Vincennes University
Financial Report
2011-2012

Financial Report

Vincennes University

Mission & Vision

Mission

Vincennes University, Indiana's first college, is the State's premier transfer institution and leader in innovative career programming. The VU community ensures educational access, delivers proven associate and baccalaureate programs, and offers cultural opportunities and community services in a diverse, student-centered, collegiate environment.

Vision

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

Vincennes University
Financial Report
2011-2012

Vincennes University

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Vincennes University
Financial Report 2011-2012

Table of Contents

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, VINCENNES, INDIANA

We have audited the accompanying basic financial statements of Vincennes University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the component unit of the University as discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Vincennes University, as of June 30, 2012 and 2011, and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2012, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Treasurer's Report and the Board of Trustees and University Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Treasurer's Report and the Board of Trustees and University Officers have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

STATE BOARD OF ACCOUNTS

October 18, 2012

State Board of Accounts

Vincennes University Treasurer's Report

Vincennes University's vision for a 21st century education can be seen every day in classrooms all across our campuses. It is no secret that many of the jobs we are training students for today didn't exist ten years ago. VU's ability to recognize workforce changes and adapt programming to meet employers' needs is why leading companies continue to look to VU as their college of choice. A glimpse inside these classrooms provides a visual testament to the cutting-edge skills students are gaining at Vincennes University. From the College of Technology student operating Robotics equipment to the Nursing student in the Virtual Hospital Simulation Laboratory, VU's dedication to innovation is what makes this university a true asset among Indiana's higher education system.

In October, Vincennes University broke ground on the 54,000 square foot state-of-the-art Jasper Center for Technology, Innovation, and Manufacturing. Driven by significant state, community and industry support, this facility will play an instrumental role in the economic future of the community and the region. In January, VU dedicated its Logistics Training and Education Center in Plainfield. Located in the heart of one of the nation's largest logistics hubs, the programs offered at this facility will provide a critical workforce solution to one of the most important industries in Indiana. In April, the university dedicated its renovated Homeland Security and Public Safety Building. Following a $2 million renovation, the building features one of the best forensics labs in the state with the latest crime-fighting technology and an emergency response command center.

Through VU's disciplined budget approach and continued efficiency efforts such as an aggressive energy management program, healthcare plan adjustments and program-by-program cost benefit analysis, Vincennes University proudly remains in strong financial health. In Fall 2011, VU introduced the Middle-Income Hoosier Scholarship, providing a 15 percent reduction in tuition for students from middle-income families in Indiana – yet another way Vincennes University is increasing affordability for its students and helping the state reach its college completion goals.

I commend the administration, faculty and staff for another successful year. Their daily dedication to helping students achieve their academic goals provides more Hoosier families with opportunities to pursue promising futures.

I am pleased to present the 2011-2012 Vincennes University Financial Report for the fiscal year ended June 30, 2012. This report is a complete and permanent record of the financial status of Vincennes University for the period stated.

Respectfully submitted,

Phillip S. Rath
Vice President for Financial Services and Government Relations

Management's Discussion & Analysis

Vincennes University is proud to present its financial statements for fiscal year 2012. The following discussion and analysis provides an overview of the financial position and activities of Vincennes University (the "University") for the year ended June 30, 2012 with comparative information for the year ended June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes following this section.

One of the first two-year colleges in America, Vincennes University is also Indiana's oldest college. Currently, the University is a comprehensive public institution of higher learning with a fall 2011 enrollment of approximately 10,000 full-time equivalents. The University offers a broad range of degrees including baccalaureate programs. These degrees include Bachelor of Science degrees in Health Care Management, Homeland Security and Public Safety, Education-Science Concentration, Education –Special Education, Education – Math Concentration, Nursing, and Technology. Vincennes University has a statewide mission and is a state-supported university. Major extension sites are located in Jasper and Indianapolis, Indiana. The University also offers over 460 courses through its Distance Education program and at thirteen military sites across the United States. The University is accredited by the North Central Association of Colleges and Schools.

The University is committed to an open admission policy and recognizes that promoting individual growth and development must be its primary consideration. Furthermore, the University believes it must play a key role in programs of community development, cultural enrichment, and services appropriate to a post-secondary educational institution.

USING THE FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities--net assets--is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarization of the University's assets, liabilities, and net assets at June 30, 2012, with comparative data for 2011, is as follows:

Statement of Net Assets	2012 (in thousands)	2011 (in thousands)
Current Assets	$ 32,523	$ 38,587
Non-current Assets		
Investments	113,878	113,403
Capital Assets, net	184,002	171,364
Other	8,106	3,584
Total Assets	**$ 338,509**	**$ 326,938**
Current Liabilities	21,547	22,303
Non-current Liabilities	59,660	58,125
Total Liabilities	**$ 81,207**	**$ 80,428**
Net Assets	**$ 257,302**	**$ 246,510**

The University's financial position remained strong at June 30, 2012, with assets of $339 million and liabilities of $81.2 million. This financial health reflects the prudent utilization of its financial resources, including careful cost controls, management of its endowments, conservative utilization of debt, and adherence to its long-range capital plan for the maintenance and replacement of the physical plant.

Current assets consist primarily of cash, short-term investments, and accounts receivable. Accounts receivable includes sponsored programs, student loans, and student receivable for tuition, and room and board.

Non-current assets increased $18 million from the previous year. This increase was largely related to the completion of the Gibson County Center for Advanced Manufacturing and Logistics, the PE Complex Renovation, the Aquatic Center, and various renewal and replacement projects. The University's contribution toward the Other Post-employment Benefit (OPEB) obligation was in excess of the annual required contribution resulting in a net asset of $7.2 million.

Current liabilities consist primarily of accounts payable, loans payable, accrued compensation, and accrued vacation liability. Total current liabilities decreased $756,000 to $21.5 million. This decrease was primarily related to the timing of payments in accounts payable.

The majority of non-current liabilities represent bonds payable net of unamortized bond premium (discount) totaling $58 million. These bonds were issued to finance construction of four student residence halls, the student union, and nine academic buildings. Student fees and dormitory revenues secured these bonds. More detailed information concerning the University's long-term debt is presented in the Notes to the Financial Statements.

