



Indiana State University

Board of Trustees Finance Committee Meeting

December 11, 2020

Virtual Meeting Via Electronic Means



## Board of Trustees Finance Committee Meeting - December 11, 2020

### Finance Agenda

#### 1. Recommendation Items

ISU Housing and Dining Rates for 2021-22 Page 3

#### 2. Informational Items

2019-20 Audited Financial Statements Page 6

#### 3. Supplemental Materials

Memo - Finance Committee Agenda Page 7

Finance Committee Agenda Page 8

ISU Internal Control Audit Opinion FY20 Page 9

ISU Financial Statement Audit Opinion Page 11

Schedule of Expenditures of Federal Awards FY20 Page 14

FY20 Financial Highlights Page 19

FY20 Financial ratios Page 25

## 3b1 ISU Housing and Dining Rates for 2021-22

The proposed rate increase for a Traditional residence hall room with a Standard meal plan, representing the majority of on-campus rooms, reflects an overall 1.5% increase for 2021-22. Freshman students are housed in residence halls assigned the Traditional room category. The Premium room rate is \$500 per year more than the Traditional room rate and is assigned to select rooms within Reeve Hall with private baths. A limited number of single rooms will also be identified and offered to students in 2021-22 as a way to de-densify floors with pod style bathrooms. The housing rate for students selecting single rooms is \$1,500 more per year than the double room rate based on room type. This rate is a reduction from 2020-21 to make it more affordable for students that have a health or safety need for a single room related to the impact of the pandemic.

### Housing Rates

The proposed 2021-22 rates for on-campus housing are listed below and include additional room accommodation options and summer housing rates. The 2020-21 housing rates are included below for comparative purposes.

Housing Rates
---------------

Room Type	2020-21 Rate	2021-22 Proposed Rate
Traditional	\$7,236.90	\$7,346.00
Traditional - Single	\$9,736.90	\$8,846.00
Traditional - Break Access	\$8,036.90	\$8,146.00
Premium - Double	\$7,736.90	\$7,846.00
Premium - Single	\$10,236.90	\$9,346.00

Room Type	Fall 2021 Hall Location
Traditional	Mills, Cromwell, Blumberg, Burford, Erickson, Pickerl, Hines, Jones, Sandison, and select rooms within Reeve (double room with shared bath)
Traditional - Single	Select rooms within Reeve (single room with shared bath), and other select rooms in traditional halls designated for single occupancy.
Traditional - Break Access	Rhoads and possibly a second hall depending on occupancy levels
Premium - Double	Select rooms within Reeve (double room with private bath)
Premium - Single	Select rooms within Reeve (single room with private bath)

Additional Accommodation Options	2020-21 Rate	2021-22 Proposed Rate
Single Room Buyout of Double Room	\$3,000.00	\$1,500.00
Break Access Contract Add-On	\$800.00	\$800.00
Early Arrival/Break Housing - Daily Rate	\$20.00	\$20.00

Summer Housing Rates	2021 Rate	2022 Proposed Rate
Traditional Room - Weekly Rate	\$212.85	\$216.06
Traditional Room - Daily Rate	\$30.41	\$30.87
Premium Room - Weekly Rate	\$227.56	\$230.76
Premium Room - Daily Rate	\$32.51	\$32.97
Single Room - Daily Rate	\$12.61	\$6.30

## 500 Wabash & University Apartments

The proposed rates for 2021-22 for student rooms at 500 Wabash & University Apartments represent a 1.5% increase. An optional meal plan will be offered to students living at University Apartments and 500 Wabash. The rates for 500 Wabash and the furnished University Apartments units are a per student rate billed by the semester. The unfurnished family units at University Apartments are a per unit rate.

The proposed 2021-22 rates for University Apartments and 500 Wabash are listed below and include an additional room accommodation option. The 2020-21 housing rates are included below for comparative purposes.

### University Apartments\*

#### Family Apartments (Unfurnished)

Room Type	2020-21 Academic Year Rate	2020-21 Full Year Rate	2021-22 Academic Year Proposed Rate	2021-22 Full Year Proposed Rate
One Bedroom	\$7,240.00	\$8,688.00	\$7,350.00	\$8,820.00
Two Bedroom	\$8,350.00	\$10,020.00	\$8,480.00	\$10,176.00
Three Bedroom	\$9,190.00	\$11,028.00	\$9,330.00	\$11,196.00

#### Single Apartments (Furnished)

Room Type	2020-21 Academic Year Rate	2020-21 Full Year Rate	2021-22 Academic Year Proposed Rate	2021-22 Full Year Proposed Rate
SYE Shared One Bedroom	\$6,680.00	n/a	\$6,780.00	n/a
SYE Shared One Bedroom with Study	\$7,790.00	n/a	\$7,910.00	n/a
Single One Bedroom	\$8,350.00	\$10,020.00	\$8,480.00	\$10,176.00
Single One Bedroom w/ Study	\$9,740.00	\$11,688.00	\$9,890.00	\$11,868.00
Single Shared One Bedroom w/ Study	\$7,790.00	\$9,348.00	\$7,910.00	\$9,492.00
Single Three Bedroom (Large)	\$7,790.00	\$9,348.00	\$7,910.00	\$9,492.00
Single Three Bedroom (Medium)	\$5,580.00	\$6,696.00	\$5,660.00	\$6,792.00
Single Three Bedroom (Small)	\$4,460.00	\$5,352.00	\$4,530.00	\$5,436.00

### 500 Wabash\*

Room Type	2020-21 Rate	2021-22 Proposed Rate
One Bedroom - 9 Month Contract	\$9,027.00	\$9,162.00
One Bedroom - 3 Month Summer	\$3,009.00	\$3,054.00

\* Rates listed are for housing only and do not include a dining plan. A Sodexo dining plan is optional.

Additional Accommodation Option	2020-21 Rate	2021-22 Proposed Rate
Early Arrival/Break Housing - Daily Rate	\$20.00	\$20.00

### Dining Rates

The proposed 2021-22 rates for on-campus meal plans are listed below. Dining rates include a specific number of meals per week and additional commons cash depending on what plan is selected. A dining plan is required for all students living in on-campus residence halls. The 2020-21 dining rates are included below for comparative purposes.

Dining Rates
--------------

Meal Plan Option	2020-21 Rate	2021-22 Proposed Rate
Flex 10/102 (Standard Plan)	\$3,779.10	\$3,836.00
Flex 10/204	\$3,983.10	\$4,040.00
Best Flex 12/204	\$4,132.70	\$4,189.60
High Flex 14/204	\$4,227.90	\$4,284.80
5 Meals per Week & \$100 Commons Cash per Semester (limited availability)	\$1,654.10	\$1,706.00

The Residential Life Technology Fee will continue to be \$15 per semester.

