FINANCIAL REPORT

2019-2020

INDIANA STATE UNIVERSITY

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INDIANA STATE UNIVERSITY FINANCIAL REPORT 2019-2020

MESSAGE FROM THE PRESIDENT

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

With the honor of serving as President of Indiana State University, I am pleased to share the University's achievements in 2019-20, and to amplify what makes this institution unique and distinctive. We are living in challenging times and while the COVID-19 pandemic has made life difficult for many, Indiana State University has never closed and we are not operating out of fear. We continue to follow the pragmatic guidance of the State Department of Health, and we embrace the Governor's call to manage through this pandemic. By doing so, we remain laser focused on making an impact to the state of Indiana.

"IMPACT" is the key word for Indiana State University, and we make this impact through: (1) providing opportunity to those who seek higher education, (2) ensuring quality of our academic programs; (3) committing to affordability because no one should be priced out of attending college and fulfilling a dream; and (4) focusing on the outcome of student success which leads to graduation and starting a career.

We say with pride that "Indiana State University is the state of Indiana's university," and we prove this with our compelling student data. With an enrollment of I0,830 students, 29% are Pell eligible and 27% are from minority communities. In this year's freshman class, 47% are first generation college students. ISU is the intersection where individuals from very different backgrounds and challenges come to better their lives. We do not just better the lives of these students, we transform them. This is why we earned the external validation from CollegeNet with a #1 ranking in the state of Indiana for increasing the social mobility of those who attend ISU.

ISU was also one of the first universities to engage in first destination surveys and the data for the class of 2019 is astounding. 99% of our graduates find a job in their field of study, are attending graduate school, or serving our country in the armed forces. Nearly seven out of ten remain in Indiana with an average starting salary of over $57,000. We know that COVID-19 will impact next year's data, but we also know that those earning an ISU degree will fare better than those without it.

As a comprehensive university, ISU offers over 100 undergraduate majors, over 75 graduate and professional programs, and over 70 online programs. These programs are taught by over 700 dedicated faculty members, and the university's commitment to small class sizes produces powerful metrics, including a 22:1 student/faculty ratio. Sixty-six percent of classes have fewer than 30 students.
ISU continues to experience yearly increases in philanthropic giving by generous alumni and friends of the university. Give to Blue Day continues to be the largest single-day fundraiser that supports student success initiatives such as the "Bridge the Gap" scholarship, awarded to students whose only impediment to finishing a degree is financial, not academic.

We are so grateful to the state's leaders for making investments in our campus, and thus investments in our state's growth. We are near the completion of the $50 million renovation of the Hulman Center and completed the $15 million renovation of the Fine Arts Building. Work is underway on the $18.4 million renovation of Dreiser Hall, home of our student media and Department of Communication. In the past decade, ISU has experienced over $400 million in campus construction.

During more normal and healthier times, ISU draws 76,000 visitors to the west-central Indiana region. We provide nearly 700,000 hours of community service. We serve as the arts and cultural hub for the region and regularly host high profile events such as the NCAA Cross Country Championships and the Indiana Special Olympics.

Indiana State University is doing great things as we keep Indiana and our fellow citizens first and foremost in everything that we do. The happiest part of my job is seeing our students cross the stage at commencement and begin a lifetime of unlimited opportunities right here in Indiana. That is what makes Indiana State University so distinctive, and as our university's 12th President, I could not be prouder of what happens here.

Sincerely,

Deborah J Curtis

Deborah J. Curtis, Ph.D.


Indiana

LETTER OF TRANSMITTAL

DEAR PRESIDENT CURTIS AND TRUSTEES OF INDIANA STATE UNIVERSITY:

With this letter I transmit to you Indiana State University's audited financial report for the year ended June 30, 2020. This is the first such report submitted under the shadow of an international public health crisis with wide-ranging impact on all of our lives. As we know, Indiana and public higher education have not been insulated from the consequences of the pandemic. Nevertheless, we are managing the actual and potential financial ramifications of that reality every day.

This report confirms that Indiana State University is in sound financial condition and that its leadership continues to manage its resources with prudence and care. Indiana State University is committed to excellence in teaching and learning. This report reflects the same commitment to steward resources that support that mission and honor the confidence of Indiana taxpayers and their representatives in state government.

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 Management's Discussion and Analysis (MD&A) provides a narrative introduction and overview of the basic financial statements, as well as information regarding the financial position and results of operations of the University for the 2019-20 fiscal year. The MD&A is on pages 8 through 19 followed by financial statements and accompanying notes.

While recent months have reminded us that our expectations can be dashed with amazing swiftness, we also have learned how resourceful and resilient our communities and institutions can be. Indiana State University and its people have approached the problem-solving and financial challenges of this year with purpose and care as together we prioritize the learning experience of our students. That work may have been disrupted by COVID-19, but our mission and purpose remain unchanged. This report demonstrates that the University is managing resources responsibly as we anticipate better days beyond the pandemic.

Sincerely,

Diann E. McKee

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

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 of Indiana State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Indiana State University Foundation, Inc. (Foundation), which represent 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. 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.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Indiana State University's Proportionate Share of the Net Pension Liability Public Employees' Retirement Fund (PERF), Schedule of Indiana State University's Contributions Public Employees' Retirement Fund (PERF), Schedule of Indiana State University's Changes in Net OPEB Liability and Related Ratios, and 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 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 required parts of the basic financial statements.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 23, 2020

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, 2020 and 2019, along with comparative financial information for the fiscal year ended June 30, 2018. 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 12,146 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. University employees continued to receive their regular pay through the end of the 2020 fiscal year.

On May 14, 2020, the Sycamores Back on Track plan was announced to return employees to on-campus work, in phases through August, with the University academic calendar remaining 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 has instituted precautions within classrooms, residential facilities, research activities, athletics return to campus, travel and campus events. Students will not return to campus following Thanksgiving break, and will complete final projects and exams online, when possible.

The University plans to work with Union Health and local Health Department Officials on responses to the local impact of COVID-19 to students, faculty and staff.

The University received $9.6 million allocated for higher education relief under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and an additional $0.5 million through the Strengthening Institutions Program. Of the $9.6 million received under the CARES Act, the University is required to allocate $4.8 million to students as aid grants. As of June 30, 2020, the University has distributed approximately $3.3 million in CARES Act funding to eligible students. The remaining $4.8 million in CARES Act funding will help offset costs associated with the outbreak of COVID-19, of which $3 million has been designated to reimburse the University for housing and dining credits.

A website (https://www.indstate.edu/covid-19) has been established to provide information and resources to students, parents, faculty and staff about the impact of COVID-19. The University will continue to closely monitor the COVID-19 situation and will adjust its policies as needed. The University intends to fully comply throughout the duration of the COVID-19 pandemic with guidelines from the United States Department of Health and Human Services, including the Centers for Disease Control and Prevention, as well as other federal, state and local officials.

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, 2020 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.

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, 2020, 2019 and 2018 is as follows:

Statement of Net Position (Dollars in Millions)			
	2020	2019	2018
Current assets	$ 84.7	$ 119.0	$ 74.2
Non-current assets:			
Notes receivable, net	1.9	2.5	3.3
Other long-term investments	104.2	96.0	115.0
Net OPEB asset	48.7	45.0	32.5
Capital assets, net	591.8	564.9	532.2
Other assets	0.7	0.7	0.7
Total assets	**$ 832.0**	**$ 828.1**	**$ 757.9**
Deferred outflows of resources	**$ 5.3**	**$ 3.5**	**$ 6.7**
Current liabilities	$ 49.8	$ 51.9	$ 42.0
Non-current liabilities	263.7	278.2	255.0
Total liabilities	**$ 313.5**	**$ 330.1**	**$ 297.0**
Deferred inflows of resources	**$ 9.0**	**$ 11.2**	**$ 4.8**
Net position	**$ 514.8**	**$ 490.3**	**$ 462.8**

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 $3.9 million in 2020 as compared to a $70.2 million increase in 2019. This represents a 0.5 percent increase in 2020 and a 9.3 percent increase in 2019. The current year activity is summarized below:

- Cash and cash equivalents and short-term investments decreased by $29.6 million and $4.1 million, respectively. This decrease is related to the use of Series S bond proceeds for the Hulman Center renovation that had been invested in money market funds. In addition, the University used reserve funds for several capital projects, including the Sycamore Dining Renovation.
- Accounts receivable decreased by $0.1 million as a result of decreased enrollment, reduced allowance for doubtful accounts and increased write-offs in 2020.
- Other accounts receivable increased by $3.2 million to reflect a receivable for CARES Act funding. These funds are to be used to offset housing and dining refunds issued in Spring 2020 after students were asked to vacate residence halls in response to the COVID-19 pandemic.
- The University recognized a state receivable of $2.6 million in 2019 related to the expenditures for the Fine Arts and Commerce Building billed to the State through the end of fiscal year 2019. A receivable was not applicable in 2020. (See Capital and Debt Activities for details.)
- The current portion of notes receivable decreased by $0.4 million while the non-current portion decreased by $0.6 million. This reflects the phase-out of the Perkins loan program. Perkins loans were eliminated in fiscal year 2019.
- Prepaid expense decreased by $0.7 million to reflect a change in the timing of the purchase of laptops for the Sycamore Technology Award.
- Other long-term investments increased by $8.2 million as a result of realized and unrealized gains and interest received.

