has made a total commitment of \$1,000,000 to this partnership. At June 30, 2020, the University's remaining commitment to this investment was \$30,000.

A second limited partnership alternative investment is an investment focused on absolute and risk adjusted returns, low performance volatility and low correlation with global equity and fixed income markets over a full market cycle. It is a multi-strategy, multi-manager fund designed to preserve capital during changing market environments. The University's capital commitment to this fund is \$5,000,000. This commitment was fully met. There is no lock up period for this investment; withdrawals are allowed quarterly with a 70 day notice to the general partner subject to redemption provisions and to audit contingency and other customary reserves.

A third limited partnership alternative investment is designed as a direct lending fund with a target market of businesses with enterprise values between \$50 and \$500 million. The fund is designed to deliver mezzanine-like returns by focusing on senior secured lending to private U.S. middle market businesses by seeking a first-lien, senior secured position in a company's capital structure. The University's capital commitment to this fund is \$5,000,000, with an outstanding commitment at June 30, 2020 of \$566,323. The lock up period for the fund is seven years from the closing date of the fund which was December 2013. The lock up period is subject to three one-year extensions.

A fourth limited partnership is a private real estate investment trust. The fund consists of a diversified core portfolio focused on four main real estate property types. No single investment can exceed 25% of the fund's net asset value. Leverage is limited to 30% at fund level structure. The fund seeks to invest in best-in-class assets located in top-tier markets with a heavy emphasis on income, liquidity and strong long-term fundamentals. The fund emphasizes a bi-coastal investment strategy based on research-driven principles. It targets markets with a diverse employment base, strong forecasted market fundamentals and liquidity. The fund seeks well-leased assets with durable in-place income and above-average growth potential. It targets acquisitions with a going-in cost at or below today's replacement cost. The University may redeem the investment with 45 days written notice prior to the end of the quarter. The University's capital commitment to this fund is \$3,000,000. This commitment was fully met.

Description of Other – Equity Method Investment Holdings:

The University has made investments into three LLCs as described below primarily to assist and advance the mission of the University to provide convenient, affordable student housing adjacent to the campus.

The University values these investments using the equity method, which are not included within the fair value hierarchy.

During 2015, the University entered into an operating agreement with Strategic Capital Partners, LLC to form UIndy Student Housing Partners, LLC. Under the terms of the operating agreement, the University holds 49% of the units into which the membership interests of the members are divided for purposes of determining each member's relative economic rights and non-economic rights, including distributable share of net cash flow and allocable share of profits and losses and voting rights. The student housing became operational in August of 2016. The University's capital contribution to the LLC was \$3,748,500.

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

In September 2017, the University entered into an operating agreement by and among UIndy Student Housing Partners II, LLC; National Avenue Partners, LLC; and the University to manage operations of a new apartment complex under the name UIndy Student Housing Partners II, LLC. Under the terms of the operating agreement, the University holds \$1.1 million of the units into which the membership interests of the members are divided for purposes of determining each member's relative economic rights and non-economic voting rights, including distributable share of net cash flow and allocable share of profits and losses and voting rights. The University contributed property valued at \$1,208,518, with a cost value of \$177,995, for the site of the complex in exchange for its units. The complex became operational in January of 2019.

In April of 2019, the University entered into an operating agreement by and among College Crossing Holdings, LLC; SCP College Crossing Investors, LLC; and the University to acquire, own, lease, hold for investment, and/or sell certain real estate under the name College Crossing Holdings, LLC. Under the terms of the operating agreement, the University holds approximately 18% of the units into which the membership interests of the members are divided for purposes of determining each member's relative economic rights and non-economic rights, including distributable share of net cash flow and allocable share of profits and losses and voting rights. The University's capital contribution to the LLC was \$500,000.