NET ASSETS

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2012, with comparative data for 2011, is summarized as follows:

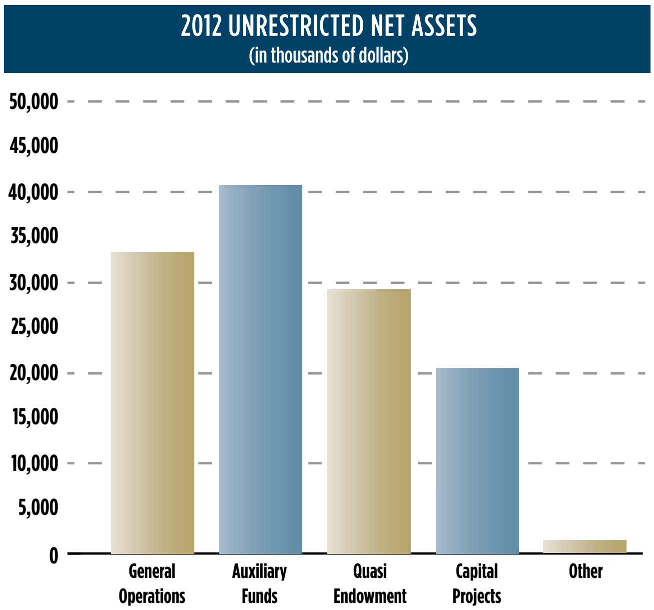
Summary of Net Assets	2012 (in thousands)	2011 (in thousands)
Invested in Capital Assets, Net of Related Debt	$ 121,717	$ 110,633
Restricted:		
Non-expendable	2,380	2,380
Expendable	5,885	7,193
Unrestricted:		
Designated - Capital & Other	23,541	10,071
Designated for Quasi-Endowment	29,119	28,082
General Operations	33,570	47,483
Auxiliary	41,090	40,668
Total Net Assets	**$ 257,302**	**$ 246,510**

Net assets, invested in capital assets, net of related debt represent the institution's equity in property, plant and equipment net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – non-expendable primarily include the University's permanent endowment funds. The corpus of these resources is only available for investment purposes. Restricted net assets - expendable are subject to externally imposed restrictions governing their use. This category of net assets includes funds restricted for capital projects, external loan funds, and scholarship funds.

Unrestricted net assets are not subject to externally imposed stipulations. However, many of the University's unrestricted net assets have been designated or reserved for specific purposes such as auxiliaries, quasi endowment, dormitory reserves, and repair and replacement reserves for capital and infrastructure. Unrestricted net assets include board designated quasi-endowment funds of $29.1 million. All income and gain derived from these quasi-endowment funds are used for the purpose of funding various designated University activities. General Operations' net assets decreased $14 million which is attributable to the funding of capital projects. Investments in capital assets increased $11 million with the completion of the Gibson County Center for Advanced Manufacturing and Logistics, the PE Complex Renovation, the Aquatic Center, and various renewal and replacement projects.

The following graph shows the percentage breakdown of unrestricted net assets of $127 million by designation:



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the University, as well as the non-operating revenues and expenses. Governmental appropriations, while budgeted for operations, are considered non-operating revenues as defined by GASB Statement No. 35. A summary of the Statement of Revenues, Expenses and Changes in Net Assets for the years ending June 30, 2012 and 2011 is as follows:

Statement of Revenues, Expenses & Changes in Net Assets	2012 (in thousands)	2011 (in thousands)
Operating Revenue:		
Tuition and Fees, Net	$ 29,560	$ 30,741
Auxiliary, Net	18,719	19,008
Grant and Contracts	17,096	18,279
Other	633	584
Total Operating Revenue	$ 66,088	$ 68,612
Operating Expenses	$123,752	$120,145
Net Operating Income (Loss)	$ (57,744)	$ (51,533)
Non-Operating Revenues (Expenses):		
Governmental Appropriations	$ 41,550	$ 42,351
Federal and State Student Aid	26,451	27,258
Gifts (Including Endowment and Capital)	166	235
Investment Income	2,601	3,508
Gain (Loss) on Disposition of Capital Assets	67	(463)
Other Income and Expense	(2,299)	(2,486)
Total Non-Operating Revenue	$ 68,536	$ 70,403
Income Before Other Revenues, Expenses, Gains or Losses	$ 10,792	$ 18,870
Other Revenues, Expenses, Gains or Losses:		
Capital Appropriation	$ -	$ 5,000
Grants and Contracts Non-Operating	-	2,693
Increase in Net Assets	$ 10,792	$ 26,563
Net assets - Beginning of year	$246,510	$219,947
Net assets - End of year	$257,302	$246,510

REVENUES

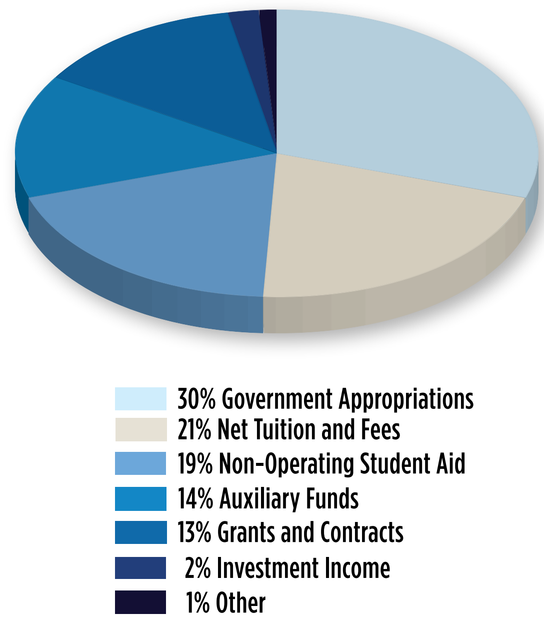
Operating revenues had a slight decrease from the prior year. The changes in revenue are as follows:

- Tuition and fees, net of scholarship allowances and bad debt, decreased 3.8 percent from the prior year which was largely attributable to the decrease in enrollment on the Vincennes Campus.
- Auxiliary revenues primarily consist of student housing, bookstores, student activities, and workshops. Net auxiliary revenues decreased 1.5 percent with housing rates increasing 3 percent from the prior year.
- For grants and contracts, the University received an estimated 67 percent from federal agencies, 21 percent from state agencies, and 12 percent from nongovernmental agencies.

Non-operating revenue decreased slightly from the previous fiscal year. The activity includes the following:

- Federal and State Student Aid decreased 1.9 percent to $27.3 million. This decrease is largely attributable to the amount of Pell aid awarded.
- Investment income decreased approximately $1 million which was reflective of the market conditions.

The following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University for the year ended June 30, 2012:



EXPENSES

A comparative of the University's expenses for the years ending June 30, 2012 and 2011 is as follows:

Expense By Natural Object	2012 (in thousands)	2011 (in thousands)
Operating:		
Compensation and Benefits	$ 67,041	$ 62,887
Supplies and Other Services	35,713	35,460
Depreciation	9,183	8,298
Scholarships and Fellowships	11,815	13,500
Total Operating Expenses	$123,752	$120,145
Non-Operating:		
Interest and Other	2,443	2,949
Total Expenses	$126,195	$123,094

Operating expenses were $124 million for the fiscal year ending June 30, 2012. Changes in the major expenses categories are as follows:

- Total salaries and benefits comprised approximately 53 percent of total expenses. Faculty and staff received an average merit of 2% at the beginning of fiscal year 2012. Benefits increased $2.9 million which was directly related to the increase in healthcare claims and the funding of the postemployment benefits.
- Student aid decreased resulting in a $1.6 million decrease in scholarships and fellowships as compared to the previous year.
- Overall supplies and other services held constant from the previous year. The University continues to make cost containment an ongoing effort for all related supply and expense expenditures.