**Recommendation:** Approval of the proposed 2021-22 Housing and Dining rates as listed above.

**Motion made by:**

**Motion seconded by:**

**Roll Call Vote:**

Kathleen Cabello  
 Robert Casey  
 Tanya McKinzie  
 Randall Minas  
 Edward Pease  
 Casey Phillips  
 Cynthia Powers  
 Kimberly Smith  
 Jeff Taylor

## 3b2 2019-20 Audited Financial Statements

The 2019-20 audited financial statements received an unmodified audit opinion from the Indiana State Board of Accounts reflecting the FY20 financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The Indiana State University 2019-20 Financial Report is available at: [Financial Report 2019-2020](#)

TO: Members of the Board of Trustees Finance Committee

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

DATE: November 30, 2020

RE: December 11<sup>th</sup> Finance Committee Agenda and Supplemental Materials

The agenda for the December 11<sup>th</sup> Finance Committee contains an action item for recommended approval to the full Board of the proposed 2021-22 Housing and Dining rates along with acceptance of the FY20 audited financial statements.

The exit conference with the State Board of Accounts was held on October 26, 2020. Trustees Taylor and Smith participated. There were no audit or management findings. The audited financial statements can be found at [Financial Report 2019-2020](#). Other materials related to the 2019-20 financial report to be reviewed at the meeting include:

1. Internal Control Audit Opinion as issued by State Board of Accounts
2. Financial Statement Audit Opinion
3. FY20 Schedule of Expenditures of Federal Awards
4. FY20 Financial Highlights
5. FY20 Financial Ratios

Please let President Curtis or me know if there are questions in advance of the December 11<sup>th</sup> meeting.

cc: President Deborah J. Curtis



**INDIANA STATE UNIVERSITY  
BOARD OF TRUSTEES  
FINANCE COMMITTEE AGENDA  
December 11, 2020**

**Recommendation Items:**

- 1. Proposed 2021-22 Housing and Dining Rates**

**Informational Items:**

- 1. Review and Acceptance of FY20 Audited Financial Statements**



**Schedule of Regular Review Items:**

- August – Review State Budget Request (only in even years)**
- October – Review Investment Performance of Operating Funds  
Annual Financial Audit Update**
- December – Review Audited Financial Statements  
Review Proposed Housing and Dining Rates**
- February – Review Federal Audit  
Discussion of Preliminary Budget Planning Assumptions  
Review Debt Plan**
- May/June – Review Proposed Tuition and Fees (only in odd years)  
Review Final Proposed Operating Budgets**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Indiana State University (University), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 23, 2020. Our report includes a reference to other auditors who audited the financial statements of the Indiana State University Foundation, Inc. (Foundation), as described in our report on University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 23, 2020



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Indiana State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

**Opinions**

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

**Other Matters**

*Required Supplementary Information*

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

*Other Information*


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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

  
Paul D. Joyce, CPA  
State Examiner

October 23, 2020



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of Indiana State University (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 23, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 23, 2020. Our report includes a reference to other auditors who audited the financial statements of the Indiana State University Foundation, Inc. (Foundation), as described in our report on the University's financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements, as a whole.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

Page 14 of 32

October 23, 2020

INDIANA STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2020

Cluster Title/Federal Grantor Agency/Pass-Through Entity/ Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<b>Research and Development Cluster</b>				
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
Pass-Through Eastern Kentucky University Endangered Species Recovery Implementation	15.657	20-193	-	3,337
Total for Federal Grantor Agency			-	3,337
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Pass-Through North Carolina Department of Transportation Highway Planning and Construction	20.205	MA-2013-01 PA-2018-36	32,037	286,165
Total for Federal Grantor Agency			32,037	286,165
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>				
Pass-Through Purdue University Office of Stem Engagement (OSTEM)	43.008	12000145-254	-	5,000
Office of Stem Engagement (OSTEM)	43.008	12000145-255	-	5,000
Total for Federal Grantor Agency			-	10,000
<b>NATIONAL SCIENCE FOUNDATION</b>				
Direct Grants Geosciences	47.050	1804900	-	38,332
Pass-Through University of Arizona Geosciences	47.050	125161	-	10,687
Total for Geosciences			-	49,019
Direct Grants Computer and Information Science and Engineering	47.070	1751765	-	22,895
Computer and Information Science and Engineering	47.070	1916257	-	10,419
Total for Computer and Information Science and Engineering			-	33,314
Direct Grants Biological Sciences	47.074	1558982	-	38,926
Direct Grants Social, Behavioral, and Economic Sciences	47.075	1759694	19,712	40,401
Total for Federal Grantor Agency			19,712	161,660
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Pass-Through Ouzabache Land Conservancy Nonpoint Source Implementation Grants	66.460	21678	-	2,095
Total for Federal Grantor Agency			-	2,095
<b>U.S. DEPARTMENT OF ENERGY</b>				
Direct Grant Office of Science Financial Assistance Program	81.049	DE-FG02-06ER46304	-	121,238
Total for Federal Grantor Agency			-	121,238
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Direct Grant Higher Education Institutional Aid	84.031	P031F180072	33,752	434,501
Direct Grant Fund for the Improvement of Postsecondary Education	84.116	P116F140237	-	2,791
Total for Federal Grantor Agency			33,752	437,292
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Direct Grant Minority Health and Health Disparities Research	93.307	1R25MD011712	113,071	279,917
Pass-Through Union Hospital, Inc Telehealth Programs	93.211		-	11,815
Total for Federal Grantor Agency			113,071	291,732
Total for Research and Development Cluster			188,572	1,313,519
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child and Adult Care Food Program	10.558		-	28,982
Total for Federal Grantor Agency			-	28,982
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Direct Grant Children of Incarcerated Parents	16.831	2016-IG-BX-0004	51,617	76,838
Total for Federal Grantor Agency			51,617	76,838
<b>U.S. DEPARTMENT OF LABOR</b>				

