

EMPORIA STATE UNIVERSITY

ANNUAL FINANCIAL REPORT FISCAL YEAR 2023



Emporia State University
Emporia, Kansas

Fiscal Year 2023 Annual Financial Report

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Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2023 and 2022

The following Management's Discussion and Analysis has been prepared by management to provide 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 Statement 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, 2023 were \$170,219,070, an increase of 2.8% compared to \$165,549,403 at June 30, 2022. Capital assets, net of depreciation, comprised 62.9% or \$107,028,108 of the total assets in 2023 as compared to 63.6%, or \$105,266,731 of the total assets in 2022.

Total deferred outflows increased \$668,536, with a increase of \$583,946 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 \$84,590.

Total liabilities were \$59,338,168 at June 30, 2023, a decrease of \$2,243,181 or 3.6% compared to \$61,581,349 at June 30, 2022. Noncurrent liabilities comprised 72.6% or \$43,091,504 of total liabilities in 2023 as compared to 75.3% or \$46,398,012 of total liabilities in 2022.

Total deferred inflows decreased \$1,014,547 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022**

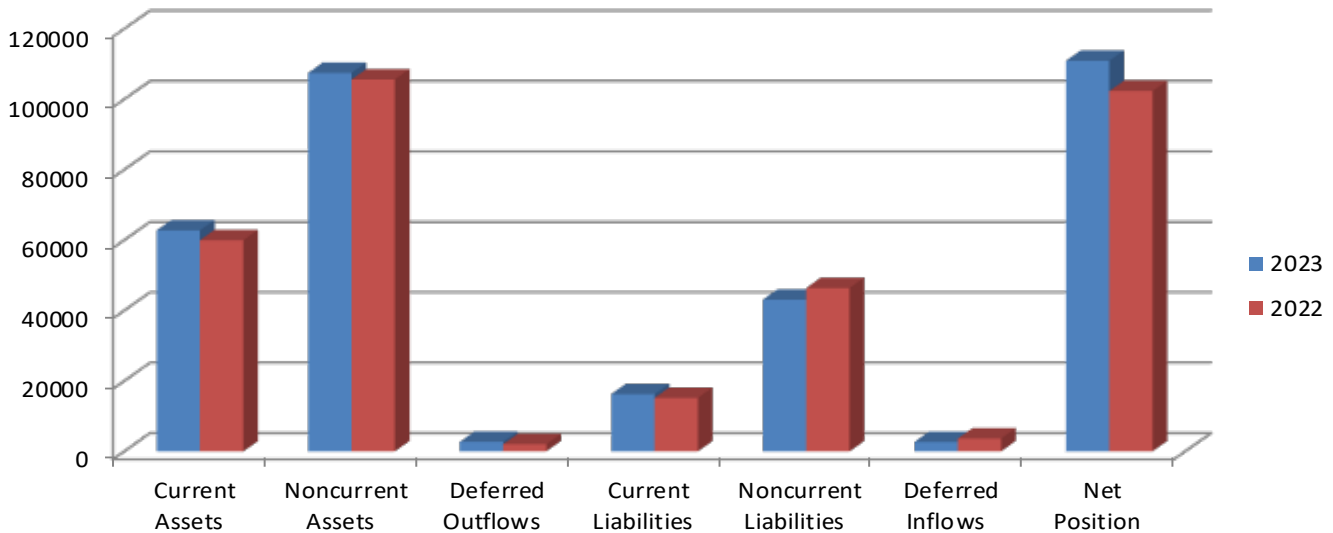
A condensed Statement of Net Position is shown below:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Assets		
Current assets	\$ 62,747,605	\$ 59,946,177
Noncurrent assets	<u>107,471,465</u>	<u>105,603,226</u>
Total assets	<u>170,219,070</u>	<u>165,549,403</u>
Deferred outflows	<u>2,706,958</u>	<u>2,038,422</u>
Liabilities		
Current liabilities	16,246,664	15,183,337
Noncurrent liabilities	<u>43,091,504</u>	<u>46,398,012</u>
Total liabilities	59,338,168	61,581,349
Deferred inflows	<u>2,656,649</u>	<u>3,671,196</u>
Net position	<u>\$ 110,931,211</u>	<u>\$ 102,335,280</u>

Total Net Position at June 30, 2023 was \$110,931,211, a \$8,595,931 increase from the previous fiscal year amount of \$102,335,280, or a 8.4% increase in Net Position. The breakout of Net Position is shown below:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Net Position		
Net Investment in Capital Assets	\$ 71,238,980	\$ 68,347,820
Restricted Net Position	1,282,540	1,316,994
Unrestricted Net Position	<u>38,409,691</u>	<u>32,670,466</u>
Total Net Position	<u>\$ 110,931,211</u>	<u>\$ 102,335,280</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 2023 and 2022 fiscal year ends (in thousands):



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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

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.

A condensed Statement of Revenues, Expenses and Changes in Net Position is shown below:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Operating revenues	\$ 45,762,675	\$ 47,161,766
Operating expenses	<u>(92,588,852)</u>	<u>(86,716,209)</u>
Total operating income (loss)	<u>(46,826,177)</u>	<u>(39,554,443)</u>
Nonoperating revenues	49,100,272	44,766,763
Nonoperating expenses	<u>(1,268,564)</u>	<u>(1,565,499)</u>
Net nonoperating revenues	<u>47,831,708</u>	<u>43,201,264</u>
Income (loss) before other revenues	1,005,531	3,646,821
Other revenues	<u>7,590,400</u>	<u>2,657,600</u>
Increase (decrease) in net position	<u>8,595,931</u>	<u>6,304,421</u>
Net position, beginning of year	<u>102,335,280</u>	<u>96,030,859</u>
Net position, end of year	<u>\$ 110,931,211</u>	<u>\$ 102,335,280</u>

Revenues

Operating revenues were \$45.8 million for the 2023 fiscal year. This was a decrease of \$1,399,091 or 3.0% from the previous fiscal year. The following is a brief summary of the significant changes:

- Student tuition and fee revenues, after scholarship allowances, were \$29.6 million in 2023, compared to \$31.4 million in 2022, an overall decrease of 5.8%. The tuition and fees decrease was attributed to a decrease in enrollment numbers.
- Grants and contracts (federal, state and local, and nongovernmental) overall decreased 8.1% or \$630,072 primarily due to nongovernmental grants. In the prior year, private funds for a major capital project were received.
- Auxiliary enterprise revenues of the University increased a combined total of \$1.4 million or 20.5% in the areas of Athletics, Parking Services, and Residential Life. Fiscal year 2023 saw an increase in auxiliary revenues in housing with a combination of rate increases and an increase in summer housing revenue. Athletics experienced an increase for 2023 primarily due to amounts from fundraising efforts.
- Sales and services of educational departments decreased by \$294,604 or 24.3% from the previous year due to enrollment declines.