STATEMENT OF CASH FLOWS

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

A comparative of the Statement of Cash Flows for the years ended June 30, 2012 and 2011 is as follows:

Statement of Cash Flows	2012 (in thousands)	2011 (in thousands)
Cash Received from Operations	$ 68,198	$ 68,855
Cash Expended for Operations	(121,527)	(114,325)
Net Cash Used in Operating Activities	$ (53,329)	$ (45,470)
Net Cash Provided by Non-Capital Financing Activities	72,186	67,108
Net Cash Provided by (used in) Investing Activities	7,083	(471)
Net Cash used in Capital and Related Financing Activities	(22,457)	(22,622)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 3,483	$ (1,455)
Cash and Cash Equivalents - Beginning of Year	12,884	14,339
Cash and Cash Equivalents - End of Year	$ 16,367	$ 12,884

The University's cash and cash equivalents increased $3.48 million from the previous year. The increase in the cash and cash equivalents was primarily related to the shifting of cash and cash equivalents from short term investments.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic condition of Vincennes University is closely tied to that of the State of Indiana with state appropriations being the largest source of funding for the University. The State and Federal governments continue to recognize the importance of an education in our nation at a time when governmental appropriations are declining.

The Vincennes University Logistics Training and Education Center is now operational in Plainfield, Indiana. The University was recently awarded a $2.9 million grant from the Department of Labor to facilitate the logistics program at this facility. This facility is located directly amongst the largest logistics industry in the state. By combining state-of-the-art logistics technology, extensive lab space, and employer-driven credentials, this 30,000 square foot advanced warehousing facility will fill an education and training gap that currently exists within the state.

The Center for Technology, Innovation, and Manufacturing on the Jasper campus is nearing completion. This facility will cost approximately $12 million dollars and will allow Indiana to strengthen its economic development by supplying skilled workers to meet industry needs. The University will be issuing bonds during fiscal year 2013 to fund this facility.

Health care and prescription drug costs are a primary concern as the costs of the University's health benefits continue to increase. Increasing costs for insurance, volatile utility costs, repair and maintenance of campus facilities, and replacing equipment with state-of-the-art technology are also significant cost pressures facing the university.

Management's prudent use of resources and cost-containment efforts in today's uncertain economic environment will ensure that the University continues to remain financially sound.

VINCENNES UNIVERSITY STATEMENT OF NET ASSETS

As of June 30, 2012 and June 30, 2011

ASSETS	2012	2011
Current Assets		
Cash and Cash Equivalents	$ 16,367,348	$ 12,883,881
Short-term Investments	5,155,114	9,675,870
Funds held with Bond Trustee	15,899	13,894
Accounts Receivable (Less Allowance of $3,810,956 2012 and $ 3,962,159 2011)	7,298,301	12,744,823
Current Portion of Notes Receivable	568,136	463,790
Inventories	2,281,846	2,089,809
Accrued Interest Income	406,447	484,727
Prepaid Expenses	430,406	230,252
Total Current Assets	**$ 32,523,497**	**$ 38,587,046**
Non-current Assets		
Funds held with Bond Trustee for Debt Service	225,198	225,175
Investments	113,391,743	113,274,146
Derivative Instrument - Interest Rate Swap	-	129,614
Deferred Outflow - Interest Rate Swap	485,870	-
Notes Receivable	686,584	789,086
OPEB Asset	7,193,705	2,569,079
Capital Assets, Net of Accumulated Depreciation	184,002,305	171,363,786
Total Non-current Assets	**$ 305,985,405**	**$ 288,350,886**
Total Assets	**$ 338,508,902**	**$ 326,937,932**
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 2,190,413	$ 3,826,740
Capital Lease Payable	3,425	3,239
Accrued Payroll and Deductions Payable	4,559,214	4,731,490
Accrued Vacation Liability	1,147,522	1,133,307
Deferred Revenue	2,655,615	2,417,539
Accrued Interest on Debt	347,271	351,159
Bonds Payable	4,248,000	3,800,000
Deposits	253,771	261,464
Deposits Held in Custody for Others	5,093,143	4,692,142
Other Liabilities	1,048,513	1,085,969
Total Current Liabilities	**$ 21,546,887**	**$ 22,303,049**
Non-current Liabilities		
Capital Lease Payable	7,845	10,993
Bonds Payable (Net of Unamortized Bond Premium (Discount) of $1,600,798 2012 and $1,748,142 2011)	58,049,798	56,868,142
Deferred Inflow of Resources-Interest Rate Swap	-	129,614
Derivative Instrument - Interest Rate Swap	485,870	-
Advances from Federal Government	1,116,332	1,116,332
Total Non-current Liabilities	**$ 59,659,845**	**$ 58,125,081**
Total Liabilities	**$ 81,206,732**	**$ 80,428,130**
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 121,716,913	$ 110,633,127
Restricted for Non-expendable:		
Scholarships & Instruction	2,379,586	2,379,586
Expendable:		
Capital Projects	2,733,504	4,297,854
Loan Funds	536,259	525,800
Scholarships & Instruction	2,614,949	2,369,483
Unrestricted	127,320,959	126,303,952
Total Net Assets	**$ 257,302,170**	**$ 246,509,802**
Total Liabilities and Net Assets	**$ 338,508,902**	**$ 326,937,932**

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

VINCENNES UNIVERSITY FOUNDATION, INC.
COMPONENT UNIT — STATEMENT OF FINANCIAL POSITION

As of June 30, 2012 with comparative figures for 2011

Assets	2012	2011
Unrestricted Funds		
Cash	$ 87,456	$ 102,629
Amount Due from Agency Funds	15,309	12,816
Accrued Interest Receivable	880	1,852
Investments	1,958,255	1,982,339
Equipment	18,267	17,697
Accum. Deprec. - Equipment	(16,046)	(13,305)
Prepaid Expense	1,620	5,775
Property	995,509	1,038,509
Total Unrestricted Funds	**$ 3,061,250**	**$ 3,148,312**
Current Restricted Funds		
Accrued Interest Receivable	$ 7,663	$ 8,829
Investments	33,653,723	26,843,847
Other Accounts Receivable	1,255	7,508
Prepaid Expense	32,960	12,530
Total Current Restricted Funds	**$ 33,695,601**	**$ 26,872,714**
Endowment Funds		
Accrued Interest Receivable	$ 9,785	$ 19,718
Investments	21,636,036	22,114,699
Prepaid Expense	1,148	-
Total Endowment Funds	**$ 21,646,969**	**$ 22,134,417**
Total Assets	**$ 58,403,820**	**$ 52,155,443**

