

EMPORIA STATE UNIVERSITY

ANNUAL FINANCIAL REPORT FISCAL YEAR 2020



Emporia State University
Emporia, Kansas

Fiscal Year 2020 Annual Financial Report

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Management's Discussion and Analysis

EMPORIA STATE
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EMPORIA STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2020 and 2019

The following Management's Discussion and Analysis provides an overview of the financial performance of Emporia State University (the "University") based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements and footnotes. The University has included the audited financial statements of the Emporia State University Foundation, Inc. (the "Foundation") as part of the University's unaudited financial statements. This discussion – along with the financial statements and related footnote disclosures – has been prepared by management and should be read in conjunction with the statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of management.

USING THIS ANNUAL REPORT

The financial statements segment of this report consists of three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. The notes to the financial statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles for public colleges and universities.

STATEMENTS OF NET POSITION

The Statements of Net Position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University at the end of the fiscal year. Its purpose is to present a financial snapshot of the University. The Statements of Net Position include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statements provide information about the adequacy of resources to meet current and future operating and capital needs.

Within the Statements of Net Position, assets and liabilities are further classified as current or noncurrent. Current classification distinguishes those assets that are highly liquid and available for immediate and unrestricted use by the University, and those liabilities likely to be settled in the next 12 months.

Net Position is divided into three categories:

1. **Net Investment in Capital Assets** indicates the University's equity in property, plant and equipment owned by the University.
2. **Restricted Net Position** is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
3. **Unrestricted Net Position** is available to the University for any lawful purpose of the institution. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's resources in this category have been designated for various academic and research programs and initiatives.

Total assets at June 30, 2020 were \$153,683,186, an increase of 1.4% compared to \$151,535,661 at June 30, 2019. Capital assets, net of depreciation, comprised 66.9% or \$102,790,942 of the total assets in 2020 as compared to 60.7%, or \$92,044,725 of the total assets in 2019.

Total deferred outflows decreased \$97,633, with a decrease of \$114,105 in the actuarially determined deferred pension expense related to the adoption of GASB 68. In addition, other post-employment benefit that provides long-term disability benefits increased \$16,472.

Total liabilities were \$71,420,906 at June 30, 2020, a decrease of \$3,264,960 or 4.4% compared to \$74,685,866 at June 30, 2019. Noncurrent liabilities comprised 78.0% or \$55,680,525 of total liabilities in 2020 as compared to 79.6% or \$59,441,646 of total liabilities in 2019.

EMPORIA STATE UNIVERSITY

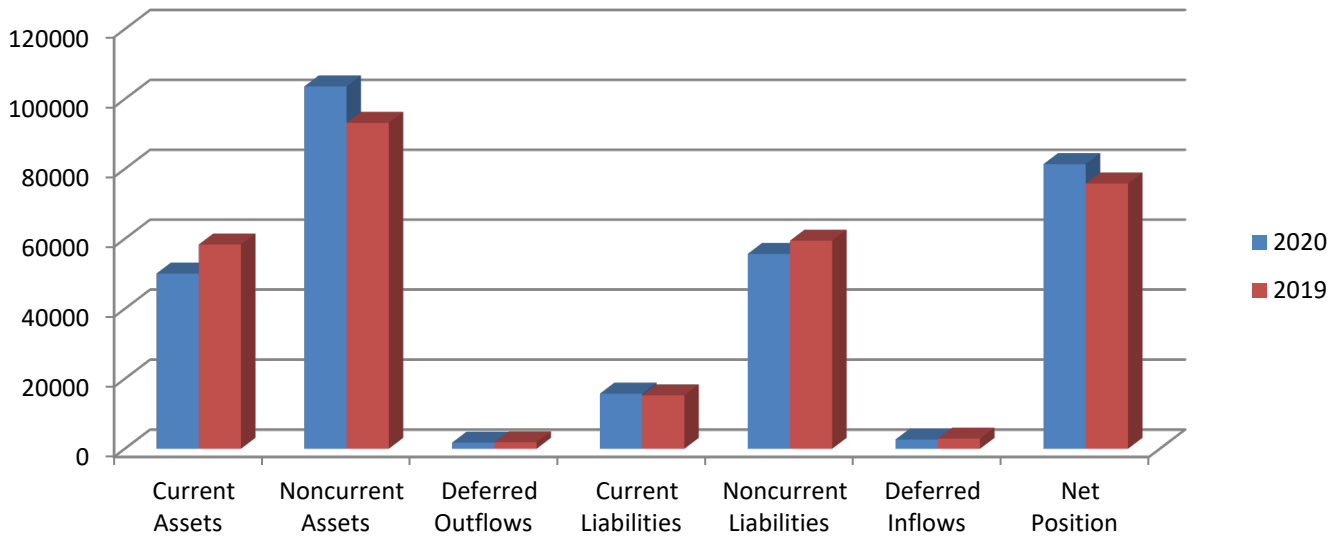
**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019**

Total deferred inflows decreased \$239,836 related to the adoption of GASB 68 and GASB 75 pertaining to the University's share of the KPERS pension liability and other post-employment benefits.

Total Net Position at June 30, 2020 was \$81,359,903, a \$5,554,688 increase from the previous fiscal year amount of \$75,805,215, or a 7.3% increase in Net Position. The breakout of Net Position is shown below:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Net Position		
Net Investment in Capital Assets	\$ 61,225,942	\$ 48,794,725
Restricted Net Position	3,344,506	12,512,746
Unrestricted Net Position	<u>16,789,455</u>	<u>14,497,744</u>
 Total Net Position	 <u>\$ 81,359,903</u>	 <u>\$ 75,805,215</u>

The composition of current and noncurrent assets, deferred outflows, current and noncurrent liabilities, deferred inflows and net position is displayed below for both the 2020 and 2019 fiscal year ends (in thousands):



EMPORIA STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2020 and 2019

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position present the total revenues earned and expenses incurred by the University for operating, nonoperating and other related activities during a period of time. Its purpose is to assess the University's operating results.

Revenues

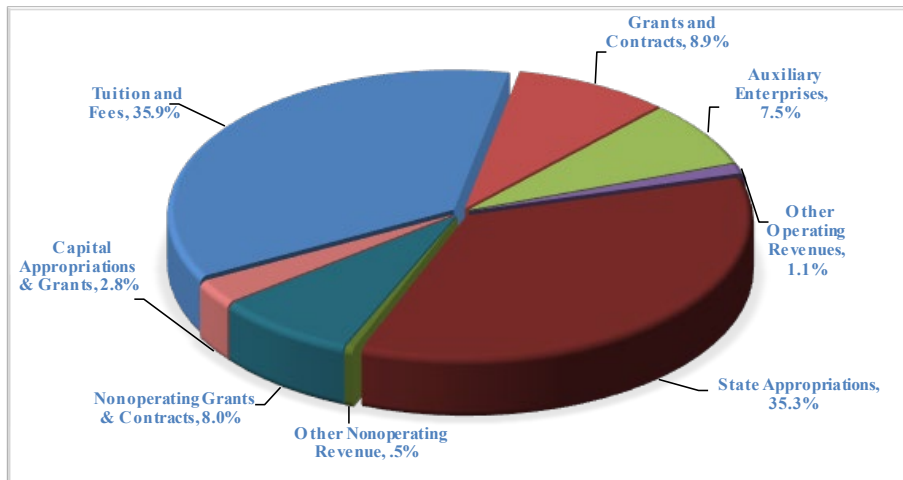
Operating revenues were \$50.9 million for the 2020 fiscal year. This was a decrease of \$917,325 or 1.8% from the previous fiscal year. The following is a brief summary of the significant changes:

- Student tuition and fee revenues, after scholarship allowances, were \$34.2 million in 2020, compared to \$36.1 million in 2019, an overall decrease of 5.2%. The tuition and fees decrease was attributed to a decrease in enrollment numbers especially among the nonresident students.
- Grants and contracts (federal, state and local, and nongovernmental) overall increased 26.8% or \$1.8 million.
- Auxiliary enterprise revenues of the University decreased a combined total of 10.2% in the areas of Athletics, Assessment, Parking Services, Residential Life and Student Health Services.
- Sales and services of educational departments increased by \$22,818 or 2.4% from the previous year.

Total nonoperating revenues remained consistent with the previous year from \$44.4 million to \$44.2 million in 2020. The following is a brief summary of the significant changes:

- State appropriations increased 6.3% to \$33.6 million from \$31.6 million.
- Investment earnings decreased from \$816,713 in 2019 to \$457,128 in 2020 due to the decreased amount of unspent bond proceeds.
- Other Federal grants and contracts increased \$1,407,631 or 3.6% from the prior year primarily due to CARES Act funding for student aid.
- Capital appropriations/gifts decreased \$1.6 million primarily due to a private capital gift received in the prior year.

