



# FINANCIAL REPORT

2018-2019



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# 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 2018-19, and to amplify what makes this institution unique and distinctive. We are fortunate to be surrounded by dedicated students, faculty and staff as we carry out initiatives laser-focused for impact on the state of Indiana.

We offer students a vibrant, comprehensive university experience that is small enough to assure meaningful interaction with faculty who believe in our unique mission. A mere 3 percent of our classes are taught by graduate students. We are dedicated to high-quality education at an affordable price. Half of our current freshman class is Pell Grant eligible. We believe in experiential learning with a curriculum targeting the workforce needs of our state. The placement rate for our graduates is 95 percent, meaning employment, graduate school or the military. We are a diverse campus. Our current freshman class is 37 percent ethnic minorities.



We are truly the state of Indiana's university. Seventy-seven percent of students in our current freshman class are from Indiana, and of the students who walk across the graduation stage, 70 percent remain in Indiana to live and work. We have students from every county in the state while attracting students from all 50 states and more than 70 countries and territories.

Wherever they go after graduation, our students take with them an ethic of community service that is ingrained in our culture and curriculum. ISU volunteers are building our third Habitat for Humanity home. The annual Donaghy Day exposes freshmen to community service before they even start classes. Our Construction Technology students design and build tiny homes for the homeless. We had 212 students show up a day after the Homecoming celebration to clean up a main thoroughfare in town.

We change lives here. First generation college students comprise half of ISU's current freshman class. In CollegeNet's 2018 Social Mobility Index, ISU ranked first in the state. This is especially important to me as I am a first generation college student and I have personally experienced opportunities that would not have been possible without this university. When Governor Eric Holcomb visited campus recently, he noted ISU's record on educating first generation college students, saying it "unlocks the future for them. You're doing it on a scale here at Indiana State University unlike any other. For that, I say thank you."

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.

We have the top college radio station in the country. A team of our business students placed first in a national competition involving operation of a virtual insurance agency. Tiarra Taylor, a Communications major who'll graduate in May, became Miss Indiana and will represent the state at Miss America in December 2019.

None of this would be possible were it not for the generous giving of alumni and friends of the university, and we are proud that ISU's fundraising efforts produced a 40 percent increase over the previous year. In fact, Give to Blue Day was the largest single-day fundraiser in university history. Part of those funds went to our Bridge The Gap Scholarships, awarded to students whose only impediment to finishing a degree

is financial, not academic. We received a substantial gift from the wife of a late professor who taught as an emeritus until age 95. The gift will fund a summer science program that matches about 40 students (sometimes high school students) with faculty members who guide their research projects. At most schools, only graduate students get that opportunity.

We are grateful to the state's leaders for making investments in our campus, and thus investments in our state's growth. We completed the largest state-funded project in our institution's history, \$64 million, to renovate and expand the Health and Human Services Building. This has been transformed into a bright, inviting, modern building for training nurses, nurse practitioners, social workers, child care professionals, and physical therapists. ISU is bolstering the state's healthcare workforce, and the significant investment from the state in the CHHS building is a validation that the university is on the right track.

With another generous \$15 million investment from the State of Indiana, we are re-dedicating the Fine Arts Building in November and we recently finished renovation of Sycamore Dining Hall. We are in the middle of a \$50 million upgrade of Hulman Center, a multi-use facility for graduation ceremonies, community events, athletics, and entertainment. In the future, \$18.4 million from the state will be dedicated for the renovation of Dreiser Hall, home of our student media and Department of Communication. In the past decade, ISU's construction has had a \$400 million economic impact, with more than 4,600 jobs created.

A change in our admissions philosophy to focus on students most likely to succeed produced the expected result — lower enrollment compared to the previous year. But ISU also showed increases in retention, diversity and academic quality as measured by high school grade-point averages. As the number of high school graduates begins to drop across the nation, it is increasingly difficult to grow enrollments with past practices. Drawing on current best practices, ISU's strategy is a combination of improving retention rates of current students while identifying specific initiatives to target growth of traditional, transfer, graduate, online, and international students.

We do not settle for the status quo. I challenge everyone on campus, including myself, to reach even higher. This year, we are gathering input for our Mission, Vision and Values statement. That will guide us in 2020 as we begin formulating our five-year Strategic Plan.

Stories about our students remind everyone why we're here. There is the man who studied drone technology, continued his ISU education during military service in Afghanistan, and returned to pursue an Aviation Management degree. There is the woman from The Congo who is passionate about learning how to combat childhood diseases. There is the high school football player who sustained a serious injury and thought his path to college had vanished. He is at ISU and he is thriving.

As the 12th President of Indiana State University, I couldn't be prouder of what happens here.

Sincerely,



Deborah J. Curtis, Ph.D.  
President

# 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, 2019. Although a financial statement is but one measure of an institution's well-being, this report confirms that Indiana State University is in sound financial condition and that its leadership continues to prudently manage its resources. Indiana State University is committed to excellence in teaching and learning. This report reflects the same commitment to steward resources to support that mission and honor the confidence of Indiana taxpayers and their representatives in Indianapolis.

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 2018-19 fiscal year. The MD&A is on pages 9 through 20 followed by financial statements and accompanying notes.

Hoosiers have a long history of valuing education at all levels, and we are grateful that higher education remains a high priority for Indiana's governmental leaders. We are part of a network of dedicated educators and administrators committed to transforming the lives of students and enriching our state by their future work among us.

Sincerely,



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



# Independent Auditor's Report



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Indiana State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2019 and 2018, 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 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 (Foundation), a component unit of the University as described in Note 1, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

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

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)

**Unmodified Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2019 and 2018, 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.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, in fiscal year 2019, the University adopted new accounting guidance GASB Statement 83 *Certain Asset Retirement Obligations* and GASB Statement 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to these matters.

**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, 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 a required part 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, 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 25, 2019



# Management's Discussion and Analysis

## Introduction

The following discussion and analysis provides an overview of the financial position and activities of Indiana State University (the University) for the fiscal years ended June 30, 2019 and 2018, along with comparative financial information for the fiscal year ended June 30, 2017. 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 13,045 students, Indiana State University is a significant economic engine for the Wabash Valley and the State of Indiana.

## 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 notes 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, 2019, 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, 2019, 2018 and 2017 is as follows:

Statement of Net Position (in millions)	2019	2018	2017
<b>Current assets</b>	\$ 119.0	\$ 74.2	\$ 92.3
<b>Non-current assets:</b>			
Notes receivable, net	\$ 2.5	\$ 3.3	\$ 3.8
Other long-term investments	96.0	115.0	127.4
Net OPEB asset	45.0	32.5	19.0
Capital assets, net	564.9	532.2	496.6
Other assets	0.7	0.7	0.8
<b>Total assets</b>	<b>\$ 828.1</b>	<b>\$ 757.9</b>	<b>\$ 739.9</b>
<b>Deferred outflows of resources</b>	<b>\$ 3.5</b>	<b>\$ 6.7</b>	<b>\$ 8.8</b>
<b>Current liabilities</b>	\$ 51.9	\$ 42.0	\$ 40.5
<b>Non-current liabilities</b>	278.2	255.0	268.3
<b>Total liabilities</b>	<b>\$ 330.1</b>	<b>\$ 297.0</b>	<b>\$ 308.8</b>
<b>Deferred inflows of resources</b>	<b>\$ 11.2</b>	<b>\$ 4.8</b>	<b>\$ 2.2</b>
<b>Net position</b>	<b>\$ 490.3</b>	<b>\$ 462.8</b>	<b>\$ 437.7</b>

## 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 \$70.2 million in 2019 as compared to an \$18 million increase in 2018. This represents a 9.3 percent increase in 2019 and a 2.4 percent increase in 2018. The current year activity is summarized below:

- Cash and cash equivalents and short-term investments increased by \$43.3 million and \$1.3 million, respectively. This increase is partially related to the receipt of the Series S bond proceeds to be used for the renovation of Hulman Center. These proceeds were invested in money market funds to maintain stronger yields. In addition, the University closed out a Tier III investment manager, transferring those funds to cash and cash equivalents, which is reflective in the decrease of \$19 million in other long-term investments. These funds are to be used in several capital projects in the coming months.
- Accounts receivable decreased by \$0.4 million as a result of decreased enrollment and the growth in the allowance for doubtful accounts of \$0.6 million and increased write-offs in 2019.
- Other accounts receivable decreased by \$0.6 million due to reduced Pell grants receivable and a reduction in capital gifts and grants receivable.
- The state receivable of \$2.6 million reflects the amount of expenditures for the Fine Arts and Commerce Building billed to the State through the end of fiscal year 2019. (See Capital and Debt Activities for details.)
- The current portion of notes receivable remained comparable while the non-current portion decreased by \$0.8 million. This reflects the phase-out of the Perkins loan program. Perkins loans were eliminated in fiscal year 2019.
- Prepaid expense decreased by \$0.5 million to reflect a change in the timing of the purchase of prepaid library subscription and database services.



- Capital assets increased by \$32.7 million. This growth is the result of construction projects including the College of Health and Human Services Building, Rhoads Hall, the Hulman Center renovation, the renovation of the Fine Arts and Commerce Building and the Sycamore Towers Dining renovation.
- The net OPEB asset grew by \$12.5 million. Actual claims and enrollment experience of pre-65 costs increased by one percent between fiscal years 2018 and 2019, which was lower than the projected increase of 9%. The post-65 premium costs also decreased by 11%, while the trend projection was a 7% increase. In addition, the VEBA Trust (described in further detail below) recognized a particularly strong year of investment returns.

