



FINANCIAL REPORT

2020–2021



INDIANA STATE
UNIVERSITY

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MESSAGE FROM THE PRESIDENT

GREETINGS ON BEHALF OF THE TRUSTEES, FACULTY, ADMINISTRATION AND STUDENTS OF INDIANA STATE UNIVERSITY:

Despite the challenges posed by the COVID-19 pandemic, Indiana State amassed a number of significant accomplishments during the 2020-21 fiscal year while proudly delivering on its mission of transforming lives through the attainment of a high-quality education.

In December, we received word from the Higher Learning Commission reaffirming Indiana State's accreditation through 2030. This comprehensive process assesses continuous improvement is occurring in all facets of operation and that the University is accomplishing its mission. It is a high standard that Indiana State met with flying colors.

The University has also worked diligently to increase private giving as evidenced by the institution's largest fundraising year in its history during 2020-21 with more than \$29.4 million raised.

In addition, Indiana State performed quite well on the state's student performance metrics, improving in all but one category which saw a very slight decline.

A great deal of time was also spent during the past year in a campus-wide effort to develop our new strategic plan, "Focusing on Our Future Together," which was launched this fall and continues through fall 2025. This plan details initiatives that will continue to drive progress toward our goals with a primary focus on student success.

For the third year in a row, Indiana State ranked first in the state and in the top 11 percent nationally in CollegeNet's annual Social Mobility Index. It was also the sixth time in the past seven years that ISU ranked best among Indiana's public institutions.

According to CollegeNet, the Social Mobility Index measures the extent to which a college or university educates students with family incomes below the national median with an affordable tuition rate, and graduates them into good-paying jobs.

We take great pride in this acknowledgement of the genuine difference our University is making. Those good-paying jobs are evidenced once again in our First Destination Survey Results. The Class of 2019 reported a whopping 99 percent placement rate with an average starting salary of \$57,593.

Despite the challenges of the pandemic, the Class of 2020 reported an impressive 92 percent placement rate. This means that within six months of graduation in the middle of the pandemic, 92 percent of our graduates were either working in their field, pursuing graduate studies or serving in the military. They also reported an average starting salary of more than \$50,000 a year.

We knew that the pandemic would have an impact on the job market for these graduates but we were extremely pleased to see that an ISU degree remained a valuable asset to jobseekers in the pandemic economy.



Among other rankings the University attained this past year, Washington Monthly ranked Indiana State in the top third of national universities and third in Indiana ranked just behind Purdue and IU. The magazine also ranked ISU first among Indiana's public schools for community service and in the top 9 percent nationally.

Affordability remains a priority because our students need it. We have maintained this commitment and are again the lowest cost among the four main public residential campuses in Indiana and also among similar institutions in other states.

Each and every day, Indiana State delivers on its value proposition of opportunity plus quality plus affordability equals outcome.

At Indiana State, we truly transform lives through the impact of an ISU degree.

This is our mission, and this is what we are passionate about. It's the definition of the American Dream. This is what we call the ***Indiana State Advantage***.

Sincerely,

Deborah J. Curtis, Ph.D.
President





LETTER OF TRANSMITTAL

DEAR PRESIDENT CURTIS AND TRUSTEES OF INDIANA STATE UNIVERSITY:

Enclosed is the *Indiana State University Annual Financial Report* for the year ended June 30, 2021. The report includes the annual financial statements, Management's Discussion and Analysis (MD&A) and supplemental information to assist the reader in clearly understanding the University's financial activities and outcomes.

University management is responsible for the accuracy and completeness of the information as presented, including all disclosures. The financial statements are prepared in accordance with guidelines established by the Governmental Accounting Standards Board (GASB) and audited by the Indiana State Board of Accounts. The unmodified audit opinion, the most favorable outcome of the audit process, is on pages 6 and 7 of this report.

The MD&A provides a narrative introduction, overview and analysis of the basic financial statements, as well as information regarding the financial position and results of operations of the University for the 2020-21 fiscal year. The MD&A is on pages 8 through 19 followed by financial statements and accompanying notes.

Indiana State University remains committed to effective budget planning and sound financial management as it pursues excellence in teaching and learning. This report reflects an equal commitment to stewarding the resources used supporting that mission and to honor the confidence of Indiana taxpayers and their representatives in state government.

Sincerely,



Diann E. McKee
Senior Vice President for Finance and Administration and University Treasurer



INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF INDIANA STATE UNIVERSITY, TERRE HAUTE, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit as of and for the years ended June 30, 2021 and 2020, and the aggregate remaining fund information as of and for the year ended June 30, 2021 of Indiana State University (University), a component unit of the State of Indiana, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Indiana State University Foundation, Inc. (Foundation), a component unit which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Unmodified Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit as of June 30, 2021 and 2020, and the aggregate remaining fund information as of June 30, 2021, of the University, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1. Q. to the financial statements, in fiscal year 2021, the University adopted new accounting guidance GASB Statement 84 *Fiduciary Activities* and GASB Statement 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Message from the President, Letter of Transmittal, Home Counties of Indiana State University Students, and Board of Trustees and University Administration are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

The Message from the President, Letter of Transmittal, Home Counties of Indiana State University Students, and Board of Trustees and University Administration have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

October 29, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Indiana State University (the University) for the fiscal years ended June 30, 2021 and 2020, along with comparative financial information for the fiscal year ended June 30, 2019. This overview complies with Governmental Accounting Standards Board (GASB) principles, GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and the notes that follow this section.

Indiana State University is a doctoral R3, residential institution offering instruction at the associate, bachelor, master, and doctoral levels. The University offers a diverse range of degree programs through a framework of 43 departmental units in five academic colleges and various divisions. Located in Terre Haute, Indiana, with 10,830 students, Indiana State University is a significant economic engine for the Wabash Valley and the State of Indiana.

The SARS-CoV-2 (commonly referred to as "COVID-19") outbreak, a respiratory disease caused by a new strain of the coronavirus, was declared a pandemic (the "Pandemic") on March 11, 2020 by the World Health Organization and on March 13, 2020, the President of the United States declared a national emergency.

The University directed faculty to convert all spring courses to online instruction effective March 16, 2020 through the end of the spring semester. Students in residence halls were asked to vacate campus housing no later than March 21, 2020 and staff and faculty were advised to work remotely to the extent possible. The University provided refunds to students for room and board for the remaining portion of the Spring 2020 semester. All Athletic preparation and events were canceled as well as other performances and gatherings. Traditional spring commencement was conducted using a virtual format. On April 16, 2020, the University announced all summer 2020 courses would also be delivered online.

On May 14, 2020, the Sycamores Back on Track plan was announced to return employees to on-campus work in phases through August, and the University also announced that the academic calendar would remain in place for the Fall 2020 semester. Classes resumed on August 18, 2020, primarily consisting of on-campus, face-to-face classes with appropriate adaptations for social distancing and other appropriate safety measures. Some classes were offered using a hybrid model. The University instituted precautions within classrooms, residential facilities, research activities, athletics return to campus, travel and campus events. Students were asked not to return to campus following Thanksgiving break, where possible, and to complete final projects and exams online.

The start of the Spring 2021 semester was delayed by one week and spring break was eliminated. In May 2021, in accordance with state and local guidelines, the University held a series of smaller commencement ceremonies for all members of the Class of 2021 and those of the Class of 2020 who wished to participate in an in-person ceremony. With the continued commitment to health and safety protocols and the roll-out of vaccines, the University welcomed students back to campus in August 2021 for a residential experience and in-person learning with co-curricular experiences that students seek.

In March 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act established the Higher Education Emergency Relief Fund (HEERF) to provide emergency aid for disruption of campus operations due to the Pandemic. The CARES Act

set aside HEERF I funding while the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), enacted in December 2020, included an appropriation of HEERF II funds and the American Rescue Plan Act (ARPA), enacted in March 2021, included an appropriation of HEERF III funds. The relief funds are available to both public and private higher education institutions directly from the U.S. Department of Education. The University is eligible for aid through HEERF and has been allocated approximately \$10 million in HEERF I funds, nearly \$16.8 million in HEERF II funds, and approximately \$28.2 million in HEERF III funds. At least 50 percent of the funds allocated from HEERF I and HEERF III must be used for direct payments to students, while institutions are required to spend the same dollar amount from the HEERF II allocation as was spent on student aid under HEERF I. The institutional portion of HEERF funds remaining after student allocations may be used to defray expenses associated with COVID-19, including lost revenue. Of the amount allocated under HEERF I, the University received \$6.4 million in fiscal year 2019-2020 and \$3.7 million in fiscal year 2020-2021, with \$4.8 million of the total going to student aid. The University utilized the institutional portion of HEERF I funding to cover the housing and dining refunds given to students for the 2020 spring semester and personal protective equipment and cleaning supplies. The University has distributed an additional \$4.3 million in student aid from HEERF II and has drawn down that same amount. Of the institutional portion of HEERF II funds, \$9.7 million has been drawn to date. The University has not distributed or drawn on any HEERF III appropriations as of June 30, 2021.

Due to decreased and delayed tax revenue collections, the State of Indiana announced in June 2020 that a 7 percent reserve would be withheld from all higher education institution operating and line item appropriations for 2020-21 fiscal year. This reserve amounted to \$5.1 million for the University. To offset the reduction in State funding, the University drew down \$5.1 million from HEERF II funds, along with \$3.8 million of lost revenue from housing and dining for the 2020–21 academic year.

USING THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: (1) the Statement of Net Position; (2) the Statement of Revenues, Expenses, and Changes in Net Position; and (3) the Statement of Cash Flows.

The Statement of Net Position provides a summary view of the assets, liabilities, deferred inflows and outflows, and net position of the University and classifies assets and liabilities as either current or non-current. Current assets include those that may be used to support regular ongoing operations, such as cash and cash equivalents, accounts receivable, and inventories. Deferred outflows of resources are items that represent a decrease in net position applicable to a future reporting period. Current liabilities are those items which are estimated to become due and payable within the next fiscal year. Non-current assets include capital assets, certain receivables, and long-term investments. Non-current liabilities include long-term bonds and leases payable. Deferred inflows of resources represent an increase of net position applicable to a future reporting period.

The Statement of Revenues, Expenses, and Changes in Net Position summarizes financial performance for the year and explains the changes in the year-end net position.

The Statement of Cash Flows reconciles the beginning and ending balances of cash and cash equivalents and identifies all sources and uses of cash during the fiscal year.

The Governmental Accounting Standards Board (GASB) requires the inclusion of financial statements for all significant University component units. As of June 30, 2021 the Indiana State University Foundation is the only component unit to be included. The Foundation is a nonprofit organization that is subject to reporting guidelines governed by the Financial Accounting Standards Board (FASB); accordingly, certain revenue recognition criteria and presentation features are different from established GASB standards. No modifications have been made to the Indiana State University Foundation's financial information in the University's financial reporting presentation for these differences.

In addition to the basic financial statements above, GASB Statement No. 84, *Fiduciary Activities*, implemented in fiscal year 2021, requires the University to report fiduciary activities in Fiduciary Fund Financial Statements. Indiana State University has two activities in which the University controls the assets that fit this criteria: (1) an other post-employment benefit plan (OPEB) administered through a trust, and (2) custodial funds that represent student and faculty organization activities. The University provides the Statement of Fiduciary Net Position, reporting assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and the Statement of Changes in Fiduciary Net Position, reporting additions and deductions, for both activities.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, liabilities and deferred inflows and outflows. The difference between total assets, total liabilities, and total deferred inflows and outflows is the net position, which is one measure of the financial condition of the University. Changes in net position are an indicator of whether the overall financial condition has improved or declined during the year. Assets, liabilities, and deferred inflows and outflows are generally measured at historical values in accordance with generally accepted accounting principles. One notable exception is investments, which are recorded at fair market value as of the date of the financial statements. A summarized comparison of the University's assets, liabilities, deferred inflows and outflows, and net position at June 30, 2021, 2020 and 2019 is as follows:

Statement of Net Position (Dollars in Millions)			
	2021	2020	2019
Current assets	\$ 82.0	\$ 84.7	\$ 119.0
Non-current assets:			
Notes receivable, net	1.0	1.9	2.5
Other long-term investments	109.9	104.2	96.0
Net OPEB asset	67.7	48.7	45.0
Capital assets, net	585.8	591.8	564.9
Other assets	0.9	0.7	0.7
Total assets	\$ 847.3	\$ 832.0	\$ 828.1
Deferred outflows of resources	\$ 3.2	\$ 5.3	\$ 3.5
Current liabilities	\$ 42.2	\$ 49.8	\$ 51.9
Non-current liabilities	263.8	263.7	278.2
Total liabilities	\$ 306.0	\$ 313.5	\$ 330.1
Deferred inflows of resources	\$ 20.5	\$ 9.0	\$ 11.2
Net position	\$ 524.0	\$ 514.8	\$ 490.3

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets consist primarily of cash, operating investments, and accounts receivable. Non-current assets consist primarily of capital assets net of depreciation, long-term investments, notes receivable net of allowance, and the net other post-employment benefit (OPEB) asset. Deferred outflows of resources reflect deferred outflows related to early debt retirement, pensions and OPEB. Total assets increased by \$15.3 million in 2021 as compared to a \$3.9 million increase in 2020. This represents a 1.8 percent increase in 2021 and a 0.5 percent increase in 2020. The current year activity is summarized as follows:

- Cash and cash equivalents decreased by \$3.2 million to reflect reduced revenues through lower enrollment and reduced state appropriation which were partially offset by CARES Act fund drawdowns.
- Accounts receivable decreased by \$0.1 million as a result of decreased enrollment.
- Other accounts receivable increased by \$0.4 million which reflects a receivable for CARES Act funding of \$3.8 million at June 30, 2021 for estimated lost room and board revenue for Fall 2020 and Spring 2021 resulting from the COVID-19 pandemic. This was an increase from the \$3 million CARES Act receivable from the 2020 fiscal year that was used to offset housing and dining refunds in Spring 2020.
- The current portion of notes receivable remained the same while the non-current portion decreased by \$0.9 million. This reflects the phase-out of the Perkins loan program as new loans were eliminated in fiscal year 2019.
- Prepaid expense increased by \$0.2 million to reflect increased insurance premiums.
- Other long-term investments increased by \$5.7 million as a result of realized and unrealized gains and interest received.
- Capital assets decreased by \$6 million due to the razing of the Lincoln Quad Housing and Dining facility during fiscal year 2021, along with decreased capital projects and growth in depreciation expense.
- The net OPEB asset grew by \$19 million. Actual claims and enrollment experience for both pre-65 and post-65 members were below the projected increase for 2021. In addition, the VEBA (described in further detail below) recognized a strong year of investment returns.

Deferred outflows of resources decreased to \$3.2 million in 2021 from \$5.3 million in 2020 while it was at \$3.5 million in 2019. The University's contribution of \$1.8 million to the Public Employees' Defined Benefit Account (PERF DB) during 2021 as well as a \$0.2 million difference between expected and actual experience and a \$0.9 million net difference between projected and actual investment earnings on pension plan investments were recognized as a deferred outflow of resources as required by GASB Statements No. 68 and 71. The details can be reviewed in Note 16 of the accompanying Notes to the Financial Statements. In addition, OPEB had zero deferred outflows for 2021 compared to \$2.5 million in 2020 that represented changes in actuarial assumptions that had taken place in 2020 which can be reviewed in Note 18.

