

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

Financial Audit
For the Year Ended June 30, 2020
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

**State of Illinois
Illinois State University
Financial Audit
For the Year Ended June 30, 2020**

Table of Contents

	<u>Page(s)</u>
University Officials	1
Financial Statement Report	
Summary	2
Independent Auditor's Report	3 - 5
Management's Discussion and Analysis (Unaudited)	6 - 17
Basic Financial Statements	
Statement of Net Position	18 - 19
Statement of Revenues, Expenses, and Changes in Net Position	20 - 21
Statement of Cash Flows	22 - 23
Notes to the Basic Financial Statements	24 - 77
Required Supplementary Information (Unaudited)	
Schedule of the University's Proportionate Share of the Net Pension Liability (Unaudited)	78
Schedule of Contributions – Pension (Unaudited)	78
Schedule of the University's Proportionate Share of the Net OPEB Liability (Unaudited)	79
Notes to the Required Supplementary Information (Unaudited)	80 - 81
Supplementary Information	
Schedule of Operating Expenses - 2020	82
Other Information (Unaudited)	
Data Required by Revenue Bond Resolutions (Unaudited)	83 - 86

Other Reports Issued Under a Separate Cover

The Illinois State University's *Compliance Examination* (including the Single Audit) for the year ended June 30, 2020, will be issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under Government Auditing Standards for the year ended June 30, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this 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* and should be considered in assessing the results of the audit.

**State of Illinois
Illinois State University**

**Financial Audit
For the Year Ended June 30, 2020**

University Officials

President	Dr. Larry Dietz
Vice President for Finance and Planning	Mr. Dan Stephens
Vice President for Academic Affairs and Provost (07/01/20 – present)	Dr. Andover Tarhule
Vice President for Academic Affairs and Provost (07/01/19 – 06/30/20)	Dr. Jan Murphy
Vice President for Student Affairs	Dr. Levester Johnson
Vice President for University Advancement	Mr. Pat Vickerman
Comptroller	Mr. Doug Schnittker
Legal Counsel	Ms. Lisa Huson
Director – Internal Audit	Mr. Robert Blemler

Officers of the Board of Trustees

Chair of the Board	Ms. Julie Annette Jones
Secretary of the Board	Dr. Mary Ann Louderback

Members of the Board of Trustees

Member	Ms. Kathryn Bohn
Member	Mr. Robert Dobski
Member	Mr. Rocky Donahue
Member	Ms. Julie Annette Jones
Member	Dr. Mary Ann Louderback
Member	Mr. Robert Navarro
Member (12/14/20 – present)	Vacant
Member (07/01/19 – 12/14/20)	Ms. Sharon Rossmark
Student Member (07/01/20 – present)	Ms. Jada Turner
Student Member (07/01/19 – 06/30/20)	Ms. Sarah Aguilar

Office Location

The University's primary administrative offices are located at:

Hovey Hall
Campus Box 1100
Normal, Illinois 61790-1100

**State of Illinois
Illinois State University**

**Financial Statement Report
For the Year Ended June 30, 2020**

Summary

The audit of the accompanying financial statements of the Illinois State University (University) was performed by RSM US LLP.

Based on their audit, the auditors expressed unmodified opinions on the University's basic financial statements.

Exit Conference

This report was discussed with University personnel at an exit conference on May 26, 2021.

Attending were:

Illinois State University:

Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Comptroller
Erika Jones	Assistant Comptroller
Emily Duffield	Chief Accountant
Dan Taube	Interim Chief Information Security Officer
Charles Edamala	Associate Vice President and Chief Information Officer
Rob Blemler	Chief Internal Auditor

Office of the Auditor General:

Daniel J. Nugent, CPA	Technical Specialist
Reddy Bommareddi, CPA, CISA	Senior Audit Manager

RSM US LLP:

Joseph Evans, CPA	Partner
Dan Sethness, CPA	Senior Manager
Erik Ginter, CPA	Manager
Dan Harker	Manager



Independent Auditor's Report

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Illinois State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for aggregate discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, INTO Illinois State University, LLC management plans to cease operations for a period of up to 23 months, effective August 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-17, the Schedule of the University's Proportionate Share of the Net Pension Liability and the Schedule of Contributions – Pension on page 78, the Schedule of the University's Proportionate Share of the Net OPEB Liability on page 79, and the Notes to the Required Supplementary Information on pages 80-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements.

The Schedule of Operating Expenses – 2020 on page 82 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In addition, the Data Required by Revenue Bond Resolutions on pages 83-86 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021, 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.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
May 27, 2021

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020**

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Illinois State University (University) for the year ended June 30, 2020, with selective comparative information for the year ended June 30, 2019. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University is governed by the Board of Trustees and is the first public institution of higher learning in Illinois, being founded in 1857. The University is a residential university of approximately 21,000 students with six colleges and thirty-five academic departments that offer more than one hundred sixty programs of study. The Graduate School coordinates over ninety master's degree sequences, over thirty certificate programs, and fourteen doctoral degree programs.

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University (the primary government) and its component units (the Illinois State University Foundation and INTO Illinois State University, LLC). The component units discussed below are included in the University's financial reporting entity (the Entity) due to the significance of their financial relationship with the University and is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61.

The Illinois State University Foundation (Foundation) is a University Related Organization as defined under the *University Guidelines* adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. The Foundation is reported in a separate column to emphasize that it is a non-profit organization that is legally separate from the University. Complete financial statements for the Foundation may be obtained by writing the Illinois State University Foundation, Campus Box 8000, Normal, Illinois 61790-8000 or accessing its website at www.advancement.illinoisstate.edu/foundation.

The Foundation was incorporated in May 1948 under the "General Not-for-Profit Corporation Act" for the purpose of providing fund-raising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. The Foundation is an organization as described in Section 501c(3) of the Internal Revenue Code and, is accordingly, exempt from federal income tax.

Illinois State University Global, LLC (Global) was established on March 8, 2018. Global is a University Related Organization (URO) as defined under the University Guidelines adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. Global was formed as a single member limited liability company of which the University is the sole owner. Based on this financial relationship, Global is blended into the University's financial information (see page 26 for the diagram of the INTO/ISU corporate structure).

Global exists for the purpose of promoting the development of the University's efforts to promote global engagement and internationalization, so that the University can impart the necessary knowledge and skills students will need to effectively engage in the global community and support the University's distinctive excellence in teaching, learning, scholarship, creativity, research, and public service.

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

On March 22, 2018, Global entered into a joint venture with INTO North America, Inc. (INTO NA) to establish INTO Illinois State University, LLC (INTO ISU). Each member contributed \$25,000 towards the members' capital account, appointed three members to the INTO ISU Board, and holds an equal (50%) equity stake in INTO ISU. The Joint Venture agreement specifically applies the \$50,000 towards partnership equity. INTO ISU is discretely presented on the University's financial statements.

INTO ISU is an independent organization and is required to report in a separate column to emphasize that it is an entity legally separate from the University. INTO ISU serves as the primary entity to implement the partnership with INTO NA. INTO ISU is responsible, in partnership with INTO NA and the University, with recruiting international students, offering English language instruction courses that serve as a pathway to University degree programs, and serving our new international students. INTO ISU provides continuous support by managing the areas of the students' cultural experience, English language courses, and eventual matriculation to the University.

INTO NA supports INTO ISU by providing management, marketing, and administrative services to INTO ISU. By partnering with INTO ISU, the University can support the recruitment of the best and brightest international student talent to the University, enhance the diversity of our University community, inspire our students to become global citizens, extend the University's global reach, broaden the University's global brand identity and recognition, provide an economic stimulus for the broader community, and contribute to the growth of the University. INTO NA is a wholly owned subsidiary of INTO University Partnership Limited (IUP), a British limited liability partnership. Financial statements for INTO ISU may be obtained by accessing the University website at <https://accountingoffice.illinoisstate.edu/statements>.

Overview of the Financial Statements and Financial Analysis

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are also included in the State of Illinois' Annual Comprehensive Financial Report. The State of Illinois' Annual Comprehensive Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871 or accessing its website at www.illinoiscomptroller.gov.

Financial Statement Presentation: The University's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial statements are prepared in accordance with GASB principles and presented on an entity-wide basis. Several ratios have been included in the financial analysis to help assess the University's financial health.

Statement of Net Position

The statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The statement of net position is point in time financial statements. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the University at June 30, 2020. The statement of net position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the institution. Readers should also be able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the statement of net position provides a picture of the net position and its availability for expenditure by the institution.

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Net position is divided into three major categories. The first category, net investment in capital assets, shows the institution's equity in the property, plant, and equipment owned by the institution. The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time and/or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is that net position available to the institution for any lawful purpose of the institution.

Following are condensed statements of net position at June 30, 2020 and 2019:

(in thousands)

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets	\$ 223,770	\$ 164,174
Noncurrent assets:		
Capital assets, net	526,862	518,502
Other noncurrent assets	<u>112,481</u>	<u>177,258</u>
Total assets	863,113	859,934
Deferred outflows	<u>5,794</u>	<u>2,032</u>
Total assets and deferred outflows	<u>868,907</u>	<u>861,966</u>
Liabilities:		
Current liabilities	51,151	53,996
Noncurrent liabilities	<u>191,744</u>	<u>196,372</u>
Total liabilities	242,895	250,368
Deferred inflows	<u>6,584</u>	<u>8,574</u>
Total liabilities and deferred inflows	<u>249,479</u>	<u>258,942</u>
Net Position:		
Net investment in capital assets	378,917	364,358
Restricted	127,028	134,263
Unrestricted	<u>113,483</u>	<u>104,403</u>
Total net position	<u>\$ 619,428</u>	<u>\$ 603,024</u>

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Current liabilities are obligations of the University coming due in less than one year. Current liabilities consist primarily of accounts payable and accrued liabilities, assets held in custody for others, unearned revenues and the current portion of long-term debt. The following ratio is intended to give an indication of the University's ability to meet its obligations the following year:

The Current Ratio (current assets/current liabilities) is:

$$\frac{2020}{\$223,770 / \$51,151 = 4.37} \quad \frac{2019}{\$164,174 / \$53,996 = 3.04}$$

Noncurrent assets are comprised primarily of net capital assets. Net capital assets increased \$8.3 million from June 30, 2019 to 2020. The increase in 2020 is related to major renovations of University buildings.

Noncurrent liabilities are comprised primarily of bonds payable, certificates of participation, and accrued compensated absences.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position presented on the statement of net position is based upon the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement of revenues, expenses, and changes in net position is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or incurred by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. These are called non-exchange transactions. For example, State appropriations are classified as non-operating because they are provided by the General Assembly to the University without the General Assembly directly receiving commensurate goods and services for those revenues.

Student tuition and fees, grants and contracts, the Auxiliary Facilities System, State appropriations, and payments by the State of Illinois on behalf of the University are the primary sources of funding.

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Following are condensed statements of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2020 and 2019:

(in thousands)

	<u>2020</u>	<u>2019</u>
Operating revenues		
Student tuition and fees, net	\$ 204,881	\$ 199,748
Grants and contracts	22,621	22,256
Auxiliary facilities, net	76,332	90,801
Other	21,049	23,725
Total operating revenues	<u>324,883</u>	<u>336,530</u>
Operating expenses	<u>559,236</u>	<u>528,022</u>
Operating loss	<u>(234,353)</u>	<u>(191,492)</u>
Nonoperating revenues		
State appropriations	69,769	66,354
Payments on behalf of the University	32,269	39,584
Special funding situation	66,290	46,816
Other, net	77,983	65,908
Net nonoperating revenues	<u>246,311</u>	<u>218,662</u>
Capital appropriations	708	30
Capital gifts and grants	<u>3,738</u>	<u>1,849</u>
Increase in net position	16,404	29,049
Net position, beginning of year	<u>603,024</u>	<u>573,975</u>
Net position, end of year	<u>\$ 619,428</u>	<u>\$ 603,024</u>

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

The return of net position ratio indicates whether the University is financially better off compared to the previous year by comparing the increase in net position to beginning net position. The decrease in fiscal year 2020 is related to the impact of COVID-19. \$16 million in housing and dining fees were refunded due to University closure.

The Return on Net Position Ratio (increase in net position / beginning of year net position) is:

$$\frac{2020}{\$16,404 / \$603,024 = 2.72\%} \quad \frac{2019}{\$29,049 / \$573,975 = 5.06\%}$$

The net operating revenues ratio indicates whether the University is living within available resources. The ratio is computed by comparing operating income (loss) and net nonoperating revenues to total operating revenues and total nonoperating revenues.

The Net Operating Revenues Ratio (operating income (loss) plus net nonoperating revenues (expenses) / operating revenues plus nonoperating revenues) is:

$$\frac{2020}{\$11,958 / \$581,805 = 2.06\%} \quad \frac{2019}{\$27,170 / \$563,019 = 4.83\%}$$

State appropriations revenue increased from approximately \$66 million to \$70 million in fiscal year 2020. Payments on behalf of the University are comprised of payments by the State of Illinois for group insurance to the State of Illinois, Department of Central Management Services for current employees of the University and payments by the Illinois State University Foundation for payments to vendors for contractual services and commodities.

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

(in thousands)

	<u>2020</u>	<u>2019</u>
Expenses by function		
Instruction	\$ 171,158	\$ 164,880
Research	28,827	26,628
Public service	16,572	17,433
Academic support	30,587	30,327
Student services	54,570	54,190
Institutional support	52,002	47,863
Operation and maintenance of plant	43,427	39,691
Depreciation	27,889	26,134
Student aid	69,277	56,153
Auxiliary facilities	64,927	64,723
	<u>\$ 559,236</u>	<u>\$ 528,022</u>
Expenses by natural classification		
Compensation and benefits	\$ 337,023	\$ 314,925
Supplies and services	125,047	130,810
Scholarships	69,277	56,153
Depreciation	27,889	26,134
	<u>\$ 559,236</u>	<u>\$ 528,022</u>

The primary reserve ratio compares unrestricted net position and certain expendable net position to total expenses. This ratio is an indicator of how long the University could function by using its reserves without relying on additional net position generated by operations. This ratio continues to remain strong over the last several years as the University has been successful in increasing net position while limiting growth in expenses.