Deferred outflows of resources decreased to \$3.5 million in 2019 from \$6.7 million in 2018 and \$8.8 million in 2017. The University's contribution of \$2.1 million to the Public Employees' Retirement Fund (PERF) during 2019 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, \$0.1 million and \$0.2 million of deferred outflows related to OPEB, as required by GASB Statement No. 75, are recognized in fiscal years 2019 and 2018, respectively. 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, 2019, the value of the Trust assets were \$94.4 million. The outstanding actuarial accrued liability for post-retirement benefits as of June 30, 2019 was \$49.4 million resulting in a positive funded ratio of 190.9 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 increased \$33.1 million in 2019 as compared to an \$11.8 million decrease in 2018. This represents an 11.1 percent increase in 2019 compared to a 3.8 percent decrease in 2018. Key changes in current year liabilities and deferred inflows of resources are as follows:



*Artist rendering of a renovated Hulman Center*

- Accounts payable increased by \$6.2 million due to increased construction payables of \$5.6 million.
- Accrued payroll and deductions increased by \$1.4 million due to the timing of payroll-related liabilities, which were incurred at the end of fiscal year 2019 and paid at the beginning of fiscal year 2020.
- Current and non-current bonds payable increased by \$30.5 million in 2019 to reflect the issuance of Student Service Fee Bonds, Series S.
- Current and non-current lease payable decreased by \$0.4 million and \$0.7 million, respectively, as a result of lease principal payments.
- The deferred inflows related to OPEB increased by \$5.1 million as a result of the difference between expected and actual experience of the plan. Claims for retiree medical expense decreased in fiscal year 2019. The inflow also reflects the net difference between projected and actual earnings in OPEB plan investments which exceeded expectations.

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 participate in a defined benefit plan administered by the State of Indiana. The net pension liability as of June 30, 2019 is \$12.6 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 has been expended and capitalized as phase one in 2018, with phase two having \$18.1 million expended through 2019. Phase two will be open Fall 2019. The project is funded through the issuance of Student Fee Bonds, Series R, which are fee-replaced bonds reimbursed by the State of Indiana issued September 2016.

**Rhoads Hall**—Completed for Fall 2018 occupancy, this project was the fourth phase of a comprehensive renovation of Sycamore Towers. The renovation upgraded living and learning areas, providing 344 revenue-generating spaces. The project was capitalized in 2019 with an overall cost of \$19.4 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 will be completed in Fall 2019. Expenditures that occurred through 2019 totaled \$13.8 million.

**Hulman Center**—The Hulman Center renovation is a \$50 million project with \$37.5 million of fee replacement bonds; authorization was approved by the 2015 Indiana General Assembly. Student Fee Bonds, Series S was issued on August 14, 2018 (see Note 6). Work began in July 2018 and is expected to be completed by Fall 2020. Expenditures incurred through 2019 totaled \$15.8 million.

**Sycamore Towers Dining**—The Sycamore Towers Dining project involves a renovation of 54,599 in existing gross square feet to improve 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 will be reduced to two. The total project cost is estimated at \$16.8 million. The project is 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 19). The project began in January 2019 and will be completed for 2020.

**Dreiser Hall**—The 2019 Indiana General Assembly appropriated funding, effective July 1, 2020, for \$18.4 million of fee replacement for the Dreiser Hall renovation. 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.

The University continues to work assertively to manage its financial resources efficiently, including the issuance of debt to finance capital projects. Indiana State University Student Fee Bonds, Series S, issued during fiscal year 2019, 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 to the Series S bonds, 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, 2019, 2018 and 2017 are summarized in the table that follows:

Net Position (in millions)	2019	2018	2017
Net investment in capital assets	\$ 333.4	\$ 306.9	\$ 299.0
Restricted			
Non-expendable	0.7	0.7	0.7
Expendable	5.8	10.8	6.0
Unrestricted	150.4	144.4	132.0
<b>Total net position</b>	<b>\$ 490.3</b>	<b>\$ 462.8</b>	<b>\$ 437.7</b>

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 \$26.5 million in 2019 and \$7.9 million in 2018 for a total increase of \$34.4 million since 2017. This reflects renovations of University housing (Cromwell Hall and Rhoads Hall), University dining (Sycamore Towers dining and Starbucks), academic buildings (Phase I and II of CHHS Building and Fine Arts and Commerce Building) and auxiliary 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 \$5 million reflecting a \$5 million payment from Sodexo Services of Indiana Limited Partnership earmarked for the renovation of the Sycamore Towers Dining Facility received in 2018.

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 \$18.4 million from 2017. The increase of \$6 million in 2019 includes a \$7.6 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. The growth in investment income was also a contributing factor in the unrestricted net position increase. These positive gains were offset by investment of unrestricted reserves in capital projects and fiscal operations.







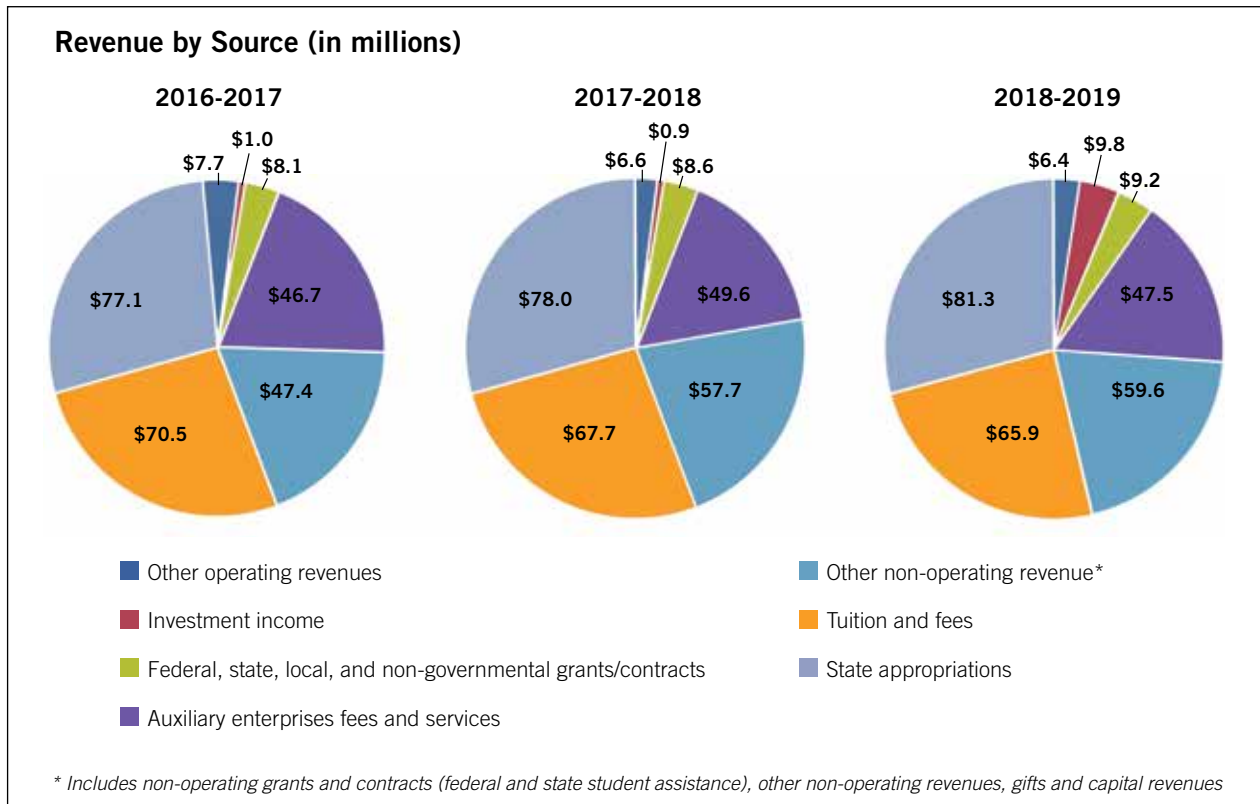
## Statement of Revenues, Expenses, and Changes in Net Position

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, 2019, 2018 and 2017 is as follows:

Revenue, Expenses, and Changes in Net Position (in millions)	2019	2018	2017
<b>Operating revenues</b>			
Tuition and fees, net	\$ 65.9	\$ 67.7	\$ 70.5
Grants and contracts	9.2	8.6	8.1
Auxiliary enterprises fees and services, net	47.5	49.6	46.7
Other revenues	6.4	6.6	7.7
<b>Total operating revenue</b>	<b>\$ 129.0</b>	<b>\$ 132.5</b>	<b>\$ 133.0</b>
<b>Operating expenses</b>	<b>\$ (245.3)</b>	<b>\$ (248.4)</b>	<b>\$ (247.6)</b>
<b>Operating loss</b>	<b>\$ (116.3)</b>	<b>\$ (115.9)</b>	<b>\$ (114.6)</b>
<b>Non-operating revenues (expenses)</b>			
State appropriations	\$ 81.3	\$ 78.0	\$ 77.1
Investment income, net	9.8	0.9	1.0
Non-operating grants and contracts	43.9	47.8	43.0
Capital appropriations	13.1	2.1	1.4
Capital grants and gifts	0.2	5.7	0.3
Other non-operating revenues	2.4	2.1	2.7
Other non-operating expenses	(0.4)	-	(0.7)
Interest on capital asset related debt	(6.5)	(5.7)	(5.6)
<b>Net non-operating and other revenues</b>	<b>\$ 143.8</b>	<b>\$ 130.9</b>	<b>\$ 119.2</b>
<b>Increase in net position</b>	<b>\$ 27.5</b>	<b>\$ 15.0</b>	<b>\$ 4.6</b>
Net position, beginning of year	\$ 462.8	\$ 437.7	\$ 433.1
Prior period adjustment for change in accounting principle	\$ -	\$ 10.1	\$ -
<b>Net position, end of year</b>	<b>\$ 490.3</b>	<b>\$ 462.8</b>	<b>\$ 437.7</b>

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, 2017, 2018 and 2019, which are used to fund the University's ongoing activities. As the following charts indicate, tuition and state appropriations remain the primary sources of funding for the University's academic programs. It should be noted that significant recurring sources of the University's revenues, including state appropriations, are considered non-operating revenues.



Operating revenues have decreased by \$4 million since 2017. The 2019 decrease of \$3.5 million is comprised of the following:

- Net tuition and fee income decreased by \$1.8 million due to decreases in freshman and graduate enrollment.
- Net auxiliary enterprises fees and service revenue declined by \$2.1 million. This reflects reduced occupancy of housing and the decline in related board income.
- Grants and contracts increased by \$0.6 million reflecting new grants from the Missouri Department of Conservation and the North Carolina Department of Transportation, both for bat research.

