

EMPORIA STATE UNIVERSITY

ANNUAL FINANCIAL REPORT FISCAL YEAR 2021



Emporia State University
Emporia, Kansas

Fiscal Year 2021 Annual Financial Report

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Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2021 and 2020

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, 2021 were \$164,223,582, an increase of 6.9% compared to \$153,683,186 at June 30, 2020. Capital assets, net of depreciation, comprised 64.9% or \$106,503,070 of the total assets in 2021 as compared to 66.9%, or \$102,790,942 of the total assets in 2020.

Total deferred outflows increased \$981,014, with a decrease of \$1,014,798 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 decreased \$33,784.

Total liabilities were \$68,492,657 at June 30, 2021, a decrease of \$2,928,249 or 4.1% compared to \$71,420,906 at June 30, 2020. Noncurrent liabilities comprised 77.8% or \$53,253,759 of total liabilities in 2021 as compared to 78.0% or \$55,680,525 of total liabilities in 2020.

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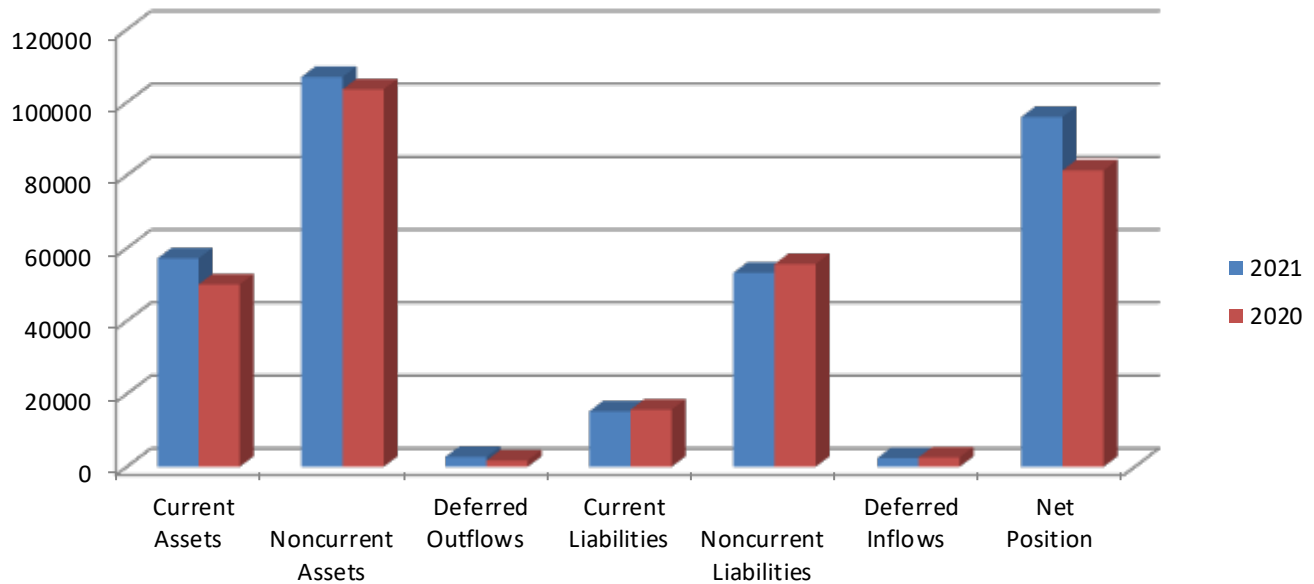
**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021 and 2020**

Total deferred inflows decreased \$221,297 related to the adoption of GASB 68 and GASB 75 pertaining to the University's share of the KPERS pension liability and other post-employment benefits.

Total Net Position at June 30, 2021 was \$96,030,859, a \$14,670,956 increase from the previous fiscal year amount of \$81,359,903, or an 18.0% increase in Net Position. The breakout of Net Position is shown below:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Net Position		
Net Investment in Capital Assets	\$ 67,358,070	\$ 61,225,942
Restricted Net Position	1,365,001	3,344,506
Unrestricted Net Position	<u>27,307,788</u>	<u>16,789,455</u>
 Total Net Position	 <u>\$ 96,030,859</u>	 <u>\$ 81,359,903</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 2021 and 2020 fiscal year ends (in thousands):



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MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2021 and 2020

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Revenues

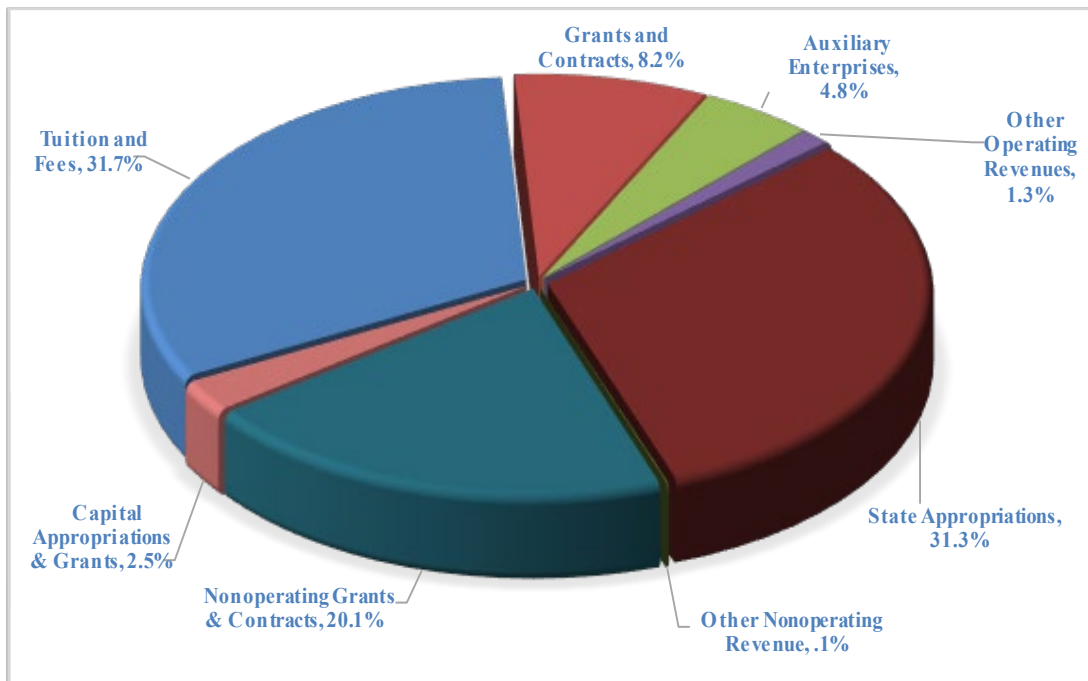
Operating revenues were \$48.3 million for the 2021 fiscal year. This was a decrease of \$2,584,714 or 5.1% from the previous fiscal year. The following is a brief summary of the significant changes:

- Student tuition and fee revenues, after scholarship allowances, were \$33.2 million in 2021, compared to \$34.2 million in 2020, an overall decrease of 2.7%. The tuition and fees decrease was attributed to a decrease in enrollment numbers especially among the nonresident students.
- Grants and contracts (federal, state and local, and nongovernmental) overall increased 2.4% or \$201,079.
- Auxiliary enterprise revenues of the University decreased a combined total of \$2.1 million or 29.2% in the areas of Athletics, Assessment, Parking Services, Residential Life and Student Health Services.
- Sales and services of educational departments increased by \$251,282 or 25.9% from the previous year.

Total nonoperating revenues increased significantly from the previous year from \$44.3 million to \$56.5 million in 2021. The following is a brief summary of the significant changes:

- State appropriations decreased 2.6% to \$32.7 million from \$33.6 million.
- Investment earnings decreased from \$457,128 in 2020 to \$66,099 in 2021.
- Other Federal grants and contracts increased \$13,389,556 or 176.3% from the prior year due to one-time CARES Act and American Rescue Plan (ARP) direct federal funding for student aid and institutional purposes. The university also received indirect federal funding from the state and county through the Strengthening People and Revitalizing Kansas (SPARK) funding.

In summary, total operating revenues, nonoperating revenues, and other revenues increased by \$9.5 million for a total of \$104.7 million. The composition of these revenues is displayed in the following graph:



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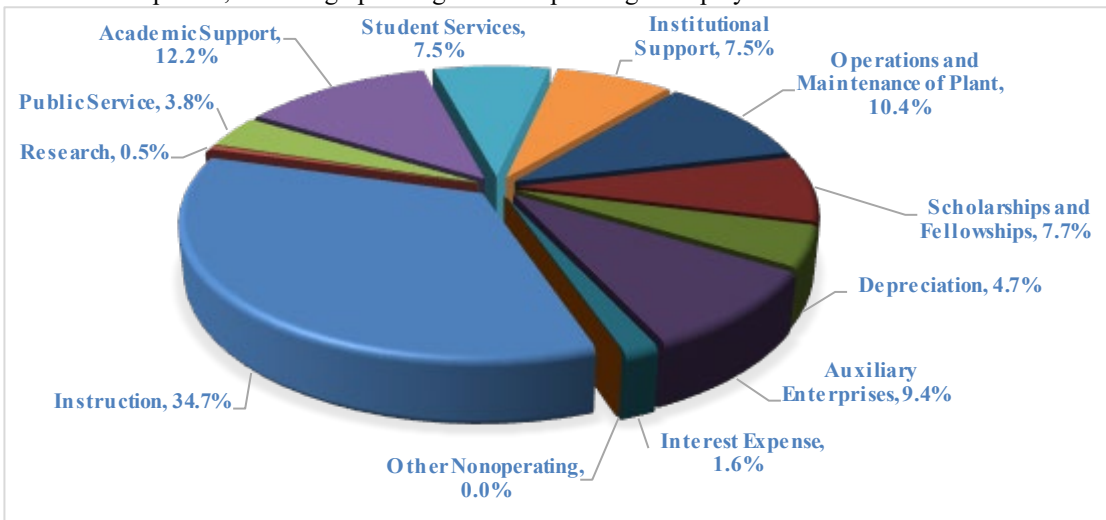
**MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2021 and 2020**

Expenses

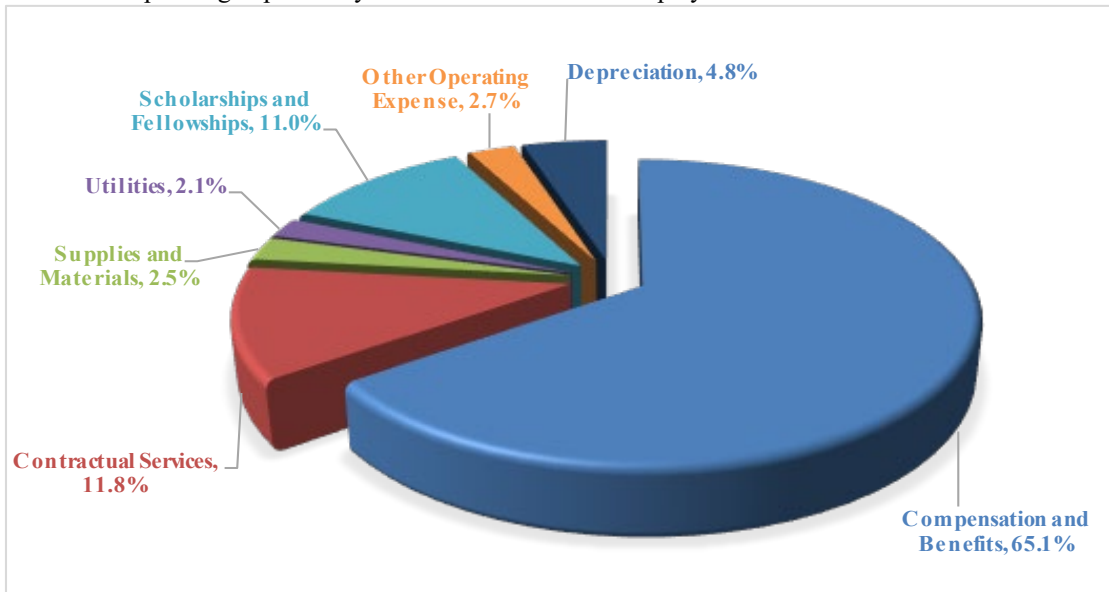
Operating and nonoperating expenses for 2021 were \$90.1 million and \$89.6 million for 2020. The following is a brief summary of the significant changes:

- Public service and student services combined increased \$1.3 million or approximately 15.0% from 2020 to 2021.
- Instruction, research, academic support, and institutional support combined decreased \$1.7 million or 3.4% in 2021.
- Scholarship and fellowship increased \$212,781.
- Expenses for the operations and maintenance of plant increased \$1.5 million or approximately 19.2% from 2020 to 2021.
- Auxiliary enterprise expenses increased \$64,649 during 2021.
- Depreciation expense increased \$460,324 in 2021.