The Primary Reserve Ratio (unrestricted and expendable net position / total expenses) is:

(Thousands of dollars)	
<u>2020</u>	<u>2019</u>
$\frac{\$240,511}{\$565,401} = 42.54\%$	$\frac{\$238,666}{\$533,970} = 44.70\%$

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

The following summarizes a comparative table of total revenues and total expenses by source/function and percentage:

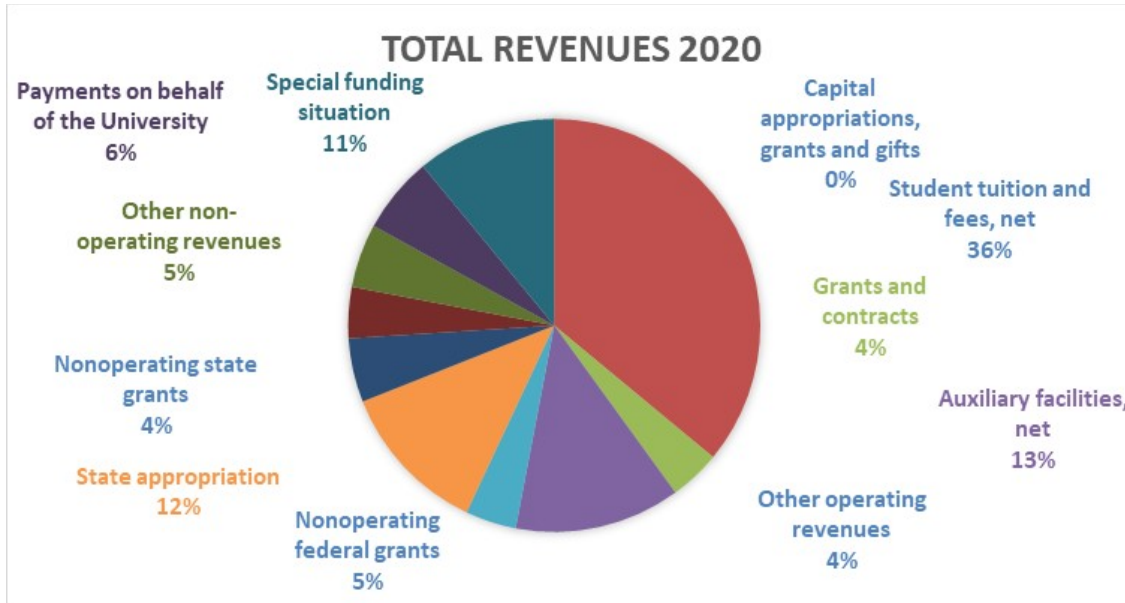
	Percentage *	
	2020	2019
Revenues by source		
Student tuition and fees, net	36 %	36 %
Grants and contracts	4	4
Auxiliary facilities, net	13	16
Other operating revenues	4	4
State appropriations	12	12
Payments on behalf of the University	6	7
Special funding situation	11	8
Nonoperating federal grants	5	5
Nonoperating state grants	4	4
Other nonoperating revenues	5	3
Capital appropriations, gifts and grants	<1	<1
Total revenues by source	<u>100 %</u>	<u>100 %</u>
Expenses by function		
Instruction	31 %	31 %
Research	5	5
Public service	3	3
Academic support	5	6
Student services	10	10
Institutional support	9	9
Operation and maintenance of plant	8	8
Depreciation	5	5
Student aid	12	11
Auxiliary facilities	12	12
Total expenses by function	<u>100 %</u>	<u>100 %</u>
Expenses by natural classification		
Compensation and benefits	60 %	61 %
Supplies and services	23	24
Scholarships	12	10
Depreciation	5	5
Total expenses by natural classification	<u>100 %</u>	<u>100 %</u>

* Due to rounding, the percentages may not add to 100%

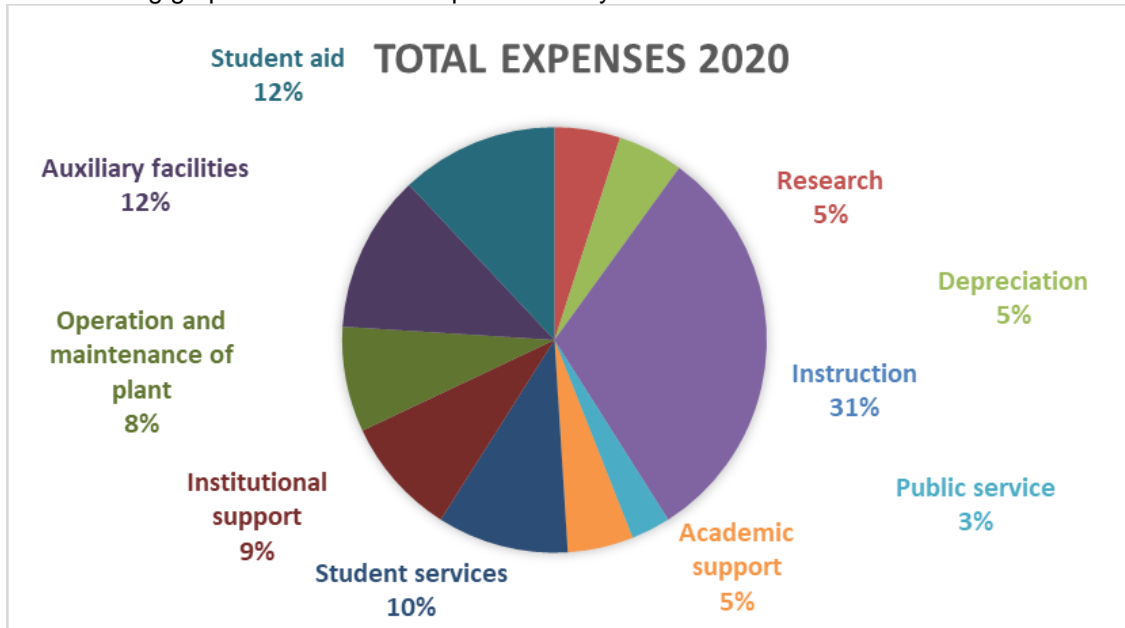
**State of Illinois
Illinois State University**

**Management’s Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

The following graph illustrates total revenues by source:



The following graph illustrates total expenditures by function:



* Due to rounding, the percentages may not add to 100%.

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Statement of Cash Flows

The statement of cash flows provides information about the University's cash receipts and cash payments. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used for the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and noncapital financing purposes. The third section shows the cash flows from capital and related financing activities. This section shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The last section reconciles the operating loss shown on the statement of revenues, expenses, and changes in net position to the cash used by operating activities on the statement of cash flows.

Following are condensed statements of cash flows for the years ended June 30, 2020 and 2019:

(in thousands)

	<u>2020</u>	<u>2019</u>
Net cash used in operating activities	\$ (106,344)	\$ (77,989)
Cash flows provided by noncapital financing activities	130,183	124,677
Cash flows used in capital and related financing activities	(54,174)	(64,837)
Cash flows provided by investing activities	<u>108,683</u>	<u>20,969</u>
Net increase in cash and cash equivalents	78,348	2,820
Cash and cash equivalents, beginning of year	<u>63,266</u>	<u>60,446</u>
Cash and cash equivalents, end of year	<u><u>\$ 141,614</u></u>	<u><u>\$ 63,266</u></u>

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Capital Asset and Debt Administration

The University's capital assets include land, land improvements, infrastructure, buildings, equipment, library books, and construction in progress.

The following summarizes a table of capital assets, accumulated depreciation, and depreciation expense for fiscal years ended June 30, 2020 and 2019:

(in thousands)

	<u>2020</u>	<u>2019</u>
Capital assets	\$ 1,048,599	\$ 1,013,100
Accumulated depreciation	<u>521,737</u>	<u>494,598</u>
Capital assets, net	<u>\$ 526,862</u>	<u>\$ 518,502</u>
Depreciation expense	<u>\$ 27,889</u>	<u>\$ 26,134</u>

Capital asset funding includes revenue bonds, State capital appropriations, internal funds, and certificates of participation. These funding sources are used for student housing buildings and classroom buildings.

The University primarily uses revenue bonds and certificates of participation to fund construction projects. The University also occasionally uses capital leases for certain equipment.

The following summarizes a table of long-term debt, including current principal, for fiscal years ended June 30, 2020 and 2019:

(in thousands)

	<u>2020</u>	<u>2019</u>
Revenue bonds, direct borrowing	\$ 5,010	\$ 5,555
Revenue bonds	105,939	112,168
Certificates of participation, direct borrowing	11,510	-
Certificates of participation	28,191	42,528

As of May 24, 2021, S&P Global rated the Illinois State University's Auxiliary Facilities System Revenue Bonds and Certificates of Participation as "A-" with a stable outlook. As of May 31, 2020, Moody's Investor Service rated the Illinois State University's Auxiliary System Revenue Bonds as "Baa2" and the Certificates of Participation as "Baa3" with a stable outlook.

The debt burden ratio examines the dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. It compares the level of current debt service with the University's total expenses.

**State of Illinois
Illinois State University**

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

The Debt Burden Ratio (debt service / total expenses less depreciation plus principal payments) is:

(Thousands of dollars)	
2020	2019
$\$17,277 / \$541,687 = 3.19\%$	$\$15,976 / \$510,788 = 3.13\%$

Economic Outlook

The Governor's Office of Management and Budget of the State of Illinois reported \$6.242 billion of outstanding bills at the end of June 2020, a decrease of \$532 million from the end of June 2019. On October 16, 2020, the University's Board of Trustees approved a fiscal year 2021 budget for operations consistent with fiscal year 2020, in an amount not to exceed \$487.3 million.

The State of Illinois passed a budget that appropriated \$69,619,300 to the University to be recognized as revenue in fiscal year 2021. Further, the University was appropriated \$30,000 to be used towards fiscal year 2021 scholarship grant awards to be recognized as revenue in fiscal year 2021.

The University continues to monitor cash flow and make investment decisions accordingly. The University also experienced stable freshman attendance this year, as well as maintaining strong student retention.

As the COVID-19 pandemic continues, the University maintains multiple COVID working groups to address financial and operational impacts.

The University is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during this and future fiscal years.

State of Illinois
Illinois State University

Statement of Net Position
June 30, 2020

	<u>University</u>	<u>Discretely Presented Component Units</u>
Assets		
Current assets:		
Unrestricted		
Cash and cash equivalents	\$ 137,385,710	\$ 9,757,004
Accrued interest receivable	65,705	-
Accounts receivable, net	20,583,278	98,518
Student loans receivable, net	5,206,055	-
Pledges receivable, net	-	4,413,869
Appropriations receivable from State	13,454,058	-
Inventories	2,300,159	-
Prepaid expenses, deposits and other	3,731,454	205,931
Restricted		
Cash and cash equivalents	4,228,390	-
Investments	30,503,550	-
Accrued interest receivable	576,895	-
Accounts receivable, net	5,226,256	-
Inventories	265,167	-
Prepaid expenses, deposits and other	243,102	-
Total current assets	<u>223,769,779</u>	<u>14,475,322</u>
Noncurrent assets:		
Unrestricted		
Investments	12,419,961	177,506,988
Student loans receivable, net	475,523	-
Pledges receivable, net	-	12,476,648
Debt issuance costs	17,019	-
Capital assets not depreciated	78,221,047	980,000
Capital assets, net of depreciation	448,641,219	5,914,200
Other noncurrent assets	2,960,245	3,992,428
Restricted		
Cash and cash equivalents	-	1,110,598
Investments	95,997,539	-
Debt issuance costs	610,690	-
Total noncurrent assets	<u>639,343,243</u>	<u>201,980,862</u>
Deferred outflows of resources:		
Loss on Refunding	757,711	-
OPEB	4,255,334	-
Pension	780,866	-
Total deferred outflows of resources	<u>5,793,911</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>868,906,933</u>	<u>216,456,184</u>

**State of Illinois
Illinois State University**

**Statement of Net Position (Continued)
June 30, 2020**

	<u>University</u>	<u>Component Units</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,286,631	\$ 1,995,384
Assets held in custody for others and deposits	3,523,749	-
Unearned revenue	10,068,111	815,305
Certificates of participation	3,213,248	-
Revenue bonds payable	7,058,816	-
Accrued compensated absences	1,341,261	-
OPEB liability	658,620	-
Other	-	224,183
	<u>51,150,436</u>	<u>3,034,872</u>
Total current liabilities		
Noncurrent liabilities:		
Certificates of participation	36,488,032	-
Revenue bonds payable	103,890,402	-
Accrued compensated absences	15,843,387	-
OPEB liability	29,010,458	-
Federal loan program contributions refundable	6,511,500	-
Other liability	-	11,948,458
	<u>191,743,779</u>	<u>11,948,458</u>
Total noncurrent liabilities		
Deferred Inflows of Resources - OPEB		
	<u>6,584,366</u>	<u>-</u>
Total liabilities and deferred inflows of resources		
	<u>249,478,581</u>	<u>14,983,330</u>
Net Position		
Net investment in capital assets	378,917,225	4,558,436
Restricted:		
Nonexpendable	-	108,742,944
Expendable	127,028,174	83,158,089
Unrestricted	<u>113,482,953</u>	<u>5,013,385</u>
Total net position		
	<u>\$ 619,428,352</u>	<u>\$ 201,472,854</u>

The accompanying notes are an integral part of the financial statements.

State of Illinois
Illinois State University

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

	<u>University</u>	<u>Component Units</u>
Operating revenues		
Student tuition and fees, net	\$ 204,881,045	\$ 3,204,580
Federal grants and contracts	18,094,479	-
State and local grants and contracts	2,806,356	2,539,487
Nongovernmental grants and contracts	1,720,455	-
Sales and services of educational activities	2,947,936	-
Auxiliary enterprises:		
Auxiliary facilities, net	76,332,021	-
Other operating revenues	18,100,853	579,397
	<u>324,883,145</u>	<u>6,323,464</u>
Total operating revenues		
Operating expenses		
Educational and general:		
Instruction	171,157,884	-
Research	28,826,810	-
Public service	16,571,724	-
Academic support	30,587,327	-
Student services	54,570,142	-
Institutional support	52,002,191	-
Operations	-	11,010,616
Operation and maintenance of plant	43,427,173	-
Depreciation	27,889,284	506,437
Student aid	69,276,687	3,378,514
Auxiliary facilities:		
Student housing, activity facilities and parking	64,926,944	-
Other operating expenditures	-	1,144,201
Expenditures on behalf of University and students	-	5,726,578
	<u>559,236,166</u>	<u>21,766,346</u>
Total operating expenses		
Operating loss	<u>(234,353,021)</u>	<u>(15,442,882)</u>

(Continued)

**State of Illinois
Illinois State University**

**Statement of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2020**

	<u>University</u>	<u>Component Units</u>
Nonoperating revenues (expenses)		
State appropriations	\$ 69,769,300	\$ -
Payments on behalf of the University - State	28,914,000	-
Special funding situation - Pension and OPEB	66,289,971	-
Payments on behalf of the University - Foundation	3,355,218	-
Laboratory schools	8,351,371	-
Gifts and donations	1,847,980	12,095,757
Investment income, net of investment expenses	7,939,958	962,865
Interest expense	(6,165,252)	(81,397)
Nonoperating federal grants	35,429,132	-
Nonoperating state grants	28,636,369	-
Other nonoperating revenues	1,942,708	1,295,836
Other nonoperating expenses	-	(3,597,203)
	<u>246,310,755</u>	<u>10,675,858</u>
Net nonoperating revenues		
	<u>246,310,755</u>	<u>10,675,858</u>
Income before capital items	<u>11,957,734</u>	<u>(4,767,024)</u>
Capital appropriations	708,658	-
Capital grants and gifts	3,737,857	-
Additions to permanent endowments	-	9,498,974
	<u>4,446,515</u>	<u>9,498,974</u>
Total capital items		
	<u>4,446,515</u>	<u>9,498,974</u>
Increase in net position	16,404,249	4,731,950
Net position		
Beginning of year	<u>603,024,103</u>	<u>196,740,904</u>
End of year	<u>\$ 619,428,352</u>	<u>\$ 201,472,854</u>

The accompanying notes are an integral part of the financial statements.

**State of Illinois
Illinois State University**

**Statement of Cash Flows
For the Year Ended June 30, 2020**

Cash flows from operating activities	
Tuition and fees	\$ 228,398,675
Grants and contracts	21,788,922
Payments to suppliers	(116,832,696)
Payments to employees for salaries and benefits	(242,726,040)
Payments for scholarships and fellowships	(95,957,001)
Student loans issued	(1,230,963)
Collection of student loans	2,038,477
Payment of Perkins Federal Capital Contribution	(1,269,455)
Auxiliary enterprise charges:	
Auxiliary facilities, net	77,409,151
Sales and service of educational activities	2,947,936
Student account overpayments	81,455,663
Student account refunds	(81,455,663)
Sales, commissions, and event tickets	6,630,434
Other receipts	12,459,235
	<u>(106,343,325)</u>
Net cash used in operating activities	
Cash flows from noncapital financing activities	
State appropriations	56,353,600
Nonoperating state grants	29,695,677
Nonoperating federal grants	33,231,698
Other receipts	1,943,480
Laboratory schools	8,958,266
	<u>130,182,721</u>
Net cash provided by noncapital financing activities	
Cash flows from capital and related financing activities	
Proceeds from issuance of capital debt:	
Capital long-term debt	12,705,000
Capital debt issuance costs	(125,000)
Gifts and grants for capital purposes	44,378
Net purchases of capital assets	(38,373,078)
Principal paid on capital debt and leases	(21,740,000)
Interest paid on capital debt and leases	(6,685,425)
	<u>(54,174,125)</u>
Net cash used in capital and related financing activities	
Cash flows from investing activities	
Proceeds from sales and maturities of investments	103,400,000
Interest on investments	5,282,955
	<u>108,682,955</u>
Net cash provided by investing activities	
Net increase in cash and cash equivalents	78,348,226
Balance, beginning of year	<u>63,265,874</u>
Balance, end of year	<u>\$ 141,614,100</u>

The accompanying notes are an integral part of the financial statements.