Net non-operating and other revenues increased by \$12.9 million in 2019 and \$11.7 million in 2018 for a total increase of \$24.6 million since 2017. Significant changes in non-operating revenues in 2019 were as follows:

- State appropriations increased by \$3.3 million to reflect an additional \$0.4 million appropriation for university operations and an additional \$2.9 million in fee replacement related to the Series S bond issue.
- Investment income grew by \$8.9 million. This is the result of recovering bond prices due to lower interest rates on long-term debt.
- Non-operating grants and contracts revenue decreased by \$3.9 million. This is the result of reduced Federal Pell grant awards of \$1.3 million and reduced Indiana 21st Century and Indiana Higher Education awards of \$2.1 million.
- Capital appropriations increased by \$11 million reflecting expenditures through 2019 for cash funding by the State for the Fine Arts and Commerce Building.
- Capital grants and gifts decreased by \$5.5 million as a result of a one-time \$5 million payment from Sodexo for the renovation of the Sycamore Dining facility received in 2018.



A comparative summary of the University's expenses for the years ended June 30, 2019, 2018 and 2017 is as follows:

<b>Operating and Non-Operating Expenses (in millions)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Operating</b>			
Compensation and employee benefits	\$ 138.5	\$ 142.7	\$ 145.7
Supplies and expenses	63.8	64.0	61.6
Utilities	10.5	10.1	10.4
Scholarships and fellowships	12.0	12.6	11.7
Depreciation	20.5	19.0	18.2
<b>Total operating expenses</b>	<b>\$ 245.3</b>	<b>\$ 248.4</b>	<b>\$ 247.6</b>
<b>Non-operating</b>			
Interest on capital asset related debt	\$ 6.5	\$ 5.7	\$ 5.5
Other non-operating expenses	0.4	-	0.7
<b>Total non-operating expenses</b>	<b>\$ 6.9</b>	<b>\$ 5.7</b>	<b>\$ 6.2</b>
<b>Total expenses</b>	<b>\$ 252.2</b>	<b>\$ 254.1</b>	<b>\$ 253.8</b>

Total operating expenses decreased by \$2.3 million from \$247.6 million in 2017 to \$245.3 million in 2019. The decrease of \$3.1 million of operating expense from 2018 to 2019 is attributed to the following:

- Compensation and employee benefits decreased by \$4.2 million. This is a result of an increase in the OPEB credit of \$7.3 million and level medical claims for 2019. This savings was partially offset by a 1.5 percent wage increase implemented in November 2018 and increased administrative salaries, student wages and workmen's compensation costs.
- Supplies and expenses decreased by \$0.2 million from 2018. This is reflective of a decrease in employment search, postage and printing costs.
- Scholarships and fellowships show a decrease of \$0.6 million that reflects reduced Federal and State aid, partially offset by increased institutional aid.
- Depreciation expense grew by \$1.5 million to reflect the capital additions of Rhoads Hall and Phase I of the College of Health and Human Services Building.

Non-operating expenses increased by \$1.2 million from 2018 to 2019. This is related to bond issuance costs for Series S, issued in 2019 and its associated interest.

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

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, 2019, 2018 and 2017 is as follows:

<b>Expenses by Function (in millions)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Operating</b>			
Instruction	\$ 70.8	\$ 73.9	\$ 76.2
Research	8.9	8.8	8.3
Public service	4.4	4.2	4.4
Institutional and academic support	41.9	41.6	42.2
Student services	14.2	16.0	17.1
Operation of plant	31.8	30.9	30.3
Scholarships	13.2	14.0	13.3
Auxiliary enterprises	39.5	40.0	37.6
Depreciation	20.6	19.0	18.2
<b>Total functional operating expenses</b>	<b>\$ 245.3</b>	<b>\$ 248.4</b>	<b>\$ 247.6</b>

## 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, 2019, 2018 and 2017:

<b>Statement of Cash Flows (in millions)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net cash provided (used) by:</b>			
Operating activities	\$ (96.8)	\$ (96.4)	\$ (92.7)
Non-capital financing activities	127.5	128.0	122.7
Capital financing activities	(15.0)	(64.5)	7.4
Investing activities	27.6	22.9	(30.1)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 43.3</b>	<b>\$ (10.0)</b>	<b>\$ 7.3</b>

The University experienced a \$43.3 million increase in cash and cash equivalents in 2019 and a \$10 million decrease in 2018 for an overall increase of \$40.6 million since 2017. Highlights of major changes in 2019 are discussed below:

### Operating activities

- Cash used by operating activities increased from \$96.4 million in 2018 to \$96.8 million in 2019.
- 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 \$4.5 million while cash provided by auxiliary enterprises decreased by \$1.6 million.
- Payments to employees and for employee benefits made up 62 percent of outflows of cash for operating activities. These payments decreased by \$0.3 million in 2019.
- Payments to suppliers decreased by \$2.4 million. This includes decreased payments for employment searches, postage, and printing, as well as a decrease in non-capitalized renovation expenditures. In

addition, the University prepaid invoices for student laptops in 2018 for the 2019 fiscal year.

- Payments to students increased by \$0.8 million in 2019 due to an increase in refunds for alternative loans and an increase in institutional aid.
- Loans issued to students decreased from \$0.7 million in 2018 to zero in 2019. This was due to the elimination of the Perkins loan program.

### Non-capital financing activities

- Cash provided by non-capital financing activities decreased by \$0.5 million.
- State appropriations made up 64 percent of net cash provided by non-capital financing activities. Cash received for state appropriations increased by \$3.3 million to reflect a \$0.4 million increase in the operating appropriation and a \$2.9 million increase in fee replacement due to the issue of Series S.
- Cash received from non-operating grants and contracts decreased by \$3.2 million. This is due to a decrease of \$3 million in funds received for non-operating state grants and a decrease of \$0.2 million in funds received for non-operating federal grants.
- Cash received for gifts and other non-operating revenues decreased by \$0.6 million due to a reduction in payments received in 2019 from the ISU Foundation.

### Capital financing activities

- Net cash used by capital financing activities decreased by \$49.5 million.
- The University received \$11.2 million in capital appropriations in 2019 compared to \$1.4 million in 2018. This increase is related to the state-funded renovation of the Fine Arts and Commerce building.
- Cash received from capital gifts and grants decreased by \$4.9 million in 2019 due to the receipt of a \$5 million, one-time payment from Sodexo, received in 2018 that was contractually obligated to be used toward dining renovations.
- 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. There were no new bond issues in 2018.
- Cash paid for capital assets decreased from \$51.4 million to \$46.9 million in 2019.
- Principal and interest paid on capital debt and leases increased by \$3.9 million. This was the result of the addition of the Series S bond and related debt service payments.

### Investing activities

- Cash provided by investing activities increased by \$4.7 million.
- This increase is related to the unspent portion of the Series S bond proceeds used for the renovation of Hulman Center. In addition, the University closed out a Tier III investment manager account, transferring those funds to cash and cash equivalents investments.



## 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.

State funding for the University remains strong. The 2019-21 State of Indiana budget includes operating appropriations of \$71 million for 2019-20 and \$72.1 million for 2020-21. Over the two-year period, this allocation is a \$4.1 million (6.1 percent) increase in funding including an increase of \$3.1 million for fiscal year 2020. Funding for the \$18.4 million fee replacement appropriation for the Dreiser Hall renovation will be available in 2020-21. See the Capital and Debt Activities section for more information about this upcoming renovation.

With decreased enrollment in the last two years, due to changing demographics of traditional, college-aged students throughout the Midwest, and the growing adult population with some college but no degree, the University will require a more focused approach to student enrollment and retention efforts. The University has hired a Vice Provost for Enrollment Management to create and implement a strategic enrollment management (SEM) plan. This process has begun with collaboration across the institution to improve student outcomes and build stronger pathways to ISU. This strategy involves a combination of improving retention rates of current students while identifying specific initiatives to target growth of traditional, graduate, online and international students.

The incoming Fall 2019 class included a three percent gain in diversity as well as increased grade point averages. The one-year retention rate has also increased by three percentage points.

A major emphasis of increasing University fundraising, is showing results with a 40 percent increase for fiscal year 2019 (a \$2.5 million increase). One of the new initiatives was establishing support to the Bridge the Gap Endowed Scholarship fund, which provides the funding students need between the financial resources they have and their full cost of attendance. The University also began an annual “Give to Blue Day” in which nearly 1,700 donors contributed \$400,000 in support of Indiana State University.

Indiana State University has also begun developing its next mission, values and vision statement. This review will be completed during the 2019-20 fiscal year in anticipation of the development of a new strategic plan in 2020-21.

Indiana State University’s management is confident that the University’s financial condition is strong and will meet all foreseeable economic conditions.





# Indiana State University

## Statement of Net Position

As of June 30, 2019 and June 30, 2018 (Dollars in Thousands)

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 65,675	\$ 22,343
Short-term investments	26,475	25,132
Accrued interest	750	972
Accounts receivable (net of allowance of \$7,814 for 2019 and \$7,166 for 2018)	14,465	14,892
Other accounts receivable	696	1,308
Grants receivable	853	909
State receivable	2,587	722
Notes receivable	4,843	4,832
Prepaid expenses	2,642	3,120
Inventories	7	11
Total current assets	<u>\$ 118,993</u>	<u>\$ 74,241</u>
Non-current assets		
Endowment investments—held in trust	\$ 714	\$ 701
Deposits with bond trustee	17	11
Notes receivable (net of allowance of \$817 for 2019 and \$903 for 2018)	2,511	3,307
Other long-term investments	96,030	114,997
Net OPEB asset	44,961	32,454
Capital assets (net of accumulated depreciation of \$323,680 for 2019 and \$306,288 for 2018)	564,900	532,254
Total non-current assets	<u>\$ 709,133</u>	<u>\$ 683,724</u>
<b>TOTAL ASSETS</b>	<u>\$ 828,126</u>	<u>\$ 757,965</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on early retirement of debt	\$ 624	\$ 790
Deferred outflows related to pensions	2,724	5,677
Deferred outflows related to OPEB	133	192
Total deferred outflows of resources	<u>\$ 3,481</u>	<u>\$ 6,659</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 12,374	\$ 6,148
Accrued payroll and deductions	4,879	3,487
Unearned revenue	6,685	6,871
Funds held in custody for others	1,366	1,138
Other current liabilities	4,786	4,675
Bonds payable	13,712	11,792
Compensated absences and termination benefits	4,077	3,860
Lease payable	1,535	1,919
Debt interest payable	2,450	2,121
Total current liabilities	<u>\$ 51,864</u>	<u>\$ 42,011</u>
Non-current liabilities		
Bonds payable	\$ 231,563	\$ 203,013
Compensated absences and termination benefits	144	264
Lease payable	26,534	27,250
Net pension liability	12,598	17,182
Advances from Federal Government	7,367	7,268
Total non-current liabilities	<u>\$ 278,206</u>	<u>\$ 254,977</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 330,070</u>	<u>\$ 296,988</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred service concession arrangement	\$ 1,737	\$ 1,882
Deferred inflows related to pensions	2,552	1,189
Deferred inflows related to OPEB	6,904	1,764
Total deferred inflows of resources	<u>\$ 11,193</u>	<u>\$ 4,835</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 333,375	\$ 306,941
Restricted for:		
Non-expendable:		
Scholarships and fellowships	714	701
Expendable:		
Research and other grants	120	375
Loans	2,114	2,084
Capital projects	3,584	8,312
Unrestricted	150,437	144,388
<b>TOTAL NET POSITION</b>	<u>\$ 490,344</u>	<u>\$ 462,801</u>