A Voluntary Employee Benefit Association (VEBA) Trust was established by the University in 1998 to set aside funds for post-retirement health and life insurance benefits and provide for investment of these assets. The fund assets cannot revert to the University and therefore the financial statements do not reflect the value of these assets. As of June 30, 2021, the value of the Trust assets was \$117.5 million. The outstanding actuarial accrued liability for post-retirement benefits as of June 30, 2021 is \$49.8 million.

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current liabilities include accounts payable, accrued compensation, unearned revenue, and the current portion of long-term debt. Non-current liabilities consist primarily of the non-current portion of long-term debt, net pension liability and advances from the federal government. Deferred inflows of resources consist of the service concession arrangement with Sodexo, a third-party provider of food service, and inflows related to pensions and other post-employment benefits. Total liabilities decreased by \$7.5 million in 2021 as compared to a \$16.6 million decrease in 2020. This represents a 2.4 percent decrease in 2021 compared to a 5 percent decrease in 2020. Key changes in current year liabilities and deferred inflows of resources are as follows:

- Accounts payable decreased by \$0.8 million due to decreased supplies and expense payables.
- Current and non-current bonds payable increased by \$0.5 million to reflect the issuance of Series T (see Note 6) offset by fiscal year 2021 debt service payments.

- Current and non-current lease payable decreased by \$0.8 as a result of lease principal payments.
- Funds held in custody for others was zero in fiscal year 2021 compared to \$1.5 million in fiscal year 2020. This amount was representative of funds held for agency funds, mostly consisting of student and faculty organizations. To comply with GASB Statement No. 84, *Fiduciary Activities*, these activities were analyzed and reclassified as either University business-type activities or custodial funds reported in Fiduciary Statements. See the fiduciary statements, presented after the University's financial statements.
- Advances from federal government decreased by \$0.8 million due to the return of funds to the Federal Government related to the Perkins Loan program phase-out.
- The deferred inflows related to OPEB increased by \$10.7 million as a result of the net difference between projected and actual earnings in the OPEB plan investments and changes in assumptions.
- The deferred inflows related to pensions increased by \$1 million reflecting changes in assumptions and the difference between expected and actual experience of the plan.

The University contributes to retirement plans for faculty and staff. Faculty and exempt staff participate in a defined contribution plan administered by TIAA-CREF resulting in no outstanding pension liability for the University. Non-exempt staff participates in a defined benefit plan administered by the State of Indiana. The net pension liability as of June 30, 2021 is \$10.1 million for this group of employees.

CAPITAL AND DEBT ACTIVITIES

An important element in the continuing quality of academic programs, research activities, and student residential life is the sustained commitment to the development and renewal of the University's capital assets. The University continues to implement its Campus Master Plan with new construction, renovation, and modernization of existing facilities. Please refer to Note 3 in the Notes to the Financial Statement for activities in capital assets, including additions and deletions of capital assets in the current fiscal year.

Hulman Center - The Hulman Center renovation was a \$50 million project with \$37.5 million of fee replacement bonds authorization approved by the 2015 Indiana General Assembly. Student Fee Bonds, Series S was issued on August 14, 2018. The remaining funding consisted of University resources and gifts. The renovation of Hulman Center included a new exterior facade and glass entrance, the addition of square footage for meeting/event space, new restrooms and concessions, a new multi-purpose suite, new lighting, new seating, and new utility systems. Work began in July 2018 and was completed in Fall 2020. The project was capitalized in fiscal year 2021 with an overall cost of \$50.5 million.

Dreiser Hall - The 2019 Indiana General Assembly appropriated funding, effective July 1, 2020, for \$18.4 million of fee replacement bonds authorization for the Dreiser Hall renovation (see Note 6). The project will replace obsolete mechanical and electrical systems, improve accessibility, repair building components and enhance learning spaces. Dreiser Hall was built in 1950 and provides space for the College of Arts and Science programs, including communications classes, student media, and a 255-seat theater. The building also serves as a center for Indiana State's distance education programs. Expenditures incurred through June 30, 2021 totaled \$9.4 million.

The University continues to work assertively to manage its financial resources efficiently, including the issuance of debt to finance capital projects. Indiana State University Student Fee Revenue Bonds, Series T, issued during fiscal year 2021, had underlying credit ratings of (A-1) from Moody's and (AA-) from Fitch Ratings. Both Moody's and Fitch Ratings assigned a stable outlook, listing strong state operating and capital support, highly flexible and liquid financial reserves, a fixed rate debt structure with relatively rapid amortization, and strong investment in capital and plant.

NET POSITION

Net position represents the residual value of the University's assets and deferred outflows after liabilities and deferred inflows are deducted. The University's net position at June 30, 2021, 2020 and 2019 are summarized in the table that follows:

Net Position (Dollars in Millions)			
	2021	2020	2019
Net investment in capital assets	\$ 332.5	\$ 333.7	\$ 333.4
Restricted			
Non-expendable	0.9	0.7	0.7
Expendable	4.6	5.0	5.8
Unrestricted	186.0	175.4	150.4
Total net position	\$ 524.0	\$ 514.8	\$ 490.3

Net investment in capital assets reflects the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets. Net investment in capital assets decreased \$1.2 million in 2021 and increased \$0.3 million in 2020, for a total decrease of \$0.9 million since 2019. This reflects renovations of University dining (Sycamore Towers Dining), academic buildings (Fine Arts and Commerce Building, Dreiser Hall), and operations (Hulman Center). The additions were offset by the Lincoln Quad demolition and increased depreciation expense.

Restricted net position is subject to externally imposed restrictions governing its use. Restricted non-expendable net position represents funds held for scholarships and fellowships. Restricted expendable net position includes funds for research, loans, and funds limited to construction and renovation. Restricted expendable net position decreased by \$0.4 million reflecting a reduction in the Perkins Loan program and use of funds in capital projects.

Although unrestricted net position is not subject to externally imposed stipulations, all of the University's unrestricted net position has been internally designated for various ongoing needs of the University, including debt service, capital projects, University initiatives, benefit claims, technology improvements, and academic and administrative activities.

Unrestricted net position has increased \$35.6 million from 2019. The increase of \$10.6 million in 2021 and increase of \$25 million in 2020 includes a \$13.8 million positive gain due to changes in the net OPEB asset and the change in the net pension liability and the related deferred outflows and inflows. An increase in investment returns in 2020 and 2021 were also responsible for growth in the unrestricted net position.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations for the identified fiscal year periods. A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2021, 2020 and 2019 is as follows:

Revenue, Expenses, and Changes in Net Position (Dollars in Millions)			
	2021	2020	2019
Operating revenues			
Tuition and fees, net	\$ 57.1	\$ 61.6	\$ 65.9
Grants and contracts	9.3	9.5	9.2
Auxiliary enterprises fees and services, net	34.7	38.3	47.5
Other revenues	3.0	5.0	6.4
Total operating revenue	\$ 104.1	\$ 114.4	\$ 129.0
Operating expenses	\$ (228.0)	\$ (232.9)	\$ (245.3)
Operating loss	\$ (123.9)	\$ (118.5)	\$ (116.3)
Non-operating revenues (expenses)			
State appropriations	\$ 83.6	\$ 84.0	\$ 81.3
Investment income, net	2.3	12.5	9.8
Non-operating grants and contracts	51.0	45.9	43.9
Capital appropriations	1.5	4.1	13.1
Capital grants and gifts	0.6	0.7	0.2
Other non-operating revenues	2.4	3.0	2.4
Other non-operating expenses	(0.2)	(0.1)	(0.4)
Interest on capital asset related debt	(8.6)	(7.1)	(6.5)
Net non-operating and other revenues	\$ 132.6	\$ 143.0	\$ 143.8
Increase in net position	\$ 8.7	\$ 24.5	\$ 27.5
Net position, beginning of year	\$ 514.8	\$ 490.3	\$ 462.8
Prior period adjustment for change in accounting principle	\$ 0.5	\$ -	\$ -
Net position, end of year	\$ 524.0	\$ 514.8	\$ 490.3

One of the University's greatest strengths is its diverse stream of revenues that supplement student fees, including voluntary private support from individuals, foundations, and corporations, along with government and other sponsored programs, state appropriations, and investment income. To supplement student tuition the University will continue to aggressively seek funding from all possible sources consistent with its mission and will direct the financial resources realized from these efforts to fund University operating priorities.

The following is a comparative graphic illustration of revenues by source (both operating and non-operating) for the years ending June 30, 2021, 2020 and 2019, which are used to fund the University's ongoing activities. As the following charts indicate, tuition and state appropriations remain the primary sources of funding for the University's academic programs. It should be noted that significant recurring sources of the University's revenues, including state appropriations, are considered non-operating revenues.

Revenue by Source (Dollars in Millions)



- Other operating revenue
- Auxiliary enterprises fees and services
- State appropriations

- Investment income
- Other non-operating revenue*

- Federal, state, and local grants / contracts
- Tuition and fees

*Includes non-operating grants and contracts (federal and state student assistance), other non-operating revenues, gifts, and capital revenues.

Operating revenues have decreased by \$24.9 million since 2019. The 2021 decrease of \$10.3 million is comprised of the following:

- Net tuition and fee income decreased by \$4.5 million due to a reduction of enrollment from Fall 2019 to Fall 2020 of 12,146 students to 10,830 students. Tuition and fees declined by \$8.9 million, and the scholarship allowances also declined by \$4.4 million.
- Net auxiliary enterprises fees and services revenue declined by \$3.6 million. This reflects reduced occupancy of housing and the decline in related board income. An additional \$2.5 million of credits from the Spring 2020 semester and \$3.8 million of lost revenue for Fall 2020 and Spring 2021 due to COVID was drawn down from the CARES Act to reimburse the University (see non-operating grants and contracts). The \$3.8 million has been recorded as a receivable.
- Grants and contracts decreased by \$0.2 million, with federal grants decreasing by \$0.8 million. National Institutes of Health and Department of Energy grants were finalized in 2020 while private grants increased \$0.6 million from the Indiana University School of Medicine.
- Other operating revenues decreased by \$2 million due to reduced study abroad revenues and Blumberg Center operations.

Net non-operating and other revenues decreased by \$10.4 million in 2021 and by \$0.8 million in 2020 for a total decrease of \$11.2 million since 2019. Significant changes in non-operating revenues in 2021 were as follows:

- State appropriations decreased \$0.4 million resulting from the State of Indiana placing a reserve of 7 percent on operating and line item appropriations totaling \$5.1 million for fiscal year 2021. A drawdown from the CARES Act of \$5.1 million reimbursed the University for this loss of funding (see non-operating grants and contracts). An increase of \$3.7 million in fee replacement related to debt service includes the addition of Series T and a balloon payment on Series P.
- Investment income declined by \$10.2 million to reflect increased interest rates that reduced bond prices.
- Non-operating grants and contracts revenue increased by \$5.1 million. A total of \$17.7 million of CARES Act, CRRSAA, including Strengthening Institutions Program (SIP) funding for both, were drawn in fiscal year 2021. This was an increase from the \$6.3 million drawn in 2020. There remains \$30.6 million that can be drawn in 2022 for both institutional and student aid expenses, with the majority from the American Rescue Plan (ARP). The \$17.7 million from 2021 consisted of \$5.8 million in student aid, \$5.1 million in state appropriation replacement, \$2.4 million reimbursed credits from Spring 2021, estimated \$3.8 million of lost housing and dining revenue for Fall 2020 and Spring 2021, and the remaining relates to campus safety and operations. This offset the \$6.6 million reduction of federal Pell grant awards and Indiana Higher Education awards due to lower enrollment.
- Other non-operating revenues decreased by \$0.6 million due to decreased oil lease payments.
- Capital appropriations decreased by \$2.6 million as the cash funding for the Fine Arts and Commerce Building finalized in the first quarter of 2020.

A comparative summary of the University's expenses for the years ended June 30, 2021, 2020 and 2019 is as follows:

Operating and Non-Operating Expenses (Dollars in Millions)			
	2021	2020	2019
Operating			
Compensation and employee benefits	\$ 128.6	\$ 135.0	\$ 138.5
Supplies and expenses	50.3	51.3	63.8
Utilities	9.3	9.7	10.5
Scholarships and fellowships	17.9	16.0	12.0
Depreciation	21.9	20.9	20.5
Total operating expenses	\$ 228.0	\$ 232.9	\$ 245.3
Non-operating			
Interest on capital asset related debt	\$ 8.6	\$ 7.1	\$ 6.5
Other non-operating expenses	0.2	0.1	0.4
Total non-operating expenses	\$ 8.8	\$ 7.2	\$ 6.9
Total expenses	\$ 236.8	\$ 240.1	\$ 252.2

Total operating expenses decreased by \$17.3 million from \$245.3 million in 2019 to \$228 million in 2021. The decrease of \$5 million of operating expense from 2020 to 2021 is attributed to the following:

- Compensation and employee benefits decreased by \$6.4 million. This is a result of less administrative, non-exempt and instructional salaries as vacant positions were left open to offset revenue shortfalls. Student wages were also reduced due to COVID restrictions and reduced pensions outflows.
- Supplies and expenses decreased by \$1 million. This is reflective of decreases in travel expenditures and reduced operating supplies and advertising costs. This was offset by the disposal of Lincoln Quad Housing and Dining that was razed during 2021.
- Scholarships and fellowships show an increase of \$1.9 million. This reflects the \$5.8 million of CARES and CRRSAA Act funds distributed to eligible students offset by a decrease of institutional aid to students due to lower enrollment.
- Utilities decreased by \$0.4 million as a result of lowered electrical usage due to housing being taken off-line.
- Depreciation expense grew by \$1 million to reflect the capitalization and larger depreciation of Hulman Center.

Indiana State University continues to make market-competitive compensation and employee benefits a top priority. These expenses represent 56 percent of total University operating expense.

Non-operating expenses increased by \$1.6 million as interest on capital asset related debt increased by \$1.5 million. This is a result of adding Series T debt service and no longer capitalizing interest to become compliant with GASB 89 (see Note 1Q).

Effective with fiscal year 2021, the University implemented GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation, activities previously reported by the University as internal agency-like funds were analyzed to determine if those activities qualified for fiduciary fund reporting. All activities not requiring fiduciary fund reporting were moved to other funds within the University's business-type activities, and financial reporting for those activities were adjusted. Activities requiring fiduciary fund reporting were moved out of agency-like funds into fiduciary funds. The impact of these changes included a prior period adjustment of \$0.5 million.

In addition to their natural (object) classification (expenditure type), it is also beneficial to the reader to review operating expenses by the nature of the University division incurring the expense. A summary of the University's expenses by functional classification for the years ended June 30, 2021, 2020, and 2019 is as follows:

Expenses by Function (Dollars in Millions)			
	2021	2020	2019
Operating			
Instruction	\$ 67.4	\$ 70.2	\$ 70.8
Research	7.4	8.4	8.9
Public service	3.7	4.6	4.4
Institutional and academic support	35.0	37.4	41.9
Student services	12.6	12.7	14.2
Operation of plant	29.6	26.4	31.8
Scholarships	19.1	17.2	13.2
Auxiliary enterprises	31.3	35.1	39.5
Depreciation	21.9	20.9	20.6
	\$ 228.0	\$ 232.9	\$ 245.3

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's financial health and performance by identifying the major sources and uses of cash. The statement assists the reader in evaluating the entity's ability to generate future net cash flows to meet obligations as they come due. Below is a comparative summary of the Statement of Cash Flows for the years ended June 30, 2021, 2020, and 2019.