State of Illinois
Illinois State University

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2020

Reconciliation of operating loss to net cash
used in operating activities

Operating loss \$ (234,353,021)

Adjustments to reconcile operating loss to
net cash used in operating activities:

Depreciation expense	27,889,284
Education and general payments on behalf of the University	32,269,218
Special funding situation - Pension and OPEB	66,289,971
Donated equipment below capitalization threshold and services	1,847,206

Changes in assets and liabilities:

Accounts receivable, net	3,623,337
Student loans receivable, net	850,049
Inventories	(226,151)
Other assets	(3,842,034)
Deferred outflows of resources	(3,644,100)
Accounts payable and accrued liabilities	4,039,299
Unearned revenue	(5,465,241)
Assets held in custody for others and deposits	1,007,889
Federal loan program contributions refundable	(1,269,455)
Other postemployment benefits	5,372,569
Compensated absences	1,257,457
Deferred inflows of resources	<u>(1,989,602)</u>

Net cash used in operating activities \$ (106,343,325)

Supplemental schedule of noncash transactions

Payments on behalf of the University	\$ 32,269,218
Special funding situation	66,289,971
Donated capital assets	3,737,857
Capital appropriation acquisitions	708,658
Bond accretion	570,620
Donated equipment below capitalization threshold	255,768
Construction costs in accounts payable	2,665,111
Investment income unrealized loss and amortization	(3,659,340)

Reconciliation of cash and cash equivalents to the
statement of net position

Cash and cash equivalents classified as current assets	\$ 137,385,710
Restricted cash and cash equivalents classified as current assets	<u>4,228,390</u>

\$ 141,614,100

The accompanying notes are an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies

The Financial Reporting Entity and Component Unit Disclosures

The Illinois State University (University), which is governed by the Board of Trustees, was founded in 1857 and is the oldest public institution of higher learning in Illinois. As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University (the primary government), its blended component unit (Illinois State University Global LLC (Global)), and its discretely presented component units (the Illinois State University Foundation and INTO Illinois State University, LLC (INTO ISU)). The component units discussed below are included in the University's financial reporting entity (the Entity) due to the significance of their financial relationship with the University and is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61.

The Illinois State University Foundation (Foundation) is a University Related Organization (URO) as defined under the *University Guidelines* adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. The Foundation is reported in a separate column to emphasize that it is a non-profit organization that is legally separate from the University. Complete financial statements for the Foundation may be obtained by writing the Illinois State University Foundation, Campus Box 8000, Normal, Illinois 61790-8000 or accessing its website at www.advancement.illinoisstate.edu/foundation.

The Foundation was incorporated in May 1948 under the "General Not-for-Profit Corporation Act" for the purpose of providing fund-raising and other assistance to the University in order to attract private gifts to support the University's instructional, research, and public service activities. The Foundation is an organization as described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, exempt from federal income tax. See Note 14, *Transactions with Related Organizations*.

The Foundation has formed two limited liability companies (LLCs) to carry out the Foundation's mission to assist the University. The Foundation is a sole member of each of these LLCs. The governing board for each LLC, known as "Launching Futures, LLC" and "Launching Futures II, LLC," consists of the executive officers of the Foundation. This LLC activity is included as part of the Foundation's financial statements.

The Illinois State University Global, LLC (Global) was established on March 8, 2018. Global is a URO as defined under the *University Guidelines* adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. Global was formed as a single member LLC of which the University is the sole owner. The University contributed \$25,000 to Global. Based on this financial relationship, Global is blended into the University's financial information (see page 26 for the diagram of the INTO/ISU Corporate structure).

Global exists for the purpose of promoting the development of the University's efforts to promote global engagement and internationalization, so that the University can impart the necessary knowledge, and skills students will need to effectively engage in the global community and support the University's distinctive excellence in teaching, learning, scholarship, creativity, research, and public service.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

On March 22, 2018, Global entered into a joint venture with INTO North America, Inc. (INTO NA) to establish INTO Illinois State University, LLC (INTO ISU). Each member contributed \$25,000 towards the members' capital account, appointed three members to the INTO ISU Board, and holds an equal (50%) equity stake in INTO ISU. The Joint Venture agreement specifically applies the \$50,000 towards partnership equity. INTO ISU is discretely presented on the University's financial statements as it would be misleading to exclude. Complete financial statements for INTO ISU may be obtained by accessing the University website at <https://accountingoffice.illinoisstate.edu/statements>.

INTO ISU has incurred three years of losses. These losses exceed the \$50,000 contributed towards the members' capital account. As a result, Global has reduced its equity investment in INTO to \$0.

INTO ISU is an independent organization and is required to report in a separate column to emphasize that it is an entity legally separate from the University. INTO ISU serves as the primary entity to implement the partnership with INTO NA. INTO ISU is responsible, in partnership with INTO NA and the University, with recruiting international students, offering English language instruction courses that serve as a pathway to University degree programs, and serving new international students. INTO ISU provides continuous support by managing the areas of the students' cultural experience, English language courses, and eventual matriculation to the University.

INTO NA supports INTO ISU by providing management, marketing, and administrative services to INTO ISU. By partnering with INTO ISU, the University can support the recruitment of the best and brightest international student talent to the University, enhance the diversity of our University community, inspire our students to become global citizens, extend the University's global reach, broaden the University's global brand identity and recognition, provide an economic stimulus for the broader community, and contribute to the growth of the University. INTO NA is a wholly owned subsidiary of INTO University Partnership Limited (IUP), a British limited liability partnership.

State of Illinois
Illinois State University

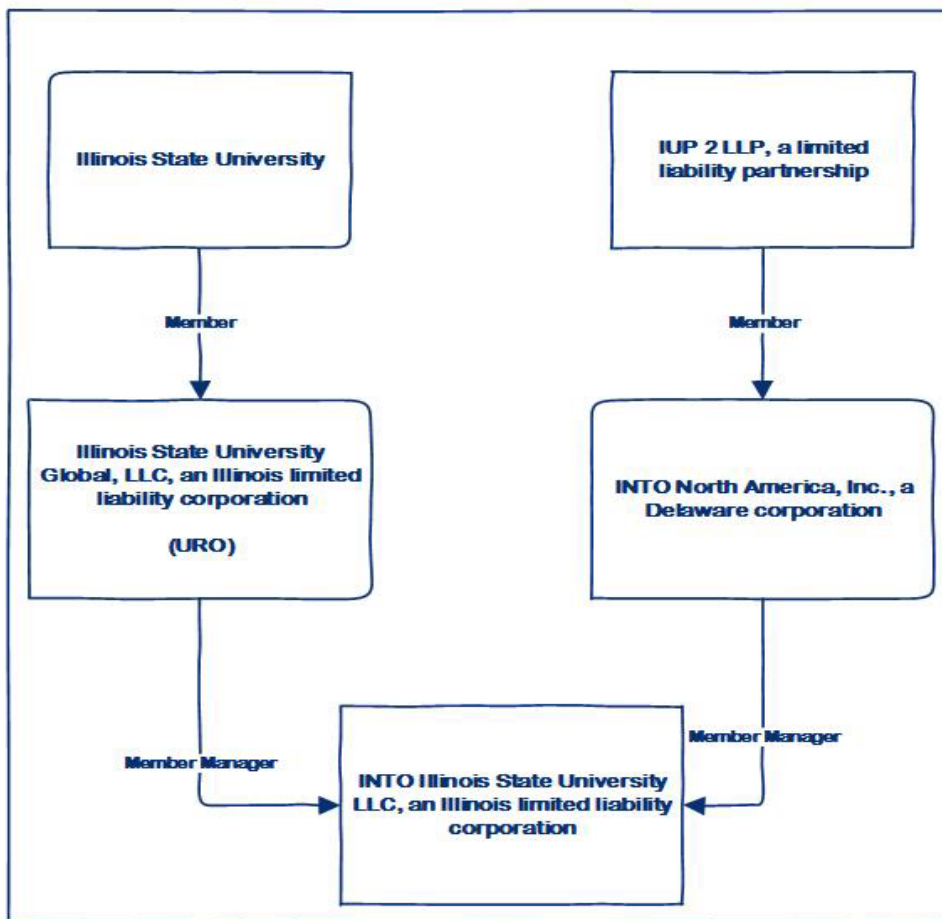
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Below is a diagram representing the INTO/ISU Corporate Structure.

INTO/ISU Corporate Structure



The University is a discretely presented component unit of the State of Illinois for financial reporting purposes. The University is a component unit of the State of Illinois because the Governor appoints a majority of the Board of Trustees, the State is able to impose its will on the University, and the potential exists for the University to provide the State specific financial benefits or impose specific financial burdens on the State. The financial balances and activities included in these financial statements are also included in the State of Illinois' Annual Comprehensive Financial Report. The State of Illinois' Annual Comprehensive Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois 62704-1871 or accessing its website at www.illinoiscomptroller.gov.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Financial Statement Presentation: The University's financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. The financial statements are prepared in accordance with GASB principles and presented on an entity-wide basis.

New Accounting Standards: Effective for the year ending June 30, 2021, the University will adopt the following GASB Statements:

GASB Statement No. 84, *Fiduciary Activities*, which provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Management is still evaluating the potential impact on the fiscal year 2021 financial statements.

GASB Statement No. 90, *Majority Equity Interests*, which provides guidance on reporting majority equity interests. Management believes this statement will not have a material impact on the fiscal year 2021 financial statements.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements. All significant intra-agency transactions have been eliminated.

The Foundation and INTO ISU follow the standards for financial statement presentation promulgated by the Financial Accounting Standards Board (FASB). Consequently, reclassifications have been made to convert their financial statements to the GASB format for inclusion in the component units column of the financial statements and disclosures.

Cash and Cash Equivalents: In accordance with GASB Statement No. 9, cash equivalents are defined as short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less at the date of purchase meet this definition.

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. They are recorded at the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary facilities service provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance is a calculation based on the type of accounts receivable and historical collections.

Loans to Students: The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts, which are based on historical collections.

Inventories: Inventories are carried at the lower of cost or market on either the first-in, first-out; weighted average; or average cost methods.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. Livestock for educational purposes is recorded at cost. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than two years. Software and other intangibles with a purchase price greater than \$100,000 are capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

The University maintains a large selection of historical artifacts. They range from a Lincoln manuscript, photographs, films, textiles, a fan leaf, artwork, circus memorabilia, rare books, and items relating to University history. They are held in Special Collections predominantly for the use of research or for public exhibition. These items are protected and overseen by a conservation team, kept unencumbered, and will not be sold. These items are not currently capitalized on the books of the University or depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and infrastructure, 20 years for site improvements, 10 years for library books, 5 years for software and 3 to 7 years for equipment.

Other Noncurrent Assets: Other noncurrent assets consist of amounts due from related parties that are not due within twelve months and are considered fully collectible.

Restricted Assets: These include all amounts restricted by bond covenants.

Deferred Outflows of Resources: Deferred outflows of resources represent the consumption of net position that applies to a future reporting period and will not be recognized as an expense until that time. The amounts reported as deferred outflows of resources are comprised of amounts related to deferred losses on refunding, as well as pension and OPEB liabilities (see Notes 12 and 13, respectively, for more details).

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Unearned Revenue: Unearned revenue includes amounts received for tuition and fees, advance ticket sales and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Unearned revenue also includes advanced funds relating to cost reimbursement grants where expenditures have not yet been approved.

Compensated Absences: Accrued compensated absences includes each employee's earned but unused vacation and sick leave days, including the University's share of Social Security and Medicare taxes, valued at the current rate of pay at the fiscal year-end. The State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of University employment for one-half (1/2) of the unused sick leave earned between January 1, 1984, and December 31, 1997. Any sick leave days that were earned before or after this period of time are not compensable. The liability is recorded at year-end as current and long-term liabilities (see Note 10) in the statement of net position. The expense is recorded in the statement of revenues, expenses, and changes in net position as a component of operating expenses.

Deferred Inflows of Resources: Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. The amount reported as deferred inflows of resources is related to OPEB (see Note 13 for more information).

Premiums and Discounts: Premiums and discounts for bonds and certificates of participation are reported within bonds payable, and are amortized over the life of the debt issue using the straight-line method, which approximates the effective interest method.

Employment Contracts for Certain Academic Personnel: Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was \$6,148,405 at June 30, 2020, and is recorded in the accompanying financial statements.

Pensions: For the purpose of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the plan net position of the State Universities Retirement System (SURS) and additions to/deductions from SURS' plan net position have been determined on the same basis as they are reported by SURS. For this purpose, 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.

For financial reporting purposes, the State of Illinois and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The University recognizes its proportionate share of the State's pension expense relative to the University's employees as non-operating revenue and pension expense, with the expense further allocated to the related function performed by the employees.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

OPEB: The State Employees Group Insurance Act of 1971 (SEGIA) (5 ILCS 375), as amended, authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, to provide health, dental, vision and life insurance benefits as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and university component unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State, including the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System of the State of Illinois (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

Given the preceding environment, the University has two separate components of OPEB administered within SEGIP. The (1) State of Illinois and its public universities are under a special funding situation for employees paid from the University's Income Fund or auxiliary enterprises, while (2) the University is responsible for OPEB employer contributions for employees paid from trust, federal, and other funds.

Special Funding Situation Portion of OPEB

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan.

During the OPEB measurement period ended June 30, 2019, the University made a voluntary appropriation repayment from either its State appropriation or locally held resources that was not considered a contribution of \$1,122,844 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

The University recognizes the proportionate share of the State's OPEB expense relative to the University's employees as non-operating revenue and OPEB expense, with the expense further allocated to the related function performed by the employees.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

University's Portion of OPEB

The University reports a liability, expense allocated to the related function performed by the employees, and related deferred inflows and outflows of resources for OPEB based on the University's proportionate share of amounts paid to SEGIP pursuant to SEGIA for its employees paid from trust, federal, and other funds compared to the collective amounts paid to SEGIP pursuant to SEGIA. The collective amounts paid to SEGIP pursuant to SEGIA includes (1) payments from State agencies for State employees, (2) the amount calculated by CMS to represent the amount paid by the General Fund related to the special funding situation, (3) the total voluntary appropriation repayment from all of the universities, and (4) the total of all payments from the universities for employees paid from trust, federal, and other funds. This methodology has been determined by the State to be the best estimate of how future OPEB payments will be determined.

Deferred inflows and outflows of resources are recognized in OPEB expense at the beginning of the current period, using a systematic and rational method over a closed period, equal to the average expected remaining service lives of all employees, either active or inactive, provided with OPEB through SEGIP, determined as of the beginning of the measurement period.

On-Behalf Transactions: The University had outside sources of financial assistance provided by the State and the Foundation on behalf of the University during the year ended June 30, 2020.

