INDIANA STATE UNIVERSITY

FINANCIAL REPORT

2021–2022

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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. It is a time for optimism as we turn the corner from the impact of the COVID pandemic. I am extremely grateful for the hard work of our faculty and staff in ensuring that despite the pandemic, we never closed and continued to deliver on our mission of providing a high-quality, affordable education. In fact, more than 6,500 Sycamores have graduated since 2020 when the pandemic began.

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 14% 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 3.0 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 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 2021 had a 95% 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 over $57,000. The transformative impact of an Indiana State education continued to increase our success in fundraising in fiscal year 2021-22. For the second year in a row, Indiana State raised more than $21.5 million and our annual Give to Blue Day brought in a record $1.33 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 60% of the campaign goal has been raised.

The University has also garnered support from several private foundations including $9 million from the Lilly Endowment to help improve the retention and graduation rates among minority and low-income students.

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. This fall, we reopened Dreiser Hall following an $18.4 million renovation. Dreiser houses classrooms and studio spaces for our Department of Communication and Office of Student Media, including our two radio stations, as well as a proscenium stage auditorium and costume shop for our Department of Theater, and distance education classrooms.

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, 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, 2022. 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 2021-22 fiscal year. The MD&A is on pages 8 through 19 followed by financial statements and accompanying notes.

There have been many challenges since the onset of the pandemic more than two years ago. Impact on the University's finances is part of the inevitable fallout since that time. Nevertheless, we have pursued sound financial management and budgeting to meet the needs of our students, to support the work of our faculty, and to provide the appropriate staff and resources to assure the University's mission is pursued undaunted by these unexpected events. As always, we strive to honor the confidence of our fellow Hoosier citizens and their representatives in state government to provide the best experience for our students and assure them a bright future with an ISU degree.

Sincerely,

Diann E. McKee

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

INDEPENDENT AUDITOR'S REPORT

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2022 and 2021, 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, 2022 and 2021, 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 aggregate discretely presented component units as of June 30, 2022 and 2021, 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 the 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, in fiscal year 2022, the University adopted new accounting guidance Governmental Accounting Standards Board Statement 87 *Leases*. Our opinion is not modified with respect to this matter.

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 the 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, 2022, 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, 2022

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, 2022 and 2021, along with comparative financial information for the fiscal year ended June 30, 2020. This overview complies with Governmental Accounting Standards Board (GASB) principles, GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and the notes that follow this section.

Indiana State University is a doctoral R3, residential institution offering instruction at the associate, bachelor, master, and doctoral levels. The University offers a diverse range of degree programs through a framework of 43 departmental units in five academic colleges and various divisions. Located in Terre Haute, Indiana, with 9,459 students, Indiana State University is a significant economic engine for the Wabash Valley and the State of Indiana.

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

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

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

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

In March 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act established the Higher Education Emergency Relief Fund (HEERF) to provide emergency aid for disruption of campus operations due to the Pandemic. The CARES Act set aside HEERF I funding while the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), enacted in December 2020, included an appropriation of HEERF II funds and the American Rescue Plan Act (ARPA),

Dreiser Hall

enacted in March 2021, included an appropriation of HEERF III funds. The relief funds are available to both public and private higher education institutions directly from the U.S. Department of Education. The University is eligible for aid through HEERF and has been allocated approximately $10 million in HEERF I funds, nearly $16.8 million in HEERF II funds, and approximately $28.2 million in HEERF III funds. At least 50 percent of the funds allocated from HEERF I and HEERF III must be used for direct payments to students, while institutions are required to spend the same dollar amount from the HEERF II allocation as was spent on student aid under HEERF I. The institutional portion of HEERF funds remaining after student allocations may be used to defray expenses associated with COVID-19, including lost revenue. Of the amount allocated under HEERF I, the University received $6.4 million in fiscal year 2019-2020 and $3.7 million in fiscal year 2020-2021, with $4.8 million of the total going to student aid. The University utilized the institutional portion of HEERF I funding to cover the housing and dining refunds given to students for the 2020 spring semester and personal protective equipment and cleaning supplies. The University has drawn and distributed an additional $4.5 million in student aid from HEERF II funds. Of the institutional portion of HEERF II funds, $12 million has been drawn to date. This includes $5.1 million to offset reduced State appropriation in 2021, $3.8 million of lost revenue from housing and dining for 2020-2021 academic year, and $2.4 million of Information Technology software and hardware costs. The University has drawn and distributed $14.7 million in student aid from HEERF III funds. Of the institutional portion of HEERF III funds, $11.1 million has been drawn to date. This includes $4.5 million of lost tuition revenue for academic year 2022, $4 million for lost housing and dining revenue for academic year 2022, $1.1 million for Information Technology software and hardware costs, $0.9 million for COVID testing and certification, $0.4 million for lost student recreation fee and wellness fee revenues, and $0.1 million for COVID coordinator, tutoring and contract tracing costs. The University has $3.3 million in remaining HEERF III funds, of which $1.8 million is committed to Information Technology improvements.

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, 2022, 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 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.

The impact of these changes includes a restated Statement of Net Position. The lessor requirements included a restatement of a $0.2 million current lease receivable, a $2 million non-current lease receivable, and the offsetting $2.2 million deferred inflows on lease receivable. The lessee requirements included a separate line for lease assets (net of accumulated amortization) of $23.6 million that was previously classified as capital assets, an additional $0.3 million asset lease, offset by $0.2 million of non-current lease payable, and $0.1 million current and non-current note payable.

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, 2022, 2021 and 2020 is as follows:

Statement of Net Position (Dollars in Millions)			
		Restated	
	2022	2021	2020
Current assets	$ 58.7	$ 82.2	$ 84.7
Non-current assets:			
Notes receivable, net	0.9	1.0	1.9
Lease receivable	1.8	2.0	-
Other long-term investments	107.6	109.9	104.2
Net OPEB asset	35.9	67.7	48.7
Capital assets, net	551.6	561.5	591.8
Lease Asset	24.8	24.6	-
Other assets	0.8	0.9	0.7
Total assets	**$ 782.1**	**$ 849.8**	**$ 832.0**
Deferred outflows of resources	**$ 13.6**	**$ 3.2**	**$ 5.3**
Current liabilities	$ 39.1	$ 42.3	$ 49.8
Non-current liabilities	239.7	264.0	263.7
Total liabilities	**$ 278.8**	**$ 306.3**	**$ 313.5**
Deferred inflows of resources	**$ 11.5**	**$ 22.7**	**$ 9.0**
Net position	**$ 505.4**	**$ 524.0**	**$ 514.8**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets consist primarily of cash, operating investments, and accounts receivable. Non-current assets consist primarily of capital assets net of depreciation, long-term investments, notes receivable net of allowance, and the net other post-employment benefit (OPEB) asset. Deferred outflows of resources reflect deferred outflows related to early debt retirement, pensions and OPEB. Total assets decreased by $67.7 million in 2022 as compared to a $17.8 million increase in 2021. This represents an 8 percent decrease in 2022 and a 2.1 percent increase in 2021. The current year activity is summarized below:

- Cash and cash equivalents decreased by $14.1 million to reflect drawdown of funds for the renovation of Dreiser Hall and increased spending reflected in going back to normal operations.

- Accounts receivable decreased by $1.4 million reflecting lower enrollment.
- Other accounts receivable decreased by $1.7 million to reflect the reduction of the Cares Act receivable in 2021 offset in 2022 by ISU Foundation receivable for the Hulman Center scoreboard and softball renovation.
- The current portion of notes receivable declined by $2.4 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, 2022, the Department of Education accepted Indiana State University's assignment of loans that had outstanding balances totaling approximately $2.1 million.
- Prepaid expense increased by $0.8 million to reflect increased insurance premiums and laptop scholarships for 2023.
- Short-term investments decreased by $4.5 million due to reduced bond prices.
- Capital assets decreased by $9.8 million as the result of decreasing capital projects and growth in depreciation expense.
- Lease assets increased by $0.2 million to reflect new leases during 2022. The $24.6 million balance at 2021 represented the reclassification of capital assets to lease assets due to implementation of GASB 87.
- The net OPEB asset declined by $31.8 million. This shows the decrease of the actuarial value of assets from $117.5 million in 2021 to $97.5 million in 2022 and the increase of the total OPEB liability from $49.8 million in 2021 to $61.6 million in 2022.

Deferred outflows of resources increased to $13.6 million in 2022 from $3.2 million in 2021 while it was at $5.3 million in 2020. The University's contribution of $1.7 million to the Public Employees' Retirement Fund (PERF) during 2022 as well as a $0.1 million difference between expected and actual experience and a $2 million change of assumptions were recognized as a deferred outflow of resources as required by GASB Statements No. 68 and 71. The details can be reviewed in Note 15 of the accompanying Notes to the Financial Statements. In addition, OPEB had $9.7 million deferred outflows for 2022 that represented $2.5 million changes in actuarial assumptions and $7.2 million net difference between projected and actual earnings in OPEB plan investments which can be reviewed in Note 18.