Pass-Through Indiana Department of Workforce Development				
Trade Adjustment Assistance	17.245	24984	-	12,309
Trade Adjustment Assistance	17.245	28525	-	74,985
Total for Trade Adjustment Assistance			-	87,294
Total for Federal Grantor Agency			-	87,294
<b><u>NATIONAL ENDOWMENT FOR THE ARTS</u></b>				
Direct Grant				
Promotion of the Arts Grants to Organizations and Individuals	45.024	1847950-31-19	-	10,000
Pass-Through Arts Illiana				
Promotion of the Arts Partnership Agreements	45.025	52nd Annual Contemporary Music Festival	-	1,058
Promotion of the Arts Partnership Agreements	45.025	53rd Annual Contemporary Music Festival	-	4,232
Promotion of the Arts Partnership Agreements	45.025	2019 Rock Camp!	-	3,950
Total for Promotion of the Arts Partnership Agreements			-	9,240
Total for Federal Grantor Agency			-	19,240
<b><u>SMALL BUSINESS ADMINISTRATION</u></b>				
Pass-Through Indiana Economic Development Corp				
Small Business Development Centers	59.037	A229-9-SBA-1012	-	24,076
Small Business Development Centers	59.037	A229-9-SBA-1020	-	37,357
Total for Small Business Development Centers			-	61,433
Total for Federal Grantor Agency			-	61,433
Student Financial Assistance Cluster				
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Direct Grants				
Federal Supplemental Educational Opportunity Grants	84.007		-	457,828
Federal Work-Study Program	84.033		-	626,687
Federal Perkins Loan Program_Federal Capital Contributions	84.038		-	8,137,934
Federal Pell Grant Program	84.063		-	19,521,965
Federal Direct Student Loans	84.268		-	65,388,557
Total for Student Financial Assistance Cluster			-	94,132,971
Special Education Cluster (IDEA)				
Pass-Through Indiana Department of Education				
Special Education Grants to States	84.027	21797	-	143,380
Total for Special Education Cluster (IDEA)			-	143,380
TRIO Cluster				
Direct Grant				
TRIO Student Support Services	84.042	P042A150220	-	354,285
Total for TRIO Cluster			-	354,285
Pass-Through Ball State University				
Career and Technical Education -- Basic Grants to States	84.048		-	28
Career and Technical Education -- Basic Grants to States	84.048		-	11,724
Total for Career and Technical Education -- Basic Grants to States			-	11,724
Direct Grant				
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	H326T180018	-	176,021
Direct Grant				
Educational Stabilization Fund	84.425		-	6,346,227
Total for Educational Stabilization Fund			-	6,346,227
Total for Federal Grantor Agency			-	101,164,636
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
Direct Grant				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79T1025977	-	598
Pass-Through Indiana University				
Area Health Education Centers	93.107	IN4683374	24,360	38,504
Area Health Education Centers	93.107	8084	178	53,427
Total for Area Health Education Centers			24,538	91,931
CCDF Cluster				
Pass-through Indiana Family & Social Services Administration				
Child Care and Development Block Grant	93.575		-	273,856
Total for CCDF Cluster			-	273,856
Total for Federal Grantor Agency			24,538	366,385
Total federal awards expended			\$ 274,727	\$ 103,118,327

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

INDIANA STATE UNIVERSITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires an annual audit of any entity expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of universities shall be conducted annually.

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Indiana State University for the year ended June 30, 2020 and is presented in accordance with the requirements of Uniform Guidance. The accompanying Schedule has been prepared in a format that presents summary financial information of the federal funds awarded to Indiana State University directly from federal agencies as well as amounts received as a subgrantee of other organizations. For purposes of the Schedule, federal assistance includes all federal assistance and procurement relationships entered into directly between Indiana State University and the federal government and subawards from nonfederal organizations made under federally sponsored agreements. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Because the Schedule presents only a selective portion of the activities of Indiana State University, it is not intended to and does not present the financial position, change in financial position, or cash flows of Indiana State University.

Indiana State University did not elect to use the 10% de minimis cost rate. The University uses a federally negotiated facilities & administration rate of 31.1% on federal awards when the rate is not restricted by federal regulation. This facilities & administration rate was approved by the US Department of Health & Human Services and is effective from 7/1/2017 through 6/30/2021.

The accounting principles followed by Indiana State University and used in preparing the accompanying schedule are as follows:

Page 17 of 32

Awards Other Than Student Financial Assistance

Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in Uniform Guidance. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general

university activities (indirect costs) which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates.

Student Financial Assistance

Expenditures for non-loan awards made to students are recognized and reported in the Schedule. Student loan programs are funded by the federal government under various programs; e.g., Perkins Student Loan Program. Activity related to these loan programs includes federal capital contributions, loan repayments, interest earned on loans, cancellation of loans, and administrative and collection costs.

**Note 2. Federal Direct Student Loans**

The Schedule of Expenditures of Federal Awards includes Federal Direct Student Loans which were not made by Indiana State University but were received by its students. Indiana State University is responsible only for the performance of certain administrative duties with respect to these loans.

The number of guaranteed loans and the total amount processed for each Direct Loan Program for the year ended June 30, 2020 were as follows:

<u>Program Title</u>	<u>Number of Loans Issued</u>	<u>Loan Amount</u>
Direct Loan Program (Subsidized and Unsubsidized)	11,267	\$53,462,557
Direct PLUS Loans (Parent and Graduate PLUS Loans)	1,143	\$11,926,000
Totals	12,410	<b>\$65,388,557</b>

**Note 3. Federal Perkins Student Loan Program**

Indiana State University participates in the Federal Perkins Loan Program. A revolving loan fund is maintained for the administration of the Program, the balances and transactions relating to the program are included in the University's financial statements. The Schedule of Federal Expenditures includes the entire amount of the revolving loan fund including the outstanding loans to students. The following schedule represents loans outstanding as of June 30, 2020:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Federal Perkins Loan Program	84.038	<b>\$6,110,731</b>

# Indiana State University

## FY20 Financial Highlights and Analysis

### Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, liabilities and deferred inflows and outflows. The difference between total assets, total liabilities, and total deferred inflows and outflows is the net position, which is one measure of the financial condition of the University. Changes in net position are an indicator of whether the overall financial condition has improved or declined during the year. Assets, liabilities, and deferred inflows and outflows are generally measured at historical values in accordance with generally accepted accounting principles. One notable exception is investments, which are recorded at fair market value as of the date of the financial statements. A summarized comparison of the University's assets, liabilities, deferred inflows and outflows, and net position at June 30, 2020, 2019 and 2018 is as follows:

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

### Highlights

- Total assets increased by \$3.9 million in 2020 as compared to a \$70.2 million increase in 2019. This represents a 0.5 percent increase in 2020 and a 9.3 percent increase in 2019.
- Cash and cash equivalents and short-term investments decreased by \$29.6 million and \$4.1 million, respectively. This decrease is related to the use of Series S bond proceeds for the Hulman Center renovation that had been invested in money market funds. In addition, the University used reserve funds for several capital projects, including the Sycamore Dining Renovation.