First, substantially all active employees participate in group insurance plans provided by the State and administered by CMS, primarily providing healthcare benefits. In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

During the year ended June 30, 2020, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were \$816,452. The University made a voluntary appropriation repayment from either its State appropriation or locally held resources that was not considered a contribution of \$1,703,673 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of \$28,914,000 on-behalf of the University to meet this obligation for current employees.

As the University is not legally responsible to pay for the on-behalf support provided by the State, the University recognizes non-operating revenues and operating expenses allocated to the related function performed by the employees within the University's financial statements for its current employees' participation in group insurance.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Second, the Foundation paid certain operating costs on-behalf of the University during the year ended June 30, 2020, totaling \$3,355,218. These operating costs were for expenditures supporting the mission of the University.

As the University is legally responsible to pay for costs it incurred that the Foundation is paying on its behalf, the support provided by the Foundation is reflected as non-operating revenues and operating expenses allocated by the function and all related assets and liabilities are recorded within the University's financial statements.

Net Position: The University's net position is classified as follows:

Net investment in capital assets: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position - nonexpendable: Nonexpendable 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 in which the University is legally or contractually obligated to spend resources 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 facilities. These resources are not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Taxes: Certain activities of the University are subject to State sales tax and some activities may be subject to taxation as unrelated business income under the Internal Revenue Code.

Classification of Revenue: The University has classified its revenue as either operating or nonoperating revenue according to the following criteria:

Operating revenue: Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary facilities, net of scholarship discounts and allowances, (3) most federal, State and local grants and contracts except for certain student financial aid classified as nonoperating revenues and (4) interest on institutional student loans, (5) other operating revenue consists of indirect cost recovery, event tickets, conference income, and other miscellaneous fees.

State of Illinois
Illinois State University

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Nonoperating revenue: Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions. Other significant revenues that are expected to be recurring, including Pell grants, Federal Supplemental Educational Opportunity grants, State Monetary Award Program grants, and State appropriations, are considered nonoperating revenues under GASB Statement No. 34. In addition, federal subsidies are included in nonoperating revenues.

Classification of Expenses: The majority of the University's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Operating expenses also include transactions related to subsidies. Nonoperating expenses include interest expense of the University. The University records its equity share of INTO's operating income/loss as investment gain/loss.

Scholarship Discounts and Allowances: Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position using the National Association of College and University Business Officers' Advisory Report 2000-05's alternate method calculations. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Scholarship discounts and allowances 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 and other federal, State, or nongovernmental programs are recorded as either operating or nonoperating revenue 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 and allowance. The portion of tuition and fees from summer classes applicable to the subsequent fiscal year are recorded as unearned revenue during the current fiscal year and are recognized as revenue during the next fiscal year.

	<u>2020</u>
Student tuition and fees	\$ 269,230,935
Less scholarship discounts and allowances	(63,275,874)
Less discounts for employee waivers	<u>(1,074,016)</u>
Net student tuition and fees	<u>\$ 204,881,045</u>
Auxiliary facilities	\$ 87,934,064
Less scholarship discounts and allowances	<u>(11,602,043)</u>
Net auxiliary facilities	<u>\$ 76,332,021</u>

Use of Estimates in Preparing Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 2. Deposits

At June 30, 2020, the University's bank balance was \$61,758,944, and was covered by the Federal Deposit Insurance Corporation or pledged collateral held by the pledging financial institution in the University's name. The University has no exposure to foreign currency risk.

Foundation Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The Federal Deposit Insurance Corporation or the Security Investor Protection Corporation insured account had a balance of \$1,218,013 at June 30, 2020. Bank balances of \$9,485,073 at June 30, 2020 were invested in investment sweep funds secured by U.S. government obligations.

INTO – The carrying value of cash on the financial statements approximates its fair value. INTO ISU maintains its accounts with two high-quality financial institutions and believes that any risk of loss is minimal. As of June 30, 2020, cash deposits exceeded federally insured limits by \$0.

Note 3. Investments

University Investments

As of June 30, 2020, the University had the following investments:

	Fair Market Value	Less Than 1 Year	1 to 5 Years	S&P/Moody's Rating
U.S. Treasuries	\$ 66,876,900	\$ 10,081,600	\$ 56,795,300	N/A / Aaa
Federal Farm Credit Bank	15,677,750	5,121,300	10,556,450	AA+ / Aaa
Federal Home Loan Bank	56,366,400	15,300,650	41,065,750	AA+ / Aaa
Illinois Funds Investment Pool**	81,313,324	81,313,324	-	AAAm / N/A
Money Market Funds**	2,955,420	2,955,420	-	AAAm / Aaamf
Total University	<u>\$ 223,189,794</u>	<u>\$ 114,772,294</u>	<u>\$ 108,417,500</u>	

**Illinois Funds and Money Market Funds are valued at amortized cost, which approximates fair value.

	Fair Market Value	Level 1	Level 2	Level 3
U.S. Treasuries	66,876,900	-	66,876,900	-
Federal Farm Credit Bank	15,677,750	-	15,677,750	-
Federal Home Loan Bank	56,366,400	-	56,366,400	-
Total University	<u>\$ 138,921,050</u>	<u>\$ -</u>	<u>\$ 138,921,050</u>	<u>\$ -</u>

State of Illinois
Illinois State University

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3. Investments (Continued)

GASB 72 Leveling: Level 1 inputs are quoted prices from active markets for identical assets that can be accessed at a measurement date. Level 2 inputs are derived from observable market data, either directly or indirectly that are other than Level 1. Level 2 investments are valued based on matrix pricing provided by the custodian. Level 3 inputs are derived from unobservable inputs that are not corroborated by market data.

Interest Rate Risk: The University does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The University places no limit on the amount that may be invested in any one issuer. More than 5% of the University investments are in Federal Farm Credit Bank (6.5%) and Federal Home Loan Bank (23.5%).

Custodial Credit Risk: For an investment, this is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The University had no custodial credit risk exposure as of June 30, 2020, because all investments are held by the University's agent in the University's name.

Credit Risk: State law authorizes investments of U.S. government securities (treasuries and agencies), commercial paper (not more than 33% of total cash and investments), money market mutual funds, and repurchase agreements. The University's investments are rated by the Moody's Investors Service and the Standard & Poor's Corporation.

The Illinois Funds is an external investment pool administered by the State Treasurer. The value of the University's investment fund is the same as the value of pool shares and the investments are reported by the State Treasurer at amortized cost. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Public Funds Investment Act (30 ILCS 235), the State Treasurer Act (15 ILCS 505/17) and the Deposit of State Moneys Act (15 ILCS 520/22.5). The University has adopted a formal written investment and cash management policy.

Bond resolutions restrict investments in the Auxiliary Debt Retirement account to U.S. government securities. All other auxiliary facilities money may be invested in any instrument permitted by the laws of the State of Illinois for the investment of public funds.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 3. Investments (Continued)

Foundation Investments

The carrying value of the investment portfolio of the Foundation at June 30, 2020, is as follows:

	Fair Market Value	Level 1	Level 2	Level 3
Common Stock	\$ 736,216	\$ 736,216	\$ -	\$ -
Marketable CD	32,612	32,612	-	-
Mutual Funds investing in:				
Stocks	499,366	-	499,366	-
Bonds	1,917,876	-	1,917,876	-
International	159,467	-	159,467	-
Real Assets Marketable Funds	14,214	-	14,214	-
Hedged and Alternative Funds	136,510	-	136,510	-
Real Estate Investment	600,631	-	-	600,631
	<u>\$ 4,096,892</u>	<u>\$ 768,828</u>	<u>\$ 2,727,433</u>	<u>\$ 600,631</u>
Total Foundation	<u>\$ 4,096,892</u>	<u>\$ 768,828</u>	<u>\$ 2,727,433</u>	<u>\$ 600,631</u>

As part of the Foundation's investment portfolio, there are investments in entities in which purchases and withdrawals within these entities are not made in an open market. Instead, the purchases and withdrawals occur with the entities, and in certain circumstances, those transactions are entirely controlled and/or restricted by the entity. The fair value of these investments is determined by the management of the entities and is reported to the Foundation as the Foundation's proportionate share of the net asset fair value of the entity. The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2020.

	Fair Value 2020	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Mutual Funds investing in:				
Stocks	\$ 75,014,662	\$ -	Monthly	5 Days
Bonds	30,478,009	-	Daily/Weekly	2/5 Days
Real Assets Marketable Funds	23,631,586	10,365,161	(A)	(A)
Hedged and Alternative Funds	44,285,839	22,253,461	(B)	(B)
	<u>\$ 173,410,096</u>	<u>\$ 32,618,622</u>		
Total Foundation	<u>\$ 173,410,096</u>	<u>\$ 32,618,622</u>		

State of Illinois
Illinois State University

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3. Investments (Continued)

Foundation Investments

- (A) The partnerships in this category consist of funds that invest in multiple limited partnerships with various investment strategies. Investments include private real estate funds that target a 13%-18% compounded annual rate, as well as equity investments and property acquisition strategies. A small portion of these funds can be redeemed daily and quarterly with a redemption notice period of 2 to 120 days, with the majority not redeemable until the termination date of the fund, which ranges from February 18, 2020 through March 3, 2030.
- (B) The partnerships in this category consist of funds that invest in the following types of investments in the United States and various international markets: private equity, venture capital, stressed debt, special situation and mezzanine debt investments, growth equity, buyouts, venture capital, common stocks, and equity investments. A portion of these funds are redeemable quarterly with a redemption notice period of 65 days. The majority are not redeemable until the termination date of the fund, which ranges from March 31, 2020 through December 18, 2031.

Foundation policy states that assets are to be invested in a diversified portfolio of equity, fixed income and alternative strategies. No investment is to be made that will cause the total investment in equities or fixed income securities issued or guaranteed by any one person, firm, or corporation to exceed five percent of the then fair market value of the Foundation; provided, this restriction is not to apply to either well diversified mutual funds, pooled funds, unit trust, or the like, or direct obligations of the U.S. government and its fully guaranteed agencies. Equity investments have an asset allocation range from 45% to 70% of the portfolio with a target weight of 55%; fixed income investments have an asset allocation range from 0% to 30% with a target weight of 20%; marketable alternative investments have an asset allocation range from 0% to 20% with a target weight of 10%; and real assets have an asset allocation range from 0% to 25% with a target weight of 15%.

Interest Rate Risk: The Foundation's investment policy requires the average duration of the fixed income portfolio to be within 20% of the duration of the index to which the portfolio is benchmarked.

Credit Risk: Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Foundation's investment policy states that no more than 25% of the fixed income portfolio may be rated below investment grade.

As of June 30, 2020, the Foundation had the following investments exposed to interest rate risk and credit risk:

	Fair Market Value	Weighted Average Life	S&P Rating
Marketable CD	\$ 32,612	1.40 years	AAA
Bond Mutual Funds	32,395,885	4.86 years	AA-

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 3. Investments (Continued)

Foundation Investments

Foreign Currency Risk. Foreign currency risk exists when there is a possibility that changes in exchange rates could adversely affect investments denominated in foreign currencies. The Foundation does not have a formal policy that addresses foreign currency risk.

As of June 30, 2020, the Foundation had \$17,098,756 in U.S. dollar balances of international mutual fund investments exposed to foreign currency risk. Listed below are the U.S. dollar balances of the Foundation's international mutual fund investments exposed to foreign currency risk as of June 30, 2020:

	<u>Global Equity</u>
British Pound	\$ 2,540,387
Euro	6,409,591
Franc	1,670,793
Hong Kong Dollar	928,218
Japanese Yen	2,491,533
Other (individually below 5% of total)	<u>3,058,234</u>
Total	<u><u>\$ 17,098,756</u></u>

Investments consist of the following:

	<u>2020</u>	
	<u>University</u>	<u>Foundation</u>
Current:		
Investments	\$ 30,503,550	\$ -
Noncurrent:		
Investments	108,417,500	177,506,988
	<u>138,921,050</u>	<u>177,506,988</u>
Investments classified as cash and cash equivalents:		
Illinois Funds Investment Pool	81,313,324	-
Money Market Funds	2,955,420	-
	<u>84,268,744</u>	<u>-</u>
Total	<u><u>\$ 223,189,794</u></u>	<u><u>\$ 177,506,988</u></u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2020:

Student tuition and fees	\$ 13,898,205
Auxiliary facilities and other operating activities	6,975,897
Other	1,663,931
Federal, state, and private grants and contracts	<u>8,012,955</u>
Subtotal	30,550,988
Less allowance for uncollectible accounts	<u>(4,741,454)</u>
	<u>\$ 25,809,534</u>
Unrestricted	\$ 20,583,278
Restricted	<u>5,226,256</u>
Net accounts receivable	<u>\$ 25,809,534</u>

Note 5. Student Loans Receivable

Student loans receivable at June 30, 2020, is summarized as follows:

Perkins student loan fund	\$ 6,226,638
Nursing loan fund	604,908
University loan fund	<u>21,132</u>
Subtotal	6,852,678
Less allowance for uncollectible accounts	<u>(1,171,100)</u>
Net student loans receivable	<u>\$ 5,681,578</u>
Estimated current portion	\$ 5,206,055
Estimated noncurrent portion	<u>475,523</u>
Total	<u>\$ 5,681,578</u>

Effective September 30, 2015, the federal government discontinued the Perkins Loan Program. As a result, the University has classified all receivables in the Perkins Student Loan Fund as current.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 6. Foundation Pledges Receivable

Foundation pledges receivable at June 30, 2020, is summarized as follows:

Pledges to be collected	\$ 17,664,229
Less discount for the time value of money	(382,770)
Less allowance for uncollectible accounts	<u>(390,942)</u>
Net foundation pledges receivable	<u>\$ 16,890,517</u>
Estimated current portion	\$ 4,413,869
Estimated noncurrent portion	<u>12,476,648</u>
Total	<u>\$ 16,890,517</u>

Note 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following at June 30, 2020:

General operations	\$ 10,144,274
Salaries and wages	2,262,844
Construction	2,665,111
Grants and contracts	1,401,276
Custodial	<u>8,813,126</u>
Accounts payable and accrued liabilities	<u>\$ 25,286,631</u>

Note 8. Unearned Revenue

Unearned revenue consists of the following at June 30, 2020:

Prepaid tuition and fees	\$ 7,168,944
Auxiliary facilities	549,982
Grants and contracts	2,169,953
Other	<u>179,232</u>
Unearned revenue	<u>\$ 10,068,111</u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 9. Capital Assets

Capital asset activity for the year ended June 30, 2020, is summarized as follows:

University	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 16,924,323	\$ 31,670	\$ -	\$ -	\$ 16,955,993
Construction in progress	66,498,186	28,563,340	-	(33,796,472)	61,265,054
Total capital assets not being depreciated	<u>83,422,509</u>	<u>28,595,010</u>	<u>-</u>	<u>(33,796,472)</u>	<u>78,221,047</u>
Capital assets being depreciated					
Site improvements	40,522,563	-	-	130,038	40,652,601
Infrastructure	13,146,983	-	-	-	13,146,983
Buildings	650,623,503	1,021,795	-	33,666,434	685,311,732
Equipment	94,250,909	2,994,340	(766,309)	-	96,478,940
Internally generated software	30,692,278	-	-	-	30,692,278
Non-internally generated software	-	3,175,762	-	-	3,175,762
Library materials	100,441,356	478,482	-	-	100,919,838
Total capital assets being depreciated	<u>929,677,592</u>	<u>7,670,379</u>	<u>(766,309)</u>	<u>33,796,472</u>	<u>970,378,134</u>
Less accumulated depreciation for					
Site improvements	16,355,872	1,155,891	-	-	17,511,763
Infrastructure	8,808,830	302,343	-	-	9,111,173
Buildings	285,877,335	16,176,597	-	-	302,053,932
Equipment	82,338,226	4,196,171	(750,636)	-	85,783,761
Internally generated software	12,197,209	2,040,238	-	-	14,237,447
Non-internally generated software	-	1,058,588	-	-	1,058,588
Library materials	89,020,795	2,959,456	-	-	91,980,251
Total accumulated depreciation	<u>494,598,267</u>	<u>27,889,284</u>	<u>(750,636)</u>	<u>-</u>	<u>521,736,915</u>
Total capital assets being depreciated, net	<u>435,079,325</u>	<u>(20,218,905)</u>	<u>(15,673)</u>	<u>33,796,472</u>	<u>448,641,219</u>
Capital assets, net	<u>\$ 518,501,834</u>	<u>\$ 8,376,105</u>	<u>\$ (15,673)</u>	<u>\$ -</u>	<u>\$ 526,862,266</u>
Component Units	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated	\$ 980,000	\$ -	\$ -	\$ -	\$ 980,000
Capital assets being depreciated or amortized	11,497,094	311,410	(39,260)	-	11,769,244
Less accumulated depreciation and amortization	<u>5,387,868</u>	<u>506,436</u>	<u>(39,260)</u>	<u>-</u>	<u>5,855,044</u>
Total capital assets being depreciated or amortized	<u>6,109,226</u>	<u>(195,026)</u>	<u>-</u>	<u>-</u>	<u>5,914,200</u>
Capital assets, net	<u>\$ 7,089,226</u>	<u>\$ (195,026)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,894,200</u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 10. Long-term Liabilities

University Long-term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Accrued compensated absences	\$ 15,927,192	\$ 2,534,774	\$ (1,277,318)	\$ 17,184,648
Certificates of participation, net	42,528,381	-	(14,337,101)	28,191,280
Certificates of participation, direct borrowing	-	12,705,000	(1,195,000)	11,510,000
Revenue bonds payable, net	112,168,034	-	(6,228,816)	105,939,218
Revenue bonds payable, direct borrowing	5,555,000	-	(545,000)	5,010,000
Total	\$ 176,178,607	\$ 15,239,774	\$ (23,583,235)	\$ 167,835,146
Current portion				
Accrued compensated absences	\$ 1,515,841			\$ 1,341,261
Certificates of participation, net	2,973,545			1,863,248
Certificates of participation, direct borrowing	-			1,350,000
Revenue bonds payable, net	6,228,816			6,498,816
Revenue bonds payable, direct borrowing	545,000			560,000
Total current portion	\$ 11,263,202			\$ 11,613,325
Noncurrent portion				
Accrued compensated absences	\$ 14,411,351			\$ 15,843,387
Certificates of participation, net	39,554,836			26,328,032
Certificates of participation, direct borrowing	-			10,160,000
Revenue bonds payable, net	105,939,218			99,440,402
Revenue bonds payable, direct borrowing	5,010,000			4,450,000
Total noncurrent portion	\$ 164,915,405			\$ 156,221,821

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 10. Long-term Liabilities

University Long-term Liabilities

Revenue bonds payable at June 30, 2020, consisted of the following:

Revenue Bonds, Series 2012:		
New Project Bonds		\$ 15,830,000
Revenue Bonds, Series 2016:		
Refunding Bonds		24,465,000
Revenue Bonds, Series 2018:		
Refunding Bonds		38,545,000
Refunding Bonds		19,335,000
New Project Bonds - Direct Borrowing		<u>5,010,000</u>
Total Revenue Bonds payable		<u><u>\$ 103,185,000</u></u>

Maturities and interest requirements on revenue bonds payable at June 30, 2020, are as follows:

Year Ending June 30	Bonds		Notes from Direct Borrowings		Principal Total	Interest Total
	Principal	Interest	Principal	Interest		
2021	\$ 5,885,000	\$ 4,635,800	\$ 560,000	\$ 156,312	\$ 6,445,000	\$ 4,792,112
2022	6,160,000	4,357,450	580,000	138,840	6,740,000	4,496,290
2023	6,455,000	4,060,400	595,000	120,744	7,050,000	4,181,144
2024	6,770,000	3,749,050	615,000	102,180	7,385,000	3,851,230
2025	<u>7,090,000</u>	<u>3,422,400</u>	<u>635,000</u>	<u>82,992</u>	<u>7,725,000</u>	<u>3,505,392</u>
Subtotal	32,360,000	20,225,100	2,985,000	601,068	35,345,000	20,826,168
2026-2030	34,350,000	12,008,338	2,025,000	127,608	36,375,000	12,135,946
2031-2035	20,150,000	5,350,250	-	-	20,150,000	5,350,250
2036-2039	<u>11,315,000</u>	<u>1,449,000</u>	<u>-</u>	<u>-</u>	<u>11,315,000</u>	<u>1,449,000</u>
Subtotal	98,175,000	<u><u>\$ 39,032,688</u></u>	<u><u>\$ 5,010,000</u></u>	<u><u>\$ 728,676</u></u>	103,185,000	<u><u>\$ 39,761,364</u></u>
Additions:						
Unamortized premiums	<u>7,764,218</u>				<u>7,764,218</u>	
Total	<u><u>\$ 105,939,218</u></u>				<u><u>\$ 110,949,218</u></u>	

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 10. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

The Series 2012, 2016, and 2018 bonds are secured by a pledge of the net revenue of auxiliary facilities, as well as the pledged portion of the tuition, health service, and athletic and service fees charged to students. None of these revenue bonds constitute obligations of the State.

On May 16, 2012, \$21,280,000 in Revenue Bonds, Series 2012 were issued. The Series 2012 Bonds consisted of \$18,230,000 of Series 2012A Bonds and \$3,050,000 Series 2012B (taxable) Bonds. The Series 2012A Bonds mature beginning April 1, 2018 and continue through April 1, 2032. The Series 2012A Bonds bear interest from 3.00% to 4.00%. Interest is payable on April 1 and October 1 of each year, commencing on October 1, 2012. The Series 2012B Bonds matured April 1, 2018.

On March 31, 2016, \$33,320,000 in Revenue Bonds, Series 2016 were issued. Proceeds of the bonds were used to refund the outstanding principal of the Series 2006 Revenue Bonds. The refunding resulted in a net decrease in the debt service payment of \$7,095,252 and an estimated savings of \$3,604,868 in present value. The Series 2016 Bonds mature beginning April 1, 2017 and continuing through April 1, 2029. These refunding bonds bear interest from 2.00% to 5.00%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2016.

On February 28, 2018, the University issued \$41,765,000 in Series 2018A and \$21,370,000 Series 2018B Auxiliary Facilities System Revenue Bonds which refunded the Series 2017 and Series 2008 Bonds. The refunding resulted in a net increase in the debt service payment of \$5,539,016 and an estimated savings of \$15,118,204 in present value. The Series 2018A Bonds mature beginning April 1, 2018 and continuing through April 1, 2039. These bonds bear interest from 4.0% to 5.0%. The Series 2018B Bonds mature beginning April 1, 2019 and continue through April 1, 2033. These bonds bear interest at 5.0%. Interest is payable on April 1 and October 1, commencing April 1, 2018.

Direct Borrowing

On December 5, 2018, the University issued \$6,200,000 in Series 2018C Auxiliary Facilities System Revenue Bonds. Bond proceeds shall be used to pay for partial renovations to Redbird Arena. The 2018C Bonds mature beginning April 1, 2019 and continuing through April 1, 2028. These bonds bear interest at 3.12%. Interest is payable on April 1 and October 1, commencing April 1, 2019. Series 2018C were direct borrowing bonds. The unused line of credit at June 30, 2020 was \$0. No assets are pledged as collateral. The debt agreement does not include terms related to events of default, termination events, or subjective acceleration clauses.

As a requirement of issuing revenue bonds the University is subject to certain covenants. The University monitors its compliance with these covenants.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 10. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

Pledged Revenue and Service Requirements

The University has pledged fees relating to tuition, health services, athletics, health insurance, student activities, and all other fees (excluding laboratory and library fees) collected from students, to repay the principal and interest of revenue bonds. A total of \$142,946,364 of future revenues is pledged through 2039. Debt service to pledged revenues for the current year is 5.214%.

Certificates of Participation Payable

On June 4, 2008, \$22,230,000 in Certificates of Participation were issued. The Series 2008 Certificates of Participation mature beginning April 1, 2010, continuing through April 1, 2028. These Certificates of Participation bear interest from 3.00% to 4.50%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2008. Certificate of Participation Series 2019 were issued to refinance Series 2008 on October 31, 2019.

On May 17, 2011, \$15,000,000 in Certificates of Participation were issued. The Series 2011 Certificates of Participation mature beginning April 1, 2012, continuing through April 1, 2032. These Certificates of Participation bear interest from 4.00% to 5.375%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2011.

On May 14, 2014, \$25,000,000 in Certificates of Participation were issued. The Series 2014 Certificates of Participation consisted of \$9,200,000 of Series 2014A-1 Certificates of Participation and \$15,800,000 Series 2014A-2 Certificates of Participation. The Series 2014A-1 Certificates of Participation mature beginning April 1, 2015 and continuing through April 1, 2023. The Series 2014A-1 Certificates of Participation bear interest at 2.29%. Interest is payable on April 1 and October 1 of each year, commencing on October 1, 2014. The Series 2014A-2 Certificates of Participation mature beginning April 1, 2024 and continuing through April 1, 2034. The Series 2014A-2 Certificates of Participation bear interest from 3.625% to 4.125%. Interest is payable on April 1 and October 1 of each year, commencing on October 1, 2014.

Direct Borrowing

On October 31, 2019, \$12,705,000 in Certificates of Participation were issued. The proceeds from the issuance were to refinance Certifications of Participation Series 2008. The 2019 Certificates of Participation mature beginning April 1, 2020, continuing through April 1, 2028. These Certificates of Participation bear interest at 1.81%. Interest is payable on April 1 and October 1 of each year, commencing April 1, 2020. The unused line of credit at June 30, 2020 was \$0. No assets are pledged as collateral. The debt agreement does not include terms related to events of default, termination events, or subjective acceleration clauses.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 10. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

Certificates of Participation Payable (Continued)

Maturities and interest requirements on certificates of participation at June 30, 2020, are as follows:

Year Ending June 30	Certificates of Participation		COPS from Direct Borrowings		Principal Total	Interest Total
	Principal	Interest	Principal	Interest		
2021	\$ 1,870,000	\$ 1,170,588	\$ 1,350,000	\$ 208,331	\$ 3,220,000	\$ 1,378,919
2022	1,940,000	1,109,754	1,375,000	183,896	3,315,000	1,293,650
2023	2,015,000	1,044,417	1,405,000	159,009	3,420,000	1,203,426
2024	2,110,000	974,155	1,420,000	133,578	3,530,000	1,107,733
2025	2,195,000	880,305	1,450,000	107,876	3,645,000	988,181
Subtotal	10,130,000	5,179,219	7,000,000	792,690	17,130,000	5,971,909
2026-2030	10,175,000	3,028,184	4,510,000	164,167	14,685,000	3,192,351
2031-2035	7,985,000	806,931	-	-	7,985,000	806,931
Subtotal	28,290,000	\$ 9,014,334	\$ 11,510,000	\$ 956,857	\$ 39,800,000	\$ 9,971,191
Additions (deductions):						
Unamortized discounts	(133,269)				(133,269)	
Unamortized premiums	34,549				34,549	
Total	\$ 28,191,280				\$ 39,701,280	

Accrued Compensated Absences

Compensated absences consist of accrued vacation and sick leave. The total for accrued vacation and sick leave for the University is shown below:

	Vacation	Sick	Total
2020	\$ 14,992,802	\$ 2,191,846	\$ 17,184,648

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 10. Long-term Liabilities (Continued)

Foundation Long-term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Total				
Beneficiary payments	\$ 844,244	\$ 139,951	\$ (107,563)	\$ 876,632
Contract-for-deed payable	<u>2,448,292</u>	<u>-</u>	<u>(112,528)</u>	<u>2,335,764</u>
Total	<u>\$ 3,292,536</u>	<u>\$ 139,951</u>	<u>\$ (220,091)</u>	<u>\$ 3,212,396</u>
Current portion				
Beneficiary payments	\$ 91,600			\$ 107,563
Contract-for-deed payable	<u>112,528</u>			<u>116,620</u>
Total current portion	<u>\$ 204,128</u>			<u>\$ 224,183</u>
Noncurrent portion				
Beneficiary payments	\$ 752,644			\$ 769,069
Contract-for-deed payable	<u>2,335,764</u>			<u>2,219,144</u>
Total noncurrent portion	<u>\$ 3,088,408</u>			<u>\$ 2,988,213</u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 10. Long-term Liabilities (Continued)

Foundation Contract-for-Deed Payable

Long-term debt at June 30, 2020, consisted of a \$3,300,000 installment contract-for-deed secured by the Alumni Center building. The contract requires 119 monthly payments of \$16,160 at 3.34% interest with a final payment of the remaining outstanding balance.

Maturities and interest requirements on the contract payable at June 30, 2020, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 116,620	\$ 77,304	\$ 193,924
2022	120,632	73,293	193,925
2023	124,781	69,144	193,925
2024	128,896	65,029	193,925
2025	<u>133,506</u>	<u>60,419</u>	<u>193,925</u>
Subtotal	624,435	345,189	969,624
2026	<u>1,711,329</u>	<u>28,574</u>	<u>1,739,903</u>
Total	<u>\$ 2,335,764</u>	<u>\$ 373,763</u>	<u>\$ 2,709,527</u>

INTO ISU Related Party Note Payable

INTO ISU has an agreement with its two partners, Global and INTO NA, which allows INTO ISU to borrow up to \$6,000,000 in operating capital from INTO NA with an interest rate of 6%. Borrowings on this note can be made at any time subject to partner agreement. Repayment of the loan is subject to positive cash flow from INTO ISU activities. INTO ISU has outstanding borrowings with INTO NA in the amounts of \$6,000,000 and accrued interest of \$292,817 for the year ended June 30, 2020.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Long-term Note	<u>\$ 4,700,000</u>	<u>\$ 1,300,000</u>	<u>\$ -</u>	<u>\$ 6,000,000</u>

Effective August 1, 2020, the INTO ISU partnership agreement was amended to provide a deferment term of 23 months for existing liabilities. The above promissory note will accrue interest at a rate of 3% for the duration of the deferment term. In addition, no principal or interest outstanding shall be due during this time period. See Note 25 for further information.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 11. Leases

Operating Leases

The University has entered into agreements to lease technology related equipment, recreational space and office space that the University is treating as operating leases. Related expense for the year ended June 30, 2020, was \$1,786,246. The leases expire between September 2020 and December 2024.

Following is a schedule of future minimum lease payments.

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 1,176,867
2022	1,041,217
2023	312,048
2024	25,000
2025	<u>12,500</u>
Total	<u>\$ 2,567,632</u>

The University leases eleven vehicles for the Athletic Department employees at a cost of \$47,146 in fiscal year 2020. The Foundation makes the payments on these leased vehicles. All eleven vehicle leases will expire during fiscal year 2021.

Following is a schedule of future minimum lease payments.

<u>Year Ending June 30</u>	<u>Amount</u>
2021	<u>\$ 43,218</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 12. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description: The University contributes to the State Universities Retirement System (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois (State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing its website at www.surs.org.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2018 can be found in SURS' Comprehensive Annual Financial Report's Notes to the Financial Statements.

Contributions: The State is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of fiscal year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2019 and 2020, respectively, was 12.29% and 13.02% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 12. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability: The net pension liability (NPL) was measured as of June 30, 2019. At June 30, 2019, SURS reported an NPL of \$28,720,071,173.