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



## Indiana State University

# Statement of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2019 and June 30, 2018 *(Dollars in Thousands)*

	2019	2018
<b>OPERATING REVENUES</b>		
Tuition and fees	\$ 110,629	\$ 114,695
Scholarship allowances for tuition and fees	(43,719)	(45,999)
Other allowances	(1,057)	(954)
Net tuition and fees	65,853	67,742
Federal grants and contracts	5,359	5,236
State and local grants and contracts	53	54
Non-governmental grants and contracts	3,874	3,296
Auxiliary enterprises fees and services	61,177	63,557
Scholarship allowances for room and board	(12,939)	(13,256)
Other allowances	(762)	(684)
Net auxiliary enterprises fees and services	47,476	49,617
Other operating revenues	6,403	6,570
Total operating revenues	\$ 129,018	\$ 132,515
<b>EXPENSES</b>		
Compensation and employee benefits	\$ 138,548	\$ 142,743
Supplies and expenses	63,775	64,005
Utilities	10,482	10,157
Scholarships and fellowships	11,987	12,547
Depreciation	20,555	19,020
Total operating expenses	\$ 245,347	\$ 248,472
Operating loss	\$ (116,329)	\$ (115,957)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	\$ 81,314	\$ 77,984
Gifts	521	341
Investment income (net of investment expenses of \$491 for 2019 and \$485 for 2018)	9,782	897
Interest on capital asset related debt	(6,520)	(5,689)
Non-operating grants and contracts	43,858	47,797
Other non-operating revenues	1,963	1,799
Other non-operating expenses	(375)	—
Net non-operating revenues	\$ 130,543	\$ 123,129
Income before other revenues, expenses, gains, or losses	\$ 14,214	\$ 7,172
Capital appropriations	\$ 13,109	\$ 2,113
Capital grants and gifts	220	5,723
Total other revenues	\$ 13,329	\$ 7,836
Increase in net position	\$ 27,543	\$ 15,008
<b>NET POSITION</b>		
Net position—beginning of year	\$ 462,801	\$ 437,743
Prior period adjustment for change in accounting principle	—	10,050
Restated net position at beginning of year	\$ 462,801	\$ 447,793
Net position—end of year	\$ 490,344	\$ 462,801

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, 2019 and June 30, 2018 *(Dollars in Thousands)*

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 64,156	\$ 68,648
Grants and contracts	8,646	8,559
Auxiliary enterprises	48,112	46,542
Payments to suppliers	(73,665)	(76,060)
Payments to employees	(76,710)	(75,123)
Payments for benefits	(63,031)	(64,948)
Payments to students	(12,067)	(11,306)
Loans issued to students	—	(676)
Student loans collected	1,107	1,113
Other receipts	6,605	6,824
Net cash used by operating activities	\$ (96,847)	\$ (96,427)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	\$ 81,314	\$ 77,985
Direct loan program receipts	22,446	22,328
Direct loan program disbursements	(22,446)	(22,328)
Non-operating grants and contracts	44,273	47,451
Gifts and other non-operating income	1,958	2,554
Net cash provided by non-capital financing activities	\$ 127,545	\$ 127,990
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital appropriations received	\$ 11,244	\$ 1,391
Capital gifts and grants received	486	5,357
Proceeds from bond issue	44,319	—
Costs of issuance	(375)	—
Cash paid for capital assets	(46,893)	(51,427)
Principal and interest paid on capital debt and leases	(23,753)	(19,869)
Net cash used by capital financing activities	\$ (14,972)	\$ (64,548)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	\$ 25,199	\$ 25,914
Income from investing activities	5,782	3,108
Purchase of investments	(3,375)	(6,117)
Net cash provided by investing activities	\$ 27,606	\$ 22,905
Net increase (decrease) in cash and cash equivalents	\$ 43,332	\$ (10,080)
Cash and cash equivalents—beginning of year	\$ 22,343	\$ 32,423
Cash and cash equivalents—end of year	\$ 65,675	\$ 22,343
<hr/>		
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (116,329)	\$ (115,957)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	20,555	19,020
Other non-cash adjustments	(4,679)	4,673
Changes in current assets and current liabilities		
Accounts receivable	670	120
Grants receivable	56	(134)
Notes receivable	(10)	(322)
Inventories	4	19
Prepaid expenses	478	(1,111)
Accounts payable	647	(899)
Accrued payroll and deductions	1,392	(553)
Unearned revenue	(186)	347
Funds held in custody for others	227	(152)
Other current liabilities	111	(1,121)
Compensated absences and termination benefits	217	(357)
Net cash used by operating activities	\$ (96,847)	\$ (96,427)

*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, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,429,756	\$ 3,097,222
Due from Indiana State University	33,149	32,173
Other assets	720,912	774,898
Property held for future use	9,452	9,452
Investment in joint ventures	1,199,869	1,239,946
Investments	75,023,993	71,889,254
Contributions receivable, net	3,982,714	3,338,882
Investments held in split-interest agreements	494,967	502,847
Beneficial interest in remainder trusts	738,812	675,284
Property and equipment, net	378,872	486,004
Beneficial interest in perpetual trusts	1,055,956	1,025,260
Total assets	\$ 87,068,452	\$ 83,071,222
<b>LIABILITIES</b>		
Accounts payable	\$ 608,212	\$ 252,480
Due to Indiana State University	1,430,103	1,241,071
Notes payable	8,078,846	8,381,105
Split-interest agreement obligations	526,938	613,973
Refundable advances	57,541	108,675
Total liabilities	10,701,640	10,597,304
<b>NET ASSETS</b>		
Without donor restrictions	1,395,773	322,415
With donor restrictions	74,971,039	72,151,503
Total net assets	76,366,812	72,473,918
Total liabilities and net assets	\$ 87,068,452	\$ 83,071,222

# Indiana State University Foundation, Inc.

## Consolidated Statements of Activities

Years Ended June 30, 2019 and 2018

2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 1,086,069	\$ 4,010,083	\$ 5,096,152
In-kind contributions	—	—	—
Investment return			
Interest and dividends	544,413	1,229,108	1,773,521
Net realized and unrealized gains	<u>697,615</u>	<u>2,066,532</u>	<u>2,764,147</u>
Total investment return	1,242,028	3,295,640	4,537,668
Non-gift 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	<u>96,302</u>	<u>(96,302)</u>	<u>—</u>
	3,785,047	7,356,330	11,141,377
Net assets released from restrictions	<u>4,536,794</u>	<u>(4,536,794)</u>	<u>—</u>
Total revenues, gains and other support	<u>8,321,841</u>	<u>2,819,536</u>	<u>11,141,377</u>
<b>EXPENSES</b>			
Scholarships and awards	1,614,027	—	1,614,027
Restricted and designated expenditures	<u>3,630,464</u>	<u>—</u>	<u>3,630,464</u>
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	<u>57,062</u>	<u>—</u>	<u>57,062</u>
Total expenses	<u>7,248,483</u>	<u>—</u>	<u>7,248,483</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,073,358</u>	<u>2,819,536</u>	<u>3,892,894</u>
<b>NET ASSETS, Beginning of Year, As Previously Reported</b>	<u>322,415</u>	<u>72,151,503</u>	<u>72,473,918</u>
<b>Change in Accounting Principle</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>NET ASSETS, Beginning of Year, As Restated</b>	<u>322,415</u>	<u>72,151,503</u>	<u>72,473,918</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 1,395,773</u>	<u>\$ 74,971,039</u>	<u>\$ 76,366,812</u>

2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 873,219	\$ 3,285,814	\$ 4,159,033
In-kind contributions	680,000	—	680,000
Investment return			
Interest and dividends	468,681	1,141,624	1,610,305
Net realized and unrealized gains	<u>1,569,222</u>	<u>2,529,416</u>	<u>4,098,638</u>
Total investment return	2,037,903	3,671,040	5,708,943
Non-gift income	658,495	991,567	1,650,062
Change in value of split-interest agreements	9,250	29,676	38,926
Endowment administration and gift assessments fee	312,682	(312,682)	—
Intercompany transfers	<u>78,718</u>	<u>(78,718)</u>	<u>—</u>
	4,650,267	7,586,697	12,236,964
Net assets released from restrictions	<u>4,584,204</u>	<u>(4,584,204)</u>	<u>—</u>
Total revenues, gains and other support	<u>9,234,471</u>	<u>3,002,493</u>	<u>12,236,964</u>
<b>EXPENSES</b>			
Scholarships and awards	871,611	—	871,611
Restricted and designated expenditures	<u>3,869,366</u>	<u>—</u>	<u>3,869,366</u>
Total program services	4,740,977	—	4,740,977
Foundation operations	1,472,051	—	1,472,051
Sycamore operations	148,911	—	148,911
Development and CEO	420,671	—	420,671
Sports marketing program	440,591	—	440,591
Alumni affairs	<u>53,185</u>	<u>—</u>	<u>53,185</u>
Total expenses	<u>7,276,386</u>	<u>—</u>	<u>7,276,386</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,958,085</u>	<u>3,002,493</u>	<u>4,960,578</u>
<b>NET ASSETS, Beginning of Year, As Previously Reported</b>	<u>(1,998,007)</u>	<u>69,511,347</u>	<u>67,513,340</u>
<b>Change in Accounting Principle</b>	<u>362,337</u>	<u>(362,337)</u>	<u>—</u>
<b>NET ASSETS, Beginning of Year, As Restated</b>	<u>(1,635,670)</u>	<u>69,149,010</u>	<u>67,513,340</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 322,415</u>	<u>\$ 72,151,503</u>	<u>\$ 72,473,918</u>