In summary, total revenues, nonoperating revenues, and other revenues increased by \$5.7 million for a total of \$96.2 million. The composition of these revenues is displayed in the following graph:



EMPORIA STATE UNIVERSITY

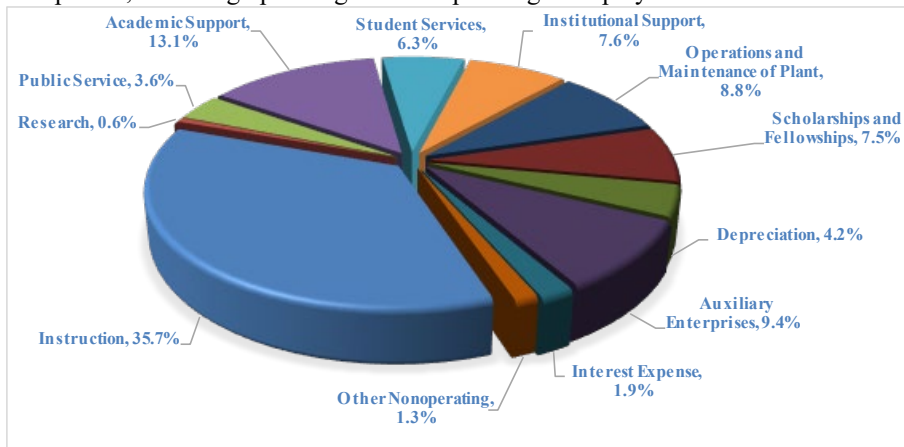
MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2020 and 2019

Expenses

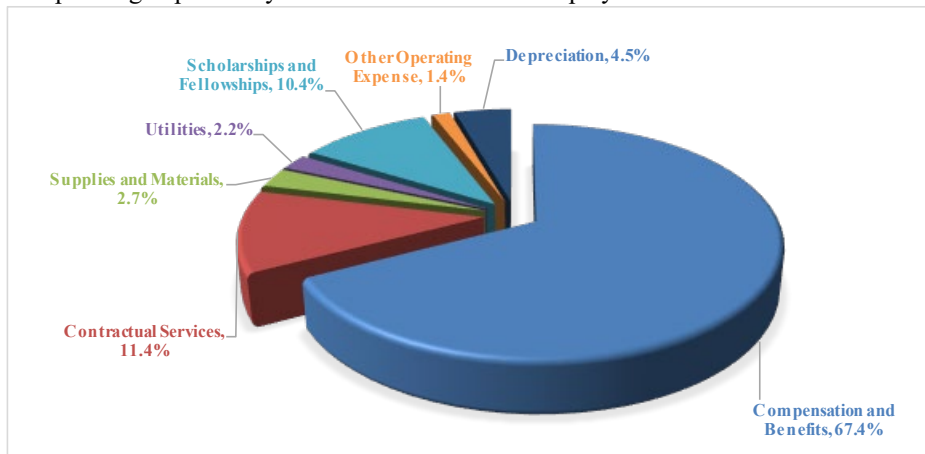
Operating and nonoperating expenses for both 2020 and 2019 were \$89.6 million. The following is a brief summary of the significant changes:

- Instruction and academic support combined increased \$296,537 or approximately 0.7% from 2019 to 2020.
- Student services, public service, research and scholarships to students decreased \$765,461 or 4.5% in 2020.
- Institutional support increased \$204,973 or 3.1% from 2019 to 2020.
- Expenses for the operations and maintenance of plant decreased \$648,241 or approximately 7.6% from 2019 to 2020.
- Assets not fully depreciated were removed from fixed assets, resulting in a net loss of \$7,826 during 2020.
- Depreciation expense increased \$532,135 in 2020.

The composition of total expenses, including operating and nonoperating is displayed below:



The composition of total operating expenses by natural classification is displayed below:



Extraordinary Items

The University did not have any special and extraordinary items in 2020 or 2019.

EMPORIA STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2020 and 2019

Endowment Expenses Paid On Behalf of University

The Foundation is an independent, not-for-profit organization whose primary mission is to raise funds for the University and to provide direct and indirect support to the University that is not entirely reflected in the University's Statements of Revenues, Expenses and Changes in Net Position. Expense items paid on behalf of the University by the Foundation include expenses such as salaries, construction, equipment, books, supplies and travel. During the year ended June 30, 2020, and June 30, 2019, the Foundation made payments to the University of \$4,008,342 and \$3,118,244 respectively.

Net Position

Net Position increased by \$5,554,688 from \$75,805,215 in 2019 to \$81,359,903 in 2020 primarily due to the reclassification of the Perkins loan program.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present cash receipts and payments of the University during a period of time. Its purpose is to assess the University's ability to generate future net cash flows and meet its obligations as they come due.

Cash provided by operating activities includes tuition and fees, grant and contract revenues, sales and services of educational activities and auxiliary enterprises. Cash flows from operating activities will always be negative since GASB requires state appropriations to be reported as cash flows from noncapital financing activities. Cash used in operating activities includes payments to employees, suppliers and scholarships to students.

Cash provided by noncapital financing includes state appropriations and the receipt and disbursement of the federal direct student loan program and the PELL program. Cash used in capital and related financing activities represents proceeds from debt, the principal and interest payments toward debt, capital appropriations and grants, and the purchase and construction of capital assets. Cash provided by investing activities includes purchases and sales of investments as well as investment income earnings and losses realized.

The following is a condensed Statement of Cash Flows for the years ended June 30, 2020 and 2019:

The overall net increase in cash was \$1.9 million with a change in operating activities from the prior year being an increase of \$818,937; the change in noncapital financing activities was an increase of \$1.6 million; and the change over prior year from capital financing activities was an increase of \$1.7 million, with an decrease in investing activities of \$5.4 million due to the construction and remodeling of the residence halls from bond proceeds received in 2018. Proceeds not required immediately were invested in the Kansas Municipal Investment Pool.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Net Cash Provided (Used) by:		
Operating activities	\$ (31,411,430)	\$ (32,230,367)
Noncapital financing activities	39,166,028	37,596,512
Capital and related financing activities	(15,918,375)	(17,593,781)
Investing activities	<u>10,084,160</u>	<u>15,432,074</u>
Net Increase (Decrease) in Cash	1,920,383	3,204,438
Beginning Cash and Cash Equivalents Balances	<u>35,485,616</u>	<u>32,281,178</u>
Ending Cash and Cash Equivalents Balances	<u>\$ 37,405,999</u>	<u>\$ 35,485,616</u>

EMPORIA STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

CAPITAL ASSETS

The University continues to invest in capital assets with many projects in progress nearing completion at the end of the fiscal year. Detailed information regarding capital asset additions, retirements and depreciation is available in Note 5 of the financial statements.

The following is a brief summary of the projects in progress or completed by the end of the current fiscal year:

- Completed construction on the new university house;
- Completion of new residence hall;
- Completion of renovations to Visser Hall and the Roosevelt Hall entry;
- Continued renovation on existing residence halls;
- Continued construction Prophet AROC project; and
- Construction on the Kossover Tennis project continued.

DEBT ADMINISTRATION

At June 30, 2020, the University had \$41.6 million in debt outstanding. The University paid \$4,287,662 in principal and interest payments related to all outstanding revenue bonds in 2020.

The bonds have been assigned a rating of "A-/Stable" by Standard & Poor's Ratings Services. The bonds have been assigned a rating of "A2" with stable outlook by Moody's Investors Service. An upgrade in the ratings can be achieved with growth in cash and investments, continued improvement in enrollment and operating margins, and no material increases in debt in the near term. More detailed information about the University's noncurrent liabilities is available in Notes 8, 9, 10 and 11 to the financial statements.

ECONOMIC OUTLOOK

The economic outlook for the State of Kansas by Moody's Investors Service remains stable. According to Moody's, the broad flexibility the State has to adjust revenue and spending and recent improvement and stabilization of fund balance and liquidity support the State's capacity to weather the possibly slow economic recovery following the coronavirus outbreak.

Most economic variables and indicators for the State of Kansas were revised downward at the April's Consensus Revenue Estimating Group (Group) meeting due to the impact of the coronavirus. State revenue estimates were decreased from previous estimates for fiscal years 2020 and 2021 by 10.8% and 5.86%, respectively. The State deferred tax payment and filing deadlines, following along with federal actions, thus moving receipts into fiscal year 2021.

The State of Kansas provided approximately 35.3% of the total resources for the University during fiscal year 2020. This is up slightly from the 33.1% provided during fiscal year 2019. The fiscal year 2021 state appropriation budget is approved for \$32.7 million, a decrease from the fiscal year 2020 appropriation.