University's Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized by the University is \$0. The proportionate share of the State's net pension liability associated with the University is \$1,245,072,525 or 4.3352%. This amount is not recognized in the University's financial statements. The net pension liability and the total pension liability as of June 30, 2019, was determined based on the June 30, 2018, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2019.

Pension Expense: At June 30, 2019, the State reported a collective net pension expense of \$3,094,666,252.

University's Proportionate Share of Pension Expense: The University's proportionate share of collective pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2019. As a result, the University recognized revenue and pension expense of \$134,159,971 from this special funding situation during the year ended June 30, 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods.

State of Illinois
Illinois State University

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 12. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

State's Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 160,132,483	\$ 80,170,745
Changes in assumptions	773,321,300	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>55,456,660</u>
Total	<u>\$ 933,453,783</u>	<u>\$ 135,627,405</u>

*State's Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized
in Future Pension Expenses*

<u>Year Ending June 30</u>	<u>Net Deferred Outflows of Resources</u>
2020	\$ 786,021,133
2021	(11,534,848)
2022	(6,661,326)
2023	<u>30,001,419</u>
Total	<u>\$ 797,826,378</u>

University's Deferral of Fiscal Year 2020 Pension Expense: The University paid \$780,866 in federal, trust or grant contributions for the year ended June 30, 2020. These contributions were made subsequent to the pension liability measurement date of June 30, 2019 and are recognized as deferred outflows of resources as of June 30, 2020.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 12. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period June 30, 2014 - 2017. The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	3.25 to 12.25 percent, including inflation
Investment Rate of Return	6.75 percent beginning with the actuarial valuation as of June 30, 2018

Mortality rates were based on the RP2014 White Collar, gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 12. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
U.S. Equity	23.00 %	5.25 %
Private Equity	6.00	8.65
Non-U.S. Equity	19.00	6.75
Global Equity	8.00	6.25
Fixed Income	19.00	1.85
Treasury-Inflation Protected Securities	4.00	1.20
Emerging Market Debt	3.00	4.00
Real Estate REITS	4.00	5.70
Direct Real Estate	6.00	4.85
Commodities	2.00	2.00
Hedged Strategies	5.00	2.85
Opportunity Fund	1.00	7.00
Total	100.00 %	4.80 %
Inflation		2.75 %
Expected Arithmetic Return		7.55 %

Discount Rate: A single discount rate of 6.59% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.13% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS' funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the State's Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the State's net pension liability, calculated using a single discount rate of 6.59%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage-point lower or one percentage-point higher:

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 12. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

1% Decrease 5.59%	Current Single Discount Rate Assumption 6.59%	1% Increase 7.59%
\$ 34,786,851,779	\$ 28,720,071,173	\$ 23,712,555,197

Additional information regarding the SURS' basic financial statements, including the plan net position, can be found in the SURS comprehensive annual financial report by accessing the website at www.surs.org.

Note 13. Other Post-employment Benefits

Plan description. The State Employees Group Insurance Act of 1971 (SEGIA), as amended, authorizes the State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System (SURS) are eligible for these other post-employment benefits (OPEB). The eligibility provisions for SURS are defined within Note 12.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established by the SEGIA. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The SEGIA requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes \$5,000.

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions, and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 13. Other Post-employment Benefits (Continued)

The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2020, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$11,681 (\$6,704 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$14,959 (\$5,592 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

CMS' Changes in Estimates: For the measurement date of June 30, 2018, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions were both significantly impacted by (1) the University's number of participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, this change in estimate was amortized for subsequent recognition in the University's OPEB expense over a period of approximately five years, which began in Fiscal Year 2019.

Special Funding Situation Portion of OPEB: The proportionate share of the State's OPEB expense relative to the University's employees totaled (\$67,869,732) during the year ended June 30, 2020. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2020.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2019	June 30, 2018
State of Illinois's OPEB liability related to the University under the Special Funding Situation	\$ 974,523,836	\$ 922,737,490
SEGIP total OPEB liability	43,889,169,017	40,093,248,494
Proportion share of the total OPEB liability	2.2204%	2.3015%

State of Illinois
Illinois State University

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB: The University's total OPEB liability, as reported at June 30, 2020, was measured as of the measurement date on June 30, 2019, with an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the years ended June 30, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2019</u>	<u>June 30, 2018</u>
University's OPEB liability	\$ 29,669,078	\$ 24,296,509
SEGIP total OPEB liability	<u>43,889,169,017</u>	<u>40,093,248,494</u>
Proportion share of the total OPEB liability	0.0676%	0.0606%

The University's portion of the OPEB liability was based on the University's proportionate share amount determined under the methodology described in Note 1 during the year ended June 30, 2019. As of the current year measurement date of June 30, 2019, the University's proportionate share increased .007% from its proportion measured as of the prior year measurement date of June 30, 2018.

The University recognized OPEB expense for the year ended June 30, 2020, of \$453,189. At June 30, 2020, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2019, from the following sources:

Deferred outflows of resources

Differences between expected and actual experience	\$ 42,591
Changes in assumptions	1,031,494
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,522,629
University contributions subsequent to the measurement date	<u>658,620</u>
Total deferred outflows of resources	<u><u>\$ 4,255,334</u></u>

Deferred inflows of resources

Differences between expected and actual experience	\$ 452,599
Changes of assumptions	1,830,820
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,300,947
Total deferred inflows of resources	<u><u>\$ 6,584,366</u></u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

The amounts reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount*</u>
2021	\$ (1,446,495)
2022	(1,446,495)
2023	(903,009)
2024	682,377
2025	<u>125,970</u>
Total	<u>\$ (2,987,652)</u>

*Expensed over the average remaining service life of active and inactive participants (5.145 years)

Notes to the Basic Financial Statements (Continued)
 For the Year Ended June 30, 2020

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

Actuarial methods and assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2018, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2018.

The valuation date of June 30, 2018 below was rolled forward to June 30, 2019.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Discount Rate	3.13%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.50% per year over 5 years to 4.89% in year 7
Medical (Post-Medicare)	9.00% grading down 0.50% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2018 and 2019 are based on actual premiums. Premiums after 2019 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.
* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.	

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

Since the last measurement date on June 30, 2019, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. On December 20, 2019, the *Further Consolidated Appropriations Act, 2020* (Public Law 116-94) was signed into law repealing the federal excise taxes of 40% on total employer premium spending in excess of specified dollar amounts, also known as the "Cadillac Tax." The impact of this repeal to the University's financial statements, which could be significant, is not known at this time.

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2018 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study [^]	Mortality ^{^^}
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2012 - June 2015	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

[^] The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^{^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.62% at June 30, 2018, and 3.13% as of June 30, 2019, was used to measure the total OPEB liability.

State of Illinois
Illinois State University

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

Sensitivity of total OPEB liability to changes in the single discount rate: The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2019, calculated using a Single Discount Rate of 3.13%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.13%) or lower (2.13%) than the current rate:

1% Decrease (2.13%)	Current Single Discount Rate Assumption (3.13%)	1% Increase (4.13%)
\$ 34,943,144	\$ 29,669,078	\$ 25,450,337

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2019, calculated using the healthcare cost trend rates as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. For calculating the healthcare cost trend rates assumption, the key trend rates are 8% in 2020 decreasing to an ultimate trend rate of 4.89% in 2027 for non-Medicare coverage, and 9% decreasing to an ultimate trend rate of 4.5% in 2029 for Medicare coverage. For the 1% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7% in 2020 decreasing to an ultimate trend rate of 3.89% in 2027 for non-Medicare coverage, and 8% in 2020 decreasing to an ultimate trend rate of 3.5% in 2029 for Medicare coverage.

1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
\$ 24,877,634	\$ 29,669,078	\$ 35,874,749

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

Total OPEB Liability Associated with the University, Regardless of Funding Source: The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2019	June 30, 2018
State of Illinois's OPEB liability related to the University under the Special Funding Situation	\$ 974,523,836	\$ 922,737,490
University's OPEB liability	29,669,078	24,296,509
Total OPEB liability associated with the University	\$ 1,004,192,914	\$ 947,033,999
SEGIP total OPEB liability	43,889,169,017	40,093,248,494
Proportion share of the OPEB liability associated with the University	2.288%	2.362%

Note 14. Transactions with Related Organizations

Illinois State University Foundation

The Foundation is a related organization formed to support in various ways the University's instructional, research and public service missions. Effective July 1, 2019, the Foundation renewed the Support Agreement, for an additional one year, with the University Board of Trustees (acting for and on behalf of the University) whereby the University agrees to provide to the Foundation fair and reasonable compensation in exchange for development and fundraising services up to a maximum value. The maximum value under the agreement was \$2,760,000 for the year ended June 30, 2020. Under terms of the agreement, the University provided in-kind support in the form of personnel, office space, office equipment, computer support, and communication services estimated at \$2,539,487 during fiscal year 2020. During these years the direct and/or indirect support of the University, as well as the scholarships provided by the Foundation exceeded the value provided by the University under the agreement.

As of June 30, 2020, the Foundation had payables to the University of \$200,895. In addition, at June 30, 2020, the Foundation had no receivables from the University.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 14. Transactions with Related Organizations (Continued)

Illinois State University Foundation

In fiscal year 2009, Launching Futures, LLC acquired real estate for approximately \$6.3 million that was being leased by the University from an outside party. Once the sales contract was signed, the University continued to lease the property from the seller until the initial closing. The acquired real estate serves as the University's Alumni Center. Launching Futures, LLC leases the property to the University at \$19,167 per month.

During fiscal year 2020, the Foundation contributed services and expenditures of \$9,318,800 that were for the direct and/or indirect support of the University. The Foundation also contributed \$3,378,514 in student aid, scholarships, and awards to the University. These amounts were applied directly to the students' accounts.

As of and during the year ended June 30, 2020, the University and Foundation had the following inter-entity transactions:

Illinois State University	Illinois State University Foundation	
	Accounts Payable	Operating Expense
Accounts receivable, net	\$ 200,895	\$ -
Other operating revenues	-	576,306
Payments on behalf of the University	-	3,355,218
Gifts and Donations	-	1,672,642
Capital gifts and grants	-	3,714,634
	-	3,714,634
Total	\$ 200,895	\$ 9,318,800

INTO ISU

INTO ISU has entered into a University Service Agreement (Service Agreement) with Global, which provides that the University will create and develop the INTO programs jointly with INTO ISU, with the goal of ensuring that appropriate resources and courses are available to provide a quality academic experience. The Service Agreement, effective as of March 22, 2018, continues through March 22, 2028. The Service Agreement may be terminated without liability to either party upon the event of certain criteria established per the Service Agreement. No such event occurred as of June 30, 2020.

The Service Agreement provides that credits earned by students who successfully complete the INTO Pathways Program will be recognized by the University toward completion of an appropriate University undergraduate or graduate degree program. The University will provide and supervise the administration of student admissions to the INTO Program and will provide support and mentoring services to the students during their enrollment in the University Program.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 14. Transactions with Related Organizations (Continued)

INTO ISU (Continued)

Per the terms of the Service Agreement, the University will provide INTO ISU access to University facilities and student services. The University will provide for the planning, construction, and use of living and learning facilities based on the achievement of program milestones, including various enrollment thresholds. In addition, access to appropriate University staff for delivery of the INTO Programs will be provided to INTO ISU. The University will incur the payroll and other expenses for leased employees, and INTO ISU will reimburse the University for these costs.

As part of the Service Agreement, the University granted INTO ISU a nonexclusive, royalty-free, nontransferable worldwide license for the term of the agreement to use the University trademarks, trade names, service marks, service names, brand names, domain names, URLs, or logos for the purpose of the INTO programs.

Per the terms of the Facilities License, the University provides INTO ISU leased facilities, effective as of March 22, 2018, continuing through March 22, 2028. These facilities are utilized for both administrative and educational purposes. The base rent is \$20 per square foot and the initial allocation of space of 1958 square feet. The License provides for expansion rights over the term for more space depending on the needs of the program. During fiscal year 2020, INTO ISU was charged rental income of \$278,126.

For the period ended June 30, 2020, the incurred cost by INTO ISU to the University was \$2,435,737 for operating costs.

INTO ISU has an agreement with its two partners, Global and INTO NA which allows INTO ISU to defer the payment of the specified payments with respect to each fiscal year until the final day of the fiscal year.

Illinois State University	INTO Illinois State University						
	Accounts Payable	Accounts Receivable	Cost of Instruction	Compensation & Benefits	Rent	Administrative & Service Charges	Other
Other assets*	\$ 2,952,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable**	-	47,065	-	-	-	-	-
Other operating revenues	-	-	1,498,364	239,102	278,126	220,500	199,645

*The University has other assets of \$2,960,245 for the year ending June 30, 2020. The difference is due to adjustments made by the University that INTO will recognize for the year ending June 30, 2021.

**The University does not have a payable of \$47,065 for the year ending June 30, 2020. This was paid prior to June 30, 2020, and is an in-transit item between INTO ISU and the University.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 14. Transactions with Related Organizations (Continued)

INTO ISU (Continued)

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The pandemic has impacted virtually all international students and programs.

INTO ISU's recurring losses and negative cash flows, including the impact of the COVID-19 pandemic, has raised concerns regarding INTO's ability to continue as a going concern.

In response to this, on August 1, 2020, the University and INTO NA executed amendments to the International Student Center Services Agreement, the IT Services Agreement, the Deferral Letter, the Teaching/Administration Building(s) Facilities License Agreement, and the Promissory Note, reflecting the intent for INTO ISU to cease operations for a period of up to 23 months, effective August 1, 2020 (the "Deferment Term"). During this period, INTO ISU will not receive any revenue, will terminate all employees, will have minimal expenditures, and all parties agree to defer payment on any outstanding payables/loans.

In addition to the amended agreements, the first two years of operations have shown a growth in recruiting and program enrollment. Both of the INTO ISU partners have strong financial resources and a willingness to maintain this partnership. Based on the above steps taken to mitigate losses while growing enrollment numbers, both the University and INTO ISU believe the going concern has been alleviated. In addition, the University believes the outstanding balance due from INTO ISU reported in other noncurrent assets is fully collectible.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 15. Student Health Insurance

The University contracts with Aetna Student Health (ASH), formerly known as The Chickering Group, an Aetna Company of Burlington, Massachusetts for administration of the Aetna Student Health Insurance Plan to provide insurance benefits to students of the University. Students enrolled in nine or more semester hours of credit pay a premium for this coverage. As part of the contractual agreement between the University and ASH, the University has a premium stabilization reserve (PSR) which is used to minimize future plan year increases in the premium based on unexpectedly high claims utilization. As each plan year is finalized, costs are debited (gains are credited) to an account funded by the University each year (15% of expected premium at the initial deposit, but adjusted to 15% of actual premium less taxes and fees upon reconciliation). There was \$680,962 left over from the 2017-18 PSR experience. The reserve for 2018-19 of \$1,178,237 became available upon final calculation in September 2020. \$1,353,319 is estimated to fund the 2020-21 policy year. The \$680,962 from 2017-18 plus \$702,357 from the 2018-19 reserve will be used to fund the 2020-21 policy year. The remainder of the 2018-19 reserve will be used to partially fund the 2021-22 policy year. As potential future refunds are still at risk for unexpected claims losses, they are not recorded as assets. Assuming medical trend, no plan design changes, and no change in enrollment, it is estimated up to \$1,600,000 to be needed to fund 2021-2022.

Note 16. Student Financial Assistance

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded \$103,879,246 in direct student loans for the year ended June 30, 2020. The University receives this cash from the Department of Education and then applies it accordingly to the related students' account. Any loan proceeds remaining after balances are satisfied are then refunded to the borrower. The University incurs no other related income/expense items related to these awards. Direct Loans are also disclosed in the footnotes to the University's schedule of expenditures of federal awards in the University's compliance examination report.