Liabilities & Fund Balances	2012	2011
Accounts Payable	$ 2,280	$ 15,417
Vacation Accrual	9,286	9,253
Deferred Income Other	11,980	15,185
Due VU General Fund	17,544	24,433
Refundable Advance	770,200	770,200
Net Assets	2,249,960	2,313,824
Total Unrestricted Funds	**$ 3,061,250**	**$ 3,148,312**
Accounts Payable	$ 8,916	$ 25,451
Due to Unrestricted	10,597	10,411
Funds Held in Trust	31,731,775	24,751,017
Deferred Income Other	69,120	68,025
Net Assets	1,875,193	2,017,810
Total Current Restricted Funds	**$ 33,695,601**	**$ 26,872,714**
Accounts Payable	$ 6,910	$ 7,927
Due to Unrestricted	4,712	2,405
Annuity Payable	-	629,713
Net Assets	21,635,347	21,494,372
Total Endowment Funds	**$ 21,646,969**	**$ 22,134,417**
Total Liabilities and Fund Balance	**$ 58,403,820**	**$ 52,155,443**

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

VINCENNES UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2012 and June 30, 2011

	2012	2011
Operating Revenues		
Student Tuition & Fees	$ 42,609,355	$ 43,536,766
Scholarship Allowance - Tuition & Fees	(13,049,803)	(12,796,348)
Grants and Contracts	17,096,482	18,278,586
Auxiliary Enterprises	23,452,654	23,505,493
Scholarship Allowance - Auxiliary Enterprises	(4,733,561)	(4,496,552)
Other Revenues	633,141	583,613
Total Operating Revenues	**$ 66,008,268**	**$ 68,611,558**
Operating Expenses		
Salaries and Wages	47,893,506	46,625,771
Benefits	19,146,636	16,261,508
Scholarships and Fellowships	11,814,901	13,499,748
Supplies and Other Services	33,704,597	33,795,935
Equipment	2,008,632	1,664,333
Depreciation	9,183,704	8,298,071
Total Operating Expenses	**$ 123,751,976**	**$ 120,145,366**
Operating Income (Loss)	**$ (57,743,708)**	**$ (51,533,808)**
Non-Operating Revenues (Expenses)		
Governmental Appropriations	$ 41,549,833	$ 42,350,588
Federal and State Student Aid	26,450,699	27,257,983
Gifts and Bequests	165,578	235,296
Investment Income	1,370,671	2,658,306
Endowment Income	1,230,796	849,875
Gain (Loss) on Disposition of Capital Assets	66,744	(462,839)
Interest & Other Costs on Capital Asset - Related Debt	(2,443,125)	(2,528,072)
Other Non-Operating Revenues (Expenses)	144,880	42,515
Total Non-Operating Revenues (Expenses)	**$ 68,536,076**	**$ 70,403,652**
Income Before Other Revenues, Expenses, Gains or Losses	**$ 10,792,368**	**$ 18,869,844**
Other Revenues, Expenses, Gains or Losses		
Capital Appropriations	-	5,000,000
Capital Grants and Contracts	-	2,693,247
Increase in Net Assets	**$ 10,792,368**	**$ 26,563,091**
Net Assets - Beginning of Year	**$ 246,509,802**	**$ 219,946,711**
Net Assets - End of Year	**$ 257,302,170**	**$ 246,509,802**

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

VINCENNES UNIVERSITY FOUNDATION, INC.
COMPONENT UNIT — STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ending June 30, 2012 with comparative figures for 2011

Support and Revenue	Unrestricted	Current Restricted	Endowment	2012 Total	2011 Total
Contributions	$ 153,312	$ 161,943	$ 739,092	$ 1,054,347	$ 1,381,175
Other Income	78,701	147,776	-	226,477	226,845
Investment Income	99,902	99,637	786,678	986,217	1,801,458
Unrealized Gain (Loss) on Investments	(40,946)	(15,894)	(382,983)	(439,823)	2,318,179
Administrative Income	284,112	-	-	284,112	245,411
Alumni Income & Community Series	35,815	110,393	-	146,208	149,658
Total Support and Revenue	**$ 610,896**	**$ 503,855**	**$ 1,142,787**	**$ 2,257,538**	**$ 6,122,726**
Expenses					
Program Expenditures	$ 97,641	$ 503,629	$ 731,025	$ 1,332,295	$ 1,252,749
Management and General	454,719	56,367	306,811	817,897	759,570
Fundraising	110,765	62,087	-	172,852	167,909
Total Expenses	**$ 663,125**	**$ 622,083**	**$ 1,037,836**	**$ 2,323,044**	**$ 2,180,228**
Increase (Decrease) in Net Assets	**$ (52,229)**	**$ (118,228)**	**$ 104,951**	**$ (65,506)**	**$ 3,942,498**
Net Assets Adjustments:					
Additions	2,425	17,060	80,428	99,913	381,126
Deductions	(14,060)	(41,449)	(44,404)	(99,913)	(381,126)
Total Change in Net Assets	**$ (63,864)**	**$ (142,617)**	**$ 140,975**	**$ (65,506)**	**$ 3,942,498**
Net Assets - Beginning of Year	**$ 2,313,824**	**$ 2,017,810**	**$ 21,494,372**	**$ 25,826,006**	**$ 21,883,508**
Net Assets - End of Year	**$ 2,249,960**	**$ 1,875,193**	**$ 21,635,347**	**$ 25,760,500**	**$ 25,826,006**

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

VINCENNES UNIVERSITY STATEMENT OF CASH FLOWS

For the year ended June 30, 2012 and June 30, 2011

	2012	2011
Cash Flows From (For) Operating Activities		
Tuition and Fees	$ 31,012,540	$ 30,781,919
Grants and Contracts	18,052,486	17,649,516
Payments to Suppliers	(37,827,960)	(35,820,539)
Payments to Employees	(48,935,906)	(46,583,635)
Payments for Benefits	(22,886,923)	(18,278,714)
Payments for Scholarships and Fellowships	(11,814,901)	(13,499,748)
Loans Issued to Students	(61,454)	(141,873)
Collection of Loans to Students	125,655	130,275
Auxiliary Enterprise	18,405,796	19,079,308
Other Receipts	601,238	1,213,849
Net Cash Used in Operating Activities	**$ (53,329,429)**	**$ (45,469,642)**
Cash Flows From (For) Non-Capital Financing Activities		
Governmental Appropriations	44,705,371	39,195,050
Gifts and Grants for Other than Capital Purposes	27,095,777	27,297,627
Funds Held in Trust for Others	385,273	615,742
Net Cash Provided by Non-Capital Financing Activities	**$ 72,186,421**	**$ 67,108,419**
Cash Flows From (For) Capital & Related Financing Activities		
Proceeds from Capital Debt	5,895,000	-
Capital Appropriations	-	5,000,000
Capital Grants and Gifts Received	-	2,803,325
Proceeds (Loss) from Sale of Capital Assets	188,821	215,579
Insurance Recovery	108,078	-
Purchases of Capital Assets and Construction	(21,930,983)	(23,058,847)
Bond Reserve Cash Returned (Deposited)	(2,028)	29,574
Principal Paid on Capital Lease	(2,962)	(3,135)
Principal Paid on Capital Debt	(4,118,000)	(4,915,000)
Interest Paid on Capital Debt & Lease	(2,594,357)	(2,693,557)
Net Cash Used in Capital and Related Financing Activities	**$ (22,456,431)**	**$ (22,622,061)**
Cash Flows From (For) Investing Activities		
Proceeds from Sales and Maturities of Investments	53,751,810	74,070,080
Investment Income	4,510,594	5,047,496
Purchase of Investments	(51,179,498)	(79,588,923)
Net Cash Provided/Used in Investing Activities	**$ 7,082,906**	**$ (471,347)**
Net Increase (Decrease) in Cash	**$ 3,483,467**	**$ (1,454,631)**
Cash and Cash Equivalents - Beginning of Year	**$ 12,883,881**	**$ 14,338,512**
Cash and Cash Equivalents - End of Year	**$ 16,367,348**	**$ 12,883,881**