In managing our budget, the highest priority of the University continues to be serving the needs of our students. Any reductions to the state appropriated amount would have a significant impact on the operations of the University. Reductions in state appropriations were made in fiscal year 2021, with federal COVID funds being allocated to mitigate the impact. Currently the University is planning for a 10% reduction in the fiscal year 2022 state appropriation. We are also dependent on tuition and fee revenue from enrolled students which comprises 35.9% of our total budget. Enrollment for fall 2020 is anticipated to be down due to the ongoing pandemic. A tuition and fee increase of 2.50% was approved for fiscal year 2021.

Financial Statements and Notes

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EMPORIA STATE UNIVERSITY

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	University Funds		Component Unit Memorial Union Corporation	
	2020	2019	2020	2019
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 32,340,206	\$ 29,523,363	\$ 1,501,180	\$ 1,352,510
Restricted cash and cash equivalents	5,065,793	5,962,253	0	0
Restricted Investments	2,670,000	12,280,000	0	0
Accounts receivable, net	3,009,919	2,911,288	65,551	125,154
Appropriation receivable	4,623,371	4,471,074	0	0
Interest receivable	0	17,032	0	0
Loans to students, net - current portion	2,134,310	2,694,429	0	0
Due from ESU Foundation	108,860	361,283	0	0
Due from Memorial Union	123,117	136,280	0	0
Prepaid expenses	0	0	11,563	19,395
Total Current Assets	<u>50,075,576</u>	<u>58,357,002</u>	<u>1,578,294</u>	<u>1,497,059</u>
Noncurrent Assets				
Restricted investments	0	0	815,000	755,000
Loans to students, net	816,668	1,133,934	0	0
Capital assets, net	<u>102,790,942</u>	<u>92,044,725</u>	<u>930,363</u>	<u>1,029,766</u>
Total Noncurrent Assets	<u>103,607,610</u>	<u>93,178,659</u>	<u>1,745,363</u>	<u>1,784,766</u>
Total Assets	<u>153,683,186</u>	<u>151,535,661</u>	<u>3,323,657</u>	<u>3,281,825</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB outflows	144,173	127,701	0	0
Pension contributions	986,710	968,831	0	0
Deferred pension outflows	<u>616,040</u>	<u>748,024</u>	<u>0</u>	<u>0</u>
Total Deferred Outflows	<u>1,746,923</u>	<u>1,844,556</u>	<u>0</u>	<u>0</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	6,452,271	6,120,914	107,746	118,761
Other liabilities	289,073	364,674	0	0
Accrued compensated absences	1,648,763	1,764,427	66,686	51,783
Unearned revenue	2,456,802	2,201,352	0	29,938
Perkins loan payable	1,154,546	1,680,602	0	0
Bonds payable - current	2,420,000	2,520,000	0	0
Unamortized bond premium/discount	154,391	102,263	0	0
Due to ESU Foundation	115,489	111,445	0	0
Due to Memorial Union	36	9,085	0	0
Due to related parties	0	0	2,867	33,184
Deposits held in custody for others	<u>1,049,010</u>	<u>369,458</u>	<u>12,594</u>	<u>10,247</u>
Total Current Liabilities	<u>15,740,381</u>	<u>15,244,220</u>	<u>189,893</u>	<u>243,913</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	University Funds		Component Unit		
	2020	2019	Memorial Union Corporation	2020	2019
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
LIABILITIES - continued					
Noncurrent Liabilities, Net of Current Portion					
Accrued compensated absences	\$ 814,074	\$ 409,780	\$ 0	\$ 0	
Accrued other postemployment benefits	401,826	446,432	0	0	
Net pension liability	9,696,997	10,574,288	0	0	
Perkins federal capital contribution	3,475,800	4,346,852	0	0	
Bonds payable	39,145,000	41,885,000	0	0	
Unamortized bond premium/discount	2,146,828	1,779,294	0	0	
Total Noncurrent Liabilities	<u>55,680,525</u>	<u>59,441,646</u>	<u>0</u>	<u>0</u>	
Total Liabilities	<u>71,420,906</u>	<u>74,685,866</u>	<u>189,893</u>	<u>243,913</u>	
DEFERRED INFLOWS OF RESOURCES					
OPEB inflows	89,145	100,903	0	0	
Deferred pension inflows	2,560,155	2,788,233	0	0	
Total Deferred Inflows	<u>2,649,300</u>	<u>2,889,136</u>	<u>0</u>	<u>0</u>	
NET POSITION					
Net investment in capital assets	61,225,942	48,794,725	930,363	1,029,766	
Restricted for expendable					
Capital	2,002,385	11,062,209	0	0	
Loans	407,353	805,485	0	0	
Debt service	934,768	645,052	0	0	
Other	0	0	390,120	290,859	
Unrestricted	<u>16,789,455</u>	<u>14,497,744</u>	<u>1,813,281</u>	<u>1,717,287</u>	
Total Net Position	<u>\$ 81,359,903</u>	<u>\$ 75,805,215</u>	<u>\$ 3,133,764</u>	<u>\$ 3,037,912</u>	

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2020 and 2019

	University Funds		Component Unit Memorial Union Corporation	
	2020	2019	2020	2019
Operating Revenues				
Tuition and fees (net of scholarship allowances of \$4,091,656 and \$4,470,487)	\$ 34,166,352	\$ 36,056,642	\$ 0	\$ 0
Federal grants and contracts	3,120,963	2,404,612	0	0
State and local grants and contracts	1,327,713	978,917	0	0
Nongovernmental grants and contracts	3,996,914	3,275,386	0	0
Sales and services of educational departments	969,822	947,004	0	0
Auxiliary enterprises				
Athletics	2,567,670	2,886,749	0	0
Assessment	476	1,045	0	0
Parking services	224,044	242,359	0	0
Residential life	3,687,498	4,122,570	0	0
Student health services	699,021	743,712	0	0
Student unions	0	0	2,979,059	3,446,308
Interest earned on loans to students	90,828	109,630	0	0
Total Operating Revenues	50,851,301	51,768,626	2,979,059	3,446,308
Operating Expenses				
Education and General				
Instruction	32,035,693	31,758,297	0	0
Research	528,525	642,062	0	0
Public service	3,200,243	3,327,180	0	0
Academic support	11,784,239	11,765,098	0	0
Student services	5,660,149	6,016,231	0	0
Institutional support	6,796,417	6,591,444	0	0
Operations and maintenance of plant	7,881,278	8,529,519	0	0
Scholarships and fellowships	6,748,989	6,917,894	0	0
Depreciation	3,792,894	3,260,759	185,534	149,569
Auxiliary Enterprises				
Athletics	5,301,422	5,440,072	0	0
Assessment	806	748	0	0
Parking services	202,184	196,386	0	0
Residential life	2,177,142	2,090,636	0	0
Student health services	728,541	777,196	0	0
Student union	0	0	2,717,871	3,123,443
Total Operating Expenses	86,838,522	87,313,522	2,903,405	3,273,012
Operating Income (Loss)	(35,987,221)	(35,544,896)	75,654	173,296
Nonoperating Revenues (Expenses)				
State appropriations	33,617,024	31,637,584	0	0
Investment income	457,128	816,713	18,595	19,302
Interest expense	(1,600,874)	(1,670,273)	0	0
Other Federal grants and contracts	7,595,252	6,187,621	0	0
Other nonoperating revenue (expenses), net	(1,176,395)	621,510	0	0
Perkins capital to federal government	0	881,385	0	0
Gain/(loss) on assets	(7,826)	(14,280)	1,603	0
Net Nonoperating Revenues (Expenses)	38,884,309	38,460,260	20,198	19,302

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2020 and 2019

	University Funds		Component Unit Memorial Union Corporation	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Income (Loss) Before Other Revenues	\$ 2,897,088	\$ 2,915,364	\$ 95,852	\$ 192,598
Other Revenues				
Capital appropriations and gifts	<u>2,657,600</u>	<u>4,236,800</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>5,554,688</u>	<u>7,152,164</u>	<u>95,852</u>	<u>192,598</u>
Net Position				
Net Position, Beginning of Year	<u>75,805,215</u>	<u>68,653,051</u>	<u>3,037,912</u>	<u>2,845,314</u>
Net Position, End of Year	<u>\$ 81,359,903</u>	<u>\$ 75,805,215</u>	<u>\$ 3,133,764</u>	<u>\$ 3,037,912</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY
COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	Emporia State University Foundation, Inc.	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,192,943	\$ 1,265,572
Other assets	102,552	194,271
Mortgages receivable	251,123	271,551
Investments	96,165,221	95,542,252
Contributions receivable, net	3,400,304	7,201,358
Beneficial interests in trusts	8,789,894	9,312,800
Capital assets, net	<u>1,414,936</u>	<u>1,496,574</u>
 Total Assets	 <u>\$ 111,316,973</u>	 <u>\$ 115,284,378</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 191,105	\$ 411,282
Accrued expenses	242,965	237,703
Note payable	765,461	0
Annuity and trust obligations	<u>1,149,082</u>	<u>1,186,435</u>
 Total Liabilities	 <u>2,348,613</u>	 <u>1,835,420</u>
 Net Assets		
Without donor restrictions	8,739,295	8,541,718
With donor restrictions	<u>100,229,065</u>	<u>104,907,240</u>
 Total Net Assets	 <u>108,968,360</u>	 <u>113,448,958</u>
 Total Liabilities and Net Assets	 <u>\$ 111,316,973</u>	 <u>\$ 115,284,378</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

**COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

Emporia State University Foundation, Inc.			
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 469,972	\$ 7,328,531	\$ 7,798,503
Investment return	550,444	1,031,876	1,582,320
Change in beneficial interest in trusts	0	(522,722)	(522,722)
Loss on annuity and trust obligations	(10,585)	(44,771)	(55,356)
Other	25,260	8,663	33,923
Net assets released from restrictions	<u>9,862,876</u>	<u>(9,862,876)</u>	<u>0</u>
 Total Revenues, Gains and Other Support	 <u>10,897,967</u>	 <u>(2,061,299)</u>	 <u>8,836,668</u>
Expenses and Losses			
Program	8,165,855	0	8,165,855
Management and general	1,259,153	0	1,259,153
Fundraising	<u>1,275,382</u>	<u>2,616,876</u>	<u>3,892,258</u>
 Total Expenses and Losses	 <u>10,700,390</u>	 <u>2,616,876</u>	 <u>13,317,266</u>
Change in Net Assets			
	197,577	(4,678,175)	(4,480,598)
 Net Assets, Beginning of Year	 <u>8,541,718</u>	 <u>104,907,240</u>	 <u>113,448,958</u>
 Net Assets, End of Year	 <u>\$ 8,739,295</u>	 <u>\$ 100,229,065</u>	 <u>\$ 108,968,360</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

**COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Emporia State University Foundation, Inc.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 356,125	\$ 8,690,028	\$ 9,046,153
Investment return	1,217,755	4,648,405	5,866,160
Change in beneficial interest in trusts	0	(150,779)	(150,779)
Loss on annuity and trust obligations	(17,435)	(23,409)	(40,844)
Other	9,798	31,955	41,753
Net assets released from restrictions	<u>10,442,338</u>	<u>(10,442,338)</u>	<u>0</u>
 Total Revenues, Gains and Other Support	 <u>12,008,581</u>	 <u>2,753,862</u>	 <u>14,762,443</u>
Expenses and Losses			
Program	8,801,183	0	8,801,183
Management and general	1,180,371	0	1,180,371
Fundraising	<u>1,145,483</u>	<u>0</u>	<u>1,145,483</u>
 Total Expenses and Losses	 <u>11,127,037</u>	 <u>0</u>	 <u>11,127,037</u>
 Change in Net Assets	 881,544	 2,753,862	 3,635,406
 Net Assets, Beginning of Year	 <u>7,660,174</u>	 <u>102,153,378</u>	 <u>109,813,552</u>
 Net Assets, End of Year	 <u>\$ 8,541,718</u>	 <u>\$ 104,907,240</u>	 <u>\$ 113,448,958</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	University Funds		Component Unit Memorial Union Corporation	
	2020	2019	2020	2019
Cash Flows From Operating Activities				
Tuition and fees	\$ 34,217,001	\$ 36,013,813	\$ 0	\$ 0
Grants and contracts	8,801,258	6,399,177	0	0
Sales and services of educational activities	926,057	896,532	0	0
Other operating income	90,828	109,630	0	0
Auxiliary enterprises:				
Athletics	2,567,670	2,886,749	0	0
Assessment	476	1,045	0	0
Parking services	218,914	242,400	0	0
Residential life	3,724,485	4,143,362	0	0
Student health services	702,560	743,980	0	0
Student union	0	0	2,999,145	3,450,920
Payments to suppliers	(13,935,846)	(16,107,161)	(2,722,939)	(3,076,741)
Payments to utilities	(1,939,107)	(2,000,699)	0	0
Compensation and benefits	(59,435,305)	(58,097,233)	0	0
Payments for scholarships and fellowships	(8,227,806)	(8,388,062)	0	0
Collection of loans to students and employees	877,385	926,100	0	0
Net Cash Provided by (Used in) Operating Activities	<u>(31,411,430)</u>	<u>(32,230,367)</u>	<u>276,206</u>	<u>374,179</u>
Cash Flows From Noncapital Financing Activities				
State appropriations	33,617,024	31,637,584	0	0
Other nonoperating revenues (expenses), net	(1,328,692)	106,679	0	0
Deposits held in custody for others	679,552	(335,372)	0	0
Other Federal grants and contracts	7,595,252	6,187,621	0	0
Perkins Fund capital repayment	(1,397,108)	0	0	0
Federal family education loan receipts	25,243,847	25,223,439	0	0
Federal family education loan disbursements	(25,243,847)	(25,223,439)	0	0
Net Cash Provided by Noncapital Financing Activities	<u>39,166,028</u>	<u>37,596,512</u>	<u>0</u>	<u>0</u>
Cash Flows From Capital Financing Activities				
Capital appropriations	2,657,600	4,236,800	0	0
Purchases of capital assets	(14,554,763)	(18,693,045)	(86,131)	(281,238)
Refunded bond proceeds	8,689,662	0	0	0
Bond proceeds and premium	0	(102,263)	0	0
Principal paid on capital debt and refunded bonds	(11,110,000)	(1,365,000)	0	0
Interest paid on capital debt and refunded bonds	(1,600,874)	(1,670,273)	0	0
Net Cash Provided by (Used in) Capital Financing Activities	<u>(15,918,375)</u>	<u>(17,593,781)</u>	<u>(86,131)</u>	<u>(281,238)</u>
Cash Flows From Investing Activities				
Sale (Purchase) of investments	9,610,000	14,572,037	(60,000)	(175,000)
Investment income	474,160	860,037	18,595	19,301
Net Cash Provided by (Used in) Investing Activities	<u>10,084,160</u>	<u>15,432,074</u>	<u>(41,405)</u>	<u>(155,699)</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	University Funds		Component Unit	
	2020	2019	Memorial Union Corporation 2020	2019
Net Increase (Decrease) in				
Cash and Cash Equivalents	\$ 1,920,383	\$ 3,204,438	\$ 148,670	\$ (62,758)
Cash and Cash Equivalents, Beginning of Year	<u>35,485,616</u>	<u>32,281,178</u>	<u>1,352,510</u>	<u>1,415,268</u>
Cash and Cash Equivalents, End of Year	<u>\$ 37,405,999</u>	<u>\$ 35,485,616</u>	<u>\$ 1,501,180</u>	<u>\$ 1,352,510</u>
Reconciliation of Net Operating Revenues				
(Expenses) to Net Cash Provided by				
(Used in) Operating Activities				
Operating income (loss)	\$ (35,987,221)	\$ (35,544,896)	\$ 75,654	\$ 173,296
Adjustments to reconcile operating				
income (loss) to net cash provided by				
(used in) operating activities				
Depreciation and amortization expense	3,792,894	3,260,759	185,534	149,569
(Gain) loss on sale of assets	7,826	14,280	0	0
Change in deferred outflows related				
to pensions and OPEB	97,633	273,443	0	0
Change in deferred inflows related				
to pensions and OPEB	(239,836)	808,614	0	0
In-kind bookstore rent revenue	0	0	(29,938)	(30,746)
Changes in assets and liabilities				
(Increase)/decrease in				
Accounts receivables, net	(98,631)	(493,052)	59,603	119,898
Loans to students, net	877,385	926,100	0	0
Due from ESU Foundation	252,423	14,196	0	0
Due from Memorial Union	13,163	51,236	0	0
Prepaid expenses and other assets	0	0	7,832	331
Increase/(decrease) in				
Accounts payable and accrued liabilities	331,357	473,637	(8,493)	15,565
Other liabilities	(75,601)	(108,136)	1,428	(4,249)
Unearned revenue	255,450	156,929	0	0
Accrued compensated absences	288,630	115,417	14,903	11,862
Accrued other postemployment benefits	(44,606)	(181,044)	0	0
Pension liability	(877,291)	(1,912,390)	0	0
Due to related parties	(5,005)	(85,460)	(30,317)	(61,347)
Net Cash Provided by				
(Used in) Operating Activities	<u>\$ (31,411,430)</u>	<u>\$ (32,230,367)</u>	<u>\$ 276,206</u>	<u>\$ 374,179</u>
Reconciliation of Cash and Cash Equivalents to				
the Statements of Net Position				
Cash and cash equivalents	\$ 32,340,206	\$ 29,523,363	\$ 1,501,180	\$ 1,352,510
Restricted cash and cash equivalents	<u>5,065,793</u>	<u>5,962,253</u>	<u>0</u>	<u>0</u>
Cash and Cash Equivalents, End of Year	<u>\$ 37,405,999</u>	<u>\$ 35,485,616</u>	<u>\$ 1,501,180</u>	<u>\$ 1,352,510</u>
Supplemental Disclosures				
Non-cash investing and financing transactions				
Property and equipment acquired				
through provision of rent	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,010</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements for the University have not been audited. In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Organization. The University is a comprehensive Regents University providing undergraduate and graduate education in a variety of academic programs that primarily serve residents of Kansas. The University is accredited by the Higher Learning Commission and governed by the Kansas Board of Regents and is an agency of the State of Kansas. As an agency of the State of Kansas, the University is included in the audited financial statements of the State of Kansas.

