INDIANA STATE UNIVERSITY

# FINANCIAL REPORT

2022–2023

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## INDIANA STATE UNIVERSITY FINANCIAL REPORT 2022– 2023

# MESSAGE FROM THE PRESIDENT

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

This is an exciting time to be at Indiana State University!

At Indiana State, our definition of student success is degree attainment. Earning a college degree transforms the lives of our students, many of whom are the first in their family to do so. We are proud to be a national leader in positively impacting the social mobility to our graduates, ranking in the top 17% in the country in CollegeNET's annual social mobility ratings.

To assist our students in reaching their educational goals, Indiana State has launched the Indiana State Advantage — a unique and highly attractive program that augments the many other benefits of an ISU education.

The Indiana State Advantage offers a grant of up to $3,000 for an out-of-classroom experience such as an internship, research project or study abroad; four years tuition-free for Pell-eligible Indiana students with a 2.75 or higher high school grade point average; and a guarantee that students who complete program requirements will graduate in four years or tuition is covered for remaining classes.

Indiana State's commitment to affordability is also demonstrated by maintaining the lowest tuition and mandatory fees of Indiana's top four-year residential public universities and the lowest among several nearby universities with a similar mission.

These efforts contribute to Indiana State's role in fueling the talent pipeline for Indiana and beyond. Our first destination survey results indicate the Class of 2022 had a 94% placement rate within six months of graduation which is defined as working in jobs in their field of study, attending graduate school or serving our country in the armed forces. The average starting salary for these new graduates was approximately $57,000.

The transformative impact of an Indiana State education continued to increase our success in fundraising in fiscal year 2022-23. Indiana State raised more than $30 million, our highest one-year fundraising amount in institutional history, and our annual Give to Blue Day brought in a record $1.38 million in just 24 hours. We recently announced a $100 million goal for the Be So Bold Campaign, the largest comprehensive campaign in the University's history. To date, more than 94% of the campaign goal has been raised.

In keeping with its origins as the State's Normal School, today's Indiana State University also continues to have a significant impact on our state's K-12 schools. One of the most prominent ways Indiana State is doing this is through the Indiana Principal Leadership Institute in the Bayh College of Education. More than 500 principals have participated in this two-year program with more than 22,000 teachers and over 324,000 students impacted.

We are also appreciative of the support the Indiana General Assembly provides for our facilities. We were pleased that the State of Indiana budget session in FY 23 awarded ISU with $66 million to renovate and expand the Technology Annex Building in the Bailey College of Engineering and Technology. That construction work will begin in 2024.

A recent update of our Campus Master Plan has also been completed.

All of these efforts are driven by the University's strategic plan, "Focusing on our Future Together, 2021-2025." We are committed to working this plan and are excited to see the progress that is being achieved toward our strategic goals. Indiana State's future is bright.

Go Sycamores!

Deborah J. Curtis

Deborah J. Curtis, Ph.D.
President

# LETTER OF TRANSMITTAL

## DEAR PRESIDENT CURTIS AND TRUSTEES OF INDIANA STATE UNIVERSITY:

Enclosed is the *Indiana State University Annual Financial Report* for the year ended June 30, 2023. The report includes the annual financial statements, Management's Discussion and Analysis (MD&A) and supplemental information to assist the reader in clearly understanding the University's financial activities and outcomes.

University management is responsible for the accuracy and completeness of the information as presented, including all disclosures. The financial statements are prepared in accordance with guidelines established by the Governmental Accounting Standards Board (GASB) and audited by the Indiana State Board of Accounts. The unmodified audit opinion, the most favorable outcome of the audit process, is on pages 5 through 7 of this report.

The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements, as well as information regarding the financial position and results of operations of the University for the 2022-23 fiscal year. The MD&A is on pages 8 through 19, followed by financial statements and accompanying notes.

A financial statement is not the sole measure of a state university's standing, but I am confident this statement confirms that Indiana State University is conscious of its obligations to Indiana citizens and continues to be a diligent, careful manager of resources. Higher education is a priority in this state and Indiana's annual budget demonstrates its commitment to higher education institutions of diverse sizes, locations, and missions. We take seriously that confidence and are grateful for the high importance our state places on the opportunities we share with our students each year. We strive to be good stewards of those resources and, in so doing, honor the confidence of Indiana taxpayers and their elected representatives.

Sincerely,

Diann E. McKee

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

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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 Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Indiana State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Indiana State University Foundation, Inc. (Foundation), a component unit of the University as described in Note 1, which represent 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended. Those statements, which 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*, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Foundation, is based solely on the report of the other auditors.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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)

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Indiana State University's Proportionate Share of the Net Pension Liability Public Employees' Retirement Fund (PERF), the Schedule of Indiana State University's Contributions Public Employees' Retirement Fund (PERF), the Schedule of Indiana State University's Changes in Net OPEB Liability and Related Ratios, and the Schedule of Indiana State University's OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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***

Management is responsible for the other information included in the annual report. The other information comprises the Message from the President, Letter of Transmittal, Home Counties of Indiana State University Students, and Board of Trustees and University Administration, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, 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.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

October 31, 2023

# 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, 2023 and 2022, along with comparative financial information for the fiscal year ended June 30, 2021. 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 37 departmental units in five academic colleges and various divisions. Located in Terre Haute, Indiana, with 8,658 students, Indiana State University is a significant economic engine for the Wabash Valley and the State of Indiana.

The SARS-CoV-2 (commonly referred to as "COVID-19") outbreak, a respiratory disease caused by a new strain of the coronavirus, was declared a pandemic (the "Pandemic") on March 11, 2020 by the World Health Organization and on March 13, 2020, the President of the United States declared a national emergency. The University directed faculty to convert all spring courses to online instruction effective March 16, 2020 through the end of the spring semester. Students in residence halls were asked to vacate campus housing no later than March 21, 2020 and staff and faculty were advised to work remotely to the extent possible.

Fall 2020 classes resumed on August 18, 2020, primarily consisting of on-campus, face-to-face classes with appropriate adaptations for social distancing and other appropriate safety measures. Some classes were offered using a hybrid model.

With the start of Fall 2021 the University welcomed back students for a full campus experience including in-person learning with co-curricular activities and a full residential life program.

In March 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act established the Higher Education Emergency Relief Fund (HEERF) to provide emergency aid for disruption of campus operations due to the Pandemic. The CARES Act set aside HEERF I funding while the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), enacted in December 2020, included an appropriation of HEERF II funds and the American Rescue Plan Act (ARPA), enacted in March 2021, included an appropriation of HEERF III funds. The relief funds were available to both public and private higher education institutions directly from the U.S. Department of Education. The University was eligible for aid through HEERF and was allocated approximately $10 million in HEERF I funds, nearly $16.8 million in HEERF II funds, and approximately $28.2 million in HEERF III funds for a total of $55.7 million. At least 50 percent of the funds allocated from HEERF I and HEERF III must be used for direct payments to students, while institutions were required to spend the same dollar amount from the HEERF II allocation as was spent on student aid under HEERF I. The institutional portion of HEERF funds remaining after student allocations may be used to defray expenses associated with COVID-19, including lost revenue.

The University received $6.4 million in fiscal year 2020 and $3.7 million in fiscal year 2021 from the HEERF I (CARES Act), with $4.8 million going to student aid and the remaining being spent on covering housing and dining refunds, personal protective equipment, and cleaning supplies.

The University drew $16.8 million of HEERF II (CRRSAA) funds for fiscal years 2021 and 2022. This included $4.8 million of student aid and the remaining $12 million to cover reduced state appropriation, lost revenue from housing and dining, lost student tuition revenue, and Information Technology software and hardware costs.

The University has drawn and distributed $28.9 million of HEERF III (ARPA) funds of which $14.3 million was directed for student aid. The remaining $14.6 million covered lost tuition revenue, lost housing and dining revenue, Information Technology software and hardware costs, COVID testing and contact tracing costs, and tutoring wages. The University spent $25.4 million in 2022 and $3.5 million in 2023.

## USING THE FINANCIAL STATEMENTS

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

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

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

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

The Governmental Accounting Standards Board (GASB) requires the inclusion of financial statements for all significant University component units. As of June 30, 2023, the Indiana State University Foundation is the only component unit to be included. The Foundation is a nonprofit organization that is subject to reporting guidelines governed by the Financial Accounting Standards Board (FASB); accordingly, certain revenue recognition criteria and presentation features are different from established GASB standards. No modifications have been made to the Indiana State University Foundation's financial information in the University's financial reporting presentation for these differences.

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

## CHANGES IN ACCOUNTING PRINCIPLES

Effective with fiscal year 2023, the University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Implementing the statement requires recognition of an intangible right-to-use subscription asset and a corresponding subscription liability. Due to the immaterial nature of these entries, no entries were posted as a result of GASB 96 for the years ended June 30, 2023 and 2022.

Effective with fiscal year 2022, the University implemented GASB Statement No. 87, *Leases*. This statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities that were previously classified as operating leases. Implementing the statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow.

## 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, 2023, 2022 and 2021 is as follows:

| Statement of Net Position (Dollars in Millions) | | | |
|---|---|---|---|
| | 2023 | 2022 | Restated 2021 |
| Current assets | $ 35.9 | $ 58.7 | $ 82.2 |
| Non-current assets: | | | |
| Notes receivable, net | 0.7 | 0.9 | 1.0 |
| Lease receivable | 1.7 | 1.8 | 2.0 |
| Other long-term investments | 115.4 | 107.6 | 109.9 |
| Net OPEB asset | 37.2 | 35.9 | 67.7 |
| Capital assets, net | 538.3 | 551.6 | 561.5 |
| Lease Asset | 23.9 | 24.8 | 24.6 |
| Other assets | 0.8 | 0.8 | 0.9 |
| **Total assets** | **$ 753.9** | **$ 782.1** | **$ 849.8** |
| **Deferred outflows of resources** | **$ 12.2** | **$ 13.6** | **$ 3.2** |
| Current liabilities | $ 42.7 | $ 39.1 | $ 42.3 |
| Non-current liabilities | 226.4 | 239.7 | 264.0 |
| **Total liabilities** | **$ 269.1** | **$ 278.8** | **$ 306.3** |
| **Deferred inflows of resources** | **$ 7.4** | **$ 11.5** | **$ 22.7** |
| **Net position** | **$ 489.6** | **$ 505.4** | **$ 524.0** |

## 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 decreased by $28.2 million in 2023 as compared to a $67.7 million decrease in 2022. This represents a 3.6 percent decrease in 2023 and an 8 percent decrease in 2022. The current year activity is summarized below:

- Cash and cash equivalents and short-term investments decreased by $20 million. This reflects a $7.8 million increase in long-term investments and use of unrestricted reserves for normal operations.
- Accounts receivable increased by $0.7 million due to increased housing revenues.
- Other accounts receivable decreased by $2.2 million to reflect payment by the ISU Foundation for the Hulman Center scoreboard and Softball renovation.
- The current portion of notes receivable declined by $1.2 million. Department of Education

issued a notice regarding the assignment of Perkins Loans. As part of the Perkins Loan Program wind down, all institutions were required to assign loans in default for more than two years to the Department of Education. As such, Indiana State University reviewed the loans meeting the established criteria. As of June 30, 2023, the Department of Education accepted Indiana State University's assignment of loans that had outstanding balances totaling approximately $0.9 million.
- Prepaid expense decreased by $0.5 million as laptop scholarships were not prepaid in 2023 as they were in 2022 and 2021.
- Capital assets decreased by $13.3 million as the result of decreasing capital projects and depreciation expenses.
- Lease assets decreased by $0.9 million reflecting the recognition of amortization expense. The $23.9 million in 2023 and the $24.8 million in 2022 represented the reclassification of capital assets to lease assets due to implementation of GASB 87.
- The net OPEB asset increased by $1.3 million. This shows the decrease of the actuarial value of assets from $97.5 million in 2022 to $96.7 million in 2023 and the decrease of the total OPEB liability from $61.6 million in 2022 to $59.5 million in 2023.

Deferred outflows of resources decreased to $12.2 million in 2023 from $13.6 million in 2022 while it was at $3.2 million in 2021. The University's contribution of $1.6 million to the Public Employees' Retirement Fund (PERF) during 2023 as well as the $1.1 million net difference between projected and actual earnings on pension investments, the $0.8 million reduction on change of assumptions, and the difference between expected and actual experience were recognized. The details can be reviewed in Note 15 of the accompanying Notes to the Financial Statements. In addition, OPEB had $8.2 million deferred outflows for 2023 that represented net difference between projected and actual earnings in OPEB plan investments which can be reviewed in Note 17.

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, 2023, the value of the Trust assets was $96.7 million. The outstanding actuarial accrued liability for post-retirement benefits as of June 30, 2023 is $59.5 million.

## LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current liabilities include accounts payable, accrued compensation, unearned revenue, and the current portion of long-term debt. Non-current liabilities consist primarily of the non-current portion of long-term debt, net pension liability and advances from the federal government. Deferred inflows of resources consist of the service concession arrangement with Sodexo, a third-party provider of food service, and inflows related to pensions and other post-employment benefits. Total liabilities decreased by $9.8 million in 2023 as compared to a $27.5 million decrease in 2022. This represents a 3.5 percent decrease in 2023 compared to a 9 percent decrease in 2022. Key changes in current year liabilities and deferred inflows of resources are as follows:

- Accounts payable increased by $2.6 million resulting from increased capital equipment, enrollment software, procard charges, construction in process, and operating expenses.
- Accrued payroll and deductions declined by $0.5 million reflecting reduced employees.
- Unearned revenue increased by $0.5 million due to increased summer school tuition.
- Other current liabilities increased by $0.3 million.
- Current and non-current bonds payable declined by $15 million due to bonds payments made in

2023 and no issuance of new debt.
- Current and non-current lease payable declined by $0.7 million due to payments made in 2023.
- Advances from federal government decreased by $1.6 million as $0.9 million of notes were assigned back to the Federal Government and $0.7 million of funds were returned related to the Perkins Loan program phase-out.
- The deferred inflows related to OPEB increased by $1.9 million as a result of $0.7 million on the differences between expected and actual experiences and $1.2 million on changes in assumptions.
- The deferred inflows related to pensions decreased by $5.8 million reflecting changes in net difference between projected and actual earnings on pension plan investments and change in assumptions.

The University contributes to retirement plans for faculty and staff. Faculty and exempt staff participate in a defined contribution plan administered by TIAA-CREF resulting in no outstanding pension liability for the University. Non-exempt staff participates in a defined benefit plan administered by the State of Indiana. The net pension liability as of June 30, 2023 is $8.6 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.

**Dreiser Hall** – The 2019 Indiana General Assembly appropriated funding, effective July 1, 2020, for $18.4 million of fee replacement bonds authorization for the Dreiser Hall renovation. The project replaced obsolete mechanical and electrical systems, improved accessibility, repaired building components and enhanced 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 project has fully capitalized as of 2023 with a cost of $17.6 million.

**Bailey College of Engineering and Technology** – The 2023-25 State Budget, passed by the Indiana General Assembly, contains $66 million of cash funding for the renovation of the Technology Annex Building in the Bailey College of Engineering and Technology. This is the largest capital project funded by the State of Indiana in University history. The project will result in several modernized upgrades, including state-of-the-art instructional and laboratory space for the college. The Technology Annex Building was built in 1980. Construction is to begin in the summer of 2024 and to be completed by late 2026.

The University continues to work assertively to manage its financial resources efficiently, including the issuance of debt to finance capital projects. During fiscal year 2023, Moody's Investors Service affirmed the Indiana State University's student fee bond ratings A1 with outlook is stable. Fitch Rating also reaffirmed AAA-issuer rating on the University's outstanding student fee bonds.

Moody's Investors Services and Fitch Rating both downgraded Indiana State University outstanding Housing & Dining System Revenues bonds to A2 (Moody's) and A+ (Fitch). This decision was driven by enrollment declines leading to lower housing and dining revenues.