Statement of Cash Flows (Dollars in Millions)			
	2021	2020	2019
Net cash provided (used) by:			
Operating activities	\$ (105.8)	\$ (104.6)	\$ (96.8)
Non-capital financing activities	135.1	130.0	127.5
Capital financing activities	(28.9)	(63.6)	(15.0)
Investing activities	(3.6)	8.6	27.6
Net increase (decrease) in cash and cash equivalents	\$ (3.2)	\$ (29.6)	\$ 43.3

The University experienced a \$3.2 million decrease in cash and cash equivalents in 2021 and a \$29.6 million decrease in 2020 for an overall increase of \$10.5 million since 2019. Highlights of major changes in 2021 are discussed below:

Operating activities

- Cash used by operating activities increased from \$104.6 million in 2020 to \$105.8 million in 2021.
- Cash provided by tuition and fees and auxiliary enterprises comprise 87 percent of inflows from operating activities. Cash provided by tuition and fees decreased by \$2.7 million while cash provided by auxiliary enterprises decreased by \$7.9 million. These changes are related to decreased enrollment and its impact on tuition, housing and dining revenues as well as a reduction of some auxiliary services.

- Payments to employees and for employee benefits make up 64 percent of outflows of cash for operating activities. These payments decreased by \$4.7 million in 2021.
- Payments to suppliers decreased by \$5.2 million. This includes decreased payments for travel, advertising, and other operating expenditures.
- Payments to students decreased by \$1.9 million in 2021. In fiscal year 2020, refunds were issued to students for Spring 2020 housing and dining closures due to the COVID-19 pandemic, causing the majority of the drop. CARES and CRSAA grant aid to students increased in 2021 which offset the decrease due to the housing and dining refunds.
- In fiscal year 2021, the University returned \$0.9 million to the Federal Perkins loan program due to its phase-out that began in 2019.

Non-capital financing activities

- Cash provided by non-capital financing activities increased by \$5.1 million.
- State appropriations make up 62 percent of net cash provided by non-capital financing activities. Cash received for state appropriations decreased by \$0.4 million to reflect a \$4 million decrease in the operating appropriation and a \$3.7 million increase in the fee replacement appropriation.
- Cash received from non-operating grants and contracts increased by \$7.3 million. This is a result of increased drawdowns from the CARES Act offset by reduced federal Pell grant awards and Indiana Higher Education awards due to lower enrollment.
- Cash received for gifts and other non-operating revenues decreased by \$0.9 million due to reduced oil lease revenues and reduced activities resulting from COVID-19.
- The University recognized a \$0.9 million decrease in cash for fiscal year 2021 related to the implementation of GASB 84 for student and faculty organization funds previously presented on the Statement of Cash Flows that are now presented on a separate Statement of Fiduciary Net Position (see Note 1Q for more information).

Capital financing activities

- Net cash used by capital financing activities decreased by \$34.7 million.
- The University received \$1.5 million in capital appropriations in 2021 compared to \$6.7 million in 2020. The University received funds in 2020 for the renovation of the Fine Arts and Commerce building, which was completed in Fall 2019.
- New bond issues in 2021 of Indiana State University Student Fee Bonds, Series T resulted in cash receipts of \$18.7 million.
- Costs of issuance for Series T resulted in a cash outflow of \$0.3 million.
- Cash paid for capital assets decreased from \$51.8 million in 2020 to \$22.2 million in 2021. This is a result of reduced construction projects in 2021.
- Principal and interest paid on capital debt and leases increased by \$4.1 million to reflect the addition of Series T and a balloon payment of Series P.

Investing activities

- Cash used by investing activities was \$3.6 million in 2021 compared to cash provided by investing activities in 2020 of \$8.6 million, for a total change of \$12.2 million.
- Income from investing activities decreased by \$4.5 million as a result of increased bond prices and lower interest rates on long-term debt that took place in 2020.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Focusing On Our Future Together – a new strategic plan for Indiana State University – will guide the University for the upcoming four year period through 2025. Endorsed by the Indiana State University Board of Trustees on May 7, 2021, the plan contains the following goals:

- Goal 1: Advance our Commitment to Equity and Inclusive Excellence
- Goal 2: Expand Student Pathways and Access to Higher Education and Increase Student Success
- Goal 3: Engage Internal and External Partners to Deepen Student Learning, Address Community Challenges, and Meet the Needs of the State of Indiana and Beyond
- Goal 4: Ensure Institutional Sustainability
- Goal 5: Enhance Institution Reputation and Pride

In support of Goal 2 of the strategic plan, Indiana State University received a \$6.5 million grant from the Lilly Endowment for “Sycamores Achieve,” a program to improve retention and graduation rates of first-generation students, students of color, and students who qualify for federal Pell grants. Historically serving a population of diverse and economically challenged students, this funding will allow for the development and expansion of programs to support these students and improve student success. The Lilly Endowment funding was part of a competitive third phase of a Lilly initiative, Charting the Future of Indiana’s Colleges and Universities.

The Fall 2021 semester began on August 17, 2021 with a full residential experience, in-person classes, and an array of campus activities. Total enrollment of 9,459 was down 12.6 percent from Fall 2020. However, several academic programs experienced an increase in enrollment or maintained historic high demand in Fall 2021. Enrollment in the Honors College remains strong and continues to represent about 10 percent of total enrollment. Overall, the University welcomed 2,526 new first-time freshman, graduate, and transfer students.

The Scott College of Business begin offering an on-line MBA program beginning with the Fall of 2021 semester. This program provides an accelerated career track for students seeking a work-life balance. Consisting of 11 classes in 8-week asynchronous format, this on-line program allows business professionals the flexibility to graduate in 12 to 24 months from an accredited AACSB College.

The University has launched a major new enrollment initiative – the Indiana State Advantage – starting in Fall 2022. The Indiana State Advantage emphasizes the quality, breadth of opportunity, and affordability of the University while supporting the state of Indiana’s goals around degree completion, equity, and talent. The three components of the Indiana State Advantage are:

- Tuition-Free Guarantee: After aid is calculated, the University will make up any difference in tuition costs for Pell Grant eligible Indiana resident students with a high school GPA of at least 3.0 and in good academic standing.
- Experiential Guarantee: Every first-time, full-time on-campus student can apply for up to \$3,000 for an educational experience outside the classroom such as an internship, study abroad, or service opportunity.
- Four-year Guarantee: Eligible students can finish a bachelor’s degree in four years or the remaining time to degree completion is tuition free.

The 2020-21 year resulted in the largest fundraising year in the history of the Indiana State University Foundation, nearly tripling donations from the previous year with more than \$29 million raised in private philanthropic support. More than 7,500 donors made contributions supporting 620 funds and initiatives. This was the third straight year private fundraising has increased.

As the University looks to the future it will continue to provide an environment that challenges and educates students with real world experiences to become engaged citizens and leaders in their communities and professions.

Indiana State University

Statement of Net Position

As of June 30, 2021 and June 30, 2020 (*Dollars in Thousands*)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 32,947	\$ 36,099
Short-term investments	22,160	22,349
Accrued interest	856	620
Accounts receivable (net of allowance of \$7,112 for 2021 and \$6,893 for 2020)	14,270	14,398
Other accounts receivable	4,325	3,920
Grants receivable	808	863
Notes receivable	4,497	4,489
Prepaid expenses	2,135	1,909
Inventories	7	8
Total current assets	<u>\$ 82,005</u>	<u>\$ 84,655</u>
Non-current assets		
Endowment investments—held in trust	\$ 854	\$ 710
Deposits with bond trustee	29	16
Notes receivable (net of allowance of \$610 for 2021 and \$717 for 2020)	995	1,851
Other long-term investments	109,944	104,230
Net OPEB asset	67,704	48,698
Capital assets (net of accumulated depreciation of \$345,349 for 2021 and \$339,080 for 2020)	585,832	591,825
Total non-current assets	<u>\$ 765,358</u>	<u>\$ 747,330</u>
TOTAL ASSETS	<u>\$ 847,363</u>	<u>\$ 831,985</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on early retirement of debt	\$ 300	\$ 433
Deferred outflows related to pensions	2,864	2,344
Deferred outflows related to OPEB	-	2,540
Total deferred outflows of resources	<u>\$ 3,164</u>	<u>\$ 5,317</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 5,971	\$ 6,788
Accrued payroll and deductions	3,591	5,064
Unearned revenue	5,603	5,720
Funds held in custody for others	-	1,506
Other current liabilities	5,160	5,429
Bonds payable	14,277	17,073
Compensated absences and termination benefits	3,705	4,322
Lease payable	1,639	1,633
Debt interest payable	2,276	2,278
Total current liabilities	<u>\$ 42,222</u>	<u>\$ 49,813</u>
Non-current liabilities		
Bonds payable	\$ 222,594	\$ 219,279
Compensated absences and termination benefits	720	280
Lease payable	25,076	25,902
Net pension liability	10,101	12,088
Advances from Federal Government	5,331	6,141
Total non-current liabilities	<u>\$ 263,822</u>	<u>\$ 263,690</u>
TOTAL LIABILITIES	<u>\$ 306,044</u>	<u>\$ 313,503</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement	\$ 1,448	\$ 1,593
Deferred inflows related to pensions	3,328	2,307
Deferred inflows related to OPEB	15,734	5,061
Total deferred inflows of resources	<u>\$ 20,510</u>	<u>\$ 8,961</u>
NET POSITION		
Net investment in capital assets	\$ 332,524	\$ 333,668
Restricted for:		
Non-expendable:		
Scholarships and fellowships	854	710
Expendable:		
Research and other grants	207	146
Loans	1,680	1,805
Capital projects	2,740	3,061
Unrestricted	<u>185,968</u>	<u>175,448</u>
TOTAL NET POSITION	<u>\$ 523,973</u>	<u>\$ 514,838</u>

The accompanying notes to financial statements are an integral part of this statement.

Indiana State University

Statement of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2021 and June 30, 2020 (*Dollars in Thousands*)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Tuition and fees	\$ 93,849	\$ 102,734
Scholarship allowances for tuition and fees	(35,748)	(40,157)
Other allowances	(1,006)	(971)
Net tuition and fees	<u>57,095</u>	<u>61,606</u>
Federal grants and contracts	4,182	4,969
State and local grants and contracts	98	75
Non-governmental grants and contracts	4,972	4,341
Auxiliary enterprises fees and services	46,116	50,240
Scholarship allowances for room and board	(10,808)	(11,251)
Other allowances	(598)	(659)
Net auxiliary enterprises fees and services	<u>34,710</u>	<u>38,330</u>
Other operating revenues	3,008	5,037
Total operating revenues	<u>\$ 104,065</u>	<u>\$ 114,358</u>
EXPENSES		
Compensation and employee benefits	\$ 128,608	\$ 135,039
Supplies and expenses	50,273	51,255
Utilities	9,286	9,668
Scholarships and fellowships	17,879	15,974
Depreciation	21,910	20,919
Total operating expenses	<u>\$ 227,956</u>	<u>\$ 232,855</u>
Operating loss	\$ (123,891)	\$ (118,497)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	\$ 83,635	\$ 84,011
Gifts	620	615
Investment income (net of investment expenses of \$496 for 2021 and \$481 for 2020)	2,304	12,472
Interest on capital asset related debt	(8,629)	(7,082)
Non-operating grants and contracts	51,004	45,927
Other non-operating revenues	1,754	2,376
Other non-operating expenses	(249)	(102)
Net non-operating revenues	<u>\$ 130,439</u>	<u>\$ 138,217</u>
Income before other revenues, expenses, gains, or losses	<u>\$ 6,548</u>	<u>\$ 19,720</u>
Capital appropriations	\$ 1,504	\$ 4,065
Capital grants and gifts	560	709
Total other revenues	<u>\$ 2,064</u>	<u>\$ 4,774</u>
Increase in net position	<u>\$ 8,612</u>	<u>\$ 24,494</u>
NET POSITION		
Net position—beginning of year	\$ 514,838	\$ 490,344
Prior period adjustment for change in accounting principle	\$ 523	-
Restated net position at beginning of year	<u>\$ 515,361</u>	<u>\$ 490,344</u>
Net position—end of year	<u>\$ 523,973</u>	<u>\$ 514,838</u>

The accompanying notes to financial statements are an integral part of this statement.

Indiana State University

Statement of Cash Flows

For the Years Ended June 30, 2021 and June 30, 2020 (*Dollars in Thousands*)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 56,456	\$ 59,161
Grants and contracts	8,388	9,374
Auxiliary enterprises	33,169	41,033
Payments to suppliers	(56,997)	(62,183)
Payments to employees	(69,045)	(73,156)
Payments for benefits	(64,785)	(65,361)
Payments to students	(16,593)	(18,477)
Return of Perkins loan funds	(858)	(1,211)
Student loans collected	1,073	1,065
Other receipts	3,385	5,170
Net cash used by operating activities	<u>\$ (105,807)</u>	<u>\$ (104,585)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 83,635	\$ 84,011
Direct loan program receipts	17,539	20,924
Direct loan program disbursements	(17,539)	(20,924)
Non-operating grants and contracts	50,213	42,939
Gifts and other non-operating income	2,138	3,013
Funds held in custody for others	(887)	—
Net cash provided by non-capital financing activities	<u>\$ 135,099</u>	<u>\$ 129,963</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations received	\$ 1,504	\$ 6,651
Capital gifts and grants received	1,000	124
Proceeds from bond issue	18,662	5,113
Costs of issuance	(250)	(102)
Cash paid for capital assets	(22,182)	(51,820)
Principal and interest paid on capital debt and leases	(27,597)	(23,518)
Net cash used by capital financing activities	<u>\$ (28,863)</u>	<u>\$ (63,552)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	\$ 1,053	\$ 3,212
Income from investing activities	4,461	8,924
Purchase of investments	(9,095)	(3,538)
Net cash provided by (used by) investing activities	<u>\$ (3,581)</u>	<u>\$ 8,598</u>
Net decrease in cash and cash equivalents	<u>\$ (3,152)</u>	<u>\$ (29,576)</u>
Cash and cash equivalents—beginning of year	\$ 36,099	\$ 65,675
Cash and cash equivalents—end of year	<u>\$ 32,947</u>	<u>\$ 36,099</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (123,891)	\$ (118,497)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	21,910	20,919
Other non-cash adjustments	261	(7,119)
Return of Perkins loan funds	(858)	(1,211)
Changes in current assets and current liabilities		
Accounts receivable	128	(177)
Grants receivable	55	(10)
Notes receivable, current	(8)	354
Prepaid expenses	(226)	733
Accounts payable	(83)	242
Accrued payroll and deductions	(1,473)	185
Unearned revenue	(117)	(965)
Funds held in custody for others	(619)	140
Other current liabilities	(269)	577
Compensated absences and termination benefits	(617)	244
Net cash used by operating activities	<u>\$ (105,807)</u>	<u>\$ (104,585)</u>

The accompanying notes to financial statements are an integral part of this statement.