- Capital assets increased by $26.9 million. This growth is the result of the Hulman Center renovation project.
- The net OPEB asset grew by $3.7 million. Actual claims and enrollment experience for both pre-65 and post-65 members were below the projected increase for 2020. In addition, the VEBA (described in further detail below) recognized a strong year of investment returns.

Deferred outflows of resources increased to $5.3 million in 2020 from $3.5 million in 2019 while it was at $6.7 million in 2018. The University's contribution of $2 million to the Public Employees' Retirement Fund (PERF) during 2020 was 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, $2.5 million and $0.1 million of deferred outflows related to OPEB as required by GASB Statement No. 75 are recognized in fiscal years 2020 and 2019, respectively. The $2.4 million increase represents changes in actuarial assumptions, of which the details 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, 2020, the value of the Trust assets was $100.2 million. The outstanding actuarial accrued liability for post-retirement benefits as of June 30, 2020 is $51.5 million resulting in a positive funded ratio of 194.6 percent.

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 $16.6 million in 2020 as compared to a $33.1 million increase in 2019. This represents a 5 percent decrease in 2020 compared to a 11.1 percent increase in 2019. Key changes in current year liabilities and deferred inflows of resources are as follows:

- Accounts payable decreased by $5.6 million due to decreased construction payables.
- Unearned revenue decreased by $1 million resulting from reduced Summer 2020 enrollment.
- Other current liabilities increased by $0.6 million due to an increase in the estimate for the University's medical claims liability.
- Current and non-current bonds payable decreased by $8.9 million to reflect debt service payments.
- Current and non-current lease payable decreased by $0.5 as a result of lease principal payments.
- Advances from federal government decreased by $1.2 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 decreased by $1.8 million as a result of 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, 2020 is $12.1 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.

Health and Human Services Building- Work began in the summer of 2016 on the construction, expansion, renovation, and equipping of the University's facility for the College of Health and Human Services. The work included major upgrades to building systems, reconfiguring of interior spaces to enable academic programs to function more efficiently, and the construction of an approximately 87,000 square foot addition to the facility. The project totals $64 million, of which $43 million was expended and capitalized as phase one in 2018. Phase two was completed and capitalized in Fall 2019 with a value of $19.3 million.

Fine Arts and Commerce Building- The 2017 Indiana General Assembly appropriated funding effective July 1, 2018 for Academic Facility Renovation Phase I (Fine Arts and Commerce Building). Constructed as a Public Works Administration project with land donated by the City of Terre Haute, the building was dedicated in 1940 by First Lady Eleanor Roosevelt. The project replaced outdated and obsolete mechanical and electrical systems. Interior spaces were reconfigured to improve building egress and access and enhance instructional capabilities. Funding for the project consists of a $15 million cash appropriation from the State of Indiana. Work began in Summer 2018 and was completed in Fall 2019. The project was capitalized in 2020 with an overall cost of $14.8 million.

Hulman Center- The Hulman Center renovation is 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. Work began in July 2018 and is expected to be completed by Fall 2020. Expenditures incurred though 2020 totaled $41.4 million.

Sycamore Towers Dining- The Sycamore Towers Dining project involved a renovation of 54,599 in existing gross square feet to improve existing dining and food service operations to meet current service standards, provide new restroom facilities and universal ADA accessibility to the existing floor levels. To improve security, operational flow and enhanced accessibility, the existing four entry points were reduced to two. The project was funded by $5 million from Sodexo, $5 million from Housing and Dining System Revenue Bonds, Series 2019, and the remaining from dining reserves (see Note 6). The project began in January 2019 and was completed and capitalized in Spring 2020 at a value of $15.7 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 19). 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, 2020 totaled $0.6 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 Housing and Dining Revenue Bonds, Series 2019, issued during fiscal year 2020, 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, 2020, 2019 and 2018 are summarized in the table that follows:

Net Position (Dollars in Millions)			
	2020	**2019**	**2018**
Net investment in capital assets	$ 333.7	$ 333.4	$ 306.9
Restricted			
Non-expendable	0.7	0.7	0.7
Expendable	5.0	5.8	10.8
Unrestricted	175.4	150.4	144.4
Total net position	**$ 514.8**	**$ 490.3**	**$ 462.8**

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 increased $0.3 million in 2020 and $26.5 million in 2019 for a total increase of $26.8 million since 2018. This reflects renovations of University dining (Sycamore Towers Dining and Starbucks), academic buildings (Phase II of CHHS Building and Fine Arts and Commerce Building) and other operations (Hulman Center).

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 $0.8 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 $31 million from 2018. The increase of $25 million in 2020 includes a $7.9 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 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.

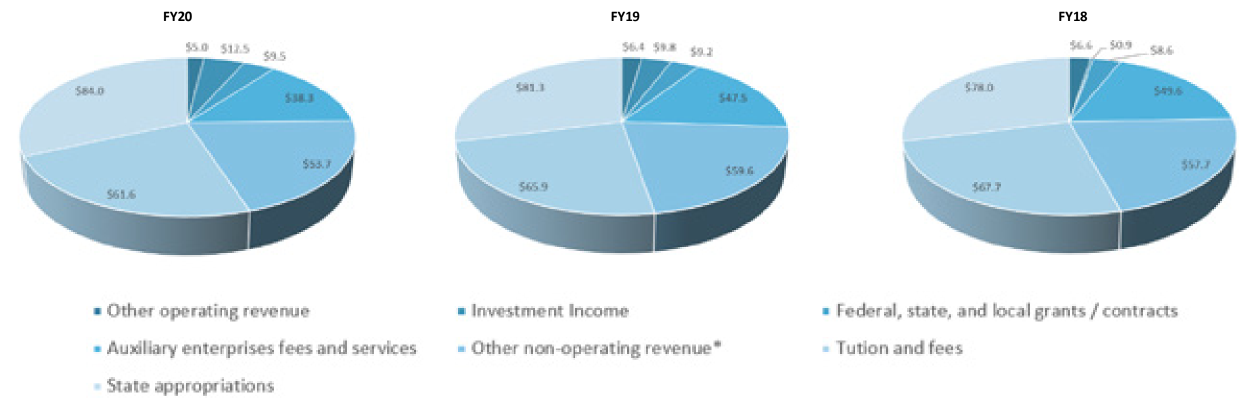
A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018 is as follows:

Revenue, Expenses, and Changes in Net Position (Dollars in Millions)			
	2020	**2019**	**2018**
Operating revenues			
Tuition and fees, net	$ 61.6	$ 65.9	$ 67.7
Grants and contracts	9.5	9.2	8.6
Auxiliary enterprises fees and services, net	38.3	47.5	49.6
Other revenues	5.0	6.4	6.6
Total operating revenue	**$ 114.4**	**$ 129.0**	**$ 132.5**
Operating expenses	$ (232.9)	$ (245.3)	$ (248.4)
Operating loss	**$ (118.5)**	**$ (116.3)**	**$ (115.9)**
Non-operating revenues (expenses)			
State appropriations	$ 84.0	$ 81.3	$ 78.0
Investment income, net	12.5	9.8	0.9
Non-operating grants and contracts	45.9	43.9	47.8
Capital appropriations	4.1	13.1	2.1
Capital grants and gifts	0.7	0.2	5.7
Other non-operating revenues	3.0	2.4	2.1
Other non-operating expenses	(0.1)	(0.4)	-
Interest on capital asset related debt	(7.1)	(6.5)	(5.7)
Net non-operating and other revenues	**$ 143.0**	**$ 143.8**	**$ 130.9**
Increase in net position	**$ 24.5**	**$ 27.5**	**$ 15.0**
Net position, beginning of year	$ 490.3	$ 462.8	$ 437.7
Prior period adjustment for change in accounting principle	$ -	$ -	$ 10.1
Net position, end of year	**$ 514.8**	**$ 490.3**	**$ 462.8**

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, 2020, 2019 and 2018, 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)



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

Operating revenues have decreased by $18.1 million since 2018. The 2020 decrease of $14.6 million is comprised of the following:

- Net tuition and fee income decreased by $4.3 million due to a reduction of enrollment from Fall 2018 to Fall 2019 of 13,045 student to 12,146 students, respectively.
- Net auxiliary enterprises fees and service revenue declined by $9.2 million. This reflects reduced occupancy of housing and the decline in related board income. This also includes $4.5 million in credits for housing and dining fees to students for the Spring 2020 semester after students were required to vacate campus housing in March. A total of $3 million of the CARES Act will be drawn down, and has been recorded as a receivable, to reimburse the University for this outflow (see non-operating grants and contracts).
- Grants and contracts increased by $0.3 million due to the Bat Center research grant and equipment for the Medical Education Center.
- Other operating revenues decreased by $1.4 million reflecting the close-out of the Networks reimbursement (Lilly Foundation funding) through the ISU Foundation.