Total nonoperating and other revenues increased from the previous year from \$47.4 million to \$56.7 million in 2023. The following is a brief summary of the significant changes:

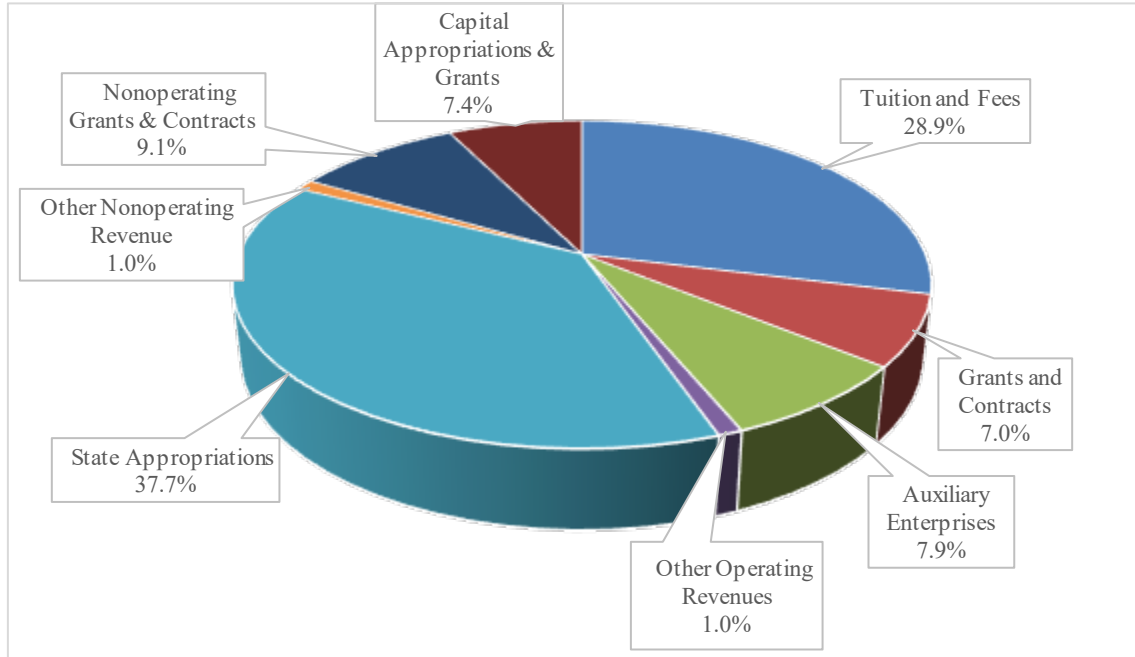
- State appropriations increased 11.0% to \$38.6 million from \$34.8 million due to increased funding added to the base, additional funding for salaries and one-time funding for information technology from the State Legislature.
- Investment earnings increased \$997,297 in 2023 due to increased interest rates.

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MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2023 and 2022

- Other Federal grants and contracts decreased \$1,134,443 or 11.5% from the prior year due to decreased federal student aid.
- Capital appropriations increased from \$2.7 million to \$7.6 million due to significant one-time funds allocated to demolition, capital renewal, and American Rescue Plan Act (ARPA) funds.

In summary, total operating revenues, nonoperating revenues, and other revenues increased by \$7.9 million for a total of \$102.5 million. The composition of these revenues is displayed in the following graph:



Expenses

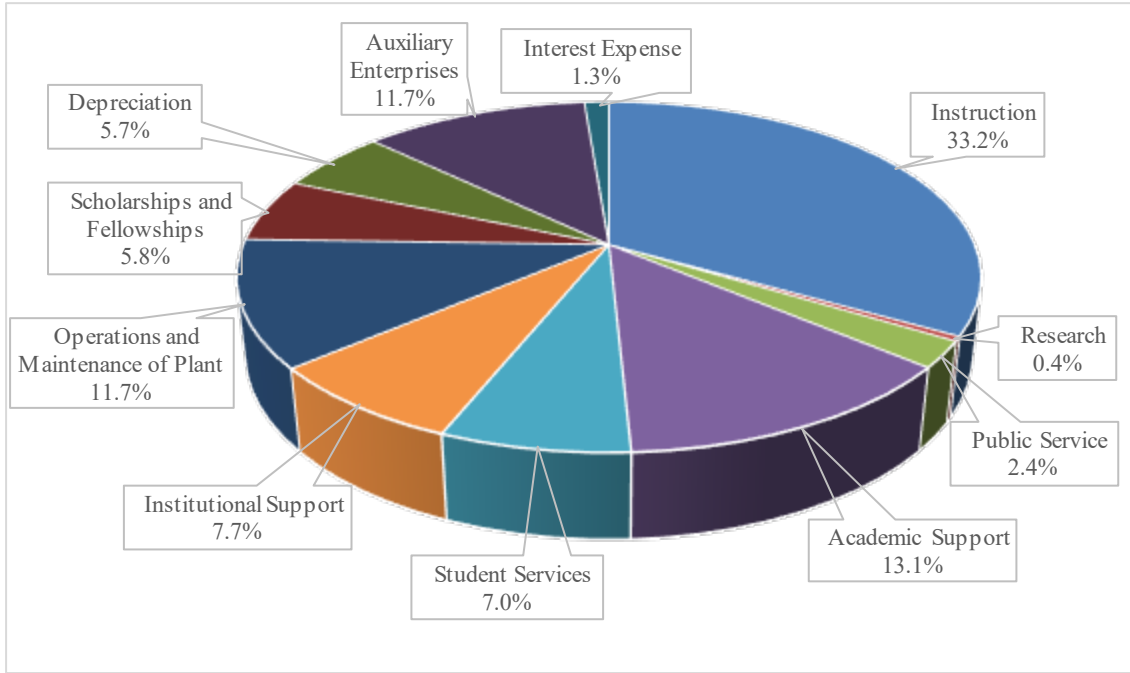
Operating and nonoperating expenses for 2023 were \$93.9 million and \$88.3 million for 2022. The following is a brief summary of the significant changes:

- Instruction, research, academic support, student services and institutional support had a combined increase of \$3.5 million or 6.5% with only public service showing a small decrease from 2022 to 2023. Increases are primarily due to a significant investment in student retention and recruitment strategies with the addition of advisors and information technology positions.
- Scholarships and fellowships decreased \$2.6 million or 31.9% due to decreased enrollment and an increase in funding from the ESU Foundation.
- Expenses for the operations and maintenance of plant increased \$2.2 million or approximately 24.8% from 2022 to 2023. The physical plant added new positions and incurred significant expense for roof repairs on buildings in 2023. In addition, the University experienced a significant increase in utility costs.
- Auxiliary Enterprises expense increased \$2.1 million during 2023. Residential Life experienced an increase in utility costs in 2023 while Athletics replaced existing positions and added some new positions.
- Depreciation expense increased \$689,875 in 2023.

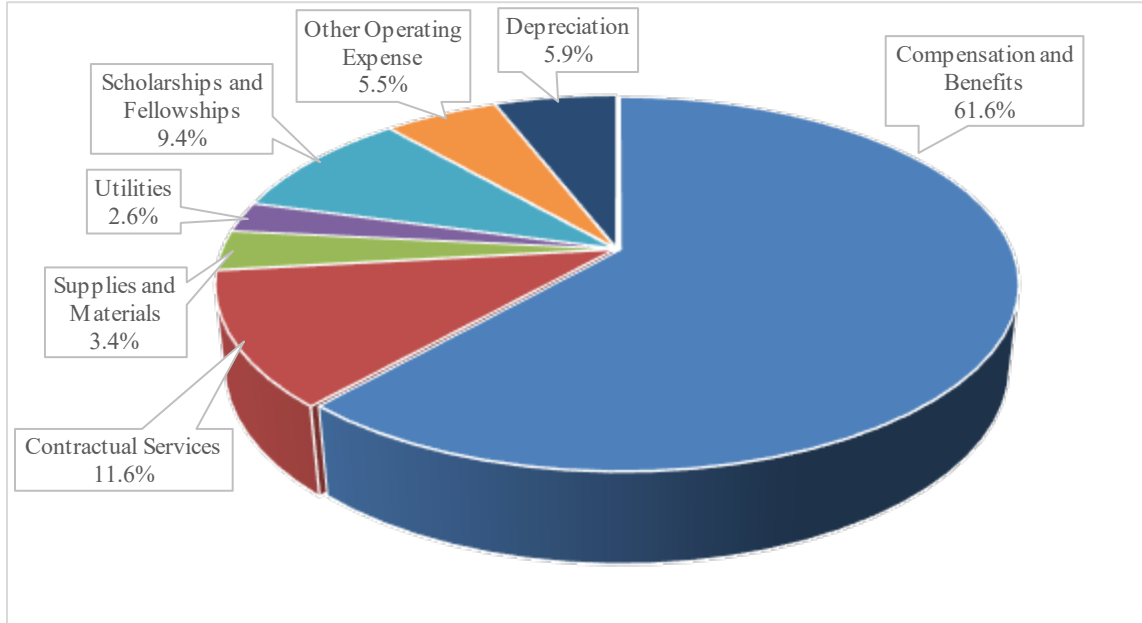
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**MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022**