## 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, 2023, 2022 and 2021 are summarized in the table that follows:

| Net Position (Dollars in Millions) | | | |
|---|---|---|---|
| | 2023 | 2022 | Restated 2021 |
| Net investment in capital assets | $ 327.6 | $ 328.5 | $ 332.5 |
| Restricted | | | |
| Non-expendable | 0.8 | 0.7 | 0.9 |
| Expendable | 4.3 | 6.8 | 4.6 |
| Unrestricted | 156.9 | 169.4 | 186.0 |
| **Total net position** | **$ 489.6** | **$ 505.4** | **$ 524.0** |

Net investment in capital assets reflects the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets. Net investment in capital assets decreased $0.9 million in 2023 and decreased $4 million in 2022, for a total decrease of $4.9 million since 2021. The decrease of net investment in capital is the result of reduced capital projects and yearly depreciation expense.

Restricted net position is subject to externally imposed restrictions governing its use. Restricted non-expendable net position represents funds held for scholarships and fellowships. Restricted expendable net position includes funds for research, loans, and funds limited to construction and renovation. Restricted expendable net position decreased by $2.5 million reflecting the Hulman Scoreboard that was installed during 2023.

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 decreased $29.1 million from 2021. The decrease of $12.5 million in 2023 and decrease of $16.6 million in 2022, is due to lower enrollments, increased interest rates that resulted in investment losses, and the reduction in the OPEB asset resulting from decrease in the VEBA asset value in 2022 and changes in the related deferred outflows and inflows on change of assumptions.

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

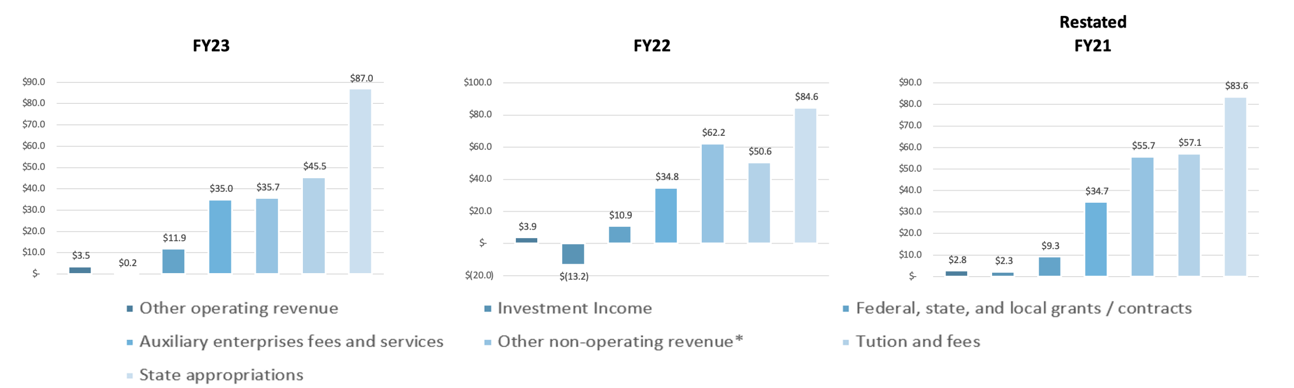
The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations for the identified fiscal year periods. A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2023, 2022 and 2021 is as follows:

| Revenue, Expenses, and Changes in Net Position (Dollars in Millions) | | | | | | |
|---|---|---|---|---|---|---|
| | | 2023 | | 2022 | | Restated 2021 |
| **Operating revenues** | | | | | | |
| Tuition and fees, net | $ | 45.5 | $ | 50.5 | $ | 57.1 |
| Grants and contracts | | 11.9 | | 10.9 | | 9.3 |
| Auxiliary enterprises fees and services, net | | 35.0 | | 34.8 | | 34.7 |
| Other revenues | | 3.5 | | 3.9 | | 3.0 |
| **Total operating revenue** | **$** | **95.9** | **$** | **100.1** | **$** | **104.1** |
| **Operating expenses** | $ | (227.5) | $ | (244.5) | $ | (228.0) |
| **Operating loss** | **$** | **(131.6)** | **$** | **(144.4)** | **$** | **(123.9)** |
| **Non-operating revenues (expenses)** | | | | | | |
| State appropriations | $ | 87.0 | $ | 84.6 | $ | 83.6 |
| Investment income, net | | 0.2 | | (13.2) | | 2.3 |
| Non-operating grants and contracts | | 31.3 | | 56.3 | | 51.0 |
| Capital appropriations | | 1.5 | | 1.5 | | 1.5 |
| Capital grants and gifts | | 0.2 | | 2.3 | | 0.6 |
| Other non-operating revenues | | 2.7 | | 2.1 | | 2.4 |
| Other non-operating expenses | | - | | (0.3) | | (0.2) |
| Interest on capital asset related debt | | (7.1) | | (7.4) | | (8.6) |
| **Net non-operating and other revenues** | **$** | **115.8** | **$** | **125.9** | **$** | **132.6** |
| **Increase (decrease) in net position** | **$** | **(15.8)** | **$** | **(18.5)** | **$** | **8.7** |
| Net position, beginning of year | $ | 505.4 | $ | 523.9 | $ | 514.8 |
| Prior period adjustment for change in accounting principle | $ | - | $ | - | $ | 0.5 |
| **Net position, end of year** | **$** | **489.6** | **$** | **505.4** | **$** | **524.0** |

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, 2023, 2022 and 2021, which are used to fund the University's ongoing activities. As the following charts indicate, tuition and state appropriations remain the primary sources of funding for the University's academic programs. It should be noted that significant recurring sources of the University's revenues, including state appropriations, are considered non-operating revenues.

**Revenue by Source (Dollars in Millions)**




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

Operating revenues have decreased by $8.2 million since 2021. The 2023 decrease of $4.2 million from 2022 is comprised of the following:

- Net tuition and fee income decreased by $5.1 million due to a reduction of enrollment from Fall 2021 to Fall 2022 of 9,459 students to 8,658 students. Tuition and fees declined by $6.6 million and the scholarship allowances also declined by $1.3 million. In addition, the University drew down from the CARES Act $1.4 million for lost tuition and fees for Fall 2022 (see non-operating grants and contracts).
- Net auxiliary enterprises fees and services revenue increased by $0.3 million. Auxiliary enterprises fees and services increased $1.7 million as housing occupancy increased. Scholarship allowances increased by $1.5 million which reflects first year campus housing awards.
- Grants and contracts increased by $1 million due to increased private grant activity from the Lilly Endowment grants and ISU Foundation scholarships reimbursements.
- Other operating revenues decreased by $0.4 million reflecting reduced Blumberg Center and Early Childhood Center income.

Net non-operating and other revenues decreased by $10.1 million in 2023 and by $6.7 million in 2022 for a total decrease of $16.8 million since 2021. Significant changes in non-operating revenues in 2023 were as follows:

- State appropriations increased $2.4 million reflecting the State of Indiana increase on the operating appropriations in 2023.
- Gifts increased by $0.5 million reflecting increased ISU Foundation support.
- Investment income increased by $13.3 million from 2022; however, interest rate increases continued to cause lower bond prices that are reflected in 2023 totals.
- Non-operating grants and contracts revenue declined by $25.1 million. A total of $3.5 million of ARPA, including Strengthening Institutions Program (SIP) were drawn in fiscal year 2023. This consisted of $1.4 million of lost Fall 22 and Spring 23 tuition, COVID testing of $0.3 million and $1.8 million in Information and Technology costs. This is a decrease from the $28.1 million drawn in 2022. The total amount of $55.7 million of CARES, CRRSAA, and ARPA were drawn from 2021 to 2023 as these funds have been exhausted.
- Other non-operating revenues increased by $0.1 million.
- Capital grants and gifts decreased by $2.1 reflecting the Hulman Center scoreboard and softball renovations received in 2022.

A comparative summary of the University's expenses for the years ended June 30, 2023, 2022 and 2021 is as follows:

| Operating and Non-Operating Expenses (Dollars in Millions) | | | |
|---|---|---|---|
| | 2023 | 2022 | Restated 2021 |
| **Operating** | | | |
| Compensation and employee benefits | $ 124.3 | $ 130.8 | $ 128.6 |
| Supplies and expenses | 58.2 | 57.0 | 50.3 |
| Utilities | 12.5 | 9.7 | 9.3 |
| Scholarships and fellowships | 10.3 | 24.8 | 17.9 |
| Depreciation | 22.2 | 22.2 | 21.9 |
| **Total operating expenses** | **$ 227.5** | **$ 244.5** | **$ 228.0** |
| **Non-operating** | | | |
| Interest on capital asset related debt | $ 7.1 | $ 7.4 | $ 8.6 |
| Other non-operating expenses | - | 0.3 | 0.2 |
| **Total non-operating expenses** | **$ 7.1** | **$ 7.7** | **$ 8.8** |
| **Total expenses** | **$ 234.6** | **$ 252.2** | **$ 236.8** |

Total operating expenses decreased by $0.5 million from $228 million in 2021 to $227.5 million in 2023. The $17.0 million decrease of operating expense from 2022 to 2023 is attributed to the following:

- Net compensation and employee benefits decreased by $6.5 million. Compensation and employees expense reduced by $2.3 million as a result of reduced administrative, non-exempt and instructional salaries, as positions were reallocated or held open to offset revenue shortfalls. The OPEB expense decreased by $4.1 million as a result of decreased VEBA values, changes in plan design, and change in plan assumptions.
- Supplies and expenses increased by $1.1 million due to increased travel, office supplies, professional services, and maintenance.
- Scholarships and fellowships decreased by $14.5 million in 2023 reflecting the $14.7 million of CRRSAA and ARPA funds distributed to eligible students in fiscal year 2022 not available in 2023.
- Utilities increased by $2.8 million as Duke Energy passed on a fuel surcharge of 30 percent on electrical rates. Natural gas and water usage also increased.
- Depreciation expense remained stable for 2023.

Indiana State University continues to make compensation and employee benefits a top priority. These expenses represent 54.7 percent of total University operating expense.

Non-operating expenses decreased by $0.6 million as interest on capital related debt decreased, and no bonds were issued in 2023.

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

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, 2023, 2022, and 2021 is as follows:

| Expenses by Function (Dollars in Millions) | | | |
|---|---|---|---|
| | **2023** | **2022** | **Restated 2021** |
| **Operating** | | | |
| Instruction | $ 63.4 | $ 67.0 | $ 67.4 |
| Research | 11.6 | 12.3 | 7.4 |
| Public service | 2.7 | 2.6 | 3.7 |
| Academic support | 17.1 | 17.3 | 17.3 |
| Student services | 14.2 | 14.3 | 12.6 |
| Institutional support | 18.2 | 18.3 | 17.7 |
| Operation of plant | 32.1 | 30.5 | 29.6 |
| Scholarships | 11.4 | 25.9 | 19.1 |
| Auxiliary enterprises | 34.5 | 34.0 | 31.3 |
| Depreciation | 22.2 | 22.3 | 21.9 |
| | **$ 227.4** | **$ 244.5** | **$ 228.0** |

## 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.

## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

First-time freshman enrollment increased for a second straight year in the Fall of 2023. The freshman class of first-time, full-time students is 1,568, a two percent increase over the prior year. This represents an increase in the last two years of approximately 10 percent. The Fall 2023 semester total enrollment is 8,305. Overall, the University welcomed 2,584 new students from 43 states and 40 countries.

Enrollment in the Honors College remains strong with 22 percent of new freshman qualifying as honors students. Of the new freshman class, 349 are enrolled in the Honors College program, shattering last year's record. The one-year retention rate increased to 69 percent, four percentage points higher than the previous year.

The Be So BOLD Campaign for Indiana State University was publicly launched in September 2022 with a goal to raise $100 million by June 30, 2025. The fundraising campaign has four priorities: scholarships, experiential learning, faculty excellence, and Sycamore Athletics. The University announced the achievement of an unprecedented milestone of raising over $30 million in fiscal year 2022-23. This marks the highest annual fundraising amount in the University's history and the first time the $30 million mark was surpassed in any given year. As of June 30, 2023, the Be So BOLD Campaign has raised 92 percent of the $100 million goal. Included in the $30 million amount raised during 2022-23 is an $8 million gift to name the College of Engineering and Technology. This donation includes funds to create student scholarships, faculty fellowships, and a Dean's fund, with a goal of attracting students and faculty. The College was renamed the Bailey College of Engineering and Technology in recognition of Steve and Gloria Bailey.

An updated Campus Master Plan finalized in 2022-23 outlines physical improvements to several key areas including academic facilities, athletic venues, and student housing. As a part of the Master Plan, a $66 million project to renovate the Bailey College of Engineering and Technology facilities will begin in the summer of 2024. The project is funded through a cash appropriation authorized by the State of Indiana in the 2023-25 state budget. Completion of the renovation project is anticipated in late 2026.

The State of Indiana adopted a new outcomes based performance funding model as a part of the 2023-25 biennial budget. The goals of this new funding model are to increase the number of Hoosiers with a post-secondary credential by improving the high school college going rate as well as increasing the number of adult learners. Also improving the overall college graduation rate and retention of graduates who stay in Indiana are other measured outcomes. The 2023-25 budget cycle is a transitional period of phasing in the new performance based funding. Full implementation is expected in the subsequent biennium.

Working with state and community partners, improving childcare accessibility in the West Central Indiana region is a priority. The University has created strategic partnerships with the City of Terre Haute, Vigo County, and the Indiana Economic Development Corporation through its Regional Economic Acceleration and Development Initiative (READI) program to secure $5 million in funding for the renovation of a campus facility for use as an Early Childhood Development Center. This high-quality and researched based Center will provide pre-K learning for children while allowing parents to enter the workforce knowing their child is well-cared for.

On October 4, 2023, the 12th President of Indiana State University, Dr. Deborah J. Curtis, announced her retirement, effective June 30, 2024, after nearly 38 years in higher education. President Curtis is only the second alumnus in ISU history to hold the position and the first woman to serve as President. A search for the 13th President of Indiana State University will begin immediately.