Indiana State University Foundation, Inc.
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 15,261,219	\$ 3,878,821
Due from Indiana State University	31,424	31,698
Other assets	555,448	544,635
Property held for future use	3,230	9,452
Investment in joint ventures	-	1,160,660
Investments	97,844,844	76,626,551
Contributions receivable, net	4,896,465	4,319,994
Investments held in split-interest agreements	579,053	475,534
Beneficial interest in remainder trusts	948,828	841,117
Property and equipment, net	569,855	288,365
Beneficial interest in perpetual trusts	1,293,942	1,058,646
	<u>121,984,308</u>	<u>89,235,473</u>
Total assets	<u>\$ 121,984,308</u>	<u>\$ 89,235,473</u>
LIABILITIES		
Accounts payable	\$ 624,527	\$ 1,287,022
Due to Indiana State University	853,923	710,002
Notes payable	5,054,999	7,460,751
Split-interest agreement obligations	1,107,957	607,669
Refundable advances	67,052	55,092
Total liabilities	<u>7,708,458</u>	<u>10,120,536</u>
NET ASSETS		
Without donor restrictions	10,023,188	1,228,584
With donor restrictions	104,252,662	77,886,353
Total net assets	<u>114,275,850</u>	<u>79,114,937</u>
Total liabilities and net assets	<u>\$ 121,984,308</u>	<u>\$ 89,235,473</u>

Indiana State University Foundation, Inc.

Consolidated Statements of Activities

Years Ended June 30, 2021 and 2020

2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 1,296,229	\$ 16,861,972	\$ 18,158,201
Investment return			
Interest and dividends	413,776	945,212	1,358,988
Net realized and unrealized gains	6,931,453	14,326,237	21,257,690
Total investment return	7,345,229	15,271,449	22,616,678
Nongift and other income	314,490	53,080	367,570
Change in value of split-interest agreements	(121,654)	(8,545)	(130,199)
Endowment administration and gift assessments fee	895,112	(895,112)	-
Intercompany transfers	374,447	(389,447)	(15,000)
	10,103,853	30,893,397	40,997,250
Net assets released from restrictions	4,527,088	(4,527,088)	-
Total revenues, gains and other support	14,630,941	26,366,309	40,997,250
EXPENSES			
Scholarships and awards	1,808,742	-	1,808,742
Restricted and designated expenditures	2,304,185	-	2,304,185
Total program services	4,112,927	-	4,112,927
Foundation operations	934,310	-	934,310
Sycamore operations	92,772	-	92,772
Development and CEO	436,357	-	436,357
Sports marketing program	259,212	-	259,212
Alumni affairs	14,123	-	14,123
Total expenses	5,849,701	-	5,849,701
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	8,781,240	26,366,309	35,147,549
OTHER CHANGES			
Gain (loss) on sale of asset	13,364	-	13,364
CHANGE IN NET ASSETS	8,794,604	26,366,309	35,160,913
NET ASSETS, BEGINNING OF YEAR	1,228,584	77,886,353	79,114,937
NET ASSETS, END OF YEAR	\$ 10,023,188	\$104,252,662	\$ 114,275,850

2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 778,456	\$ 5,870,070	\$ 6,648,526
Investment return			
Interest and dividends	529,031	1,276,002	1,805,033
Net realized and unrealized gains	198,408	110,676	309,084
Total investment return	727,439	1,386,678	2,114,117
Nongift and other income	480,046	203,427	683,473
Change in value of split-interest agreements	(261)	21,474	21,213
Endowment administration and gift assessments fee	995,485	(995,485)	—
Intercompany transfers	63,375	(63,375)	—
	3,044,540	6,422,789	9,467,329
Net assets released from restrictions	3,507,475	(3,507,475)	—
Total revenues, gains and other support	6,552,015	2,915,314	9,467,329
EXPENSES			
Scholarships and awards	1,322,982	—	1,322,982
Restricted and designated expenditures	3,107,633	—	3,107,633
Total program services	4,430,615	—	4,430,615
Foundation operations	1,068,284	—	1,068,284
Sycamore operations	132,921	—	132,921
Development and CEO	538,597	—	538,597
Sports marketing program	393,658	—	393,658
Alumni affairs	55,129	—	55,129
Total expenses	6,619,204	—	6,619,204
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(67,189)	2,915,314	2,848,125
OTHER CHANGES			
Gain (loss) on sale of asset	(100,000)	—	(100,000)
CHANGE IN NET ASSETS	(167,189)	2,915,314	2,748,125
NET ASSETS, BEGINNING OF YEAR	1,395,773	74,971,039	76,366,812
NET ASSETS, END OF YEAR	\$ 1,228,584	\$ 77,886,353	\$ 79,114,937

Indiana State University Foundation, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	\$ 35,160,913	\$ 2,748,125
Items not requiring (providing) cash		
Depreciation and amortization	46,061	91,576
Provision for uncollectible contributions receivable	77,918	40,484
Net realized and unrealized gains on investments	(21,257,690)	(183,233)
(Gain) loss on sale of asset	(13,364)	100,000
Contributions restricted for long-term investment	(3,524,473)	(2,742,370)
Changes in		
Contributions receivable	(654,389)	(377,764)
Due from Indiana State University	274	1,451
Other assets	(10,813)	76,277
Accounts payable	(662,495)	678,810
Due to Indiana State University	143,921	(720,101)
Value of split-interest agreements	301,018	(4,590)
Net cash provided by (used in) operating activities	<u>9,606,881</u>	<u>(291,335)</u>
INVESTING ACTIVITIES		
Purchase of investments	(41,409,938)	(30,572,295)
Sales and maturities of investments	42,374,699	29,189,489
Proceeds from property and equipment held for future use	6,222	-
Purchase of property and equipment	(314,187)	(1,069)
Net cash provided by (used in) investing activities	<u>656,796</u>	<u>(1,383,875)</u>
FINANCING ACTIVITIES		
Repayments of note payable	(7,740,538)	(618,095)
Proceeds from notes payable	5,334,786	-
Proceeds from contributions restricted for investments in permanent endowment	3,524,473	2,742,370
Net cash provided by financing activities	<u>1,118,721</u>	<u>2,124,275</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,382,398	449,065
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,878,821</u>	<u>3,429,756</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 15,261,219</u></u>	<u><u>\$ 3,878,821</u></u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	\$ 193,223	\$ 285,069

Indiana State University
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2021 (Dollars in Thousands)

	Other Post-Employment Benefit (OPEB) Trust Funds	Custodial Funds	Total Fiduciary Activities
ASSETS			
Cash and cash equivalents	\$ 1,746	\$ 887	\$ 2,633
Receivables:			
Accrued interest and dividends	450	-	450
Investments at fair value:			
Short-term investments	875	-	875
Long-term investments	50,826	-	50,826
Pooled investment funds	64,250	-	64,250
Total investments	\$ 115,951	\$ -	\$ 115,951
TOTAL ASSETS	\$ 118,147	\$ 887	\$ 119,034
LIABILITIES			
Accounts payable	\$ 600	\$ -	\$ 600
TOTAL LIABILITIES	\$ 600	\$ -	\$ 600
NET POSITION			
Restricted for:			
Post-employment benefits other than pensions	\$ 117,547	\$ -	\$ 117,547
Student and faculty organizations	-	887	887
TOTAL NET POSITION	\$ 117,547	\$ 887	\$ 118,434

The accompanying notes to financial statements are an integral part of this statement.

Indiana State University
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021 (Dollars in Thousands)

	Other Post-Employment Benefit (OPEB) Trust Funds	Custodial Funds	Total Fiduciary Activities
ADDITIONS			
Contributions:			
Contributions from the University	\$ -	\$ 4	\$ 4
Contributions from student organizations	-	114	114
Contributions from participants	-	53	53
Contributions from faculty and staff organizations	-	1	1
Total contributions	\$ -	\$ 172	\$ 172
Investment earnings:			
Net increase in fair value of investments	\$ 17,537	\$ -	\$ 17,537
Interest, dividends, and other	2,954	2	2,956
Accrued interest purchased	(216)	-	(216)
Net investment earnings	\$ 20,275	\$ 2	\$ 20,277
Total additions	\$ 20,275	\$ 174	\$ 20,449
NET POSITION			
Medical, dental, and life insurance for retirees	\$ 2,574	\$ -	\$ 2,574
Management fees	342	-	342
Other expenses	-	199	199
Total deductions	\$ 2,916	\$ 199	\$ 3,115
Net increase (decrease) in fiduciary net position	17,359	(25)	17,334
Net position-beginning	\$ 100,188	\$ 912	\$ 101,100
Net position-ending	\$ 117,547	\$ 887	\$ 118,434

The accompanying notes to financial statements are an integral part of this statement.



NOTES TO FINANCIAL STATEMENTS

As of June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Indiana State University (the University), a publicly supported, comprehensive, doctoral granting University, serves the State of Indiana, the nation, and the international community by generating and disseminating knowledge in the humanities, arts, social sciences, scientific, and professional disciplines through instruction and research. The University is governed by a nine-member Board of Trustees, appointed by the Governor.

The accompanying financial statements of the University are prepared in accordance with generally accepted accounting standards as prescribed by the Governmental Accounting Standards Board (GASB) in Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. Since the University is a component unit of the State of Indiana, it is included in the Comprehensive Annual Financial Report of the State.

A. Reporting Entity

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus— an amendment of GASB Statements No. 14 and No. 34*. These Statements amend GASB Statement No. 14, *The Financial Reporting Entity* to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship with the University.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the University as the primary government, and the Indiana State University Foundation as a discretely presented component unit. This component unit is further described in Section P.

B. Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. The financial statements of the University have been prepared on the accrual basis, including depreciation expense relating to capital assets. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-University transactions have been eliminated to avoid double counting of these transactions. Examples of these would include sales between University departments or internal loans between funds.

C. Cash Equivalents

The University considers all highly liquid investments with a maturity date of three months or less to be cash equivalents. The University invests operating cash in investments with varying maturities. For purpose of liquidity classification, investments maturities are evaluated as of the financial statement date.

D. Investments

Investments in securities are reported on the financial statements at fair value as of the date of the financial statements. Investments with maturity of less than one year are reported as current assets, with the remaining investments reported as non-current assets.

E. Inventories

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

F. Capital Assets

Capital assets are stated at cost or, if donated, at fair market value on the date of acquisition. Moveable equipment costing \$5,000 with a useful life of more than one year and building improvements that exceed \$100,000 and extend the life of the building are capitalized. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is reported using the straight-line method of depreciation over the estimated useful life of the asset. Capital assets and related accumulated depreciation are removed from the records at the time of disposal. Works of art are recorded either at cost or fair market value at the time of acquisition, but are not depreciated because these assets tend to appreciate in value over time.

Minimum Capitalization Value and Useful Life by Asset Types		
Asset Types	Capitalization Threshold	Useful Life
Moveable equipment	\$5,000	5 to 10 years
Vehicles and machinery	5,000	4 to 10 years
Software and computer equipment	5,000	5 years
Buildings and related components	100,000	15 to 100 years
Land improvements and infrastructure	100,000	10 to 20 years
Library books and audio visual aids	1	20 years
Works of art	1	Not depreciated

G. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the University that are applicable to a future reporting period, but do not require a further exchange of goods or services. Examples of items the University considers deferred outflows of resources include loss on early retirement of debt and outflows related to pensions and other post-employment benefits.

H. Compensated Absences

Liabilities for compensated absences are recorded for vacation leave based on actual amounts earned as of the statement of net position date. Employees may accrue vacation benefits up to a maximum of 300 hours, which is payable upon termination. The accompanying Statement of Net Position reflects an accrual for the amounts earned and ultimately payable for such benefits at the end of the fiscal year.

I. Net Pension Liability and Related Items

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Employees' Defined Benefit Account (PERF DB) and additions to/deductions from

PERF DB's fiduciary net position have been determined on the same basis as they are reported by PERF DB. Indiana Public Retirement System financial reports have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the University applicable to a future reporting period, but do not require a further exchange of goods or services. Examples of items the University considers deferred inflows of resources include inflows from service concession arrangements and inflows related to pensions and other post-employment benefits.

K. Net Position

University resources are classified for financial reporting purposes into four net position categories:

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

Restricted net position, non-expendable: Non-expendable restricted net position 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 position, expendable: Restricted expendable net position include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Substantially all unrestricted net position is designated for academic programs and initiatives, capital purposes, and general operations of the University.

L. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for a particular expenditure, University management may select the most appropriate funding source based on individual facts and circumstances. The University does not require funds be expended in a particular order, and the decision on what fund order is used is made on a case-by-case basis.

M. Operating Revenues and Expenses

Operating revenues include all revenues from exchange transactions resulting from providing goods and services for higher education, research, public service, and other related activities. Examples include student tuition and fees, net of scholarship discounts and allowances, most federal, state and local grants and contracts, interest on institutional student loans, and auxiliary operations (such as Intercollegiate Athletics and Housing and Dining Services).

Operating expenses contain all expenses paid to acquire or produce goods and services provided in return for operating revenues to carry out the mission of the University. Examples include compensation and benefits, travel, and other supplies and expenses. Expenses are reported using natural classifications in the Statement of Revenues, Expenses, and Changes in Net Position.

N. Scholarship Discounts and Other Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts 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 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. Other allowances include the allowance for bad debt, which will be recorded as a reduction to the appropriate revenue.

O. Non-Operating Revenues and Expenses

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 No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, including state appropriations and investment income. Non-operating revenues include any grant that meets the definition of a non-exchange transaction, for which the University has administrative duties. This would include Pell Grant, SEOG, and any State Grant that the University has to determine eligibility, even if the eligibility requirements are set forth by Federal or State agencies.

Non-operating expenses contain all expenses that are incurred in the performance of activities not directly related to the core operations of the University. Examples include interest on capital asset related debt, bond issuance costs, and the loss on the sale of investments.

P. Component Units

The Indiana State University Foundation is a legally separate, tax-exempt component unit of Indiana State University. Indiana State University Foundation, Inc. was incorporated on March 10, 1921. The Foundation was organized to promote educational purposes and receive contributions primarily for the benefit of Indiana State University and its students.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Indiana State University Foundation Board of Directors represents a diverse group of volunteer professional and business leaders who devote their time and resources in service of the Foundation for the benefit of Indiana State University. The majority of resources that the Foundation holds and invests, and the income generated by these assets, are restricted to the activities of the University by its donors. Because these resources can only be used for the activities of the University, the ISU Foundation is considered a component unit of the University, and its audited financial statements are discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. 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 presentation for these differences.

During the years ended June 30, 2021 and June 30, 2020 the Foundation distributed \$4,077,000 and \$3,775,000, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office at 30 North 5th Street, Terre Haute, IN 47809.

Q. New Accounting Pronouncements

Effective with fiscal year 2021, the University implemented GASB Statement No. 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities which should be reported in a fiduciary fund in the financial statements. As a result of the implementation, activities previously reported by the University as internal agency-like funds were analyzed to determine if those activities qualified for fiduciary fund reporting. All activities not requiring fiduciary fund reporting were moved to other funds within the University's business-type activities, and financial reporting for those activities were adjusted. Activities requiring fiduciary fund reporting were moved out of agency-like funds into fiduciary funds, and therefore, those activities are now reported within separate fiduciary fund financial statements as custodial funds. Almost all of the University's custodial funds consist of student and faculty organizations. The impact of these changes included a prior period adjustment of \$523,000 on the Statement of Revenues, Expenses, and Changes in Net Position. In addition to reporting custodial funds, GASB 84 also requires the University to report Other Post Employment Benefit (OPEB) arrangements that are not considered component units, as a fiduciary fund. The University OPEB and associated Voluntary Employees' Benefit Association (VEBA) trust activities are now reported in fiduciary fund statements. This change did not cause the University to make any adjustments for prior periods related to reporting the OPEB. See Notes 17 and 18 for more information regarding the OPEB and VEBA trust.