Note 17. Risk-Management

The University maintains commercial insurance for both property (buildings and contents) and liability loss exposures. During fiscal year 2020, there were no reductions in insurance coverage; the insured values of buildings and some building contents totaled \$1.99 billion. The University renewed its property insurance in July 2020 and currently has \$1.99 billion in insured values to buildings and contents.

As a public university in the State, the University enjoys certain statutory protections through the Court of Claims Act (705 ILCS 505) and the State Employee Indemnification Act (5 ILCS 350). In addition, the University purchases liability insurance that covers related claims subject to a \$350,000 self-insured retention. The educator's legal liability policy has aggregate and occurrence limits of \$5,000,000. The general liability insurance policy has a per occurrence limit of \$10,650,000 and an aggregate of \$19,650,000.

To augment existing State and commercial coverage, and to assist in addressing potential risks and liabilities incurred through its operations, the University is self-funded. In accordance with the requirement of GASB Statement No. 10, a liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. At June 30, 2020, the liability was \$0. There were no settlements which exceeded insurance coverage for the last three years.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 18. Net Position

University Net Position

University restricted net position is comprised of the following at June 30, 2020:

Student Loans	\$ 758,105
Repair and Replacement Reserve	38,952,865
Operation and Maintenance	<u>87,317,204</u>
Total Restricted Net Position	<u><u>\$ 127,028,174</u></u>

The University's Board of Trustees designated unrestricted net position is comprised of the following at June 30, 2020:

Capital asset renewal and replacement for the internal service departments	\$ 270,359
Self insurance	<u>1,118,491</u>
	<u><u>\$ 1,388,850</u></u>

Foundation Net Position

The Foundation's restricted net position is comprised of the following at June 30, 2020:

Nonexpendable:	
Scholarship and fellowship	\$ 63,296,164
College and academic department support	33,942,951
University capital projects	6,089,348
Other	<u>5,414,481</u>
Total nonexpendable	<u><u>\$ 108,742,944</u></u>
Expendable:	
Scholarship and fellowship	\$ 44,519,158
College and academic department support	26,365,525
University capital projects	6,806,072
Other restricted expendable	<u>5,467,334</u>
Total expendable	<u><u>\$ 83,158,089</u></u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 19. Foundation Donor Restricted Endowments

The Foundation follows the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA eliminated the historic dollar value rule with respect to endowment fund spending. UPMIFA also updated the prudence standards for the management and investment of charitable funds. In accordance with UPMIFA, the Foundation's Board considers the factors in Sections 3(e)(1) and 4(a) of the UPMIFA in determining the investment, management, and disbursement of endowment funds.

UPMIFA permits the Foundation to authorize expenditures from available endowment funds' earnings and/or principal, unless the fund's donor has specified otherwise. In concert with UPMIFA standards, the Foundation Investment Committee has adopted a "weighted average" endowment spending distribution formula based on the sum of the following two components:

1. The prior year's spending distribution, plus 4.5% of the value of new gifts; the sum of which is adjusted by the most recently calculated annual Higher Education Price Index, then weighted at 70%.
2. The year-end market value times 4.5% then weighted at 30%.

A fund-raising fee of 1.25% and 1.5% of the December 31, 2019 and 2018 market values, respectively, was assessed from each endowed fund's annual distribution (as calculated above) to help support Foundation's fund-raising and general operations.

On July 1, 2019, a total of \$4,901,311, was distributed to endowed funds' expendable balances and fund-raising fees totaling \$1,888,793, respectively, were distributed to the Foundation's budget.

Note 20. Commitments

The University has entered into contracts for significant repairs and replacement of University capital assets. Total estimated costs under these contracts are \$24,785,090; approximately \$11,865,148 (47.87%) of the work has been completed as of June 30, 2020. The University is obligated to pay the remainder of the costs under the contracts as the work is completed.

The University has secured natural gas and electricity at a fixed price for fiscal years 2020, 2021, and 2022 and six months of 2023 by executing forward fixed price purchase contracts with Interstate Municipal Gas Agency and MidAmerican Energy. As of June 30, 2020, the University's commitment to these contracts is approximately \$4,344,000 for natural gas and \$9,112,958 for electricity. These are considered normal purchase contracts.

The Foundation has invested in various limited partnerships. According to the terms of the investment agreements, the Foundation has committed to invest \$79,896,457 as of June 30, 2020. As of June 30, 2020, the Foundation had invested \$47,277,835 and has future investment commitments of \$32,618,622.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 21. Contingencies

The University is, from time to time, subject to various claims, legal actions, and inquiries related to compliance with environmental and other governmental laws and regulations. Although it is difficult to quantify the potential impact of these claims, management believes that the ultimate cost of these matters will not adversely affect the University's future financial condition or results of operations.

Accordingly, management does not believe that a reserve of the future effect, if any, of these matters on the financial condition or results of operations of the University is necessary at June 30, 2020, as it is not possible to determine with any degree of probability the level of future payments for these matters.

On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantine in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the University operates.

The extent to which the coronavirus impacts the University's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted.

Accordingly, management cannot presently estimate the overall operational and financial impact to the University, but such an impact could have an adverse effect on the University.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 22. Crosswalk of Natural Classification with Functional Classifications

University	Natural Classification for the Year Ended June 30, 2020				Total
	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	
Instruction	\$ 154,343,401	\$ 16,814,483	\$ -	\$ -	\$ 171,157,884
Research	19,394,498	9,432,312	-	-	28,826,810
Public service	9,185,399	7,386,325	-	-	16,571,724
Academic support	25,400,798	5,186,529	-	-	30,587,327
Student services	30,312,835	24,257,307	-	-	54,570,142
Institutional support	40,909,707	11,092,484	-	-	52,002,191
Operation of plant	21,006,707	22,420,466	-	-	43,427,173
Depreciation	-	-	-	27,889,284	27,889,284
Student aid	-	-	69,276,687	-	69,276,687
Auxiliary facilities	36,469,507	28,457,437	-	-	64,926,944
Total University	\$ 337,022,852	\$ 125,047,343	\$ 69,276,687	\$ 27,889,284	\$ 559,236,166

The following financial information represents identifiable activities within the University's financial statements for which one or more revenue bonds are outstanding. The Auxiliary Facilities System (System) is comprised of University-owned housing units, student union, recreation and athletic facilities, and parking facilities.

The operating revenues of the System consist of room and board charges, student activity fees, various user fees, and facility rentals.

Operating expenses of the System include expenses for reasonable upkeep and repairs, necessary maintenance charges, and other expenses incidental to the operations of the facilities and activities of the System in accordance with the bond indentures.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 23. Segment Information

Following are condensed financial statements for the Auxiliary Facilities System:

Condensed Statement of Net Position at June 30, 2020

Assets:	
Restricted - current assets	\$ 41,043,346
Noncurrent assets:	
Capital assets, net	322,154,085
Restricted - other noncurrent assets	96,608,229
Deferred outflow	581,557
Total assets	<u>460,387,217</u>
Liabilities:	
Current liabilities	14,629,231
Noncurrent liabilities	105,577,607
Total liabilities	<u>120,206,838</u>
Net position:	
Invested in capital assets, net of related debt	213,910,310
Restricted - expendable	126,270,069
Total net position	<u>\$ 340,180,379</u>

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position for the Year Ended at June 30, 2020**

Operating revenues	\$ 80,950,014
Depreciation expense	(10,637,203)
Other operating expenses	<u>(65,329,378)</u>
Operating income	4,983,433
Nonoperating revenues	11,199,107
Nonoperating expenses	<u>(4,494,378)</u>
Increase in net position	11,688,162
Net position - beginning of year	<u>328,492,217</u>
Net position - end of year	<u>\$ 340,180,379</u>

*Note: Operating revenue and expense do not agree to the University's Statement of Revenues, Expenses, and Changes in Net Position due to certain inter-agency eliminating entries.

State of Illinois
Illinois State University

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 23. Segment Information (Continued)

Condensed Statement of Cash Flows for the Year Ended June 30, 2020

Net cash flows provided by operating activities	\$ 24,500,309
Net cash flows provided by noncapital financing activities	326,614
Net cash flows used in capital and related financing activities	(43,979,285)
Net cash flows provided by investing activities	<u>13,286,950</u>
Net (decrease) increase in cash and cash equivalents	(5,865,412)
Cash and cash equivalents, beginning of year	<u>10,093,788</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,228,376</u></u>

Following is additional disclosure information relating to the System's revenue bonds (see Note 10).

The following accounts were established by the bond resolutions for the 2012, 2016, and 2018 Bond Series:

Operation and Maintenance Account – Under the terms of the bond indenture, all current expenses of the System shall be payable from the Revenue Fund as the same become due and payable and shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, fees due the paying agents, bond registrars, and trustees on the bonds, a properly allocated share of charges for insurance, and all other expenses incident to the operation and maintenance of the System for the next 30 days. This shall exclude depreciation and all general administrative expenses of the University.

Bond and Interest Sinking Fund Account – After providing for the payment of current operating and maintenance expenses, amounts equal to the semi-annual principal and interest payment on the Bonds should be set aside at least one business day before the due date.

Repair and Replacement Reserve Account - From the funds remaining in the Revenue Fund, the University's Treasurer shall deposit in the Repair and Replacement Reserve Account on or before the close of each fiscal year, the sum of not less than 10 percent of the Debt Service Reserve Requirement, or such portion thereof as is available for transfer and deposit annually for a repair and replacement reserve. The maximum amount which may be accumulated in such account shall not exceed 5 percent of the replacement cost of the facilities constituting the System, as determined by the then current *Engineering News Record Building Cost Index* (or comparable index), plus 20 percent of the replacement cost of equipment within the System plus either 10 percent of the historical cost of the parking lots or 100 percent of the estimated cost of resurfacing any one existing parking lot which is part of the System. All moneys and investments so held in said Account shall be used and held for use to pay the cost of maintenance or repairs, renewals and replacements, and renovating or replacement of fixed equipment not paid as part of the ordinary maintenance and operation of the System.

State of Illinois
Illinois State University

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 23. Segment Information (Continued)

Non-Instructional Facilities (Development) Reserve Account – Under the terms of the bond indenture, the University's Treasurer shall deposit into the Development Reserve Account such funds, or such portion thereof as is available for transfer, as have been approved by the Board for expenditure or planned for expenditure for new space or construction in, or an addition to, an existing facility consistent with the purpose and mission of that facility.

Optional Redemption Account – At the close of each fiscal year after all transfers and maximum deposits have been made and any deficiencies have been remedied and after providing for the current month's deposit requirement, the balance of any excess funds in the Revenue Fund then remaining shall be deposited in this account. Such funds shall be used within one year on a first-in, first-out basis, in connection with the redemption of bonds callable under the optional redemption provisions of the Bond Resolution or may be used by the Board for the purchase of bonds on the open market.

The following represents the cash and investment balances within each account at June 30, 2020:

Account:

Operation and Maintenance Account	\$ 20,054,571
Bond and Interest Sinking Fund Account	2,705,443
Repair and Replacement Reserve Account	41,617,976
Non-Instructional Facilities (Development) Reserve Account	23,390,942
Optional Redemption Account	<u>43,537,427</u>
Total of all accounts	<u>\$ 131,306,359</u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 24. University Related Organizations

The University's financial statements include the activity of the University Related Organizations which represent the discretely presented component units. Below are financial statements by organization:

Statement of Net Position

	2020		
	Foundation	INTO ISU	Total
Assets			
Current assets:			
Unrestricted			
Cash and cash equivalents	\$ 9,505,317	\$ 251,687	\$ 9,757,004
Accounts receivable, net	22,509	76,009	98,518
Prepaid expenses and other	-	205,931	205,931
Pledges receivable, net	4,413,869	-	4,413,869
Total current assets	<u>13,941,695</u>	<u>533,627</u>	<u>14,475,322</u>
Noncurrent assets:			
Unrestricted			
Investments	177,506,988	-	177,506,988
Pledges receivable, net	12,476,648	-	12,476,648
Capital assets not depreciated	980,000	-	980,000
Capital assets, net of depreciation	5,579,215	334,985	5,914,200
Other noncurrent assets	3,992,428	-	3,992,428
Restricted			
Cash and cash equivalents	1,110,598	-	1,110,598
Total noncurrent assets	<u>201,645,877</u>	<u>334,985</u>	<u>201,980,862</u>
Total assets	<u>215,587,572</u>	<u>868,612</u>	<u>216,456,184</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	272,032	1,723,352	1,995,384
Other	224,183	-	224,183
Unearned revenue	-	815,305	815,305
Total current liabilities	<u>496,215</u>	<u>2,538,657</u>	<u>3,034,872</u>
Noncurrent liabilities:			
Other	2,988,213	8,960,245	11,948,458
Total noncurrent liabilities	<u>2,988,213</u>	<u>8,960,245</u>	<u>11,948,458</u>
Total liabilities	<u>3,484,428</u>	<u>11,498,902</u>	<u>14,983,330</u>
Net Position			
Net investment in capital assets	4,223,451	334,985	4,558,436
Restricted:			
Nonexpendable	108,742,944	-	108,742,944
Expendable	83,158,089	-	83,158,089
Unrestricted	15,978,660	(10,965,275)	5,013,385
Total net position	<u>\$ 212,103,144</u>	<u>\$ (10,630,290)</u>	<u>\$ 201,472,854</u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 24. University Related Organizations (Continued)

Statement of Revenues, Expenses and Changes in Net Position

	2020		
	Foundation	INTO ISU	Total
Operating revenues			
State and local grants and contracts	\$ 2,539,487	\$ -	\$ 2,539,487
Tuition income	-	3,204,580	3,204,580
Other operating revenues	81,733	497,664	579,397
Total operating revenues	<u>2,621,220</u>	<u>3,702,244</u>	<u>6,323,464</u>
Operating expenses			
Educational and general:			
Operations	3,742,201	7,268,415	11,010,616
Depreciation	441,729	64,708	506,437
Student aid	3,378,514	-	3,378,514
Other operating expenditures	412,004	732,197	1,144,201
Expenditures on behalf of University and students	5,726,578	-	5,726,578
Total operating expenses	<u>13,701,026</u>	<u>8,065,320</u>	<u>21,766,346</u>
Operating loss	<u>(11,079,806)</u>	<u>(4,363,076)</u>	<u>(15,442,882)</u>
Nonoperating revenues (expenses)			
Gifts and donations	12,095,757	-	12,095,757
Investment income, net of investment expenses	962,865	-	962,865
Interest expense	(81,397)	-	(81,397)
Other nonoperating revenues	1,295,836	-	1,295,836
Other nonoperating expenses	<u>(3,597,203)</u>	<u>-</u>	<u>(3,597,203)</u>
Net nonoperating revenues	<u>10,675,858</u>	<u>-</u>	<u>10,675,858</u>
Income (loss) before capital items	<u>(403,948)</u>	<u>(4,363,076)</u>	<u>(4,767,024)</u>
Additions to permanent endowments	<u>9,498,974</u>	<u>-</u>	<u>9,498,974</u>
Total capital items	<u>9,498,974</u>	<u>-</u>	<u>9,498,974</u>
Increase (decrease) in net position	9,095,026	(4,363,076)	4,731,950
Net position			
Beginning of year	<u>203,008,118</u>	<u>(6,267,214)</u>	<u>196,740,904</u>
End of year	<u>\$ 212,103,144</u>	<u>\$ (10,630,290)</u>	<u>\$ 201,472,854</u>

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 25. Subsequent Events

As of June 30, 2020, the University had one collective-bargaining agreement covering various union-represented employees that has not been settled.