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



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



Endowment Expenses Paid On Behalf of University

The ESU Foundation (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, 2023, and June 30, 2022, the Foundation made payments on behalf of the University of \$2,746,481 and \$3,349,044 respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Net Position

Net Position increased by \$8,595,931 from \$102,335,280 in 2022 to \$110,931,211 in 2023 due to the significant increase in capital appropriations as detailed in Other Revenues on the Statement of Revenues, Expenses and Changes in Net Position.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows presents major sources and uses of cash during the fiscal year. The statement assists in evaluating the University's ability to generate future net cash flows and to meet its obligations as they become 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, payments to suppliers and payments to students for scholarships.

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, 2023 and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Net Cash Provided (Used) by:		
Operating activities	\$ (43,045,446)	\$ (35,502,176)
Noncapital financing activities	45,381,068	43,337,746
Capital and related financing activities	(1,515,455)	(4,741,077)
Investing activities	<u>1,048,911</u>	<u>51,614</u>
Net Increase in Cash	1,869,078	3,146,107
Beginning Cash and Cash Equivalents Balances	<u>49,446,887</u>	<u>46,300,780</u>
Ending Cash and Cash Equivalents Balances	<u>\$ 51,315,965</u>	<u>\$ 49,446,887</u>

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:

- Completion of Bruder Theater remodel;
- Completion of the roof project on King Hall; and
- Initiation of several projects including Morse Hall demolition, White Library roof project, King Hall ventilation study and replacement, fire alarm updates and the new Nursing and Student Wellness Building.

DEBT ADMINISTRATION

At June 30, 2023, the University had \$34.0 million in bonds outstanding. The University paid \$3,942,350 in principal and interest payments related to all outstanding revenue bonds in 2023.

The bonds have been assigned a rating of "A2" 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

the near term. More detailed information about the University's noncurrent liabilities is available in Notes 8, 9, 10, 11, 12, and 13 to the financial statements.

ECONOMIC OUTLOOK

The economic outlook for the State of Kansas by Moody's Investors Service continues to remain stable. According to Moody's, the broad flexibility the State has to adjust revenue and spending, along with 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 remained consistent at the April's Consensus Revenue Estimating Group (Group) meeting. According to the Group, while the U.S. and Kansas economies continue to grow, uncertainty remains as a number of economic indicators are estimated to show slightly higher real growth in the current year while seeing lower growth over the next few years. Significant concerns exist for the economy as a whole relative to inflation and U.S. monetary policy, volatility in energy prices, U.S. trade and foreign policy, and the resolution of the U.S. debt limit. The economic forecast is based on no significant downturns or disruptions in the state or federal economy during the forecast period. FY 2023 State revenue estimates were increased from previous estimates by 1.3% while FY 2024 estimates were revised upward by 1.1%.

The State of Kansas provided approximately 37.7% of the total operating resources (does not include capital appropriations) for the University during fiscal year 2023. This is up from the 36.8% provided during fiscal year 2022. The fiscal year 2024 state appropriation base budget is approved for \$40.7 million, which is expected to be ongoing into FY 2025. Some one-time funds were also received for special initiatives, which are enumerated below, bringing the total state appropriation to \$52.4 million in FY 2024, a significant increase from the fiscal year 2023 appropriation.

In managing the 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. State appropriations increased in fiscal year 2024, including the addition of one-time funds for: technology infrastructure and cybersecurity measures; student success initiatives; general operations to support program and organizational changes; and deferred maintenance and capital renewal. The University is planning for a stable state appropriation in fiscal year 2025 the equivalent of the FY 2024 base budget funding. We are also dependent on tuition and fee revenue from enrolled students, which currently comprises 29.6% of the total budget. Enrollment is expected to decrease in FY 2024 and is projected to decrease slightly again in FY 2025, with stabilization anticipated in FY 2026. The increased state appropriation will mitigate the impact on revenue from lower enrollment. Due to ongoing concerns about projected enrollment demographics and changes in consumer demand for higher education in general, the University is continuing academic program and organizational structure review. Many changes are effective in FY 2024. A 4.93% increase in tuition and fees was approved for fiscal year 2024.

Financial Statements and Notes

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STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	University Funds		Component Unit Memorial Union Corporation	
	2023	2022	2023	2022
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 45,243,741	\$ 43,825,647	\$ 613,543	\$ 1,593,400
Restricted cash and cash equivalents	6,072,224	5,621,240	0	0
Accounts receivable, net	3,404,408	3,144,577	208,240	195,374
Appropriation receivable	6,803,040	5,730,341	0	0
Loans to students, net - current portion	810,313	1,420,065	0	0
Due from ESU Foundation	302,970	82,946	0	0
Due from Memorial Union	110,909	121,361	0	0
Prepaid expenses	0	0	22,442	23,545
Total Current Assets	<u>62,747,605</u>	<u>59,946,177</u>	<u>844,225</u>	<u>1,812,319</u>
Noncurrent Assets				
Restricted investments	0	0	1,995,000	820,000
Loans to students, net	443,357	336,495	0	0
Capital assets, net	107,028,108	105,266,731	572,397	700,851
Total Noncurrent Assets	<u>107,471,465</u>	<u>105,603,226</u>	<u>2,567,397</u>	<u>1,520,851</u>
Total Assets	<u>170,219,070</u>	<u>165,549,403</u>	<u>3,411,622</u>	<u>3,333,170</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB outflows	178,030	93,440	0	0
Pension contributions	663,831	698,823	0	0
Deferred pension outflows	1,865,097	1,246,159	0	0
Total Deferred Outflows	<u>2,706,958</u>	<u>2,038,422</u>	<u>0</u>	<u>0</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	6,325,394	5,805,429	86,970	114,443
Other liabilities	357,395	265,120	0	0
Accrued compensated absences	1,858,149	1,562,522	52,313	52,952
Unearned revenue	2,297,381	2,401,976	0	0
Right to use leases payable	117,098	90,005	0	0
Right to use SBITA payable	573,973	0	0	0
Perkins loan payable	379,774	570,795	0	0
Bonds payable - current	2,750,000	2,620,000	0	0
Unamortized bond premium/discount	154,391	154,391	0	0
Due to ESU Foundation	111,445	111,445	0	0
Due to Memorial Union	20,322	14,739	0	0
Due to related parties	0	0	58,596	69,021
Deposits held in custody for others	1,301,342	1,586,915	26,319	27,176
Total Current Liabilities	<u>16,246,664</u>	<u>15,183,337</u>	<u>224,198</u>	<u>263,592</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF NET POSITION