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

# Indiana State University
## Statement of Net Position
As of June 30, 2023 and June 30, 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 5,320,918 | $ 18,843,151 |
| Short-term investments | 11,110,946 | 17,636,845 |
| Accrued interest | 795,401 | 669,166 |
| Accounts receivable (net of allowance of $7,138,294 for 2023 and $6,838,310 for 2022) | 13,556,878 | 12,867,864 |
| Other accounts receivable | 499,420 | 2,657,774 |
| Grants receivable | 1,131,581 | 852,485 |
| Notes receivable | 880,782 | 2,087,206 |
| Lease receivable | 176,272 | 182,411 |
| Prepaid expenses | 2,460,059 | 2,927,492 |
| Total current assets | $ 35,932,257 | $ 58,724,394 |
| Non-current assets | | |
| Endowment investments—held in trust | $ 758,997 | $ 727,110 |
| Deposits with bond trustee | 72,693 | 35,598 |
| Notes receivable (net of allowance of $173,464 for 2023 and $329,312 for 2022) | 680,403 | 876,601 |
| Lease receivable | 1,655,974 | 1,832,245 |
| Other long-term investments | 115,438,562 | 107,656,409 |
| Net OPEB asset | 37,180,687 | 35,887,182 |
| Capital assets (net of accumulated depreciation of $368,301,550 for 2023 and $354,211,828 for 2022) | 538,285,246 | 551,648,848 |
| Lease Asset (net of accumulated amortization of $8,619,380 for 2023 and $7,257,251 for 2022) | 23,872,996 | 24,792,768 |
| Total non-current assets | $ 717,945,558 | $ 723,456,761 |
| **TOTAL ASSETS** | $ 753,877,815 | $ 782,181,155 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred outflows related to pensions | $ 4,049,987 | $ 3,836,064 |
| Deferred outflows related to OPEB | 8,167,902 | 9,745,481 |
| Total deferred outflows of resources | $ 12,217,889 | $ 13,581,545 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable | $ 5,338,888 | $ 2,777,227 |
| Accrued payroll and deductions | 2,835,586 | 3,292,813 |
| Unearned revenue | 5,619,891 | 5,144,102 |
| Other current liabilities | 5,065,421 | 4,750,806 |
| Bonds payable | 15,592,670 | 15,012,670 |
| Compensated absences and termination benefits | 4,359,892 | 4,059,385 |
| Lease payable | 1,915,064 | 1,831,666 |
| Notes payable | 6,094 | 108,545 |
| Debt interest payable | 1,991,790 | 2,141,948 |
| Total current liabilities | $ 42,725,296 | $ 39,119,162 |
| Non-current liabilities | | |
| Bonds payable | $ 191,274,377 | $ 206,867,047 |
| Compensated absences and termination benefits | 42,277 | 112,691 |
| Lease payable | 24,867,596 | 25,615,807 |
| Notes payable | - | 7,268 |
| Net pension liability | 8,597,661 | 3,957,938 |
| Advances from Federal Government | 1,562,970 | 3,153,879 |
| Total non-current liabilities | $ 226,344,881 | $ 239,714,630 |
| **TOTAL LIABILITIES** | $ 269,070,177 | $ 278,833,792 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred service concession arrangement | $ 1,158,271 | $ 1,303,055 |
| Deferred gain on early retirement of debt | 510,776 | 556,146 |
| Deferred inflows related to lease receivable | 2,020,717 | 2,014,656 |
| Deferred inflows related to pensions | 1,777,684 | 7,598,295 |
| Deferred inflows related to OPEB | 1,934,353 | - |
| Total deferred inflows of resources | $ 7,401,801 | $ 11,472,152 |
| **NET POSITION** | | |
| Net investment in capital assets | $ 327,592,273 | $ 328,540,782 |
| Restricted for: | | |
| Non-expendable: | | |
| Scholarships and fellowships | 758,997 | 727,110 |
| Expendable: | | |
| Research and other grants | 60,622 | 172,809 |
| Loans | 1,656,085 | 1,549,958 |
| Capital projects | 2,623,867 | 5,092,262 |
| Unrestricted | 156,931,882 | 169,373,835 |
| **TOTAL NET POSITION** | $ 489,623,726 | $ 505,456,756 |

*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, 2023 and June 30, 2022

| | 2023 | 2022 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Tuition and fees | $ 75,628,493 | $ 82,245,819 |
| Scholarship allowances for tuition and fees | (29,358,164) | (30,702,292) |
| Other allowances | (797,521) | (984,798) |
| Net tuition and fees | 45,472,808 | 50,558,729 |
| Federal grants and contracts | 4,932,858 | 4,944,233 |
| State and local grants and contracts | 392,378 | 213,307 |
| Non-governmental grants and contracts | 6,598,200 | 5,716,224 |
| Auxiliary enterprises fees and services | 48,154,930 | 46,420,203 |
| Scholarship allowances for room and board | (12,503,331) | (11,051,238) |
| Other allowances | (628,397) | (607,781) |
| Net auxiliary enterprises fees and services | 35,023,202 | 34,761,184 |
| Other operating revenues | 3,483,287 | 3,913,396 |
| Total operating revenues | $ 95,902,733 | $ 100,107,073 |
| **EXPENSES** | | |
| Compensation and employee benefits | $ 122,105,120 | $ 124,445,236 |
| OPEB Expense | 2,218,427 | 6,336,911 |
| Net compensation and benefits | 124,323,547 | 130,782,147 |
| Supplies and expenses | 58,153,064 | 57,069,670 |
| Utilities | 12,463,820 | 9,695,022 |
| Scholarships and fellowships | 10,256,784 | 24,751,742 |
| Depreciation | 22,280,014 | 22,258,671 |
| Total operating expenses | $ 227,477,229 | $ 244,557,252 |
| Operating loss | $ (131,574,496) | $ (144,450,179) |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| State appropriations | $ 87,000,297 | $ 84,558,506 |
| Gifts | 1,088,882 | 625,685 |
| Investment income (net of investment expenses of $447,640 for 2023 and $487,077 for 2022) | 175,044 | (13,171,198) |
| Interest on capital asset-related debt | (7,108,586) | (7,408,913) |
| Non-operating grants and contracts | 31,251,017 | 56,305,231 |
| Other non-operating revenues | 1,668,725 | 1,542,200 |
| Other non-operating expenses | - | (313,033) |
| Net non-operating revenues | $ 114,075,379 | $ 122,138,478 |
| Income (loss) before other revenues, expenses, gains, or losses | $ (17,499,117) | $ (22,311,701) |
| Capital appropriations | $ 1,504,289 | $ 1,504,289 |
| Capital grants and gifts | 161,798 | 2,291,877 |
| Total other revenues | $ 1,666,087 | $ 3,796,166 |
| Increase (decrease) in net position | $ (15,833,030) | $ (18,515,535) |
| **NET POSITION** | | |
| Net position—beginning of year | $ 505,456,756 | $ 523,972,291 |
| Net position—end of year | $ 489,623,726 | $ 505,456,756 |

*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, 2023 and June 30, 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Tuition and fees | $ 44,130,376 | $ 51,861,314 |
| Grants and contracts | 10,390,833 | 10,386,939 |
| Auxiliary enterprises | 33,862,745 | 32,588,713 |
| Payments to suppliers | (69,160,213) | (69,769,960) |
| Payments to employees | (65,474,175) | (66,582,726) |
| Payments for benefits | (56,546,829) | (58,460,644) |
| Payments to students | (8,363,038) | (23,932,025) |
| Return of Perkins loan funds | (708,126) | (884,946) |
| Student loans collected | 526,779 | 950,359 |
| Other receipts | 4,809,345 | 4,658,960 |
| Net cash used by operating activities | $ (106,532,303) | $ (119,184,016) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | |
| State appropriations | $ 87,000,297 | $ 84,564,641 |
| Direct loan program receipts | 13,452,217 | 15,210,137 |
| Direct loan program disbursements | (13,452,217) | (15,210,137) |
| Non-operating grants and contracts | 31,394,521 | 60,086,712 |
| Gifts and other non-operating income | 2,248,197 | 1,853,688 |
| Net cash provided by non-capital financing activities | $ 120,643,015 | $ 146,505,041 |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Capital appropriations received | $ 1,504,289 | $ 1,504,289 |
| Capital gifts and grants received | 2,225,936 | 159,217 |
| Proceeds from bond issue | - | 329,377 |
| Costs of issuance | - | (313,033) |
| Cash paid for capital assets | (7,283,550) | (14,543,635) |
| Principal and interest paid on capital debt and leases | (23,712,898) | (23,239,670) |
| Net cash used by capital financing activities | $ (27,266,223) | $ (36,103,455) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sale of investments | $ 10,680,278 | $ 15,132 |
| Income from investing activities | 256,434 | (197,640) |
| Purchase of investments | (11,303,434) | (5,139,224) |
| Net cash provided by (used by) investing activities | $ (366,722) | $ (5,321,732) |
| Net decrease in cash and cash equivalents | $ (13,522,233) | $ (14,104,162) |
| Cash and cash equivalents—beginning of year | $ 18,843,151 | $ 32,947,313 |
| Cash and cash equivalents—end of year | $ 5,320,918 | $ 18,843,151 |

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

| | 2023 | 2022 |
|---|---|---|
| Operating Loss | $ (131,574,496) | $ (144,450,179) |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation expense | 22,280,014 | 22,258,671 |
| Other non-cash adjustments | 296,284 | 4,135,892 |
| Return of Perkins loan funds | (708,126) | (884,946) |
| Changes in current assets and current liabilities | | |
| Accounts receivable | (689,014) | 1,402,369 |
| Grants receivable | (279,096) | (44,484) |
| Notes receivable | 1,206,424 | 297,956 |
| Lease receivable | 6,139 | 6,061 |
| Prepaid expenses | 467,433 | (792,282) |
| Inventories | - | 7,409 |
| Accounts payable | 1,895,211 | (537,116) |
| Accrued payroll and deductions | (457,227) | (298,280) |
| Unearned revenue | 475,789 | (458,983) |
| Other liabilities | 314,615 | (409,332) |
| Compensated absences | 300,507 | 354,871 |
| Lease payable | 83,398 | 227,720 |
| Notes payable | (150,158) | 637 |
| Net cash used by operating activities | $ (106,532,303) | $ (119,184,016) |

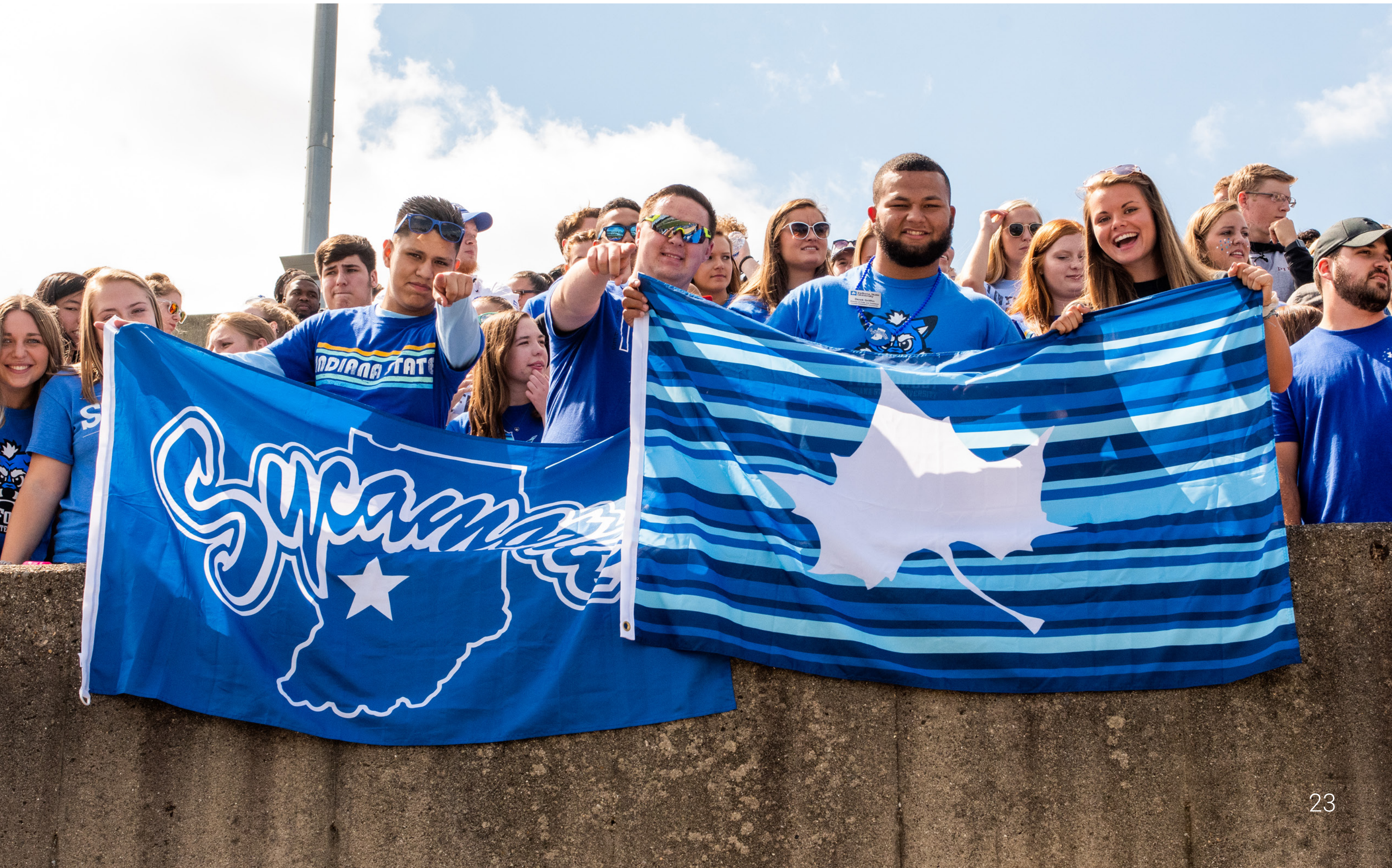
*The accompanying notes to financial statements are an integral part of this statement.*

**Indiana State University Foundation, Inc.**

# Consolidated Statements of Financial Position

June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 2,509,651 | $ 10,076,207 |
| Due from Indiana State University | 5,908 | 29,389 |
| Other assets | 427,234 | 634,915 |
| Property held for future use | - | 3,230 |
| Investments | 112,299,076 | 93,671,029 |
| Contributions receivable, net | 7,985,304 | 5,963,536 |
| Investments held in split-interest agreements | 420,106 | 462,754 |
| Beneficial interest in remainder trusts | 930,936 | 861,968 |
| Right-of-use assets – operating leases | 2,164,747 | - |
| Property and equipment, net | 483,623 | 532,360 |
| Beneficial interest in perpetual trusts | 1,663,040 | 1,723,574 |
| Total assets | $ 128,889,625 | $ 113,958,962 |
| **LIABILITIES** | | |
| Accounts payable | $ 477,365 | $ 2,686,711 |
| Due to Indiana State University | 758,997 | 727,110 |
| Note payable | 3,316,431 | 4,262,446 |
| Operating lease liability | 2,164,747 | - |
| Split-interest agreement obligations | 958,749 | 1,027,742 |
| Total liabilities | 7,676,289 | 8,704,009 |
| **NET ASSETS** | | |
| Without donor restrictions | 10,061,573 | 5,480,116 |
| With donor restrictions | 111,151,763 | 99,774,837 |
| Total net assets | 121,213,336 | 105,254,953 |
| Total liabilities and net assets | $ 128,889,625 | $ 113,958,962 |



# Indiana State University Foundation, Inc.

## Consolidated Statements of Activities

Years Ended June 30, 2023 and 2022

**2023**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | |
| Contributions | $ 2,387,803 | $ 11,984,522 | $ 14,372,325 |
| Investment return | | | |
| Interest and dividends | 854,338 | 1,411,829 | 2,266,167 |
| Net realized and unrealized gains (losses) | 2,367,570 | 5,294,204 | 7,661,774 |
| Total investment return | 3,221,908 | 6,706,033 | 9,927,941 |
| Nongift and other income | (123) | 835,118 | 834,995 |
| Change in value of split-interest agreements | (27,270) | 45,619 | 18,349 |
| Endowment administration fee | 1,058,085 | (1,058,085) | - |
| Intercompany transfers | 83,466 | (83,466) | - |
| | 6,723,869 | 18,429,741 | 25,153,610 |
| Net assets released from restrictions | 7,052,815 | (7,052,815) | - |
| Total revenues, gains and other support | 13,776,684 | 11,376,926 | 25,153,610 |
| **EXPENSES** | | | |
| Scholarships and awards | 2,025,862 | - | 2,025,862 |
| Restricted and designated expenditures | 5,391,468 | - | 5,391,468 |
| Total program services | 7,417,330 | - | 7,417,330 |
| Foundation operations | 985,198 | - | 985,198 |
| Sycamore operations | 150 | - | 150 |
| Development and CEO | 708,492 | - | 708,492 |
| Alumni affairs | 84,057 | - | 84,057 |
| Total expenses | 9,195,227 | - | 9,195,227 |
| **CHANGE IN NET ASSETS** | 4,581,457 | 11,376,926 | 15,958,383 |
| **NET ASSETS, BEGINNING OF YEAR** | 5,480,116 | 99,774,837 | 105,254,953 |
| **NET ASSETS, END OF YEAR** | $ 10,061,573 | $ 111,151,763 | $ 121,213,336 |