A Voluntary Employee Benefit Association (VEBA) Trust was established by the University in 1998 to set aside funds for post-retirement health and life insurance benefits and provide for investment of these assets. The fund assets cannot revert to the University and therefore the financial statements do not reflect the value of these assets. As of June 30, 2022, the value of the Trust assets was $97.5 million. The outstanding actuarial accrued liability for post-retirement benefits as of June 30, 2022 is $61.6 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 $27.5 million in 2022 as compared to a $7.2 million decrease in 2021. This represents a 9 percent decrease in 2022 compared to a 2.3 percent decrease in 2021. Key changes in current year liabilities and deferred inflows of resources are as follows:

- Accounts payable decreased by $3.2 million due to decreased construction in process payables.
- Accrued payroll and deductions declined by $0.3 million reflecting reduced employees.
- Unearned revenue decreased by $0.5 million due to lower summer school enrollment.

- Other current liabilities declined by $0.4 million.
- Current and non-current bonds payable declined by $15 million due to refunding Series 2010 and Series 2012 and bond payments in 2022.
- Current and non-current lease payable increased by $0.6 million.
- Advances from federal government decreased by $2.2 million due to the assignment of loans to the Federal Government related to the Perkins Loan program phase-out.
- The deferred inflows related to OPEB decreased by $15.7 million as a result of the net difference between projected and actual earnings in the OPEB plan investments and changes in assumptions.
- The deferred inflows related to pensions increased by $4.3 million reflecting changes in assumptions, the difference between expected and actual experience of the plan, changes in proportion and difference between employer contributions and the proportionate share of the plan.
- Deferred inflows related to lease receivable decreased $0.2 million from the restated 2021 amount of $2.2 million.

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, 2022 is $4 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 (see Note 6). The project will replace obsolete mechanical and electrical systems, improve accessibility, repair building components and enhance learning spaces. Dreiser Hall was built in 1950 and provides space for the College of Arts and Science programs, including communications classes, student media, and a 255-seat theater. The building also serves as a center for Indiana State's distance education programs. The project has been partially capitalized as of 2022 with a cost of $15.9 million. Additional costs will be capitalized in 2023.

The University continues to work assertively to manage its financial resources efficiently, including the issuance of debt to finance capital projects. Indiana State University Housing and Dining System Revenue Bonds, Series 2021 and Series 2022 were issued during fiscal year 2022. These issues had underlying credit rating from Moody's Investor Services of (A1) stable and (AA-) stable outlook from Fitch Ratings, listing solid state support for both operating and capital improvements, positive active fiscal management, very good liquidity and stable wealth, and elevated leverage compared to peers.

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, 2022, 2021 and 2020 are summarized in the table that follows:

Net Position (Dollars in Millions)			
		Restated	
	2022	2021	2020
Net investment in capital assets	$ 328.5	$ 332.5	$ 333.7
Restricted			
Non-expendable	0.7	0.9	0.7
Expendable	6.8	4.6	5.0
Unrestricted	169.4	186.0	175.4
Total net position	**$ 505.4**	**$ 524.0**	**$ 514.8**

Net investment in capital assets reflects the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets. Net investment in capital assets decreased $4 million in 2022 and decreased $1.2 million in 2021, for a total decrease of $5.2 million since 2020. This reflects renovations of University dining (Sycamore Towers Dining), academic buildings (Dreiser Hall), and operations (Hulman Center). The additions were offset by the Lincoln Quad demolition and increased depreciation expense.

Restricted net position is subject to externally imposed restrictions governing its use. Restricted non-expendable net position represents funds held for scholarships and fellowships. Restricted expendable net position includes funds for research, loans, and funds limited to construction and renovation. Restricted expendable net position increased by $2.2 million reflecting the Hulman Center scoreboard gift set up as an ISU Foundation receivable.

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 $6 million from 2020. The decrease of $16.6 million in 2022 and increase of $10.6 million in 2021, is due to the change in the net OPEB asset and the change in the net pension liability and the related deferred outflows and inflows. A decrease in the market value in the VEBA for 2022 and the increase in market value for 2021 accounted for most of these decreased and increased unrestricted net positions. A decrease in investment returns in 2022 were also responsible for the decrease in 2022.

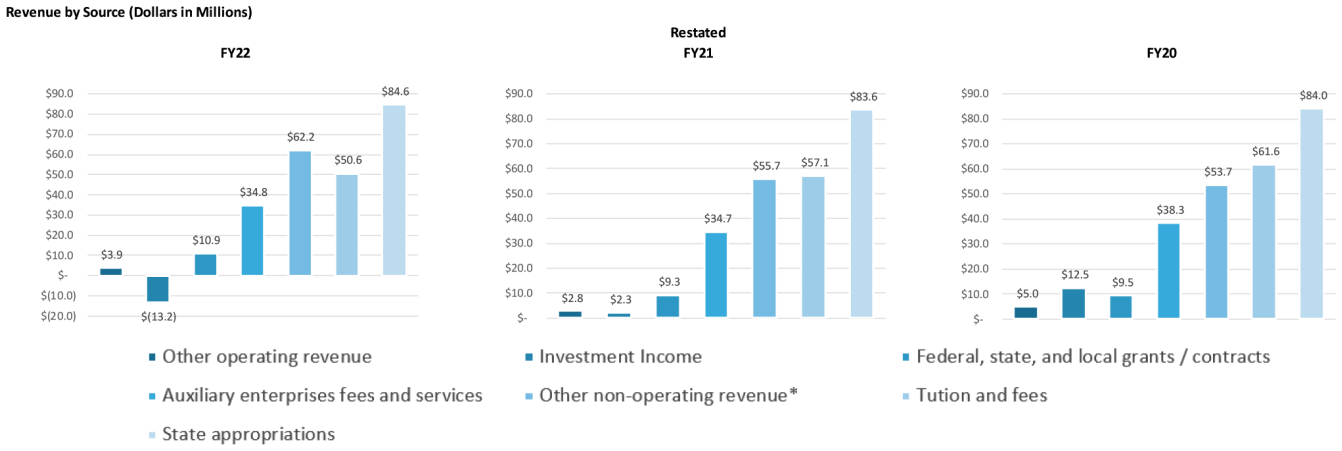
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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, 2022, 2021 and 2020 is as follows:

Revenue, Expenses, and Changes in Net Position (Dollars in Millions)			
	2022	2021	2020
Operating revenues			
Tuition and fees, net	$ 50.5	$ 57.1	$ 61.6
Grants and contracts	10.9	9.3	9.5
Auxiliary enterprises fees and services, net	34.8	34.7	38.3
Other revenues	3.9	3.0	5.0
Total operating revenue	**$ 100.1**	**$ 104.1**	**$ 114.4**
Operating expenses	$ (244.5)	$ (228.0)	$ (232.9)
Operating loss	**$ (144.4)**	**$ (123.9)**	**$ (118.5)**
Non-operating revenues (expenses)			
State appropriations	$ 84.6	$ 83.6	$ 84.0
Investment income, net	(13.2)	2.3	12.5
Non-operating grants and contracts	56.3	51.0	45.9
Capital appropriations	1.5	1.5	4.1
Capital grants and gifts	2.3	0.6	0.7
Other non-operating revenues	2.1	2.4	3.0
Other non-operating expenses	(0.3)	(0.2)	(0.1)
Interest on capital asset related debt	(7.4)	(8.6)	(7.1)
Net non-operating and other revenues	**$ 125.9**	**$ 132.6**	**$ 143.0**
Increase in net position	**$ (18.5)**	**$ 8.7**	**$ 24.5**
Net position, beginning of year	$ 523.9	$ 514.8	$ 490.3
Prior period adjustment for change in accounting principle		$ 0.5	$ -
Net position, end of year	**$ 505.4**	**$ 524.0**	**$ 514.8**

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

The following is a comparative graphic illustration of revenues by source (both operating and non-operating) for the years ending June 30, 2022, 2021 and 2020, 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.



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

Operating revenues have decreased by $14.3 million since 2020. The 2022 decrease of $4 million is comprised of the following:

- Net tuition and fee income decreased by $6.6 million due to a reduction of enrollment from Fall 2020 to Fall 2021 of 10,830 students to 9,459 students. Tuition and fees declined by $11.6 million, and the scholarship allowances also declined by $5 million. In addition, the University drew down from the CARES Act $4.9 million of lost tuition and fees revenue for Fall 2021 and Spring 2022 (see non-operating grants and contracts).
- Net auxiliary enterprises fees and services revenue increased by $0.1 million. An additional $4 million of lost revenue for Fall 2021 and Spring 2022 due to COVID was drawn down in the CARES Act to reimburse the University (see non-operating grants and contracts).
- Grants and contracts increased by $1.6 million due to increased federal grant activity for the Small Business Development Center and Applied Medicine and Rehabilitation that had increased by $0.4 million, and increased private grant activity by $0.4 million from the Indiana University School of Medicine and Lilly Foundation grants.
- Other operating revenues increased by $0.9 million due to increased study abroad revenues and Early Childhood Education Center operations.