Effective with fiscal year 2021, the University implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement discontinued the capitalization of interest costs during construction. The implementation resulted in more interest expense being reflected in the 2021 Statement of Revenues, Expenses and Changes in Net Position.

NOTE 2. CASH AND INVESTMENTS

The University maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed in the Statement of Net Position under cash and cash equivalents, short-term investments, long-term investments, or endowment investments-held in trust, depending on the nature of the investment.

Cash and Investments

Cash & Investments (Dollars in Thousands)			
	2021		2020
Cash on hand	\$ 84	\$	117
Deposits with financial institutions	2,801		5,167
Investments	163,020		158,104
	<u>\$ 165,905</u>	<u>\$</u>	<u>163,388</u>

Authorization for investment activity is stated in Indiana Code Title 21, Article 21, Chapter 3, Section .3. Additionally, IC 30-4-3.5 (Indiana Prudent Investor Act) requires that the Board of Trustees of the University to act “as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust.” It also requires that management decisions be made “in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the trust.” The Board holds responsibility to assure the assets are prudently invested in a manner consistent with this investment policy. The Board has delegated the day-to-day responsibilities for overseeing the investment program to the Senior Vice President for Finance and Administration and University Treasurer.

The University’s current investment policy was approved by the Board of Trustees on May 7, 2010 and implemented in September 2010. The objective of the Investment Policy is to adequately provide for the liquidity needs of the University while maximizing the opportunity to increase yield on investments. The investment structure is divided into three liquidity tiers to provide for income maximization while meeting the daily liquidity requirements of the University. In order to supply sufficient day-to-day operating liquidity, Tier I is invested in money market securities and liquidity reserves. Tier II is invested in limited duration securities to provide for a sufficient level of reserves in case of unanticipated liquidity needs; yet provide for a level of incremental return over Tier I. Tier III is invested for income maximization while taking on appropriate levels of risk.

Authorized investments include US Treasury, US Government Agency or Instrumentality, Mortgage-Backed Securities, Asset-Backed Securities, Taxable Municipal Bonds, Non-Benefit Responsive GIC’s, Money Market Instruments and Funds, Corporate Investment Grade Bonds, Corporate High Yield Bonds, and Non-US Dollar Debt. Credit Quality and Market Value percentages are established for each investment manager portfolio.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that increases in market interest rates will adversely decrease the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the University and its investment managers limit its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the University’s investments (including investments held by bond trustee) to market interest rate fluctuations for fiscal years 2021 and 2020 are provided by the following tables showing the distribution of investments by maturity:

University Investments and Maturities at June 30, 2021 (Dollars in Thousands)					
Investment Type	Fair Value	Less Than 1			More Than 10
		Year	1-5 Years	6-10 Years	Years
Cash on hand (petty cash)	\$ 84	\$ 84	\$ -	\$ -	\$ -
Demand deposits	2,801	2,801	-	-	-
Money market funds	29,892	29,892	-	-	-
Certificates of deposit	1,754	991	763	-	-
Asset-backed securities	8,035	17	6,480	384	1,154
Collateralized mortgage obligations	6,011	253	1,162	-	4,596
Corporate bonds	46,050	2,199	19,277	17,279	7,295
Government agencies	8,651	1,297	5,530	998	826
Mortgage-backed securities	11,867	-	1,605	1,685	8,577
Municipal notes and bonds	2,079	-	1,210	744	125
Treasury notes and bonds	37,912	17,095	10,742	6,660	3,415
Foreign notes and bonds	9,915	477	2,632	3,978	2,828
Endowment investments held in trust	854	-	-	-	854
	\$ 165,905	\$ 55,106	\$ 49,401	\$ 31,728	\$ 29,670

University Investments and Maturities at June 30, 2020 (Dollars in Thousands)					
Investment Type	Fair Value	Less Than 1			More Than 10
		Year	1-5 Years	6-10 Years	Years
Cash on hand (petty cash)	\$ 117	\$ 117	\$ -	\$ -	\$ -
Demand deposits	5,167	5,167	-	-	-
Money market funds	30,077	30,077	-	-	-
Certificates of deposit	3,660	2,376	1,284	-	-
Asset-backed securities	5,208	119	4,380	-	709
Collateralized mortgage obligations	8,413	103	1,357	1,846	5,107
Corporate bonds	49,461	2,570	16,785	17,579	12,527
Government agencies	9,824	1,540	5,660	1,747	877
Mortgage-backed securities	10,911	242	838	1,461	8,370
Municipal notes and bonds	1,073	87	514	334	138
Treasury notes and bonds	32,875	15,792	5,258	7,892	3,933
Foreign notes and bonds	5,892	258	2,232	1,486	1,916
Endowment investments held in trust	710	-	-	-	710
	\$ 163,388	\$ 58,448	\$ 38,308	\$ 32,345	\$ 34,287

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The University's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided).

Highly Sensitive Investments (Dollars in Thousands)		
	2021	2020
Mortgage-backed & asset-backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of the securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$19,902	\$16,119
Callable bonds. These securities are subject to be called or early redeemed by the issuing agency in periods of declining interest rates. The possible reduction in expected cash flows affects the fair value of these securities and makes the fair value of these securities more sensitive to changes in interest rates.	\$36,364	\$34,284

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit risk is addressed in the University Investment Policy, approved May 7, 2010. Credit risk guidelines are established for each investment manager. The policy stipulates the percentage of each manager's fixed income portfolio that must be rated Aa or better at the time of purchase. These percentages range from 65 percent to 100 percent.

Presented below is the actual Moody's rating at year end for each investment type.

Moody's Rating Scale at June 30, 2021 (Dollars in Thousands)						
Investment Type	Fair Value	AAA	Aa	A	B or Lower	Not Rated
Cash on hand (petty cash)	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ 84
Demand deposits	2,801	-	-	-	-	2,801
Money market funds	29,892	-	-	-	-	29,892
Certificates of deposit	1,754	-	-	-	-	1,754
Asset-backed securities	8,035	4,415	638	28	-	2,954
Collateralized mortgage obligations	6,011	3,273	8	-	241	2,489
Corporate bonds	46,050	243	1,985	16,924	25,542	1,356
Government agencies	8,651	8,538	-	-	-	113
Mortgage-backed securities	11,867	461	-	-	-	11,406
Municipal notes and bonds	2,079	653	692	-	-	734
Treasury notes and bonds	37,912	25,432	-	-	-	12,480
Foreign notes and bonds	9,915	-	199	1,051	4,801	3,864
Endowment investments held in trust	854	-	-	-	-	854
	\$ 165,905	\$ 43,015	\$ 3,522	\$ 18,003	\$ 30,584	\$ 70,781

Moody's Rating Scale at June 30, 2020 (Dollars in Thousands)						
Investment Type	Fair Value	AAA	Aa	A	B or Lower	Not Rated
Cash on hand (petty cash)	\$ 117	\$ -	\$ -	\$ -	\$ -	\$ 117
Demand deposits	5,167	-	-	-	-	5,167
Money market funds	30,077	-	-	-	-	30,077
Certificates of deposit	3,660	-	-	-	-	3,660
Asset-backed securities	5,208	2,467	526	-	476	1,739
Collateralized mortgage obligations	8,413	3,988	418	-	153	3,854
Corporate bonds	49,461	644	3,904	19,482	23,911	1,520
Government agencies	9,824	9,709	-	-	-	115
Mortgage-backed securities	10,911	359	-	-	-	10,552
Municipal notes and bonds	1,073	560	361	-	-	152
Treasury notes and bonds	32,875	17,588	-	-	-	15,287
Foreign notes and bonds	5,892	-	151	1,148	2,749	1,844
Endowment investments held in trust	710	-	-	-	-	710
	\$ 163,388	\$ 35,315	\$ 5,360	\$ 20,630	\$ 27,289	\$ 74,794

Concentration of Credit Risk

The investment policy of the University contains no limitations on the amount that can be invested in any one issuer. At June 30, 2021 investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent five percent or more of total University investments included Fannie Mae mortgage-backed securities totaling \$6,998,000. At June 30, 2020 Fannie Mae mortgage-backed securities, totaling \$7,646,000, represented five percent or more of total University investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover its deposits or will not be able to recover collateral

securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the University will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Indiana State University's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than preference will be given to Indiana institutions because of additional insurance coverage provided by the State. At June 30, 2021, \$37,912,000 in U.S. Treasury Notes and Bonds, \$8,651,000 in U.S. Government Agencies and \$29,892,000 of the Money Market funds invested in U.S. Government-backed funds were held by a trust department not in the University's name. At June 30, 2020, \$32,875,000 in U.S. Treasury Notes and Bonds, \$9,824,000 in U.S. Government Agencies and \$30,077,000 of the Money Market funds invested in U.S. Government-backed funds were held by a trust department not in the University's name.

As of June 30, 2021 and 2020, Indiana State University's deposits with financial institutions held in uncollateralized accounts were insured up to \$250,000 by FDIC and in excess of \$250,000 by the Indiana Public Deposits Fund. There were no Certificates of Deposits held in 2021 covered under this fund. In 2020, \$246,000 of Certificates of Deposits were held and were covered under the Indiana Public Deposits Fund, as they were invested in Indiana financial institutions. The University had less than six percent of investments that are made up of foreign currency in 2021 and 2020; therefore, the University's exposure to foreign currency risk is insignificant.

Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy input levels are defined as follows:

- Level 1 input is a quoted price for identical assets or liabilities in an active market.
- Level 2 inputs consist of observable prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.
- Level 3 inputs are unobservable inputs for an asset or liability.

The University's investments are composed of assets valued using Level 1 or Level 2 inputs. Fair market value is established for our level two assets in various manners. Fair value is determined on level two assets based on their quoted prices in inactive markets when possible. In other situations, the fair value determination is based on models. The inputs for these models are observable either directly or indirectly for substantially the full term of the asset. Level two model inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities and derivatives.)

Endowment investments held in trust are included in a pool of investments that use a mix of Level 1 and Level 2 inputs, and are thus reported at Level 2, the lowest level. The University's fair value measurements of reoccurring investments as of June 30, 2021 and 2020 are presented as follows.

University Investments by Fair Value Level at June 30, 2021 (Dollars in Thousands)					
Investment Type	Fair Value	Level 1	Level 2	Level 3	Cash
Cash on hand (petty cash)	\$ 84	\$ -	\$ -	\$ -	\$ 84
Demand deposits	2,801	-	-	-	2,801
Money market funds	29,892	-	29,892	-	-
Certificates of deposit	1,754	-	1,754	-	-
Asset-backed securities	8,035	-	8,035	-	-
Collateralized mortgage obligations	6,011	-	6,011	-	-
Corporate bonds	46,050	-	46,050	-	-
Government agencies	8,651	-	8,651	-	-
Mortgage-backed securities	11,867	-	11,867	-	-
Municipal notes and bonds	2,079	-	2,079	-	-
Treasury notes and bonds	37,912	-	37,912	-	-
Foreign notes and bonds	9,915	-	9,915	-	-
Endowment investments held in trust	854	-	854	-	-
	\$ 165,905	\$ -	\$ 163,020	\$ -	\$ 2,885

University Investments by Fair Value Level at June 30, 2020 (Dollars in Thousands)					
Investment Type	Fair Value	Level 1	Level 2	Level 3	Cash
Cash on hand (petty cash)	\$ 117	\$ -	\$ -	\$ -	\$ 117
Demand deposits	5,167	-	-	-	5,167
Money market funds	30,077	-	30,077	-	-
Certificates of deposit	3,660	-	3,660	-	-
Asset-backed securities	5,208	-	5,208	-	-
Collateralized mortgage obligations	8,413	-	8,413	-	-
Corporate bonds	49,461	-	49,461	-	-
Government agencies	9,824	-	9,824	-	-
Mortgage-backed securities	10,911	-	10,911	-	-
Municipal notes and bonds	1,073	-	1,073	-	-
Treasury notes and bonds	32,875	-	32,875	-	-
Foreign notes and bonds	5,892	-	5,892	-	-
Endowment investments held in trust	710	-	710	-	-
	\$ 163,388	\$ -	\$ 158,104	\$ -	\$ 5,284



NOTE 3. CAPITAL ASSETS

The changes in gross capital assets and accumulated depreciation for the fiscal years ending June 30, 2021 and 2020 are presented in the tables below:

Capital Assets and Depreciation (Dollars in Thousands)						
	Balance June 30, 2020	Additions	Transfers	Deductions	Balance June 30, 2021	
Capital assets not being depreciated						
Land	\$ 35,359	\$ -	\$ 122	\$ -	\$ 35,481	
Works of art	2,204	125	-	-	2,329	
Construction in progress	47,146	19,969	(56,135)	(46)	10,934	
	\$ 84,709	\$ 20,094	\$ (56,013)	\$ (46)	\$ 48,744	
Capital assets being depreciated						
Infrastructure	\$ 36,376	\$ -	\$ -	\$ (56)	\$ 36,320	
Land improvements	41,505	-	1,604	(431)	42,678	
Buildings	651,463	-	54,409	(19,193)	686,679	
Equipment	83,985	1,289	-	(1,410)	83,864	
Capital lease assets	32,299	29	-	-	32,328	
Leasehold improvements	568	-	-	-	568	
	\$ 846,196	\$ 1,318	\$ 56,013	\$ (21,090)	\$ 882,437	
Less accumulated depreciation						
Infrastructure	\$ (33,942)	\$ (131)	\$ -	\$ 56	\$ (34,017)	
Land improvements	(23,739)	(2,102)	-	146	(25,695)	
Buildings	(202,867)	(15,535)	-	14,244	(204,158)	
Equipment	(71,119)	(3,046)	-	1,194	(72,971)	
Lease amortization	(6,864)	(1,076)	-	-	(7,940)	
Leasehold improvements amortization	(549)	(19)	-	-	(568)	
	\$ (339,080)	\$ (21,909)	\$ -	\$ 15,640	\$ (345,349)	
Total capital assets being depreciated, net	\$ 507,116	\$ (20,591)	\$ 56,013	\$ (5,450)	\$ 537,088	
Total capital assets, net	\$ 591,825	\$ (497)	\$ -	\$ (5,496)	\$ 585,832	

Capital Assets and Depreciation (Dollars in Thousands)						
	Balance June 30, 2019	Additions	Transfers	Deductions	Balance June 30, 2020	
Capital assets not being depreciated						
Land	\$ 35,250	\$ -	\$ 109	\$ -	\$ 35,359	
Works of art	2,118	15	71	-	2,204	
Construction in progress	59,204	46,922	(58,683)	(297)	47,146	
	\$ 96,572	\$ 46,937	\$ (58,503)	\$ (297)	\$ 84,709	
Capital assets being depreciated						
Infrastructure	\$ 36,376	\$ -	\$ -	\$ -	\$ 36,376	
Land improvements	38,500	-	3,005	-	41,505	
Buildings	601,048	-	55,498	(5,083)	651,463	
Equipment	83,501	1,566	-	(1,082)	83,985	
Capital lease assets	32,014	285	-	-	32,299	
Leasehold improvements	568	-	-	-	568	
	\$ 792,007	\$ 1,851	\$ 58,503	\$ (6,165)	\$ 846,196	
Less accumulated depreciation						
Infrastructure	\$ (33,811)	\$ (131)	\$ -	\$ -	\$ (33,942)	
Land improvements	(21,745)	(1,994)	-	-	(23,739)	
Buildings	(193,301)	(14,209)	-	4,643	(202,867)	
Equipment	(68,597)	(3,397)	-	875	(71,119)	
Lease amortization	(5,789)	(1,075)	-	-	(6,864)	
Leasehold improvements amortization	(436)	(113)	-	-	(549)	
	\$ (323,679)	\$ (20,919)	\$ -	\$ 5,518	\$ (339,080)	
Total capital assets being depreciated, net	\$ 468,328	\$ (19,068)	\$ 58,503	\$ (647)	\$ 507,116	
Total capital assets, net	\$ 564,900	\$ 27,869	\$ -	\$ (944)	\$ 591,825	

During fiscal years 2021 and 2020, the University incurred \$10,142,000 and \$10,254,000 in interest costs related to the ownership of capital assets, respectively. None of the interest incurred in fiscal year 2021 was capitalized due to the implementation of GASB Statement No. 89 and \$1,878,000 was capitalized for the year ending June 30, 2020.