Net non-operating and other revenues decreased by $0.8 million in 2020 and increased by $12.9 million in 2019 for a total increase of $12.1 million since 2018. Significant changes in non-operating revenues in 2020 were as follows:

- State appropriations increased by $2.7 million to reflect an additional $3.1 million for the operating appropriation and a decrease of $0.4 million in fee replacement related to debt service.
- Investment income grew by $2.7 million. This is the result of increased bond prices due to lower interest rates on long-term debt and investment managers outperforming benchmarks.
- Non-operating grants and contracts revenue increased by $2 million. The University drew down $3.3 million of CARES Act funds to disburse to eligible students and an additional $3 million to reimburse the University for COVID-19 related credits. This offset the reduction of Federal Pell Grant awards and Indiana Higher Education awards due to lower enrollment.
- Other non-operating revenues increased by $0.6 million due to increased oil lease payments and scrap material sales.

- Capital appropriations decreased by $9 million as the cash funding for the Fine Arts and Commerce Building was finalized at the beginning of the fiscal year.
- Capital grants and gifts increased by $0.5 million as a result of a gift from the ISU Foundation for the Hulman Center renovation project.

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

Operating and Non-Operating Expenses (Dollars in Millions)			
	2020	**2019**	**2018**
Operating			
Compensation and employee benefits	$ 135.0	$ 138.5	$ 142.7
Supplies and expenses	51.3	63.8	64.0
Utilities	9.7	10.5	10.1
Scholarships and fellowships	16.0	12.0	12.6
Depreciation	20.9	20.5	19.0
Total operating expenses	**$ 232.9**	**$ 245.3**	**$ 248.4**
Non-operating			
Interest on capital asset related debt	$ 7.1	$ 6.5	$ 5.7
Other non-operating expenses	0.1	0.4	-
Total non-operating expenses	**$ 7.2**	**$ 6.9**	**$ 5.7**
Total expenses	**$ 240.1**	**$ 252.2**	**$ 254.1**

Total operating expenses decreased by $15.5 million from $248.4 million in 2018 to $232.9 million in 2020. The decrease of $12.4 million of operating expense from 2019 to 2020 is attributed to the following:

- Compensation and employee benefits decreased by $3.5 million. This is a result of reduced student employment due to the University moving to online-only operations in March 2020 through the end of the fiscal year. Additional reductions in administrative, non-exempt, and instructional salaries were partially offset by increases in medical claims and retirement incentive payouts.
- Supplies and expenses decreased by $12.5 million from 2019. This is reflective of a decrease in travel expenditures, reduced meal plan payments to Sodexo for the Spring 2020 semester, and reduced operating supplies and non-capital expenditures all related to COVID-19 operational adjustments.
- Scholarships and fellowships show an increase of $4 million. This reflects the $3.3 million of CARES Act funds distributed to eligible students and an increase in institutional aid to students.
- Utilities decreased by $0.8 million as a result of reduced University operations during the COVID-19 response.
- Depreciation expense grew by $0.4 million to reflect the capital addition of the Fine Arts and Commerce Building.

Indiana State University continues to make market-competitive compensation and employee benefits a top priority. These expenses represent 58 percent of total University operating expense.

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, 2020, 2019, and 2018 is as follows:

Expenses by Function (Dollars in Millions)			
	2020	**2019**	**2018**
Operating			
Instruction	$ 70.2	$ 70.8	$ 73.9
Research	8.4	8.9	8.8
Public service	4.6	4.4	4.2
Institutional and academic support	37.4	41.9	41.6
Student services	12.7	14.2	16.0
Operation of plant	26.4	31.8	30.9
Scholarships	17.2	13.2	14.0
Auxiliary enterprises	35.1	39.5	40.0
Depreciation	20.9	20.6	19.0
	$ 232.9	**$ 245.3**	**$ 248.4**

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, 2020, 2019, and 2018.

The University experienced a $29.6 million decrease in cash and cash equivalents in 2020 and a $43.3 million increase in 2019 for an overall increase of $3.7 million since 2018. Highlights of major changes in 2020 are discussed below:

Statement of Cash Flows (Dollars in Millions)			
	2020	**2019**	**2018**
Net cash provided (used) by:			
Operating activities	$ (104.6)	$ (96.8)	$ (96.4)
Non-capital financing activities	130.0	127.5	128.0
Capital financing activities	(63.6)	(15.0)	(64.5)
Investing activities	8.6	27.6	22.9
Net increase (decrease) in cash and cash equivalents	**$ (29.6)**	**$ 43.3**	**$ (10.0)**

Operating activities

- Cash used by operating activities increased from $96.8 million in 2019 to $104.6 million in 2020.
- 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 $5 million while cash provided by auxiliary enterprises decreased by $7.1 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 due to COVID-19 closures.

- Payments to employees and for employee benefits make up 63 percent of outflows of cash for operating activities. These payments decreased by $1.2 million in 2020.
- Payments to suppliers decreased by $11.5 million. This includes decreased payments for travel, student meal plans due to the early closing of residence halls for Spring 2020, and other operating expenditures.
- Payments to students increased by $6.4 million in 2020 due to the distribution of the CARES Act grant aid to students as well as refunds issued to students for Spring 2020 housing and dining closures due to the COVID-19 pandemic.
- In fiscal year 2020, the University returned $1.2 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 $2.5 million.
- State appropriations make up 65 percent of net cash provided by non-capital financing activities. Cash received for state appropriations increased by $2.7 million to reflect a $3 million increase in the operating appropriation and a $0.3 million decrease in the fee replacement appropriation.
- Cash received from non-operating grants and contracts decreased by $1.3 million. This is due to a decrease of $2.5 million in funds received for non-operating state grants and offset by an increase of $1.1 million in funds received for non-operating federal grants.
- Cash received for gifts and other non-operating revenues increased by $1 million due to an increase in payments received in 2020 from the ISU Foundation and an increase in oil lease revenues.

Capital financing activities

- Net cash used by capital financing activities increased by $48.6 million.
- The University received $6.7 million in capital appropriations in 2020 compared to $11.2 million in 2019. The University received funds in 2019 for the renovation of the Fine Arts and Commerce building, which was completed in Fall 2019.
- New bond issues in 2020 resulted in cash receipts of $5.1 million for Housing and Dining Revenue Bonds, Series 2019, with costs of issuance at $0.1 million. New bond issues in 2019 resulted in cash receipts of $44.3 million for Student Service Fee Bonds, Series S. Costs of issuance for Series S resulted in a cash outflow of $0.4 million.
- Cash paid for capital assets increased from $46.9 million to $51.8 million in 2020.
- Principal and interest paid on capital debt and leases remained comparable.

Investing activities

- Cash provided by investing activities decreased by $19 million.
- In 2019 the University closed out a Tier III investment manager account, transferring those funds to cash and cash equivalents investments, resulting in proceeds from the sale of investments of $25.2 million in that year.
- Income from investing activities increased by $3.1 million as a result of increased bond prices and lower interest rates on long-term debt.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Indiana State University continues to provide an environment that both challenges and educates students. With an emphasis on experiential learning and community engagement activities, graduates are prepared for future leadership roles in their professions and communities.

Due to shortages of state revenues during the COVID-19 pandemic, the Indiana State Budget Committee approved withholding a seven percent reserve on university operating and line-item funding. The total amount of reduction for Indiana State University equated to $5.1 million for fiscal year 2020-21. The University implemented cost containment measures to offset this loss of state funding. The funding for the $18.4 million fee replacement for the Dreiser Hall renovation was not reduced and Student Fee Bonds, Series T, were issued on August 15, 2020.

The University resumed the Fall semester on August 18, 2020, including face-to-face classes, with some classes offered on a hybrid model. Total enrollment of 10,830 reflected a 6 percent decrease. COVID-19 had an impact as there was a 57 percent increase in students deferring admission to a future term. Like other institutions, particularly in the Midwest, Indiana State also faces a decrease in the number of high school graduates and travel challenges for international students. Graduation and retention rates show continued success with a 69 percent one-year retention rate, which is seven points higher than two years ago.

The University has developed enrollment goals that include the following:

- Targeting enrollment for new students to include transfer students, graduate students and first-time, full-time students;
- Increasing the success of our students by increasing first-year retention rates; and
- Increasing the brand value of Indiana State University.

Indiana State University, which historically serves diverse and economically-challenged students, announced that it will receive a $2.5 million grant from the Lilly Endowment to address disparities in graduation rates and achievement gaps for underserved populations. ISU will use the grant to greatly expand an existing and successful program that provides extensive support for freshmen through the University College and the Center for Student Success. The grant will also allow the support to continue past the freshman year, with the establishment of a comprehensive, structured, four-year program for ethnic and racial minorities, first-generation students, and low-income students.