Net non-operating and other revenues decreased by $6.7 million in 2022 and by $10.4 million in 2021 for a total decrease of $17.1 million since 2020. Significant changes in non-operating revenues in 2022 were as follows:

- State appropriations increased $1 million reflecting the State of Indiana restoring the 7 percent reserve on operating and line item appropriations totaling $5.1 million for fiscal year 2021. A decrease of $4.1 million in fee replacement related to debt service resulting from reduced bond payments for Series Q, Series P and Series T.
- Investment income declined by $15.5 million to reflect both realized and unrealized losses due to lower bond prices from increased interest rates.
- Non-operating grants and contracts revenue increased by $5.3 million. A total of $28.1 million of CRRSAA, ARP, including Strengthening Institutions Program (SIP) were drawn in fiscal year 2022. This was an increase from the $17.7 million drawn in 2021. There remains $3.5 million that can be drawn in 2023 for the institutional expenses from the American Rescue Plan (ARP) and SIP funding. The $28.1 million from 2022 consisted of $14.7 million in student aid, $4.5 million in lost tuition revenues for Fall 21 and Spring 22, $4 million in lost housing and dining revenue, $3.5 million in Information and Technology costs, $1 million in testing certification and contract tracing, and $0.4 million in lost student recreational center and wellness fees for Fall 21 and Spring 22. This offset the $5.1 million reduction of federal Pell grant awards and Indiana Higher Education awards due to lower enrollment.
- Other non-operating revenues decreased by $0.3 million due to reduced payments from the ISU Foundation on Focus Indiana and Commuter Fund.
- Capital grants and gifts increased by $1.7 million as this includes the ISU Foundation gifts for the Hulman Center scoreboard and softball renovations.

A comparative summary of the University's expenses for the years ended June 30, 2022, 2021 and 2020 is as follows:

Operating and Non-Operating Expenses (Dollars in Millions)			
	2022	**2021**	**2020**
Operating			
Compensation and employee benefits	$ 130.8	$ 128.6	$ 135.0
Supplies and expenses	57.0	50.3	51.3
Utilities	9.7	9.3	9.7
Scholarships and fellowships	24.8	17.9	16.0
Depreciation	22.2	21.9	20.9
Total operating expenses	**$ 244.5**	**$ 228.0**	**$ 232.9**
Non-operating			
Interest on capital asset related debt	$ 7.4	$ 8.6	$ 7.1
Other non-operating expenses	0.3	0.2	0.1
Total non-operating expenses	**$ 7.7**	**$ 8.8**	**$ 7.2**
Total expenses	**$ 252.2**	**$ 236.8**	**$ 240.1**

Total operating expenses increased by $11.6 million from $232.9 million in 2020 to $244.5 million in 2022. The $16.5 million increase of operating expense from 2021 to 2022 is attributed to the following:

- Net compensation and employee benefits increased by $2.2 million. Compensation and employees expense reduced by $9.9 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 increased by $12.1 million as a result of decreased VEBA values, changes in plan design, and change in plan assumptions.

- Supplies and expenses increased by $6.8 million. This is reflective of increased travel, professional services, maintenance, and computer software.
- Scholarships and fellowships increased by $6.9 million. This reflects the $14.7 million of CRSAA and ARP Act funds distributed to eligible students offset by a decrease of institutional aid to students due to lower enrollment.
- Utilities increased by $0.4 million to reflect higher electrical and sewage rates.
- Depreciation expense grew by $0.2 million reflecting a full year of depreciation of Hulman Center.

Indiana State University continues to make market-competitive compensation and employee benefits a top priority. These expenses represent 54 percent of total University operating expense.

Non-operating expenses decreased by $1.1 million as interest on capital-related debt decreased.

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 was adjusted. Activities requiring fiduciary fund reporting were moved out of agency-like funds into fiduciary funds. The impact of these changes included a prior period adjustment of $0.5 million.

In addition to their natural (object) classification (expenditure type), it is also beneficial to the reader to review operating expenses by the nature of the University division incurring the expense. A summary of the University's expenses by functional classification for the years ended June 30, 2022, 2021, and 2020 is as follows:

Expenses by Function (Dollars in Millions)			
	2022	2021	2020
Operating			
Instruction	$ 67.0	$ 67.4	$ 70.2
Research	12.3	7.4	8.4
Public service	2.6	3.7	4.6
Academic support	17.3	17.3	18.9
Student services	14.3	12.6	12.7
Institutional support	18.3	17.7	18.5
Operation of plant	30.5	29.6	26.4
Scholarships	25.9	19.1	17.2
Auxiliary enterprises	34.0	31.3	35.1
Depreciation	22.3	21.9	20.9
	$ 244.5	**$ 228.0**	**$ 232.9**

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 by 7 percent in Fall 2022 over the previous year in part because of recently launched enrollment initiatives. The Indiana State Advantage emphasizes the quality, breadth of opportunity, and affordability of the University while supporting the State of Indiana's goals around degree completion, equity, and talent. The three components of the Indiana State Advantage are:

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

Enrollment in the Honors College remains strong with 21 percent of new freshman qualifying as honors students. The retention rate for returning students increased by 4 percent in the Fall of 2022 from the Fall 2021 semester. International enrollment also increased by 11.51 percent over the previous Fall semester. The Fall 2022 semester total enrollment of 8,658 was down 8.47 percent from Fall 2021. Overall, the University welcomed 2,544 new first-time freshman, graduate, and transfer students.

The Lilly Endowment announced an $800,000 grant to Indiana State University through its initiative, Indiana Youth Programs. The grant will help the University expand its summer camp offerings on science, technology, engineering, arts, and mathematics to elementary, middle, and high school youth. The initiative launched, in part, to respond to the significant decrease in the numbers of Indiana students pursuing higher education. The college-going rate for high school graduates in Indiana has decreased significantly from 65 percent in 2015 to only 53 percent in 2020.

In September 2022, the $100 million Be So Bold Campaign for Indiana State University was announced. The fundraising campaign has four priorities: scholarships, experiential learning, faculty excellence, and Sycamore Athletics. As of June 30, 2022, the Be So Bold Campaign has raised 62 percent of the goal.

The University continues to partner with corporations to provide post-secondary educational opportunities to people currently in the workforce to enhance skills and credentialing. In partnership with GEODIS – a world leader in transport and logistics – a facility that brings higher education and industry together for teaching, workforce training, and research opened at Made@Plainfied. Indiana State University will utilize space in this facility to offer courses for certificate and degree programs such as MBA, healthcare, cybersecurity, and information technology.

As the University looks to the 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, 2022 and June 30, 2021

	2022	Restated 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 18,843,151	$ 32,947,313
Short-term investments	17,636,845	22,159,840
Accrued interest	669,166	855,255
Accounts receivable (net of allowance of $6,838,310 for 2022 and $7,111,568 for 2021)	12,867,864	14,270,229
Other accounts receivable	2,657,774	4,324,572
Grants receivable	852,485	808,001
State receivable	-	-
Notes receivable	2,087,206	4,497,020
Lease receivable	182,411	188,472
Prepaid expenses	2,927,492	2,135,210
Inventories	-	7,409
Total current assets	$ 58,724,394	$ 82,193,321
Non-current assets		
Endowment investments—held in trust	$ 727,110	$ 853,924
Deposits with bond trustee	35,598	28,596
Notes receivable (net of allowance of $329,312 for 2022 and $610,286 for 2021)	876,601	995,556
Lease receivable, non-current portion	1,832,245	2,014,656
Other long-term investments	107,656,409	109,943,550
Net OPEB asset	35,887,182	67,703,891
Capital assets (net of accumulated depreciation of $354,211,828 for 2022 and $336,408,813 for 2021)	551,648,848	561,495,559
Lease Asset (net of accumulated amortization $7,257,252 for 2022, and $8,019,585 for 2021)	24,792,768	24,627,771
Total non-current assets	$ 723,456,761	$ 767,663,503
TOTAL ASSETS	$ 782,181,155	$ 849,856,824
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on early retirement of debt	$ -	$ 300,360
Deferred outflows related to pensions	3,836,064	2,863,714
Deferred outflows related to OPEB	9,745,481	-
Total deferred outflows of resources	$ 13,581,545	$ 3,164,074
LIABILITIES		
Current liabilities		
Accounts payable	$ 2,777,227	$ 5,971,258
Accrued payroll and deductions	3,292,813	3,591,093
Unearned revenue	5,144,102	5,603,085
Funds held in custody for others	-	-
Other current liabilities	4,750,806	5,160,138
Bonds payable	15,012,670	14,276,996
Compensated absences and termination benefits	4,059,385	3,704,514
Lease payable	1,831,666	1,620,628
Notes payable	108,545	107,908
Debt interest payable	2,141,948	2,275,664
Total current liabilities	$ 39,119,162	$ 42,311,284
Non-current liabilities		
Bonds payable	$ 206,867,047	$ 222,594,385
Compensated absences and termination benefits	112,691	720,358
Lease payable	25,615,807	25,256,239
Notes payable	7,268	21,812
Net pension liability	3,957,938	10,101,407
Advances from Federal Government	3,153,879	5,330,749
Total non-current liabilities	$ 239,714,630	$ 264,024,950
TOTAL LIABILITIES	$ 278,833,792	$ 306,336,234
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement	$ 1,303,055	$ 1,447,839
Deferred gain on early retirement of debt	556,146	-
Deferred inflows related to lease receivable	2,014,656	2,203,128
Deferred inflows related to pensions	7,598,295	3,327,089
Deferred inflows related to OPEB	-	15,734,317
Total deferred inflows of resources	$ 11,472,152	$ 22,712,373
NET POSITION		
Net investment in capital assets	$ 328,540,782	$ 332,524,132
Restricted for:		
Non-expendable:		
Scholarships and fellowships	727,110	853,924
Expendable:		
Research and other grants	172,809	206,984
Loans	1,549,958	1,679,515
Capital projects	5,092,262	2,740,301
Unrestricted	169,373,835	185,967,435
TOTAL NET POSITION	$ 505,456,756	$ 523,972,291