A breakdown of significant projects included in construction in progress as of June 30, 2021 and 2020 are shown below:

Construction Work in Progress (Dollars in Thousands)	
Project	June 30, 2021
Dreiser Hall Renovations	\$ 9,418
Other Miscellaneous Projects	1,516
	\$ 10,934

Construction Work in Progress (Dollars in Thousands)	
Project	June 30, 2020
Hulman Center Renovation	\$ 44,164
College of Health and Human Services Renovation	991
Dreiser Hall Renovations	753
Sycamore Towers Dining Renovation	508
Other Miscellaneous Projects	730
	\$ 47,146

NOTE 4. LONG-TERM LIABILITIES

Long-term liabilities of the University consist of bonds payable, capital leases payable, compensated absences, and other liabilities.

The changes in long-term liabilities for fiscal years ending June 30, 2021 and 2020 are as shown below:

Long-Term Liabilities (Dollars in Thousands)					
	Balance July 1, 2020	Additions	Reductions	Balance July 1, 2021	Current Portion
Bonds payable - public offering	\$ 199,195	\$ 15,600	\$ 12,540	\$ 202,255	\$ 11,310
Bonds payable - direct placement	14,090	-	3,960	10,130	1,305
Bond premiums	23,067	3,062	1,643	24,486	1,662
Lease payable	27,535	29	849	26,715	1,639
Compensated absences and termination benefits	4,602	211	388	4,425	3,705
Advances from Federal Government	6,141	-	810	5,331	-
Total long-term liabilities	\$ 274,630	\$ 18,902	\$ 20,190	\$ 273,342	\$ 19,621

Long-Term Liabilities (Dollars in Thousands)					
	Balance July 1, 2019	Additions	Reductions	Balance July 1, 2020	Current Portion
Bonds payable - public offering	\$ 217,705	\$ -	\$ 18,510	\$ 199,195	\$ 11,605
Bonds payable - direct placement	2,965	12,735	1,610	14,090	3,960
Bond premiums	24,605	-	1,538	23,067	1,508
Lease payable	28,069	285	819	27,535	1,633
Compensated absences and termination benefits	4,221	644	263	4,602	4,322
Advances from Federal Government	7,367	-	1,226	6,141	-
Total long-term liabilities	\$ 284,932	\$ 13,664	\$ 23,966	\$ 274,630	\$ 23,028

NOTE 5. BONDS PAYABLE

Indiana State University is authorized by acts of the Indiana General Assembly to issue bonds and notes for the purposes of financing the construction of student housing, athletic facilities, parking, and academic facilities. The outstanding bond principal indebtedness consists of the following issues.

Student Fee Bonds are secured by a pledge of student fees. The Indiana General Assembly authorizes a specific state appropriation known as “fee replacement” to the University for the purpose of reimbursing a portion of the debt service payments for certain academic facilities, including classrooms, laboratories, and other academic support facilities. Total bond principal payments eligible for fee replacement appropriations in 2021 and 2020 were \$15,288,000 and \$11,575,000, respectively.

Bonds Payable (Dollars in Thousands)						
	Original Face Value	Issue Date	Interest Rate	Final Maturity Dates	Principal Outstanding June 30, 2021	Principal Outstanding June 30, 2020
Student Fee Bonds						
Series N, Satellite Chiller and Science Laboratory Projects	\$ 9,560	2010	1.0-6.64%	2030	\$ 5,180	\$ 5,645
Series P, Science Laboratory Renovation Project	4,570	2014	2.18%	2021	-	2,685
Series Q, Refund Series K, L, and Partial M	19,690	2015	2.58%	2033	8,185	9,840
Series R, College of Health and Human Services, Refund Series M and O	83,845	2017	3.0-5.0%	2036	63,760	68,135
Series S, Hulman Center Renovation Project	39,685	2018	4.0-5.0%	2037	35,025	36,305
Series T, Dreiser Renovation	15,600	2020	3.0-5.0%	2040	14,665	-
Housing and Dining Revenue Bonds						
Series 2010, Pickler Hall Renovation Project	\$ 9,140	2010	1.43-5.41%	2027	\$ 3,915	\$ 4,495
Series 2012, Erickson Hall and Reeve Hall Projects	28,740	2013	2.7-5.0%	2038	22,660	23,590
Series 2014, Sycamore Towers Phase 1 - Mills Hall Project	16,405	2014	2.0-5.0%	2034	11,945	12,625
Series 2015, Sycamore Towers Phase 2 - Blumberg Hall Project	16,270	2015	3.0-5.0%	2035	12,475	13,120
Series 2016, Sycamore Towers Phase 3 - Cromwell Hall Project	14,135	2016	3.0-5.0%	2036	11,610	12,130
Series 2017, Sycamore Towers Phase 4 - Rhoads Hall Project	14,190	2017	3.0-5.0%	2038	12,835	13,310
Series 2019, Sycamore Towers Dining Project	12,735	2019	2.40%	2031	10,130	11,405
Bonds					\$ 212,385	\$ 213,285
Premium					24,486	23,067
					\$ 236,871	\$ 236,352

Housing and Dining Revenue Bonds are secured by a pledge of housing and dining net income. As of June 30, 2021 and 2020, total net pledged income was approximately \$10,118,000 and \$7,753,000, respectively. The University's Student Fee Bonds, Series P, were issued on a parity with all other student fee bonds. These bonds are considered limited obligations of the University secured by and payable solely from a pledge of student fees. Series P matured in 2021 and had an outstanding balance of \$2,685,000 at June 30, 2020.

In prior years, Indiana State University defeased certain serial bonds by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust accounts and liability for the defeased bonds are not included in the financial statements of Indiana State University.

The University issued \$15,600,000 of Student Fee Bonds, Series T on August 12, 2020. See Note 6 for details.

Debt Service Requirements (Dollars in Thousands)					
Fiscal Year	Bonds - Public Offering		Bonds - Direct Placement		Total
	Bond Principal	Bond Interest	Bond Principal	Bond Interest	
2022	\$ 11,310	\$ 8,731	\$ 1,305	\$ 243	\$ 21,589
2023	11,855	8,179	1,335	212	21,581
2024	12,430	7,584	1,365	180	21,559
2025	13,040	6,959	1,400	147	21,546
2026	13,200	6,334	1,430	113	21,077
2027-2031	63,360	23,193	3,295	151	89,999
2032-2036	61,720	9,431	-	-	71,151
2037-2041	15,340	869	-	-	16,209
	\$ 202,255	\$ 71,280	\$ 10,130	\$ 1,046	\$ 284,711
Net unamortized premium	24,486	-	-	-	24,486
	\$ 226,741	\$ 71,280	\$ 10,130	\$ 1,046	\$ 309,197

NOTE 6. BOND ISSUES

Indiana State University Student Fee Bonds, Series T

On August 12, 2020, the University issued \$15,600,000 of Student Fee Bonds, Series T. This issue was tax-exempt with an all-inclusive interest cost (AIC) of 2.22 percent. The proceeds of Series T bonds includes principal of \$15,600,000 plus a bond premium of \$3,062,000 for total proceeds of \$18,662,000. Bond issuance costs of \$262,000 were paid with bond proceeds, resulting in \$18,400,000 to be used for the Dreiser Hall project.

Dreiser Hall Renovation

Dreiser Hall was built in 1950 and provides space for the College of Arts and Sciences programs including communications classes and services, student media, the student-ran radio station, WZIS, and a 255-seat theater. Renovation began in summer 2020 and is scheduled for completion for the spring 2022 semester.

NOTE 7. SERVICE CONCESSION ARRANGEMENTS

In July 2010, Indiana State University entered into a contract with Sodexo Services of Indiana Limited Partnership to provide food services for ISU's students, faculty, staff and invited guests for a term of 11 years. In December 2017, this agreement was extended through June 30, 2031. Included in the agreement was a commitment by Sodexo to provide equipment and facility enhancements of up to \$2,900,000 to construct the Sycamore Banquet Center inside the Hulman Memorial Student Union, with contributions by the University of approximately \$800,000. Construction was completed and the Banquet Center was put into use in April 2012. In October 2017, Sodexo made an additional investment of \$1,000,000 towards the build-out of a Starbucks retail store.

Food services for the Banquet Center and the Starbucks will be provided by Sodexo, and both facilities will remain an asset of the University. Due to the nature of this agreement, whereas Sodexo is the operator and ISU is the transferor, it has been classified as a service concession arrangement. The Sycamore Banquet Center and the Starbucks retail space have been classified as capital assets with offsetting deferred inflows of resources. Over the life of the contract, ISU will amortize the deferred inflow of resources, while recognizing auxiliary revenue each year. If the agreement expires, terminates, or is amended in a way that has an adverse impact on Sodexo, ISU will be liable for the unamortized portion of Sodexo's investment.

Deferred Service Concession Arrangement (Dollars in Thousands)			
	2021		2020
Deferred Service Concession Arrangement beginning balance	\$	1,593	\$ 1,737
Service Concession Arrangement additions		-	-
Revenue recognition for the fiscal year		(145)	(144)
Deferred Service Concession Arrangement ending balance	\$	1,448	\$ 1,593

NOTE 8. LEASE PAYABLE

Indiana State University has entered into capital lease agreements for equipment and facilities. The University concluded a five-year lease agreement with Ricoh USA, Inc. to lease copiers and printers for the campus as of June 30, 2019. A new five-year lease agreement with Ricoh USA, Inc. to lease copiers and printers for the campus began as of July 1, 2019, with new machines to be phased in over time. Due to the COVID-19 restrictions and supply shortages, the phase-in has continued throughout fiscal year 2021. During the fiscal year, the cost of equipment held under this new capital lease totaled \$46,000 with accumulated amortization of \$5,000 at June 30, 2021.

As of July 1, 2020, the University entered into a lease agreement with Dell Financial Services, LLC to lease server equipment for the University. The lease term is five years. The total cost of the lease assets are \$268,000. Accumulated amortization totaling \$104,000 and \$54,000 was recognized as of June 30, 2021 and June 30, 2020, respectively.

As of January 8, 2014, the University entered into a lease agreement with 500 Wabash Housing, LLC to lease floors 2-5 of the 500 Wabash Avenue building to be used for student housing. The lease commencement date was July 15, 2015. The lease term is 30 years with an option to purchase. The cost of the leased asset totaled \$30,237,000 for years ending June 30, 2021 and 2020 with accumulated amortization of \$6,047,000 and \$5,039,000 as of June 30, 2021 and 2020, respectively.

These capital lease obligations are included in the Statement of Net Position and future scheduled payments under these agreements are illustrated in the schedule below. The University records lease amortization as depreciation expense on the Statement of Revenues, Expenses and Changes in Net Position.

Lease Payments (Dollars in Thousands)	
Fiscal Year	Total Payments
2022	\$ 1,639
2023	1,551
2024	1,551
2025	1,543
2026	1,535
2027-2031	7,676
2032-2036	7,676
2037-2041	7,676
2042-2046	6,141
Total minimum lease payments	\$ 36,988
Less: Amount representing interest	(10,273)
Present value of minimum lease payments	\$ 26,715

NOTE 9. TERMINATION BENEFITS LIABILITY

The Governmental Accounting Standards Board (GASB), Statement No. 47, *Accounting for Termination Benefits*, requires the University to recognize an expense and liability for voluntary termination benefits, such as early-retirement incentives. This expense is recognized when an offer is accepted and the amount of the benefit can be estimated.

The ISU Board of Trustees approved a Retirement Severance Plan for eligible faculty and staff on February 18, 2010. Under the Retirement Severance Plan, employees must be age 62 or older and have 20 years of service to retire from Indiana State University. The severance payments available under the plan are 60 percent for those employees with 15 years or more of service at December 31, 2010, and 40 percent for employees with less than 15 years of service at December 31, 2010. New employees hired on or after March 1, 2010 would be eligible for a 25 percent severance pay at retirement.

A total of 39 employees enrolled in the program during the 2021 fiscal year at a cost of \$1,471,000 and 27 employees enrolled during the 2020 fiscal year at a cost of \$1,014,000. Total termination benefits liability reported at June 30, 2021 was \$211,000 and \$110,000 at June 30, 2020.

NOTE 10. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; and health and other medical benefits provided to employees and their dependents. The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings and contents, the University has risk retention of \$100,000 per occurrence. The University also holds an additional builder's risk component with a deductible of \$25,000. The maximum liability to the University for job-related illnesses or injuries is \$400,000 per occurrence. Settled claims have not exceeded the University's coverage in any of the past three fiscal years.

The University retains the risk for medical benefits up to a stop-loss provision of \$250,000 per member. Accrued liabilities for unpaid medical claims, as of June 30, 2021 and June 30, 2020 are included in current other liabilities. The liability is based on 25 percent of actual claims paid during the year, which represents a three-month average turnover period for claims processing. Changes in the balance of claims liabilities during the 2021 and 2020 fiscal years are as follows:

Medical Claims Liabilities (Dollars in Thousands)			
	2021		2020
Unpaid medical claims- July 1	\$	4,667	\$ 4,307
Claims incurred		18,953	19,027
Claims paid		(18,896)	(18,667)
Unpaid medical claims- June 30	\$	4,724	\$ 4,667

NOTE 11. LITIGATION

The University has been named as a defendant in a number of lawsuits. For most of these lawsuits, the final outcome cannot be determined and management is of the opinion that any ultimate outcome will not have a material effect upon the University's financial position.

NOTE 12. FUNDS HELD IN CUSTODY FOR OTHERS

Funds held in custody for others consisted of \$1,506,000 at June 30, 2020. These funds were held for other agencies (student and faculty organizations). As of June 30, 2021, the University has reclassified these funds from agency-like funds to custodial or business-type activities, and no longer reports Funds Held in Custody for Others (See Note 1Q for more information).