- Accounts receivable decreased by \$0.1 million as a result of decreased enrollment, reduced allowance for doubtful accounts and increased write-offs in 2020.
- Other accounts receivable increased by \$3.2 million to reflect a receivable for CARES Act funding. These funds are to be used to offset housing and dining refunds issued in Spring 2020 after students were asked to vacate residence halls in response to the COVID-19 pandemic.
- The University recognized a state receivable of \$2.6 million in 2019 related to the expenditures for the Fine Arts and Commerce Building billed to the State through the end of fiscal year 2019. A receivable was not applicable in 2020.
- The current portion of notes receivable decreased by \$0.4 million while the non-current portion decreased by \$0.6 million. This reflects the phase-out of the Perkins loan program. Perkins loans were eliminated in fiscal year 2019.
- Prepaid expense decreased by \$0.7 million to reflect a change in the timing of the purchase of laptops for the Sycamore Technology Award.
- Other long-term investments increased by \$8.2 million as a result of realized and unrealized gains and interest received.
- Capital assets increased by \$26.9 million. This growth is the result of the Hulman Center renovation project.
- The net OPEB asset grew by \$3.7 million. Actual claims and enrollment experience for both pre-65 and post-65 members were below the projected increase for 2020. In addition, the VEBA recognized a strong year of investment returns.
- Deferred outflows of resources increased to \$5.3 million in 2020 from \$3.5 million in 2019 while it was at \$6.7 million in 2018. The University's contribution of \$2 million to the Public Employees' Retirement Fund (PERF) during 2020 was recognized as a deferred outflow of resources as required by GASB Statements No. 68 and 71.
- A Voluntary Employee Benefit Association (VEBA) Trust was established by the University in 1998 to set aside funds for post-retirement health and life insurance benefits and provide for investment of these assets. The fund assets cannot revert to the University and therefore the financial statements do not reflect the value of these assets. As of June 30, 2020, the value of the Trust assets was \$100.2 million. The outstanding actuarial accrued liability for post-retirement benefits as of June 30, 2020 is \$51.5 million resulting in a positive funded ratio of 194.6 percent.
- Total liabilities decreased by \$16.6 million in 2020 as compared to a \$33.1 million increase in 2019. This represents a 5 percent decrease in 2020 compared to a 11.1 percent increase in 2019.

- Accounts payable decreased by \$5.6 million due to decreased construction payables.
- Unearned revenue decreased by \$1 million resulting from reduced Summer 2020 enrollment.
- Other current liabilities increased by \$0.6 million due to an increase in the estimate for the University's medical claims liability.
- Current and non-current bonds payable decreased by \$8.9 million to reflect debt service payments.
- Current and non-current lease payable decreased by \$0.5 as a result of lease principal payments.
- Advances from federal government decreased by \$1.2 million due to the return of funds to the Federal Government related to the Perkins Loan program phase-out.
- The deferred inflows related to OPEB decreased by \$1.8 million as a result of the difference between expected and actual experience of the plan.

## Net Position

Net position represents the residual value of the University's assets and deferred outflows after liabilities and deferred inflows are deducted. The University's net position at June 30, 2020, 2019 and 2018 are summarized in the table that follows:

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

## Highlights

- Net investment in capital assets reflects the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets. Net investment in capital assets increased \$0.3 million in 2020 and \$26.5 million in 2019 for a total increase of \$26.8 million since 2018. This reflects renovations of University dining (Sycamore Towers Dining and Starbucks), academic buildings (Phase II of CHHS Building and Fine Arts and Commerce Building) and other operations (Hulman Center).

- Restricted net position is subject to externally imposed restrictions governing its use. Restricted non-expendable net position represents funds held for scholarships and fellowships. Restricted expendable net position includes funds for research, loans, and funds limited to construction and renovation. Restricted expendable net position decreased by \$0.8 million reflecting a reduction in the Perkins Loan program and use of funds in capital projects.
- Unrestricted net position has increased \$31.0 million from 2018. The increase of \$25 million in 2020 includes a \$7.9 million positive gain due to changes in the net OPEB asset and the change in the net pension liability and the related deferred outflows and inflows. An increase in investment returns in 2020 were also responsible for growth in the unrestricted net position.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations for the identified fiscal year periods. A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018 is as follows:

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

## Operating/Non-Operating Revenue Highlights

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

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

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

- State appropriations increased by \$2.7 million to reflect an additional \$3.1 million for the operating appropriation and a decrease of \$0.4 million in fee replacement related to debt service.
- Investment income grew by \$2.7 million. This is the result of increased bond prices due to lower interest rates on long-term debt and investment managers outperforming benchmarks.
- Non-operating grants and contracts revenue increased by \$2.0 million. The University drew down \$3.3 million of CARES Act funds to disburse to eligible students and an additional \$3 million to reimburse the University for COVID-19 related credits. This offset the reduction of Federal Pell Grant awards and Indiana Higher Education awards due to lower enrollment.
- Capital appropriations decreased by \$9 million as the cash funding for the Fine Arts and Commerce Building was finalized at the beginning of the fiscal year.
- Capital grants and gifts increased by \$0.5 million as a result of a gift from the ISU Foundation for the Hulman Center renovation project.

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

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

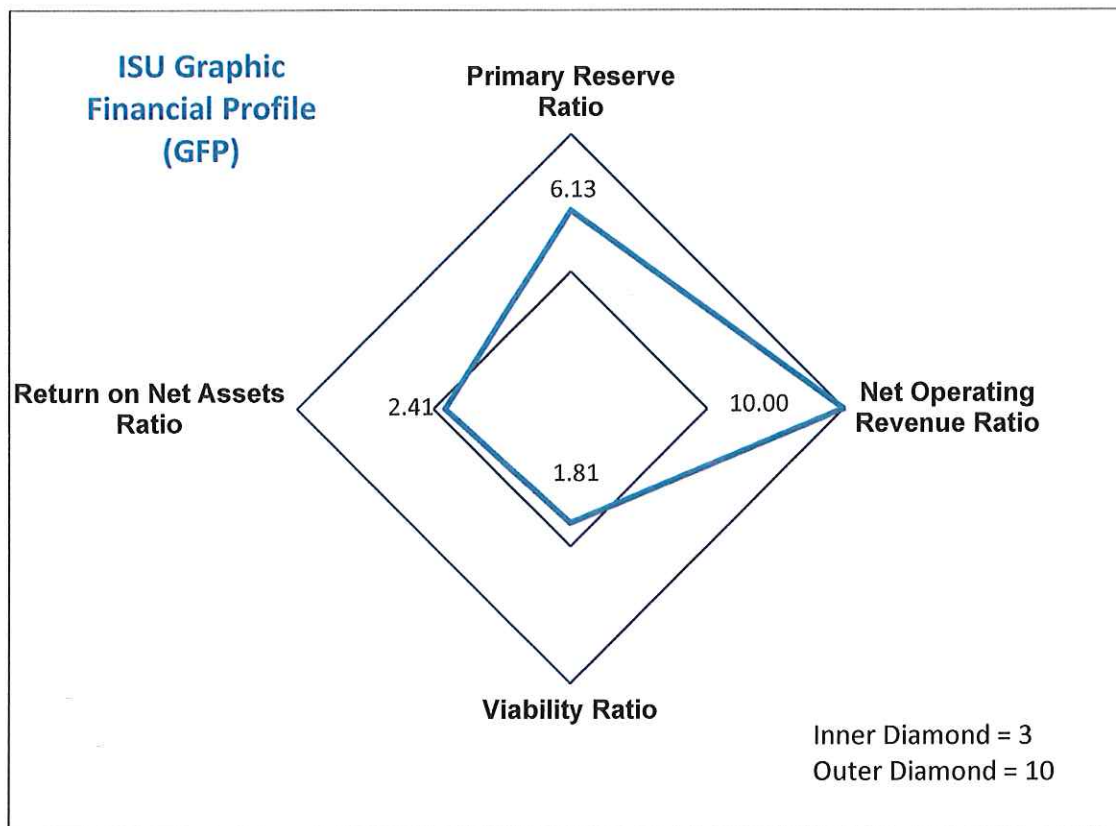
### Operating/Non-Operating Expense Highlights