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, 2022 and June 30, 2021

	2022	2021
OPERATING REVENUES		
Tuition and fees	$ 82,245,819	$ 93,849,188
Scholarship allowances for tuition and fees	(30,702,292)	(35,748,001)
Other allowances	(984,798)	(1,005,955)
Net tuition and fees	50,558,729	57,095,232
Federal grants and contracts	4,944,233	4,182,277
State and local grants and contracts	213,307	98,456
Non-governmental grants and contracts	5,716,224	4,971,663
Auxiliary enterprises fees and services	46,420,203	46,116,498
Scholarship allowances for room and board	(11,051,238)	(10,808,355)
Other allowances	(607,781)	(598,098)
Net auxiliary enterprises fees and services	34,761,184	34,710,045
Other operating revenues	3,913,396	3,007,884
Total operating revenues	$ 100,107,073	$ 104,065,557
EXPENSES		
Compensation and employee benefits	$ 124,445,236	$ 134,400,552
OPEB Expense	6,336,911	(5,792,641)
Net compensation and benefits	130,782,147	128,607,911
Supplies and expenses	57,069,670	50,273,384
Utilities	9,695,022	9,285,625
Scholarships and fellowships	24,751,742	17,879,591
Depreciation	22,258,671	21,909,635
Total operating expenses	$ 244,557,252	$ 227,956,146
Operating loss	$ (144,450,179)	$ (123,890,589)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 84,558,506	$ 83,634,608
Gifts	625,685	619,582
Investment income (net of investment expenses of $487,077 for 2022 and $496,480 for 2021)	(13,171,198)	2,304,530
Interest on capital asset-related debt	(7,408,913)	(8,629,023)
Non-operating grants and contracts	56,305,231	51,004,531
Other non-operating revenues	1,542,200	1,753,860
Other non-operating expenses	(313,033)	(249,910)
Net non-operating revenues	$ 122,138,478	$ 130,438,178
Income before other revenues, expenses, gains, or losses	$ (22,311,701)	$ 6,547,589
Capital appropriations	$ 1,504,289	$ 1,504,289
Capital grants and gifts	2,291,877	559,568
Total other revenues	$ 3,796,166	$ 2,063,857
Increase (decrease) in net position	$ (18,515,535)	$ 8,611,446
NET POSITION		
Net position—beginning of year	$ 523,972,291	$ 514,838,178
Prior period adjustment for change in accounting principle	$ -	$ 522,667
Restated net position at beginning of year	$ 523,972,291	$ 515,360,845
Net position—end of year	$ 505,456,756	$ 523,972,291

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, 2022 and June 30, 2021 *(Dollars in Thousands)*

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 51,861,314	$ 56,456,035
Grants and contracts	10,386,939	8,388,225
Auxiliary enterprises	32,588,713	33,169,070
Payments to suppliers	(69,769,960)	(56,997,073)
Payments to employees	(66,582,726)	(69,045,040)
Payments for benefits	(58,460,644)	(64,784,654)
Payments to students	(23,932,025)	(16,592,910)
Return of Perkins loan funds	(884,946)	(858,282)
Student loans collected	950,359	1,073,313
Other receipts	4,658,960	3,384,997
Net cash used by operating activities	$ (119,184,016)	$ (105,806,319)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	$ 84,564,641	$ 83,634,608
Direct loan program receipts	15,210,137	17,539,230
Direct loan program disbursements	(15,210,137)	(17,539,230)
Non-operating grants and contracts	60,086,712	50,212,967
Gifts and other non-operating income	1,853,688	2,138,281
Funds held in custody for others	-	(887,021)
Net cash provided by non-capital financing activities	$ 146,505,041	$ 135,098,835
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations received	$ 1,504,289	$ 1,504,289
Capital gifts and grants received	159,217	1,000,000
Proceeds from bond issue	329,377	18,662,441
Costs of issuance	(313,033)	(249,910)
Cash paid for capital assets	(14,543,635)	(22,182,100)
Principal and interest paid on capital debt and leases	(23,239,670)	(27,597,354)
Net cash used by capital financing activities	$ (36,103,455)	$ (28,862,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	$ 15,132	$ 1,052,637
Income from investing activities	(197,640)	4,460,987
Purchase of investments	(5,139,224)	(9,095,062)
Net cash provided by (used by) investing activities	$ (5,321,732)	$ (3,581,438)
Net decrease in cash and cash equivalents	$ (14,104,162)	$ (3,151,556)
Cash and cash equivalents—beginning of year	$ 32,947,313	$ 36,098,869
Cash and cash equivalents—end of year	$ 18,843,151	$ 32,947,313

Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	$ (144,450,179)	$ (123,890,589)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	22,258,671	21,909,635
Other non-cash adjustments	4,135,892	260,767
Return of Perkins loan funds	(884,946)	(858,282)
Changes in current assets and current liabilities		
Accounts receivable	1,402,369	128,198
Grants receivable	(44,484)	54,991
Notes receivable, current	297,956	(8,172)
Inventories	7,409	176
Lease receivable	6,061	-
Prepaid expenses	(792,282)	(225,895)
Accounts payable	(537,116)	(82,554)
Accrued payroll and deductions	(298,280)	(1,472,921)
Unearned revenue	(458,983)	(117,042)
Funds held in custody for others	-	(618,866)
Lease payable	227,720	-
Notes payable	637	-
Other current liabilities	(409,332)	(268,915)
Compensated absences and termination benefits	354,871	(616,850)
Net cash used by operating activities	$(119,184,016)	$(105,806,319)

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, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 10,076,207	$ 15,261,219
Due from Indiana State University	29,389	31,424
Other assets	634,915	555,448
Property held for future use	3,230	3,230
Investments	93,671,029	97,844,844
Contributions receivable, net	5,963,536	4,896,465
Investments held in split-interest agreements	462,754	579,053
Beneficial interest in remainder trusts	861,968	948,828
Property and equipment, net	532,360	569,855
Beneficial interest in perpetual trusts	1,723,574	1,293,942
Total assets	$ 113,958,962	$ 121,984,308
LIABILITIES		
Accounts payable	$ 2,686,711	$ 624,527
Due to Indiana State University	727,110	853,923
Notes payable	4,262,446	5,054,999
Split-interest agreement obligations	1,027,742	1,107,957
Refundable advances	-	67,052
Total liabilities	8,704,009	7,708,458
NET ASSETS		
Without donor restrictions	5,480,116	10,023,188
With donor restrictions	99,774,837	104,252,662
Total net assets	105,254,953	114,275,850
Total liabilities and net assets	$ 113,958,962	$ 121,984,308

Indiana State University Foundation, Inc.

Consolidated Statements of Activities

Years Ended June 30, 2022 and 2021

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
Sports marketing program	-	-	-
Alumni affairs	84,001	-	84,001
Total expenses	9,913,602	-	9,913,602
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(4,543,072)	(4,477,825)	(9,020,897)
OTHER CHANGES			
Gain on sale of asset	-	-	-
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

2021

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

Indiana State University Foundation, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ (9,020,897)	$ 35,160,913
Items not requiring (providing) cash		
Depreciation and amortization	62,272	46,061
Provision for uncollectible contributions receivable	76,080	77,918
Net realized and unrealized gains on investments	15,777,091	(21,257,690)
Gain on sale of asset	-	(13,364)
Contributions restricted for long-term investment	(5,400,111)	(3,524,473)
Changes in		
Contributions receivable	(1,143,151)	(654,389)
Due from Indiana State University	2,035	274
Other assets	(79,467)	(10,813)
Accounts payable	2,062,184	(662,495)
Due to Indiana State University	(126,813)	143,921
Value of split-interest agreements	55,892	301,018
Net cash provided by operating activities	2,265,115	9,606,881
INVESTING ACTIVITIES		
Purchase of investments	(28,648,732)	(41,409,938)
Sales and maturities of investments	16,615,824	42,374,699
Proceeds from property and equipment held for future use	-	6,222
Purchase of property and equipment	(24,777)	(314,187)
Net cash provided by (used in) investing activities	(12,057,685)	656,796
FINANCING ACTIVITIES		
Repayments of note payable	(792,553)	(7,740,538)
Proceeds from notes payable	-	5,334,786
Proceeds from contributions restricted for investments in permanent endowment	5,400,111	3,524,473
Net cash provided by financing activities	4,607,558	1,118,721
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,185,012)	11,382,398
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,261,219	3,878,821
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,076,207	$ 15,261,219
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	$ 103,430	$ 193,223

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 Fiduciary Net Position
Fiduciary Funds
As of June 30, 2021