Assets and Liabilities Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at June 30, 2020					
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Money market funds	\$ 4,790,365	\$ -	\$ -	\$ -	\$ 4,790,365
Fixed income:					
Mutual fund – bonds	24,733,374	-	-	-	24,733,374
Equity securities:					
Materials	401,371	-	-	-	401,371
Industrial	1,569,925	-	-	-	1,569,925
Consumer Discretionary	3,445,057	-	-	-	3,445,057
Consumer Staples	1,422,921	-	-	-	1,422,921
Health Care	142,166	-	-	-	142,166
Financial	3,397,705	-	-	-	3,397,705
Energy	793,751	-	-	-	793,751
Information Technology	2,594,950	-	-	-	2,594,950
Communication	915,017	-	-	-	915,017
Utilities	134,436	-	-	-	134,436
Other	14,630	-	-	-	14,630
Mutual funds – equities	42,262,241	-	-	-	42,262,241
Alternative investments					
Hedge Funds	-	-	-	2,650,533	2,650,533
Partnerships	-	-	-	12,811,698	12,811,698
Total Investments at fair value	86,617,909	-	-	15,462,231	102,080,140
Other – equity method investments					2,576,005
Total Investments					104,656,145
Liabilities:					
Interest rate swap agreements	-	9,468,734	-	-	9,468,734

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets and Liabilities Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at June 30, 2019					
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Assets:					
Money market funds	\$ 5,945,679	\$ -	\$ -	-	\$ 5,945,679
Fixed income:					
Mutual fund – bonds	26,329,907	-	-	-	26,329,907
Equity securities:					
Materials	533,887	-	-	-	533,887
Industrial	1,451,539	-	-	-	1,451,539
Consumer Discretionary	3,407,282	-	-	-	3,407,282
Consumer Staples	1,756,602	-	-	-	1,756,602
Health Care	147,650	-	-	-	147,650
Financial	4,123,645	-	-	-	4,123,645
Energy	791,452	-	-	-	791,452
Information Technology	1,977,791	-	-	-	1,977,791
Communication	893,696	-	-	-	893,696
Utilities	404,118	-	-	-	404,118
Mutual funds – equities	40,223,731	-	-	-	40,223,731
Alternative investments					
Hedge Funds	-	-	-	2,783,583	2,783,583
Partnerships	-	-	-	13,032,967	13,032,967
Total Investments					
at fair value	87,986,979	-	-	15,816,550	103,803,529
Other – equity method					
investments					<u>2,557,751</u>
Total Investments					106,361,280
Liabilities:					
Interest rate					
swap agreements	-	6,510,825	-	-	6,510,825

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 15 - ENDOWMENT COMPOSITION DISCLOSURE

The University's endowment consists of approximately 300 individual funds established primarily for student financial aid and program support. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments as well as pledge receivables with donor restrictions. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The University has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the 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 University classifies as net assets with donor restrictions (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 the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 107,596,877	\$ 107,596,877
Board-designated	<u>1,863,717</u>	<u>-</u>	<u>1,863,717</u>
Total funds	<u>\$ 1,863,717</u>	<u>\$ 107,596,877</u>	<u>\$ 109,460,594</u>

Endowment net asset composition by type of fund as of June 30, 2019:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 107,620,381	\$ 107,620,381
Board-designated	<u>1,827,376</u>	<u>-</u>	<u>1,827,376</u>
Total funds	<u>\$ 1,827,376</u>	<u>\$ 107,620,381</u>	<u>\$ 109,447,757</u>

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 15 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

Changes in endowment net assets for year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 1,827,376	\$ 107,620,381	\$ 109,447,757
Investment return	45,465	2,784,004	2,829,469
New gifts	70,000	1,852,362	1,922,362
Appropriations	<u>(79,124)</u>	<u>(4,659,870)</u>	<u>(4,738,994)</u>
Net assets, end of year	<u>\$ 1,863,717</u>	<u>\$ 107,596,877</u>	<u>\$ 109,460,594</u>

Changes in endowment net assets for year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 1,753,894	\$ 106,051,070	\$ 107,804,964
Investment return	91,550	5,205,677	5,297,227
New gifts	70,000	4,188,740	4,258,740
Appropriations	<u>(88,068)</u>	<u>(7,825,106)</u>	<u>(7,913,174)</u>
Net assets, end of year	<u>\$ 1,827,376</u>	<u>\$ 107,620,381</u>	<u>\$ 109,447,757</u>

The University's reconciliation of endowment and investment balances as of June 30, 2020 and 2019 are as follows. The difference between net assets with donor-imposed restrictions and assets available to support those restrictions is due to the endowment loans noted below.