NOTE 13. POLLUTION REMEDIATION OBLIGATION

To comply with GASB Statement No. 49, *Accounting and Reporting for Pollution Remediation Obligations*, the University must report a liability for an obligating event. An obligating event occurs when the University commences or legally obligates itself to commence pollution remediation. During fiscal year 2021, Indiana State University did not commence any new obligations to remediate pollution. The outstanding obligation as of June 30, 2020 was \$66,000.

NOTE 14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows:

Natural Classifications Years Ended June 30, 2021 and June 30, 2020 (Dollars in Thousands)								
Functional Classification	Compensation and Benefits	Supplies and Expenses	Utilities	Scholarships and Fellowships	Depreciation	2021 Total	2020 Total	
Instruction	\$ 62,015	\$ 5,353	\$ -	\$ -	\$ -	67,368	\$ 70,163	
Research	4,575	2,864	-	-	-	7,439	8,397	
Public service	2,479	1,186	-	-	-	3,665	4,555	
Academic support	12,800	4,515	-	-	-	17,315	18,918	
Student services	9,883	2,683	-	-	-	12,566	12,749	
Institutional support	12,211	5,441	-	-	-	17,652	18,378	
Operation of plant	9,068	11,555	9,011	-	-	29,634	26,445	
Scholarships	1,242	-	-	17,848	-	19,090	17,230	
Auxiliary enterprises	14,335	16,676	275	31	-	31,317	35,101	
Depreciation	-	-	-	-	21,910	21,910	20,919	
	\$ 128,608	\$ 50,273	\$ 9,286	\$ 17,879	\$ 21,910	\$ 227,956	\$ 232,855	

NOTE 15. HEDGE CONTRACTS

Indiana State University has entered into forward contracts with EDF, Energy Services to purchase natural gas at a specified time in the future at a guaranteed price. This allows the University to plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible the market price before or at the specified time to purchase natural gas may be lower or higher than the price at which the University is committed to buy.

NOTE 16. RETIREMENT PLANS

Authorization

Authorization to establish retirement plans is stated in Indiana Code Title 21, Article 21, Chapter 3, and Section 3.

Faculty and Exempt Staff

Faculty and executive/administrative/professional employees of the University participate in a non-contributory, defined contribution plan administered through the Teachers Insurance and Annuity

Association (TIAA) and College Retirement Equity Fund (CREF). Benefit provisions are established and/or amended by the Board of Trustees. The plan purchases individual annuity contracts for members and provides for immediate vesting. Contributions and plan participant data for fiscal years 2021 and 2020 are displayed below.

TIAA-CREF Contributions (Dollars in Thousands)		
	2021	2020
University Contributions to Plan	\$7,178	\$7,523
Total Participating Employee Annual Salaries	\$70,819	\$74,018
Employee and Retiree Plan Participants	945	1,003

Non-exempt Staff

Plan Description – Regular clerical and service staff are provided with pensions through the Public Employees’ Defined Benefit Account (PERF DB). PERF DB is a cost sharing, multiple-employer defined benefit plan administered by the Indiana Public Retirement System (INPRS). PERF DB was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code IC 5-10.2, IC 5-10.3, and IC 5-10.5. There are two parts to the plan: an annuity savings plan and a monthly defined benefit pension. Employees are eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit plan after ten years of service. The INPRS issues a publicly available financial report that can be obtained at www.in.gov/inprs/annualreports.htm.

Benefits Provided – PERF DB provides retirement, disability and survivor benefits. To be eligible for 100 percent of the pension component a member must reach age 65 with 10 years of service, or age 60 with 15 years of service, or age 55 and whose age plus number of years of service is at least 85. Pension benefits for 100 percent normal retirement are calculated at 1.1 percent times the average highest five-year annual salary times the number of years of creditable service. Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis. Five years of service is required for disability benefits in which the benefits are calculated the same as normal retirement. Upon the death of a member with a minimum of 10 years of service after June 30, 2018, a survivor benefit may be paid to the surviving spouse or surviving dependent children as if the member retired the later of age 50 or the age the day before the member’s death.

Contribution Required – Contributions to PERF DB are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11. The funding policy provides for employer contributions that are sufficient to fund pension benefits, which are actuarially determined. The University was required to contribute 11.2 percent of employees’ gross earnings to the defined benefit plan in fiscal years 2021 and 2020. Employees are required to contribute three percent of covered payroll to their annuity savings account. The University has the option to contribute this on their behalf and elected to do so in both years presented. Contributions and plan participant data for fiscal years 2021 and 2020 are displayed below.

PERF DB Contributions (Dollars in Thousands)		
	2021	2020
University Contributions to PERF DB Plan	\$1,806	\$2,016
University Contributions to Annuity Savings Accounts	\$495	\$540
Total Participating Employee Annual Salaries	\$16,583	\$18,089
Employee Plan Participants	467	505

Pension Liabilities – For the fiscal years ending June 30, 2021 and June 30, 2020, the University reported liabilities of \$10,101,000 and \$12,088,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the contribution of all participating state entities, actuarially determined. At June 30, 2020 the University's portion was .33 percent.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – Indiana State University recognized pension expense of \$316,000 during fiscal year 2021 and \$1,634,000 for fiscal year 2020. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Dollars in Thousands)					
	2021		2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 179	\$ 136	\$ 319	\$ -	-
Net difference between projected and actual investment earnings on pension plan investments	865	-	-	572	572
Change of assumptions	-	2,105	3	1,314	1,314
Changes in proportion and difference between employer contributions and proportionate share of contributions	14	1,087	6	421	421
Contributions subsequent to the measurement date	1,806		2,016		-
	\$ 2,864	\$ 3,328	\$ 2,344	\$ 2,307	

The University reported \$1,806,000 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. All other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Amortization of Deferred Outflows/(Inflows) of Resources (Dollars in Thousands)	
2021	\$ (1,493)
2022	(726)
2023	(417)
2024	367
2025	-
Thereafter	-
	\$ (2,269)

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation Rate:	2.25%
Salary Increases:	2.75-8.75% based on inflation
Experience Study Date:	Period of 5 years ended June 30, 2019
Investment Rate of Return:	6.75%, net of investments expense, including inflation
Actuarial Cost Method:	Entry Age Normal (Level Percent of Payroll)
Cost of Living Increases:	2020-2021- 13th Check; 2022-2033- 0.4%; 2034-2038- 0.5%; 2039 and on- 0.6%
Mortality- Healthy:	PubG-2010 with improvements using MP-2019
Mortality- Disabled:	PubG-2010 with improvements using MP-2019

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75 percent selected by the INPRS Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change.

	Target Asset Allocation	Geometric Basis
		Long-Term Expected Real Rate of Return
Public Equity	22.0%	4.4%
Private Markets	14.0%	7.6%
Fixed Income- Ex Inflation-Linked	20.0%	1.9%
Fixed Income- Inflation-Linked	7.0%	0.5%
Commodities	8.0%	1.6%
Real Estate	7.0%	5.8%
Absolute Return	10.0%	2.9%
Risk Parity	12.0%	5.5%

Discount Rate – The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board and contributions required by the State of Indiana would be made as stipulated by state statute. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate – Net pension liability is sensitive to changes in the discount rate. The following presents the

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

Discount Rate Sensitivity-Liability/(Asset) (Dollars in Thousands)					
1% Decrease (5.75%)		Current (6.75%)		1% Increase (7.75%)	
\$	16,469	\$	10,101	\$	4,768

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS financial report which is available at www.in.gov/inprs/annualreports.htm. Refer to Note 1, Section I for information regarding the INPRS basis of accounting.

NOTE 17. VEBA TRUST

The University established a Voluntary Employees' Benefit Association (VEBA) trust, with an independent trustee, for the purpose of providing retiree medical benefits for retired employees of Indiana State University and their dependents that become eligible upon accruing the required years of service. Approval from the IRS for the tax-exempt status of the trust was received on March 2, 1999.

The trust is funded from reserves set aside in previous years paid by the University, contributions, employee payroll deductions for post-retirement benefits, and reinvested net earnings. Beginning January 1, 2014, the University activated the VEBA Trust. The University was reimbursed 100 percent of both pre-65 and post-65 retirement medical insurance premiums paid in fiscal year 2021. A summary of the activity in the trust for the year ending June 30, 2021 is as follows:

VEBA Trust Activity (Dollars in Thousands)		
Market value at July 1, 2020	\$	100,188
Reimbursement of University retirement expenses		(2,574)
Reinvested net earnings		2,954
Less: management fees		(342)
Realized gain on sale of investments		4,387
Unrealized gain on increase in market value		13,150
Accrued interest		(216)
Market value at June 30, 2021	\$	117,547

These funds cannot under any circumstances revert to the University; therefore, the financial statements of the University do not include the value of these assets. The following charts show the actual diversification of the VEBA investments.

VEBA Investment Policy Guideline Diversification			
Asset Class	Target	Minimum	Maximum
Global Equity	55.0%	0.0%	70.0%
Fixed Income and Cash	40.0%	0.0%	75.0%
Alternative Investments	5.0%	0.0%	15.0%

Actual VEBA Investment Diversification (Dollars in Thousands)		
	Actual \$	Actual %
Domestic Equity	\$ 36,286	30.9%
Developed International	18,266	15.5%
Fixed Income	60,093	51.1%
Emerging Markets	2,809	2.4%
Cash and Money Market	93	0.1%
	\$ 117,547	100.0%

NOTE 18. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Indiana State University Retiree Medical Program is a single-employer, post-Medicare retiree health plan administered by AmWins Group Benefits. All retirees, after reaching the age of 65, are required to participate in the fully insured plan in order to retain the retirement medical benefit. This group of post-Medicare retirees retain dental coverage through Delta Dental of Indiana and life insurance through the Unum Life Insurance Company of America.

Retirees under the age of 65 will continue participation in the Indiana State University Healthcare Plan for active employees until age 65 is attained. This plan is a single-employer defined benefit healthcare plan that provides medical, dental and life insurance for eligible retirees and their spouses. The plan is administrated by Anthem Life Insurance Company for medical coverage, Delta Dental Plan of Indiana for dental coverage, CVS Caremark for prescription coverage, and Unum for life insurance. Starting in January 2018 a High Deductible Health Plan (HDHP) was offered to employees and retirees under the age of 65. Active employees are eligible for these plans provided they retire after attaining age 62 with at least 20 years of service. Surviving spouses may continue in the plan until remarriage or death. Employees hired after January 1, 2005 or employees or their spouses who had not enrolled in the ISU health plan before January 1, 2005 are not eligible for the plan. The Indiana State University Board of Trustees has the authority to establish and amend provisions to the University plan, including contribution requirements. This plan does not issue a stand-alone financial report.

As of June 30, 2021, the plan participants consisted of the following:

Covered Employees	
Active employees with coverage	306
Active employees without coverage	72
Retirees receiving benefits, pre-Medicare	34
Retirees receiving benefits, post-Medicare	810
Retirees without coverage	159

Contributions

Retirees contribute the portion of premium rates not covered by the University's explicit subsidy. The University has four employee contribution groups with the standard rate and another three groups with or

without wellness incentive and/or tobacco surcharge. Retiree contributions follow the wellness incentive and tobacco free contribution group. The monthly retiree contributions on January 1, 2021 and 2020 (applicable to medical and dental benefits) for this category are as shown below.

Retirees' Monthly Contributions		
As of January 1, 2021	Employee	Employee/Spouse
Pre-Medicare		
Below 200% Federal Poverty Level	\$139.00	\$357.00
At least 200% Federal Poverty Level	\$219.97	\$554.98
Post-Medicare	\$102.00	\$204.00

Retirees' Monthly Contributions		
As of January 1, 2020	Employee	Employee/Spouse
Pre-Medicare		
Below 200% Federal Poverty Level	\$131.00	\$340.00
At least 200% Federal Poverty Level	\$208.10	\$526.29
Post-Medicare	\$102.00	\$204.00

Retiree contributions (for the standard rates) as a percentage of premium rates is set by the University for both pre- and post-Medicare retirees. The contribution percentage assumed for the valuation is based on the retiree contributions effective January 1, 2021 and 2020 as follows:

Retirees' Contribution Percentages		
As of January 1, 2021	Employee	Employee/Spouse
Pre-Medicare (weighted average)	32.6%	33.5%
Post-Medicare	32.9%	32.9%

Retirees' Contribution Percentages		
As of January 1, 2020	Employee	Employee/Spouse
Pre-Medicare (weighted average)	31.9%	33.6%
Post-Medicare	33.3%	33.3%

Contribution rates are based on a weighted average of the contribution rates for the University's PPO and HDHP plans, with 97.6 percent of the enrollment in the PPO plan. For the PPO plan, the contribution rates are \$211 for Employee and \$532 for Employee/Spouse. For the HDHP plan, the contribution rates are \$146 for Employee and \$404 for Employee/Spouse.

Net OPEB Liability (Asset)

The University's net OPEB liability (asset) of (\$67,704,000) and (\$48,698,000) was measured as of June 30, 2021 and 2020, respectively. The net OPEB liability (asset) is presented as a Net OPEB Asset on the Statement of Net Position due to the plan's status of being fully funded at 235.8 percent as of June 30, 2021 and 194.6 percent as of June 30, 2020. The actuarial valuation was determined using the following actuarial assumptions:

	2021	2020
Valuation Date:	July 1, 2020 with results projected to the June 30, 2021 measurement date on a "no loss/no gain" basis. Liabilities as of July 1, 2020 are based on an actuarial valuation date of July 1, 2020 with no adjustments.	June 30, 2020 with no adjustments
Inflation:	2% per year	
Mortality:	Non-Faculty Participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019; Faculty Participants: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2019; Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019	
Payroll Growth:	1.5% per year increase was used to model future employees salary increases; 2% per year increase was used to model future increases in Federal Poverty Limit	
Healthcare Trend Rates- Medical/RX-Pre-Medicare:	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 4.5%	Initial trend starting at 8% and gradually decreasing to an ultimate trend rate of 4.5%
Healthcare Trend Rates- Medical/RX-Post-Medicare:	Initial trend starting at 6% and gradually decreasing to an ultimate trend rate of 4.5%	Initial trend starting at 6.5% and gradually decreasing to an ultimate trend rate of 4.5%
Healthcare Trend Rates-Dental:	Ultimate trend rate of 4.5%	

The discount rate used to measure the total OPEB liability is based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay projected benefits and that the OPEB plan assets are invested using a strategy that will achieve that return. The long-term rate of return on OPEB plan investments is assumed to be 5%, and the VEBA Trust is invested according to an investment strategy of 50% investment in stock with the remaining funds invested in bonds. Since the Trust's current balance is sufficient to pay all future expected benefit payments, the discount rate used is 5%. See Note 17 for additional information regarding the VEBA trust.