On July 24, 2020, the University's Board of Trustees authorized the issuance of Auxiliary Facilities System bonds, Series 2020A. The Series 2020A Bond transaction closed on July 30, 2020, in the amount of \$36,950,000 with a fixed interest rate of 1.47%. The proceeds from the issuance are to reimburse the University for the Watterson Towers HVAC project completed in the Summer of 2019 and for the upcoming renovation of the Multi-Cultural Center on campus.

On August 12, 2020, the University's Board of Trustees authorized the University to enter into a contract to acquire COVID-19 testing services for the period from August 17, 2020 to December 31, 2020 from Reditus Laboratories at a cost not to exceed \$3,300,000. On December 12, 2020, the University's Board of Trustees authorized an additional contract at a cost not to exceed \$1,250,000 for the period from January 1, 2021 to June 30, 2021.

On October 16, 2020, the University's Board of Trustees approved a fiscal year 2020 budget for operations in an amount not to exceed \$487.3 million.

On February 19, 2021, the University's Board of Trustees authorized the issuance of Certificates of Participation, Series 2021. The Series 2021 closed on March 31, 2021, in the amount of \$8,500,000 with a fixed interest rate of 1.34%. The proceeds from the issuance were to refinance Certificates of Participation, Series 2011.

The University continues to monitor cash flow and make investment decisions accordingly. The University also experienced stable freshman attendance this year as well as maintaining strong student retention.

As a requirement of issuing certain revenue bonds, the University is subject to certain covenants. The University monitors its compliance with these covenants and is not aware of any current violations.

On August 1, 2020, the University and INTO NA amended the INTO/ISU Services Agreement, Facilities License, Information Technology Agreement, INTO/INTO ISU Promissory Note and ISU/INTO ISU Deferral Side Letter. These amendments were a result of restructuring operations to reflect necessary changes as it related to the COVID-19 pandemic.

The amendments included the following changes. The University will assume operational control of the INTO Illinois State University programs including Academic English and the undergraduate and graduate Pathway Programs. INTO's online English for Academic Success program will be available for students who elect to participate. INTO will continue to manage the interface with students for admissions and for purposes of collecting revenue for the INTO Illinois State programs. Select INTO ISU staff will be transitioned to the University and/or INTO as well as duties that were formerly assigned to INTO ISU staff will be realigned between the parties. At the conclusion of the deferment term, the original Service Agreement terms and conditions will be reinstated.

**State of Illinois
Illinois State University**

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 25. Subsequent Events (Continued)

The deferment term will be from August 1, 2020, to June 30, 2022. Senior leadership will meet quarterly to discuss the status of the joint venture. The partners can mutually decide at a Milestone Conference to resume regular operations under the original Services Agreement. During this period, no revenue or costs will flow to INTO ISU as the University will be responsible for covering the cost of delivering the programs. All original Service Agreement fees – including the marketing fee, administration fee, and INTO’s shared services fee - will not be charged to INTO ISU for this period. Ancillary service agreements (rent, information technology, etc.) will be discontinued during this time period. INTO ISU will retain minimal cash sufficient to cover ongoing operating expenses (insurance, audit, etc.). In addition, the parties agree to defer existing INTO ISU liabilities for the deferment term at an interest rate of 3%, reduced from 6% in the original prior debt/liability instruments. Lastly, the division of tuition and fee revenue was amended.

The University is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during this and future fiscal years.

**State of Illinois
Illinois State University**

**Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2020**

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

Measurement Date	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
University's Proportion Percentage of the Collective Net Pension Liability					
(a) University's Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	1,245,072,525	1,177,261,928	1,075,022,381	1,070,597,248	1,002,937,669
Total (b) + (c)	<u>\$ 1,245,072,525</u>	<u>\$ 1,177,261,928</u>	<u>\$ 1,075,022,381</u>	<u>\$ 1,070,597,248</u>	<u>\$ 1,002,937,669</u>
Employer Defined Benefit (DB) Covered Payroll	\$ 210,580,520	\$ 202,871,465	\$ 195,662,572	\$ 195,466,918	\$ 198,967,447
Proportion of Collective Net Pension Liability associated with Employer as a percentage of DB covered payroll	591.26%	580.30%	549.43%	547.71%	504.07%
SURS Plan Net Position as a Percentage of Total Pension Liability	40.71%	41.27%	42.04%	39.57%	42.37%

Schedule of Contributions - Pension

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Federal, trust, grant and other contribution	\$ 780,866	\$ 765,255	\$ 669,483	\$ 650,920	\$ 671,749	\$ 651,497	\$ 626,245
Contribution in relation to required contribution	<u>780,866</u>	<u>765,255</u>	<u>669,483</u>	<u>650,920</u>	<u>671,749</u>	<u>651,497</u>	<u>626,245</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer covered payroll	\$ 6,331,536	\$ 6,285,271	\$ 5,742,955	\$ 5,192,248	\$ 4,957,342	\$ 5,182,867	\$ 5,564,255
Contribution as a percentage of covered payroll	12.33%	12.18%	11.66%	12.54%	13.55%	12.57%	11.25%

**State of Illinois
Illinois State University**

**Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Schedule of the University's Proportionate Share of the Net OPEB Liability

	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>
University's Proportion Percentage of the Collective Net OPEB Liability			
University's Proportion Percentage of the Collective Net OPEB Liability	0.0676%	0.0606%	0.0727%
Proportionate Share of the Collective Net OPEB Liability	\$ 29,669,078	\$ 24,296,509	\$ 30,042,445
State of Illinois's Proportionate Share of the Collective Net OPEB Liability related to the University	<u>974,523,836</u>	<u>922,737,490</u>	<u>1,268,461,564</u>
Total OPEB liability associated with the University	<u>\$ 1,004,192,914</u>	<u>\$ 947,033,999</u>	<u>\$ 1,298,504,009</u>
University's covered employee payroll	\$ 216,838,832	\$ 208,038,171	\$ 200,373,903
Proportionate share of the Net Collective OPEB Liability as a percentage of covered-employee payroll	463.11%	455.22%	648.04%

State of Illinois
Illinois State University

Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information

These pension schedules are presented to illustrate the requirements of Governmental Accounting Standards Board Statement No. 68 (GASB 68) to show information for 10 years. However, until a full 10-year trend is compiled, the University will present only available information measured in accordance with the requirements of GASB 68.

Changes of benefit terms: There were no benefit changes recognized in the Total Pension Liability as of June 30, 2019.

Changes of assumptions: In accordance with the *Illinois Compiled Statutes*, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2014, to June 30, 2017, was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

- Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25 percent to 12.25 percent based on years of service, with underlying wage inflation of 2.25 percent.
- Investment return. Decrease the investment return assumption to 6.75 percent. This reflects maintaining an assumed real rate of return of 4.50 percent and decreasing the underlying assumed price inflation to 2.25 percent.
- Effective rate of interest. Decrease the long-term assumption for the ERI for crediting the money purchase accounts to 6.75 percent (effective July 2, 2019).
- Normal retirement rates. A slight increase in the retirement rate at age 50. No change to the rates for ages 60-61, 67-74, and 80+, but a slight decrease in rates at all other ages. A rate of 50 percent if the member has 40 or more years of service and is younger than age 80.
- Early retirement rates. Decrease in rates for all Tier 1 early retirement eligibility ages (55-59).
- Turnover rates. Change rates to produce lower expected turnover for members with less than 10 years of service and higher turnover members with more than 10 years of service.
- Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP-2014 to the MP-2017 scale.
- Disability rates. Decrease current rates to reflect that certain members who receive disability benefits do not receive the benefits on a long-term basis.

State of Illinois
Illinois State University

Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information

The OPEB schedules are presented to illustrate the requirements of Governmental Accounting Standards Board Statement No. 75 (GASB 75) to show information for 10 years. However, until a full 10-year trend is compiled, the University will present only available information measured in accordance with the requirements of GASB 75.

Payment of benefits: No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of the OPEB. State contributions are made primarily from the General Fund on a pay-as-you-go basis.

Factors that affect trends in the amounts reported: An actuarial valuation was performed as of June 30, 2018 with a measurement date as of June 30, 2019. The following assumptions were used:

- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increase. Dependent upon service and participation in the respective retirement systems. Includes inflation rate of 2.5%, salary increase 3.25% - 12.25%.
- Healthcare Cost Trend Rate: Medical (Pre-Medicare) 8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.5% per year over 5 years to 4.89% in year 7; Medical (Post-Medicare) 9.0% grading down 0.5% per year over 9 years to 4.5%; Dental and Vision 6.0%% grading down 0.5% per year over 3 years to 4.5%.
- Retiree's share of benefit-related costs: Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement.

**State of Illinois
Illinois State University**

**Supplementary Information
For the Year Ended June 30, 2020**

Schedule of Operating Expenses - 2020

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts as of June 30, 2020.

	Compensation and Benefits									Total	Other Expenses	Total Operating Expenses
	Illinois State University's Expenses					State of Illinois' Expenses						
	Salaries ¹	Benefits ²	OPEB ³	Pension	Sub-Total	Benefits ²	OPEB ³	Pension	Sub-Total			
Educational and general:												
Instruction	\$ 110,066,562	\$ 238,795	\$ 116,589	\$ 229,258	\$ 110,651,204	\$ 13,134,667	\$ (31,285,871)	\$ 61,843,401	\$ 43,692,197	\$ 154,343,401	\$ 16,814,483	\$ 171,157,884
Research	13,510,940	295,537	146,881	276,870	14,230,228	1,573,544	(3,676,312)	7,267,038	5,164,270	19,394,498	9,432,312	28,826,810
Public service	6,397,605	290,172	144,215	278,704	7,110,696	635,041	(1,473,977)	2,913,639	2,074,703	9,185,399	7,386,325	16,571,724
Academic support	17,884,906	8,087	4,019	5,019	17,902,031	2,276,792	(5,346,442)	10,568,417	7,498,767	25,400,798	5,186,529	30,587,327
Student services	22,258,104	18,142	70	-	22,276,316	2,487,817	(5,680,956)	11,229,658	8,036,519	30,312,835	24,257,307	54,570,142
Institutional support	25,598,023	3,147,770	1,326	219,860	28,966,979	3,685,586	(8,453,951)	16,711,093	11,942,728	40,909,707	11,092,484	52,002,191
Operation and maintenance												
of plant	10,748,821	-	-	-	10,748,821	3,128,093	(7,299,733)	14,429,526	10,257,886	21,006,707	22,420,466	43,427,173
Depreciation	-	-	-	-	-	-	-	-	-	-	27,889,284	27,889,284
Student aid	-	-	-	-	-	-	-	-	-	-	69,276,687	69,276,687
Auxiliary facilities:												
Student housing, activity facilities, and parking	29,932,606	-	-	-	29,932,606	1,992,460	(4,652,758)	9,197,199	6,536,901	36,469,507	28,457,437	64,926,944
Total	\$ 236,397,567	\$ 3,998,503	\$ 413,100	\$ 1,009,711	\$ 241,818,881	\$ 28,914,000	\$ (67,870,000)	\$ 134,159,971	\$ 95,203,971	\$ 337,022,852	\$ 222,213,314	\$ 559,236,166

¹ Salaries includes employer contributions for Social Security, Medicare, and unemployment.

² Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.

³ OPEB refers to other post-employment benefits.

**State of Illinois
Illinois State University**

**Other Information (Unaudited)
For the Year Ended June 30, 2020**

**Data Required by Revenue Bond Resolutions
Schedule of Insurance**

Insurance Coverage:

Insurance covers property damage to buildings, some contents, business interruption, some electronic data processing, and more. Coverage is very broad (including all risks except those otherwise excluded).

	<u>Coverage Amount</u>	<u>Deductible</u>
Most buildings, some contents, business interruption, some electronic data processing, and builder's risk	\$ 500,000,000	\$ 100,000
Flood	500,000,000	100,000
Earthquake	500,000,000	100,000

Insurance companies: Lexington Insurance Company (AIG), Zurich North America

Policy Period: July 1, 2020 to June 30, 2021

**State of Illinois
Illinois State University**

**Other Information (Unaudited) (Continued)
For the Year Ended June 30, 2020**

**Data Required by Revenue Bond Resolutions
Undergraduate Tuition and Fees⁽¹⁾**

The following schedule shows the yearly tuition and fees charged by the University to new full-time undergraduate students who were residents of the State from fiscal year 2017 through fiscal year 2021.

<u>Fiscal Year</u>	<u>Tuition and Fees</u>	<u>Room and Board</u>	<u>Combined Costs</u>
2017	\$ 13,563	\$ 9,630	\$ 23,193
2018	13,563	9,630	23,193
2019	13,992	9,630	23,622
2020	14,832	9,630	24,462
2021	15,319	9,630	24,949

⁽¹⁾ Tuition and fees costs is based on 15 credit hours. Students taking 16 or more credit hours pay the per credit hour charge for each additional hour. Room and board is based on double occupancy and a 5-day unlimited meal plan.

State of Illinois
Illinois State University

Other Information (Unaudited) (Continued)
For the Year Ended June 30, 2020

Data Required by Revenue Bond Resolutions
Schedule of Historical Occupancy Rates for Housing Facilities

Residence Halls	Historical Occupancy Rates for Housing Facilities ^[1] Measured on the Fall Semester's 10th Day of Occupancy					Fall 2019 10th Day Occupancy
	2015	2016	2017	2018	2019	
Wilkins	97.1%	93.3%	93.5%	103.6%	109.4%	456
Wright	100.0%	95.6%	96.1%	107.5%	110.3%	428
Haynie	99.2%	98.4%	98.4%	110.0%	112.7%	417
Manchester	95.8%	95.3%	92.6%	99.5%	101.8%	782
Hewett	98.4%	98.1%	93.7%	99.4%	105.6%	835
Watterson	106.5%	105.7%	105.2%	106.5%	107.4%	2,392
Cardinal Court ^[2]	99.4%	99.8%	99.4%	99.7%	99.6%	890
Total Residence Halls						6,200
Average Occupancy (Residence Halls)	101.7%	100.5%	99.2%	103.7%	104.1%	
Shelbourne Apartments ^[3]	95.0%	102.0%	0.0%	0.0%	0.0%	-
Fell/School Apartments	97.0%	100.0%	97.0%	98.0%	95.0%	96
Total Apartments						96

[1] Occupancy rates exceeding 100% are achieved through use of lounges and other common areas for dormitory space during the initial months of each academic year. To account for permanently reduced spaces resulting from renovations and the decommissioning of facilities, residence hall capacity was revised to 4,962 in Fall 2012.

[2] Cardinal Court Alternative Housing was opened in 2012 and was developed through a public private partnership as replacement housing for decommissioned Residence Halls. Cardinal Court was previously owned by Collegiate Housing Foundation and managed by the University, but became part of the University's Auxiliary Facilities System upon the issuance of the Series 2018A Bonds.

[3] Shelbourne apartments are no longer being used. They were unoccupied as of July 31, 2017.

**State of Illinois
Illinois State University**

**Other Information (Unaudited) (Continued)
For the Year Ended June 30, 2020**

**Data Required by Revenue Bond Resolutions
Enrollment Data**

Approximately 93.3% of enrolled students are residents of the State paying in-State tuition rates.

Actual Enrollment Statistics (Fall Semester)

	Head Count			Full-Time Equivalent		
	Undergraduate	Graduate	Total	Undergraduate (15 hrs)	Graduate (12 hrs)	Total
2016	18,643	2,396	21,039	17,056	1,477	18,533
2017	18,330	2,454	20,784	16,826	1,482	18,308
2018	18,107	2,528	20,635	16,559	1,556	18,115
2019	18,250	2,628	20,878	16,764	1,640	18,404
2020	17,987	2,733	20,720	16,561	1,665	18,226