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



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



EMPORIA STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2021 and 2020

Endowment Expenses Paid On Behalf of University

The Foundation is an independent, not-for-profit organization whose primary mission is to raise funds for the University and to provide direct and indirect support to the University that is not entirely reflected in the University's Statements of Revenues, Expenses and Changes in Net Position. Expense items paid on behalf of the University by the Foundation include expenses such as salaries, construction, equipment, books, supplies and travel. During the year ended June 30, 2021, and June 30, 2020, the Foundation made payments to the University of \$5,122,927 and \$4,008,342 respectively.

Net Position

Net Position increased by \$14,670,956 from \$81,359,903 in 2020 to \$96,030,859 in 2021 primarily due to one-time direct federal grants for lost revenue for 2020 and 2021 and additional federal direct and indirect grants received for expenses due to COVID-19.

STATEMENTS OF CASH FLOWS

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

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

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

The following is a condensed Statement of Cash Flows for the years ended June 30, 2021 and 2020:

The overall net increase in cash was \$8.9 million with a change in operating activities from the prior year being a decrease of \$5.6 million; the change in noncapital financing activities was an increase of \$13.3 million; and the change over prior year from capital financing activities was an increase of \$6.7 million, with a decrease in investing activities of \$7.4 million due to the construction and remodeling of the residence halls from bond proceeds received in 2018. Proceeds not required immediately were invested in the Kansas Municipal Investment Pool.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Net Cash Provided (Used) by:		
Operating activities	\$ (37,042,628)	\$ (31,411,430)
Noncapital financing activities	52,465,951	39,166,028
Capital and related financing activities	(9,264,641)	(15,918,375)
Investing activities	<u>2,736,099</u>	<u>10,084,160</u>
Net Increase (Decrease) in Cash	8,894,781	1,920,383
Beginning Cash and Cash Equivalents Balances	<u>37,405,999</u>	<u>35,485,616</u>
Ending Cash and Cash Equivalents Balances	<u>\$ 46,300,780</u>	<u>\$ 37,405,999</u>

EMPORIA STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2021 and 2020

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 renovation project to Abigail;
- Completion of construction of the Prophet AROC project;
- Completion of renovations to Visser Hall; and
- Construction on the Kossover Tennis project continued and near completion.

DEBT ADMINISTRATION

At June 30, 2021, the University had \$39.2 million in debt outstanding. The University paid \$3,940,692 in principal and interest payments related to all outstanding revenue bonds in 2021.

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

ECONOMIC OUTLOOK

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

Most economic variables and indicators for the State of Kansas were revised upward at the April's Consensus Revenue Estimating Group (Group) meeting due to the rebounding economy. State revenue estimates were increased from previous estimates for fiscal years 2021 and 2022 by 4.1% and 0.6%, respectively.

The State of Kansas provided approximately 31.3% of the total resources for the University during fiscal year 2021. This is down from the 35.3% provided during fiscal year 2020. The fiscal year 2022 state appropriation budget is approved for \$33.9 million, an increase from the fiscal year 2021 appropriation.

In managing our budget, the highest priority of the University continues to be serving the needs of our students. Any reductions to the state appropriated amount would have a significant impact on the operations of the University. State appropriations increased in fiscal year 2022, including the addition of \$1.7 million one-time maintenance of effort funds to be directed to need-based aid, recruitment, and economic development. The University is planning for a stable state appropriation in fiscal year 2023. We are also dependent on tuition and fee revenue from enrolled students which comprises 35.9% of our total budget. Due to ongoing concerns about lower enrollments and from the ongoing pandemic, the University is cutting its budgeted expenditures by approximately \$5.6 million over fiscal years 2022 and 2023. \$4.5 million will be cut in fiscal year 2022 and the remaining \$1.1 million will be cut in fiscal year 2023. No increase in tuition and fees was approved for fiscal year 2022.

Financial Statements and Notes

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STATEMENTS OF NET POSITION

June 30, 2021 and 2020

	University Funds		Component Unit Memorial Union Corporation	
	2021	2020	2021	2020
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 41,403,943	\$ 32,340,206	\$ 1,671,427	\$ 1,501,180
Restricted cash and cash equivalents	4,896,837	5,065,793	0	0
Restricted investments	0	2,670,000	0	0
Accounts receivable, net	3,382,473	3,009,919	472,653	65,551
Appropriation receivable	5,488,642	4,623,371	0	0
Loans to students, net - current portion	1,757,568	2,134,310	0	0
Due from ESU Foundation	133,079	108,860	0	0
Due from Memorial Union	159,269	123,117	0	0
Prepaid expenses	0	0	20,939	11,563
Total Current Assets	57,221,811	50,075,576	2,165,019	1,578,294
Noncurrent Assets				
Restricted investments	0	0	579,989	815,000
Loans to students, net	498,701	816,668	0	0
Capital assets, net	106,503,070	102,790,942	834,685	930,363
Total Noncurrent Assets	107,001,771	103,607,610	1,414,674	1,745,363
Total Assets	164,223,582	153,683,186	3,579,693	3,323,657
DEFERRED OUTFLOWS OF RESOURCES				
OPEB outflows	110,389	144,173	0	0
Pension contributions	933,618	986,710	0	0
Deferred pension outflows	1,683,930	616,040	0	0
Total Deferred Outflows	2,727,937	1,746,923	0	0
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	5,720,793	6,452,271	109,447	107,746
Other liabilities	266,543	289,073	0	0
Accrued compensated absences	1,374,757	1,648,763	63,739	66,686
Unearned revenue	2,939,107	2,456,802	0	0
Perkins loan payable	772,173	1,154,546	0	0
Bonds payable - current	2,510,000	2,420,000	0	0
Unamortized bond premium/discount	154,391	154,391	0	0
Due to ESU Foundation	111,445	115,489	0	0
Due to Memorial Union	7,389	36	0	0
Due to related parties	0	0	36,006	2,867
Deposits held in custody for others	1,382,300	1,049,010	10,537	12,594
Total Current Liabilities	15,238,898	15,740,381	219,729	189,893