	Other Post-Employment Benefit (OPEB) Trust Funds	Custodial Funds	Total Fiduciary Activities
ASSETS			
Cash and cash equivalents	$ 1,746,224	$ 886,221	$ 2,632,445
Receivables:			
Accrued interest and dividends	450,664	-	450,664
Accounts receivable	-	393	393
Total receivables	$ 450,664	$ 393	$ 451,057
Investments at fair value:			
Short-term investments	$ 874,811	$ -	$ 874,811
Long-term investments	50,825,709	-	50,825,709
Pooled investment funds	64,249,996	-	64,249,996
Total investments	$ 115,950,516	$ -	$ 115,950,516
TOTAL ASSETS	$ 118,147,404	$ 886,614	$ 119,034,018
LIABILITIES			
Accounts payable	$ 600,000	$ -	$ 600,000
TOTAL LIABILITIES	$ 600,000	$ -	$ 600,000
NET POSITION			
Restricted for:			
Post-employment benefits other than pensions	$ 117,547,404	$ -	$ 117,547,404
Student and faculty organizations	-	886,614	886,614
TOTAL NET POSITION	$ 117,547,404	$ 886,614	$ 118,434,018

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 increase 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)
NET POSITION			
Medical, dental, and life insurance for retirees	$ 3,234,000	$ -	$ 3,234,000
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
Net position-ending	$ 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, 2021

	Other Post-Employment Benefit (OPEB) Trust Funds	Custodial Funds	Total Fiduciary Activities
ADDITIONS			
Contributions:			
Contributions from the University	$ -	$ 4,565	$ 4,565
Contributions from student organizations	-	113,534	113,534
Contributions from participants	-	52,809	52,809
Contributions from faculty and staff organizations	-	734	734
Total contributions	$ -	$ 171,642	$ 171,642
Investment earnings:			
Net increase in fair value of investments	$ 17,536,614	$ -	$ 17,536,614
Interest, dividends, and other	2,954,380	2,308	2,956,688
Accrued interest purchased	(215,878)	-	(215,878)
Net investment earnings	$ 20,275,116	$ 2,308	$ 20,277,424
Total additions	$ 20,275,116	$ 173,950	$ 20,449,066
NET POSITION			
Medical, dental, and life insurance for retirees	$ 2,574,000	$ -	$ 2,574,000
Management fees	342,205	-	342,205
Other expenses	-	199,309	199,309
Total deductions	$ 2,916,205	$ 199,309	$ 3,115,514
Net increase (decrease) in fiduciary net position	17,358,911	(25,359)	17,333,552
Net position-beginning	$ 100,188,493	$ 911,973	$ 101,100,466
Net position-ending	$ 117,547,404	$ 886,614	$ 118,434,018

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 Comprehensive Annual Financial Report of the State.

A. Reporting Entity

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

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

B. Basis of Accounting

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

C. Cash Equivalents

The University 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 consists 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 includes 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, 2022 and June 30, 2021, the Foundation distributed $6,782,793 and $4,070,208, 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 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.

As a result, the University recorded leased right-to-use assets totaling $24.6 million net of related accumulated amortization of $8 million at June 30, 2021. Total current and non-current lease payable totaled $26.9 million.

There was an increase in lease receivable of $2.2 million with a corresponding $2.2 million increase in deferred inflows related to lease receivable.

Beginning net position as of July 1, 2021 was restated for the effects of the University's adoption of GASB 87 as follows:

Restatement of Net Position 2021			
	June 30, 2021 as Originally Reported	GASB 87 Impact	July 1, 2021 Restated
Current assets			
Lease Receivable	$ -	$ 188,472	$ 188,472
Non-current assets			
Lease receivable	-	2,014,656	2,014,656
Capital Assets	585,832,206	291,124	586,123,330
	$ 585,832,206	$ 2,494,252	$ 588,326,458
Deferred ouflow of resources	$ 3,164,074	$ -	$ 3,164,074
Current liabilities			
Lease Payable	$ 1,639,287	$ (18,659)	$ 1,620,628
Notes Payable	-	107,908	107,908
Non-current liabilities			
Lease Payable	25,076,176	180,063	25,256,239
Notes Payable	-	$ 21,812	21,812
	$ 26,715,463	$ 291,124	$ 27,006,587
Deferred inflow of resources			
Deferred inflows related to lease receivable	$ -	$ 2,203,128	$ 2,203,128
Changes in Total Net position	$ 562,280,817	$ -	$ 562,280,817

R. Reclassifications

Certain reclassifications have been made to prior year statements for comparative purposes and do not constitute a restatement of prior periods. For years 2022 and 2021, OPEB Expense was stated separately from compensation and employee benefits for greater transparency of the changes. As of June 30, 2022, the OPEB expense was $6,336,911, and as of June 30, 2021, OPEB expense was -$5,792,641.

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		
	2022	2021
Cash on hand	$ 83,836	$ 84,011
Deposits with financial institutions	3,019,130	2,800,782
Investments	141,760,549	163,019,835
	$ 144,863,515	**$ 165,904,628**

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 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 2022 and 2021 are provided by the following tables showing the distribution of investments by maturity:

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**

University Investments and Maturities at June 30, 2021

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Cash on hand (petty cash)	$ 84,011	$ 84,011	$ -	$ -	$ -
Demand deposits	2,800,782	2,800,782	-	-	-
Money market funds	29,892,002	29,892,002	-	-	-
Certificates of deposit	1,754,010	991,305	762,705	-	-
Asset-backed securities	8,035,260	16,769	6,480,015	384,446	1,154,030
Collateralized mortgage obligations	6,010,868	252,931	1,162,192	-	4,595,745
Corporate bonds	46,049,163	2,199,298	19,276,524	17,278,559	7,294,782
Government agencies	8,650,738	1,297,330	5,530,260	997,541	825,607
Mortgage-backed securities	11,867,226	-	1,605,304	1,684,457	8,577,465
Municipal notes and bonds	2,079,457	-	1,210,112	744,015	125,330
Treasury notes and bonds	37,911,797	17,095,337	10,742,183	6,659,721	3,414,556
Foreign notes and bonds	9,915,390	477,390	2,631,717	3,978,154	2,828,129
Endowment investments held in trust	853,924	-	-	-	853,924
	$ 165,904,628	**$ 55,107,155**	**$ 49,401,012**	**$ 31,726,893**	**$ 29,669,568**

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	2022	2021
Mortgage-backed & asset-backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of the securities and makes the fair values of these securities highly sensitive to changes in interest rates.	$19,746,735	$19,902,485
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.	$29,864,851	$36,363,987

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, 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**

Moody's Rating Scale at June 30, 2021						
Investment Type	**Fair Value**	**AAA**	**Aa**	**A**	**B or Lower**	**Not Rated**
Cash on hand (petty cash)	$ 84,011	$ -	$ -	$ -	$ -	$ 84,011
Demand deposits	2,800,782	-	-	-	-	2,800,782
Money market funds	29,892,002	-	-	-	-	29,892,002
Certificates of deposit	1,754,010	-	-	-	-	1,754,010
Asset-backed securities	8,035,260	4,415,274	638,012	27,741	-	2,954,233
Collateralized mortgage obligations	6,010,868	3,272,691	7,968	-	240,778	2,489,431
Corporate bonds	46,049,163	242,884	1,985,102	16,923,878	25,541,916	1,355,383
Government agencies	8,650,738	8,537,465	-	-	-	113,273
Mortgage-backed securities	11,867,226	461,301	-	-	-	11,405,925
Municipal notes and bonds	2,079,457	653,656	691,955	-	-	733,846
Treasury notes and bonds	37,911,797	25,432,435	-	-	-	12,479,362
Foreign notes and bonds	9,915,390	-	198,948	1,051,299	4,800,691	3,864,452
Endowment investments held in trust	853,924	-	-	-	-	853,924
	$ 165,904,628	**$ 43,015,706**	**$ 3,521,985**	**$ 18,002,918**	**$ 30,583,385**	**$ 70,780,634**

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, 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. At June 30, 2021, Fannie Mae mortgage-backed securities, totaling $6,998,140, represented five percent or more of total University investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the University will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Indiana State University's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than preference will be given to Indiana institutions because of additional insurance coverage provided by the State. At June 30, 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. At June 30, 2021, $37,911,797 in U.S. Treasury Notes and Bonds, $8,650,738 in U.S. Government Agencies and $29,892,002 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, 2022 and 2021, 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 2022 or 2021 covered under this fund. The University had less than six percent of investments that are made up of foreign currency in 2022 and 2021; 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, 2022 and 2021 are presented below.