**2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | |
| Contributions | $ 620,868 | $ 13,094,648 | $ 13,715,516 |
| Investment return | | | |
| Interest and dividends | 752,413 | 1,486,943 | 2,239,356 |
| Net realized and unrealized gains (losses) | (4,613,106) | (11,163,985) | (15,777,091) |
| Total investment return | (3,860,693) | (9,677,042) | (13,537,735) |
| Nongift and other income | 2,356 | 773,598 | 775,954 |
| Change in value of split-interest agreements | 101,842 | (162,872) | (61,030) |
| Endowment administration fee | 945,882 | (945,882) | - |
| Intercompany transfers | 23,907 | (23,907) | - |
| | (2,165,838) | 3,058,543 | 892,705 |
| Net assets released from restrictions | 7,536,368 | (7,536,368) | - |
| Total revenues, gains and other support | 5,370,530 | (4,477,825) | 892,705 |
| **EXPENSES** | | | |
| Scholarships and awards | 1,664,688 | - | 1,664,688 |
| Restricted and designated expenditures | 6,461,830 | - | 6,461,830 |
| Total program services | 8,126,518 | - | 8,126,518 |
| Foundation operations | 992,635 | - | 992,635 |
| Sycamore operations | 5,223 | - | 5,223 |
| Development and CEO | 705,225 | - | 705,225 |
| Alumni affairs | 84,001 | - | 84,001 |
| Total expenses | 9,913,602 | - | 9,913,602 |
| **CHANGE IN NET ASSETS** | (4,543,072) | (4,477,825) | (9,020,897) |
| **NET ASSETS, BEGINNING OF YEAR** | 10,023,188 | 104,252,662 | 114,275,850 |
| **NET ASSETS, END OF YEAR** | $ 5,480,116 | $ 99,774,837 | $ 105,254,953 |

## Indiana State University Foundation, Inc.

# Consolidated Statements of Cash Flows

Years Ended June 30, 2023 and 2022

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Change in net assets | $ | 15,958,383 | $ | (9,020,897) |
| Items not requiring (providing) cash | | | | |
| Depreciation and amortization | | 65,551 | | 62,272 |
| Provision for uncollectible contributions receivable | | 36,378 | | 76,080 |
| Net realized and unrealized (gains) losses on investments | | (7,661,774) | | 15,777,091 |
| Contributions restricted for long-term investment | | (5,461,976) | | (5,400,111) |
| Changes in | | | | |
| Contributions receivable | | (2,058,146) | | (1,143,151) |
| Due from Indiana State University | | 23,481 | | 2,035 |
| Other assets | | 207,681 | | (79,467) |
| Accounts payable | | (2,209,346) | | 2,062,184 |
| Due to Indiana State University | | 31,887 | | (126,813) |
| Value of split-interest agreements | | (95,313) | | 55,892 |
| Net cash provided by (used in) operating activities | | (1,163,194) | | 2,265,115 |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of investments | | (23,405,300) | | (28,648,732) |
| Sales and maturities of investments | | 12,499,561 | | 16,615,824 |
| Proceeds from the sale of property and equipment held for future use | | 3,230 | | - |
| Purchase of property and equipment | | (16,814) | | (24,777) |
| Net cash used in investing activities | | (10,919,323) | | (12,057,685) |
| **FINANCING ACTIVITIES** | | | | |
| Repayments of note payable | | (946,015) | | (792,553) |
| Proceeds from contributions restricted for investments in permanent endowment | | 5,461,976 | | 5,400,111 |
| Net cash provided by financing activities | | 4,515,961 | | 4,607,558 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (7,566,556) | | (5,185,012) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | | 10,076,207 | | 15,261,219 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ | 2,509,651 | $ | 10,076,207 |
| **SUPPLEMENTAL CASH FLOWS INFORMATION** | | | | |
| Interest paid | $ | 85,112 | $ | 103,430 |
| Right-of-use assets reported at adoption of new lease standard | $ | 2,392,080 | | - |

**Indiana State University**

# Statement of Fiduciary Net Position

## Fiduciary Funds

As of June 30, 2023

| | Other Post-Employment Benefit (OPEB) Trust Funds | Custodial Funds | Total Fiduciary Activities |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 493,447 | $ 899,649 | $ 1,393,096 |
| Receivables: | | | |
| Accrued interest and dividends | 607,328 | - | 607,328 |
| Accounts receivable | - | - | - |
| Total receivables | $ 607,328 | $ - | $ 607,328 |
| Investments at fair value: | | | |
| Short-term investments | $ 1,875,292 | $ - | $ 1,875,292 |
| Long-term investments | 56,589,565 | - | 56,589,565 |
| Pooled investment funds | 37,125,551 | - | 37,125,551 |
| Total investments | $ 95,590,408 | $ - | $ 95,590,408 |
| **TOTAL ASSETS** | $ 96,691,183 | $ 899,649 | $ 97,590,832 |
| **LIABILITIES** | | | |
| Accounts payable | $ - | $ 880 | $ 880 |
| **TOTAL LIABILITIES** | $ - | $ 880 | $ 880 |
| **NET POSITION** | | | |
| Restricted for: | | | |
| Post-employment benefits other than pensions | $ 96,691,183 | $ - | $ 96,691,183 |
| Student and faculty organizations | - | 898,769 | 898,769 |
| **TOTAL NET POSITION** | $ 96,691,183 | $ 898,769 | $ 97,589,952 |

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

**Indiana State University**

# Statement of Fiduciary Net Position

## Fiduciary Funds

As of June 30, 2022

| | Other Post-Employment Benefit (OPEB) Trust Funds | Custodial Funds | Total Fiduciary Activities |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 1,595,705 | $ 933,793 | $ 2,529,498 |
| Receivables: | | | |
| Accrued interest and dividends | 700,343 | - | 700,343 |
| Accounts receivable | - | 21,563 | 21,563 |
| Total receivables | $ 700,343 | $ 21,563 | $ 721,906 |
| Investments at fair value: | | | |
| Short-term investments | $ 711,354 | $ - | $ 711,354 |
| Long-term investments | 58,004,674 | - | 58,004,674 |
| Pooled investment funds | 36,559,969 | - | 36,559,969 |
| Total investments | $ 95,275,997 | $ - | $ 95,275,997 |
| **TOTAL ASSETS** | $ 97,572,045 | $ 955,356 | $ 98,527,401 |
| **LIABILITIES** | | | |
| Accounts payable | $ 100,000 | $ 6,000 | $ 106,000 |
| **TOTAL LIABILITIES** | $ 100,000 | $ 6,000 | $ 106,000 |
| **NET POSITION** | | | |
| Restricted for: | | | |
| Post-employment benefits other than pensions | $ 97,472,045 | $ - | $ 97,472,045 |
| Student and faculty organizations | - | 949,356 | 949,356 |
| **TOTAL NET POSITION** | $ 97,472,045 | $ 949,356 | $ 98,421,401 |

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

**Indiana State University**

# Statement of Changes in Fiduciary Net Position

## Fiduciary Funds

For the Year Ended June 30, 2023

| | Other Post-Employment Benefit (OPEB) Trust Funds | Custodial Funds | Total Fiduciary Activities |
|---|---|---|---|
| **ADDITIONS** | | | |
| Contributions: | | | |
| Contributions from the University | $ - | $ 98,172 | $ 98,172 |
| Contributions from student organizations | - | 152,124 | 152,124 |
| Contributions from participants | - | 84,546 | 84,546 |
| Contributions from faculty and staff organizations | - | 537 | 537 |
| Total contributions | $ - | $ 335,379 | $ 335,379 |
| Investment earnings: | | | |
| Net decrease in fair value of investments | $ (675,588) | $ - | $ (675,588) |
| Interest, dividends, and other | 3,270,507 | - | 3,270,507 |
| Accrued interest purchased | (93,424) | - | (93,424) |
| Net investment earnings | $ 2,501,495 | $ - | $ 2,501,495 |
| Total additions | $ 2,501,495 | $ 335,379 | $ 2,836,874 |
| **DEDUCTIONS** | | | |
| Medical, dental, and life insurance for retirees | $ 2,965,000 | $ - | $ 2,965,000 |
| Management fees | 317,357 | - | 317,357 |
| Other expenses | - | 385,966 | 385,966 |
| Total deductions | $ 3,282,357 | $ 385,966 | $ 3,668,323 |
| Net increase (decrease) in fiduciary net position | (780,862) | (50,587) | (831,449) |
| **NET POSITION** | | | |
| Beginning | $ 97,472,045 | $ 949,356 | $ 98,421,401 |
| Ending | $ 96,691,183 | $ 898,769 | $ 97,589,952 |

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

**Indiana State University**

# Statement of Changes in Fiduciary Net Position

## Fiduciary Funds

For the Year Ended June 30, 2022

| | Other Post-Employment Benefit (OPEB) Trust Funds | Custodial Funds | Total Fiduciary Activities |
|---|---|---|---|
| **ADDITIONS** | | | |
| Contributions: | | | |
| Contributions from the University | $ - | $ 44,190 | $ 44,190 |
| Contributions from student organizations | - | 139,029 | 139,029 |
| Contributions from participants | - | 183,187 | 183,187 |
| Contributions from faculty and staff organizations | - | 628 | 628 |
| Total contributions | $ - | $ 367,034 | $ 367,034 |
| Investment earnings: | | | |
| Net decrease in fair value of investments | $ (19,560,142) | $ - | $ (19,560,142) |
| Interest, dividends, and other | 3,343.400 | - | 3,343.400 |
| Accrued interest purchased | (259,483) | - | (259,483) |
| Net investment earnings | $ (16,476,225) | $ - | $ (16,476,225) |
| Total additions | $ (16,476,225) | $ 367,034 | $ (16,109,191) |
| **DEDUCTIONS** | | | |
| Medical, dental, and life insurance for retirees | $ 3,234,100 | $ - | $ 3,234,100 |
| Management fees | 365,034 | - | 365,034 |
| Other expenses | - | 304,292 | 304,292 |
| Total deductions | $ 3,599,134 | $ 304,292 | $ 3,903,426 |
| Net increase (decrease) in fiduciary net position | (20,075,359) | 62,742 | (20,012,617) |
| **NET POSITION** | | | |
| Beginning | $ 117,547,404 | $ 886,614 | $ 118,434,018 |
| Ending | $ 97,472,045 | $ 949,356 | $ 98,421,401 |

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

## 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 Annual Comprehensive 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 invests operating cash in investments with varying maturities. The University considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

### D. Investments

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

### E. Inventories

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

### F. Capital Assets

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

**Minimum Capitalization Value and Useful Life by Asset Types**

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

### G. Deferred Outflows of Resources

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

### H. Compensated Absences

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

### I. Net Pension Liability and Related Items

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Employees' Defined Benefit Account (PERF DB) and additions to/deductions from PERF DB's fiduciary net position have been determined on the same basis as they are reported by PERF DB. Indiana Public Retirement System financial reports have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### J. Deferred Inflows of Resources

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

### K. Net Position

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

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

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

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

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

### L. Restricted and Unrestricted Resources

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

### M. Operating Revenues and Expenses

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

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

### N. Scholarship Discounts and Other Allowances

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

### O. Non-Operating Revenues and Expenses

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

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

### P. Component Units

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

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

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting presentation for these differences.

During the years ended June 30, 2023 and June 30, 2022 the Foundation distributed $6,233,953 and $6,782,793, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office at 30 North 5th Street, Terre Haute, IN 47809.

### Q. New Accounting Pronouncements

Effective with fiscal year 2023, the University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Using this statement, the University will recognize a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. The subscription liability should initially be measured at the present value of the subscription payments expected to be made during the term. Future subscription payments should be discounted using an implicit or incremental borrowing rate. The subscription asset will be amortized over the length of the contract as an outflow of resources.

Each year, all potential subscriptions are analyzed to determine whether they are subject to the new accounting standard and whether the measurement calculation needs to be adjusted due to changes in the terms of the subscription. Due to the immaterial nature, no entries were posted as a result of GASB 96 for the years ended June 30, 2023 and 2022.

Effective with fiscal year 2022, the University implemented GASB Statement No. 87, *Leases*. This statement supersedes GASB Statement No, 62, and establishes new criteria for reporting lease activity requiring recognition of certain lease assets and liabilities that were previously classified as operating leases. Implementing the statement, a lessee is required to recognize a lease liability and an intangible right-to-use assets, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

## 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 | | | | |
|---|---|---|---|---|
| | | **2023** | | **2022** |
| Cash on hand | $ | 83,636 | $ | 83,836 |
| Deposits with financial institutions | | 2,792,124 | | 3,019,130 |
| Investments | | 129,753,663 | | 141,760,549 |
| | **$** | **132,629,423** | **$** | **144,863,515** |

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 2023 and 2022 are provided by the following tables showing the distribution of investments by maturity:

| University Investments and Maturities at June 30, 2023 | | | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less Than 1 Year** | **1-5 Years** | **6-10 Years** | **More Than 10 Years** |
| Cash on hand (petty cash) | $ 83,636 | $ 83,636 | $ - | $ - | $ - |
| Demand deposits | 2,792,124 | 2,792,124 | - | - | - |
| Money market funds | 2,182,163 | 2,182,163 | - | - | - |
| Certificates of deposit | 1,927,599 | 1,205,334 | 722,265 | - | - |
| Asset-backed securities | 10,724,470 | 67,223 | 7,897,520 | 1,399,140 | 1,360,587 |
| Collateralized mortgage obligations | 6,784,559 | 253,000 | 369,488 | 97,406 | 6,064,665 |
| Corporate bonds | 26,991,940 | 1,039,223 | 10,789,677 | 9,855,039 | 5,308,001 |
| Government agencies | 8,122,215 | 2,274,854 | 3,712,452 | 604,065 | 1,530,844 |
| Mortgage-backed securities | 13,826,367 | 3,561 | 822,218 | 588,626 | 12,411,962 |
| Municipal notes and bonds | 2,232,054 | 138,454 | 1,716,729 | 295,440 | 81,431 |
| Treasury notes and bonds | 39,155,941 | 5,848,953 | 4,903,657 | 17,119,423 | 11,283,908 |
| Foreign notes and bonds | 7,133,004 | 543,340 | 2,150,134 | 2,574,390 | 1,865,140 |
| Endowment investments held in trust | 758,997 | - | - | - | 758,997 |
| Pooled Fixed Income | 9,914,354 | - | - | - | 9,914,354 |
| | **$ 132,629,423** | **$ 16,431,865** | **$ 33,084,140** | **$ 32,533,529** | **$ 50,579,889** |

| University Investments and Maturities at June 30, 2022 | | | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less Than 1 Year** | **1-5 Years** | **6-10 Years** | **More Than 10 Years** |
| Cash on hand (petty cash) | $ 83,836 | $ 83,836 | $ - | $ - | $ - |
| Demand deposits | 3,019,130 | 3,019,130 | - | - | - |
| Money market funds | 15,740,185 | 15,740,185 | - | - | - |
| Certificates of deposit | 2,889,224 | 1,459,164 | 1,430,060 | - | - |
| Asset-backed securities | 8,329,064 | 152,602 | 6,200,277 | 624,452 | 1,351,733 |
| Collateralized mortgage obligations | 4,954,427 | 377,892 | 1,041,656 | - | 3,534,879 |
| Corporate bonds | 39,213,969 | 1,838,666 | 16,830,553 | 15,539,084 | 5,005,666 |
| Government agencies | 9,670,530 | 2,647,195 | 5,110,416 | 304,572 | 1,608,347 |
| Mortgage-backed securities | 11,417,671 | 131,334 | 24,717 | 535,469 | 10,726,151 |
| Municipal notes and bonds | 2,232,752 | 149,123 | 1,700,712 | 295,950 | 86,967 |
| Treasury notes and bonds | 39,351,714 | 10,734,995 | 13,677,115 | 7,850,133 | 7,089,471 |
| Foreign notes and bonds | 7,233,903 | 145,874 | 3,091,685 | 2,900,097 | 1,096,247 |
| Endowment investments held in trust | 727,110 | - | - | - | 727,110 |
| | **$ 144,863,515** | **$ 36,479,996** | **$ 49,107,191** | **$ 28,049,757** | **$ 31,226,571** |