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

VINCENNES UNIVERSITY STATEMENT OF CASH FLOWS

For the year ended June 30, 2012 and June 30, 2011

	2012	2011
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities:		
Net Operating Expenses	$ (57,743,708)	$ (51,533,808)
Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expenses	9,183,704	8,298,071
Changes in Assets and Liabilities:		
Receivables, Net	1,833,409	178,083
Inventories	(192,037)	(170,943)
Other Assets	(200,154)	(25,954)
Student Loans	64,201	(11,598)
OPEB Asset	(4,624,626)	(1,252,884)
Accounts Payable and Accrued Liabilities	(1,823,810)	(901,148)
Deferred Revenue	238,076	(2,680)
Gifts in Kind	2,150	7,851
Cash Flows Reported in Other Categories:		
Grants Used for Capital Improvements	-	(71,078)
Other Non-Operating Revenues (Expenses)	(66,634)	16,446
Net Cash Used in Operating Activities	**$ (53,329,429)**	**$ (45,469,642)**

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

Vincennes University
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Reporting Entity:

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

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

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

The Vincennes University Foundation, Inc. is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that is available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of Vincennes University and the University's financial statements include discrete presentation of the Foundation by displaying the Foundation's audited financial statements in their original formats. During the year ended June 30, 2012, the VU Foundation distributed $1,322,272 to the University for restricted and unrestricted purposes. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Vincennes University Foundation, Inc. is a private not-for-profit organization that reports its financial results according to Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are Financial Accounting Standards Board Accounting Standards Codification 958 (formerly FSP 116 and 117). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

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

Financial Statement Presentation:

The financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB. During fiscal year 2012, the University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.*

Basis of Accounting:

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents:

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

Investments:

The University accounts for its investments at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Accounts Receivable:

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

Inventories:

Inventories are carried at the lower of cost or market value on either the first-in, first-out ("FIFO") basis or the average cost basis.

Non-current Cash and Investments:

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as non-current assets in the Statement of Net Assets.

Capital Assets:

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of

$500 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Infrastructure costs are minimal and included in the cost of building and improvements. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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

Deferred Revenues:

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

Deposits/Deposits Held in Custody for Others:

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

Compensated Absences:

Liabilities for compensated absences are recorded for vacation leave for eligible employees based on actual earned amounts. This accrual includes the employer share of Social Security and Medicare taxes, and contributions to pension plans. The maximum number of days an employee may be paid upon termination of employment remains limited to the number of days which can be earned in 12 months. The liability and expense incurred are recorded at year-end as accrued vacation payable in the Statement of Net Assets and as a component of salary and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-current Liabilities:

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

Net Assets:

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets net of outstanding debt obligations related to those capital assets.

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

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

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

Income Taxes:

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

Classification of Revenues:

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) grants and contracts, and (4) interest on institutional student loans. Since the University's mission is to play a key role in programs of community development, cultural enrichment and services appropriate to a post-secondary educational institution, most grants and contracts are considered operating.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as State appropriations, most federal and state student aid, and investment income.

Scholarship Discounts and Allowances:

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

Component Unit:

The Vincennes University Foundation, Inc. maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/ or passage of time.

Unrestricted Net Assets: Net assets not subject to donor-imposed restrictions.

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

Expenses are recognized when incurred.

Investments in marketable securities are stated at fair market value.