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	University Funds		Component Unit	
	2021	2020	Memorial Union Corporation 2021	2020
LIABILITIES - continued				
Noncurrent Liabilities, Net of Current Portion				
Accrued compensated absences	\$ 867,192	\$ 814,074	\$ 0	\$ 0
Accrued other postemployment benefits	335,121	401,826	0	0
Net pension liability	10,320,844	9,696,997	0	0
Perkins federal capital contribution	3,103,165	3,475,800	0	0
Bonds payable	36,635,000	39,145,000	0	0
Unamortized bond premium/discount	1,992,437	2,146,828	0	0
	<u>53,253,759</u>	<u>55,680,525</u>	<u>0</u>	<u>0</u>
Total Noncurrent Liabilities				
	<u>53,253,759</u>	<u>55,680,525</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>68,492,657</u>	<u>71,420,906</u>	<u>219,729</u>	<u>189,893</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB inflows	108,480	89,145	0	0
Deferred pension inflows	2,319,523	2,560,155	0	0
	<u>2,428,003</u>	<u>2,649,300</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows				
	<u>2,428,003</u>	<u>2,649,300</u>	<u>0</u>	<u>0</u>
NET POSITION				
Net investment in capital assets	67,358,070	61,225,942	834,543	930,363
Restricted for expendable				
Capital	0	2,002,385	0	0
Loans	338,434	407,353	0	0
Debt service	1,026,567	934,768	0	0
Other	0	0	486,082	390,120
Unrestricted	<u>27,307,788</u>	<u>16,789,455</u>	<u>2,039,339</u>	<u>1,813,281</u>
Total Net Position	<u>\$ 96,030,859</u>	<u>\$ 81,359,903</u>	<u>\$ 3,359,964</u>	<u>\$ 3,133,764</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, 2021 and 2020

	University Funds		Component Unit Memorial Union Corporation	
	2021	2020	2021	2020
Operating Revenues				
Tuition and fees (net of scholarship allowances of \$3,863,020 and \$4,091,656)	\$ 33,231,718	\$ 34,166,352	\$ 0	\$ 0
Federal grants and contracts	2,386,700	3,120,963	0	0
State and local grants and contracts	1,207,420	1,327,713	0	0
Nongovernmental grants and contracts	5,052,549	3,996,914	0	0
Sales and services of educational departments	1,221,104	969,822	0	0
Auxiliary enterprises				
Athletics	1,913,865	2,567,670	0	0
Assessment	513	476	0	0
Parking services	179,825	224,044	0	0
Residential life	2,363,952	3,687,498	0	0
Student health services	620,948	699,021	0	0
Student unions	0	0	2,985,993	3,001,252
Interest earned on loans to students	87,993	90,828	0	0
	<u>48,266,587</u>	<u>50,851,301</u>	<u>2,985,993</u>	<u>3,001,252</u>
Total Operating Revenues				
Operating Expenses				
Education and General				
Instruction	31,225,021	32,035,693	0	0
Research	430,122	528,525	0	0
Public service	3,426,884	3,200,243	0	0
Academic support	10,992,968	11,784,239	0	0
Student services	6,764,153	5,660,149	0	0
Institutional support	6,764,094	6,796,417	0	0
Operations and maintenance of plant	9,396,792	7,881,278	0	0
Scholarships and fellowships	6,961,770	6,748,989	0	0
Depreciation	4,253,218	3,792,894	156,836	185,534
Auxiliary Enterprises				
Athletics	4,956,099	5,301,422	0	0
Assessment	300	806	0	0
Parking services	149,815	202,184	0	0
Residential life	2,663,253	2,177,142	0	0
Student health services	705,277	728,541	0	0
Student union	0	0	2,613,873	2,740,064
	<u>88,689,766</u>	<u>86,838,522</u>	<u>2,770,709</u>	<u>2,925,598</u>
Total Operating Expenses				
Operating Income (Loss)	<u>(40,423,179)</u>	<u>(35,987,221)</u>	<u>215,284</u>	<u>75,654</u>
Nonoperating Revenues (Expenses)				
State appropriations	32,742,400	33,617,024	0	0
Investment income	66,099	457,128	10,916	18,595
Interest expense	(1,361,813)	(1,600,874)	0	0
Other Federal grants and contracts	20,984,808	7,595,252	0	0
Other nonoperating revenue (expenses), net	25,732	(1,176,395)	0	0
Gain/(loss) on assets	0	(7,826)	0	1,603
	<u>52,457,226</u>	<u>38,884,309</u>	<u>10,916</u>	<u>20,198</u>
Net Nonoperating Revenues (Expenses)				

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, 2021 and 2020

	University Funds		Component Unit Memorial Union Corporation	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Income (Loss) Before Other Revenues	\$ 12,034,047	\$ 2,897,088	\$ 226,200	\$ 95,852
Other Revenues				
Capital appropriations and gifts	<u>2,636,909</u>	<u>2,657,600</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>14,670,956</u>	<u>5,554,688</u>	<u>226,200</u>	<u>95,852</u>
Net Position				
Net Position, Beginning of Year	<u>81,359,903</u>	<u>75,805,215</u>	<u>3,133,764</u>	<u>3,037,912</u>
Net Position, End of Year	<u>\$ 96,030,859</u>	<u>\$ 81,359,903</u>	<u>\$ 3,359,964</u>	<u>\$ 3,133,764</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

**COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020**

	Emporia State University Foundation, Inc.	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 252,007	\$ 1,192,943
Other assets	115,959	102,552
Mortgages receivable	232,336	251,123
Investments	121,781,653	96,165,221
Contributions receivable, net	5,397,305	3,400,304
Beneficial interests in trusts	10,466,315	8,789,894
Capital assets, net	1,333,909	1,414,936
 Total Assets	\$ 139,579,484	\$ 111,316,973
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 628,955	\$ 191,105
Accrued expenses	229,834	242,965
Note payable	440,531	765,461
Annuity and trust obligations	1,210,948	1,149,082
 Total Liabilities	2,510,268	2,348,613
 Net Assets		
Without donor restrictions	12,628,125	8,739,295
With donor restrictions	124,441,091	100,229,065
 Total Net Assets	137,069,216	108,968,360
 Total Liabilities and Net Assets	\$ 139,579,484	\$ 111,316,973