# Indiana State University Foundation, Inc.

## Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,892,894	\$ 4,960,578
Items not requiring (providing) cash		
Depreciation and amortization	112,075	120,522
Credit for uncollectible contributions receivable	94,425	(16,583)
Net realized and unrealized gains on investments	(2,041,944)	(4,101,888)
Contributions restricted for long-term investment	(1,137,580)	(572,971)
Net change in value of split-interest agreements	(201,697)	(129,103)
Changes in		
Contributions receivable	(738,257)	61,746
Due from Indiana State University	(976)	168,057
Other assets	53,986	(185,370)
Accounts payable	355,732	210,321
Due to Indiana State University	189,032	(1,051,565)
Net cash provided by (used in) operating activities	577,690	(536,256)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(6,837,925)	(20,450,876)
Sales and maturities of investments	5,762,391	18,675,694
Purchase of property and equipment	(4,943)	(15,248)
Net cash used in investing activities	(1,080,477)	(1,790,430)
<b>FINANCING ACTIVITIES</b>		
Repayments of line of credit	—	(2,202,699)
Repayments of note payable	(302,259)	(6,625,790)
Proceeds from note payable	—	8,553,181
Proceeds from contributions restricted for investments in permanent endowment	1,137,580	572,971
Net cash provided by financing activities	835,321	297,663
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	332,534	(2,029,023)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	3,097,222	5,126,245
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 3,429,756	\$ 3,097,222
<b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>		
Interest paid	\$ 278,272	\$ 314,170



# Notes to Financial Statements

As of June 30, 2019

## Note 1. Summary of Significant Accounting Policies

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

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

### A. Reporting Entity

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

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

### B. Basis of Accounting

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

### C. Cash Equivalents

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

### D. Investments

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

### E. Inventories

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

## F. Capital Assets

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

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

## G. Deferred Outflows of Resources

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

## H. Compensated Absences

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

## I. Net Pension Liability and Related Items

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Employees' Retirement Fund (PERF) and additions to/deductions from PERF's fiduciary net position have been determined on the same basis as they are reported by PERF. 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, 2019 and June 30, 2018 the Foundation distributed \$4,276,000 and \$4,040,000, 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.

Effective with the fiscal year 2018, the University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes accounting and financial reporting standards for other post-employment benefits (OPEB) other than pensions provided to the employees of state and local governmental employers. Implementation of this standard required a restatement to beginning net position, recognition of a net OPEB liability (asset),

and recognition of OPEB related deferred inflows and deferred outflows. The Statement also enhances accountability and transparency for OPEB plans through revised note disclosures and required supplementary information. The University reported a \$10.1 million change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2017. More information about the University's OPEB plan can be found in Note 18.

## 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)	2019	2018
Cash on hand	\$ 87	\$ 89
Deposits with financial institutions	29	4,122
Investments	188,778	158,962
	<b>\$ 188,894</b>	<b>\$ 163,173</b>

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 2019 and 2018 are provided by the following tables showing the distribution of investments by maturity:

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
Commercial paper	-	-	-	-	-
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
Exchange traded funds	-	-	-	-	-
Endowment investments held in trust	714	-	-	-	714
	<b>\$ 188,894</b>	<b>\$ 92,151</b>	<b>\$ 39,407</b>	<b>\$ 28,467</b>	<b>\$ 28,869</b>

University Investments and Maturities at June 30, 2018 (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)	\$ 89	\$ 89	\$ -	\$ -	\$ -
Demand deposits	4,122	4,122	-	-	-
Money market funds	13,397	13,397	-	-	-
Certificates of deposit	16,256	13,944	2,079	233	-
Asset-backed securities	5,529	18	5,256	-	255
Collateralized mortgage obligations	8,155	261	1,503	1,584	4,807
Corporate bonds	41,623	2,785	26,908	5,757	6,173
Commercial paper	332	332	-	-	-
Government agencies	10,041	2,074	5,984	1,291	692
Mortgage-backed securities	13,587	222	1,502	869	10,994
Municipal notes and bonds	1,042	130	318	256	338
Treasury notes and bonds	45,151	10,499	13,939	12,219	8,494
Foreign notes and bonds	2,560	237	666	1,240	417
Exchange traded funds	589	-	-	-	589
Endowment investments held in trust	700	-	-	-	700
	<b>\$ 163,173</b>	<b>\$ 48,110</b>	<b>\$ 58,155</b>	<b>\$ 23,449</b>	<b>\$ 33,459</b>

## 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)	2019	2018
<b>Mortgage-backed &amp; asset-backed securities.</b> 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.	\$18,925	\$19,116
<b>Callable bonds.</b> 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.	\$14,534	\$13,845

## 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, 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
Commercial paper	-	-	-	-	-	-
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
Exchange traded funds	-	-	-	-	-	-
Endowment investments held in trust	714	-	-	-	-	714
	<b>\$ 188,894</b>	<b>\$ 44,858</b>	<b>\$ 4,192</b>	<b>\$ 14,464</b>	<b>\$ 15,221</b>	<b>\$ 110,159</b>

Moody's Rating Scale at June 30, 2018 (Dollars in Thousands)						
Investment Type	Fair Value	AAA	Aa	A	B or Lower	Not Rated
Cash on hand (petty cash)	\$ 89	\$ -	\$ -	\$ -	\$ -	\$ 89
Demand deposits	4,122	-	-	-	-	4,122
Money market funds	13,397	-	-	-	-	13,397
Certificates of deposit	16,256	-	-	-	-	16,256
Asset-backed securities	5,529	2,777	44	30	-	2,678
Collateralized mortgage obligations	8,155	1,026	163	354	-	6,612
Corporate bonds	41,623	196	5,452	14,012	20,126	1,837
Commercial paper	332	-	-	-	-	332
Government agencies	10,041	-	8,119	-	-	1,922
Mortgage-backed securities	13,587	-	-	-	-	13,587
Municipal notes and bonds	1,042	317	399	178	-	148
Treasury notes and bonds	45,151	45,151	-	-	-	-
Foreign notes and bonds	2,560	-	-	-	647	1,913
Exchange traded funds	589	-	-	-	-	589
Endowment investments held in trust	700	-	-	-	-	700
	<b>\$ 163,173</b>	<b>\$ 49,467</b>	<b>\$ 14,177</b>	<b>\$ 14,574</b>	<b>\$ 20,773</b>	<b>\$ 64,182</b>

### 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, 2019 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 \$13,022,000. At June 30, 2018 Fannie Mae mortgage-backed securities, totaling \$8,349,000, 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, 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. At June 30, 2018, \$45,151,000 in U.S. Treasury Notes and Bonds, \$10,041,000 in U.S. Government Agencies and \$13,397,000 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, 2019 and 2018 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 \$467,000 held in 2019 and \$11,499,000 held in 2018 were also covered under the Indiana Public Deposits Fund, as they were invested in Indiana financial institutions. The University had less than three percent of investments that are made up of foreign currency in 2019 and 2018; 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:

- A **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, 2019 and 2018 are presented below.

<b>University Investments by Fair Value Level at June 30, 2019 (Dollars in Thousands)</b>					
<b>Investment Type</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Cash</b>
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	-	-
Commercial paper	-	-	-	-	-
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	-	-
Exchange traded funds	-	-	-	-	-
Endowment investments held in trust	714	-	714	-	-
	<b>\$ 188,894</b>	<b>\$ -</b>	<b>\$ 188,778</b>	<b>\$ -</b>	<b>\$ 116</b>

<b>University Investments by Fair Value Level at June 30, 2018 (Dollars in Thousands)</b>					
<b>Investment Type</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Cash</b>
Cash on hand (petty cash)	\$ 89	\$ -	\$ -	\$ -	\$ 89
Demand deposits	4,122	-	-	-	4,122
Money market funds	13,397	-	13,397	-	-
Certificates of deposit	16,256	10,800	5,456	-	-
Asset-backed securities	5,529	-	5,529	-	-
Collateralized mortgage obligations	8,155	-	8,155	-	-
Corporate bonds	41,623	-	41,623	-	-
Commercial paper	332	-	332	-	-
Government agencies	10,041	-	10,041	-	-
Mortgage-backed securities	13,587	-	13,587	-	-
Municipal notes and bonds	1,042	-	1,042	-	-
Treasury notes and bonds	45,151	-	45,151	-	-
Foreign notes and bonds	2,560	-	2,560	-	-
Exchange traded funds	589	-	589	-	-
Endowment investments held in trust	700	-	700	-	-
	<b>\$ 163,173</b>	<b>\$ 10,800</b>	<b>\$ 148,162</b>	<b>\$ -</b>	<b>\$ 4,211</b>



### Note 3. Capital Assets

The changes in gross capital assets and accumulated depreciation for the fiscal years ending June 30, 2019 and 2018 are presented in the tables below:

(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
<b>Total assets not being depreciated</b>	<b>\$ 70,257</b>	<b>\$ 54,219</b>	<b>\$ (27,121)</b>	<b>\$ (783)</b>	<b>\$ 96,572</b>
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
<b>Total capital assets being depreciated</b>	<b>\$ 768,285</b>	<b>\$ 1,504</b>	<b>\$ 27,121</b>	<b>\$ (4,903)</b>	<b>\$ 792,007</b>
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)
<b>Total accumulated depreciation</b>	<b>\$ (306,288)</b>	<b>\$ (20,555)</b>	<b>\$ -</b>	<b>\$ 3,164</b>	<b>\$ (323,679)</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 461,997</b>	<b>\$ (19,051)</b>	<b>\$ 27,121</b>	<b>\$ (1,739)</b>	<b>\$ 468,328</b>
<b>Total capital assets, net</b>	<b>\$ 532,254</b>	<b>\$ 35,168</b>	<b>\$ -</b>	<b>\$ (2,522)</b>	<b>\$ 564,900</b>