## 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 | | |
|---|---|---|
| | **2023** | **2022** |
| **Mortgage-backed & asset-backed securities.** These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of the securities and makes the fair values of these securities highly sensitive to changes in interest rates. | $24,550,837 | $19,746,735 |
| **Callable bonds.** These securities are subject to be called or early redeemed by the issuing agency in periods of declining interest rates. The possible reduction in expected cash flows affects the fair value of these securities and makes the fair value of these securities more sensitive to changes in interest rates. | $19,201,987 | $29,864,851 |

## 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, 2023 | | | | | | |
|---|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **AAA** | **Aa** | **A** | **B or Lower** | **Not Rated** |
| Cash on hand (petty cash) | $ 83,636 | $ - | $ - | $ - | $ - | $ 83,636 |
| Demand deposits | 2,792,124 | - | - | - | - | 2,792,124 |
| Money market funds | 2,182,163 | - | - | - | - | 2,182,163 |
| Certificates of deposit | 1,927,599 | - | - | - | - | 1,927,599 |
| Asset-backed securities | 10,724,470 | 6,829,414 | 34,652 | 21,198 | - | 3,839,206 |
| Collateralized mortgage obligations | 6,784,559 | 4,641,567 | 63,725 | - | 197,640 | 1,881,627 |
| Corporate bonds | 26,991,940 | 262,404 | 1,372,334 | 12,199,988 | 12,350,863 | 806,351 |
| Government agencies | 8,122,215 | 6,832,321 | - | - | - | 1,289,894 |
| Mortgage-backed securities | 13,826,367 | 523,723 | - | - | - | 13,302,644 |
| Municipal notes and bonds | 2,232,054 | 484,158 | 595,909 | 238,203 | - | 913,784 |
| Treasury notes and bonds | 39,155,941 | 36,536,732 | - | - | - | 2,619,209 |
| Foreign notes and bonds | 7,133,004 | - | 193,286 | 1,185,039 | 3,210,654 | 2,544,025 |
| Endowment investments held in trust | 758,997 | - | - | - | - | 758,997 |
| Pooled Fixed Income | 9,914,354 | - | - | - | - | 9,914,354 |
| | **$ 132,629,423** | **$ 56,110,319** | **$ 2,259,906** | **$ 13,644,428** | **$ 15,759,157** | **$ 44,855,613** |

| Moody's Rating Scale at June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **AAA** | **Aa** | **A** | **B or Lower** | **Not Rated** |
| Cash on hand (petty cash) | $ 83,836 | $ - | $ - | $ - | $ - | $ 83,836 |
| Demand deposits | 3,019,130 | - | - | - | - | 3,019,130 |
| Money market funds | 15,740,185 | - | - | - | - | 15,740,185 |
| Certificates of deposit | 2,889,224 | - | - | - | - | 2,889,224 |
| Asset-backed securities | 8,329,064 | 4,714,465 | 109,146 | 22,878 | - | 3,482,575 |
| Collateralized mortgage obligations | 4,954,427 | 2,582,404 | 29,856 | - | 233,061 | 2,109,106 |
| Corporate bonds | 39,213,969 | 362,063 | 1,952,419 | 15,680,668 | 20,201,800 | 1,017,019 |
| Government agencies | 9,670,530 | 8,376,108 | - | - | - | 1,294,422 |
| Mortgage-backed securities | 11,417,671 | 227,861 | - | - | - | 11,189,810 |
| Municipal notes and bonds | 2,232,752 | 569,879 | 635,674 | - | - | 1,027,199 |
| Treasury notes and bonds | 39,351,714 | 32,830,874 | - | - | - | 6,520,840 |
| Foreign notes and bonds | 7,233,903 | - | 189,736 | 1,187,706 | 2,754,187 | 3,102,274 |
| Endowment investments held in trust | 727,110 | - | - | - | - | 727,110 |
| | **$ 144,863,515** | **$ 49,663,654** | **$ 2,916,831** | **$ 16,891,252** | **$ 23,189,048** | **$ 52,202,730** |

## 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, 2023, Columbus Unconstrained Bond Fund, totaling $9,914,354, represented five percent or more of total University investments. At June 30, 2022 investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent five percent or more of total University investments totaled zero.

## 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, 2023, $39,155,942 in U.S. Treasury Notes and Bonds, $8,122,214 in U.S. Government Agencies and $2,182,163 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, 2022, $39,351,714 in U.S. Treasury Notes and Bonds, $9,670,530 in U.S. Government Agencies and $15,740,185 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, 2023, and 2022, Indiana State University's deposits with financial institutions held in uncollateralized accounts were insured up to $250,000 by FDIC and in excess of $250,000 by the Indiana Public Deposits Fund. There were no Certificates of Deposits held in 2023 or 2022 covered under this fund. The University had less than six percent of investments that are made up of foreign currency in 2023 and 2022; therefore, the University's exposure to foreign currency risk is insignificant.

## Fair Value Measurements

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

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

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

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

Endowment investments held in trust are included in a pool of investments that use a mix of Level 1 and Level 2 inputs, and are thus reported at Level 2, the lowest level. The University’s fair value measurements of reoccurring investments as of June 30, 2023 and 2022 are presented below.

- 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, 2023 and 2022 are presented below.

| University Investments by Fair Value Level at June 30, 2023 | | | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** | **Cash** |
| Cash on hand (petty cash) | $ 83,636 | $ - | $ - | $ - | $ 83,636 |
| Demand deposits | 2,792,124 | - | - | - | 2,792,124 |
| Money market funds | 2,182,163 | - | 2,182,163 | - | - |
| Certificates of deposit | 1,927,599 | - | 1,927,599 | - | - |
| Asset-backed securities | 10,724,470 | - | 10,724,470 | - | - |
| Collateralized mortgage obligations | 6,784,559 | - | 6,784,559 | - | - |
| Corporate bonds | 26,991,940 | - | 26,991,940 | - | - |
| Government agencies | 8,122,215 | - | 8,122,215 | - | - |
| Mortgage-backed securities | 13,826,367 | - | 13,826,367 | - | - |
| Municipal notes and bonds | 2,232,054 | - | 2,232,054 | - | - |
| Treasury notes and bonds | 39,155,941 | - | 39,155,941 | - | - |
| Foreign notes and bonds | 7,133,004 | - | 7,133,004 | - | - |
| Endowment investments held in trust | 758,997 | - | 758,997 | - | - |
| Pooled Fixed Income | 9,914,354 | - | 9,914,354 | - | - |
| | **$ 132,629,423** | **$ -** | **$ 129,753,663** | **$ -** | **$ 2,875,760** |

| University Investments by Fair Value Level at June 30, 2022 | | | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** | **Cash** |
| Cash on hand (petty cash) | $ 83,836 | $ - | $ - | $ - | $ 83,836 |
| Demand deposits | 3,019,130 | - | - | - | 3,019,130 |
| Money market funds | 15,740,185 | - | 15,740,185 | - | - |
| Certificates of deposit | 2,889,224 | - | 2,889,224 | - | - |
| Asset-backed securities | 8,329,064 | - | 8,329,064 | - | - |
| Collateralized mortgage obligations | 4,954,427 | - | 4,954,427 | - | - |
| Corporate bonds | 39,213,969 | - | 39,213,969 | - | - |
| Government agencies | 9,670,531 | - | 9,670,531 | - | - |
| Mortgage-backed securities | 11,417,671 | - | 11,417,671 | - | - |
| Municipal notes and bonds | 2,232,752 | - | 2,232,752 | - | - |
| Treasury notes and bonds | 39,351,714 | - | 39,351,714 | - | - |
| Foreign notes and bonds | 7,233,902 | - | 7,233,902 | - | - |
| Endowment investments held in trust | 727,110 | - | 727,110 | - | - |
| | **$ 144,863,515** | **$ -** | **$ 141,760,549** | **$ -** | **$ 3,102,966** |

## NOTE 3. CAPITAL ASSETS

The changes in gross capital assets and accumulated depreciation for the fiscal years ending June 30, 2023 and 2022 are presented in the tables below:

| Capital Assets and Depreciation | Balance June 30, 2022 | Additions | Transfers | Deductions | Balance June 30, 2023 |
|---|---|---|---|---|---|
| **Capital assets not being depreciated** | | | | | |
| Land | $ 35,481,950 | $ - | $ 162,061 | $ - | $ 35,644,011 |
| Works of art | 2,425,752 | 4,200 | - | - | 2,429,952 |
| Construction in progress | 534,144 | 6,110,591 | (5,232,827) | (58,664) | 1,353,244 |
| | **$ 38,441,846** | **$ 6,114,791** | **$ (5,070,766)** | **$ (58,664)** | **$ 39,427,207** |
| **Capital assets being depreciated** | | | | | |
| Infrastructure | $ 37,025,486 | $ - | $ - | $ (3,694,521) | $ 33,330,965 |
| Land improvements | 43,260,114 | - | 61,741 | - | 43,321,855 |
| Buildings | 703,483,649 | - | 5,009,025 | (77,116) | 708,415,558 |
| Equipment | 81,996,251 | 1,587,408 | - | (2,005,776) | 81,577,883 |
| Capital lease assets | 32,050,020 | 442,356 | - | - | 32,492,376 |
| Leasehold improvements | 568,343 | - | - | - | 568,343 |
| | **$ 898,383,863** | **$ 2,029,764** | **$ 5,070,766** | **$ (5,777,413)** | **$ 899,706,980** |
| **Less accumulated depreciation** | | | | | |
| Infrastructure | $ (34,169,078) | $ (162,856) | $ - | $ 3,694,521 | $ (30,637,413) |
| Land improvements | (27,808,256) | (2,030,386) | - | - | (29,838,642) |
| Buildings | (218,045,055) | (16,180,374) | - | 105,642 | (234,119,787) |
| Equipment | (72,536,109) | (2,496,031) | - | 1,839,760 | (73,192,380) |
| Lease amortization | (7,257,252) | (1,362,128) | - | - | (8,619,380) |
| Leasehold improvements amortization | (568,343) | - | - | - | (568,343) |
| | **$ (360,384,093)** | **$ (22,231,775)** | **$ -** | **$ 5,639,923** | **$ (376,975,945)** |
| **Total capital assets being depreciated, net** | **$ 537,999,770** | **$ (20,202,011)** | **$ 5,070,766** | **$ (137,490)** | **$ 522,731,035** |
| **Total capital assets, net** | **$ 576,441,616** | **$ (14,087,220)** | **$ -** | **$ (196,154)** | **$ 562,158,242** |

| Capital Assets and Depreciation | Balance June 30, 2021 | Additions | Transfers | Deductions | Balance June 30, 2022 |
|---|---|---|---|---|---|
| **Capital assets not being depreciated** | | | | | |
| Land | $ 35,481,950 | $ - | $ - | $ - | $ 35,481,950 |
| Works of art | 2,329,384 | 96,368 | - | - | 2,425,752 |
| Construction in progress | 10,933,298 | 11,221,716 | (21,549,358) | (71,512) | 534,144 |
| | **$ 48,744,632** | **$ 11,318,084** | **$ (21,549,358)** | **$ (71,512)** | **$ 38,441,846** |
| **Capital assets being depreciated** | | | | | |
| Infrastructure | $ 36,320,370 | $ - | $ 705,116 | $ - | $ 37,025,486 |
| Land improvements | 42,678,242 | - | 581,872 | - | 43,260,114 |
| Buildings | 686,678,968 | - | 20,043,836 | (3,239,155) | 703,483,649 |
| Equipment | 83,921,642 | 899,590 | 218,534 | (3,043,515) | 81,996,251 |
| Capital lease assets | 32,647,356 | 1,448,611 | - | (2,045,947) | 32,050,020 |
| Leasehold improvements | 568,343 | - | - | - | 568,343 |
| | **$ 882,814,921** | **$ 2,348,201** | **$ 21,549,358** | **$ (8,328,617)** | **$ 898,383,863** |
| **Less accumulated depreciation** | | | | | |
| Infrastructure | $ (34,017,689) | $ (151,389) | $ - | $ - | $ (34,169,078) |
| Land improvements | (25,694,576) | (2,113,680) | - | - | (27,808,256) |
| Buildings | (204,157,926) | (16,092,953) | - | 2,205,824 | (218,045,055) |
| Equipment | (72,978,104) | (2,822,248) | - | 3,264,243 | (72,536,109) |
| Lease amortization | (8,019,585) | (1,185,744) | - | 1,948,077 | (7,257,252) |
| Leasehold improvements amortization | (568,343) | - | - | - | (568,343) |
| | **$ (345,436,223)** | **$ (22,366,014)** | **$ -** | **$ 7,418,144** | **$ (360,384,093)** |
| **Total capital assets being depreciated, net** | **$ 537,378,698** | **$ (20,017,813)** | **$ 21,549,358** | **$ (910,473)** | **$ 537,999,770** |
| **Total capital assets, net** | **$ 586,123,330** | **$ (8,699,729)** | **$ -** | **$ (981,985)** | **$ 576,441,616** |

A breakdown of significant projects included in construction in progress as of June 30, 2023 and 2022 are shown below:

| Construction Work in Progress | | |
|---|---|---|
| **Project** | | **June 30, 2023** |
| Science Fire Alarm System | $ | 679,732 |
| Science Chemical Storage Room | | 471,100 |
| Library Replace Doors | | 133,906 |
| Other Miscellaneous Projects | | 68,506 |
| | **$** | **1,353,244** |

| Construction Work in Progress | | |
|---|---|---|
| **Project** | | **June 30, 2022** |
| Central Chilled Water Plant Re-roof | $ | 164,533 |
| HMSU Tower Elevators | | 98,320 |
| Hulman Center Scoreboard | | 83,857 |
| Other Miscellaneous Projects | | 187,434 |
| | **$** | **534,144** |

## NOTE 4. LONG-TERM LIABILITIES

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

The changes in long-term liabilities for fiscal years ending June 30, 2023, and 2022 are as shown below:

| Long-Term Liabilities as of June 30, 2023 | | | | | |
|---|---|---|---|---|---|
| | **Balance July 1, 2022** | **Additions** | **Reductions** | **Balance June 30, 2023** | **Current Portion** |
| Bonds payable - public offering | $ 186,930,000 | $ - | $ 11,720,000 | $ 175,210,000 | $ 12,270,000 |
| Bonds payable - direct placement | 8,825,000 | - | 1,335,000 | 7,490,000 | 1,365,000 |
| Bond premiums | 26,124,717 | - | 1,957,670 | 24,167,047 | 1,957,670 |
| Lease payable | 27,447,473 | 442,356 | 1,107,169 | 26,782,660 | 1,915,064 |
| Notes payable | 115,813 | - | 109,719 | 6,094 | 6,094 |
| Compensated absences and termination benefits | 4,172,076 | 816,657 | 586,564 | 4,402,169 | 4,359,892 |
| Advances from Federal Government | 3,153,879 | - | 1,590,909 | 1,562,970 | - |
| **Total long-term liabilities** | **$ 256,768,958** | **$ 1,259,013** | **$ 18,407,031** | **$ 239,620,940** | **$ 21,873,720** |

| Long-Term Liabilities as of June 30, 2022 | | | | | |
|---|---|---|---|---|---|
| | **Balance July 1, 2021** | **Additions** | **Reductions** | **Balance June 30, 2022** | **Current Portion** |
| Bonds payable - public offering | $ 202,255,000 | $ 21,590,000 | $ 36,915,000 | $ 186,930,000 | $ 11,720,000 |
| Bonds payable - direct placement | 10,130,000 | - | 1,305,000 | 8,825,000 | 1,335,000 |
| Bond premiums | 24,486,381 | 4,723,873 | 3,085,537 | 26,124,717 | 1,957,670 |
| Lease payable | 26,876,867 | 1,499,727 | 929,121 | 27,447,473 | 1,831,666 |
| Notes payable | 129,720 | 85,424 | 99,331 | 115,813 | 108,545 |
| Compensated absences and termination benefits | 4,424,872 | 329,459 | 582,255 | 4,172,076 | 4,059,385 |
| Advances from Federal Government | 5,330,749 | - | 2,176,870 | 3,153,879 | - |
| **Total long-term liabilities** | **$ 273,633,589** | **$ 28,228,483** | **$ 45,093,114** | **$ 256,768,958** | **$ 21,012,266** |