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

**COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

Emporia State University Foundation, Inc.			
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 542,227	\$ 8,985,264	\$ 9,527,491
Investment return	4,244,775	23,822,441	28,067,216
Change in beneficial interest in trusts	0	1,676,421	1,676,421
Loss on annuity and trust obligations	(3,947)	(151,902)	(155,849)
Gain on extinguishment of debt	301,800	0	301,800
Other	1,493	10,718	12,211
Net assets released from restrictions	<u>9,974,791</u>	<u>(9,974,791)</u>	<u>0</u>
 Total Revenues, Gains and Other Support	 <u>15,061,139</u>	 <u>24,368,151</u>	 <u>39,429,290</u>
Expenses and Losses			
Program	8,792,310	0	8,792,310
Management and general	1,181,120	0	1,181,120
Fundraising	<u>1,198,879</u>	<u>156,125</u>	<u>1,355,004</u>
 Total Expenses and Losses	 <u>11,172,309</u>	 <u>156,125</u>	 <u>11,328,434</u>
 Change in Net Assets	 <u>3,888,830</u>	 <u>24,212,026</u>	 <u>28,100,856</u>
 Net Assets, Beginning of Year	 <u>8,739,295</u>	 <u>100,229,065</u>	 <u>108,968,360</u>
 Net Assets, End of Year	 <u>\$ 12,628,125</u>	 <u>\$ 124,441,091</u>	 <u>\$ 137,069,216</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

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

Emporia State University Foundation, Inc.

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

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	University Funds	
	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Tuition and fees	\$ 33,570,567	\$ 34,217,001
Grants and contracts	8,514,418	8,801,258
Sales and services of educational activities	1,173,568	926,057
Other operating income	87,993	90,828
Auxiliary enterprises:		
Athletics	1,913,865	2,567,670
Assessment	513	476
Parking services	187,735	218,914
Residential life	2,313,494	3,724,485
Student health services	619,303	702,560
Student union	0	0
Payments to suppliers	(15,445,562)	(13,935,846)
Payments to utilities	(1,887,790)	(1,939,107)
Compensation and benefits	(58,676,112)	(59,435,305)
Payments for scholarships and fellowships	(10,109,329)	(8,227,806)
Collection of loans to students and employees	694,709	877,385
Net Cash Provided by		
(Used in) Operating Activities	<u>(37,042,628)</u>	<u>(31,411,430)</u>
Cash Flows From Noncapital Financing Activities		
State appropriations	32,742,400	33,617,024
Other nonoperating revenues (expenses), net	(839,539)	(1,328,692)
Deposits held in custody for others	333,290	679,552
Other Federal grants and contracts	20,984,808	7,595,252
Perkins Fund capital repayment	(755,008)	(1,397,108)
Federal family education loan receipts	23,742,231	25,243,847
Federal family education loan disbursements	(23,742,231)	(25,243,847)
Net Cash Provided by		
Noncapital Financing Activities	<u>52,465,951</u>	<u>39,166,028</u>
Cash Flows From Capital Financing Activities		
Capital appropriations	2,636,909	2,657,600
Purchases of capital assets	(7,965,346)	(14,554,763)
Refunded bond proceeds	0	8,689,662
Bond proceeds and premium	(154,391)	0
Principal paid on capital debt and refunded bonds	(2,420,000)	(11,110,000)
Interest paid on capital debt and refunded bonds	(1,361,813)	(1,600,874)
Net Cash Provided by (Used in)		
Capital Financing Activities	<u>(9,264,641)</u>	<u>(15,918,375)</u>
Cash Flows From Investing Activities		
Sale (Purchase) of investments	2,670,000	9,610,000
Investment income	66,099	474,160
Net Cash Provided by		
Investing Activities	<u>2,736,099</u>	<u>10,084,160</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	University Funds	
	2021	2020
Net Increase (Decrease) in		
Cash and Cash Equivalents	\$ 8,894,781	\$ 1,920,383
Cash and Cash Equivalents, Beginning of Year	<u>37,405,999</u>	<u>35,485,616</u>
Cash and Cash Equivalents, End of Year	<u>\$ 46,300,780</u>	<u>\$ 37,405,999</u>
Reconciliation of Net Operating Revenues		
(Expenses) to Net Cash Provided by		
(Used in) Operating Activities		
Operating income (loss)	\$ (40,423,179)	\$ (35,987,221)
Adjustments to reconcile operating		
income (loss) to net cash provided by		
(used in) operating activities		
Depreciation and amortization expense	4,253,218	3,792,894
(Gain) loss on sale of assets	0	7,826
Change in deferred outflows related		
to pensions and OPEB	(981,014)	97,633
Change in deferred inflows related		
to pensions and OPEB	(221,297)	(239,836)
Changes in assets and liabilities		
(Increase)/decrease in		
Accounts receivables, net	(372,554)	(98,631)
Loans to students, net	694,709	877,385
Due from ESU Foundation	(24,219)	252,423
Due from Memorial Union	(36,152)	13,163
Increase/(decrease) in		
Accounts payable and accrued liabilities	(731,478)	331,357
Other liabilities	(22,530)	(75,601)
Unearned revenue	482,305	255,450
Accrued compensated absences	(220,888)	288,630
Accrued other postemployment benefits	(66,705)	(44,606)
Pension liability	623,847	(877,291)
Due to related parties	3,309	(5,005)
Net Cash Provided by		
(Used in) Operating Activities	<u>\$ (37,042,628)</u>	<u>\$ (31,411,430)</u>
Reconciliation of Cash and Cash Equivalents to		
the Statements of Net Position		
Cash and cash equivalents	\$ 41,403,943	\$ 32,340,206
Restricted cash and cash equivalents	<u>4,896,837</u>	<u>5,065,793</u>
Cash and Cash Equivalents, End of Year	<u>\$ 46,300,780</u>	<u>\$ 37,405,999</u>

The accompanying notes are an integral part of these statements.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The University is grouped into four major colleges/schools; the School of Business, the Teachers College, the College of Liberal Arts and Sciences, and the School of Library and Information Management. The University, located in Emporia, Kansas, has an undergraduate enrollment of approximately 3,181 and a graduate enrollment of approximately 2,647.

Financial Reporting Entity. As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University and its discretely presented component units: The Memorial Union Corporation and the Emporia State University Foundation, Inc. Each discretely presented component unit is independently audited.