The Indiana State University Board of Trustees approved priorities for the University's next strategic plan titled "Focusing on Our Future Together: A Strategic Plan for Indiana State University, 2021-2025." The priorities approved include preparing the workforce for Indiana and beyond; impacting lives and communities; ensuring equality and inclusiveness; and increasing institutional vitality, sustainability and performance. A draft of the plan will be shared in February 2021 for feedback, with a final plan to be sent to the Board in May 2021.

Indiana State University
Statement of Net Position
As of June 30, 2020 and June 30, 2019 *(Dollars in Thousands)*

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	$ 36,099	$ 65,675
Short-term investments	22,349	26,475
Accrued interest	620	750
Accounts receivable (net of allowance of $6,893 for 2020 and $7,814 for 2019)	14,398	14,465
Other accounts receivable	3,920	696
Grants receivable	863	853
State receivable	-	2,587
Notes receivable	4,489	4,843
Prepaid expenses	1,909	2,642
Inventories	8	7
Total current assets	$ 84,655	$ 118,993
Non-current assets		
Endowment investments—held in trust	$ 710	$ 714
Deposits with bond trustee	16	17
Notes receivable (net of allowance of $717 for 2020 and $817 for 2019)	1,851	2,511
Other long-term investments	104,230	96,030
Net OPEB asset	48,698	44,961
Capital assets (net of accumulated depreciation of $339,080 for 2020 and $323,679 for 2019)	591,825	564,900
Total non-current assets	$ 747,330	$ 709,133
TOTAL ASSETS	$ 831,985	$ 828,126
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on early retirement of debt	$ 433	$ 624
Deferred outflows related to pensions	2,344	2,724
Deferred outflows related to OPEB	2,540	133
Total deferred outflows of resources	$ 5,317	$ 3,481
LIABILITIES		
Current liabilities		
Accounts payable	$ 6,788	$ 12,374
Accrued payroll and deductions	5,064	4,879
Unearned revenue	5,720	6,685
Funds held in custody for others	1,506	1,366
Other current liabilities	5,429	4,786
Bonds payable	17,073	13,712
Compensated absences and termination benefits	4,322	4,077
Lease payable	1,633	1,535
Debt interest payable	2,278	2,450
Total current liabilities	$ 49,813	$ 51,864
Non-current liabilities		
Bonds payable	$ 219,279	$ 231,563
Compensated absences and termination benefits	280	144
Lease payable	25,902	26,534
Net pension liability	12,088	12,598
Advances from Federal Government	6,141	7,367
Total non-current liabilities	$ 263,690	$ 278,206
TOTAL LIABILITIES	$ 313,503	$ 330,070
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement	$ 1,593	$ 1,737
Deferred inflows related to pensions	2,307	2,552
Deferred inflows related to OPEB	5,061	6,904
Total deferred inflows of resources	$ 8,961	$ 11,193
NET POSITION		
Net investment in capital assets	$ 333,668	$ 333,375
Restricted for:		
Non-expendable:		
Scholarships and fellowships	710	714
Expendable:		
Research and other grants	146	120
Loans	1,805	2,114
Capital projects	3,061	3,584
Unrestricted	175,448	150,437
TOTAL NET POSITION	$ 514,838	$ 490,344

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, 2020 and June 30, 2019 *(Dollars in Thousands)*

	2020	2019
OPERATING REVENUES		
Tuition and fees	$ 102,734	$ 110,629
Scholarship allowances for tuition and fees	(40,157)	(43,719)
Other allowances	(971)	(1,057)
Net tuition and fees	61,606	65,853
Federal grants and contracts	4,969	5,359
State and local grants and contracts	75	53
Non-governmental grants and contracts	4,341	3,874
Auxiliary enterprises fees and services	50,240	61,177
Scholarship allowances for room and board	(11,251)	(12,939)
Other allowances	(659)	(762)
Net auxiliary enterprises fees and services	38,330	47,476
Other operating revenues	5,037	6,403
Total operating revenues	$ 114,358	$ 129,018
EXPENSES		
Compensation and employee benefits	$ 135,039	$ 138,548
Supplies and expenses	51,255	63,775
Utilities	9,668	10,482
Scholarships and fellowships	15,974	11,987
Depreciation	20,919	20,555
Total operating expenses	$ 232,855	$ 245,347
Operating loss	$ (118,497)	$ (116,329)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 84,011	$ 81,314
Gifts	615	521
Investment income (net of investment expenses of $481 for 2020 and $491 for 2019)	12,472	9,782
Interest on capital asset related debt	(7,082)	(6,520)
Non-operating grants and contracts	45,927	43,858
Other non-operating revenues	2,376	1,963
Other non-operating expenses	(102)	(375)
Net non-operating revenues	$ 138,217	$ 130,543
Income before other revenues, expenses, gains, or losses	$ 19,720	$ 14,214
Capital appropriations	$ 4,065	$ 13,109
Capital grants and gifts	709	220
Total other revenues	$ 4,774	$ 13,329
Increase in net position	$ 24,494	$ 27,543
NET POSITION		
Net position—beginning of year	$ 490,344	$ 462,801
Net position—end of year	$ 514,838	$ 490,344

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, 2020 and June 30, 2019 *(Dollars in Thousands)*

		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$	59,161	$	64,156
Grants and contracts		9,374		8,646
Auxiliary enterprises		41,033		48,112
Payments to suppliers		(62,183)		(73,665)
Payments to employees		(73,156)		(76,710)
Payments for benefits		(65,361)		(63,031)
Payments to students		(18,477)		(12,067)
Return of Perkins loan funds		(1,211)		—
Student loans collected		1,065		1,107
Other receipts		5,170		6,605
Net cash used by operating activities	$	(104,585)	$	(96,847)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
State appropriations	$	84,011	$	81,314
Direct loan program receipts		20,924		22,446
Direct loan program disbursements		(20,924)		(22,446)
Non-operating grants and contracts		42,939		44,273
Gifts and other non-operating income		3,013		1,958
Net cash provided by non-capital financing activities	$	129,963	$	127,545
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital appropriations received	$	6,651	$	11,244
Capital gifts and grants received		124		486
Proceeds from bond issue		5,113		44,319
Costs of issuance		(102)		(375)
Cash paid for capital assets		(51,820)		(46,893)
Principal and interest paid on capital debt and leases		(23,518)		(23,753)
Net cash used by capital financing activities	$	(63,552)	$	(14,972)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	$	3,212	$	25,199
Income from investing activities		8,924		5,782
Purchase of investments		(3,538)		(3,375)
Net cash provided by investing activities	$	8,598	$	27,606
Net increase (decrease) in cash and cash equivalents	$	(29,576)	$	43,332
Cash and cash equivalents—beginning of year	$	65,675	$	22,343
Cash and cash equivalents-—end of year	$	36,099	$	65,675

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

		2020		2019
Operating Loss	$	(118,497)	$	(116,329)
Adjustments to reconcile operating loss to net cash used by operating activities				
Depreciation expense		20,919		20,555
Other non-cash adjustments		(7,119)		(4,679)
Return of Perkins loan funds		(1,211)		—
Changes in current assets and current liabilities				
Accounts receivable		(177)		670
Grants receivable		(10)		56
Notes receivable, current		354		(10)
Inventories		-		4
Prepaid expenses		733		478
Accounts payable		242		647
Accrued payroll and deductions		185		1,392
Unearned revenue		(965)		(186)
Funds held in custody for others		140		227
Other current liabilities		577		111
Compensated absences and termination benefits		244		217
Net cash used by operating activities	$	(104,585)	$	(96,847)

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, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 3,878,821	$ 3,429,756
Due from Indiana State University	31,698	33,149
Other assets	544,635	720,912
Property held for future use	9,452	9,452
Investment in joint ventures	1,160,660	1,199,869
Investments	76,626,551	75,023,993
Contributions receivable, net	4,319,994	3,982,714
Investments held in split-interest agreements	475,534	494,967
Beneficial interest in remainder trusts	841,117	738,812
Property and equipment, net	288,365	378,872
Beneficial interest in perpetual trusts	1,058,646	1,055,956
Total assets	$ 89,235,473	$ 87,068,452
LIABILITIES		
Accounts payable	$ 1,287,022	$ 608,212
Due to Indiana State University	710,002	1,430,103
Notes payable	7,460,751	8,078,846
Split-interest agreement obligations	607,669	526,938
Refundable advances	55,092	57,541
Total liabilities	10,120,536	10,701,640
NET ASSETS		
Without donor restrictions	1,228,584	1,395,773
With donor restrictions	77,886,353	74,971,039
Total net assets	79,114,937	76,366,812
Total liabilities and net assets	$ 89,235,473	$ 87,068,452

Indiana State University Foundation, Inc.