June 30, 2023 and 2022

	University Funds		Component Unit Memorial Union Corporation	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
LIABILITIES - continued				
Noncurrent Liabilities, Net of Current Portion				
Accrued compensated absences	\$ 515,785	\$ 428,137	\$ 0	\$ 0
Accrued other postemployment benefits	256,210	253,813	0	0
Right to use leases payable	227,754	193,906	0	0
Right to use SBITA payable	855,302	0	0	0
Net pension liability	7,165,638	7,425,950	0	0
Perkins federal capital contribution	1,122,160	2,243,160	0	0
Bonds payable	31,265,000	34,015,000	0	0
Unamortized bond premium/discount	1,683,655	1,838,046	0	0
	<u>43,091,504</u>	<u>46,398,012</u>	<u>0</u>	<u>0</u>
Total Noncurrent Liabilities				
	<u>43,091,504</u>	<u>46,398,012</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>59,338,168</u>	<u>61,581,349</u>	<u>224,198</u>	<u>263,592</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB inflows	140,543	137,517	0	0
Deferred pension inflows	2,516,106	3,533,679	0	0
	<u>2,656,649</u>	<u>3,671,196</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows				
NET POSITION				
Net investment in capital assets	71,238,980	68,347,820	572,397	700,710
Restricted for expendable				
Loans	408,677	230,654	0	0
Debt service	873,863	1,086,340	0	0
Other	0	0	748,228	619,915
Unrestricted	<u>38,409,691</u>	<u>32,670,466</u>	<u>1,866,799</u>	<u>1,748,953</u>
Total Net Position	<u>\$ 110,931,211</u>	<u>\$ 102,335,280</u>	<u>\$ 3,187,424</u>	<u>\$ 3,069,578</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, 2023 and 2022

	University Funds		Component Unit Memorial Union Corporation	
	2023	2022	2023	2022
Operating Revenues				
Tuition and fees (net of scholarship allowances of \$3,980,843 and \$3,813,249)	\$ 29,608,481	\$ 31,415,166	\$ 0	\$ 0
Federal grants and contracts	2,960,358	2,754,394	0	0
State and local grants and contracts	2,128,848	2,394,262	0	0
Nongovernmental grants and contracts	2,039,062	2,609,684	0	0
Sales and services of educational departments	919,854	1,214,458	0	0
Auxiliary enterprises				
Athletics	3,250,849	2,593,048	0	0
Assessment	76	266	0	0
Parking services	207,456	203,321	0	0
Residential life	3,982,817	3,271,688	0	0
Student health services	602,322	607,421	0	0
Student unions	0	0	3,377,577	2,613,697
Interest earned on loans to students	62,552	98,058	0	0
Total Operating Revenues	45,762,675	47,161,766	3,377,577	2,613,697
Operating Expenses				
Education and General				
Instruction	31,146,823	30,183,142	0	0
Research	394,107	383,346	0	0
Public service	2,284,069	2,339,104	0	0
Academic support	12,320,438	11,153,812	0	0
Student services	6,536,681	5,300,897	0	0
Institutional support	7,176,849	7,027,824	0	0
Operations and maintenance of plant	10,939,187	8,764,597	0	0
Scholarships and fellowships	5,483,789	8,049,331	0	0
Depreciation	5,373,937	4,684,062	122,560	133,833
Auxiliary Enterprises				
Athletics	7,725,819	5,894,153	0	0
Assessment	0	150	0	0
Parking services	137,970	94,098	0	0
Residential life	2,378,281	2,161,112	0	0
Student health services	690,902	680,581	0	0
Student union	0	0	3,150,063	2,756,670
Total Operating Expenses	92,588,852	86,716,209	3,272,623	2,890,503
Operating Income (Loss)	(46,826,177)	(39,554,443)	104,954	(276,806)
Nonoperating Revenues (Expenses)				
State appropriations	38,638,081	34,818,733	0	0
Investment income	1,048,911	51,614	18,762	4,426
Interest expense	(1,191,442)	(1,286,563)	0	0
Other Federal grants and contracts	8,761,973	9,896,416	0	0
Other nonoperating revenue (expenses), net	651,307	(278,936)	0	0
Financing (loss) on uncollectible accounts	0	0	0	(19,241)
Gain/(loss) on assets	(77,122)	0	(5,870)	1,235
Net Nonoperating Revenues (Expenses)	47,831,708	43,201,264	12,892	(13,580)

The accompanying notes are an integral part of these statements.

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended June 30, 2023 and 2022

	University Funds		Component Unit Memorial Union Corporation	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Income (Loss) Before Other Revenues	\$ 1,005,531	\$ 3,646,821	\$ 117,846	\$ (290,386)
Other Revenues				
Capital appropriations-ARPA	1,250,000	0	0	0
Capital appropriations-capital renewal	2,114,000	0	0	0
Capital appropriations-demolition funds	1,750,000	0	0	0
Capital appropriations and gifts	<u>2,476,400</u>	<u>2,657,600</u>	<u>0</u>	<u>0</u>
Other Revenues	<u>7,590,400</u>	<u>2,657,600</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>8,595,931</u>	<u>6,304,421</u>	<u>117,846</u>	<u>(290,386)</u>
Net Position				
Net Position, Beginning of Year	<u>102,335,280</u>	<u>96,030,859</u>	<u>3,069,578</u>	<u>3,359,964</u>
Net Position, End of Year	<u>\$ 110,931,211</u>	<u>\$ 102,335,280</u>	<u>\$ 3,187,424</u>	<u>\$ 3,069,578</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

**COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022**

	Emporia State University Foundation, Inc.	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,256,714	\$ 589,666
Other assets	152,398	129,662
Mortgages receivable	176,400	205,351
Investments	122,096,340	116,459,467
Contributions receivable, net	12,731,773	4,661,268
Beneficial interests in trusts	13,178,859	12,287,723
Capital assets, net	1,260,240	1,282,955
 Total Assets	 \$ 150,852,724	 \$ 135,616,092
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 478,483	\$ 205,564
Accrued expenses	272,973	212,428
Note payable	391,358	416,442
Annuity and trust obligations	976,356	998,971
 Total Liabilities	 2,119,170	 1,833,405
Net Assets		
Without donor restrictions	12,310,844	10,681,556
With donor restrictions	136,422,710	123,101,131
 Total Net Assets	 148,733,554	 133,782,687
 Total Liabilities and Net Assets	 \$ 150,852,724	 \$ 135,616,092

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

**COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Emporia State University Foundation, Inc.			
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 1,995,435	\$ 14,648,285	\$ 16,643,720
Investment return	1,378,633	5,832,971	7,211,604
Change in beneficial interests in trusts	0	900,764	900,764
Gain on annuity and trust obligations	(12,377)	(45,035)	(57,412)
Other	7,035	26,246	33,281
Net assets released from restrictions	<u>7,736,970</u>	<u>(7,736,970)</u>	<u>0</u>
 Total Revenues, Gains and Other Support	 <u>11,105,696</u>	 <u>13,626,261</u>	 <u>24,731,957</u>
 Expenses and Losses			
Program	6,648,706	0	6,648,706
Management and general	1,487,372	0	1,487,372
Fundraising	<u>1,340,330</u>	<u>304,682</u>	<u>1,645,012</u>
 Total Expenses and Losses	 <u>9,476,408</u>	 <u>304,682</u>	 <u>9,781,090</u>
 Change in Net Assets	 1,629,288	 13,321,579	 14,950,867
 Net Assets, Beginning of Year	 <u>10,681,556</u>	 <u>123,101,131</u>	 <u>133,782,687</u>
 Net Assets, End of Year	 <u>\$ 12,310,844</u>	 <u>\$ 136,422,710</u>	 <u>\$ 148,733,554</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

**COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022**

Emporia State University Foundation, Inc.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 950,881	\$ 7,702,464	\$ 8,653,345
Investment return	(683,136)	(4,040,229)	(4,723,365)
Change in beneficial interests in trusts	0	(1,500,445)	(1,500,445)
Loss on annuity and trust obligations	26,352	93,827	120,179
Other	18,439	26,032	44,471
Net assets released from restrictions	6,919,510	(6,919,510)	0
Total Revenues, Gains and Other Support	7,232,046	(4,637,861)	2,594,185
Expenses and Losses			
Program	6,825,034	0	6,825,034
Management and general	1,233,250	0	1,233,250
Fundraising	1,120,331	25,099	1,145,430
Total Expenses and Losses	9,178,615	25,099	9,203,714
Change in Net Assets	(1,946,569)	(4,662,960)	(6,609,529)
Net Assets, Beginning of Year	12,628,125	127,764,091	140,392,216
Net Assets, End of Year	\$ 10,681,556	\$ 123,101,131	\$ 133,782,687

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	University Funds	
	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Tuition and fees	\$ 29,353,602	\$ 30,817,543
Grants and contracts	7,096,962	8,204,029
Sales and services of educational activities	900,007	1,232,636
Other operating income	54,618	98,058
Auxiliary enterprises:		
Athletics	3,250,849	2,593,048
Assessment	76	266
Parking services	197,056	204,571
Residential life	3,916,219	3,256,648
Student health services	599,534	606,779
Payments to suppliers	(19,212,826)	(14,144,620)
Payments to utilities	(2,432,909)	(2,005,289)
Compensation and benefits	(58,547,688)	(55,833,322)
Payments for scholarships and fellowships	(8,723,835)	(11,032,232)
Collection of loans to students and employees	502,889	499,709
Net Cash Provided by	<u>(43,045,446)</u>	<u>(35,502,176)</u>
(Used in) Operating Activities		
Cash Flows From Noncapital Financing Activities		
State appropriations	38,638,081	34,818,733
Other nonoperating revenues (expenses), net	(421,392)	(520,635)
Deposits held in custody for others	(285,573)	204,615
Other Federal grants and contracts	8,761,973	9,896,416
Perkins Fund capital repayment	(1,312,021)	(1,061,383)
Federal family education loan receipts	24,062,219	20,854,914
Federal family education loan disbursements	(24,062,219)	(20,854,914)
Net Cash Provided by	<u>45,381,068</u>	<u>43,337,746</u>
Noncapital Financing Activities		
Cash Flows From Capital Financing Activities		
Capital appropriations	7,590,400	2,657,600
Purchases of capital assets	(5,859,464)	(3,447,723)
Proceeds from sale of capital assets	809,447	0
Bond proceeds and premium	(154,391)	(154,391)
Principal paid on capital debt and leases	(2,710,005)	(2,510,000)
Interest paid on capital debt and refunded bonds	(1,191,442)	(1,286,563)
Net Cash Provided by (Used in)	<u>(1,515,455)</u>	<u>(4,741,077)</u>
Capital Financing Activities		
Cash Flows From Investing Activities		
Investment income	<u>1,048,911</u>	<u>51,614</u>
Net Cash Provided by	<u>1,048,911</u>	<u>51,614</u>
Investing Activities		

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	University Funds	
	2023	2022
Net Increase (Decrease) in		
Cash and Cash Equivalents	\$ 1,869,078	\$ 3,146,107
Cash and Cash Equivalents, Beginning of Year	<u>49,446,887</u>	<u>46,300,780</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 51,315,965</u></u>	<u><u>\$ 49,446,887</u></u>
Reconciliation of Net Operating Revenues		
(Expenses) to Net Cash Provided by		
(Used in) Operating Activities		
Operating income (loss)	\$ (46,826,177)	\$ (39,554,443)
Adjustments to reconcile operating		
income (loss) to net cash provided by		
(used in) operating activities		
Depreciation and amortization expense	5,373,937	4,684,062
Non-cash expense	(582,198)	283,911
Change in deferred outflows related		
to pensions and OPEB	(668,536)	689,515
Change in deferred inflows related		
to pensions and OPEB	(1,014,547)	1,243,193
Changes in assets and liabilities		
(Increase)/decrease in		
Accounts receivables, net	(259,831)	237,896
Loans to students, net	502,890	499,709
Due from ESU Foundation	(220,024)	50,133
Due from Memorial Union	10,452	37,908
Increase/(decrease) in		
Accounts payable and accrued liabilities	519,965	84,636
Other liabilities	92,275	(1,423)
Unearned revenue	(104,595)	(537,131)
Accrued compensated absences	383,275	(251,290)
Accrued other postemployment benefits	2,397	(81,308)
Pension liability	(260,312)	(2,894,894)
Due to related parties	5,583	7,350
Net Cash Provided by		
(Used in) Operating Activities	<u><u>\$ (43,045,446)</u></u>	<u><u>\$ (35,502,176)</u></u>
Reconciliation of Cash and Cash Equivalents to		
the Statements of Net Position		
Cash and cash equivalents	\$ 45,243,741	\$ 43,825,647
Restricted cash and cash equivalents	<u>6,072,224</u>	<u>5,621,240</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 51,315,965</u></u>	<u><u>\$ 49,446,887</u></u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 regional, comprehensive, four-year 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 2,741 and a graduate enrollment of approximately 2,583.

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.

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:

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.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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

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.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts and issuance premiums of revenue bonds payable, estimated amounts for accrued compensated absences, accrued other postemployment benefits, right to use leases payable, 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.

Deferred Inflows/Outflows. In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, deferred outflows and deferred inflows result from the consumption or acquisition of net position in one period that is applicable to future periods. These items are reported separately from assets and liabilities.

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) certain 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, 2023 and 2022

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, 2023 and 2022 were \$51,315,965 and \$49,446,887, 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. Emporia State University did not hold investments at June 30, 2023 or at June 30, 2022.

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, 2023 and 2022

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 a net of investment related fees return of approximately 7% to 8%. 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 returns and is willing to accept an overall level of risk to commensurate with the Foundation's strategic asset allocation and necessary to achieve the stated objectives.

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, 2023 and 2022

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:

	2023	2022
Student tuition and fees	\$ 5,152,420	\$ 4,938,542
Employees and students	25,755	28,320
Auxiliary enterprises	1,097,693	813,970
Federal, state, and private grants and contracts	570,343	568,363
Other operating activities	460,270	412,597
	7,306,481	6,761,792
Less allowance for doubtful accounts	3,902,073	3,617,215
Net Accounts Receivable	\$ 3,404,408	\$ 3,144,577

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, 2023 and 2022. 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 2023 and 2022, the University received reimbursements of \$4,242 and \$6,256, respectively.