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

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

## Composite Financial Index Analysis- Composite Score Calculation

Indiana State University	Ratio Value (a)	Strength (b)	Strength Factor (a/b)	Weighting Factor (c)	Composite Score ((a/b)*c)
Primary Reserve Ratio	0.82	0.133	6.13	0.35	2.1
Viability Ratio	0.76	0.417	1.81	0.35	0.6
Return on Net Assets Ratio	4.8%	2.00%	2.41	0.20	0.5
Net Operating Revenue Ratio	7.3%	0.70%	10.00	0.10	1.0
<b>Composite Financial Index</b>					<b>4.3</b>



Because there is a correlation between the Primary Reserve Ratio and the Viability Ratio, and a correlation between the Return on Net Assets and Net Operating Revenue Ratio, these ratios are placed opposite each other on the axes. The share of the blue area can be instructive in assessing high-level financial position. A short vertical axis with an elongated horizontal axis would indicate relatively stronger operating results, but a relatively undercapitalized institution.<sup>1</sup>

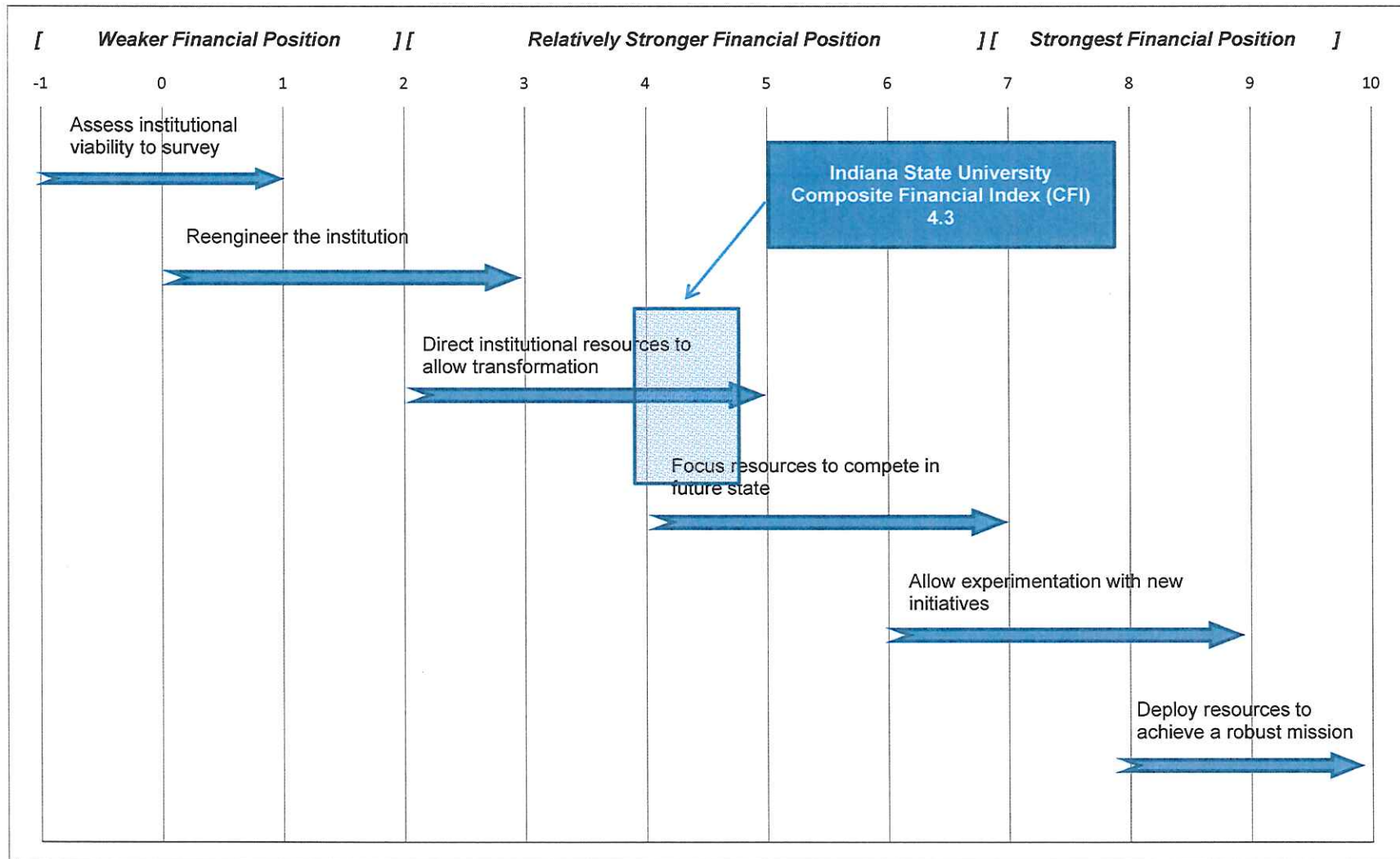
<sup>1</sup> "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks", 2010, Seventh Edition, Prager, Sealy & Co., LLC; KPMG LLC; and Attain LLC, page 88.