Consolidated Statements of Activities

Years Ended June 30, 2020 and 2019

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			
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

2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	$ 1,086,069	$ 4,010,083	$ 5,096,152
Investment return			
Interest and dividends	544,413	1,229,108	1,773,521
Net realized and unrealized gains	697,615	2,066,532	2,764,147
Total investment return	1,242,028	3,295,640	4,537,668
Nongift and other income	561,265	879,674	1,440,939
Change in value of split-interest agreements	(10,404)	77,022	66,618
Endowment administration and gift assessments fee	809,787	(809,787)	—
Intercompany transfers	96,302	(96,302)	—
	3,785,047	7,356,330	11,141,377
Net assets released from restrictions	4,536,794	(4,536,794)	—
Total revenues, gains and other support	8,321,841	2,819,536	11,141,377
EXPENSES			
Scholarships and awards	1,614,027	—	1,614,027
Restricted and designated expenditures	3,630,464	—	3,630,464
Total program services	5,244,491	—	5,244,491
Foundation operations	999,354	—	999,354
Sycamore operations	138,902	—	138,902
Development and CEO	370,884	—	370,884
Sports marketing program	437,790	—	437,790
Alumni affairs	57,062	—	57,062
Total expenses	7,248,483	—	7,248,483
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	1,073,358	2,819,536	3,892,894
OTHER CHANGES			
Loss on sale of asset	—	—	—
CHANGE IN NET ASSETS	1,073,358	2,819,536	3,892,894
NET ASSETS, BEGINNING OF YEAR	322,415	72,151,503	72,473,918
NET ASSETS, END OF YEAR	$ 1,395,773	$ 74,971,039	$ 76,366,812

Indiana State University Foundation, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ 2,748,125	$ 3,892,894
Items not requiring (providing) cash		
Depreciation and amortization	91,576	112,075
Provision for uncollectible contributions receivable	40,484	94,425
Net realized and unrealized gains on investments	(183,233)	(2,041,944)
Loss on sale of asset	100,000	—
Contributions restricted for long-term investment	(2,742,370)	(1,137,580)
Changes in		
Contributions receivable	(377,764)	(738,257)
Due from Indiana State University	1,451	(976)
Other assets	76,277	53,986
Accounts payable	678,810	355,732
Due to Indiana State University	(720,101)	189,032
Value of split-interest agreements	(4,590)	(201,697)
Net cash provided by (used in) operating activities	(291,335)	577,690
INVESTING ACTIVITIES		
Purchase of investments	(30,572,295)	(6,837,925)
Sales and maturities of investments	29,189,489	5,762,391
Purchase of property and equipment	(1,069)	(4,943)
Net cash used in investing activities	(1,383,875)	(1,080,477)
FINANCING ACTIVITIES		
Repayments of note payable	(618,095)	(302,259)
Proceeds from contributions restricted for investments in permanent endowment	2,742,370	1,137,580
Net cash provided by financing activities	2,124,275	835,321
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	449,065	332,534
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,429,756	3,097,222
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,878,821	$ 3,429,756
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	$ 285,069	$ 278,272

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, investment 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, 2020 and June 30, 2019 the Foundation distributed $3,775,000 and $4,276,000, 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 the fiscal year 2019, the University implemented GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement required additional disclosures related to debt, specifically direct borrowings and direct placements. More information about the University's debt, including direct placement debt, can be found in Notes 4 and 5.

Effective with the fiscal year 2019, the University implemented GASB Statement No. 83, Certain Asset Retirement Obligations. This statement addresses accounting and financial reporting for asset retirement obligations, which are legally enforceable liabilities associated with the retirement of intangible capital assets. This statement did not cause the University to make any changes in the fiscal year 2019 financial statements or disclosures.

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)		
	2020	**2019**
Cash on hand	$ 117	$ 87
Deposits with financial institutions	5,167	29
Investments	158,104	188,778
	$ 163,388	**$ 188,894**

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 2020 and 2019 are provided by the following tables showing the distribution of investments by maturity:

University Investments and Maturities at June 30, 2020 (Dollars in Thousands)

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 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**

University Investments and Maturities at June 30, 2019 (Dollars in Thousands)					
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Cash on hand (petty cash)	$ 87	$ 87	$ -	$ -	$ -
Demand deposits	29	29	-	-	-
Money market funds	64,824	64,824	-	-	-
Certificates of deposit	4,296	2,425	1,624	247	-
Asset-backed securities	4,261	320	3,001	621	319
Collateralized mortgage obligations	8,875	-	1,494	2,270	5,111
Corporate bonds	32,311	3,748	19,187	5,935	3,441
Government agencies	11,373	1,343	6,904	2,247	879
Mortgage-backed securities	14,664	-	1,902	1,704	11,058
Municipal notes and bonds	236	150	86	-	-
Treasury notes and bonds	43,416	18,737	3,324	14,818	6,537
Foreign notes and bonds	3,808	488	1,885	625	810
Endowment investments held in trust	714	-	-	-	714
	$ 188,894	**$ 92,151**	**$ 39,407**	**$ 28,467**	**$ 28,869**

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)		
	2020	**2019**
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.	$16,119	$18,925
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.	$34,284	$14,534

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, 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**

Moody's Rating Scale at June 30, 2019 (Dollars in Thousands)						
Investment Type	Fair Value	AAA	Aa	A	B or Lower	Not Rated
Cash on hand (petty cash)	$ 87	$ -	$ -	$ -	$ -	$ 87
Demand deposits	29	-	-	-	-	29
Money market funds	64,824	-	-	-	-	64,824
Certificates of deposit	4,296	-	-	-	-	4,296
Asset-backed securities	4,261	2,876	-	-	-	1,385
Collateralized mortgage obligations	8,875	3,573	370	283	45	4,604
Corporate bonds	32,311	530	3,586	13,570	13,491	1,134
Government agencies	11,373	10,198	-	-	-	1,175
Mortgage-backed securities	14,664	-	-	-	-	14,664
Municipal notes and bonds	236	-	236	-	-	-
Treasury notes and bonds	43,416	27,681	-	-	-	15,735
Foreign notes and bonds	3,808	-	-	611	1,685	1,512
Endowment investments held in trust	714	-	-	-	-	714
	$ 188,894	**$ 44,858**	**$ 4,192**	**$ 14,464**	**$ 15,221**	**$ 110,159**

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, 2020 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 $7,646,000. At June 30, 2019 Fannie Mae mortgage-backed securities, totaling $13,022,000, 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, 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. At June 30, 2019 $43,416,000 in U.S. Treasury Notes and Bonds, $11,373,000 in U.S. Government Agencies and $64,824,000 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, 2020 and 2019 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. Certificates of Deposits of $246,000 held in 2020 and $467,000 held in 2019 were also covered under the Indiana Public Deposits Fund, as they were invested in Indiana financial institutions. The University had less than four percent of investments that are made up of foreign currency in 2020 and 2019; 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, 2020 and 2019 are presented below.

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**

University Investments by Fair Value Level at June 30, 2019 (Dollars in Thousands)					
Investment Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Cash**
Cash on hand (petty cash)	$ 87	$ -	$ -	$ -	$ 87
Demand deposits	29	-	-	-	29
Money market funds	64,824	-	64,824	-	-
Certificates of deposit	4,296	-	4,296	-	-
Asset-backed securities	4,261	-	4,261	-	-
Collateralized mortgage obligations	8,875	-	8,875	-	-
Corporate bonds	32,311	-	32,311	-	-
Government agencies	11,373	-	11,373	-	-
Mortgage-backed securities	14,664	-	14,664	-	-
Municipal notes and bonds	236	-	236	-	-
Treasury notes and bonds	43,416	-	43,416	-	-
Foreign notes and bonds	3,808	-	3,808	-	-
Endowment investments held in trust	714	-	714	-	-
	$ 188,894	**$ -**	**$ 188,778**	**$ -**	**$ 116**

NOTE 3. CAPITAL ASSETS

The changes in gross capital assets and accumulated depreciation for the fiscal years ending June 30, 2020 and 2019 are presented in the tables below:

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**

Capital Assets and Depreciation (Dollars in Thousands)

	Balance June 30, 2018	Additions	Transfers	Deductions	Balance June 30, 2019
Capital assets not being depreciated					
Land	$ 35,225	$ -	$ 25	$ -	$ 35,250
Works of art	2,010	91	37	(20)	2,118
Construction in progress	33,022	54,128	(27,183)	(763)	59,204
	$ 70,257	**$ 54,219**	**$ (27,121)**	**$ (783)**	**$ 96,572**
Capital assets being depreciated					
Infrastructure	$ 35,699	$ -	$ 677	$ -	$ 36,376
Land improvements	37,695	-	1,537	(732)	38,500
Buildings	579,426	-	24,944	(3,322)	601,048
Equipment	82,883	1,504	(37)	(849)	83,501
Capital lease assets	32,014	-	-	-	32,014
Leasehold improvements	568	-	-	-	568
	$ 768,285	**$ 1,504**	**$ 27,121**	**$ (4,903)**	**$ 792,007**
Less accumulated depreciation					
Infrastructure	$ (33,693)	$ (118)	$ -	$ -	$ (33,811)
Land improvements	(20,302)	(1,858)	-	415	(21,745)
Buildings	(181,538)	(13,679)	-	1,916	(193,301)
Equipment	(66,010)	(3,420)	-	833	(68,597)
Lease amortization	(4,423)	(1,366)	-	-	(5,789)
Leasehold improvements amortization	(322)	(114)	-	-	(436)
	$ (306,288)	**$ (20,555)**	**$ -**	**$ 3,164**	**$ (323,679)**
Total capital assets being depreciated, net	**$ 461,997**	**$ (19,051)**	**$ 27,121**	**$ (1,739)**	**$ 468,328**
Total capital assets, net	**$ 532,254**	**$ 35,168**	**$ -**	**$ (2,522)**	**$ 564,900**

During fiscal years 2020 and 2019, the University incurred $10,254,000 and $10,350,000 in interest costs related to the ownership of capital assets, respectively. Of this total, $1,878,000 and $2,843,000 was capitalized for years ending June 30, 2020 and 2019, respectively.