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, 2023 and 2022, the allowance for uncollectible loans was estimated to be \$164,443 and \$549,982, respectively.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets (Not depreciated)				
Land and improvements	\$ 1,089,164	\$ 0	\$ 1	\$ 1,089,163
Construction in progress	228,270	3,125,635	485	3,353,420
(Depreciated)				
Buildings and improvements	159,605,414	716,641	1,344,600	158,977,455
Right to use leased buildings	288,962	0	86,975	201,987
Equipment and furnishings	8,989,591	1,132,760	241,783	9,880,568
Right to use leased equipment	102,118	248,594	102,118	248,594
Right to use SBITA	0	1,913,825	0	1,913,825
Vehicles	1,118,912	158,865	342,298	935,479
Infrastructure	12,195,076	726,048	339,507	12,581,617
Total Capital Assets	183,617,507	8,022,368	2,457,767	189,182,108

EMPORIA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 5 – CAPITAL ASSETS – continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Less Accumulated Depreciation				
Buildings and improvements	\$ 64,272,640	\$ 3,306,449	\$ 689,107	\$ 66,889,982
Right to use leased buildings	53,444	33,279	23,715	63,008
Equipment and furnishings	6,788,427	937,626	230,143	7,495,910
Right to use leased equipment	65,327	83,291	102,118	46,500
Right to use SBITA	0	552,092	0	552,092
Vehicles	975,739	61,512	342,297	694,954
Infrastructure	6,195,199	399,688	183,333	6,411,554
Total Accumulated Depreciation	<u>78,350,776</u>	<u>5,373,937</u>	<u>1,570,713</u>	<u>82,154,000</u>
Capital Assets, Net	<u>\$ 105,266,731</u>	<u>\$ 2,648,431</u>	<u>\$ 887,054</u>	<u>\$ 107,028,108</u>

Capital asset activity for the year ended June 30, 2022 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	\$ 77,295	\$ 0	\$ 1,089,164
Construction in progress	3,882,275	228,270	3,882,275	228,270
(Depreciated)				
Buildings and improvements	153,971,764	5,633,650	0	159,605,414
Right to use leased buildings	0	288,962	0	288,962
Equipment and furnishings	9,101,798	893,208	1,005,415	8,989,591
Right to use leased equipment	0	102,118	0	102,118
Vehicles	1,012,417	106,495	0	1,118,912
Infrastructure	12,195,076	0	0	12,195,076
Total Capital Assets	<u>181,175,199</u>	<u>7,329,998</u>	<u>4,887,690</u>	<u>183,617,507</u>
Less Accumulated Depreciation				
Buildings and improvements	61,011,955	3,260,685	0	64,272,640
Right to use leased buildings	0	53,444	0	53,444
Equipment and furnishings	6,940,958	852,884	1,005,415	6,788,427
Right to use leased equipment	0	65,327	0	65,327
Vehicles	932,697	43,042	0	975,739
Infrastructure	5,786,519	408,680	0	6,195,199
Total Accumulated Depreciation	<u>74,672,129</u>	<u>4,684,062</u>	<u>1,005,415</u>	<u>78,350,776</u>
Capital Assets, Net	<u>\$ 106,503,070</u>	<u>\$ 2,645,936</u>	<u>\$ 3,882,275</u>	<u>\$ 105,266,731</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 2023 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Student organizations	\$ 1,585,415	\$ 530,655	\$ 816,228	\$ 1,299,842
Stafford, private and wire loans	1,500	24,062,219	24,062,219	1,500
Total Deposits Held for Others	<u>\$ 1,586,915</u>	<u>\$ 24,592,874</u>	<u>\$ 24,878,447</u>	<u>\$ 1,301,342</u>

Deposits held in custody for others for year ended June 30, 2022 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Student organizations	\$ 1,380,800	\$ 2,654,498	\$ 2,449,883	\$ 1,585,415
Stafford, private and wire loans	1,500	20,854,914	20,854,914	1,500
Total Deposits Held for Others	<u>\$ 1,382,300</u>	<u>\$ 23,509,412</u>	<u>\$ 23,304,797</u>	<u>\$ 1,586,915</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>2023</u>	<u>2022</u>
Tuition and fees	\$ <u>2,297,381</u>	\$ <u>2,401,976</u>

NOTE 8 – CHANGES IN NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2023 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 36,635,000	\$ 0	\$ 2,620,000	\$ 34,015,000	\$ 2,750,000
Right to use leases payable	283,911	150,946	90,005	344,852	117,098
Right to use SBITA	0	1,429,275	0	1,429,275	573,973
Bond premium	1,992,437	0	154,391	1,838,046	154,391
Compensated absences	1,990,659	2,373,934	1,990,659	2,373,934	1,858,149
Net pension liability	7,425,950	0	260,312	7,165,638	0
Perkins federal capital contribution	2,813,955	0	1,312,021	1,501,934	379,774
Postemployment benefits	253,813	2,397	0	256,210	0
Total Noncurrent Liabilities	<u>\$ 51,395,725</u>	<u>\$ 3,956,552</u>	<u>\$ 6,427,388</u>	<u>\$ 48,924,889</u>	<u>\$ 5,833,385</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – CHANGES IN NONCURRENT LIABILITIES – continued

Noncurrent liability activity for the year ended June 30, 2022 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 39,145,000	\$ 0	\$ 2,510,000	\$ 36,635,000	\$ 2,620,000
Right to use leases payable	0	283,911	0	283,911	90,005
Bond premium	2,146,828	0	154,391	1,992,437	154,391
Compensated absences	2,241,949	1,990,658	2,241,948	1,990,659	1,562,522
Net pension liability	10,320,844	0	2,894,894	7,425,950	0
Perkins federal capital contribution	3,875,338	0	1,061,383	2,813,955	570,795
Postemployment benefits	335,121	0	81,308	253,813	0
Total Noncurrent Liabilities	<u>\$ 58,065,080</u>	<u>\$ 2,274,569</u>	<u>\$ 8,943,924</u>	<u>\$ 51,395,725</u>	<u>\$ 4,997,713</u>

NOTE 9 – BONDS OUTSTANDING

Bonds payable as of June 30, 2023 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%.	\$27,930,000
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%.	6,085,000
Total Revenue Bonds Outstanding	<u>\$34,015,000</u>

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>
2024	\$ 2,750,000	\$ 1,198,800	\$ 3,948,800
2025	2,880,000	1,069,050	3,949,050
2026	2,315,000	933,150	3,248,150
2027	2,425,000	825,800	3,250,800
2028	2,520,000	730,800	3,250,800
2029-2033	10,790,000	2,499,612	13,289,612
2034-2038	10,335,000	986,163	11,321,163
	<u>\$ 34,015,000</u>	<u>\$ 8,243,375</u>	<u>\$ 42,258,375</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 – RIGHT TO USE LEASES PAYABLE

The University has entered into agreements to lease certain building space and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

An agreement was executed in 2005 to lease building space in Overland Park, KS and the existing lease expires June 30, 2026. The lease requires monthly payments with a variable rate adjusted annually. The lease liability is measured at a discount rate of 2.05%. \$142,847

An agreement was executed in 2023 to lease a Konica copier and the existing lease expires March 31, 2028. The lease requires monthly payments of \$1,449. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.68%. 77,633

An agreement was executed October 1, 2021 to lease a Konica copier and the existing lease expires September 30, 2026. The lease requires monthly payments of \$1,720. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 0.60%. 64,321

An agreement was executed in 2017 to lease copiers campus wide and the existing lease expired December 31, 2022 but was extended to December 31, 2024 for a reduced rate. The lease requires monthly payments with a variable rate adjusted annually. The lease liability is measured at a discount rate of 0.60%. 60,051

Total Right to Use Lease Payable \$344,852

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 117,098	\$ 7,507	\$ 124,605
2025	106,064	4,458	110,522
2026	86,785	2,002	88,787
2027	21,982	564	22,546
2028	<u>12,923</u>	<u>116</u>	<u>13,039</u>
	<u>\$ 344,852</u>	<u>\$ 14,647</u>	<u>\$ 359,499</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 12 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The University has entered into agreements for the right to use subscriptions for information technology software. These subscription agreements convey control of the right to use another party’s information technology software under GASB 96. Therefore, these subscription arrangements have been recorded at the present value of the future minimum payments as of the date of their inception.