Changes in the Net OPEB Liability (Asset)

The schedule of changes in the University's net OPEB liability (asset) for fiscal years ended June 30, 2021 and 2020 were as follows:

Schedule of Changes in Net OPEB Liability (Asset) (Dollars in Thousands)			
	2021		2020
Total OPEB liability - beginning of year	\$	51,491	\$ 49,448
Service cost		334	329
Interest		2,519	2,909
Changes in assumptions		-	4,933
Differences between expected and actual experience		(1,556)	(3,492)
Benefit payments		(2,944)	(2,636)
Total OPEB liability - end of year	\$	49,844	\$ 51,491
Plan fiduciary net position - beginning of year	\$	100,189	\$ 94,409
Net investment income		20,645	8,722
Benefit payments		(2,944)	(2,636)
Trust administrative expenses		(342)	(306)
Plan fiduciary net position - end of year	\$	117,548	\$ 100,189
Net OPEB Liability (Asset)- end of year	\$	(67,704)	\$ (48,698)

A one-percentage point change in the discount rate and assumed health care cost trend rates would have the following impact on the net OPEB liability (asset) at June 30, 2021:

Impact of Discount Rate or Assumed Cost Rates (Dollars in Thousands)				
	1% Decrease	Current	1% Increase	
Discount Rate	\$ (61,500)	\$ (67,704)	\$ (72,846)	
Healthcare Trend Rate	\$ (73,317)	\$ (67,704)	\$ (60,946)	

A one-percentage point change in the discount rate and assumed health care cost trend rates would have the following impact on the net OPEB liability (asset) at June 30, 2020:

Impact of Discount Rate or Assumed Cost Rates (Dollars in Thousands)				
	1% Decrease	Current	1% Increase	
Discount Rate	\$ (42,164)	\$ (48,698)	\$ (54,103)	
Healthcare Trend Rate	\$ (54,157)	\$ (48,698)	\$ (42,128)	

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

The University recognized OPEB expense of (\$5,793,000) and (\$7,987,000) as of June 30, 2021 and 2020, respectively.

OPEB Expense (Dollars in Thousands)		
	2021	2020
Service cost	\$ 334	\$ 329
Interest	2,518	2,909
Projected earnings on OPEB plan investments	(4,928)	(5,578)
OPEB Plan administrative expenses	342	306
Current period recognition of deferred outflows/(inflows) of resources:		
Differences between expected and actual experience	\$ (2,524)	\$ (7,584)
Changes in assumptions	2,467	2,490
Net difference between projected and actual earnings on OPEB plan investments	(4,002)	(859)
Total current period recognition	\$ (4,059)	\$ (5,953)
Total OPEB expense	\$ (5,793)	\$ (7,987)

As of June 30, 2021 and 2020, the University recognized deferred inflows related to OPEB of \$15,734,000 and \$5,061,000, respectively, and deferred outflows related to OPEB of zero and \$2,540,000, respectively, as summarized below:

Deferred Inflows and Outflows of Resources Related to OPEB (Dollars in Thousands)				
	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (778)	\$ -	\$ (1,746)
Change in assumptions	-	-	2,467	-
Net difference between projected and actual earnings in OPEB plan investments	-	(14,956)	73	(3,315)
	<u>\$ -</u>	<u>\$ (15,734)</u>	<u>\$ 2,540</u>	<u>\$ (5,061)</u>

The balances of June 30, 2021 deferred outflows/(inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted:

Amortization of Deferred Outflows/(Inflows) of Resources (Dollars in Thousands)	
2022	\$ (4,780)
2023	(4,039)
2024	(3,772)
2025	(3,143)
2026	-
Thereafter	-
	<u>\$ (15,734)</u>

NOTE 19. SUBSEQUENT EVENTS

Indiana State University issued \$17,560,000 in Indiana State University Housing and Dining System Revenue Bonds, Series 2021 and \$4,030,000 in Indiana State University Housing and Dining System Revenue Bonds, Series 2022 (Forward Delivery) on July 21, 2021. The proceeds of the Series 2021 bonds includes principal of \$17,560,000 plus a bond premium of \$4,243,000, for total proceeds of \$21,803,000 to be used to finance the current refunding of the taxable ISU Housing and Dining System Revenue Bonds, Series 2010 (Build America Bonds) and the ISU Housing and Dining System Revenue Bonds, Series 2012, maturing on and after April 1, 2027 (currently callable Series 2012 Bond) plus the cost of issuing the Series 2021 Bonds.

The proceeds of the Series 2022 bonds includes \$4,030,000 of principal plus a bond premium of \$480,000 for total proceeds of \$4,510,000. The proceeds will be used to finance the refunding of the ISU Housing and Dining System Revenue Bonds, Series 2012 maturing April 1, 2023 through April 1, 2026 (Future Callable Series 2012 Bonds) and the cost of issuing the Series 2022 Bonds. The net present value savings for both Series 2021 and 2022 totaled \$2,998,000.



REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Indiana State University's Proportionate Share of the Net Pension Liability Public Employees' Defined Benefit Account (PERF DB) Last 10 Fiscal Years* (Dollars in Thousands)

	Measurement Date as of June 30							
	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	0.33%	0.37%	0.37%	0.39%	0.39%	0.38%	0.36%	0.36%
Proportionate share of the net pension liability (asset)	\$ 10,101	\$ 12,088	\$ 12,597	\$ 17,182	\$ 17,855	\$ 15,538	\$ 9,494	\$ 12,387
Covered-employee payroll	\$ 18,055	\$ 19,056	\$ 18,912	\$ 19,086	\$ 18,855	\$ 18,273	\$ 17,638	\$ 17,364
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.9%	63.4%	66.6%	90.0%	94.7%	85.0%	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	81.5%	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

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

Schedule of Indiana State University's Contributions Public Employees' Defined Benefit Account (PERF DB) Last 10 Fiscal Years* (Dollars in Thousands)

	Fiscal Year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,806	\$ 2,016	\$ 2,130	\$ 2,111	\$ 2,139	\$ 2,112	\$ 2,047	\$ 1,976	\$ 1,672
Contributions in relation to the contractually required contribution	\$ (1,806)	\$ (2,016)	\$ (2,130)	\$ (2,111)	\$ (2,139)	\$ (2,112)	\$ (2,047)	\$ (1,976)	\$ (1,672)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 16,583	\$ 18,089	\$ 19,056	\$ 18,912	\$ 19,086	\$ 18,855	\$ 18,273	\$ 17,638	\$ 17,364
Contributions as a percentage of covered-employee payroll	10.9%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	9.6%

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

NOTES TO SCHEDULE

Plan Amendments – There were no changes to the PERF DB plan that impacted the pension benefits during fiscal year 2021.

Assumption Changes – In 2020, an experience study was performed resulting in an update to several assumptions. These assumption changes included a change in the mortality assumptions, retirement assumptions, withdrawal assumptions, disability assumptions, dependent spouse assumptions, and future salary increase assumptions.

Schedule of Indiana State University's Changes in Net OPEB Liability (Asset) and Related Ratios

Last 10 Fiscal Years*
(Dollars in Thousands)

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 334	\$ 329	\$ 377	\$ 412
Interest	2,519	2,909	3,436	3,525
Changes of benefit terms	—	—	—	—
Changes of assumptions	—	4,933	—	69
Differences between expected and actual experience	(1,556)	(3,492)	(9,912)	(2,646)
Benefit payments	(2,944)	(2,636)	(2,647)	(2,948)
Net change in total OPEB liability	\$ (1,647)	\$ 2,043	\$ (8,746)	\$ (1,588)
Total OPEB liability—beginning of year	51,491	49,448	58,194	59,782
Total OPEB liability—end of year	<u>\$ 49,844</u>	<u>\$ 51,491</u>	<u>\$ 49,448</u>	<u>\$ 58,194</u>
Plan fiduciary net position				
Contributions—employer	\$ —	\$ —	\$ —	\$ —
Net investment income	20,645	8,722	6,685	5,052
Benefit payments	(2,944)	(2,636)	(2,647)	(2,948)
Administrative expense	(342)	(306)	(277)	(313)
Net change in plan fiduciary net position	\$ 17,359	\$ 5,780	\$ 3,761	\$ 1,791
Plan fiduciary net position—beginning of year	100,189	94,409	90,648	88,857
Plan fiduciary net position—end of year	<u>\$ 117,548</u>	<u>\$ 100,189</u>	<u>\$ 94,409</u>	<u>\$ 90,648</u>
Net OPEB liability (asset) — end of year	<u>\$ (67,704)</u>	<u>\$ (48,698)</u>	<u>\$ (44,961)</u>	<u>\$ (32,454)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	235.8%	194.6%	190.9%	155.7%
Covered-employee payroll	\$ 27,195	\$ 30,046	\$ 32,207	\$ 33,824
Net OPEB liability (asset) as a percentage of covered-employee payroll	-249.0%	-162.1%	-139.6%	-95.9%

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

Schedule of Indiana State University's OPEB Contributions
Last 10 Fiscal Years
(Dollars in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$101	\$522	\$959
Contribution in relation to the actuarially determined contribution	—	—	—	—	—	1,431	1,945	2,370	3,762	5,085
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$(1,431)	\$(1,945)	\$(2,269)	\$(3,240)	\$(4,126)
Covered-employee payroll	\$27,195	\$30,046	\$32,207	\$33,824	\$35,932	\$39,400	\$38,252	\$42,804	\$41,557	\$41,697
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	5.1%	5.5%	9.1%	12.2%

Notes to Schedule

Plan Amendments

There were no changes to the OPEB plan that impacted the pension benefits during fiscal year 2021.

Valuation Date

Fiscal year ending June 30

Methods and Assumptions Used to Determine Contribution Rates:

Discount rate	5%
Payroll growth factor used for amortization	1.5%
Actuarial cost method	Entry Age Normal Level % of Salary
Amortization type	Level Dollar
Amortization period (years)	27

There were no changes to the OPEB plan assumptions used to determine contribution rates during fiscal year 2021.

HOME COUNTIES OF INDIANA STATE STUDENTS

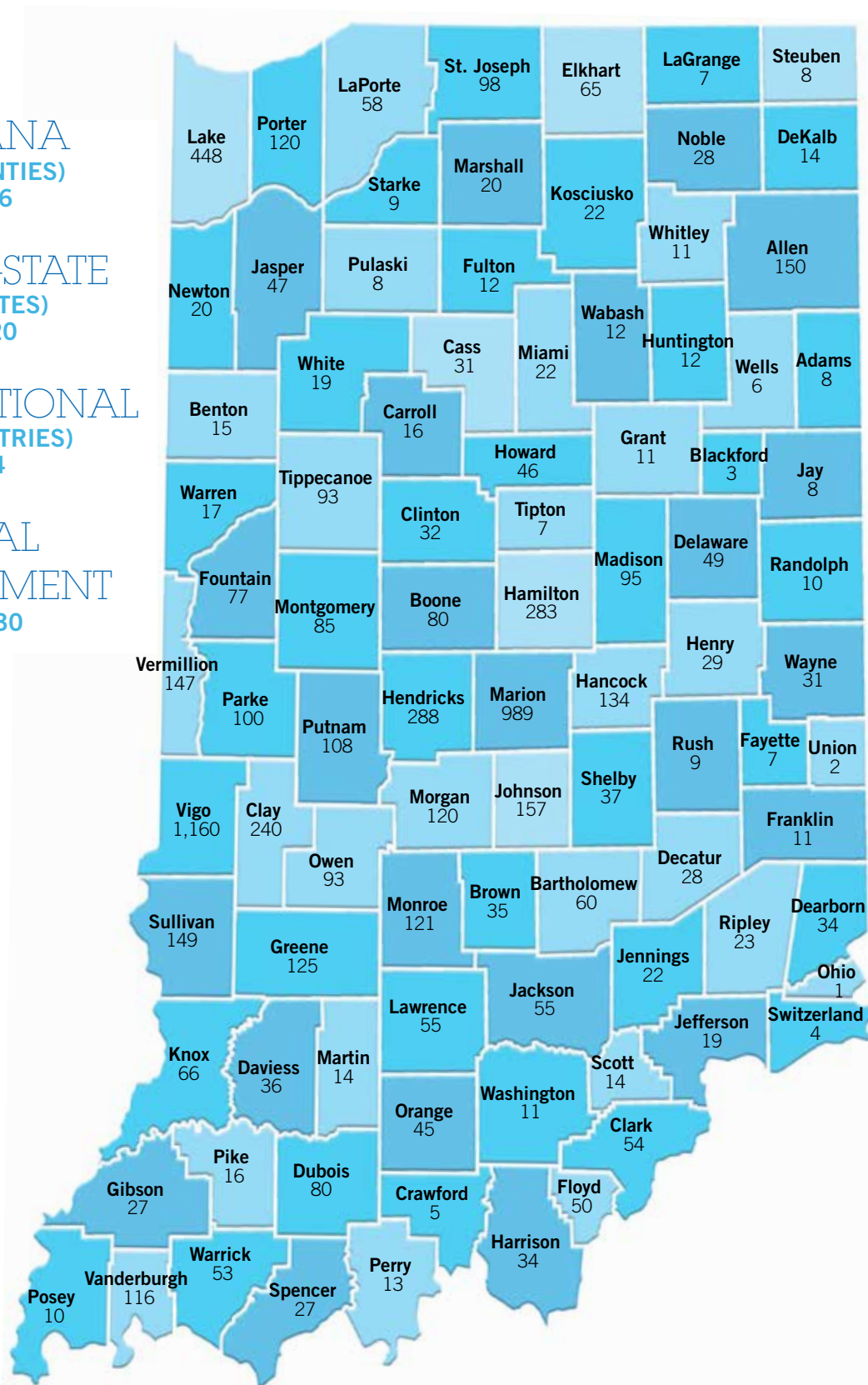
(FALL 2020) UNAUDITED

INDIANA
(92 COUNTIES)
7,246

OUT-OF-STATE
(49 STATES)
3,220

INTERNATIONAL
(61 COUNTRIES)
364

TOTAL
ENROLLMENT
10,830



BOARD OF TRUSTEES AND UNIVERSITY ADMINISTRATION

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Indianapolis, Indiana
Term Expires 2023

Edward A. Pease

Assistant Secretary
Terre Haute, Indiana
Term Expires 2021

Tanya R. McKinzie

Brownsburg, Indiana
Term Expires 2024

Robert E. Casey, Jr.

Westfield, Indiana
Term Expires 2023

Randall K. Minas

Crown Point, Indiana
Term Expires 2024

Casey J. Phillips

Greenfield, Indiana
Term Expires 2021

Cynthia R. Powers

Valparaiso, Indiana
Term Expires 2025

University Officials

as of June 30, 2021

Deborah J. Curtis

President of the University

Christopher J. Olsen

Interim Provost and Vice
President for Academic Affairs

Diann E. McKee

Senior Vice President for
Finance and Administration/
University Treasurer

Andrea L. Angel

Vice President for Development
and CEO of ISU Foundation

Nancy Brattain Rogers

Vice President for
University Engagement

Michele C. Soliz

Vice President for
Student Affairs

For Additional Information:

Admissions

Office of Admissions
John W. Moore Welcome Center
318 North Sixth Street
Indiana State University
Terre Haute, Indiana 47809
812-237-2121
1-800-GO-TO-ISU
admissions@indstate.edu

Alumni

Alumni Association
30 North Fifth Street
Terre Haute, Indiana 47809
812-237-6143
1-800-258-6478
alumni@indstate.edu

Foundation

ISU Foundation
30 North Fifth Street
Terre Haute, Indiana 47809
812-237-6100
1-800-242-1409

Additional copies of the 2021 Financial Report may be obtained from:

Office of the Controller
Parsons Hall, Room P115
Indiana State University
Terre Haute, Indiana 47809
812-237-3513
or at indstate.edu/controller



**INDIANA STATE
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