A breakdown of significant projects included in construction in progress as of June 30, 2020 and 2019 are shown below:

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**

Construction Work in Progress (Dollars in Thousands)		
Project		**June 30, 2019**
College of Health and Human Services Renovation	$	18,098
Hulman Center Renovation		15,837
Fine Arts and Commerce Building Renovation		13,805
Sycamore Towers Dining Renovation		7,503
Science Building Lower Level Renovation		1,195
Other Miscellaneous Projects		2,766
	$	**59,204**

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, 2020 and 2019 are as shown below:

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 2020 and 2019 were $11,575,000 and $11,959,000, respectively.

Bonds Payable (Dollars in Thousands)

	Original Face Value	Issue Date	Interest Rate	Final Maturity Dates	Principal Outstanding June 30, 2020	Principal Outstanding June 30, 2019
Student Fee Bonds						
Series N, Satellite Chiller and Science Laboratory Projects	$ 9,560	2010	1.0-6.64%	2030	$ 5,645	$ 6,095
Series P, Science Laboratory Renovation Project	4,570	2014	2.18%	2021	2,685	2,965
Series Q, Refund Series K, L, and Partial M	19,690	2015	2.58%	2033	9,840	11,430
Series R, College of Health and Human Services, Refund Series M and O	83,845	2017	3.0-5.0%	2036	68,135	72,300
Series S, Hulman Center Renovation Project	39,685	2018	4.0-5.0%	2037	36,305	37,525
Housing and Dining Revenue Bonds						
Series 2009, Sandison, Jones, and Burford Hall Renovation Projects	$ 13,730	2009	3.0-6.38%	2027	$ -	$ 7,400
Series 2010, Pickerl Hall Renovation Project	9,140	2010	1.43-5.41%	2027	4,495	5,060
Series 2012, Erickson Hall and Reeve Hall Projects	28,740	2013	2.7-5.0%	2038	23,590	24,485
Series 2014, Sycamore Towers Phase 1 - Mills Hall Project	16,405	2014	2.0-5.0%	2034	12,625	13,280
Series 2015, Sycamore Towers Phase 2 - Blumberg Hall Project	16,270	2015	3.0-5.0%	2035	13,120	13,745
Series 2016, Sycamore Towers Phase 3 - Cromwell Hall Project	14,135	2016	3.0-5.0%	2036	12,130	12,625
Series 2017, Sycamore Towers Phase 4 - Rhoads Hall Project	14,190	2017	3.0-5.0%	2038	13,310	13,760
Series 2019, Sycamore Towers Dining Project	12,735	2019	2.40%	2031	11,405	-
Bonds					**$ 213,285**	**$ 220,670**
Premium					23,067	24,605
					$ 236,352	**$ 245,275**

Housing and Dining Revenue Bonds are secured by a pledge of housing and dining net income. As of June 30, 2020 and 2019, total net pledged income was approximately $7,753,000 and $11,271,000, respectively. The University's Student Fee Bonds, Series P, with an outstanding balance of $2,685,000 at June 30, 2020 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.

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 $12,735,000 of Housing and Dining Revenue Bonds, Series 2019 on July 15, 2019. See Note 6 for details.

Debt Service Requirements (Dollars in Thousands)					
	Bonds - Public Offering		Bonds - Direct Placement		
Fiscal Year	Bond Principal	Bond Interest	Bond Principal	Bond Interest	Total
2021	$ 11,605	$ 8,635	$ 3,960	$ 303	$ 24,503
2022	10,825	8,099	1,305	243	20,472
2023	11,345	7,571	1,335	212	20,463
2024	11,895	7,003	1,365	180	20,443
2025	12,475	6,406	1,400	147	20,428
2026-2030	60,430	23,689	4,250	292	88,661
2031-2035	59,200	10,663	475	11	70,349
2036-2038	21,420	1,258	-	-	22,678
	$ 199,195	**$ 73,324**	**$ 14,090**	**$ 1,388**	**$ 287,997**
Net unamortized premium	23,067	-	-	-	23,067
	$ 222,262	**$ 73,324**	**$ 14,090**	**$ 1,388**	**$ 311,064**

NOTE 6. BOND ISSUES

Housing and Dining Revenue Bonds, Series 2019

On July 15, 2019, the University issued $12,735,000 of Housing and Dining Revenue Bonds, Series 2019. This issue was tax-exempt with an All-Inclusive Interest Cost (AIC) of 2.58 percent. The bond proceeds of $12,735,000, which included issuance costs of $110,000 netted $12,625,000 to be used for the renovation of Sycamore Towers Dining and the refunding of Housing and Dining Revenue Bonds, Series 2009B.

Sycamore Towers Dining Renovation

The Sycamore Towers Dining renovation project involved a renovation of the existing food operations, new restroom facilities and universal ADA accessibility, as well as improved security by reducing the existing entry points from four to two. This project was funded by $5,000,000 from the Housing and Dining Revenue Bonds, Series 2019, $5,000,000 from Sodexo Services of Indiana Limited Partnerships and the remaining from dining reserves, for a total project cost of $16,800,000. The project began in January 2019, and was completed in January 2020.

Refunding of Housing and Dining Revenue Bonds, Series 2009B

Of the total Series 2019 Bonds, $7,623,000 was issued by the University to refund $7,400,000 of outstanding Series 2009B bonds that mature from April 1, 2020 through April 1, 2027. The Series 2009B bonds were redeemed in whole on October 1, 2019. This current refunding included $223,000 of interest accrued through the issue date. As a result of the refunding, these bonds are considered defeased and the liability for the bonds has been removed from the Statement of Net Position. The refunding resulted in an accounting gain of $30,000. This amount will be amortized using the straight-line method and charged to interest expense over the next eight years. This gain has been recognized on the Statement of Net Position as part of the net deferred loss on early retirement of debt.

Indiana State University in effect reduced its aggregate debt service payment by $300,000 over the next eight years and realized an economic gain (difference between the present values of the old and new debt service payments) of $300,000.

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)		
	2020	**2019**
Deferred Service Concession Arrangement beginning balance	$ 1,737	$ 1,882
Service Concession Arrangement additions	-	-
Revenue recognition for the fiscal year	(144)	(145)
Deferred Service Concession Arrangement ending balance	**$ 1,593**	**$ 1,737**

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. The cost of equipment held under the capital lease totaled $1,778,000 as of June 30, 2019. Accumulated amortization of leased equipment totaled $1,758,000 at 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. During the fiscal year, the cost of equipment held under this capital lease totaled $16,000 with accumulated amortization of $2,000 at June 30, 2020.

As of July 1, 2019, 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 leased assets are $268,000. Accumulated amortization totaling $54,000 has been recognized as of June 30, 2020.

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, 2020 and 2019 with accumulated amortization of $5,039,000 and $4,032,000 as of June 30, 2020 and 2019, 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
2021	$	1,633
2022		1,633
2023		1,545
2024		1,545
2025		1,536
2026-2030		7,675
2031-2035		7,675
2036-2040		7,675
2041-2045		7,675
Total minimum lease payments	**$**	**38,592**
Less: Amount representing interest		(11,057)
Present value of minimum lease payments	**$**	**27,535**

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 27 employees enrolled in the program during the 2020 fiscal year at a cost of $1,014,000 and 21 employees enrolled during the 2019 fiscal year at a cost of $965,000. Total termination benefits liability reported at June 30, 2020 was $110,000 and $263,000 at June 30, 2019.

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, 2020 and June 30, 2019 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 2020 and 2019 fiscal years are as follows:

Medical Claims Liabilities (Dollars in Thousands)		
	2020	2019
Unpaid medical claims- July 1	$ 4,307	$ 4,141
Claims incurred	19,027	17,395
Claims paid	(18,667)	(17,229)
Unpaid medical claims- June 30	**$ 4,667**	**$ 4,307**

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 consist of $1,506,000 and $1,366,000 at June 30, 2020 and 2019, respectively. These funds are held for other agencies (student and faculty organizations) and unapplied student payments.