### Composite Financial Index- Historical Trend

Indiana State University	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Composite Financial Index (CFI)</b>	4.30	3.90	4.50	3.70	2.10	2.60	3.30	3.70	4.30



Scale for Charting Composite Financial Index (CFI) Performance<sup>1</sup>



<sup>1</sup>. "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks", 2010, Seventh Edition, Prager, Sealy & Co., LLC; KPMG LLC; and Attain LLC, page 87.

**Composite Financial Index Analysis- Primary Reserve Ratio**

**Description:** The Primary Reserve Ratio measures the financial strength of the institution by comparing expendable net assets to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. <sup>1</sup>

A Primary Reserve Ratio of .40X or better is advisable to give institutions the flexibility to transform the enterprise. The implication of a .40X ratio is that the institution would have the ability to cover about five months of expenses from reserves. Generally institutions operating at this level are able to carry on a reasonable level of activities, and appear capable of managing modest unforeseen adverse financial events. <sup>1</sup>

**Formula:** 
$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

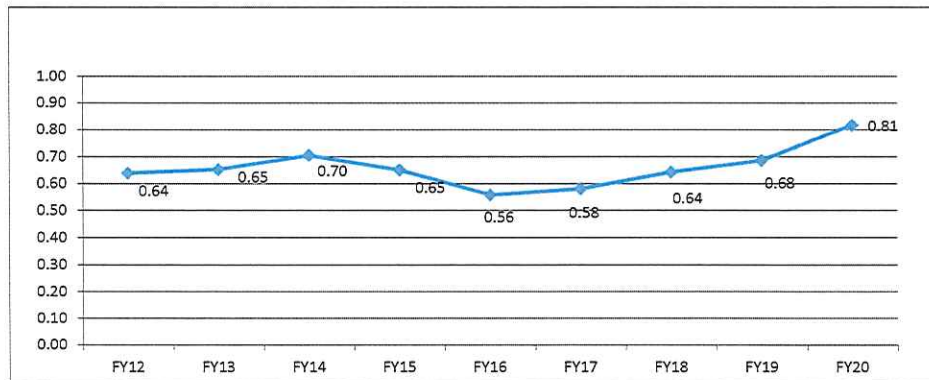
Where: Expendable Net Assets = Total Net Assets - Restricted Endowments - Investments in Capital Assets

Indiana State University	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Primary Reserve Ratio</b>	0.64	0.65	0.70	0.65	0.56	0.58	0.64	0.68	0.81

Data	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<u>Expendable Net Assets</u>									
ISU	\$ 129,766,999	\$ 136,537,070	\$ 149,967,708	\$ 142,862,282	\$ 139,061,529	\$ 135,013,000	\$ 146,848,000	\$ 152,671,000	\$ 177,399,000
ISU Foundation	\$ 9,613,840	\$ 12,589,264	\$ 20,400,188	\$ 17,824,975	\$ 12,531,423	\$ 16,894,117	\$ 20,927,018	\$ 23,007,250	\$ 23,593,032
	\$ 139,380,839	\$ 149,126,334	\$ 170,367,896	\$ 160,687,257	\$ 151,592,952	\$ 151,907,117	\$ 167,775,018	\$ 175,678,250	\$ 200,992,032
<u>Total Expenses</u>									
ISU	\$ 205,056,894	\$ 218,380,009	\$ 232,744,118	\$ 237,752,875	\$ 261,754,996	\$ 253,886,000	\$ 254,161,000	\$ 252,242,000	\$ 240,039,000
ISU Foundation	\$ 13,534,266	\$ 10,888,403	\$ 9,259,274	\$ 9,838,475	\$ 9,776,064	\$ 7,490,607	\$ 7,455,206	\$ 4,248,483	\$ 6,619,204
	\$ 218,591,160	\$ 229,268,412	\$ 242,003,392	\$ 247,591,350	\$ 271,531,060	\$ 261,376,607	\$ 261,616,206	\$ 256,490,483	\$ 246,658,204

Includes Auxiliary Organizations & the ISU Foundation.

\*ISU Foundation Expendable Net Assets includes Lily Endowment Grant: 2019- \$.6M; 2018- \$1.8M; 2017- \$3.1M; 2016- \$4.2M 2015- \$5.2M; 2014- \$6.2M; 2013- \$4.7M; 2012- \$3M; 2011- \$4.6M



The trend of this ratio is important. A negative or decreasing trend over time indicates a weakening financial condition. <sup>1</sup>

**ISU's Condition:** Ratio is consistently measuring above standard. As of June 30, 2020, ISU had the ability to cover at least nine months of expenses from reserves.

<sup>1</sup>: "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks", 2010, Seventh Edition, Prager, Sealy & Co., LLC; KPMG LLC; and Attain LLC, pages 111-113.

**Composite Financial Index Analysis- Viability Ratio**

**Description:** The Viability Ratio is a measure of whether or not the institution has sufficient Net Assets to pay off long-term debt. <sup>1</sup>

A Viability Ratio measures one of the most basic determinants of clear financial health: the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date. A ratio of 1:1 or greater indicates that an institution has sufficient expendable net assets to satisfy debt obligations. However, the level that is "right" is institution-specific. The institution should develop a target for this ratio that balances its financial, operating, and programmatic objectives. <sup>1</sup>

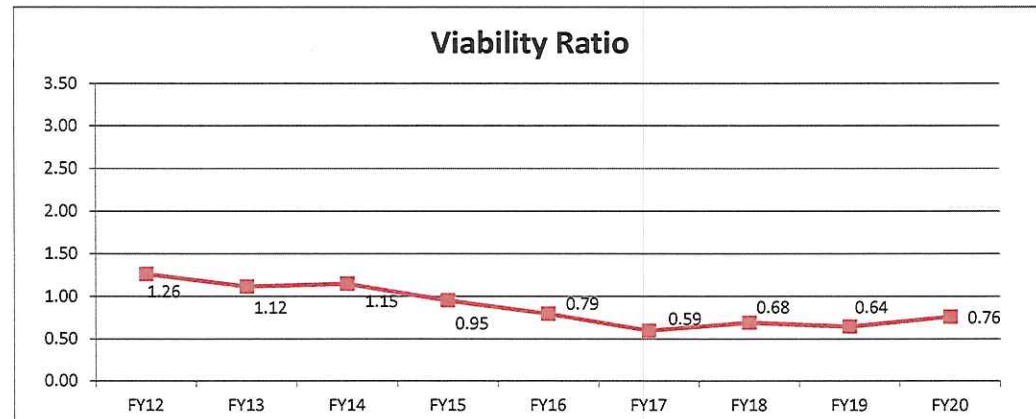
**Formula:** 
$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