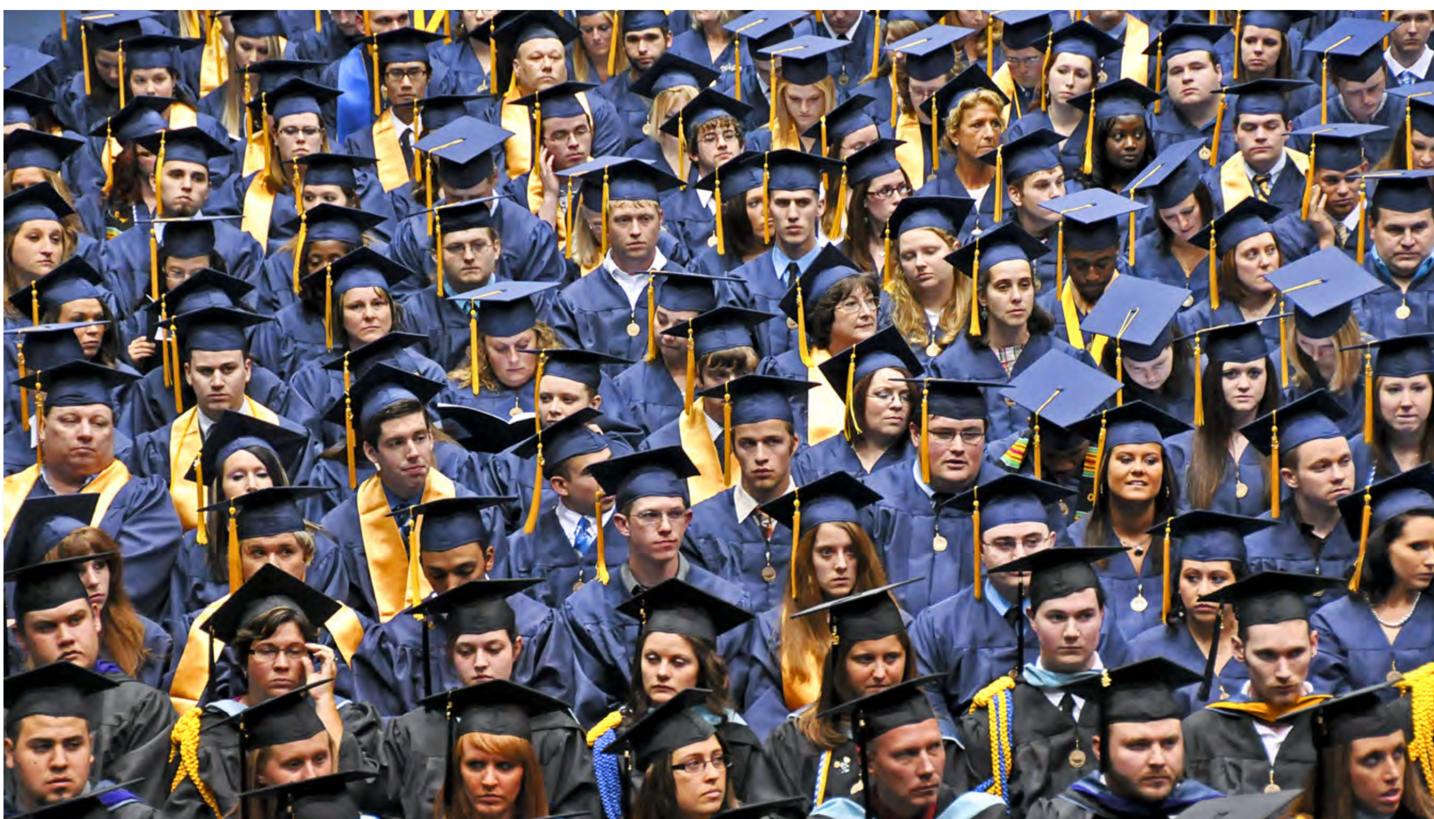
Note 2 Cash and Investments

Cash and investments as of June 30, 2012, are stated at market value. Indiana statutes authorize the University to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposits, repurchase agreements, savings and money market accounts, and negotiable order of withdrawal accounts. Cash deposits are insured by agencies of the federal government up to $250,000. Amounts over $250,000 are covered by the Indiana Public Depository Fund, which covers all public funds held in approved depositories. The total amount reported for checking and money market accounts at various banks at June 30, 2012, equaled $16,367,348.

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

As of June 30, 2012, the University had the following investments:

Investment Type	Market Value	Maturity Less than 1 Year	1-5 Years	6-10 Years
U. S. Treasury Notes	$ 3,761,811	$ 758,904	$ 2,725,425	$ 277,482
U. S. Government Agencies	114,384,837	4,396,210	67,823,766	42,164,861
Mutual Funds	400,209	-	400,209	-
Total	**$ 118,546,857**	**$ 5,155,114**	**$ 70,949,400**	**$ 42,442,343**



Credit Risk: As a means of managing credit risk, University investment policy limits investments to A1 (Standard & Poor's) or P1 (Moody's). If a rating change occurs which disqualifies a security that is already present in the University portfolio it must be sold within 30 days of the discovery, unless it matures within six months of the rating change. At June 30, 2012, the University was in compliance with its credit risk policy for all investments.

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. University investment policy does not limit the value of investments that may be held by an outside party. Of the University's investments, $3,761,812 of the U.S. Treasury Notes, $13,517,884 of the U.S. Government Agencies, and $400,209 of the Mutual Funds are held by the counterparty, a trust department, or an agent not in the University's name.

Foreign currency risk: This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not hold any foreign currency-denominated investments.

Note 3 Accounts Receivable

Accounts Receivable are primarily comprised of the following:	
Student Receivables - Tuition	$ 6,096,139
Auxiliaries	2,074,436
Sponsored Programs	2,176,581
Refundable Advance	63,805
Other Receivable	698,296
Total Accounts Receivable	**$ 11,109,257**
Allowance for Doubtful Accounts	(3,810,956)
Net Accounts Receivable	**$ 7,298,301**

Note 4 Inventories

Inventories are stated at the lower of cost or market value.

Inventories are primarily comprised of the following:	
Bookstores	$ 1,940,240
Commercial Repair - Aviation	$ 73,745
Aviation Tech Center	$ 150,473

Note 5 Derivative Instrument

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2012, classified by type and the changes in fair value of such derivative instrument for the year ended as reported in the 2012 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2012		
	Classification	Amount	Classification	Amount	Current Notional
Cash flow Hedge: Pay-fixed interest rate swap	Deferred Instrument Interest Rate Swap	($615,484)	Derivative Outflow of Resources	($485,870)	$7,990,000

As of June 30, 2012, the University determined that the pay-fixed interest rate swap met the criteria for effectiveness. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate bonds. The fair value of the interest rate swaps were estimated based on the present value of their estimated future cash flows.

The following table displays the objective and terms of the University's hedging derivative instrument outstanding at June 30, 2012, along with the credit rating of the associated counterparty:

Type	Objective	Current Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 Series I Bonds	$7,990,000	12/23/2008	12/1/2028	65% of 6 mo. USD-LIBOR-BBA w/ 1 Day Look back + 208.00 bps	A1

Credit Risk: As a means of managing credit risk, University investment policy limits investments to A1 (Standard & Poor's) or P1 (Moody's). If a rating change occurs which disqualifies a security that is already present in the University portfolio, it must be sold within 30 days of the discovery, unless it matures within six months of the rating change. At June 30, 2012, the University is in compliance with its credit risk policy for all investments. The fair value of the hedging derivative instrument in a liability position as of June 30, 2012 is $485,870. Since both the derivative instrument and the debt being hedged are with the same counterparty, there is no credit risk exposure since the fair value of the derivative instrument would be netted against the payoff of the debt.

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

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

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

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

Note 6 Capital Assets

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital Assets Not Being Depreciated:					
Land	$ 16,375,254	$ 867,816	$ 7,826	$ -	$ 17,235,244
Construction in Progress	19,001,717	13,705,043	10,317	(26,549,177)	6,147,266
Total Capital Assets Not Being Depreciated	**35,376,971**	**14,572,859**	**18,143**	**(26,549,177)**	**23,382,510**
Capital Assets Being Depreciated:					
Building And Improvements	186,414,407	2,364,862	-	26,386,838	215,166,107
Equipment	46,243,055	5,106,433	1,283,331	162,339	50,228,496
Total Capital Assets Being Depreciated	**232,657,462**	**7,471,295**	**1,283,331**	**26,549,177**	**265,394,603**
Less Accumulated Depreciation For:					
Building & Improvements	65,449,446	5,245,418	-	-	70,694,864
Equipment	31,221,201	3,938,286	1,079,543	-	34,079,944
Total Accumulated Depreciation	**96,670,647**	**9,183,704**	**1,079,543**	**-**	**104,774,808**
Total Capital Assets Being Depreciated, Net	**135,986,815**	**(1,712,409)**	**203,788**	**26,549,177**	**160,619,795**
Capital Assets, Net	**$171,363,786**	**$12,860,450**	**$ 221,931**	**$ -**	**$ 184,002,305**

Note 7 Capital Lease Obligation

Capital Lease Payable consists of a lease-purchase agreement between Vincennes University and Ikon Office Solutions, Incorporated for a copier. The present value of the minimum lease payments of $17,367 was recorded as equipment.