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**

University Investments by Fair Value Level at June 30, 2021

Investment Type	Fair Value	Level 1	Level 2	Level 3	Cash
Cash on hand (petty cash)	$ 84,011	$ -	$ -	$ -	$ 84,011
Demand deposits	2,800,782	-	-	-	2,800,782
Money market funds	29,892,002	-	29,892,002	-	-
Certificates of deposit	1,754,010	-	1,754,010	-	-
Asset-backed securities	8,035,259	-	8,035,259	-	-
Collateralized mortgage obligations	6,010,868	-	6,010,868	-	-
Corporate bonds	46,049,164	-	46,049,164	-	-
Government agencies	8,650,738	-	8,650,738	-	-
Mortgage-backed securities	11,867,226	-	11,867,226	-	-
Municipal notes and bonds	2,079,458	-	2,079,458	-	-
Treasury notes and bonds	37,911,796	-	37,911,796	-	-
Foreign notes and bonds	9,915,390	-	9,915,390	-	-
Endowment investments held in trust	853,924	-	853,924	-	-
	$ 165,904,628	**$ -**	**$ 163,019,835**	**$ -**	**$ 2,884,793**

NOTE 3. CAPITAL ASSETS

The changes in gross capital assets and accumulated depreciation for the fiscal years ending June 30, 2022 and 2021 are presented in the tables below:

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**

Capital Assets and Depreciation					
	Balance June 30, 2020	Additions	Transfers	Deductions	Balance June 30, 2021
Capital assets not being depreciated					
Land	$ 35,359,302	$ -	$ 122,648	$ -	$ 35,481,950
Works of art	2,204,179	125,205	-	-	2,329,384
Construction in progress	47,145,860	19,968,771	(56,135,308)	(46,025)	10,933,298
	$ 84,709,341	**$ 20,093,976**	**$ (56,012,660)**	**$ (46,025)**	**$ 48,744,632**
Capital assets being depreciated					
Infrastructure	$ 36,376,326	$ -	$ -	$ (55,956)	$ 36,320,370
Land improvements	41,505,033	-	1,603,875	(430,666)	42,678,242
Buildings	651,462,858	-	54,408,785	(19,192,675)	686,678,968
Equipment	83,716,229	1,615,799	-	(1,410,386)	83,921,642
Capital lease assets	32,567,208	80,148	-	-	32,647,356
Leasehold improvements	568,343	-	-	-	568,343
	$ 846,195,997	**$ 1,695,947**	**$ 56,012,660**	**$ (21,089,683)**	**$ 882,814,921**
Less accumulated depreciation					
Infrastructure	$ (33,942,822)	$ (130,823)	$ -	$ 55,956	$ (34,017,689)
Land improvements	(23,738,885)	(2,154,944)	-	199,253	(25,694,576)
Buildings	(202,866,738)	(15,815,636)	-	14,524,448	(204,157,926)
Equipment	(71,118,972)	(3,052,499)	-	1,193,367	(72,978,104)
Lease amortization	(6,863,825)	(1,155,760)	-	-	(8,019,585)
Leasehold improvements amortization	(549,398)	(18,945)	-	-	(568,343)
	$ (339,080,640)	**$ (22,328,607)**	**$ -**	**$ 15,973,024**	**$ (345,436,223)**
Total capital assets being depreciated, net	**$ 507,115,357**	**$ (20,632,660)**	**$ 56,012,660**	**$ (5,116,659)**	**$ 537,378,698**
Total capital assets, net	**$ 591,824,698**	**$ (538,684)**	**$ -**	**$ (5,162,684)**	**$ 586,123,330**

A breakdown of significant projects included in construction in progress as of June 30, 2022 and 2021 are shown below:

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

Construction Work in Progress	
Project	**June 30, 2021**
Dreiser Hall Renovations	$ 9,417,858
Other Miscellaneous Projects	1,515,440
	$ 10,933,298

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, 2022 and 2021 are as shown below:

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**

Long-Term Liabilities as of June 30, 2021 (Restated)					
	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Bonds payable - public offering	$ 199,195,000	$ 15,600,000	$ 12,540,000	$ 202,255,000	$ 11,310,000
Bonds payable - direct placement	14,090,000	-	3,960,000	10,130,000	1,305,000
Bond premiums	23,066,676	3,062,441	1,642,736	24,486,381	1,661,996
Lease payable	27,603,187	92,908	819,228	26,876,867	1,620,628
Notes payable	228,442	-	98,722	129,720	107,908
Compensated absences and termination benefits	4,601,601	210,704	387,433	4,424,872	3,704,514
Advances from Federal Government	6,141,337	-	810,588	5,330,749	-
Total long-term liabilities	**$ 274,926,243**	**$ 18,966,053**	**$ 20,258,707**	**$ 273,633,589**	**$ 19,710,046**

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 2022 and 2021 were $11,044,480 and $15,288,291, respectively.

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.

The University issued $17,560,000 of Housing and Dining Revenue Bonds, Series 2021 on July 21, 2021 and $4,030,000 of Housing and Dining Revenue Bonds, Series 2022 on January 4, 2022. See Note 6 for details.

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**

Debt Service Requirements as of June 30, 2021					
	Bonds - Public Offering		Bonds - Direct Placement		
Fiscal Year	Bond Principal	Bond Interest	Bond Principal	Bond Interest	Total
2022	$ 11,310,000	$ 8,731,408	$ 1,305,000	$ 243,120	$ 21,589,528
2023	11,855,000	8,178,611	1,335,000	211,800	21,580,411
2024	12,430,000	7,584,275	1,365,000	179,760	21,559,035
2025	13,040,000	6,959,429	1,400,000	147,000	21,546,429
2026	13,200,000	6,333,994	1,430,000	113,400	21,077,394
2027-2031	63,360,000	23,193,257	3,295,000	150,780	89,999,037
2032-2036	61,720,000	9,430,976	-	-	71,150,976
2037-2041	15,340,000	868,650	-	-	16,208,650
	$ 202,255,000	**$ 71,280,600**	**$ 10,130,000**	**$ 1,045,860**	**$ 284,711,460**
Net unamortized premium	24,486,381	-	-	-	24,486,381
	$ 226,741,381	**$ 71,280,600**	**$ 10,130,000**	**$ 1,045,860**	**$ 309,197,841**

NOTE 6. BOND ISSUES

Indiana State University Housing and Dining Revenue Bonds, Series 2021

On August 12, 2021, the University issued Housing and Dining Revenue Bonds, Series 2021. This issue was tax-exempt with a true interest cost (TIC) of 1.67 percent. The proceeds of Series 2021 bonds include principal of $17,560,000 plus a bond premium of $4,243,438 for total proceeds of $21,803,438. Bond issuance costs of $277,692 were paid with bond proceeds, resulting in $21,525,746 to be used to refund the Housing and Dining Revenue Bond, Series 2010, as well as Housing and Dining Revenue Bond, Series 2012 maturing on and after April 1, 2027.

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 2021 Bond was issued by the University with a True Interest Cost of 1.67 percent to refund $3,990,728 of outstanding Series 2010 Bond and $17,535,018 of outstanding Series 2012 Bond with an average coupon of 4.386 percent. The net proceeds of $21,525,746 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 2010 and Series 2012 as follows:

- The proceeds refunded $3,990,728 of outstanding Series 2010 Bonds that mature from October 1, 2021 through April 1, 2027.
- The proceeds refunded $17,535,018 of outstanding Series 2012 Bonds that mature from April 1, 2027 through April 1, 2038.

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 5.000 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		
	2022	**2021**
Deferred Service Concession Arrangement beginning balance	$ 1,447,839	$ 1,592,623
Service Concession Arrangement additions	-	-
Revenue recognition for the fiscal year	(144,784)	(144,784)
Deferred Service Concession Arrangement ending balance	**$ 1,303,055**	**$ 1,447,839**

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, 2022 and 2021, respectively, are as follows:

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**

Lease Assets and Accumulated Amortization by Class of Asset as of June 30, 2021 (Restated)				
Description	**Asset Classification**	**Gross Capital Lease Asset**	**Accumulated Amortization**	**Net Capital Lease Asset**
Dorsett's Auto Sales- Vehicles	Equipment	$ 50,620	$ 13,545	$ 37,075
CP Automotive Sales LLC- Vehicle	Equipment	15,004	4,446	$ 10,558
Ricoh USA, Inc.- Copiers	Equipment	2,088,254	1,890,232	$ 198,022
Equipment Total		$ 2,153,878	$ 1,908,223	$ 245,655
Terre Haute International Airport Authority- Hangar & Office Space	Building	256,911	64,049	$ 192,862
500 Wabash Housing, LLC- Student Housing	Building	30,236,567	6,047,313	$ 24,189,254
Building Total		$ 30,493,478	$ 6,111,362	$ 24,382,116
Total Lease Assets		**$ 32,647,356**	**$ 8,019,585**	**$ 24,627,771**

The scheduled fiscal year maturities of lease liabilities and related interest expense at June 30, 2022 and restated 2021 is as follows:

Lease Liability Principal & Interest Requirements to Maturity			
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

Lease Liability Principal & Interest Requirements to Maturity			
Fiscal Year(s)	**Principal Payments**	**Interest Payments**	**Total Payments**
2022	$ 846,958	$ 773,670	$ 1,620,628
2023	839,274	763,459	1,602,733
2024	839,638	737,686	1,577,324
2025	857,683	711,786	1,569,469
2026	877,538	685,108	1,562,646
2027-2031	4,773,245	2,901,954	7,675,199
2032-2036	5,482,418	2,192,782	7,675,200
2037-2041	6,379,430	1,295,770	7,675,200
2042-2046	5,980,683	333,127	6,313,810
	$ 26,876,867	$ 10,395,342	$ 37,272,209

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, 2022 and 2021, the University recognized revenue, including interest income, related to this lease agreement totaling $264,541 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 61 employees enrolled in the program during the 2022 fiscal year at a cost of $1,659,867 and 39 employees enrolled in the program during the 2021 fiscal year at a cost of $1,471,366. Total termination benefits liability reported at June 30, 2022 was $329,459, and June 30, 2021 was $210,704.