The University is grouped into four major colleges/schools; the School of Business, the Teachers College, the College of Liberal Arts and Sciences, and the School of Library and Information Management. The University, located in Emporia, Kansas, has an undergraduate enrollment of approximately 3,405 and a graduate enrollment of approximately 2,472.

Financial Reporting Entity. 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 and its discretely presented component units: The Memorial Union Corporation and the Emporia State University Foundation, Inc. Each discretely presented component unit is independently audited.

Basis of Accounting. For financial reporting purposes, the University is considered a special purpose government engaged only in business-type activities. 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, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated except for the discretely presented component units. Since the component units are displayed discretely, inter-agency transactions have not been eliminated in accordance with GASB guidelines.

Cash Equivalents. For purposes of the Statements of Cash Flows, the University considers all highly liquid investments, whether restricted or not, with an original maturity of three months or less to be cash equivalents. At certain times, some of the University's component units maintain cash balances in excess of FDIC limits. Management has evaluated the financial stability of these financial institutions and feels the risk to the component units is minimal.

Investments. The University accounts for its investments at fair value. Changes in unrealized gain or unrealized loss on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses and Changes in Net Position.

- GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University and Component Units have the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's and Component Units' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's and the Component Units' own data.

When available, quoted prices are used to determine fair value by the University and Component Units. When quoted prices in active markets are available, investments are classified with Level 1 of the fair value hierarchy. The University's and Component Units' Level 1 investments primarily consist of investments in mutual funds, cash equivalents and equity securities.

Receivables. Accounts receivable consist of tuition and fees charged to students, auxiliary enterprise services provided to students, faculty and staff, and sales and services of the University. Accounts receivable also include amounts due from the federal government, state and local governments, and 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. Current year state appropriations not received from the State until after year end are recorded as Appropriation receivable.

Inventories. Inventories have decreased significantly; therefore, inventory items have been recorded as an expense as the items are purchased.

Noncurrent Investments. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the Statements of Net Position.

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or their estimated acquisition value at the date of donation, in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if the related project cost exceeds \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings; 25 years for infrastructure and land improvements; 8 years for equipment; 5 years for vehicles and 3 years for information processing and computer systems. Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Unearned Revenue. Unearned revenue includes amounts received for tuition and fees prior to the end of the fiscal year but relate to the subsequent account period for the summer term.

Compensated Absences. Employee vacation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as Accrued compensated absences in the Statements of Net Position and as an expense in the Statements of Revenues, Expenses and Changes in Net Position.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deposits Held in Custody for Others. Deposits held in custody for others consist primarily of student organizations' monies administered by the University.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts and issuance premiums of revenue bonds payable, estimated amounts for accrued compensated absences, accrued other postemployment benefits and accrued pension obligations that will not be paid within the next fiscal year and the amounts estimated to be repaid to the federal government related to the closing of the Federal Perkins Loan program.

Pensions. In accordance with the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*, the University has reported its proportional share of the entire Kansas Public Employees Retirement System (KPERS) pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For these purposes, 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.

Other Postemployment Benefit Plan. In accordance with the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the University has reported its proportional share of the entire KPERS other postemployment benefit (OPEB) liability. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB plan and OPEB expense have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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 the net investment in capital assets.

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. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Tax Status. As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

Classification of Revenues. The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include 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 educational departments and auxiliary enterprises, 3) most federal, state and local grants and contracts, and 4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Scholarship Discounts and Allowances. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. 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, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents. The carrying amount of the University's deposits with the State Treasurer and other financial institutions at June 30, 2020 and 2019 were \$37,405,999 and \$35,485,616 respectively. The University's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in short-term investments with the exception of the bond funds. All bond proceeds are invested in conjunction with specifications stated in the bond resolutions.

State law requires the University to deposit the majority of its cash balances with the State Treasurer, who holds and invests the funds. These investments are managed by the Pooled Money Investment Board (PMIB), which maintains a published investment policy. The exceptions to this law are any funds maintained in the University's imprest fund, organizational safekeeping, revenue bond project and reserve funds and any funds held by external entities on behalf of the University.

Cash balances maintained by the State Treasurer are pooled and are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by PMIB and are reported at fair value, based on quoted market prices.

The majority of deposit balances not maintained by the State Treasurer are covered by FDIC or collateralized. The University does not have a formal deposit policy regarding custodial credit risk. However, management has evaluated the financial stability of the financial institution involved and believes the custodial credit risk is minimal.

Investments. The amount of Emporia State University's total investments are \$2,670,000 and \$12,280,000 at June 30, 2020 and 2019, respectively, which are administered by the Kansas Municipal Investment Board and represents funds used for the construction and remodel of residence halls.

State statutes govern the University's investment policies. For investments related to the University's bonds, state statutes permit cash balances to be invested as permitted by bond documents and bond covenants. The Kansas Municipal Investment Board manages the University's revenue bond investments. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain state or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS – continued

State statutes also govern the investment policies of the PMIB. The primary objectives are to attain safety, liquidity and yield. Allowable investments for State pooled moneys not held in Kansas financial institutions are as follows:

- Direct obligations of, or obligations that are insured as to principal and interest by, the U.S. Government or any direct agency thereof, with maturities up to four years
- Obligations and securities of United States sponsored enterprises that under federal law may be accepted as security for public funds. Moneys available for investments shall not be invested in mortgage-backed securities of such enterprises, which include the Government National Mortgage Association
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Interfund loans to various State agencies as mandated by the Kansas Legislature limited to not more than the lesser of 10 percent or \$80,000,000 of total investments
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed \$55,000,000
- High grade commercial paper

The Executive Committee of the Foundation Board of Trustees is responsible for the Foundation's investment program. The Investment Committee, created by the Executive Committee, oversees the Foundation's investments under the advisement of a consultancy firm with specific expertise in foundation and endowment portfolio management in accordance with the policies established by the Executive Committee.

The Foundation's investment program is designed for investing endowed funds and other types of funds with similar long-term objectives. The return objective for the long-term program is currently 8.0%. Current asset allocation ranges are growth assets (40% to 70%), risk reduction assets (20% to 60%) and inflation protection assets (5% to 35%). The Investment Committee has adopted a "total return" approach for the evaluation of the investment risks and returns.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that leverages investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

PMIB minimizes interest rate risk structuring the investment portfolio so that securities mature to meet cash requirement for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities.

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The University holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. Government. The investments are unrated and certain investments have an underlying collateral agreement.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The University's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent but not in the University's name. The University does not have a formal investment policy that addresses custodial credit risk. However, the University's custodial credit risk is estimated to be minimal based on the expressed investment policies of PMIB, KDFA and the Foundation.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS – continued

Concentration of credit risk is the risk of loss attributed to the magnitude of the University’s investment in a single issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The University does not have a formal policy regarding the concentration of credit risk. However, management has evaluated the financial stability of the financial institutions involved and believes the credit risk is minimal.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, net of estimated uncollectible amounts, consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Student tuition and fees	\$ 4,494,074	\$ 3,997,339
Employees and students	34,023	36,253
Auxiliary enterprises	690,816	678,067
Federal, state, and private grants and contracts	715,818	828,127
Other operating activities	409,931	404,278
	<u>6,344,662</u>	<u>5,944,064</u>
Less allowance for doubtful accounts	<u>3,334,743</u>	<u>3,032,776</u>
Net Accounts Receivable	<u>\$ 3,009,919</u>	<u>\$ 2,911,288</u>