Where: Expendable Net Assets = Total Net Assets - Restricted Endowments - Investments in Capital Assets

Indiana State University	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Viability Ratio</b>	1.26	1.12	1.15	0.95	0.79	0.59	0.68	0.64	0.76

Data	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Expendable Net Assets</b>									
ISU	\$ 129,766,999	\$ 136,567,070	\$ 149,967,708	\$ 142,862,282	\$ 139,061,529	\$ 135,013,000	\$ 146,848,000	\$ 152,671,000	\$ 177,399,000
ISU Foundation	\$ 9,613,840	\$ 12,589,264	\$ 20,400,188	\$ 17,824,975	\$ 12,531,423	\$ 16,894,117	\$ 20,927,018	\$ 23,007,250	\$ 23,593,032
	\$ 139,380,839	\$ 149,156,334	\$ 170,367,896	\$ 160,687,257	\$ 151,592,952	\$ 151,907,117	\$ 167,775,018	\$ 175,678,250	\$ 200,992,032
ISU Long-Term Debt	\$ 110,539,379	\$ 133,677,337	\$ 148,467,853	\$ 168,848,516	\$ 191,522,667	\$ 257,090,000	\$ 245,305,000	\$ 275,170,000	\$ 265,732,000

Includes Auxiliary Organizations & the ISU Foundation.



A positive ratio indicates to what degree net assets are available to cover long-term debt. A ratio of 1:1 or greater indicates sufficient expendable net assets to satisfy debt obligations.<sup>1</sup>

**ISU's Condition:** Below standard for FY's 15-20 due to increases in long-term debt as a result of the 500 Wabash capital lease and bonds issued for the Housing & Dining, College of Health & Human Services and Hulman Center renovations. Outstanding debt excluding State fee replaced principal totaled \$109M at June 30, 2020.

<sup>1</sup>: "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks", 2010, Seventh Edition, Prager, Sealy & Co., LLC; KPMG LLC; and Attain LLC, pages 115-116.

**Composite Financial Index Analysis- Return on Net Assets Ratio**

**Description:** The Return on Net Assets Ratio is a measure of whether or not the institution's resources are growing. This ratio, like all the ratios, is better applied over an extended period so that results of long-term plans are measured. Long-term returns are quite volatile and vary significantly based on the prevailing level of inflation. Therefore, establishing fixed nominal return targets is not possible. Rather, institutions should establish a real rate of return target in the range of 3-4%.<sup>1</sup>

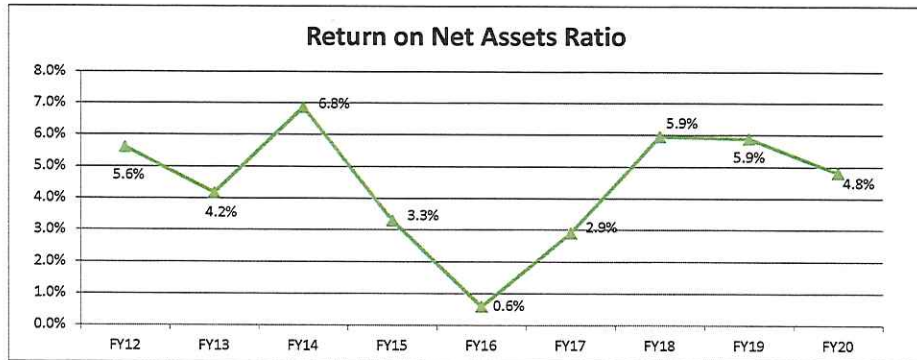
A Return on Net Assets Ratio determines whether the institution is financially better off than in previous years by measuring total economic return. A decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. An improving trend in this ratio indicates that the institution is increasing its net assets and is likely to be able to set aside financial resources to strengthen its future financial flexibility.<sup>1</sup>

**Formula:** 
$$\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

Indiana State University	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Return on Net Assets Ratio</b>	5.6%	4.2%	6.8%	3.3%	0.6%	2.9%	5.9%	5.9%	4.8%

Data	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Change in Net Assets</b>									
ISU	\$ 28,353,005	\$ 12,647,773	\$ 18,254,255	\$ 16,610,714	\$ 7,806,986	\$ 4,641,000	\$ 25,058,000	\$ 27,543,000	\$ 24,494,000
ISU Foundation	\$ (5,819,162)	\$ 5,043,051	\$ 12,090,437	\$ (1,115,283)	\$ (4,988,297)	\$ 9,575,357	\$ 4,960,578	\$ 3,892,894	\$ 2,748,125
	\$ 22,533,843	\$ 17,690,824	\$ 30,344,692	\$ 15,495,431	\$ 2,818,689	\$ 14,216,357	\$ 30,018,578	\$ 31,435,894	\$ 27,242,125
<b>Beginning Net Assets</b>									
ISU	\$ 349,429,155	\$ 377,782,160	\$ 390,429,933	\$ 408,684,188	\$ 425,294,902	\$ 433,102,000	\$ 437,743,000	\$ 462,801,000	\$ 490,344,000
ISU Foundation	\$ 53,697,446	\$ 47,878,284	\$ 52,921,335	\$ 64,041,563	\$ 62,926,280	\$ 57,937,983	\$ 67,513,340	\$ 72,473,918	\$ 76,366,812
Total Net Assets (beg. of year)	\$ 403,126,601	\$ 425,660,444	\$ 443,351,268	\$ 472,725,751	\$ 488,221,182	\$ 491,039,983	\$ 505,256,340	\$ 535,274,918	\$ 566,710,812

Includes Auxiliary Organizations & the ISU Foundation.



A positive ratio indicates a favorable return on total economic activity that provides resources to fulfill the institution's mission.<sup>1</sup>

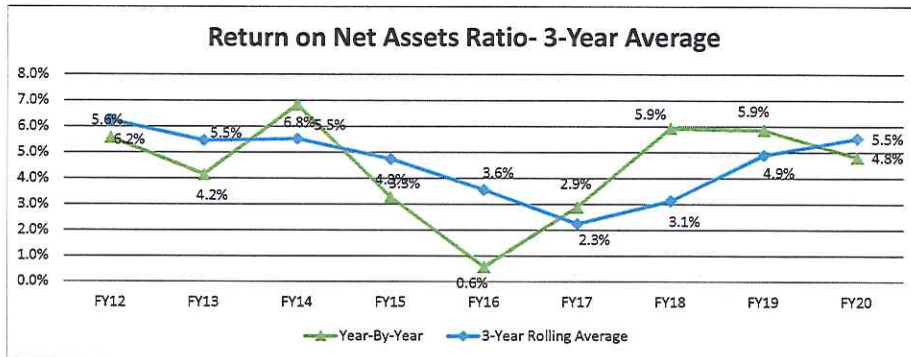
**ISU's Condition:** Return exceeded targeted rates in FY18, FY19 & FY20 due to the impact of OPEB asset increases. This had a favorable impact on net position of \$10.1 million in 2018, \$7.3 million in 2019, and \$8 million in 2020. Increased operating expenditures, coupled with the Foundation's negative change in net assets, had a negative effect on the University's return in FY16.