Future minimum payments required under the capital lease and the net present value of the future payments are as follows:

Year ending June 30	Principal	Interest	Minimum Payments
2012	$ 11,270	$ 1,126	$ 12,396

Note 8 Long-Term Debt

Long-term debt activity for the year ended June 30, 2012, is summarized as follows:

	Interest Rate	Amount Issued	Amount Retired 2011-2012	Amount Outstanding June 30, 2012	Amount Due Within One Year
Dormitory and Dining Facilities Revenue Bonds of 1983, Series A	3.000%	$ 5,000,000	$160,000	$ 2,060,000	$ 160,000
Student Fee Bonds, Series E	4.854%	25,535,000	445,000	465,000	465,000
Auxiliary Facilities System Revenue Bonds, Series 2006	4.126%	13,440,000	785,000	8,945,000	815,000
Auxiliary Facilities System Revenue Bonds, Series 2009	4.728%	10,160,000	355,000	9,460,000	365,000
Student Fee Bonds, Series H	4.373%	4,545,000	170,000	3,755,000	180,000
Student Fee Bonds, Series I	4.090%	9,095,000	330,000	7,990,000	340,000
Student Fee Bonds, Series J	3.858%	26,795,000	1,555,000	22,445,000	1,600,000
Student Fee Bonds, Series K	3.160%	5,895,000	318,000	5,577,000	323,000
Total Bonds Payable			**$4,118,000**	**$60,697,000**	**$4,248,000**
Unamortized Bond Premium (Discount)				**1,600,798**	
Due Within One Year				**(4,248,000)**	
Total Long-Term Liabilities				**$ 58,049,798**	

Debt obligations are generally callable by the University and bear interest at fixed and variable rates ranging from 3% to 4.854%, and mature at various dates through 2030. Maturities and interest on bonds payable for the next five years and in the next five-year periods are as follows:

	Principal	Interest
2013	4,248,000	2,538,344
2014	3,918,000	2,387,774
2015	4,059,000	2,249,925
2016	4,214,000	2,104,607
2017	4,396,000	1,928,056
2018-2022	23,858,000	6,657,411
2023-2027	12,939,000	2,029,963
2028-2030	3,065,000	202,935
Total	**$ 60,697,000**	**$ 20,099,015**

Bonds Secured by Dormitory and Dining Center Revenues

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

The Auxiliary Facilities System Revenue Bonds, Series 2006, were issued in February 2006 by the Board of Trustees to refund the University's outstanding 1989, 1991 and 1996 series bonds for the construction of Vanderburgh and Godare Residence Halls.

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

Bonds Secured by Student Fees

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

The Vincennes University Student Fee Bonds, Series E, were issued in December 1997 by the Board of Trustees to refund the University's outstanding Student Fee Bonds, Series A, Series B, Series C and Series D.

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

The Vincennes University Student Fee Bonds, Series I, were issued on December 23, 2008, in the aggregate original principal amount of $9,095,000. It bears a variable interest rate which is 65% of USD-LIBOR-BBA with a one-day lookback plus 208.0 basis points; however, the University entered into a Swap Agreement fixing the rate at 4.09%. The proceeds were used to fund the construction of the Indiana Center for Applied Technology and the renovation of the McCormick Science Center.

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

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

Funds held with Bond Trustee	
Current Funds Expected to be Depleted Within a Year	
Student Fee Bonds, Series K	$ 2,000
Revenue Bonds, Series 2009	5,545
Revenue Bonds, Series 2006	5,742
Other Bond & Interest Accounts	2,612
Total Current	**$ 15,899**
Dorm & Dining Bonds of 1983 A Vigo Hall	225,198
Total Funds held with Bond Trustee	**$241,098**

Note 9 Scholarships and Instruction

The endowment funds are classified under net assets as Restricted for Scholarship & Instruction. They include both expendable and non-expendable funds. Itemized below are the total endowment funds having a fund balance greater than $25,000. All other endowments have been pooled.

Shircliff Memorial Scholarship	$	42,612
Printing Industry		71,672
Zella Young Memorial Scholarship		184,031
Shircliff Endowment Fund		200,290
Risley Endowment Fund		90,821
Shircliff Life Income		124,230
Lyons Life Income		30,233
Lyons Library Account		25,137
Opal C Ramsey Fund		3,436,555
Mabel Kuebler Trust		283,854
Estelle Emison Scholarship		32,881
The Adler and Susan Lyons Endowment		27,444
All Others		126,741
Total	**$**	**4,676,501**

Note 10 Pension Plans

A. Public Employees' Retirement Fund

Plan Description

Vincennes University contributes to the Public Employees' Retirement Fund (PERF), a defined benefit pension plan. The Public Employees' Retirement Fund (PERF) is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time support staff employees are eligible to participate in the defined benefit plan. Professional staff hired prior to July 1, 2003 may continue to participate. Professional staff hired after this date are eligible for participation in a retirement income plan with Teachers Insurance and Annuity Association (TIAA) as described below.

State statutes (IC 5-10.2 and 5-10.3) give the University authority to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer has elected to make the contributions on behalf of the member.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (888) 526-1687.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. On June 30, 2012, 394 employees were covered by PERF and total wages were $13,985,978. The University's contribution to the plan for the year end June 30, 2012 was $1,627,089. Related information provided by the actuary is presented in this note.

B. Teachers' Retirement Fund

Plan Description

The University contributes to the Teachers' Retirement Fund (TRF), a defined benefit pension plan. The Teachers' Retirement Fund (TRF) is a cost-sharing, multiple-employer public retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in the Teachers' Retirement Fund (TRF). Full-time faculty hired after July 1, 2003, are eligible for participation in a retirement income plan with Teachers Insurance and Annuity Association (TIAA) as described below. State statute (IC 5-10.2) gives the University authority to contribute and govern most requirements of the system. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the members' annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The University has elected to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (888) 526-1687.

Funding Policy and Annual Pension Costs

The University is to contribute at an actuarial determined rate. The University has contributed the employer and employee share of required contributions, 7.5 percent and 3 percent of covered wages. On June 30, 2012, 140 employees were covered by TRF and total wages were $10,877,880. The University's contribution to the plan for the fiscal years ending June 30, 2012, 2011 and 2010 were $626,344, $601,094 and $604,598 respectively. All required contributions were made by the University for each of the fiscal years.

C. TIAA/CREF

Faculty and professional staff hired prior to June 30, 2003, and having five or more years of continued employment are eligible to participate in a retirement income plan with Teachers Insurance and Annuity Association (TIAA). The University contributes 5% of covered wages for this plan. Full-time faculty and professional staff hired after July 1, 2003, become eligible for the plan at the date of employment. There is no contribution to PERF or TRF for those employees covered under this policy. The University contributes 12% of covered wages for this plan. Both plans are defined contribution plans under IRC 403(b). An agreement between the University and TIAA is approved by the University Board of Trustees. On June 30, 2012, 459 employees were covered by TIAA/CREF and total wages were $26,443,966. During 2011/2012, Vincennes University contributed $2,212,271 to TIAA/CREF on the employees behalf.

TIAA/CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 3rd Avenue, New York, NY 10017-3206.