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, 2022 and June 30, 2021 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 2022 and 2021 fiscal years are as follows:

Medical Claims Liabilities		
	2022	2021
Unpaid medical claims - July 1	$ 4,723,914	$ 4,666,672
Claims incurred	15,943,729	18,952,898
Claims paid	(16,534,114)	(18,895,656)
Unpaid medical claims - June 30	**$ 4,133,529**	**$ 4,723,914**

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 2022, Indiana State University did not commence any new obligations to remediate pollution. The outstanding obligation as of June 30, 2022 was zero.

NOTE 13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

Natural Classifications Years Ended June 30, 2022 and June 30, 2021							
Functional Classification	Compensation and Benefits	Supplies and Expenses	Utilities	Scholarships and Fellowships	Depreciation	2022 Total	2021 Total
Instruction	$ 61,182,274	$ 5,746,524	$ -	$ -	$ -	$ 66,928,798	$ 67,368,059
Research	5,791,951	6,526,871	-	-	-	12,318,822	7,438,812
Public service	1,741,593	890,467	-	-	-	2,632,060	3,665,600
Academic support	11,994,510	5,341,517	-	-	-	17,336,027	17,314,739
Student services	11,398,891	2,907,196	-	34,125	-	14,340,212	12,565,229
Institutional support	12,939,254	5,410,695	-	-	-	18,349,949	17,652,966
Operation of plant	9,431,209	11,759,788	9,352,872	-	-	30,543,869	29,634,066
Scholarships	1,148,007	-	-	24,717,617	-	25,865,624	19,090,853
Auxiliary enterprises	15,154,458	18,486,612	342,150	-	-	33,983,220	31,316,188
Depreciation	-	-	-	-	22,258,671	22,258,671	21,909,635
	$ 130,782,147	**$ 57,069,670**	**$ 9,695,022**	**$ 24,751,742**	**$ 22,258,671**	**$ 244,557,252**	**$ 227,956,146**

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 2022 and 2021 are displayed below.

TIAA-CREF Contributions		
	2022	2021
University Contributions to Plan	$6,786,389	$7,177,886
Total Participating Employee Annual Salaries	$66,655,357	$70,818,762
Employee and Retiree Plan Participants	889	945

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 2022 and 2021. 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 2022 and 2021 are displayed below.

PERF DB Contributions		
	2022	2021
University Contributions to PERF DB Plan	$1,701,350	$1,806,075
University Contributions to Annuity Savings Accounts	$470,631	$495,289
Total Participating Employee Annual Salaries	$15,771,125	$16,582,925
Employee Plan Participants	429	467

Pension Liabilities – For the fiscal years ending June 30, 2022 and June 30, 2021, the University reported liabilities of $3,957,938 and $10,101,407, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the University's portion was .30 percent.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – Indiana State University recognized pension income of $1,134,866 during fiscal year 2022 and $315,998 during fiscal year 2021. 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				
	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 135,373	$ 79,028	$ 178,968	$ 135,624
Net difference between projected and actual investment earnings on pension plan investments	-	5,139,021	864,517	-
Change of assumptions	1,990,869	889,028	-	2,104,711
Changes in proportion and difference between employer contributions and proportionate share of contributions	8,472	1,491,218	14,154	1,086,754
Contributions subsequent to the measurement date	1,701,350	-	1,806,075	-
	$ 3,836,064	**$ 7,598,295**	**$ 2,863,714**	**$ 3,327,089**

The University reported $1,701,350 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, 2022. 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 2022 and 2021 are displayed below.

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

Amortization of Deferred Outflows/(Inflows) of Resources	
2021	$ (1,493,374)
2022	(726,029)
2023	(417,273)
2024	367,226
2025	-
Thereafter	-
	$ (2,269,450)

Actuarial Assumptions – The total pension liability in the June 30, 2021 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 inflation
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%	7.3%
Fixed Income - Ex Inflation-Linked	20.0%	1.5%
Fixed Income - Inflation-Linked	15.0%	-0.3%
Commodities	10.0%	0.8%
Real Estate	10.0%	4.2%
Absolute Return	5.0%	2.5%
Risk Parity	20.0%	4.4%

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 plan's 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)		
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 2022. A summary of the activity in the trust for the year ending June 30, 2022 and 2021 is as follows:

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**

VEBA Trust Activity		
Market value at July 1, 2020	$	100,188,473
Reimbursement of University retirement expenses		(2,574,000)
Reinvested net earnings		2,954,380
Less: management fees		(342,205)
Realized gain on sale of investments		4,386,655
Unrealized gain on increase in market value		13,149,959
Accrued interest		(215,878)
Market value at June 30, 2021	**$**	**117,547,384**

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 2022 and 2021.

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%**

Actual VEBA Investment Diversification as of June 30, 2021			
		Actual $	Actual %
Domestic Equity	$	36,285,634	30.9%
Developed International		18,266,335	15.5%
Fixed Income		60,093,404	51.1%
Emerging Markets		2,808,666	2.4%
Cash and Money Market		92,606	0.1%
	$	**117,546,645**	**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 healthcare 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, 2022, the plan participants consisted of the following:

Covered Employees	
Active employees with coverage	986
Active employees without coverage	223
Retirees receiving benefits, pre-Medicare	39
Retirees receiving benefits, post-Medicare	586
Retirees without coverage	170

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, 2022 and 2021 (applicable to medical and dental benefits) for this category are as shown below.

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

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

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, 2022 and 2021 as follows:

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%

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

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 ($35,887,182) and ($67,704,000) was measured as of June 30, 2022 and 2021, 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 158.3 percent as of June 30, 2022, and 235.8 percent as of June 30, 2021. The actuarial valuation was determined using the following actuarial assumptions:

	2022	2021
Valuation Date:	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.	July 1, 2020 with results projected to the June 30, 2021 measurement date on a "no loss/no gain" basis. Liabilities as of July 1, 2020 are based on an actuarial valuation date of July 1, 2020 with no adjustments.
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	Non-Faculty Participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019; Faculty Participants: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2019; Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
Payroll Growth:	1.5% per year increase was used to model future employees salary increases; 2% per year increase was used to model future increases in Federal Poverty Limit.	
Healthcare Trend Rates - Medical/RX - Pre-Medicare:	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 4.5%.	
Healthcare Trend Rates - Medical/RX - Post-Medicare:	Initial trend starting at 6.5% and gradually decreasing to an ultimate trend rate of 4.5%.	Initial trend starting at 6% and gradually decreasing to an ultimate trend rate of 4.5%.
Healthcare Trend Rates - Dental	Ultimate trend rate of 4.0%	Ultimate trend rate of 4.5%

The discount rate used to measure the total OPEB liability is based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay projected benefits and that the OPEB plan assets are invested using a strategy that will achieve that return. The long-term rate of return on OPEB plan investments is assumed to be 4.5%, 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 4.5%. See Note 17 for additional information regarding the VEBA trust.

Changes in the Net OPEB Liability (Asset)

The schedule of changes in the University's net OPEB liability (asset) for fiscal years ended June 30, 2022 and 2021 were as follows:

Schedule of Changes in Net OPEB Liability (Asset)		
	2022	**2021**
Total OPEB liability - beginning of year	$ 49,843,494	$ 51,490,481
Service cost	330,269	334,166
Interest	2,439,560	2,518,533
Changes in benefit terms	6,707,600	-
Changes in assumptions	5,062,729	-
Differences between expected and actual experience	467	(1,555,822)
Benefit payments	(2,799,256)	(2,943,864)
Total OPEB liability - end of year	**$ 61,584,863**	**$ 49,843,494**
Plan fiduciary net position - beginning of year	$ 117,547,385	$ 100,188,473
Net investment income	(16,911,050)	20,644,981
Benefit payments	(2,799,256)	(2,943,864)
Trust administrative expenses	(365,034)	(342,205)
Plan fiduciary net position - end of year	**$ 97,472,045**	**$ 117,547,385**
Net OPEB Liability (Asset) - end of year	**$ (35,887,182)**	**$ (67,703,891)**

A one-percentage point change in the discount rate and assumed healthcare 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)

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

Impact of Discount Rate or Assumed Cost Rates			
	1% Decrease	**Current**	**1% Increase**
Discount Rate	$ (61,499,551)	$ (67,703,891)	$ (72,846,494)
Healthcare Trend Rate	$ (73,317,022)	$ (67,703,891)	$ (60,945,574)

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

The University recognized OPEB expense (benefit) of $6,336,911 and ($5,792,641) as of June 30, 2022 and 2021, respectively.