<sup>1</sup> "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks", 2010, Seventh Edition, Prager, Sealy & Co., LLC; KPMG LLC; and Attain LLC, pages 122-123.

Indiana State University	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Return on Net Assets Ratio</b>	6.5%	6.7%	5.6%	4.2%	6.8%	3.3%	0.6%	2.9%	5.9%	5.9%	4.8%
<b>3-Year Average</b>			6.2%	5.5%	5.5%	4.8%	3.6%	2.3%	3.1%	4.9%	5.5%

Data	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Change in Net Assets	\$ 23,070,002	\$ 25,150,292	\$ 22,533,843	\$ 17,690,824	\$ 30,344,692	\$ 15,495,431	\$ 2,818,689	\$ 14,216,357	\$ 30,018,578	\$ 31,435,894	\$ 27,242,125
Total Net Assets (beg. of year)	\$ 354,906,307	\$ 377,976,309	\$ 403,126,601	\$ 425,660,444	\$ 443,351,268	\$ 472,725,751	\$ 488,221,182	\$ 491,039,983	\$ 505,256,340	\$ 535,274,918	\$ 566,710,812

*Includes Auxiliary Organizations & the ISU Foundation.*



It is helpful to view this ratio calculated on a rolling three-year average due to drastic changes in market fluctuations that could skew the ratio from one year to the next. After applying the three-year average, we see a better picture of long-term returns.

## Composite Financial Index Analysis- Net Operating Revenue Ratio

**Description:** The Net Operating Revenue Ratio indicates whether total operating activities resulted in a surplus or a deficit, and answers the question, "Do operating results indicate the institution is living with available resources?" The ratio is a primary indicator, explaining how the change in unrestricted net assets affects the behavior of the other three core ratios. <sup>1</sup>

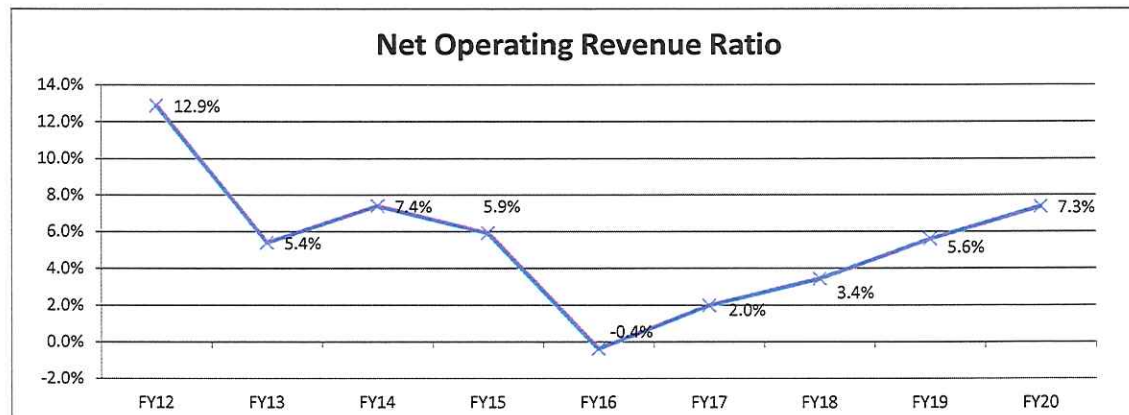
A Net Operating Revenue Ratio that is positive indicates the institution experienced an operating surplus for the year. Generally speaking, the larger the surplus, the stronger the institution's financial performance. However, if surpluses are obtained by under spending on mission-critical investments, the surplus should be questioned. For public institutions, a ratio in the 2-4% range is appropriate. A negative ratio indicates a loss for the year. <sup>1</sup>

**Formula:** 
$$\frac{(\text{Unrestricted Operating Revenues} - \text{Unrestricted Operating Expenses})}{\text{Total Unrestricted Operating Revenue}}$$

Indiana State University	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Net Operating Revenue Ratio</b>	12.9%	5.4%	7.4%	5.9%	-0.4%	2.0%	3.4%	5.6%	7.3%

Data	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<u>Surplus of Revenues over Expenses</u>									
ISU	\$ 24,891,701	\$ 12,240,858	\$ 13,976,858	\$ 14,985,292	\$ 1,716,534	\$ 3,002,000	\$ 7,172,000	\$ 14,214,000	\$ 19,720,000
ISU Foundation	\$ 7,321,598	\$ 770,203	\$ 5,291,552	\$ 519,183	\$ (2,801,578)	\$ 2,221,422	\$ 2,049,078	\$ 1,073,358	\$ (167,189)
	\$ 32,213,299	\$ 13,011,061	\$ 19,268,410	\$ 15,504,475	\$ (1,085,044)	\$ 5,223,422	\$ 9,221,078	\$ 15,287,358	\$ 19,552,811
<u>Total Unrestricted Operating Revenue</u>									
ISU	\$ 229,948,595	\$ 230,620,867	\$ 246,720,976	\$ 252,738,167	\$ 263,471,530	\$ 256,888,000	\$ 261,333,000	\$ 266,456,000	\$ 259,759,000
ISU Foundation	\$ 20,570,370	\$ 11,373,112	\$ 14,550,826	\$ 10,372,298	\$ 8,529,392	\$ 9,767,858	\$ 9,504,284	\$ 8,332,245	\$ 6,552,276
	\$ 250,518,965	\$ 241,993,979	\$ 261,271,802	\$ 263,110,465	\$ 272,000,922	\$ 266,655,858	\$ 270,837,284	\$ 274,788,245	\$ 266,311,276

Includes Auxiliary Organizations & the ISU Foundation.



A positive ratio indicates the institution experienced an operating surplus. Generally the larger the ratio the better. However, if surpluses are obtained by under spending on mission-critical investments, excessive surpluses should be questioned. <sup>1</sup>

**ISU's Condition:** Generally consistent surpluses with a ratio at or above targeted rates of 2-4%, with the exception of FY16. The FY16 drop is the result of increased operating expenditures.

<sup>1</sup> "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks", 2010, Seventh Edition, Prager, Sealy & Co., LLC; KPMG LLC; and Attain LLC, pages 127-128