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 2020 and in prior years, Indiana State University voluntarily obligated itself to remediate pollution in the Hulman Center. As of June 30, 2020 these projects had not been completed, leaving an outstanding obligation of $66,000 which is classified as a current other liability. The outstanding obligation as of June 30, 2019 was $314,000.

NOTE 14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

Natural Classifications
Years Ended June 30, 2020 and June 30, 2019
(Dollars in Thousands)

Functional Classification	Compensation and Benefits	Supplies and Expenses	Utilities	Scholarships and Fellowships	Depreciation	2020 Total	2019 Total
Instruction	$ 64,253	$ 5,910	$ -	$ -	$ -	$ 70,163	$ 70,759
Research	5,109	3,288	-	-	-	8,397	8,939
Public service	2,646	1,909	-	-	-	4,555	4,362
Academic support	13,215	5,703	-	-	-	18,918	20,365
Student services	10,110	2,639	-	-	-	12,749	14,200
Institutional support	12,678	5,700	-	-	-	18,378	21,580
Operation of plant	9,737	7,334	9,374	-	-	26,445	31,839
Scholarships	1,256	-	-	15,974	-	17,230	13,241
Auxiliary enterprises	16,035	18,772	294	-	-	35,101	39,507
Depreciation	-	-	-	-	20,919	20,919	20,555
	$ 135,039	**$ 51,255**	**$ 9,668**	**$ 15,974**	**$ 20,919**	**$ 232,855**	**$ 245,347**

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 2020 and 2019 are displayed below.

TIAA-CREF Contributions (Dollars in Thousands)		
	2020	**2019**
University Contributions to Plan	$7,523	$7,503
Total Participating Employee Annual Salaries	$74,018	$74,058
Employee and Retiree Plan Participants	1,003	1,013

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 in service of a member with 15 or more years of service, a survivor benefit may be paid to the surviving spouse or surviving dependent children.

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 2020 and 2019. 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 2020 and 2019 are displayed below.

PERF DB Contributions (Dollars in Thousands)		
	2020	**2019**
University Contributions to PERF DB Plan	$2,016	$2,138
University Contributions to Annuity Savings Accounts	$540	$574
Total Participating Employee Annual Salaries	$18,089	$19,040
Employee Plan Participants	505	536

Pension Liabilities– For the fiscal years ending June 30, 2020 and June 30, 2019, the University reported liabilities of $12,088,000 and $12,598,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 the University's portion was .37 percent.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources– Indiana State University recognized pension expense of $1,634,000 during fiscal year 2020 and $1,850,000 for fiscal year 2019. 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)				
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 319	$ -	$ 165	$ 1
Net difference between projected and actual investment earnings on pension plan investments	-	572	373	-
Change of assumptions	3	1,314	30	2,023
Changes in proportion and difference between employer contributions and proportionate share of	6	421	18	528
Contributions subsequent to the measurement date	2,016	-	2,138	-
	$ 2,344	**$ 2,307**	**$ 2,724**	**$ 2,552**

The University reported $2,016,000 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, 2020.

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)		
2020	$	(661)
2021		(1,050)
2022		(223)
2023		(44)
2024		-
Thereafter		-
	$	**(1,978)**

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

Inflation Rate:	2.25%
Salary Increases:	2.50% – 4.25% including inflation
Experience Study Date:	Period of 4 years ended June 30, 2014
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:	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006
Mortality - Disabled:	RP-2014 Disabled Mortality Table, with Social Security Administration general improvement scale from 2006

The long-term return expectation for PERF DB has been determined by using a building-block approach. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding projected inflation rate, and adding the expected return from rebalancing uncorrelated assets classes.

		Geometric Basis
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	22.0%	4.9%
Private Markets	14.0%	7.0%
Fixed Income- Ex Inflation-Linked	20.0%	2.5%
Fixed Income- Inflation-Linked	7.0%	1.3%
Commodities	8.0%	2.0%
Real Estate	7.0%	6.7%
Absolute Return	10.0%	2.9%
Risk Parity	12.0%	5.3%

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 statue. 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%)**
$ 19,414	$ 12,088	$ 5,978

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 2020.
A summary of the activity in the trust for the year ending June 30, 2020 is as follows:

VEBA Trust Activity (Dollars in Thousands)		
Market value at July 1, 2019	$	94,408
Reimbursement of University retirement expenses		(2,580)
Reinvested net earnings		2,889
Less: management fees		(306)
Realized gain on sale of investments		4,049
Unrealized gain on increase in market value		1,728
Market value at June 30, 2020	**$**	**100,188**

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-Passive	$ 28,857	28.8%
International Equity	16,157	16.1%
Fixed Income	55,092	55.0%
Cash and Money Market	82	0.1%
	$100,188	**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, 2020, the plan participants consisted of the following:

Covered Employees	
Active employees with coverage	353
Active employees without coverage	81
Retirees receiving benefits, pre-Medicare	28
Retirees receiving benefits, post-Medicare	628
Retirees without coverage	161

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, 2020 and 2019 (applicable to medical and dental benefits) for this category are as shown below.

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

Retirees' Monthly Contributions		
As of January 1, 2019	**Employee**	**Employee/Spouse**
Pre-Medicare		
Below 200% Federal Poverty Level	$131.00	$340.00
At least 200% Federal Poverty Level	$209.41	$528.88
Post-Medicare	$115.00	$230.00

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, 2020 and 2019 as follows:

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%

Retirees' Contribution Percentages		
As of January 1, 2019	**Employee**	**Employee/Spouse**
Pre-Medicare (weighted average)	30.9%	32.4%
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 95.5% 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 ($48,698,000) and ($44,961,000) was measured as of June 30, 2020 and 2019, 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 194.6% as of June 30, 2020 and 190.9% as of June 30, 2019.

The actuarial valuation was determine using the following actuarial assumptions:

	2020	2019
Valuation Date:	June 30, 2020 with no adjustments	June 30, 2018 with results projected to the June 30, 2019 measurement date
Inflation:	2% per year	3% 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	SOA RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017 (RHP-2017 table is based on RPH-2014 table with 8 years of mortality improvement using scale MP-2014 backed out and projected to 2017 using scale MP-2017)
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	2% per year for future employee salary increases in the Federal Poverty Limit
Healthcare Trend Rates-Medical/RX- Pre-Medicare:	Initial trend starting at 8% and gradually decreasing to an ultimate trend rate of 4.5%	Initial trend starting at 9% and gradually decreasing to an ultimate trend rate of 5%
Healthcare Trend Rates-Medical/RX- Post-Medicare:	Initial trend starting at 6.5% and gradually decreasing to an ultimate trend rate of 4.5%	Initial trend starting at 7% and gradually decreasing to an ultimate trend rate of 5%
Healthcare Trend Rates-Dental:	Ultimate trend rate of 4.5%	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 bonds with the remaining funds invested in stock. 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, 2020 and 2019 were as follows:

Schedule of Changes in Net OPEB Liability (Asset)
(Dollars in Thousands)

		2020		2019
Total OPEB liability - beginning of year	$	49,448	$	58,194
Service cost		329		377
Interest		2,909		3,436
Changes in assumptions		4,933		-
Differences between expected and actual experience		(3,492)		(9,912)
Benefit payments		(2,636)		(2,647)
Net change in total OPEB liability	**$**	**51,491**	**$**	**49,448**
Plan fiduciary net position - beginning of year	$	94,409	$	90,648
Net investment income		8,722		6,685
Benefit payments		(2,636)		(2,647)
Trust administrative expenses		(306)		(277)
Net change in plan fiduciary net position	**$**	**100,189**	**$**	**94,409**
Net OPEB Liability (Asset)- end of year	**$**	**(48,698)**	**$**	**(44,961)**

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)

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, 2019:

Impact of Discount Rate or Assumed Cost Rates (Dollars in Thousands)			
	1% Decrease	Current	1% Increase
Discount Rate	$ (38,927)	$ (44,961)	$ (49,975)
Healthcare Trend Rate	$ (50,520)	$ (44,961)	$ (38,274)

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

The University recognized OPEB expense of ($7,987,000) and ($7,308,000) as of June 30, 2020 and 2019, respectively.