	<u>2020</u>	<u>2019</u>
Investment balance per the Statement of Financial Position	\$ 104,656,145	\$ 106,361,281
Endowment loans	12,689,898	12,689,898
Endowment receivable (payable)	399,045	(776,943)
Trust and annuity investments	(5,571,691)	(6,137,188)
Joint venture equity method investments	(2,576,005)	(2,557,751)
Other investments	<u>(136,798)</u>	<u>(131,540)</u>
Total Endowment	<u>\$ 109,460,594</u>	<u>\$ 109,447,757</u>

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 15 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

Funds with Deficiencies: A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the University may have individual donor-restricted endowment funds that are underwater. The University has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations. At June 30, the amount by which funds were underwater is calculated as follows:

	<u>2020</u>	<u>2019</u>
Aggregate original gift amount	\$ 3,498,245	\$ 3,137,247
Aggregate fair value	<u>3,363,684</u>	<u>3,065,124</u>
Aggregate deficiency	<u>\$ 134,561</u>	<u>\$ 72,123</u>

As of June 30, 2020 and 2019, funds with deficiencies primarily represented a single fund that was endowed during the year ended June 30, 2019 that experienced unfavorable market conditions subsequent to endowment that accounts for \$113,294 and \$66,013 of the total aggregate deficiency as of June 30, 2020 and 2019, respectively.

Return Objectives and Risk Parameters: The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an annual real total return of at least 5% per year, net of management fees.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The institution targets a diversified asset allocation that is reviewed by the Finance Committee on an ongoing basis. The investments are diversified both by asset class and within asset class. The Committee may change the ratios of each class at its discretion if it deems prudent to do so.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The University has a policy of appropriating an annual distribution to support its operations based upon a percentage of its endowment fund's average fair value over the prior 8 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The percentage to be appropriated each year is approved by the Board of Trustees as part of the annual budget approval process. The maximum allowable percentage to be appropriated under the current Board of Trustees Spending Policy may not exceed six percent (6.0%).

The amount appropriated for the fiscal years ending June 30, 2020 and 2019 was 4.5% and 5.5%, respectively.

During the year ended June 30, 2019, a donor approved a one-time \$2,500,000 appropriation for the support of renovations to Good Hall.

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 15 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

The University uses two measures of performance when evaluating the performance of investments held in the endowment. One measure of performance is the Consumer Price Index (CPI) plus five percent (5.0%). The other measure is a policy index based on benchmarks for each class of investment held in the portfolio.

For the fiscal year ending June 30, 2020, the CPI+5% value was 5.74% and the value for the policy index was 5.6%. Actual performance was 2.87% for the fiscal year ending June 30, 2020.

For the fiscal year ending June 30, 2019, the CPI+5% value was 6.74% and the value for the policy index was 7.20%. Actual performance was 4.85% for the fiscal year ending June 30, 2019.

Endowment Borrowing: In June of 2015, The University borrowed \$4,000,000 from the University's endowment to fund its investment in UIndy Student Housing, LLC. In July of 2015, the University borrowed \$5,250,000 from the University's endowment to fund various capital projects. In July of 2016, the University borrowed \$3,500,000 from the University's endowment to fund the renovation of various facilities.

These borrowings are under separate term note agreements that accrue interest annually at 3.816%. Interest and principal payments commence on September 25, 2023 with interest and principal payments due in semi-annual installments on March 25 and September 25. The final balance of the notes is payable on September 25, 2038.

In July of 2020, The University borrowed \$4,437,500 from the University's endowment to fund the build out of the University's new engineering building. This borrowing accrues interest annually at 3.816%. Interest and principal payments commence on September 25, 2023 with interest and principal payments due in semi-annual installments on March 25 and September 25. The final balance of the notes is payable on September 25, 2038.

NOTE 16 - LIQUIDITY AND AVAILABILITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as services undertaken to support those activities to be general expenditures. The University's cash position has seasonality which follows the academic school year. Refer to the Statement of Cash Flows which identifies the sources and uses of the University's cash and shows positive cash generated by operations for the fiscal years 2020 and 2019.

(Continued)