(Dollars in Thousands)	Balance June 30, 2017	Additions	Transfers	Deductions	Balance June 30, 2018
Capital assets not being depreciated					
Land	\$ 35,331	\$ -	\$ 35	\$ (141)	\$ 35,225
Works of art	2,074	9	-	(73)	2,010
Construction in progress	46,961	54,471	(67,171)	(1,239)	33,022
<b>Total assets not being depreciated</b>	<b>\$ 84,366</b>	<b>\$ 54,480</b>	<b>\$ (67,136)</b>	<b>\$ (1,453)</b>	<b>\$ 70,257</b>
Capital assets being depreciated					
Infrastructure	\$ 35,699	\$ -	\$ -	\$ -	\$ 35,699
Land improvements	34,485	-	3,210	-	37,695
Buildings	517,453	-	63,926	(1,953)	579,426
Equipment	81,950	3,012	-	(2,079)	82,883
Capital lease assets	32,014	-	-	-	32,014
Leasehold improvements	568	-	-	-	568
<b>Total capital assets being depreciated</b>	<b>\$ 702,169</b>	<b>\$ 3,012</b>	<b>\$ 67,136</b>	<b>\$ (4,032)</b>	<b>\$ 768,285</b>
Less accumulated depreciation					
Infrastructure	\$ (33,585)	\$ (108)	\$ -	\$ -	\$ (33,693)
Land improvements	(18,639)	(1,663)	-	-	(20,302)
Buildings	(170,051)	(12,486)	-	999	(181,538)
Equipment	(64,356)	(3,283)	-	1,629	(66,010)
Lease amortization	(3,057)	(1,366)	-	-	(4,423)
Leasehold improvements amortization	(208)	(114)	-	-	(322)
<b>Total accumulated depreciation</b>	<b>\$ (289,896)</b>	<b>\$ (19,020)</b>	<b>\$ -</b>	<b>\$ 2,628</b>	<b>\$ (306,288)</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 412,273</b>	<b>\$ (16,008)</b>	<b>\$ 67,136</b>	<b>\$ (1,404)</b>	<b>\$ 461,997</b>
<b>Total capital assets, net</b>	<b>\$ 496,639</b>	<b>\$ 38,472</b>	<b>\$ -</b>	<b>\$ (2,857)</b>	<b>\$ 532,254</b>

During fiscal years 2019 and 2018, the University incurred \$10,350,000 and \$9,458,000 in interest costs related to the ownership of capital assets, respectively. Of this total, \$2,843,000 and \$2,750,000 was capitalized for years ending June 30, 2019 and 2018, respectively.

A breakdown of significant projects included in construction in progress as of June 30, 2019 and 2018 are shown below:

Construction Work in Progress (Dollars in Thousands)		Construction Work in Progress (Dollars in Thousands)	
Project	June 30, 2019	Project	June 30, 2018
College of Health and Human Services Renovation	\$ 18,098	Rhoads Hall Renovation	\$ 18,411
Hulman Center Renovation	15,837	College of Health and Human Services Renovation	5,230
Fine Arts Building Renovation	13,805	Hulman Center Renovation	2,623
Sycamore Dining Hall Renovation	7,503	Memorial Stadium Turf Upgrade	1,387
Science Building Lower Level Renovation	1,195	Fine Arts Building Renovation	1,151
Other Miscellaneous Projects	2,766	Other Miscellaneous Projects	4,220
<b>Total</b>	<b>\$ 59,204</b>	<b>Total</b>	<b>\$ 33,022</b>

## Note 4. Long-Term Liabilities

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

The changes in long-term liabilities for fiscal years ending June 30, 2019 and 2018 are as shown below:

(Dollars in Thousands)	Balance July 1, 2018	Additions	Reductions	Balance July 1, 2019	Current Portion
Bonds payable- public offering	\$ 190,435	\$ 39,685	\$ 12,415	\$ 217,705	\$ 11,920
Bonds payable- direct placement	3,240	-	275	2,965	\$ 280
Bond premiums	21,130	4,955	1,480	24,605	1,512
Lease payable	29,169	-	1,100	28,069	1,535
Compensated absences and termination benefits	4,124	264	167	4,221	4,077
Advances from Federal Government	7,268	99	-	7,367	-
<b>Total long-term liabilities</b>	<b>\$ 255,366</b>	<b>\$ 45,003</b>	<b>\$ 15,437</b>	<b>\$ 284,932</b>	<b>\$ 19,324</b>
Bond redemption reserve (matured unpaid bonds and coupons)					-
<b>Total long-term liabilities- current portion</b>					<b>\$ 19,324</b>

(Dollars in Thousands)	Balance July 1, 2017	Additions	Reductions	Balance July 1, 2018	Current Portion
Bonds payable	\$ 203,370	\$ -	\$ 9,695	\$ 193,675	\$ 10,530
Bond premiums	22,392	-	1,262	21,130	1,262
Lease payable	30,240	-	1,071	29,169	1,919
Compensated absences and termination benefits	4,234	136	246	4,124	3,860
Advances from Federal Government	7,357	-	89	7,268	-
<b>Total long-term liabilities</b>	<b>\$ 267,593</b>	<b>\$ 136</b>	<b>\$ 12,363</b>	<b>\$ 255,366</b>	<b>\$ 17,571</b>
Bond redemption reserve (matured unpaid bonds and coupons)					5
<b>Total long-term liabilities- current portion</b>					<b>\$ 17,576</b>

## 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 2019 and 2018 were \$11,959,000 and \$9,048,000, respectively.



(Dollars in Thousands)	Original Face Value	Issue Date	Interest Rate	Final Maturity Dates	Principal Outstanding June 30, 2019	Principal Outstanding June 30, 2018
<b>Student Fee Bonds</b>						
Series N, Satellite Chiller & Science Laboratory Projects	\$ 9,560	2010	1.0-6.64%	2030	\$ 6,095	\$ 6,530
Series P, Science Laboratory Renovation Project	4,570	2014	2.18%	2021	2,965	3,240
Series Q, Refund Series K, L, and Partial M	19,690	2015	2.58%	2033	11,430	12,945
Series R, College of Health and Human Services, Refund Series M & O	83,845	2017	3.0-5.0%	2036	72,300	76,270
Series S, Hulman Center Renovation Project	39,685	2018	4.0-5.0%	2037	37,525	-
<b>Housing and Dining Revenue Bonds</b>						
Series 2009, Sandison, Jones, & Burford Hall Renovation Projects	13,730	2009	3.0-6.38%	2027	7,400	8,180
Series 2010, Pickerl Hall Renovation Project	9,140	2010	1.43-5.41%	2027	5,060	5,610
Series 2012, Erickson Hall & Reeve Hall Projects	28,740	2013	2.7-5.0%	2038	24,485	25,350
Series 2014, Sycamore Towers Phase 1 - Mills Hall Project	16,405	2014	2.0-5.0%	2034	13,280	13,915
Series 2015, Sycamore Towers Phase 2 - Blumberg Hall Project	16,270	2015	3.0-5.0%	2035	13,745	14,350
Series 2016, Sycamore Towers Phase 3 - Cromwell Hall Project	14,135	2016	3.0-5.0%	2036	12,625	13,095
Series 2017, Sycamore Towers Phase 4 - Rhoads Hall Project	14,190	2017	3.0-5.0%	2038	13,760	14,190
<b>Bonds</b>					<b>\$ 220,670</b>	<b>\$ 193,675</b>
<b>Premium</b>					<b>24,605</b>	<b>21,130</b>
<b>Total</b>					<b>\$ 245,275</b>	<b>\$ 214,805</b>

Housing and Dining Revenue Bonds are secured by a pledge of housing and dining net income. As of June 30, 2019 and 2018, total net pledged income was approximately \$11,271,000 and \$13,494,000, respectively. The University's Student Fee Bonds, Series P, with an outstanding balance of \$2,965,000 at June 30, 2019, 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 \$39,685,000 of Student Fee Bonds, Series S on August 14, 2018. See Note 6 for details.

<b>Debt Service Requirements (Dollars in Thousands)</b>					
<b>Fiscal Year</b>	<b>Bonds- Public Offering</b>		<b>Bonds- Direct Placement</b>		<b>Total</b>
	<b>Bond Principal</b>	<b>Bond Interest</b>	<b>Bond Principal</b>	<b>Bond Interest</b>	
2020	\$ 9,515	\$ 9,642	\$ 2,685	\$ 29	\$ 21,871
2021	15,130	9,066	-	-	24,196
2022	11,695	8,453	-	-	20,148
2023	12,245	7,874	-	-	20,119
2024	12,830	7,253	-	-	20,083
2025-2029	63,850	26,820	-	-	90,670
2030-2034	60,355	13,184	-	-	73,539
2035-2038	32,365	2,404	-	-	34,769
<b>Total</b>	<b>\$ 217,985</b>	<b>\$ 84,696</b>	<b>\$ 2,685</b>	<b>\$ 29</b>	<b>\$ 305,395</b>
<b>Net unamortized premium</b>	<b>24,605</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,605</b>
<b>Total</b>	<b>\$ 242,590</b>	<b>\$ 84,696</b>	<b>\$ 2,685</b>	<b>\$ 29</b>	<b>\$ 330,000</b>

## Note 6. Bond Issues

### Student Fee Bonds, Series S

On August 14, 2018, the University issued \$39,685,000 of Student Fee Bonds, Series S. This issue was tax-exempt with a True Interest Cost (TIC) of 3.294 percent. The bond proceeds of \$44,640,000, which included \$4,955,000 of net bond premium less issuance costs of \$215,000 and \$175,000 of underwriter's discount, netted \$44,250,000 to be used for the renovation of the Hulman Center.

#### Hulman Center

The project consists of the renovation of the Hulman Center, the University's main event facility as well as the location of men's and women's basketball games. The renovation will consist of replacing outdated mechanical and electrical systems, replacement of the exterior facade and updates to safety and fire suppression systems. The overall cost of the Hulman Center renovation is estimated at \$50 million, of which \$44.2 million was funded by the Series S Bonds and the remaining \$5.8 million was funded by reserves. The project is expected to be completed by Fall of 2020.

## 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)	2019	2018
Deferred Service Concession Arrangement beginning balance	\$ 1,882	\$ 970
Service Concession Arrangement additions	-	1,000
Revenue recognition for the fiscal year	(145)	(88)
Deferred Service Concession Arrangement ending balance	\$ 1,737	\$ 1,882

## 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, 2018. Accumulated amortization of leased equipment totaled \$1,399,000 at June 30, 2018.

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, 2019 and 2018 with accumulated amortization of \$4,032,000 and \$3,024,000 as of June 30, 2019 and 2018, respectively.