NOTE 4 – LOANS TO STUDENTS

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans to students at June 30, 2020 and 2019. The program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. Historically, the federal government reimburses the University for amounts cancelled under these provisions. For 2020 and 2019, the University did not receive this reimbursement.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management’s opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2020 and 2019, the allowance for uncollectible loans was estimated to be \$1,122,554 and \$1,072,571, respectively.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets				
(Not depreciated)				
Land and improvements	\$ 1,011,869	\$ 0	\$ 0	\$ 1,011,869
Construction in progress	19,540,243	7,602,116	17,948,315	9,194,044
(Depreciated)				
Buildings and improvements	118,950,513	23,042,323	82,075	141,910,761
Equipment and furnishings	8,468,908	869,167	329,452	9,008,623
Vehicles	1,107,811	69,332	30,290	1,146,853
Infrastructure	10,843,980	912,313	0	11,756,293
Total Capital Assets	<u>159,923,324</u>	<u>32,495,251</u>	<u>18,390,132</u>	<u>174,028,443</u>
Less Accumulated Depreciation				
Buildings and improvements	55,445,303	2,601,398	74,248	57,972,453
Equipment and furnishings	6,555,188	662,129	329,453	6,887,864
Vehicles	928,540	100,504	30,290	998,754
Infrastructure	4,949,568	428,862	0	5,378,430
Total Accumulated Depreciation	<u>67,878,599</u>	<u>3,792,893</u>	<u>433,991</u>	<u>71,237,501</u>
Capital Assets, Net	<u>\$ 92,044,725</u>	<u>\$ 28,702,358</u>	<u>\$ 17,956,141</u>	<u>\$ 102,790,942</u>

Capital asset activity for the year ended June 30, 2019 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets				
(Not depreciated)				
Land and improvements	\$ 959,140	\$ 52,729	\$ 0	\$ 1,011,869
Construction in progress	5,509,849	15,110,808	1,080,414	19,540,243
(Depreciated)				
Buildings and improvements	117,010,663	1,939,850	0	118,950,513
Equipment and furnishings	8,260,553	933,790	725,435	8,468,908
Vehicles	1,134,514	22,003	48,706	1,107,811
Infrastructure	9,143,980	1,700,000	0	10,843,980
Total Capital Assets	<u>142,018,699</u>	<u>19,759,180</u>	<u>1,854,555</u>	<u>159,923,324</u>
Less Accumulated Depreciation				
Buildings and improvements	53,154,173	2,291,130	0	55,445,303
Equipment and furnishings	6,714,230	552,113	711,155	6,555,188
Vehicles	880,798	96,448	48,706	928,540
Infrastructure	4,628,499	321,069	0	4,949,568
Total Accumulated Depreciation	<u>65,377,700</u>	<u>3,260,760</u>	<u>759,861</u>	<u>67,878,599</u>
Capital Assets, Net	<u>\$ 76,640,999</u>	<u>\$ 16,498,420</u>	<u>\$ 1,094,694</u>	<u>\$ 92,044,725</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – DEPOSITS HELD IN CUSTODY FOR OTHERS

Deposits held in custody for others consist primarily of student organizations' monies administered by the University. Deposits held in custody for others for year ended June 30, 2020 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Student organizations	\$ 367,958	\$ 3,988,043	\$ 3,308,491	\$ 1,047,510
Stafford, private and wire loans	1,500	25,243,847	25,243,847	1,500
Total Deposits Held for Others	<u>\$ 369,458</u>	<u>\$ 29,231,890</u>	<u>\$ 28,552,338</u>	<u>\$ 1,049,010</u>

Deposits held in custody for others for year ended June 30, 2019 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Student organizations	\$ 703,330	\$ 6,887,814	\$ 7,223,186	\$ 367,958
Stafford, private and wire loans	1,500	25,223,439	25,223,439	1,500
Total Deposits Held for Others	<u>\$ 704,830</u>	<u>\$ 32,111,253</u>	<u>\$ 32,446,625</u>	<u>\$ 369,458</u>

NOTE 7 – UNEARNED REVENUE

Unearned revenue consists of summer session tuition and fees. The breakdown of unearned revenue is as follows at June 30:

	<u>2020</u>	<u>2019</u>
Tuition and fees	\$ <u>2,456,802</u>	\$ <u>2,201,352</u>

NOTE 8 – CHANGES IN NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2020 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 44,405,000	\$ 8,270,000	\$ 11,110,000	\$ 41,565,000	\$ 2,420,000
Bond premium	1,881,557	534,165	114,503	2,301,219	154,391
Compensated absences	2,174,207	2,462,837	2,174,207	2,462,837	1,648,763
Net pension liability	10,574,288	0	877,291	9,696,997	0
Perkins federal capital contribution	6,027,454	0	1,397,108	4,630,346	1,154,546
Postemployment benefits	446,432	0	44,606	401,826	0
Total Noncurrent Liabilities	<u>\$ 65,508,938</u>	<u>\$ 11,267,002</u>	<u>\$ 15,717,715</u>	<u>\$ 61,058,225</u>	<u>\$ 5,377,700</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8 – CHANGES IN NONCURRENT LIABILITIES – continued

Noncurrent liability activity for the year ended June 30, 2019 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 45,770,000	\$ 0	\$ 1,365,000	\$ 44,405,000	\$ 2,520,000
Bond premium	1,983,820	0	102,263	1,881,557	102,263
Compensated absences	2,058,790	2,174,207	2,058,790	2,174,207	1,764,427
Net pension liability	12,486,678	0	1,912,390	10,574,288	0
Perkins federal capital contribution	6,908,839	0	881,385	6,027,454	1,680,602
Postemployment benefits	627,476	0	181,044	446,432	0
Total Noncurrent Liabilities	\$ 69,835,603	\$ 2,174,207	\$ 6,500,872	\$ 65,508,938	\$ 6,067,292

NOTE 9 – BONDS OUTSTANDING

Bonds payable as of June 30, 2020 consist of the following:

Kansas Development Finance Authority ESU Projects Revenue Bonds - Series 2017D, issued in December 2017 in the original amount of \$36,075,000. Due in annual installments of \$695,000 to \$2,195,000 with final maturity on 5/1/2038. Interest ranges from 3.00% to 5.00%. \$33,295,000

Kansas Development Finance Authority ESU Projects Refunding Revenue Bonds - Series 2020F, Memorial Union Revenue Bonds, issued in May 2020 in the original amount of \$8,270,000. Due in annual installments of \$720,000 to \$965,000 with final maturity on 4/1/2030. Interest ranges from 2.00% to 4.00%. 8,270,000

Total Revenue Bonds Outstanding \$41,565,000

NOTE 10 – REVENUE BONDS MATURITY SCHEDULE

Maturities of principal and interest requirements on revenue bonds payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,420,000	\$ 1,520,692	\$ 3,940,692
2022	2,510,000	1,440,650	3,950,650
2023	2,620,000	1,322,350	3,942,350
2024	2,750,000	1,198,800	3,948,800
2025	2,880,000	1,069,050	3,949,050
2026-2030	12,555,000	3,694,900	16,249,900
2031-2035	9,440,000	1,877,188	11,317,188
2036-2038	6,390,000	403,438	6,793,438
	<u>\$ 41,565,000</u>	<u>\$ 12,527,067</u>	<u>\$ 54,092,067</u>

On April 28, 2020, all outstanding bonds for Kansas Development Finance Authority Memorial Union Revenue Bonds – Series 2010J (2021 to 2030 totaling \$8,590,000) were refunded with the issue of the Series 2020F bonds. The University completed the refunding to reduce its total debt service payment by \$848,741.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 10 – REVENUE BONDS MATURITY SCHEDULE – continued

Acceleration of Maturity in Event of Default

If an Event of Default shall have occurred and be continuing, the Kansas Development Finance Authority (Authority) may, and shall upon the written request of the owners of not less than 25% in aggregate principal amount of bonds then outstanding by notice in writing delivered to the Authority and the University, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

An owner means the registered owner of any bond as shown on the bond register maintained by the bond registrar.

If, at any time after such declaration, but before the bonds shall have matured by their terms, all overdue installments of principal and interest on the bonds, together with the reasonable and proper expenses of the bond registrar and paying agent, and all other sums then payable by the Authority shall either be paid or provision shall be made for such payment, then and in every such case the Authority shall, but only with the approval of the owners of not less than 50% in aggregate principal amount of the bonds outstanding, rescind such declaration and annul such default in its entirety.

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

As a result of legislation, the University, as an agency of the State of Kansas, is subject to the State of Kansas' self-insurance program with regard to comprehensive general liability and personal injury insurance. The University is covered by the State's umbrella insurance policies for automobile liability and property insurance. The University is covered by a separate policy for losses of real property and is self-insured relative to workers' compensation, medical and unemployment insurance. These areas include stop-loss provisions that limit the University's exposure.

In the normal course of operations, the University receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing of such funds. University officials believe that the liability, if any, for any reimbursement that may arise as the result of audits, would not be material.

NOTE 12 – RETIREMENT PLANS

Defined Contribution Plan

Eligible unclassified employees are required to participate in the Kansas Board of Regents (Regents) defined contribution retirement plan, which was authorized by K.S.A. 74-4925. This defined contribution program is funded through contributions by the University and individual employees. The Regents have selected several companies to provide investment options to participants. Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. All contributions are fully vested with the first contribution.

For the years ended June 30, 2020 and 2019, active members were required by statute to contribute 5.5% and the University to contribute 8.5% of the employees' covered payroll. The University contributed \$2,813,372 and \$2,867,047 for the years ended June 30, 2020 and 2019, respectively, and individual employees contributed \$1,801,740 and \$1,833,625, respectively.

Employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in a voluntary tax-sheltered annuity program. The voluntary plan permits employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plan. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to the plan.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 12 – RETIREMENT PLANS – continued

Pension Plan

Plan description: The University participates in the Kansas Public Employees Retirement System (KPERS) which is a body corporate and an instrumentality of the State of Kansas. KPERS is the administrator of a cost-sharing multiple-employer defined benefit pension plan. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the System's website at www.kpers.org.

Benefits provided. KPERS benefits are established by statute and may only be changed by the Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. Effective July 1, 2009, KPERS has two benefit structures and contribution rates that depend on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law established the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 member and 6% of covered salary for Tier 2 members through December 31, 2014. On January 1, 2017, Kansas law increased the KPERS member-employee contribution rate to 6% of covered salary for Tier 1 members; however, the Tier 2 member-employee contribution rate remained at 6% of covered salary. Member employee's contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate was 13.21% for the fiscal year end June 30, 2019 and 14.41% for the fiscal year June 30, 2020. Contributions to the pension plan from the University were \$892,790 and \$885,845 for the years ended June 30, 2020 and 2019, respectively.

Certain employees, due to their job types, participate in the Kansas Police and Fireman's Fund (KP&F). Benefit provisions are established by State statute and provide retirement, disability, and death benefits to benefit eligible employees. KP&F issues an annual financial report that includes financial statements and required supplementary information. The report is available upon request from KP&F. Active KP&F members were required by statute to contribute 7.15% for the years ended June 30, 2020 and 2019 and the University was required to contribute 22.11% and 20.05%, respectively, of the employee's covered payroll. The Kansas Legislature establishes, and may amend, active plan members' and the University's contribution rates. Contributions to the pension plan from the University were \$93,301 and \$82,985 for the years ended June 30, 2020 and 2019, respectively.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 12 – RETIREMENT PLANS – continued

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

At June 30, 2020 and 2019, the University reported a liability of \$9,696,997 and \$10,574,288, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The University's proportion of the net pension liability was based on the ratio of the University's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2019. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2019, the University's proportion was .138520%, which was a decrease of .012989% from its proportion measured as of June 30, 2018. As of June 30, 2019, the University's proportion of the total contributions made to the Police and Fire group within KPERS was .072908%, which was a .001133% increase from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 and 2019, the University recognized pension expense of \$298,869 and \$164,757 respectively. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 119,527	\$ 233,087
Net difference between projected and actual earnings on pension plan investments	163,758	0
Changes in proportion and differences between agency contributions and proportionate share of contributions	66,010	2,322,957
Changes of assumptions	266,745	4,111
ESU's contributions subsequent to measurement	<u>986,710</u>	<u>0</u>
Total	\$ <u>1,602,750</u>	\$ <u>2,560,155</u>

\$986,710 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending June 30,	
2020	\$ (549,788)
2021	(756,116)
2022	(470,697)
2023	(153,467)
2024	<u>(14,048)</u>
	\$ <u>(1,944,116)</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 12 – RETIREMENT PLANS – continued

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Inflation	2.75
Salary increases	3.50% to 12.0%, including inflation
Investment rate of return	7.75% compounded annually, net of investment expense, including price inflation

Mortality rates were based on the RP 2014 Mortality tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

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 for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by the KPERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.85%
Fixed income	13%	1.25%
Yield driven	8%	6.55%
Real return	11%	1.71%
Real estate	11%	5.05%
Alternatives	8%	9.85%
Short-term investments	<u>2%</u>	(0.25%)
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined in the separately issued KPERS financial report.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
ESU's proportionate share of the net pension liability	\$ 13,309,906	\$ 9,696,997	\$ 6,665,746

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) LONG-TERM DISABILITY

Description. The University participates in the State’s long term disability program which is administered by KPERS. The plan provides long-term disability benefits and life insurance benefits for disabled members to KPERS members, as provided by K.S.A. 74-04927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust’s assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Benefits Provided. Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

Long-term Disability Benefit. Monthly benefit is 60% of the member’s monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker’s compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member’s 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

Group Life Waiver of Premium Benefit. Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member’s previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance plan.

Members Covered by Benefit Terms. At June 30, 2020, there were 189 active members and 10 disabled members were covered by the benefit terms.

Total OPEB Liability. The University’s total OPEB liability of \$401,826 was measured as of June 30, 2019, and was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50% to 10.0%, including price inflation
Discount rate	3.50% to 3.87%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan
The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.	

Mortality rates were based on the RP 2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2019. The actuarial assumptions used in the June 30, 2019 valuation were based on actuarial experience study for the period July 1, 2014 to June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) LONG-TERM DISABILITY – continued

The following table presents the components of the University’s annual OPEB cost for the year and changes in the University’s net OPEB liability.

	<u>2020</u>	<u>2019</u>
Beginning Balance	\$ 446,432	\$ 627,476
Current year changes:		
Service cost	27,469	27,208
Interest on total OPEB liability	16,084	21,172
Effect of of economic/demographic gains or losses	26,535	(99,000)
Effect of of assumption changes or inputs	2,989	(2,723)
Benefit payments	<u>(117,683)</u>	<u>(127,701)</u>
Decrease in net OPEB obligation	<u>(44,606)</u>	<u>(181,044)</u>
Ending Balance	<u>\$ 401,826</u>	<u>\$ 446,432</u>

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the University, as of June 30, 2019, calculated using the discount rate of 3.50%, as well as what the University’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(2.50%)</u>	<u>Discount Rate</u>	<u>(4.50%)</u>
		<u>(3.50%)</u>	
Total OPEB liability	\$ 409,437	\$ 401,826	\$ 393,583

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERs. Therefore, there is no sensitivity to a change in healthcare trend rates.

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

For the year ended June 30, 2020, the University recognized OPEB expense of \$34,829. At June 30, 2020 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Difference between expected and actual experience	\$ 23,808	\$ 78,566
Changes of assumptions	2,682	10,579
Benefit payments subsequent to the measurement date	<u>117,683</u>	<u>0</u>
Total	<u>\$ 144,173</u>	<u>\$ 89,145</u>

EMPORIA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) LONG-TERM DISABILITY – continued

The deferred outflow of resources related to the benefit payments subsequent to the measuring date totaling \$117,683 consist of payments made to KPERs for benefits and administrative costs, and will be recognized as a reduction in the total OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows of sources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Plan Year Ending June 30,	
2020	\$ (8,724)
2021	(8,724)
2022	(8,724)
2023	(8,724)
2024	(8,724)
Thereafter	<u>(19,035)</u>
	<u>\$ (62,655)</u>

NOTE 14 – OPERATING EXPENSES BY NATURAL CLASSIFICATION

The University’s operating expenses by natural classification for the years ended June 30, 2020 and June 30, 2019 follows:

	Compensation and Benefits	Contractual Services	Supplies and Materials	Utilities	Scholarships and Fellowships	Other Operating Expense	Depreciation	Fiscal Year 2020 Total	Fiscal Year 2019 Total
Educational and General									
Instruction	\$29,713,173	\$1,301,464	\$436,212	\$0	\$297,844	\$287,000	\$0	\$32,035,693	\$31,758,297
Research	317,420	69,382	73,865	0	33,962	33,896	0	528,525	642,062
Public service	1,846,299	1,032,205	128,199	0	117,786	75,754	0	3,200,243	3,327,180
Academic support	8,002,783	3,302,822	116,094	0	48,842	313,698	0	11,784,239	11,765,098
Student services	4,308,178	951,044	256,842	0	85,446	58,639	0	5,660,149	6,016,231
Institutional support	4,897,583	1,670,143	105,221	0	0	123,470	0	6,796,417	6,591,444
Operations and maintenance of plant	5,098,656	528,451	380,560	1,597,907	0	275,704	0	7,881,278	8,529,519
Scholarships & fellowships	0	0	0	0	6,748,989	0	0	6,748,989	6,917,894
Depreciation	0	0	0	0	0	0	3,792,894	3,792,894	3,260,759
Auxiliary Enterprises									
Athletics	2,300,133	679,791	578,025	0	1,730,011	13,462	0	5,301,422	5,440,072
Assessment	0	456	350	0	0	0	0	806	748
Parking	159,068	32,335	8,124	0	0	2,657	0	202,184	196,386
Residential Life	1,300,257	288,132	214,540	341,200	0	33,013	0	2,177,142	2,090,636
Student Health	622,222	46,646	58,494	0	0	1,179	0	728,541	777,196
Total Operating Expenses FY 2020	<u>\$58,565,772</u>	<u>\$9,902,871</u>	<u>\$2,356,526</u>	<u>\$1,939,107</u>	<u>\$9,062,880</u>	<u>\$1,218,472</u>	<u>\$3,792,894</u>	<u>\$86,838,522</u>	
Total Operating Expenses FY 2019	<u>\$57,105,929</u>	<u>\$10,318,632</u>	<u>\$2,818,093</u>	<u>\$2,000,699</u>	<u>\$9,223,136</u>	<u>\$2,586,274</u>	<u>\$3,260,759</u>		<u>\$ 87,313,522</u>

EMPORIA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 15 – RISKS AND UNCERTAINTIES

The World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. Kansas Governor Kelly and the Kansas Department of Health and the Environment took actions such as the suspension and closing of primary and secondary schools, prohibiting mass gatherings, and mandating quarantine and isolation of travelers, close contacts and those being tested for COVID-19. As the pandemic develops, such governmental authorities and others can be expected to announce new actions or changes to existing declarations and actions. The current spread of COVID-19 is altering the behavior of businesses and people in a manner that may have negative effects on economic activity, and therefore adversely affect the financial condition of the University, either directly or indirectly. The extent of the pandemic's impact on the University's operations and financial condition will depend on future developments, which are uncertain, including, but not limited to, the duration and severity of the pandemic, the effects of the pandemic on the economy, the remedial actions and stimulus measures adopted by the federal and state governments, and to what extent normal economic and business activities can resume.