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

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

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

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

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Level 2: Inputs to the valuation methodology include:

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

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

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

Receivables. Accounts receivable consist of tuition and fees charged to students, auxiliary enterprise services provided to students, faculty and staff, and sales and services of the University. Accounts receivable also include amounts due from the federal government, state and local governments, and private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Current year state appropriations not received from the State until after year end are recorded as Appropriation receivable.

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

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

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

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

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

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

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

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

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

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

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

Restricted net position – expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances, 2) sales and services of educational departments and auxiliary enterprises, 3) 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, 2021 and 2020

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, 2021 and 2020 were \$46,300,780 and \$37,405,999, 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, 2021 but held \$2,670,000 at June 30, 2020 which were administered by the Kansas Municipal Investment Board and represents funds used for the construction and remodel of residence halls.

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

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

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021 and 2020

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:

	2021	2020
Student tuition and fees	\$ 4,806,183	\$ 4,494,074
Employees and students	27,972	34,023
Auxiliary enterprises	788,304	690,816
Federal, state, and private grants and contracts	859,238	715,818
Other operating activities	446,482	409,931
	6,928,179	6,344,662
Less allowance for doubtful accounts	3,545,707	3,334,743
Net Accounts Receivable	\$ 3,382,473	\$ 3,009,919

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, 2021 and 2020. 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 2021 and 2020, the University received reimbursements of \$13,118 and \$203,689, 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, 2021 and 2020, the allowance for uncollectible loans was estimated to be \$1,128,066 and \$1,122,554, respectively.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets				
(Not depreciated)				
Land and improvements	\$ 1,011,869	\$ 0	\$ 0	\$ 1,011,869
Construction in progress	9,194,044	3,689,022	9,000,791	3,882,275
(Depreciated)				
Buildings and improvements	141,910,761	12,061,003	0	153,971,764
Equipment and furnishings	9,008,623	807,091	713,916	9,101,798
Vehicles	1,146,853	0	134,436	1,012,417
Infrastructure	11,756,293	438,783	0	12,195,076
Total Capital Assets	<u>174,028,443</u>	<u>16,995,899</u>	<u>9,849,143</u>	<u>181,175,199</u>
Less Accumulated Depreciation				
Buildings and improvements	57,972,453	3,039,502	0	61,011,955
Equipment and furnishings	6,887,864	737,247	684,153	6,940,958
Vehicles	998,754	68,380	134,437	932,697
Infrastructure	5,378,430	408,089	0	5,786,519
Total Accumulated Depreciation	<u>71,237,501</u>	<u>4,253,218</u>	<u>818,590</u>	<u>74,672,129</u>
Capital Assets, Net	<u>\$ 102,790,942</u>	<u>\$ 12,742,681</u>	<u>\$ 9,030,553</u>	<u>\$ 106,503,070</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets				
(Not depreciated)				
Land and improvements	\$ 1,011,869	\$ 0	\$ 0	\$ 1,011,869
Construction in progress	19,540,243	7,602,116	17,948,315	9,194,044
(Depreciated)				
Buildings and improvements	118,950,513	23,042,323	82,075	141,910,761
Equipment and furnishings	8,468,908	869,167	329,452	9,008,623
Vehicles	1,107,811	69,332	30,290	1,146,853
Infrastructure	10,843,980	912,313	0	11,756,293
Total Capital Assets	<u>159,923,324</u>	<u>32,495,251</u>	<u>18,390,132</u>	<u>174,028,443</u>
Less Accumulated Depreciation				
Buildings and improvements	55,445,303	2,601,399	74,249	57,972,453
Equipment and furnishings	6,555,188	662,129	329,453	6,887,864
Vehicles	928,540	100,504	30,290	998,754
Infrastructure	4,949,568	428,862	0	5,378,430
Total Accumulated Depreciation	<u>67,878,599</u>	<u>3,792,894</u>	<u>433,992</u>	<u>71,237,501</u>
Capital Assets, Net	<u>\$ 92,044,725</u>	<u>\$ 28,702,357</u>	<u>\$ 17,956,140</u>	<u>\$ 102,790,942</u>

EMPORIA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, 2021 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Student organizations	\$ 1,047,510	\$ 5,578,650	\$ 5,245,360	\$ 1,380,800
Stafford, private and wire loans	1,500	23,742,231	23,742,231	1,500
Total Deposits Held for Others	<u>\$ 1,049,010</u>	<u>\$ 29,320,881</u>	<u>\$ 28,987,591</u>	<u>\$ 1,382,300</u>

Deposits held in custody for others for year ended June 30, 2020 follows:

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

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>2021</u>	<u>2020</u>
Tuition and fees	\$ <u>2,939,107</u>	\$ <u>2,456,802</u>

NOTE 8 – CHANGES IN NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2021 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 41,565,000	\$ 0	\$ 2,420,000	\$ 39,145,000	\$ 2,510,000
Bond premium	2,301,219	0	154,391	2,146,828	154,391
Compensated absences	2,462,837	2,241,949	2,462,837	2,241,949	1,374,757
Net pension liability	9,696,997	623,847	0	10,320,844	0
Perkins federal capital contribution	4,630,346	0	755,008	3,875,338	772,173
Postemployment benefits	401,826	0	66,705	335,121	0
Total Noncurrent Liabilities	<u>\$ 61,058,225</u>	<u>\$ 2,865,796</u>	<u>\$ 5,858,941</u>	<u>\$ 58,065,080</u>	<u>\$ 4,811,321</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 – CHANGES IN NONCURRENT LIABILITIES – continued

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

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

NOTE 9 – BONDS OUTSTANDING

Bonds payable as of June 30, 2021 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%.	\$31,595,000
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%.	<u>7,550,000</u>
Total Revenue Bonds Outstanding	<u>\$39,145,000</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>
2022	\$ 2,510,000	\$ 1,440,650	\$ 3,950,650
2023	2,620,000	1,322,350	3,942,350
2024	2,750,000	1,198,800	3,948,800
2025	2,880,000	1,069,050	3,949,050
2026	2,315,000	933,150	3,248,150
2027-2031	12,020,000	3,247,138	15,267,138
2032-2036	9,725,000	1,591,488	11,316,488
2037-2038	4,325,000	203,750	4,528,750
	<u>\$ 39,145,000</u>	<u>\$ 11,006,375</u>	<u>\$ 50,151,375</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – REVENUE BONDS MATURITY SCHEDULE – continued

Acceleration of Maturity in Event of Default

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

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

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

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

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

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

NOTE 12 – RETIREMENT PLANS

Defined Contribution Plan

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

For the years ended June 30, 2021 and 2020, 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 \$2,917,635 and \$2,813,372 for the years ended June 30, 2021 and 2020, respectively, and individual employees contributed \$1,871,069 and \$1,801,740, respectively.