## 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 2023 and 2022 were $11,051,288 and $11,044,480, respectively.

| Bonds Payable | Original Face Value | Issue Date | Interest Rate | Final Maturity Dates | Principal Outstanding June 30, 2023 | Principal Outstanding June 30, 2022 |
|---|---|---|---|---|---|---|
| **Student Fee Bonds** | | | | | | |
| Series N, Satellite Chiller & Science Laboratory Projects | $ 9,560,000 | 2010 | 1.0-6.64% | 2030 | $ 4,190,000 | $ 4,695,000 |
| Series Q, Refund Series K, L, and Partial M | 19,690,000 | 2015 | 2.58% | 2033 | 7,360,000 | 7,780,000 |
| Series R, College of Health and Human Services, Refund Series M & O | 83,845,000 | 2017 | 3.0-5.0% | 2036 | 54,325,000 | 59,160,000 |
| Series S, Hulman Center Renovation Project | 39,685,000 | 2018 | 4.0-5.0% | 2037 | 32,265,000 | 33,680,000 |
| Series T, Dreiser Hall Phase II | 15,600,000 | 2020 | 3.0-5.0% | 2040 | 13,670,000 | 14,180,000 |
| **Housing and Dining Revenue Bonds** | | | | | | |
| Series 2014, Sycamore Towers Phase 1 - Mills Hall Project | $ 16,405,000 | 2014 | 2.0-5.0% | 2034 | $ 10,505,000 | $ 11,240,000 |
| Series 2015, Sycamore Towers Phase 2 - Blumberg Hall Project | 16,270,000 | 2015 | 3.0-5.0% | 2035 | 11,090,000 | 11,800,000 |
| Series 2016, Sycamore Towers Phase 3 - Cromwell Hall Project | 14,135,000 | 2016 | 3.0-5.0% | 2036 | 10,490,000 | 11,065,000 |
| Series 2017, Sycamore Towers Phase 4 - Rhoads Hall Project | 14,190,000 | 2017 | 3.0-5.0% | 2038 | 11,820,000 | 12,340,000 |
| Series 2019, Sycamore Towers Dining, Refund Series 2009B | 12,735,000 | 2019 | 2.4% | 2031 | 7,490,000 | 8,825,000 |
| Series 2021, Refund Series 2010 & 2012 | 17,560,000 | 2021 | 4.0-5.0% | 2038 | 16,400,000 | 16,960,000 |
| Series 2022, Refund Series 2012 | 4,030,000 | 2022 | 5.00% | 2026 | 3,095,000 | 4,030,000 |
| **Bonds** | | | | | **$ 182,700,000** | **$ 195,755,000** |
| Premium | | | | | 24,167,047 | 26,124,716 |
| | | | | | **$ 206,867,047** | **$ 221,879,716** |

| Bonds Payable | Original Face Value | Issue Date | Interest Rate | Final Maturity Dates | Principal Outstanding June 30, 2022 | Principal Outstanding June 30, 2021 |
|---|---|---|---|---|---|---|
| **Student Fee Bonds** | | | | | | |
| Series N, Satellite Chiller & Science Laboratory Projects | $ 9,560,000 | 2010 | 1.0-6.64% | 2030 | $ 4,695,000 | $ 5,180,000 |
| Series Q, Refund Series K, L, and Partial M | 19,690,000 | 2015 | 2.58% | 2033 | 7,780,000 | 8,185,000 |
| Series R, College of Health and Human Services, Refund Series M & O | 83,845,000 | 2017 | 3.0-5.0% | 2036 | 59,160,000 | 63,760,000 |
| Series S, Hulman Center Renovation Project | 39,685,000 | 2018 | 4.0-5.0% | 2037 | 33,680,000 | 35,025,000 |
| Series T, Dreiser Hall Phase II | 15,600,000 | 2020 | 3.0-5.0% | 2040 | 14,180,000 | 14,665,000 |
| **Housing and Dining Revenue Bonds** | | | | | | |
| Series 2010, Pickerl Hall Renovation Project | $ 9,140,000 | 2010 | 1.43-5.41% | 2027 | $ - | $ 3,915,000 |
| Series 2012, Erickson Hall & Reeve Hall Projects | 28,740,000 | 2013 | 2.7-5.0% | 2038 | - | 22,660,000 |
| Series 2014, Sycamore Towers Phase 1 - Mills Hall Project | 16,405,000 | 2014 | 2.0-5.0% | 2034 | 11,240,000 | 11,945,000 |
| Series 2015, Sycamore Towers Phase 2 - Blumberg Hall Project | 16,270,000 | 2015 | 3.0-5.0% | 2035 | 11,800,000 | 12,475,000 |
| Series 2016, Sycamore Towers Phase 3 - Cromwell Hall Project | 14,135,000 | 2016 | 3.0-5.0% | 2036 | 11,065,000 | 11,610,000 |
| Series 2017, Sycamore Towers Phase 4 - Rhoads Hall Project | 14,190,000 | 2017 | 3.0-5.0% | 2038 | 12,340,000 | 12,835,000 |
| Series 2019, Sycamore Towers Dining, Refund Series 2009B | 12,735,000 | 2019 | 2.4% | 2031 | 8,825,000 | 10,130,000 |
| Series 2021, Refund Series 2010 & 2012 | 17,560,000 | 2021 | 4.0-5.0% | 2038 | 16,960,000 | - |
| Series 2022, Refund Series 2012 | 4,030,000 | 2022 | 5.00% | 2026 | 4,030,000 | - |
| **Bonds** | | | | | **$ 195,755,000** | **$ 212,385,000** |
| Premium | | | | | 26,124,717 | 24,486,381 |
| | | | | | **$ 221,879,717** | **$ 236,871,381** |

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.

| Debt Service Requirements as of June 30, 2023 | Bonds - Public Offering | | Bonds - Direct Placement | | |
|---|---|---|---|---|---|
| **Fiscal Year** | **Bond Principal** | **Bond Interest** | **Bond Principal** | **Bond Interest** | **Total** |
| 2024 | $ 12,290,000 | $ 7,630,528 | $ 1,365,000 | $ 179,760 | $ 21,465,288 |
| 2025 | 12,900,000 | 7,020,146 | 1,400,000 | 147,000 | 21,467,146 |
| 2026 | 13,055,000 | 6,409,757 | 1,430,000 | 113,400 | 21,008,157 |
| 2027 | 13,315,000 | 5,852,247 | 1,465,000 | 79,080 | 20,711,327 |
| 2028 | 11,380,000 | 5,286,762 | 440,000 | 43,920 | 17,150,682 |
| 2029-2033 | 62,625,000 | 17,792,626 | 1,390,000 | 67,320 | 81,874,946 |
| 2034-2038 | 47,495,000 | 4,916,028 | - | - | 52,411,028 |
| 2039-2043 | 2,150,000 | 81,525 | - | - | 2,231,525 |
| | **$ 175,210,000** | **$ 54,989,619** | **$ 7,490,000** | **$ 630,480** | **$ 238,320,099** |
| Net unamortized premium | 24,167,047 | - | - | - | 24,167,047 |
| | **$ 199,377,047** | **$ 54,989,619** | **$ 7,490,000** | **$ 630,480** | **$ 262,487,146** |

| Debt Service Requirements as of June 30, 2022 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Bonds - Public Offering | | | | Bonds - Direct Placement | | | | | |
| Fiscal Year | Bond Principal | | Bond Interest | | Bond Principal | | Bond Interest | | Total | |
| 2023 | $ | 11,720,000 | $ | 8,211,522 | $ | 1,335,000 | $ | 211,800 | $ | 21,478,322 |
| 2024 | | 12,290,000 | | 7,630,528 | | 1,365,000 | | 179,760 | | 21,465,288 |
| 2025 | | 12,900,000 | | 7,020,146 | | 1,400,000 | | 147,000 | | 21,467,146 |
| 2026 | | 13,055,000 | | 6,409,757 | | 1,430,000 | | 113,400 | | 21,008,157 |
| 2027 | | 13,315,000 | | 5,852,247 | | 1,465,000 | | 79,080 | | 20,711,327 |
| 2028-2032 | | 60,920,000 | | 20,655,754 | | 1,830,000 | | 111,240 | | 83,516,994 |
| 2033-2037 | | 54,100,000 | | 7,072,961 | | - | | - | | 61,172,961 |
| 2038-2042 | | 8,630,000 | | 348,225 | | - | | - | | 8,978,225 |
| | **$** | **186,930,000** | **$** | **63,201,140** | **$** | **8,825,000** | **$** | **842,280** | **$** | **259,798,420** |
| Net unamortized premium | | 26,124,717 | | - | | - | | - | | 26,124,717 |
| | **$** | **213,054,717** | **$** | **63,201,140** | **$** | **8,825,000** | **$** | **842,280** | **$** | **285,923,137** |

## NOTE 6. BOND ISSUES

There were no Housing and Dining Revenue Bonds issued by the University for fiscal year ending June 30, 2023.

### Indiana State University Housing and Dining Revenue Bonds, Series 2022

On January 4, 2022, the University issued Housing and Dining Revenue Bonds, Series 2022. This issue was tax-exempt with a true interest cost (TIC) of 1.67 percent. The proceeds of Series 2022 bonds include principal of $4,030,000 plus a bond premium of $480,435 for total proceeds of $4,510,435. Bond issuance costs of $51,685 were paid with bond proceeds, resulting in $4,458,750 to be used to refund Housing and Dining Revenue Bond, Series 2012 maturing April 1, 2023 through April 1, 2026.

### Refunding Housing and Dining Revenue Bonds, Series 2010 and Series 2012

The total of the Series 2022 Bond was issued by the University with a True Interest Cost of 1.67 percent to refund $4,458,750 of the outstanding Series 2012 Bond with an average coupon of 5.00 percent. The net proceeds of $4,458,750 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with escrow agent to provide for all future debt service payments on the Series 2012 Bond. The proceeds refunded $4,458,750 of outstanding Series 2012 Bonds that mature from October 1, 2021 through April 1, 2026.

As a result of this refunding, these bonds (Series 2010 and 2012) are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The refunding resulted in an accounting gain of $878,544. This amount will be amortized using the straight-line method and charged to interest expense over the next 16 years. This gain has been recognized on the Statement of Net Position as a deferred gain on early retirement of debt.

Indiana State University in effect reduced is aggregate debt service payment by $3,377,235 over the next 16 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $2,998,349.

## 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 | | |
|---|---|---|
| | 2023 | 2022 |
| Deferred Service Concession Arrangement beginning balance | $ 1,303,055 | $ 1,447,839 |
| Service Concession Arrangement additions | - | - |
| Revenue recognition for the fiscal year | (144,784) | (144,784) |
| **Deferred Service Concession Arrangement ending balance** | **$ 1,158,271** | **$ 1,303,055** |

## NOTE 8. LEASE PAYABLE

### Lessee Arrangements

The University has entered into lease agreements for equipment and facilities. Indiana State University classifies lease contracts that convey control of the right to use another entity's nonfinancial asset according to GASB Statement No. 87, *Leases*. As a result, arrangements that meet the criteria of GASB 87 are recognized as a lease liability and a lease asset, with lease assets being included in the Capital Asset category of the Statement of Financial Position. The lease asset and liability are measured at the present value of payments expected to be made during the lease term. GASB 87 was implemented in fiscal year 2022, with retroactive application for fiscal year 2021.

The amount of lease assets by major classes of underlying assets at June 30, 2023 and 2022, respectively are as follows:

| Lease Assets and Accumulated Amortization by Class of Asset as of June 30, 2023 | | | | |
|---|---|---|---|---|
| Description | Asset Classification | Gross Capital Lease Asset | Accumulated Amortization | Net Capital Lease Asset |
| Dorsett's Auto Sales- Vehicles | Equipment | $ 50,620 | $ 47,300 | $ 3,320 |
| CP Automotive Sales LLC- Vehicle | Equipment | 15,004 | 14,499 | 505 |
| Greenville Tractor & Turf- Tractor | Equipment | 82,067 | 10,919 | 71,148 |
| Ricoh USA, Inc.- Copiers | Equipment | 1,011,244 | 267,815 | 743,429 |
| **Equipment Total** | | $ 1,158,935 | $ 340,533 | $ 818,402 |
| West Ohio II Property Owner, LLC- Office Space | Building | $ 228,400 | $ 71,217 | $ 157,183 |
| Terre Haute International Airport Authority- Hangar & Office Space | Building | 868,474 | 144,545 | 723,929 |
| 500 Wabash Housing, LLC- Student Housing | Building | 30,236,567 | 8,063,085 | 22,173,482 |
| **Building Total** | | $ 31,333,441 | $ 8,278,847 | $ 23,054,594 |
| **Total Lease Assets** | | **$ 32,492,376** | **$ 8,619,380** | **$ 23,872,996** |

| Lease Assets and Accumulated Amortization by Class of Asset as of June 30, 2022 | | | | |
|---|---|---|---|---|
| Description | Asset Classification | Gross Capital Lease Asset | Accumulated Amortization | Net Capital Lease Asset |
| Dorsett's Auto Sales- Vehicles | Equipment | $ 50,620 | $ 30,419 | $ 20,201 |
| CP Automotive Sales LLC- Vehicle | Equipment | 15,004 | 9,447 | 5,557 |
| Greenville Tractor & Turf- Tractor | Equipment | 82,067 | 2,713 | 79,354 |
| Ricoh USA, Inc.- Copiers | Equipment | 568,888 | 73,186 | 495,702 |
| **Equipment Total** | | $ 716,579 | $ 115,765 | $ 600,814 |
| West Ohio II Property Owner, LLC- Office Space | Building | $ 228,400 | $ 14,116 | $ 214,284 |
| Terre Haute International Airport Authority- Hangar & Office Space | Building | 868,474 | 72,172 | 796,302 |
| 500 Wabash Housing, LLC- Student Housing | Building | 30,236,567 | 7,055,199 | 23,181,368 |
| **Building Total** | | $ 31,333,441 | $ 7,141,487 | $ 24,191,954 |
| **Total Lease Assets** | | **$ 32,050,020** | **$ 7,257,252** | **$ 24,792,768** |

The scheduled fiscal year maturities of lease liabilities and related interest expense at June 30, 2023 and 2022 is as follows:

| Lease Liability Principal & Interest Requirements to Maturity as of June 30, 2023 | | | |
|---|---|---|---|
| Fiscal Year(s) | Principal Payments | Interest Payments | Total Payments |
| 2024 | $ 1,128,127 | $ 786,937 | $ 1,915,064 |
| 2025 | 1,164,455 | 746,829 | 1,911,284 |
| 2026 | 1,211,743 | 705,041 | 1,916,784 |
| 2027 | 1,137,427 | 662,960 | 1,800,387 |
| 2028 | 1,012,935 | 628,451 | 1,641,386 |
| 2029-2033 | 5,531,759 | 2,709,688 | 8,241,447 |
| 2034-2038 | 5,851,993 | 1,823,207 | 7,675,200 |
| 2039-2043 | 6,757,208 | 917,992 | 7,675,200 |
| 2044-2048 | 2,987,013 | 83,066 | 3,070,079 |
| | $ 26,782,660 | $ 9,064,171 | $ 35,846,831 |

| Lease Liability Principal & Interest Requirements to Maturity as of June 30, 2022 | | | |
|---|---|---|---|
| Fiscal Year(s) | Principal Payments | Interest Payments | Total Payments |
| 2023 | $ 1,035,268 | $ 796,398 | $ 1,831,666 |
| 2024 | 1,047,184 | 762,892 | 1,810,076 |
| 2025 | 1,077,486 | 728,810 | 1,806,296 |
| 2026 | 1,118,299 | 693,497 | 1,811,796 |
| 2027 | 1,037,025 | 658,374 | 1,695,399 |
| 2028-2032 | 5,381,823 | 2,832,658 | 8,214,481 |
| 2033-2037 | 5,767,484 | 2,032,276 | 7,799,760 |
| 2038-2042 | 6,565,602 | 1,109,598 | 7,675,200 |
| 2043-2047 | 4,417,302 | 187,818 | 4,605,120 |
| | $ 27,447,473 | $ 9,802,321 | $ 37,249,794 |

### Lessor Arrangements

The University leases land to McLead USA for telecommunications use, space to Ricoh to provide equipment repair and maintenance services to the University, and space to the Indiana University School of Medicine-Terre Haute for its programs and purposes. In accordance with GASB Statement No. 87, *Leases*, the University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease. If the lease does not include a stated interest rate, municipal bond rate yield curves are used as the discount rate for calculating present value. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2023 and 2022, the University recognized revenue, including interest income, related to this lease agreement totaling $251,916 and $264,541, respectively.