OPEB Expense (Dollars in Thousands)		
	2020	**2019**
Service cost	$ 329	$ 377
Interest	2,909	3,436
Projected earnings on OPEB plan investments	(5,578)	(5,353)
OPEB Plan administrative expenses	306	277
Current period recognition of deferred outflows/(inflows) of resources:		
Differences between expected and actual experience	$ (7,584)	$ (5,838)
Changes in assumptions	2,490	23
Net difference between projected and actual earnings on OPEB plan investments	(859)	(230)
Total current period recognition	$ (5,953)	$ (6,045)
Total OPEB expense	**$ (7,987)**	**$ (7,308)**

As of June 30, 2020 and 2019, the University recognized deferred inflows related to OPEB of $5,061,000 and $6,904,000, respectively, and deferred outflows related to OPEB of $2,540,000 and $133,000, respectively, as summarized below:

Deferred Inflows and Outflows of Resources Related to OPEB (Dollars in Thousands)				
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (1,746)	$ -	$ (5,838)
Change in assumptions	2,467	-	23	-
Net difference between projected and actual earnings in OPEB plan investments	73	(3,315)	110	(1,066)
	$ 2,540	**$ (5,061)**	**$ 133**	**$ (6,904)**

The balances of June 30, 2020 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)	
2021	$ (138)
2022	(859)
2023	(895)
2024	(629)
2025	-
Thereafter	-
	$ (2,521)

NOTE 19. SUBSEQUENT EVENTS

Indiana State University issued $15,600,000 in Student Fee Bonds, Series T on August 12, 2020. These bonds will be used to finance the renovation of Dreiser Hall. The proceeds of the 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 $100,000 were paid with bond proceeds. Dreiser Hall was built in 1950 and provides space for College of Arts and Science programs, including communications, student media and a 255-seat theater. The Dreiser Hall renovation project was approved as an $18,400,000 fee replaced project, with construction beginning in Summer 2020 and scheduled for completion in Fall 2021.

Schedule of Indiana State University's Proportionate Share of the Net Pension Liability

Public Employees' Retirement Fund (PERF)

Last 10 Fiscal Years*

(Dollars in Thousands)

	Measurement Date as of June 30						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Proportion of the net pension liability (asset)	0.37%	0.37%	0.39%	0.39%	0.38%	0.36%	0.36%
Proportionate share of the net pension liability (asset)	$ 12,088	$ 12,597	$ 17,182	$ 17,855	$ 15,538	$ 9,494	$ 12,387
Covered-employee payroll	$ 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	63.4%	66.6%	90.0%	94.7%	85.0%	53.8%	71.3%
Plan fiduciary net position as a percentage of the totalpension liability	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' Retirement Fund (PERF)

Last 10 Fiscal Years*

(Dollars in Thousands)

	Fiscal Year							
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Contractually required contribution	$ 2,016	$ 2,130	$ 2,111	$ 2,139	$ 2,112	$ 2,047	$ 1,976	$ 1,672
Contributions in relation to the contractually required contribution	$ (2,016)	$ (2,130)	$ (2,111)	$ (2,139)	$ (2,112)	$ (2,047)	$ (1,976)	$ (1,672)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 18,089	$ 19,056	$ 18,912	$ 19,086	$ 18,855	$ 18,273	$ 17,638	$ 17,364
Contributions as a percentage of covered-employee payroll	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– In 2019, PERF DB was modified pursuant to HEA 1059. Previously, statute generally required PERF DB members to have 15 years of service to qualify for a survivor benefit prior to retirement. Statute now allows a qualifying spouse/dependent to receive a benefit if the deceased member had a minimum of 10 years of creditable service.

Assumption Changes– In 2019, there were no changes to assumptions that impacted the Net Pension Liability during the fiscal year.

In 2018, the cost-of-living (COLA) assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1% COLA beginning on January 21, 2020, the Indiana Public Retirement System (INPRS) now assumes that the COLA will be replaced by a thirteenth check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

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

Last 10 Fiscal Years*
(Dollars in Thousands)

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ —	$ —	$ —	$ —	$ —	$ —	$101	$522	$959	$2,548
Contribution in relation to the actuarially determined contribution	—	—	—	—	1,431	1,945	2,370	3,762	5,085	5,924
Contribution deficiency (excess)	—	$ —	$ —	$ —	$ (1,431)	$ (1,945)	$ (2,269)	$ (3,240)	$ (4,126)	$ (3,376)
Covered-employee payroll	$30,046	$32,207	$33,824	$35,932	$39,400	$38,252	$42,804	$41,557	$41,697	$40,483
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%	0.0%	3.6%	5.1%	5.5%	9.1%	12.2%	14.6%

**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 OPEB plan that impacted the pension benefits during fiscal year 2020.

Valuation Date
Fiscal year ending June 30

Methods and Assumptions Used to Determine Contribution Rates:

Discount rate	6%
Payroll growth factor used for amortization	2%
Actuarial cost method	Entry Age Normal Level % of Salary
Amortization type	Level Dollar
Amortization period (years)	30

There were no changes to the OPEB plan assumptions used to determine contribution rates during fiscal year 2020.


Indiana State University

HOME COUNTIES OF INDIANA STATE STUDENTS

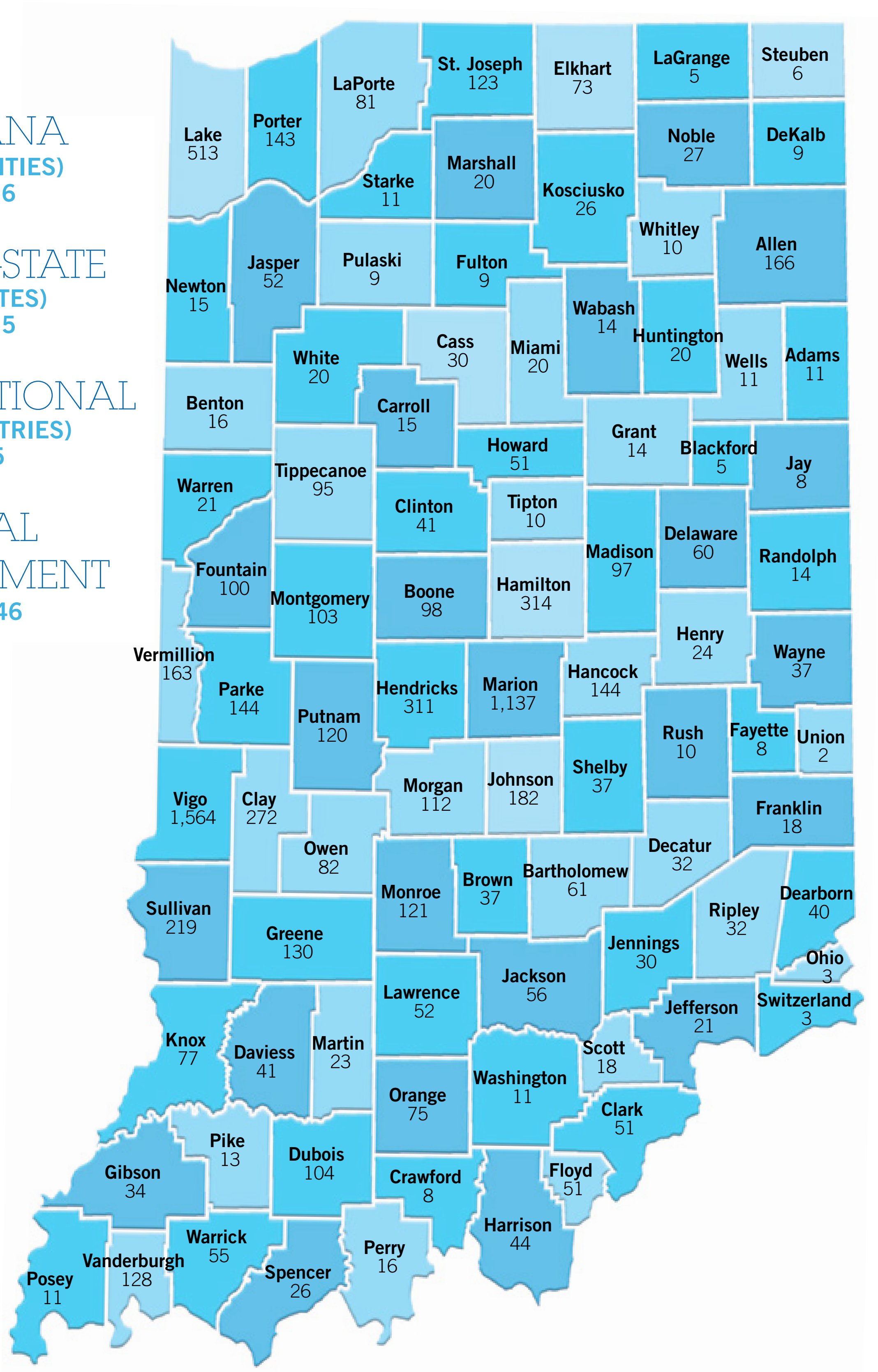
(FALL 2019) UNAUDITED

INDIANA
(92 COUNTIES)
8,476

OUT-OF-STATE
(49 STATES)
3,195

INTERNATIONAL
(68 COUNTRIES)
475

TOTAL ENROLLMENT
12,146



BOARD OF TRUSTEES AND UNIVERSITY ADMINISTRATION

University Officials
as of June 30, 2020

Deborah J. Curtis
President of the University

Michael J. Licari
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

Robert Andrew Morgan
Interim Vice President for
Student Affairs

Nancy Brattain Rogers
Vice President for
University Engagement

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

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Office of the Controller
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Indiana State University
Terre Haute, Indiana 47809
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INDIANA STATE UNIVERSITY

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Indiana State University
Terre Haute, Indiana 47809

812-237-3513
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