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

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 12 – RETIREMENT PLANS – continued

Pension Plan

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

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

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

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

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

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate was 14.41% for the fiscal year end June 30, 2020 and 14.23% for the fiscal year June 30, 2021. Contributions to the pension plan from the University were \$843,112 and \$892,790 for the years ended June 30, 2021 and 2020, respectively.

Certain employees, due to their job types, participate in the Kansas Police and Fireman's Fund (KP&F). Benefit provisions are established by State statute and provide retirement, disability, and death benefits to benefit eligible employees. KP&F issues an annual financial report that includes financial statements and required supplementary information. The report is available upon request from KP&F. Active KP&F members were required by statute to contribute 7.15% for the years ended June 30, 2021 and 2020 and the University was required to contribute 21.93% and 22.11% respectively, of the employee's covered payroll. The Kansas Legislature establishes, and may amend, active plan members' and the University's contribution rates. Contributions to the pension plan from the University were \$90,506 and \$93,301 for the years ended June 30, 2021 and 2020, respectively.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 12 – RETIREMENT PLANS – continued

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

At June 30, 2021 and 2020, the University reported a liability of \$10,320,844 and \$9,696,997, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. 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, 2020. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2020, the University's proportion was .125327%, which was a decrease of .013193% from its proportion measured as of June 30, 2019. As of June 30, 2020, the University's proportion of the total contributions made to the Police and Fire group within KPERS was .077566%, which was a .004658% increase from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 and 2020, the University recognized pension expense of \$368,181 and \$298,869, respectively. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 158,364	\$ 102,927
Net difference between projected and actual earnings on pension plan investments	922,618	0
Changes in proportion and differences between agency contributions and proportionate share of contributions	58,546	2,216,596
Changes of assumptions	544,402	0
ESU's contributions subsequent to measurement	<u>933,618</u>	<u>0</u>
Total	\$ <u>2,617,548</u>	\$ <u>2,319,523</u>

\$933,618 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, 2022. 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,	
2022	\$ (557,960)
2023	(283,848)
2024	32,731
2025	178,048
2026	<u>(4,564)</u>
	\$ <u>(635,593)</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 12 – RETIREMENT PLANS – continued

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Inflation	2.75
Salary increases	3.25% to 11.75%, including inflation
Investment rate of return	7.50% 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:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equities	24%	5.20%
Non-U.S. Equities	23%	6.40%
Private Equity	8%	9.50%
Private Real Estate	11%	4.45%
Yield driven	8%	4.70%
Real return	11%	3.25%
Fixed income	11%	1.55%
Short-Term Investments	4%	0.25%
Total	<u>100%</u>	

The discount rate used to measure the total pension liability at the measurement date of June 30, 2020 was 7.50%. The discount rate to measure total pension liability at the prior measurement date of June 30, 2019 was 7.75%. 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 7.5%, 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
ESU's proportionate share of the net pension liability	\$ 13,725,663	\$ 10,320,844	\$ 7,453,102

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

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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

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

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

Long-term Disability Benefit. Monthly benefit is 60% of the member’s monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker’s compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member’s 65th birthday or retirement date, whichever occurs first. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the member’ 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.

Members Covered by Benefit Terms. At June 30, 2021, there were 168 active members and 8 disabled members were covered by the benefit terms.

Total OPEB Liability. At June 30, 2021 and 2020, the University reported a OPEB liability of \$335,121 and \$401,825, respectively. The total OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50% to 10.0%, including price inflation
Discount rate	3.50% to 2.21%
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-2020. The actuarial assumptions used in the June 30, 2020 valuation have utilized the assumptions for the Kansas Public Retirement System (KPERS) as provided in the December 31, 2019 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.

EMPORIA STATE UNIVERSITY
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June 30, 2021 and 2020

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

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

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 401,826	\$ 446,432
Current year changes:		
Service cost	27,002	27,469
Interest on total OPEB liability	13,617	16,084
Effect of economic/demographic gains or losses	(34,591)	26,535
Effect of assumption changes or inputs	7,478	2,989
Benefit payments	<u>(80,211)</u>	<u>(117,683)</u>
Decrease in net OPEB obligation	<u>(66,705)</u>	<u>(44,606)</u>
Ending Balance	<u>\$ 335,121</u>	<u>\$ 401,826</u>

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate decreased from 3.50% on June 30, 2019 to 2.21% on June 30, 2020.

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, 2020, calculated using the discount rate of 2.21%, 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 (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$ 339,490	\$ 335,121	\$ 329,806

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, 2021 and 2020, the University recognized OPEB expense of \$29,153 and \$34,829, respectively. At June 30, 2021 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	\$ 21,081	\$ 99,442
Changes of assumptions	9,097	9,038
Benefit payments subsequent to the measurement date	<u>80,211</u>	<u>0</u>
Total	<u>\$ 110,389</u>	<u>\$ 108,480</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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

The deferred outflow of resources related to the benefit payments subsequent to the measuring date totaling \$80,211 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, 2022. 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,	
2022	\$ (11,466)
2023	(11,466)
2024	(11,466)
2025	(11,466)
2026	(11,466)
Thereafter	<u>(20,972)</u>
	<u>\$ (78,302)</u>

NOTE 14 – OPERATING EXPENSES BY NATURAL CLASSIFICATION

The University's operating expenses by natural classification for the years ended June 30, 2021 and June 30, 2020 follows:

	Compensation		Supplies		Scholarships		Other		Fiscal Year	Fiscal Year
	and Benefits	Contractual Services	and Materials	Utilities	and Fellowships	Operating Expense	Depreciation	2021 Total	2020 Total	
Educational and General										
Instruction	\$28,714,810	\$1,058,063	\$467,463	\$0	\$502,229	\$482,456	\$0	\$31,225,021	\$32,035,693	
Research	293,190	16,215	35,101	0	40,850	44,766	0	430,122	528,525	
Public service	1,820,810	1,322,267	141,202	0	103,675	38,930	0	3,426,884	3,200,243	
Academic support	7,696,074	3,055,263	73,544	0	81,218	86,869	0	10,992,968	11,784,239	
Student services	4,715,333	1,174,182	305,500	0	99,735	469,403	0	6,764,153	5,660,149	
Institutional support	4,879,595	1,778,999	72,058	0	24,170	9,272	0	6,764,094	6,796,417	
Operations and maintenance of plant	5,368,744	822,180	526,528	1,494,518	0	1,184,822	0	9,396,792	7,881,278	
Scholarships & fellowships	0	0	0	0	6,961,770	0	0	6,961,770	6,748,989	
Depreciation	0	0	0	0	0	0	4,253,218	4,253,218	3,792,894	
Auxiliary Enterprises										
Athletics	2,226,186	439,670	354,597	0	1,929,737	5,909	0	4,956,099	5,301,422	
Assessment	0	-	300	0	0	0	0	300	806	
Parking	108,344	31,089	6,058	30	0	4,294	0	149,815	202,184	
Residential Life	1,281,391	744,316	206,024	393,242	3,274	35,006	0	2,663,253	2,177,142	
Student Health	615,336	62,584	26,069	0	0	1,288	0	705,277	728,541	
Total Operating Expenses FY 2021	<u>\$57,719,813</u>	<u>10,504,828</u>	<u>\$2,214,444</u>	<u>\$1,887,790</u>	<u>\$9,746,658</u>	<u>\$2,363,015</u>	<u>\$4,253,218</u>	<u>\$88,689,766</u>		
Total Operating Expenses FY 2020	<u>\$58,565,772</u>	<u>\$9,902,871</u>	<u>\$2,356,526</u>	<u>\$1,939,107</u>	<u>\$9,062,880</u>	<u>\$1,218,472</u>	<u>\$3,792,894</u>		<u>\$ 86,838,522</u>	

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 15 – RISKS AND UNCERTAINTIES

The World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020 a national emergency was declared to unlock federal funds to help states and local governments fight the pandemic. As the pandemic continues, governmental authorities and others can be expected to announce new actions or changes to existing declarations and actions. The current spread of COVID-19 is altering the behavior of businesses and people in a manner that may have negative effects on economic activity, and therefore adversely affect the financial condition of the University, either directly or indirectly. The extent of the pandemic's impact on the University's operations and financial condition continues to depend on future developments, which are uncertain, including, but not limited to, the duration and severity of the pandemic, the effects of the pandemic on the economy, the remedial actions and stimulus measures adopted by the federal and state governments, and to what extent normal economic and business activities can resume.

NOTE 16 – COMPONENT UNITS

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

Memorial Union Corporation

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

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

A contract between the Union and Sodexo Management, Inc. (Sodexo) provides for the operation of all dining services within the Union. The agreement calls for Sodexo to provide contract board meals to the Union at a contracted price and to remit a commission to the Union on cash sales generated by Sodexo. The Union's board of directors approved a ten-year agreement with Sodexo on July 8, 2009 with five options to extend the contract for an additional year. On May 2, 2019, the University signed a five year extension agreement which will be effective through May 17, 2024. Meal plan rates are reviewed and adjusted annually based on mutual agreement between Sodexo and the Union. An addendum to the contract stating the agreed upon rates is prepared annually. Contract board meals, the largest single source of revenue for the Union, provided \$1,922,334 in revenues which accounted for 72.5% 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.

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 16 – COMPONENT UNITS – continued

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

Investments for the Foundation at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Money markets accounts	\$ 2,013,361	\$ 708,728
Cash surrender value of life insurance	850,478	857,288
Fixed income mutual funds		0
Intermediate-term bond	12,819,033	10,753,369
Other fixed income mutual funds	1,048,382	2,642,610
Equity mutual funds		
Domestic equities	25,102,231	18,314,274
International equities	34,581,335	27,687,616
Other equity mutual funds	5,466,318	4,257,311
Hedge funds and fixed income partnerships	15,872,603	13,418,021
Real estate and real estate partnerships	5,855,575	5,310,227
Private equity and natural resources limited partnerships	<u>18,172,337</u>	<u>12,215,777</u>
	<u>\$ 121,781,653</u>	<u>\$ 96,165,221</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, 2021 and 2020:

	2021			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market accounts	\$ 2,013,361	\$ 2,013,361	\$ 0	\$ 0
Fixed income mutual funds				
Intermediate-term bond	12,819,033	12,819,033	0	0
Other fixed income mutual funds	1,048,382	1,048,382	0	0
Equity mutual funds				
Domestic equities	25,102,231	25,102,231	0	0
International equities	34,581,335	34,581,335	0	0
Other equity mutual funds	5,466,318	5,466,318	0	0
Real estate	<u>368,816</u>	<u>0</u>	<u>368,816</u>	<u>0</u>
Total investments	81,399,476	81,030,660	368,816	0
Beneficial interests in trusts	<u>10,466,315</u>	<u>0</u>	<u>255,870</u>	<u>10,210,445</u>
	<u>\$ 91,865,791</u>	<u>\$ 81,030,660</u>	<u>\$ 624,686</u>	<u>\$ 10,210,445</u>

EMPORIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 16 – COMPONENT UNITS – continued

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

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

	<u>2021</u>	<u>2020</u>
Investments recorded at		
Fair value and included above	\$ 81,399,476	\$ 64,670,478
Assets not at fair value	850,478	857,288
Net asset value	<u>39,531,699</u>	<u>30,637,455</u>
Total investments and beneficial interests in trusts	<u>\$ 121,781,653</u>	<u>\$ 96,165,221</u>

Contributions receivable at June 30, 2021 and 2020 consisted of the following unconditional promises to give discounted at a rate of 3.25%:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 1,672,510	\$ 1,180,023
Due in one to five years	4,377,253	2,611,886
Due in more than five years	<u>4,740</u>	<u>18,487</u>
	<u>6,054,503</u>	<u>3,810,396</u>
Less		
Allowance for uncollectible contributions	216,755	138,089
Unamortized discount	<u>440,443</u>	<u>272,003</u>
	<u>\$ 5,397,305</u>	<u>\$ 3,400,304</u>

EMPORIA STATE
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