## 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 64 employees enrolled in the program during the 2023 fiscal year at a cost of $1,454,008 and 61 employees enrolled in the program during the 2022 fiscal year at a cost of $1,659,867. Total termination benefits liability reported at June 30, 2023 was $816,658 and June 30, 2022 was $329,459.

## 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 $100,000. 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, 2023 and June 30, 2022 are included in current other liabilities. The liability is based on 25 percent of actual claims paid during the year, which represents a three-month average turnover period for claims processing. Changes in the balance of claims liabilities during the 2023 and 2022 fiscal years are as follows:

| Medical Claims Liabilities | | |
|---|---|---|
| | **2023** | **2022** |
| Unpaid medical claims- July 1 | $ 4,133,529 | $ 4,723,914 |
| Claims incurred | 15,693,611 | 15,943,729 |
| Claims paid | (15,861,712) | (16,534,114) |
| **Unpaid medical claims- June 30** | **$ 3,965,428** | **$ 4,133,529** |

## 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. 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 2023, Indiana State University did not commence any new obligations to remediate pollution. The outstanding obligation as of June 30, 2023 was zero.

## NOTE 13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

| Natural Classifications<br>Years Ended June 30, 2023 and June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Functional Classification** | **Compensation and Benefits** | **Supplies and Expenses** | **Utilities** | **Scholarships and Fellowships** | **Depreciation** | **2023 Total** | **2022 Total** |
| Instruction | $ 57,278,603 | $ 6,209,545 | $ - | $ - | $ - | $ 63,488,148 | $ 66,928,798 |
| Research | 6,301,131 | 5,243,036 | 7,331 | - | - | 11,551,498 | 12,318,822 |
| Public Service | 1,638,076 | 1,080,016 | - | - | - | 2,718,092 | 2,632,060 |
| Academic Support | 11,349,665 | 5,792,519 | - | - | - | 17,142,184 | 17,336,027 |
| Student Services | 10,701,190 | 3,460,412 | - | 28,666 | - | 14,190,268 | 14,340,212 |
| Institutional Support | 12,368,878 | 5,824,746 | - | - | - | 18,193,624 | 18,349,949 |
| Operation of Plant | 9,123,648 | 10,978,668 | 11,960,956 | - | - | 32,063,272 | 30,543,869 |
| Scholarships | 1,157,409 | - | - | 10,228,118 | - | 11,385,527 | 25,865,624 |
| Auxiliary | 14,404,947 | 19,564,122 | 495,533 | - | - | 34,464,602 | 33,983,220 |
| Depreciation | - | - | - | - | 22,280,014 | 22,280,014 | 22,258,671 |
| | **$ 124,323,547** | **$ 58,153,064** | **$ 12,463,820** | **$ 10,256,784** | **$ 22,280,014** | **$ 227,477,229** | **$ 244,557,252** |

## NOTE 14. 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 15. 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 2023 and 2022 are displayed below.

| TIAA-CREF Contributions | | |
|---|---|---|
| | **2023** | **2022** |
| University Contributions to Plan | $6,411,567 | $6,786,389 |
| Total Participating Employee Annual Salaries | $63,175,144 | $66,655,357 |
| Employee and Retiree Plan Participants | 845 | 889 |

### Non-exempt Staff

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

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

**Contribution Required** – Contributions to PERF DB are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11. The funding policy provides for employer contributions that are sufficient to fund pension benefits, which are actuarially determined. The University was required to contribute 11.2 percent of employees' gross earnings to the defined benefit plan in fiscal years 2023 and 2022. 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 2023 and 2022 are displayed below.

| PERF DB Contributions | | |
|---|---|---|
| | 2023 | 2022 |
| University Contributions to PERF DB Plan | $1,635,964 | $1,701,350 |
| University Contributions to Annuity Savings Accounts | $452,331 | $470,631 |
| Total Participating Employee Annual Salaries | $15,663,240 | $15,771,125 |
| Employee Plan Participants | 401 | 429 |

**Pension Liabilities** – For the fiscal years ending June 30, 2023 and June 30, 2022, the University reported liabilities of $8,597,661 and $3,957,938, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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, 2022 the University's portion was .27 percent.

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources** – Indiana State University recognized pension expense of $241,617 during fiscal year 2023 and income of $1,134,866 during fiscal year 2022. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources | | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 185,397 | $ 32,698 | $ 135,373 | $ 79,028 |
| Net difference between projected and actual investment earnings on pension plan investments | 1,061,042 | - | - | 5,139,021 |
| Change of assumptions | 1,164,510 | 367,837 | 1,990,869 | 889,028 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 3,074 | 1,377,149 | 8,472 | 1,491,218 |
| Contributions subsequent to the measurement date | 1,635,964 | - | 1,701,350 | - |
| | **$ 4,049,987** | **$ 1,777,684** | **$ 3,836,064** | **$ 7,598,295** |

The University reported $1,635,964 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, 2023. All other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows for fiscal years 2023 and 2022 are displayed below.

| Amortization of Deferred Outflows/(Inflows) of Resources 2023 | | |
|---|---|---|
| 2023 | $ | (396,623) |
| 2024 | | 227,152 |
| 2025 | | (316,566) |
| 2026 | | 1,122,376 |
| 2027 | | - |
| Therafter | | - |
| | **$** | **636,339** |

| Amortization of Deferred Outflows/(Inflows) of Resources 2022 | | |
|---|---|---|
| 2022 | $ | (1,741,416) |
| 2023 | | (1,454,736) |
| 2024 | | (798,449) |
| 2025 | | (1,468,980) |
| 2026 | | - |
| Thereafter | | - |
| | **$** | **(5,463,581)** |

**Actuarial Assumptions** – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---|---|
| Inflation Rate: | 2.00% |
| Salary Increases: | 2.65-8.65% based on service |
| Experience Study Date: | Period of 5 years ended June 30, 2019 |
| Investment Rate of Return: | 6.25%, net of investments expense, including inflation |
| Actuarial Cost Method: | Entry Age Normal (Level Percent of Payroll) |
| Cost of Living Increases: | 2024-2033 - 0.4%; 2034-2038 - 0.5%; 2039 and on - 0.6% |
| Mortality - Healthy: | PubG-2010 with improvements using MP-2019 |
| Mortality - Disabled: | PubG-2010 with improvements using MP-2019 |

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.25 percent selected by the INPRS Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change.

| | | Geometric Basis |
|---|---|---|
| | Target Asset Allocation | Long-Term Expected Real Rate of Return |
| Public Equity | 20.0% | 3.6% |
| Private Markets | 15.0% | 7.7% |
| Fixed Income- Ex Inflation-Linked | 20.0% | 1.4% |
| Fixed Income- Inflation-Linked | 15.0% | -0.3% |
| Commodities | 10.0% | 0.9% |
| Real Estate | 10.0% | 3.7% |
| Absolute Return | 5.0% | 2.1% |
| Risk Parity | 20.0% | 3.8% |

**Discount Rate** – The discount rate used to measure the total pension liability was 6.25 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 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate.

| Discount Rate Sensitivity-Liability/(Asset) 2023 | | |
|---|---|---|
| 1% Decrease (5.25%) | Current (6.25%) | 1% Increase (7.25%) |
| $ 14,524,597 | $ 8,597,661 | $ 3,654,165 |

| Discount Rate Sensitivity-Liability/(Asset) 2022 | | |
|---|---|---|
| 1% Decrease (5.25%) | Current (6.25%) | 1% Increase (7.25%) |
| $ 10,351,744 | $ 3,957,938 | $ (1,375,342) |

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

## NOTE 16. 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 2023. A summary of the activity in the trust for the year ending June 30, 2023 and 2022 is as follows:

| VEBA Trust Activity | | |
|---|---|---|
| Market value at July 1, 2022 | $ | 97,472,045 |
| Reimbursement of University retirement expenses | | (2,965,000) |
| Reinvested net earnings | | 3,270,507 |
| Less: management fees | | (317,357) |
| Realized gain (loss) on sale of investments | | (3,250,340) |
| Unrealized gain (loss) on increase in market value | | 2,574,752 |
| Accrued interest | | (93,424) |
| **Market value at June 30, 2023** | **$** | **96,691,183** |

| VEBA Trust Activity | | |
|---|---|---|
| Market value at July 1, 2021 | $ | 117,547,404 |
| Reimbursement of University retirement expenses | | (3,234,100) |
| Reinvested net earnings | | 3,343,400 |
| Less: management fees | | (365,034) |
| Realized gain on sale of investments | | 8,610,065 |
| Unrealized gain on increase in market value | | (28,170,207) |
| Accrued interest | | (259,483) |
| **Market value at June 30, 2022** | **$** | **97,472,045** |

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 for fiscal years 2023 and 2022.

| Actual VEBA Investment Diversification as of June 30, 2023 | | | |
|---|---|---|---|
| | | **Actual $** | **Actual %** |
| Domestic Equity | $ | 16,913,578 | 17.5% |
| Developed International | | 7,434,982 | 7.7% |
| Fixed Income | | 70,557,512 | 73.0% |
| Emerging Markets | | 1,635,861 | 1.7% |
| Cash and Money Market | | 149,250 | 0.1% |
| | **$** | **96,691,183** | **100.0%** |

| Actual VEBA Investment Diversification as of June 30, 2022 | | | |
|---|---|---|---|
| | | **Actual $** | **Actual %** |
| Domestic Equity | $ | 15,390,570 | 15.8% |
| Developed International | | 5,752,409 | 5.9% |
| Fixed Income | | 74,910,522 | 76.9% |
| Emerging Markets | | 1,308,515 | 1.3% |
| Cash and Money Market | | 110,029 | 0.1% |
| | **$** | **97,472,045** | **100.0%** |

## NOTE 17. 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 Lincoln Financial Group.

Retirees under the eligibility requirements will continue participation in the Indiana State University Healthcare Plan for active employees until the age they meet the requirements. 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 the Lincoln Financial Group 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 60 with at least 20 years of service or age 55 with 85 age/service points. Employees who were enrolled in the ISU health plan on/after January 1, 2005 but before March 1, 2022 are eligible for retiree health care coverage to age 65 upon attainment of age 60 with 20 years of service or age 55 with 85 age/service points. Health benefits are only available to individuals retiring at age 60 or later. Employees must have been enrolled in ISU's health plan for at least 20 consecutive years to be eligible for retiree health benefits. Employees hired after March 1, 2022 or employees or their spouses who had not enrolled in the ISU health plan before March 1, 2022 are not eligible for the plan. Surviving spouses may continue in the plan until remarriage or death. 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, 2023, the plan participants consisted of the following:

| Covered Employees | |
|---|---|
| Active employees with coverage | 853 |
| Active employees without coverage | 169 |
| Retirees receiving benefits | 594 |
| Retirees without coverage | 194 |

### 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, 2023, and 2022 (applicable to medical and dental benefits) for this category are as shown below.

| Retirees' Monthly Contributions | | |
|---|---|---|
| **As of January 1, 2023** | **Employee** | **Employee/Spouse** |
| **Pre-Medicare** | | |
| Below 200% Federal Poverty Level | $140.00 | $365.00 |
| At least 200% Federal Poverty Level | $215.96 | $558.71 |
| **Post-Medicare** | $102.00 | $204.00 |

| Retirees' Monthly Contributions | | |
|---|---|---|
| **As of January 1, 2022** | **Employee** | **Employee/Spouse** |
| **Pre-Medicare** | | |
| Below 200% Federal Poverty Level | $140.00 | $365.00 |
| At least 200% Federal Poverty Level | $215.96 | $558.71 |
| **Post-Medicare** | $102.00 | $204.00 |

Retiree contributions (for the standard rates) as a percentage of premium rates is set by the University for both pre- and post-Medicare retirees. The contribution percentage assumed for the valuation is based on the retiree contributions effective January 1, 2023, and 2022 as follows:

| Retirees' Contribution Percentages | | |
|---|---|---|
| **As of January 1, 2023** | **Employee** | **Employee/Spouse** |
| Pre-Medicare (weighted average) | 20.3% | 21.9% |
| Post-Medicare | 27.6% | 27.6% |

| Retirees' Contribution Percentages | | |
|---|---|---|
| **As of January 1, 2022** | **Employee** | **Employee/Spouse** |
| Pre-Medicare (weighted average) | 30.3% | 32.6% |
| Post-Medicare | 32.9% | 32.9% |

Contribution rates are based on a weighted average of the contribution rates for the University's PPO and HDHP plans, with 83.5 percent of the enrollment in the PPO plan. For the PPO plan, the contribution rates are $230 for Employee and $582 for Employee/Spouse. For the HDHP plan, the contribution rates are $145 for Employee and $441 for Employee/Spouse.