The University has been awarded the following significant Coronavirus Relief Funds along with additional smaller awards:

The Higher Education Emergency Relief Fund (HEERF) - The University signed and returned the Certification and Agreements to the U.S. Department of Education for the HEERF Funds for Emergency Financial Aid Grants to students and an Institutional portion for a total award amount of \$3,517,620. Consistent with the terms of the certification, the University will use no less than 50% of the funds received to provide emergency financial aid grants directly to students. At June 30, 2020, the University disbursed \$1,636,036 in aid grants to students and \$1,044,378 of institutional funds in the form of refunds to students for housing and board.

Strengthening Institutions Program (SIP) - The University received an award of \$174,059 under the Strengthening Institutions Program (SIP) which is under 18004 (a)(2) of the CARES Act. At June 30, 2020, the University had not disbursed funds for the program.

Strengthening People and Revitalizing Kansas (SPARK) - The funds provide institutions of higher education with funding to recover costs directly associated with COVID-19 incurred by institutions as they prepare and re-open campuses to in-person instruction for Fall 2020. The total award amount was \$5,308,542 with a \$3,251,141 award from the Kansas Board of Regents and a \$2,057,401 award from Lyon County. The amounts were received subsequent to the fiscal year end and any unspent monies are required to be returned by December 30, 2020.

Governor's Emergency Education Relief Fund (GEER) - The University signed and returned an agreement in accordance with the terms of a federal grant program administered by the United States Department of Education, established in the CARES Act, and further administered by the Kansas Board of Regents, for the purpose of providing institutions with emergency assistance as a result of COVID-19. The total grant amount awarded to the University was \$1,505,594. These funds were awarded on June 2, 2020 and can be used for expenditures incurred between March 13, 2020 and September 30, 2021. At June 30, 2020, the University had not disbursed any of these funds.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 16 – COMPONENT UNITS

The following disclosure meets the requirements in GASB Statement 14, *The Financial Reporting Entity*, paragraph 61 and GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, paragraph 128. It also complies with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which is an amendment of GASB Statement No. 14.

Memorial Union Corporation

Memorial Union Corporation (the Union) provides services to the students, faculty and other parties associated with Emporia State University. It is a component unit of the University. These services include campus dining services, sponsorship and support of student organizations, programs for University students, leasing space to University support functions including the bookstore, and scheduling of campus facilities for non-university functions.

The Union prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under FASB ASC 958, the Union is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A contract between the Union and Sodexo Management, Inc. (Sodexo) provides for the operation of all dining services within the Union. The agreement calls for Sodexo to provide contract board meals to the Union at a contracted price and to remit a commission to the Union on cash sales generated by Sodexo. The Union's board of directors approved a ten-year agreement with Sodexo on July 8, 2009 with five options to extend the contract for an additional year. On May 2, 2019, the University signed a five year extension agreement which will be effective through May 17, 2024. Meal plan rates are reviewed and adjusted annually based on mutual agreement between Sodexo and the Union. An addendum to the contract stating the agreed upon rates is prepared annually. Contract board meals, the largest single source of revenue for the Union, provided \$1,899,089 in revenues which accounted for 63.3% of total revenues.

Emporia State University Foundation

Emporia State University Foundation, Inc. (the Foundation) provides scholarships to students and various other types of support to the University and its Alumni. The Foundation is supported primarily through donor contributions. The Foundation is a separately administered organization that is a component unit of Emporia State University and the State of Kansas. The Foundation's financial statements are included in summary form in the State of Kansas' comprehensive annual financial report.

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Alternative investments are valued using the most recent valuation available by the respective external fund manager. The fair value of certain alternative investments, such as the private equity and natural resources limited partnerships, are recorded at net asset value (NAV), as a practical expedient based on the most recent valuations provided by external investment managers, adjusted for cash receipts and disbursements through June 30. The Foundation compares this carrying value to the June 30 investment statements provided by the external investment managers and believes the carrying value of these financial instruments is a reasonable estimate of fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 16 – COMPONENT UNITS – continued

Investments for the Foundation at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Money markets accounts	\$ 708,728	\$ 552,093
Certificates of deposit	0	256,974
Cash surrender value of life insurance	857,288	871,051
Fixed income mutual funds		
Intermediate-term bond	10,753,369	9,580,034
Other fixed income mutual funds	2,642,610	4,933,637
Equity mutual funds		
Domestic equities	18,314,274	18,767,891
International equities	27,687,616	28,336,242
Other equity mutual funds	4,257,311	4,403,098
Hedge funds and fixed income partnerships	13,418,021	13,326,632
Real estate and real estate partnerships	5,310,227	5,530,946
Private equity and natural resources limited partnerships	<u>12,215,777</u>	<u>8,983,654</u>
	<u>\$ 96,165,221</u>	<u>\$ 95,542,252</u>

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	2020			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market accounts	\$ 708,728	\$ 708,728	\$ 0	\$ 0
Fixed income mutual funds				
Intermediate-term bond	10,753,369	10,753,369	0	0
Other fixed income mutual funds	2,642,610	2,642,610	0	0
Equity mutual funds				
Domestic equities	18,314,274	18,314,274	0	0
International equities	27,687,616	27,687,616	0	0
Other equity mutual funds	4,257,311	4,257,311	0	0
Real estate	<u>306,570</u>	<u>0</u>	<u>306,570</u>	<u>0</u>
Total investments	64,670,478	64,363,908	306,570	0
Beneficial interests in trusts	<u>8,789,894</u>	<u>0</u>	<u>213,147</u>	<u>8,576,747</u>
	<u>\$ 73,460,372</u>	<u>\$ 64,363,908</u>	<u>\$ 519,717</u>	<u>\$ 8,576,747</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 16 – COMPONENT UNITS – continued

	<u>Fair Value</u>	2019		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market accounts	\$ 552,093	\$ 552,093	\$ 0	\$ 0
Fixed income mutual funds				
Intermediate-term bond	9,580,034	9,580,034	0	0
Other fixed income mutual funds	4,933,637	4,933,637	0	0
Equity mutual funds				
Domestic equities	18,767,891	18,767,891	0	0
International equities	28,336,242	28,336,242	0	0
Other equity mutual funds	4,403,098	4,403,098	0	0
Real estate	632,220	0	632,220	0
Total investments	67,205,215	66,572,995	632,220	0
Beneficial interests in trusts	9,312,800	0	214,522	9,098,278
	<u>\$ 76,518,015</u>	<u>\$ 66,572,995</u>	<u>\$ 846,742</u>	<u>\$ 9,098,278</u>

Investments included in the fair value hierarchy above reconcile to the statements of financial position as follows:

	<u>2020</u>	<u>2019</u>
Investments recorded at		
Fair value and included above	\$ 64,670,478	\$ 67,205,215
Assets not at fair value	857,288	1,128,025
Net asset value	<u>30,637,455</u>	<u>27,209,012</u>
Total investments and beneficial interests in trusts	<u>\$ 96,165,221</u>	<u>\$ 95,542,252</u>

Contributions receivable at June 30, 2020 and 2019 consisted of the following unconditional promises to give discounted at a rate of 3.25% and 5.25%, respectively:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 1,180,023	\$ 2,053,495
Due in one to five years	2,611,886	5,587,347
Due in more than five years	<u>18,487</u>	<u>1,229,386</u>
	3,810,396	8,870,228
Less		
Allowance for uncollectible contributions	138,089	356,751
Unamortized discount	<u>272,003</u>	<u>1,312,119</u>
	<u>\$ 3,400,304</u>	<u>\$ 7,201,358</u>

EMPORIA STATE
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