This capital lease obligation is included in the Statement of Net Position and future scheduled payments under this agreement is 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
2020	\$ 1,535
2021	1,535
2022	1,535
2023	1,535
2024	1,535
2025-2029	7,675
2030-2034	7,675
2035-2039	7,675
2040-2044	7,675
2045	1,535
<b>Total minimum lease payments</b>	<b>\$ 39,910</b>
Less: Amount representing interest	(11,841)
<b>Present value of minimum lease payments</b>	<b>\$ 28,069</b>

## 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 21 employees enrolled in the program during the 2019 fiscal year at a cost of \$965,000 and 37 employees enrolled during the 2018 fiscal year at a cost of \$1,799,000. Total termination benefits liability reported at June 30, 2019 was \$263,000 and \$124,000 at June 30, 2018.

## 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, 2019 and June 30, 2018 are included in other current 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 2019 and 2018 fiscal years are as follows:

(Dollars in Thousands)	2019	2018
Unpaid medical claims- July 1	\$ 4,141	\$ 5,284
Claims incurred	17,395	14,047
Claims paid	(17,229)	(15,190)
Unpaid medical claims- June 30	\$ 4,307	\$ 4,141



## 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 \$1,366,000 and \$1,138,000 at June 30, 2019 and 2018, 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 2019 and in prior years, Indiana State University voluntarily obligated itself to remediate pollution in the Hulman Center. As of June 30, 2019 these projects had not been completed, leaving an outstanding obligation of \$314,000 which is classified as an other current liability. The outstanding obligation as of June 30, 2018 was \$335,000.

## Note 14. Natural Classifications with Functional Classifications

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

Natural Classifications Years Ended June 30, 2019 and June 30, 2018 (Dollars in Thousands)							
Functional Classification	Compensation and Benefits	Supplies and Expenses	Utilities	Scholarships and Fellowships	Depreciation	2019 Total	2018 Total
Instruction	\$ 64,089	\$ 6,670	\$ -	\$ -	\$ -	\$ 70,759	\$ 73,944
Research	4,934	4,005	-	-	-	8,939	8,781
Public service	2,585	1,777	-	-	-	4,362	4,180
Academic support	14,092	6,273	-	-	-	20,365	20,646
Student services	10,488	3,712	-	-	-	14,200	16,040
Institutional support	14,047	7,533	-	-	-	21,580	21,010
Operation of plant	10,003	11,682	10,154	-	-	31,839	30,883
Scholarships	1,254	-	-	11,987	-	13,241	13,960
Auxiliary enterprises	17,056	22,123	328	-	-	39,507	40,010
Depreciation	-	-	-	-	20,555	20,555	19,020
<b>Total</b>	<b>\$ 138,548</b>	<b>\$ 63,775</b>	<b>\$ 10,482</b>	<b>\$ 11,987</b>	<b>\$ 20,555</b>	<b>\$ 245,347</b>	<b>\$ 248,474</b>

## 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 2019 and 2018 are displayed below.

<b>TIAA-CREF Contributions (Dollars in Thousands)</b>	<b>2019</b>	<b>2018</b>
University Contributions to Plan	\$7,503	\$7,413
Total Participating Employee Annual Salaries	\$74,058	\$73,186
Employee and Retiree Plan Participants	1,013	994

## Non-exempt Staff

### Plan Description

Regular clerical and service staff are provided with pensions through the Public Employees' Retirement Fund (PERF). PERF is a cost sharing, multiple-employer defined benefit plan administered by the Indiana Public Retirement System (INPRS). PERF 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](http://www.in.gov/inprs/annualreports.htm).

### Benefits Provided

PERF 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 annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. 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 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 2019 and 2018. 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 2019 and 2018 are displayed below.

<b>PERF Contributions (Dollars in Thousands)</b>	<b>2019</b>	<b>2018</b>
University Contributions to PERF Plan	\$2,138	\$2,130
University Contributions to Annuity Savings Accounts	\$574	\$572
Total Participating Employee Annual Salaries	\$19,040	\$18,912
Employee Plan Participants	536	549

### Pension Liabilities

For the fiscal years ending June 30, 2019 and June 30, 2018, the University reported liabilities of \$12,598,000 and \$17,182,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 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 \$1,850,000 during fiscal year 2019 and \$3,536,000 for fiscal year 2018. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars in Thousands)	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 165	\$ 1	\$ 326	\$ 13
Net difference between projected and actual investment earnings on pension plan investments	373	-	2,718	861
Change of assumptions	30	2,023	276	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	18	528	227	315
Contributions subsequent to the measurement date	2,138	-	2,130	-
<b>TOTAL</b>	<b>\$ 2,724</b>	<b>\$ 2,552</b>	<b>\$ 5,677</b>	<b>\$ 1,189</b>

The University reported \$2,138,000 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, 2019. 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)	
2019	\$ (5)
2020	(672)
2021	(1,066)
2022	(223)
2023	-
Thereafter	-
<b>Total</b>	<b>\$ (1,966)</b>

## Actuarial Assumptions

The total pension liability in the June 30, 2017 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:	2019 – 2020 - 13th Check; 2021 – 2032 - 0.4%; 2033 – 2037 - 0.5%; 2038 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 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.

	Target Asset Allocation	Geometric Basis
		Long-Term Expected Real Rate of Return
Public Equity	22.0%	4.4%
Private Equity	14.0%	5.4%
Fixed Income- Ex Inflation-Linked	20.0%	2.2%
Fixed Income- Inflation-Linked	7.0%	0.8%
Commodities	8.0%	2.3%
Real Estate	7.0%	6.5%
Absolute Return	10.0%	2.7%
Risk Parity	12.0%	5.2%

## Discount Rate

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

## Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate

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

Discount Rate Sensitivity-Liability/(Asset) (Dollars in Thousands)		
1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
\$ 19,831	\$ 12,598	\$ 6,566

## 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](http://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 2019. A summary of the activity in the trust for the year ending June 30, 2019 is as follows:

Dollars in Thousands	
Market value at July 1, 2018	\$ 90,648
Reimbursement of University retirement expenses	(2,751)
Reinvested net earnings	3,131
Less: management fees	(277)
Realized gain on sale of investments	(172)
Unrealized gain on increase in market value	3,829
<b>Market value at June 30, 2019</b>	<b>\$ 94,408</b>

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	\$ 34,404	36.5%	
International Equity	16,549	17.5%	
Fixed Income	43,416	46.0%	
Cash and Money Market	39	0.0%	
<b>Total</b>	<b>\$ 94,408</b>	<b>100.0%</b>	

## 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, 2019, the plan participants consisted of the following:

Covered Employees	Health	Life
Active employees	386	480
Retirees receiving benefits, pre-Medicare	23	25
Retirees receiving benefits, post-Medicare	671	701
	<b>1,080</b>	<b>1,206</b>

## 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, 2019 and 2018 (applicable to medical and dental benefits) for this category are as shown below.

Retirees' Monthly Contributions	Employee	Employee/Spouse
<b>Pre-Medicare</b>		
Below 200% Federal Poverty Level	\$131.00	\$340.00
At least 200% Federal Poverty Level	\$209.41	\$528.88
<b>Post-Medicare</b>	\$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, 2019 and 2018 as follows:

Retirees' Contribution Percentages	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 97.6% 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 (\$44,961,000) and (\$32,454,000) was measured as of June 30, 2019, and June 30, 2018 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 190.9% as of June 30, 2019, and 155.7% as of June 30, 2018.



EXIT

Indiana State University

The actuarial valuation was determined using the following actuarial assumptions:

### Actuarial Assumptions

Valuation Date	2019: June 30, 2018 with results projected to the June 30, 2019 measurement date; 2018: June 30, 2018
Inflation	3% per year
Mortality	SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 (RPH-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	2% per year for future employee salary increases and increases in the Federal Poverty Limit
Healthcare Trend Rates	Annual healthcare trend rates vary by benefits as shown below:

FYE	Medical/RX		Dental
	Pre-Medicare	Post-Medicare	
2018	9.00%	7.00%	4.50%
2019	8.50%	6.75%	4.50%
2020	8.50%	6.75%	4.50%
2021	8.00%	6.50%	4.50%
2022	7.50%	6.25%	4.50%
2023	7.00%	6.00%	4.50%
2024	6.50%	5.75%	4.50%
2025	6.00%	5.50%	4.50%
2026	5.50%	5.25%	4.50%
2027	5.00%	5.00%	4.50%

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 6%, and the VEBA Trust is invested according to an investment strategy of 60% investment in stock with the remaining funds invested in bonds. Since the Trust's current balance is sufficient to pay all future expected benefit payments, the discount rate used is 6%. 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, 2019 and 2018 were as follows:

Schedule of Changes in Net OPEB Liability (Asset) (Dollars in Thousands)	2019	2018
Total OPEB liability - beginning of year	\$ 58,194	\$ 59,782
Service cost	377	412
Interest	3,436	3,525
Changes in assumptions	-	69
Differences between expected and actual experience	(9,912)	(2,646)
Benefit payments	(2,647)	(2,948)
Net change in total OPEB liability	\$ 49,448	\$ 58,194
Plan fiduciary net position - beginning of year	\$ 90,648	\$ 88,857
Net investment income	6,685	5,052
Benefit payments	(2,647)	(2,948)
Trust administrative expenses	(277)	(313)
Net change in plan fiduciary net position	\$ 94,409	\$ 90,648
<b>Net OPEB liability (asset) - end of year</b>	<b>\$ (44,961)</b>	<b>\$ (32,454)</b>

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:

<b>(Dollars in Thousands)</b>			
	1% Decrease	Current	1% Increase
Discount Rate	\$ (38,927)	\$ (44,961)	\$ (49,975)
Healthcare Trend Rate	\$ (50,520)	\$ (44,961)	\$ (38,274)

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, 2018:

<b>(Dollars in Thousands)</b>			
	1% Decrease	Current	1% Increase
Discount Rate	\$ (25,145)	\$ (32,454)	\$ (38,511)
Healthcare Trend Rate	\$ (38,583)	\$ (32,454)	\$ (25,084)

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

The University recognized OPEB expense of \$7,308,000 and \$1,808,000 as of June 30, 2019 and 2018, respectively.