OPEB Expense		
	2022	**2021**
Service cost	$ 330,269	$ 334,166
Interest	2,439,560	2,518,533
Change of benefit terms	6,707,600	-
Projected earnings on OPEB plan investments	(5,799,227)	(4,928,274)
OPEB Plan administrative expenses	365,034	342,205
Current period recognition of deferred outflows/(inflows) of resources:		
Differences between expected and actual experience	$ (777,677)	$ (2,523,975)
Changes in assumptions	2,531,365	2,466,772
Net difference between projected and actual earnings on OPEB plan investments	539,987	(4,002,068)
Total current period recognition	$ 2,293,675	$ (4,059,271)
Total OPEB expense	**$ 6,336,911**	**$ (5,792,641)**

As of June 30, 2022, and 2021, the University recognized deferred inflows related to OPEB of zero and $15,734,317, respectively, and deferred outflows related to OPEB of $9,745,481 and zero, respectively, as summarized below:

Deferred Inflows and Outflows of Resources Related to OPEB				
	2022		**2021**	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 233	$ -	$ -	$ (777,911)
Change in assumptions	2,531,364	-	$ -	-
Net difference between projected and actual earnings in OPEB plan investments	7,213,884		-	(14,956,406)
	$ 9,745,481	**$ -**	**$ -**	**$ (15,734,317)**

The balances of June 30, 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	$ 3,034,915
2024	769,797
2025	1,398,712
2026	4,542,057
2027	-
Thereafter	-
	$ 9,745,481

Amortization of Deferred Outflows/(Inflows) of Resources	
2022	$ (4,779,979)
2023	(4,038,737)
2024	(3,772,258)
2025	(3,143,343)
2026	-
Thereafter	-
	$ (15,734,317)

REQUIRED SUPPLEMENTARY INFORMATION

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

Public Employees' Defined Benefit Account (PERF)

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	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)	$ 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	$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	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	62.5%	81.5%	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

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

Schedule of Indiana State University's Contributions

Public Employees' Defined Benefit Account (PERF)

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 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	$ 1,671,880
Contributions in relation to the contractually required contribution	$ (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)	$ (1,671,880)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$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	$17,363,787
Contributions as a percentage of covered-employee payroll	10.8%	10.9%	11.1%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	9.6%

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

Notes to Schedule

Plan Amendments

In 2021, HEA 1001-2021 granted a 1% COLA for PERF DB effective January 1, 2022.

Assumption Changes

Based on the results of an Asset-Liability study, a new set of economic assumptions were used starting June 30, 2021. The assumption changes included the inflation rate, the salary increase percentages, the investment rate of return, and the cost of living increases.

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

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 330,269	$ 334,166	$ 329,054	$ 376,591	$ 411,527
Interest	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	5,062,729	-	4,933,545	-	68,590
Differences between expected and actual experience	467	(1,555,822)	(3,492,128)	(9,911,755)	(2,646,249)
Benefit payments	(2,799,256)	(2,943,864)	(2,635,833)	(2,646,674)	(2,947,969)
Net change in total OPEB liability	11,741,369	(1,646,987)	2,043,290	(8,745,901)	(1,589,599)
Total OPEB liability- beginning of year	49,843,494	51,490,481	49,447,191	58,193,092	59,782,691
Total OPEB liability- end of year	$ 61,584,863	$ 49,843,494	$ 51,490,481	$ 49,447,191	$ 58,193,092
Plan fiduciary net position					
Contributions- employer	$ -	$ -	$ -	$ -	$ -
Net investment income	(16,911,050)	20,644,981	8,722,115	6,684,798	5,051,656
Benefit payments	(2,799,256)	(2,943,864)	(2,635,833)	(2,646,674)	(2,947,969)
Administrative expense	(365,034)	(342,205)	(306,275)	(276,978)	(313,055)
Net change in fiduciary net position	(20,075,340)	17,358,912	5,780,007	3,761,146	1,790,632
Plan fiduciary net position- beginning of year	117,547,385	100,188,473	94,408,466	90,647,320	88,856,688
Plan fiduciary net position- end of year	$ 97,472,045	$ 117,547,385	$ 100,188,473	$ 94,408,466	$ 90,647,320
Net OPEB liability- end of year	$ (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	158.3%	235.8%	194.6%	190.9%	155.8%
Covered-employee payroll	$ 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	-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*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 101,198	$ 521,759
Contribution in relation to the actuarially determined contribution	-	-	-	-	-	-	1,431,000	1,945,202	2,369,961	3,761,620
Contribution deficiency (excess)	-	-	-	-	-	-	(1,431,000)	(1,945,202)	(2,268,763)	(3,239,861)
Covered-employee payroll	$ 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	$ 41,557,123
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	5.1%	5.5%	9.1%

Notes to Schedule

Plan Amendments
There were several changes to the OPEB plan that impacted the pension benefits during fiscal year 2022. The changes include the retirement eligibility requirements for age and service being lowered as well as expanding the eligibility for retiree health benefits.

Valuation Date
Fiscal year ending June 30

Methods and Assumptions Used to Determine Contribution Rates:

Discount rate	4.5%
Payroll growth factor used for amortization	1.5%
Actuarial cost method	Entry Age Normal Level % of Salary
Amortization type	Level Dollar
Amortization period (years)	26

There were also changes to the OPEB plan assumptions used to determine contribution rates during fiscal year 2022. These changes included the funding discount rate, the mortality improvement scale used, healthcare and dental trend rates.

HOME COUNTIES OF INDIANA STATE STUDENTS

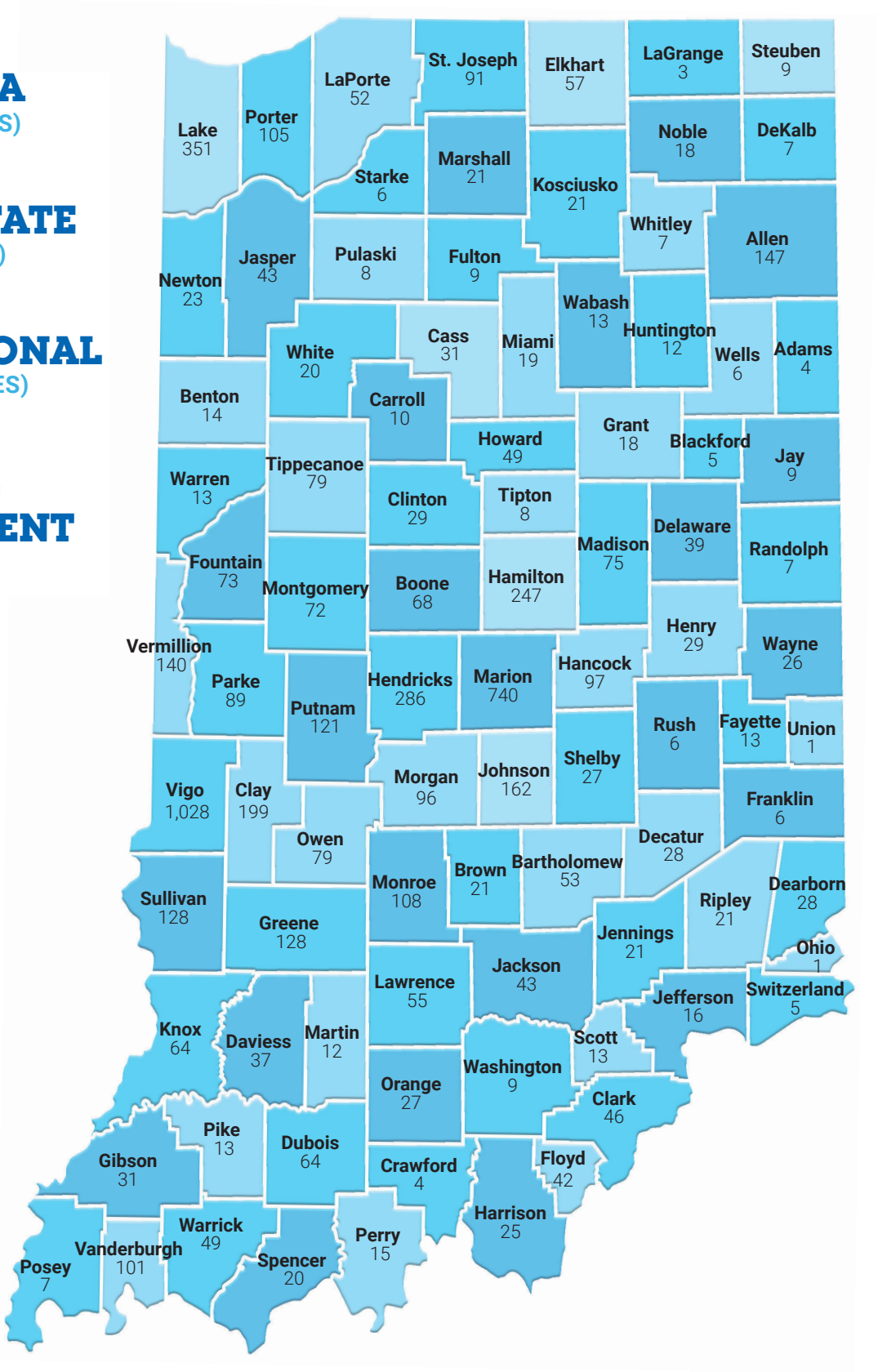
(FALL 2021) UNAUDITED

INDIANA
(92 COUNTIES)
6,278

OUT-OF-STATE
(48 STATES)
2,865

INTERNATIONAL
(67 COUNTRIES)
316

TOTAL ENROLLMENT
9,459



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as of June 30, 2022

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as of June 30, 2022

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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
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Additional copies of the 2022 Financial Report may be obtained from:
Office of the Controller
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