### Net OPEB Liability (Asset)

The University's net OPEB liability (asset) of ($37,180,687) and ($35,887,182) was measured as of June 30, 2023, and 2022, 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 162.5 percent as of June 30, 2023, and 158.3 percent as of June 30, 2022. The actuarial valuation was determine using the following actuarial assumptions:

| | 2023 | 2022 |
|---|---|---|
| Valuation Date: | Liabilities as of June 30, 2023 are based on an actuarial valuation date of July 1, 2022 projected to June 30, 2023 reflecting premium rate and retiree contribution changes. Liabilities as of June 30, 2022 are based on an actuarial valuation date of July 1, 2022 with no adjustments. | June 30, 2022 with no adjustments to get to the June 30, 2022 measurement date. Liabilities as of July 1, 2021 are based on an actuarial valuation date of June 30, 2020 projected to July 1, 2021. |
| Inflation: | 2% per year | |
| Mortality: | Non-Faculty Participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021; Faculty Participants: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2021; Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 | |
| Payroll Growth: | 1.5% per year increase was used to model future employees salary increases; 2% per year increase was used to model future increases in Federal Poverty Limit. | |
| Healthcare Trend Rates - Medical/RX - Pre-Medicare: | Initial trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.5%. | Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 4.5%. |
| Healthcare Trend Rates - Medical/RX - Post-Medicare: | Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.5%. | Initial trend starting at 6.5% and gradually decreasing to an ultimate trend rate of 4.5%. |
| Healthcare Trend Rates - Dental | Ultimate trend rate of 4.0% | |

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 4.75%, and the VEBA Trust is invested according to an investment strategy of 70% investment in bonds with the remaining funds invested in stock. Since the Trust's current balance is sufficient to pay all future expected benefit payments, the discount rate used is 4.75%. See Note 16 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, 2023 and 2022 were as follows:

| Schedule of Changes in Net OPEB Liability (Asset) | | | | |
|---|---|---|---|---|
| | | 2023 | | 2022 |
| Total OPEB liability - beginning of year | $ | 61,584,863 | $ | 49,843,494 |
| Service cost | | 721,978 | | 330,269 |
| Interest | | 2,738,046 | | 2,439,560 |
| Changes in benefit terms | | - | | 6,707,600 |
| Changes in assumptions | | (1,685,448) | | 5,062,729 |
| Differences between expected and actual experience | | (893,689) | | 467 |
| Benefit payments | | (2,955,254) | | (2,799,256) |
| **Total OPEB liability - end of year** | **$** | **59,510,496** | **$** | **61,584,863** |
| Plan fiduciary net position - beginning of year | $ | 97,472,045 | $ | 117,547,385 |
| Net investment income | | 2,491,749 | | (16,911,050) |
| Benefit payments | | (2,955,254) | | (2,799,256) |
| Trust administrative expenses | | (317,357) | | (365,034) |
| **Plan fiduciary net position - end of year** | **$** | **96,691,183** | **$** | **97,472,045** |
| **Net OPEB Liability (Asset)- end of year** | **$** | **(37,180,687)** | **$** | **(35,887,182)** |

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, 2023:

| Impact of Discount Rate or Assumed Cost Rates | | | | | | |
|---|---|---|---|---|---|---|
| | | 1% Decrease | | Current | | 1% Increase |
| Discount Rate | $ | (29,949,184) | $ | (37,180,687) | $ | (43,221,043) |
| Healthcare Trend Rate | $ | (43,902,884) | $ | (37,180,687) | $ | (29,108,322) |

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, 2022:

| Impact of Discount Rate or Assumed Cost Rates | | | | | | |
|---|---|---|---|---|---|---|
| | | 1% Decrease | | Current | | 1% Increase |
| Discount Rate | $ | (28,048,452) | $ | (35,887,182) | $ | (42,398,374) |
| Healthcare Trend Rate | $ | (42,589,158) | $ | (35,887,182) | $ | (27,821,685) |

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

The University recognized OPEB expense (benefit) of $2,218,427 and $6,336,911 as of June 30, 2023 and 2022, respectively.

| OPEB Expense | | | | |
|---|---|---|---|---|
| | | 2023 | | 2022 |
| Service cost | $ | 721,978 | $ | 330,269 |
| Interest | | 2,738,046 | | 2,439,560 |
| Change of benefit terms | | - | | 6,707,600 |
| Projected earnings on OPEB plan investments | | (4,313,419) | | (5,799,227) |
| OPEB Plan administrative expenses | | 317,357 | | 365,034 |
| **Current period recognition of deferred outflows/(inflows) of resources:** | | | | |
| Differences between expected and actual experience | $ | (223,189) | $ | (777,677) |
| Changes in assumptions | | 2,110,002 | | 2,531,365 |
| Net difference between projected and actual earnings on OPEB plan investments | | 867,652 | | 539,987 |
| **Total current period recognition** | $ | 2,754,465 | $ | 2,293,675 |
| **Total OPEB expense** | **$** | **2,218,427** | **$** | **6,336,911** |

As of June 30, 2023, and 2022, the University recognized deferred inflows related to OPEB of $1,934,353 and zero, respectively, and deferred outflows related to OPEB of $8,167,902 and $9,745,481, respectively, as summarized below:

| Deferred Inflows and Outflows of Resources Related to OPEB | | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 670,267 | $ 233 | $ - |
| Change in assumptions | - | 1,264,086 | 2,531,364 | - |
| Net difference between projected and actual earnings in OPEB plan investments | 8,167,902 | - | 7,213,884 | - |
| | **$ 8,167,902** | **$ 1,934,353** | **$ 9,745,481** | **$ -** |

The balances as of June 30, 2023 and 2022 deferred outflows/(inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted:

| Amortization of Deferred Outflows/(Inflows) of Resources 2023 | |
|---|---|
| 2024 | $ 489,347 |
| 2025 | 1,118,262 |
| 2026 | 4,261,606 |
| 2027 | 364,334 |
| 2028 | - |
| Thereafter | - |
| | **$ 6,233,549** |

| Amortization of Deferred Outflows/(Inflows) of Resources 2022 | |
|---|---|
| 2023 | $ 3,034,915 |
| 2024 | 769,797 |
| 2025 | 1,398,712 |
| 2026 | 4,542,057 |
| 2027 | - |
| Thereafter | - |
| | **$ 9,745,481** |

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

Public Employees' Defined Benefit Account (PERF DB)

Last 10 Fiscal Years

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proportion of the net pension liability (asset) | 0.27% | 0.30% | 0.33% | 0.37% | 0.37% | 0.39% | 0.39% | 0.38% | 0.36% | 0.36% |
| Proportionate share of the net pension liability (asset) | $ 8,597,661 | $ 3,957,938 | $ 10,101,407 | $ 12,088,270 | $ 12,597,603 | $ 17,182,000 | $ 17,855,000 | $ 15,538,121 | $ 9,493,678 | $ 12,387,141 |
| Covered-employee payroll | $ 15,689,096 | $ 16,583,853 | $ 18,054,906 | $ 19,055,995 | $ 18,912,000 | $ 19,086,000 | $ 18,855,000 | $ 18,272,950 | $ 17,637,755 | $ 17,363,787 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 54.8% | 23.9% | 55.9% | 63.4% | 66.6% | 90.0% | 94.7% | 85.0% | 53.8% | 71.3% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.5% | 92.5% | 81.4% | 80.1% | 78.9% | 76.6% | 75.3% | 77.3% | 84.3% | 78.8% |

## Schedule of Indiana State University's Contributions

Public Employees' Defined Benefit Account (PERF DB)

Last 10 Fiscal Years

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,635,964 | $ 1,701,350 | $ 1,806,075 | $ 2,015,902 | $ 2,130,487 | $ 2,111,081 | $ 2,139,239 | $ 2,112,000 | $ 2,046,505 | $ 1,975,832 |
| Contributions in relation to the contractually required contribution | $ (1,635,964) | $ (1,701,350) | $ (1,806,075) | $ (2,015,902) | $ (2,130,487) | $ (2,111,081) | $ (2,139,239) | $ (2,112,000) | $ (2,046,505) | $ (1,975,832) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 15,663,240 | $ 15,771,125 | $ 16,582,925 | $ 18,089,129 | $ 19,055,995 | $ 18,912,000 | $ 19,086,000 | $ 18,855,000 | $ 18,272,950 | $ 17,637,755 |
| Contributions as a percentage of covered-employee payroll | 10.4% | 10.8% | 10.9% | 11.1% | 11.2% | 11.2% | 11.2% | 11.2% | 11.2% | 11.2% |

### Notes to Schedule

#### Plan Amendments
There were no changes to the PERF DB plan that impacted the pension benefits during fiscal year 2023.

#### Assumption Changes
There were no changes to assumptions that impacted the Net Pension Liability during fiscal year 2023.

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

Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | | |
| Service cost | $ 721,978 | $ 330,269 | $ 334,166 | $ 329,054 | $ 376,591 | $ 411,527 |
| Interest | 2,738,046 | 2,439,560 | 2,518,533 | 2,908,652 | 3,435,937 | 3,524,502 |
| Changes of benefit terms | - | 6,707,600 | - | - | - | - |
| Changes in assumptions | (1,685,448) | 5,062,729 | - | 4,933,545 | - | 68,590 |
| Differences between expected and actual experience | (893,689) | 467 | (1,555,822) | (3,492,128) | (9,911,755) | (2,646,249) |
| Benefit payments | (2,955,254) | (2,799,256) | (2,943,864) | (2,635,833) | (2,646,674) | (2,947,969) |
| **Net change in total OPEB liability** | (2,074,367) | 11,741,369 | (1,646,987) | 2,043,290 | (8,745,901) | (1,589,599) |
| Total OPEB liability- beginning of year | 61,584,863 | 49,843,494 | 51,490,481 | 49,447,191 | 58,193,092 | 59,782,691 |
| **Total OPEB liability- end of year** | $ 59,510,496 | $ 61,584,863 | $ 49,843,494 | $ 51,490,481 | $ 49,447,191 | $ 58,193,092 |
| | | | | | | |
| **Plan fiduciary net position** | | | | | | |
| Contributions- employer | $ - | $ - | $ - | $ - | $ - | $ - |
| Net investment income | 2,491,749 | (16,911,050) | 20,644,981 | 8,722,115 | 6,684,798 | 5,051,656 |
| Benefit payments | (2,955,254) | (2,799,256) | (2,943,864) | (2,635,833) | (2,646,674) | (2,947,969) |
| Administrative expense | (317,357) | (365,034) | (342,205) | (306,275) | (276,978) | (313,055) |
| **Net change in fiduciary net position** | (780,862) | (20,075,340) | 17,358,912 | 5,780,007 | 3,761,146 | 1,790,632 |
| Plan fiduciary net position- beginning of year | 97,472,045 | 117,547,385 | 100,188,473 | 94,408,466 | 90,647,320 | 88,856,688 |
| **Plan fiduciary net position- end of year** | $ 96,691,183 | $ 97,472,045 | $ 117,547,385 | $ 100,188,473 | $ 94,408,466 | $ 90,647,320 |
| | | | | | | |
| **Net OPEB liability- end of year** | $ (37,180,687) | $ (35,887,182) | $ (67,703,891) | $ (48,697,992) | $ (44,961,275) | $ (32,454,228) |
| | | | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 162.5% | 158.3% | 235.8% | 194.6% | 190.9% | 155.8% |
| | | | | | | |
| Covered-employee payroll | $ 74,658,610 | $ 73,612,849 | $ 27,194,786 | $ 30,046,196 | $ 32,207,301 | $ 33,824,254 |
| | | | | | | |
| Net OPEB liability as a percentage of covered-employee payroll | -49.8% | -48.8% | -249.0% | -162.1% | -139.6% | -95.9% |

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

# Schedule of Indiana State University's OPEB Contributions

Last 10 Fiscal Years

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 101,198 |
| Contribution in relation to the actuarially determined contribution | - | - | - | - | - | - | - | 1,431,000 | 1,945,202 | 2,369,961 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | (1,431,000) | (1,945,202) | (2,268,763) |
| Covered-employee payroll | $ 74,658,610 | $ 73,612,849 | $ 27,194,786 | $ 30,046,196 | $ 32,207,301 | $ 33,824,254 | $ 35,932,000 | $ 39,400,000 | $ 38,252,162 | $ 42,803,837 |
| Contributions as a percentage of covered-employee payroll | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 3.6% | 5.1% | 5.5% |

## Notes to Schedule

**Plan Amendments**
There were no changes to the OPEB plan that impacted the pension benefits during fiscal year 2023.

**Valuation Date**
Fiscal year ending June 30

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Discount rate | 4.75% |
| Payroll growth factor used for amortization | 1.5% |
| Actuarial cost method | Entry Age Normal Level % of Salary |
| Amortization type | Level Dollar |
| Amortization period (years) | 25 |

There were no changes to the OPEB plan assumptions used to determine contribution rates during fiscal year 2023.

# HOME COUNTIES OF INDIANA STATE STUDENTS

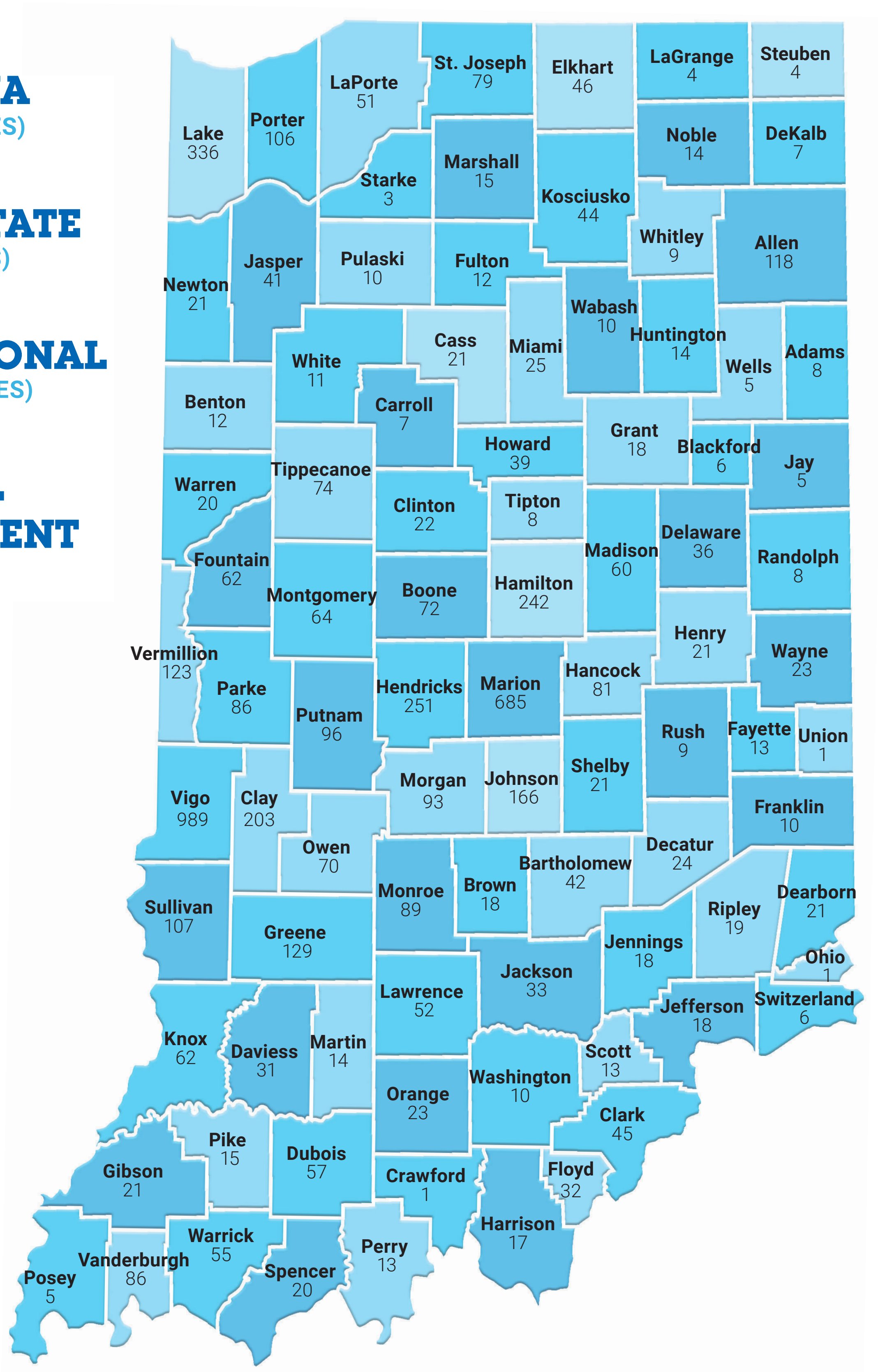
(FALL 2022) UNAUDITED

**INDIANA**
(92 COUNTIES)
5,807

**OUT-OF-STATE**
(49 STATES)
2,564

**INTERNATIONAL**
(69 COUNTRIES)
287

**TOTAL ENROLLMENT**
8,658



# BOARD OF TRUSTEES AND UNIVERSITY ADMINISTRATION



## University Officials
as of June 30, 2023

**Deborah J. Curtis**
President of the University

**Christopher J. Olsen**
Provost and Vice President
for Academic Affairs

**Diann E. McKee**
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Finance and Administration/
University Treasurer

**Andrea L. Angel**
Vice President for Development
and CEO of ISU Foundation

**Nancy Brattain Rogers**
Vice President for
University Engagement

**Michele C. Soliz**
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Student Affairs

## For Additional Information:

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

**Alumni**
Alumni Association
30 North Fifth Street
Terre Haute, Indiana 47807-2939
812-237-6143
1-800-258-6478
**alumni@indstate.edu**

**Foundation**
ISU Foundation
30 North Fifth Street
Terre Haute, Indiana 47807-2939
812-237-6100
1-800-242-1409

**Additional copies of the 2023 Financial Report may be obtained from:**
Office of the Controller
Parsons Hall, Room P115
Indiana State University
Terre Haute, Indiana 47809
812-237-3513
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