<b>OPEB Expense (Dollars in Thousands)</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 377	\$ 412
Interest	3,436	3,525
Projected earnings on OPEB plan investments	(5,353)	(5,235)
OPEB Plan administrative expenses	277	313
Current period recognition of deferred outflows/(inflows) of resources:		
Differences between expected and actual experience	\$ (5,838)	\$ (882)
Changes in assumptions	23	23
Net difference between projected and actual earnings on OPEB plan investments	(230)	36
Total current period recognition	\$ (6,045)	\$ (823)
Total OPEB expense	\$ (7,308)	\$ (1,808)

As of June 30, 2019 and 2018, the University recognized deferred inflows related to OPEB of \$6,904,000 and \$1,764,000, respectively, and deferred outflows related to OPEB of \$133,000 and \$192,000, respectively, as summarized below:

<b>(Dollars in Thousands)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (5,838)	\$ -	\$ (1,764)
Change in assumptions	23	-	46	-
Net difference between projected and actual earnings in OPEB plan investments	110	(1,066)	146	-
<b>TOTAL</b>	<b>\$ 133</b>	<b>\$ (6,904)</b>	<b>\$ 192</b>	<b>\$ (1,764)</b>

The balances of June 30, 2019 deferred outflows/(inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted:

<b>Amortization of Deferred Outflows/(Inflows) of Resources (Dollars in Thousands)</b>	
2020	(6,045)
2021	(230)
2022	(230)
2023	(266)
2024	-
Thereafter	-
<b>Total</b>	<b>\$ (6,771)</b>

## Note 19. Subsequent Events

Indiana State University issued \$12,735,000 in Housing and Dining System Revenue Bonds, Series 2019 on July 15, 2019. These bonds will be used to finance the renovation of the Sycamore Towers Dining facility and to refund Housing and Dining Revenue Bonds, Series 2009B. The Sycamore Towers Dining renovation was approved as a \$16,800,000 project. Funding for this project includes \$5,000,000 from the bond proceeds, \$5,000,000 in revenue from Sodexo per a contractual arrangement, and the remaining from dining system reserves. Work began in January 2019 and is scheduled for completion in January 2020. The refunding of Housing and Dining Series 2009B used \$7,623,000 of bond proceeds and resulted in refund savings of \$358,000.





# Required Supplementary Information

## 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					
	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	0.37%	0.39%	0.39%	0.38%	0.36%	0.36%
Proportionate share of the net pension liability (asset)	\$ 12,597	\$ 17,182	\$ 17,855	\$ 15,538	\$ 9,494	\$ 12,387
Covered-employee payroll	\$ 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	66.6%	90.0%	94.7%	85.0%	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	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					
	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,111	\$ 2,139	\$ 2,112	\$ 2,047	\$ 1,976	\$ 1,672
Contributions in relation to the contractually required contribution	\$ (2,111)	\$ (2,139)	\$ (2,112)	\$ (2,047)	\$ (1,976)	\$ (1,672)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 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%	9.6%

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

### Notes to Schedule

#### Plan Amendments

There were no changes to the Plan that impacted the pension benefits during fiscal year 2018.

#### Assumption Changes

In fiscal year 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.



The  
Garden House



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

Last 10 Fiscal Years\*  
(Dollars in Thousands)

	2019	2018
<b>Total OPEB liability</b>		
Service cost	\$ 377	\$ 412
Interest	3,436	3,525
Changes of benefit terms	—	—
Differences between expected and actual experience	—	69
Changes of assumptions	(9,912)	(2,646)
Benefit payments	(2,647)	(2,948)
<b>Net change in total OPEB liability</b>	<u>\$ (8,746)</u>	<u>\$ (1,588)</u>
Total OPEB liability—beginning of year	58,194	59,782
<b>Total OPEB liability—end of year</b>	<u>\$ 49,448</u>	<u>\$ 58,194</u>
<b>Plan fiduciary net position</b>		
Contributions—employer	\$ —	\$ —
Net investment income	6,685	5,052
Benefit payments	(2,647)	(2,948)
Administrative expense	(277)	(313)
<b>Net change in plan fiduciary net position</b>	<u>\$ 3,761</u>	<u>\$ 1,791</u>
Plan fiduciary net position—beginning of year	90,648	88,857
<b>Plan fiduciary net position—end of year</b>	<u>\$ 94,409</u>	<u>\$ 90,648</u>
<b>Net OPEB liability (asset) — end of year</b>	<u>\$ (44,961)</u>	<u>\$ (32,454)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	190.9%	155.7%
Covered-employee payroll	\$ 32,207	\$ 33,824
Net OPEB liability (asset) as a percentage of covered-employee payroll	-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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ —	\$ —	\$ —	\$ —	\$ —	\$101	\$522	\$959	\$2,548	\$4,559
Contribution in relation to the actuarially determined contribution	—	—	—	1,431	1,945	2,370	3,762	5,085	5,924	7,213
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ (1,431)	\$ (1,945)	\$ (2,269)	\$ (3,240)	\$ (4,126)	\$ (3,376)	\$ (2,654)
Covered-employee payroll	\$32,207	\$33,824	\$35,932	\$39,400	\$38,252	\$42,804	\$41,557	\$41,697	\$40,483	\$41,945
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%	3.6%	5.1%	5.5%	9.1%	12.2%	14.6%	17.2%

\*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 2019.

#### 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 2019.



# Home Counties of Indiana State Students

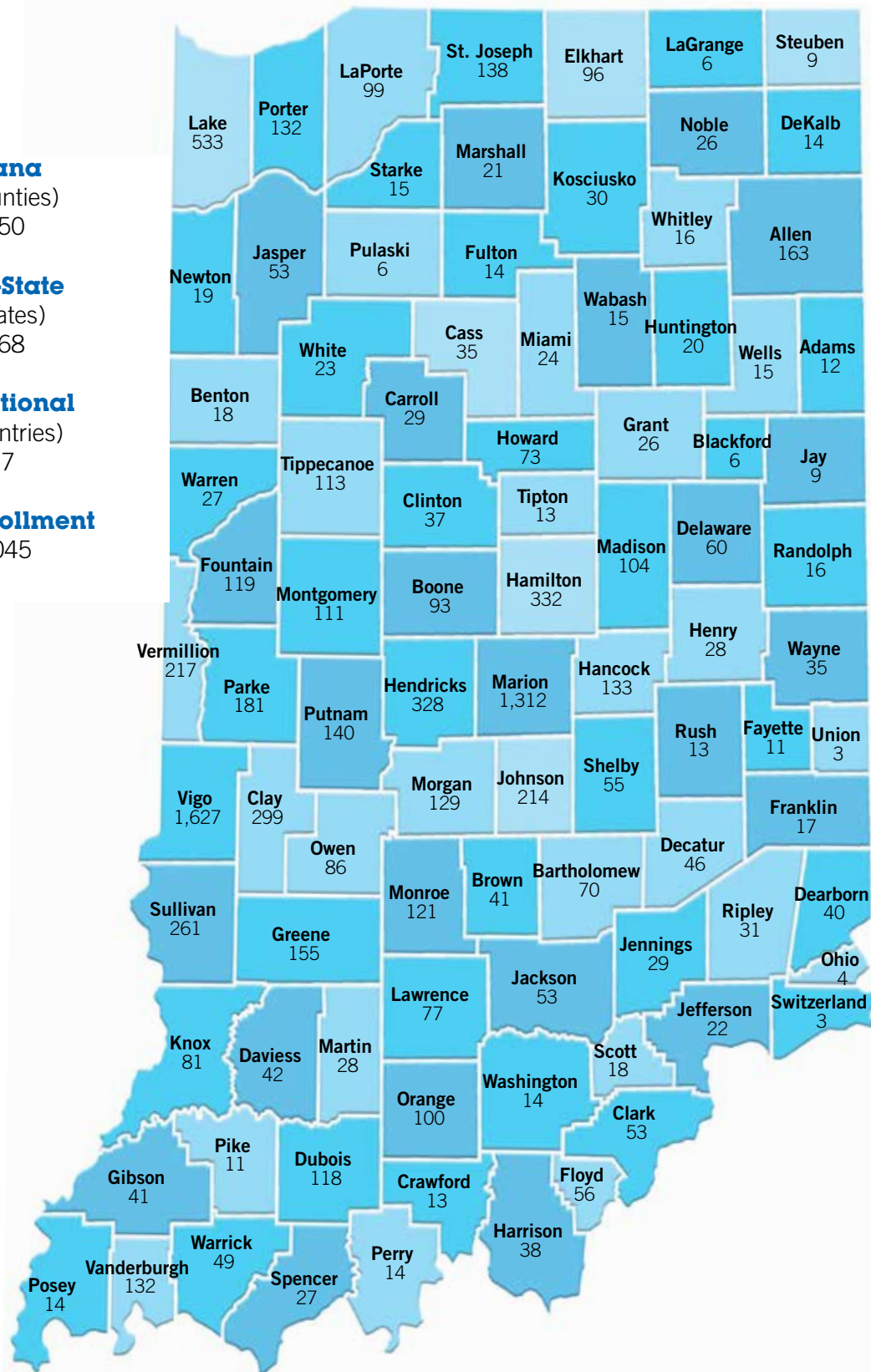
(Fall 2018) Unaudited

**Indiana**  
(92 counties)  
9,350

**Out-of-State**  
(49 states)  
3,068

**International**  
(80 countries)  
627

**Total Enrollment**  
13,045



# Board of Trustees and University Administration

## Board of Trustees

as of June 30, 2019

### Edward A. Pease

Chair  
Terre Haute, Indiana  
Term Expires 2021

### Jeffrey W. Taylor

Vice Chair and Finance  
Committee Chair  
Carmel, Indiana  
Term Expires 2021

### Kathleen G. Cabello

Secretary  
Indianapolis, Indiana  
Term Expires 2019

### Tanya R. Bell

Brownsburg, Indiana  
Term Expires 2020

### David C. Campbell

Indianapolis, Indiana  
Term Expires 2019

### Andrew M. Case

Columbia City, Indiana  
Term Expires 2019

### Randall K. Minas

Culver, Indiana  
Term Expires 2020

### Kimberly J. Oliphant Smith

Indianapolis, Indiana  
Term Expires 2019

### Cynthia R. Powers

Valparaiso, Indiana  
Term Expires 2021

## University Officials

as of June 30, 2019

### 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

### Additional copies of the 2019 Financial Report may be obtained from:

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





**Indiana State  
University**

Office of the Controller  
Parsons Hall, Room P115  
Indiana State University  
Terre Haute, Indiana 47809

812-237-3513  
[indstate.edu/controller/](http://indstate.edu/controller/)