An agreement was executed April 1, 2021 for the University’s ERP system and the existing agreement expires March 31, 2025. For 2024, the agreement requires an annual payment of \$350,890. The liability is measured at a discount rate of 2.45% \$350,890

An agreement was executed September 1, 2019 for the University’s budget system and the existing agreement expires August 31, 2029. The annual payments range from \$65,000 in 2024 to \$71,766 in 2029. The liability is measured at a discount rate of 3.03% 380,383

An agreement was executed April 1, 2023 for student on-line payment and billing systems and the existing agreement expires March 31, 2028. The annual payment for 2024 is \$181,483 with an escalator clause each year. The liability is measured at a discount rate of 2.68% 698,002

Total SBITA Payable \$1,429,275

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 573,974	\$ 23,399	\$ 597,373
2025	230,596	17,187	247,783
2026	238,347	10,762	249,109
2027	246,344	4,118	250,462
2028	68,248	2,111	70,359
2029-2033	<u>71,766</u>	<u>0</u>	<u>71,766</u>
	<u>\$ 1,429,275</u>	<u>\$ 57,577</u>	<u>\$ 1,486,852</u>

NOTE 13 – 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. The University, along with the other regent universities, has collectively bound a cyber liability insurance policy.

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.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 14 – 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 two 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, 2023 and 2022, 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 \$2,919,400 and \$2,817,158 for the years ended June 30, 2023 and 2022, respectively, and individual employees contributed \$1,877,948 and \$1,807,783, respectively.

Defined Benefit Plan

University support staff employees participate in the Kansas Public Employees Retirement System (KPERs). Benefit provisions are established by state statute and provide retirement, disability, and death benefits to benefits eligible employees. This defined benefit program is funded through contributions by the University and the individual employees.

Pension Plan

Plan description: The University support staff participates in the Kansas Public Employees Retirement System, a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et.seq. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. 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 provides retirement benefits, life insurance, disability income benefits and death benefits. 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. 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.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 14 – RETIREMENT PLANS – continued

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) was 9.97% and the statutory contribution rate was 13.33%. Contributions to the pension plan from the University were \$563,356 and \$615,564 for the years ended June 30, 2023 and 2022, 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% and the University was required to contribute 22.99% 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 \$100,475 and \$83,260 for the years ended June 30, 2023 and 2022, respectively.

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

At June 30, 2023 and 2022, the University reported a liability of \$7,165,638 and \$7,425,950, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. 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, 2022. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2022, the University’s proportion was .087924%, which was a decrease of .031646% from its proportion measured as of June 30, 2021. As of June 30, 2022, the University’s proportion of the total contributions made to the Police and Fire group within KPERS was .061232%, which was a .01101% decrease from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023 and 2022, the University recognized pension expense of \$(1,198,004) and \$(309,354), respectively. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 176,731	\$ 2,729
Net difference between projected and actual earnings on pension plan investments	589,709	0
Changes in proportion and differences between agency contributions and proportionate share of contributions	19,431	2,513,377
Changes of assumptions	1,079,226	0
ESU's contributions subsequent to measurement	663,831	0
Total	\$ 2,528,928	\$ 2,516,106

EMPORIA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 14 – RETIREMENT PLANS – continued

\$663,831 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2024	\$	(345,869)
2025		(180,104)
2026		(265,902)
2027		178,419
2028		<u>(37,553)</u>
	\$	<u><u>(651,009)</u></u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022, 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 12.00%, including inflation
Investment rate of return	7.00% 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 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 January 7, 2020, as provided by the KPERS’ investment consultant, are summarized in the following table:

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	23.5%	5.20%
Non-U.S. Equities	23.5%	6.40%
Private Equity	8.0%	9.50%
Private Real Estate	11.0%	4.45%
Yield driven	8.0%	4.70%
Real return	11.0%	3.25%
Fixed income	11.0%	1.55%
Short-Term Investments	<u>4.0%</u>	0.25%
Total	<u><u>100.0%</u></u>	

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 14 – RETIREMENT PLANS – continued

Discount rate. The discount rate used to measure the total pension liability at the measurement date of June 30, 2022 was 7.00%. The discount rate to measure total pension liability at the prior measurement date of June 30, 2021 was 7.25%. The actuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study. It covered the three-year period January 1, 2016 through December 31, 2018 and was dated January 7, 2020. 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 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
ESU's proportionate share of the net pension liability	\$ 10,092,911	\$ 7,165,638	\$ 4,720,484

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

NOTE 15 – 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% of the member's monthly rate of compensation, with a minimum of \$100 and a 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.

Long-term Disability Benefit. 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 at or after age 60, benefits are payable while disability continues, for a period of five years or until the member's retirement, 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 (a) the member's annual rate of compensation at the time of the disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. 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 policy.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 15 – OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) LONG-TERM DISABILITY - continued

Members Covered by Benefit Terms. At June 30, 2023, there were 120 active members and 5 disabled members covered by the benefit terms.

Total OPEB Liability. At June 30, 2023 and 2022, the University reported a OPEB liability of \$256,210 and \$253,813, respectively. The total OPEB liability measured as of June 30, 2022, was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 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	2.16% to 3.54%
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-2021. The actuarial assumptions used in the June 30, 2022 valuation have utilized the assumptions for the Kansas Public Retirement System (KPERs) as provided in the December 31, 2021 actuarial valuation reports for the pension plan. These assumptions were adopted by the KPERs Board in connection with a study of experience during 2016-2018.

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>2023</u>	<u>2022</u>
Beginning Balance	\$ 253,813	\$ 335,121
Current year changes:		
Service cost	26,293	27,396
Interest on total OPEB liability	5,155	7,275
Effect of of economic/demographic gains or losses	79,976	(49,182)
Effect of of assumption changes or inputs	(25,729)	134
Benefit payments	<u>(83,298)</u>	<u>(66,931)</u>
Increase (decrease) in net OPEB obligation	<u>2,397</u>	<u>(81,308)</u>
Ending Balance	<u>\$ 256,210</u>	<u>\$ 253,813</u>

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 2.16 % on June 30, 2021 to 3.54% on June 30, 2022.

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, 2022, calculated using the discount rate of 3.54%, 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 (2.54%) or 1 percentage point higher (4.54%) than the current discount rate:

EMPORIA STATE UNIVERSITY
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June 30, 2023 and 2022

NOTE 15 – OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) LONG-TERM DISABILITY – continued

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$ 264,080	\$ 256,210	\$ 248,464

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, 2023 and 2022, the University recognized OPEB expense of \$(79,167) and \$18,329, respectively. At June 30, 2023 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 87,653	\$ 111,416
Changes of assumptions	7,079	29,127
Benefit payments subsequent to the measurement date	<u>83,298</u>	<u>0</u>
Total	<u>\$ 178,030</u>	<u>\$ 140,543</u>

The deferred outflow of resources related to the benefit payments subsequent to the measuring date totaling \$83,298 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, 2024. 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:

Year Ending June 30,		
2024	\$	(10,950)
2025		(10,950)
2026		(10,950)
2027		(10,548)
2028		(6,433)
Thereafter		<u>4,020</u>
	\$	<u>(45,811)</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 16 – OPERATING EXPENSES BY NATURAL CLASSIFICATION

The University’s operating expenses by functional and natural classification for the years ended June 30, 2023 are as follows:

	Compensation and Benefits	Contractual Services	Supplies and Materials	Utilities	Scholarships and Fellowships	Other Operating Expense	Depreciation	Fiscal Year 2023 Total
Educational and General								
Instruction	\$27,732,594	\$1,528,569	\$443,483	0	\$781,186	\$660,991	\$0	\$31,146,823
Research	229,054	22,689	62,134	0	25,059	55,171	0	394,107
Public service	1,352,135	553,109	244,255	0	127,274	7,296	0	2,284,069
Academic support	7,647,413	3,375,835	149,843	0	118,695	1,028,652	0	12,320,438
Student services	4,385,383	1,088,753	474,390	0	197,285	390,870	0	6,536,681
Institutional support	5,232,763	1,773,408	125,562	0	15,177	29,939	0	7,176,849
Operations and maintenance of plant	5,268,891	442,468	492,250	1,920,731	0	2,814,847	0	10,939,187
Scholarships & fellowships	0	0	0	0	5,483,789	0	0	5,483,789
Depreciation	0	0	0	0	0	0	5,373,937	5,373,937
Auxiliary Enterprises								
Athletics	3,287,168	1,497,028	894,606	0	1,967,223	79,794	0	7,725,819
Parking	101,749	32,018	4,203	0	0	0	0	137,970
Residential Life	1,229,464	353,754	258,408	512,178	8,147	16,330	0	2,378,281
Student Health	592,537	57,613	38,162	0	0	2,590	0	690,902
Total Operating Expenses FY 2023	\$57,059,151	10,725,244	\$3,187,296	\$2,432,909	\$8,723,835	\$5,086,480	\$5,373,937	\$92,588,852

The University’s operating expenses by functional and natural classification for the years ended June 30, 2022 are as follows:

	Compensation and Benefits	Contractual Services	Supplies and Materials	Utilities	Scholarships and Fellowships	Other Operating Expense	Depreciation	Fiscal Year 2022 Total
Educational and General								
Instruction	\$27,603,004	\$1,004,240	\$591,973	\$0	\$730,932	\$252,993	\$0	\$30,183,142
Research	237,999	31,827	74,809	0	34,638	4,073	0	383,346
Public service	1,493,878	469,004	219,085	0	142,870	14,267	0	2,339,104
Academic support	7,585,096	3,229,129	122,377	0	64,761	152,449	0	11,153,812
Student services	4,003,174	773,938	337,150	0	131,584	55,051	0	5,300,897
Institutional support	5,185,981	1,638,134	160,070	0	23,621	20,018	0	7,027,824
Operations and maintenance of plant	4,559,242	621,754	383,955	1,528,795	0	1,670,851	0	8,764,597
Scholarships & fellowships	0	0	0	0	8,049,331	0	0	8,049,331
Depreciation	0	0	0	0	0	0	4,684,062	4,684,062
Auxiliary Enterprises								
Athletics	2,471,791	910,878	663,300	0	1,847,948	236	0	5,894,153
Assessment	0	0	150	0	0	0	0	150
Parking	73,256	11,742	8,658	0	0	442	0	94,098
Residential Life	1,132,904	349,551	194,008	476,494	6,547	1,608	0	2,161,112
Student Health	588,471	64,613	25,432	0	0	2,065	0	680,581
Total Operating Expenses FY 2022	\$54,934,796	\$9,104,810	\$2,780,967	\$2,005,289	\$11,032,232	\$2,174,053	\$4,684,062	\$86,716,209

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NOTE 17 – 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 \$2,438,056 in revenues which accounted for 72.2% 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 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
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NOTE 17 – COMPONENT UNITS – continued

Investments for the Foundation at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Money markets accounts	\$ 973,938	\$ 1,009,920
Cash surrender value of life insurance	674,755	793,792
Common stock	1,290,751	0
Fixed income mutual funds		
Intermediate-term bond	13,069,285	13,166,842
Other fixed income mutual funds	8,240	855,031
Equity mutual funds		
Domestic equities	25,579,983	20,938,115
International equities	24,867,668	23,775,723
Other equity mutual funds	5,963,632	6,020,024
Hedge funds and fixed income partnerships	17,919,451	16,857,777
Real estate and real estate partnerships	7,120,777	7,044,071
Private equity and natural resources limited partnerships	<u>24,627,860</u>	<u>25,998,172</u>
	<u>\$ 122,096,340</u>	<u>\$ 116,459,467</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, 2023 and 2022:

	<u>Fair Value</u>	2023		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market accounts	\$ 973,938	\$ 1,009,920	\$ 0	\$ 0
Common stock	1,290,751	1,290,751		
Fixed income mutual funds				
Intermediate-term bond	13,069,285	13,069,285	0	0
Other fixed income mutual funds	8,240	8,240	0	0
Equity mutual funds				
Domestic equities	25,579,983	25,579,983	0	0
International equities	24,867,668	24,867,668	0	0
Other equity mutual funds	5,963,632	5,963,632	0	0
Real estate	<u>468,846</u>	<u>0</u>	<u>468,846</u>	<u>0</u>
Total investments	72,222,343	71,789,479	468,846	0
Beneficial interests in trusts	<u>13,178,859</u>	<u>0</u>	<u>228,016</u>	<u>12,950,843</u>
	<u>\$ 85,401,202</u>	<u>\$ 71,789,479</u>	<u>\$ 696,862</u>	<u>\$ 12,950,843</u>

EMPORIA STATE UNIVERSITY
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June 30, 2023 and 2022

NOTE 17 – COMPONENT UNITS – continued

	2022			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market accounts	\$ 1,009,920	\$ 1,009,920	\$ 0	\$ 0
Fixed income mutual funds				
Intermediate-term bond	13,166,842	13,166,842	0	0
Other fixed income mutual funds	855,031	855,031	0	0
Equity mutual funds				
Domestic equities	20,938,115	20,938,115	0	0
International equities	23,775,723	23,775,723	0	0
Other equity mutual funds	6,020,024	6,020,024	0	0
Real estate	<u>415,486</u>	<u>0</u>	<u>415,486</u>	<u>0</u>
Total investments	66,181,141	65,765,655	415,486	0
Beneficial interests in trusts	<u>12,287,723</u>	<u>0</u>	<u>227,658</u>	<u>12,060,065</u>
	<u>\$ 78,468,864</u>	<u>\$ 65,765,655</u>	<u>\$ 643,144</u>	<u>\$ 12,060,065</u>

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

	<u>2023</u>	<u>2022</u>
Investments recorded at		
Fair value and included above	\$ 72,222,343	\$ 66,181,141
Assets not at fair value	674,755	793,792
Net asset value	<u>49,199,242</u>	<u>49,484,534</u>
Total investments	<u>\$ 122,096,340</u>	<u>\$ 116,459,467</u>

Contributions receivable at June 30, 2023 and 2022 consisted of the following unconditional promises to give discounted at a discounted rates between 8.5% to 4.75% at June 30, 2023 and 4.75% at June 30, 2022:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due within one year	\$ 60,613	\$ 8,394,626	\$ 8,455,239
Due in one to five years	130,358	5,232,329	5,362,687
Due in more than five years	<u>0</u>	<u>3,583</u>	<u>3,583</u>
	<u>190,971</u>	<u>13,630,538</u>	<u>13,821,509</u>
Less			
Allowance for uncollectible contributions	5,864	455,429	461,293
Unamortized discount	<u>10,660</u>	<u>617,783</u>	<u>628,443</u>
	<u>\$ 174,447</u>	<u>\$ 12,557,326</u>	<u>\$ 12,731,773</u>

EMPORIA STATE UNIVERSITY
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June 30, 2023 and 2022

NOTE 17 – COMPONENT UNITS – continued

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 63,489	\$ 1,867,765	\$ 1,931,254
Due in one to five years	187,826	3,230,164	3,417,990
Due in more than five years	0	64,310	64,310
	251,315	5,162,239	5,413,554
Less			
Allowance for uncollectible contributions	10,492	227,636	238,128
Unamortized discount	28,157	486,001	514,158
	\$ 212,666	\$ 4,448,602	\$ 4,661,268

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