Net Pension Obligation	PERF
Annual Required Contribution	$ 1,473,429
Interest on Net Pension Obligation	$ (70,472)
Adjustment to Annual Required Contribution	$ 81,130
Annual Pension Cost	$ 1,484,087
Contributions Made	$ 959,938
Increase (Decrease) in Net Pension Obligation	$ 524,149
Net Pension Obligation, Beginning of Year	$(1,006,748)
Net Pension Obligation, End of Year	$ (482,599)

Actuarial Assumptions:	PERF
Investment Rate of Return	7.00%
Projected Future Salary Increase Total	3.25%-4.5% includes 3% wage inflation
Cost-of-Living Adjustments	1%

Contribution Rates:	PERF
University	8.6%
Contributed for Plan Members	3%
Actuarial Valuation Date	7/1/2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Entry Level Percent of Payroll
Remaining Amortization Period	30 Years, Closed
Asset Valuation Method	4-Year Smoothed Market Value With 20% Corridor

Three Year Trend Information

Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ 869,419	100%	$ (986,873)
6/30/2010	$ 909,643	101%	$ (1,006,748)
6/30/2011	$ 1,484,087	101%	$ (482,599)

Schedules of Funding Progress Public Employees Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Actual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2009	$ 21,301,018	$ 19,058,661	$ 2,242,357	100.00 %	$ 15,248,069	15.0 %
7/1/2010	$ 17,693,615	$ 26,270,991	$ (8,577,376)	67.40 %	$ 14,463,328	(59.3) %
7/1/2011	$ 15,436,657	$ 27,339,441	$ (11,902,784)	56.50 %	$ 14,035,400	(84.8) %

** Determined to be equal to the same percent of accrued liability as all non retired State members.*

Note 11 Other Postemployment Benefits

Plan Description

The Vincennes University Healthcare Plan is a single-employer defined benefit healthcare plan administered by Anthem. The University plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Vincennes University's Board of Trustees has the authority to establish and amend benefit provisions.

Funding Policy

The contribution requirements of plan members for the Vincennes University Healthcare Plan are established by the University. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the actuarial study. For the fiscal year ended June 30, 2012, the University contributed $8,522,882 to the plan, including $2,387,882 for current premiums (approximately 74% of total premiums and an additional $6,135,000 to prefund benefits.) Plan members receiving benefits contributed approximately $836,000 or approximately 26% of the total premiums, through their required contribution of $183 per month for retiree-only coverage, and $421 per month for retiree and spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarial determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation to the plan:

Annual required contribution	$ 3,868,513
Interest on net OPEB obligation	(166,990)
Adjustment to annual required contribution	196,733
Annual OPEB cost (expense)	$ 3,898,256
Contributions made	(8,522,882)
Increase (Decrease) in net OPEB obligation	$ (4,624,626)
Net OPEB obligation - beginning of year	(2,569,079)
Net OPEB obligation (asset) - end of year	$ (7,193,705)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 3,898,256	218.6%	$ (7,193,705)
6/30/2011	$ 3,586,521	134.9%	$ (2,569,079)
6/30/2010	$ 3,773,338	127.6%	$ (1,316,195)

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 42.2% funded. The actuarial accrued liability for benefits was $58,662,085, and the actuarial value of assets was $24,767,643, resulting in an unfunded actuarial accrued liability (UAAL) of $33,894,442. The current year covered payroll (annual payroll of active employees covered by the plan) was $33,774,506, and the ratio of the UAAL to covered payroll was 103.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The results are projected backwards to July 1, 2011 on a "no gain/loss" basis. The actuarial assumptions included a 6.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% for health and 4% for dental initially, reduced by decrements to an ultimate rate of 5% after 10 years for health and 3% after 5 years for dental. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 30 years (open amortization).

Note 12 Risk Management

The University is exposed to various risks of loss: torts, theft, damage or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; health and other medical benefits provided to employees and their dependents. The University handles these risks of loss through combinations of risk retention and commercial insurance. For building and contents, the risk retention is $100,000 per incident. General liability, commercial crime, aviation, worker's compensation, commercial automobile, and medical malpractice are all handled through fully insured commercial policies.

For health benefits, the University has an insured self-funded arrangement. The University retains the risk for medical benefits up to a stop loss provision of $325,000 per member. There is a liability for incurred but unpaid claims. This liability is estimated to be $795,450 for the fiscal year 2011-2012 and $840,909 for the fiscal year 2010-2011.

Changes in the total reported self-insured health, dental & drug benefit liability during the year ending June 30, 2012 were as follows:

Balance, beginning of year	$ 840,909
Claims incurred	10,250,982
Claim payments	(10,296,441)
Balance, end of year	$ 795,450

Schedule of Funding Progress for Retiree Medical, Dental and Life Insurance Plan

Actuarial Valuation Date***	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio OPEB Obligation (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2011	$ 24,767,643	$ 58,662,085	$ 33,894,442	42.2 %	$ 37,774,506	103.4 %
7/1/2010	$ 19,568,800	$ 48,049,283	$ 28,480,483	40.7 %	$ 33,969,433	83.8 %
7/1/2009	$ 15,295,250	$ 46,531,007	$ 31,235,757	32.9 %	$ 32,980,032	94.7 %

**** Measurement date is June 30, 2012 with the results projected backwards to July 1, 2011 on a "no gain/loss" basis.*

Note 13 Deposits Held in Custody of Others

As of June 30, 2012, the University held $4,846,114 in deposits for Complete College America, Inc. The assets were placed in the University's investment portfolio and received a pro-rata share of investment earnings. Complete College America, Inc. is a 501(c)(3), nonprofit charitable organization working to significantly increase the number of Americans with a college degree or credential of value and to close attainment gaps for traditionally underrepresented populations.

Note 14 Operating Leases

For the fiscal year ended June 30, 2012, the University spent $536,339 on operating leases which are included in supplies and other services in the Statement of Revenue, Expenses, and Changes in Net Assets. Of this amount, $527,200 was spent on leasing off-campus classroom and office space, and the remaining amount of $9,139 was spent on equipment leases.

Note 16 Subsequent Events

The University was recently awarded a $2.9 million grant from the Department of Labor to facilitate the logistics program at the VU Logistics Training and Education Center in Plainfield, Indiana.

The Center for Technology, Innovation and Manufacturing will be opening in the Fall 2013 for classes on the Jasper Campus.

NOTE 15 Functional Statement

Operating expenses by functional classification are summarized as follows:

	Salaries and Benefits	Scholarships/ Fellowships	Supplies and Other Services	Equipment	Depreciation	Total
Instruction	$ 35,433,635	$ -	$ 6,500,024	$ 524,893	$ -	$ 42,458,552
Sponsored Programs	8,797,544	-	7,454,530	116,625	-	16,368,699
Libraries	1,228,500	-	407,250	183,892	-	1,819,642
Community Service	244,386	-	22,393	-	-	266,779
Student Service	3,667,185	-	1,855,291	30,766	-	5,553,242
Operation and Maintenance of Plant	4,024,392	-	4,944,672	871,328	-	9,840,392
Institutional Support	9,440,296	-	1,669,023	171,596	-	11,280,915
Depreciation	-	-	-	-	9,183,704	9,183,704
Auxiliary Enterprises	4,204,204	-	10,851,414	109,532	-	15,165,150
Student Aid Expense	-	11,814,901	-	-	-	11,814,901
Total Operating Expenses	$ 67,040,142	$ 11,814,901	$ 33,704,597	$2,008,632	$ 9,183,704	$ 123,751,976

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