UNIVERSITY OF INDIANAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 16 - LIQUIDITY AND AVAILABILITY (Continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 10,942,080	\$ 9,535,246
Restricted cash for construction and other capital projects	449,075	790,320
Student accounts receivable	1,809,569	1,706,009
Contributions receivable	4,888,439	4,794,241
Student notes receivable	1,851,980	2,333,037
Other receivables	2,207,315	1,731,853
Investments	<u>104,656,145</u>	<u>106,361,280</u>
Total financial assets at year-end	126,804,603	127,251,986
Plus endowment distributions available to be appropriated in the next year	4,913,242	5,792,103
Less amounts not available to meet general expenditures within one year:		
Restricted cash for construction and other capital projects	(449,075)	(790,320)
Restricted cash for student needs	(186,249)	-
Federal portion of student notes receivable	(2,105,062)	(2,764,985)
Other receivables, non-current	(162,691)	(146,266)
Contributions receivable restricted by donor for use in future periods or capital projects	(4,855,827)	(4,647,845)
Other donor restricted funds unavailable for general expenditures within one year	(3,329,324)	(3,555,926)
Equity method investments	(2,576,005)	(2,557,751)
Annuities and trusts obligations	(3,671,966)	(4,111,235)
Board-designated endowment assets	(1,863,717)	(1,827,376)
Donor-restricted endowment assets	<u>(107,596,877)</u>	<u>(107,620,381)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,921,052</u>	<u>\$ 5,022,004</u>

The University's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amount available for general use. Donor-restricted endowment funds are not available for general expenditure.

The University's board-designated endowment of \$1,863,600 is subject to a maximum annual spending rate of 6% as described in Note 15. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the University's liquidity management, the University invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs, the University has a \$5,000,000 committed line of credit (increased to \$10,000,000 in September of 2020) as discussed in Note 7 which it could draw upon. The use of this line of credit is generally restricted to the extent that the University is in need of liquidity to fund program-related obligations. There have been no draws on the line of credit for the years ending June 30, 2020 and 2019.

(Continued)

NOTE 17 – COVID-19 IMPACT

During March of 2020, the University made adjustments to its operations and academic offerings in response to the spread of COVID-19 throughout the United States and Indiana. The University extended the spring break an additional week and used that time to shift course offerings to an online format to allow students to complete their second semester course work and Summer academic terms online.

Additionally, the University requested students to move off campus after the second week of spring break though on-campus housing was made available to students who had no other place to reside. The University did not refund tuition and fees, though a portion of room and board was refunded to those students who opted to move off campus during the last six weeks of the Spring term. These refunds totaled approximately \$1.7 million and were funded by the Institutional portion of the CARES Act HEERF grant funds.

Employees and faculty were requested to work remotely unless they were deemed to be essential employees, and the University continued to provide salary and benefits to all employees and faculty.

The University put in place a Re-Engagement Plan in May 2020 with various Phases in coordination with local guidelines from the State of Indiana and Marion County, which informed gatherings on campus, students living on campus, travel restrictions, employees on campus and other requirements.

The impact of COVID-19 on the University's financial activity for the year ended June 30, 2020 includes federal funds received and expended from the CARES Act HEERF, refunds to students as noted above, and the impact on non-compensation expenses and personnel changes.

In May 2020, the University applied for and was eligible to receive approximately \$5 million in CARES Act HEERF federal funding, which was allocated as approximately \$2.5 million of Institutional Funds and \$2.5 million of student support funds. As noted above, the University provided approximately \$1.7 million in refunds to students (room and board) which was funded with CARES Act HEERF Institutional Funds. The University anticipates spending the remaining CARES Act Institutional Funds in fiscal year 2021 on academic preparedness for the Fall 2020 classes, technology support for online learning, stipends to faculty to move in-person classes to an online format, and tracking/management of the University's response to COVID-19.

Regarding the \$2.5 million of CARES Act for student support, the University established a policy and process that allowed students to apply for CARES Act Funds for student support. Ultimately, approximately \$2.3 million of emergency student support grants were issued during the year ended June 30, 2020. The University anticipates distributing the remaining CARES Act student support funds in fiscal year 2021 based on the policy and process established in May 2020.

Spending on operational items including travel, food, printing, promotional funds and other spending associated with normal University operations were lower due to the operational changes from March through June 2020 in response to COVID-19. Lower spending in these areas were the result of online classes for the Winter, Spring and Summer terms along with a majority of the University's workforce working remotely.

During the planning for the fiscal year 2021 budget, the University proposed operational, employment and endowment adjustments in order to exercise prudent fiscal management heading into the new fiscal year and prepare for the possible impact of COVID to campus operations. The Board of Trustees adopted these proposed changes in June of 2020 including: reduced spending for non-compensation budget lines, deferral of employee retirement matching contributions, reductions in staffing throughout campus, reduced salary for all employees, conservative estimates of enrollment and auxiliary revenues impacted by enrollment, and a larger endowment draw compared to prior years. The University will monitor throughout the upcoming fiscal year the impact of COVID to the campus, along with monthly budget variance reports.