

Kansas State University

Annual Financial Report

Fiscal Year Ended June 30, 2021

Kansas State University Manhattan, Kansas

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Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Kansas State University (K-State) for the year ended June 30, 2021, with comparative totals for the year ended June 30, 2020. This discussion has been prepared to assist readers in understanding the accompanying financial statements and footnotes.

K-State's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The financial statements, related footnote disclosures, and discussion and analysis are the responsibility of university management and have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles for public colleges and universities.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of K-State at the end of the fiscal year using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. 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 statement as a whole provides information about the adequacy of resources to meet current and future operating and capital needs.

Within the Statement of Net Position, assets and liabilities are further classified as current or non-current. Current assets are those that are highly liquid and available for immediate and unrestricted use by K-State, and current liabilities are those likely to be settled in the next twelve months.

Net Position is divided into three categories:

1. **Net investment in capital assets** consists of equity in property, plant, and equipment owned by K-State, net of accumulated depreciation and outstanding debt obligations related to those capital assets.
2. **Restricted net position** is further divided into two subcategories, non-expendable and expendable. The corpus of non-expendable restricted resources is available only for investment purposes. Expendable restricted net position resources are available for expenditure, 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 use for any lawful purpose of the institution. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of K-State's resources in this category have been designated for various academic and research programs and initiatives.

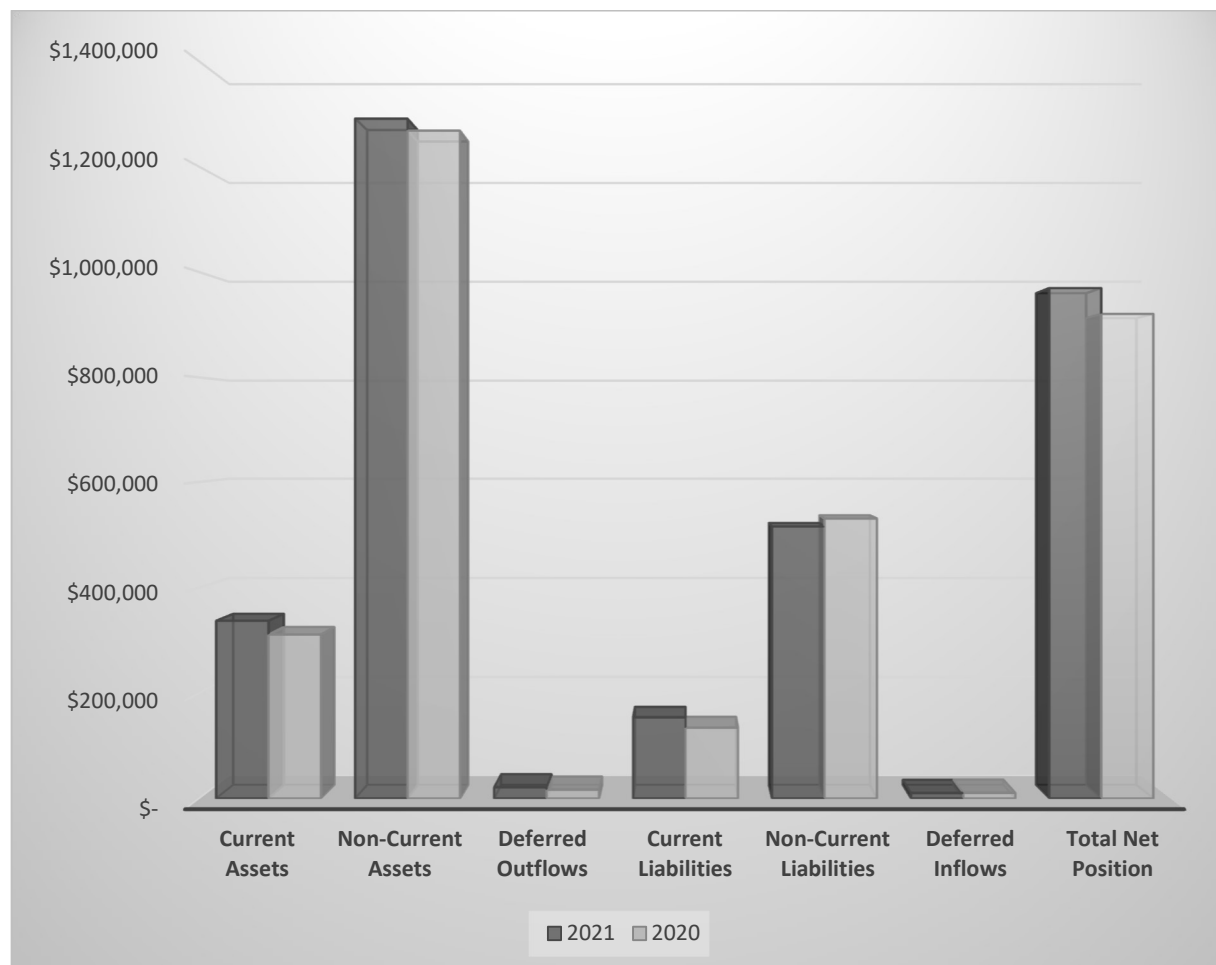
Total assets at June 30, 2021 were \$1.63 billion, compared to June 30, 2020 \$1.58 billion, an increase of 3.1%. Capital assets, net of depreciation, comprised 74.6%, or \$1.21 billion of the total assets.

Total liabilities were \$669.8 million at June 30, 2021, compared to \$665.2 million at June 30, 2020, an increase of 0.7%. This increase was primarily a result of an increase in unearned revenue. Long-term liabilities comprised 77%, or \$515.8 million of the total liabilities.

Total net position at June 30, 2021 was \$969.6 million, compared to \$920.51 at June 30, 2020, an increase of 5.3%. The university's net investment in capital assets increased \$21.9 million representing K-State's continued commitment to improving and maintaining the learning and working environment of the campus community. The breakout of net position is shown below:

	June 30, 2021	June 30, 2020
Net investment in capital assets	\$ 761,859,023	\$ 739,922,783
Restricted net position	67,771,695	72,595,840
Unrestricted net position	139,967,013	107,990,053
	<u>\$ 969,597,731</u>	<u>\$ 920,508,676</u>

The composition of current and non-current assets and liabilities and net position is displayed below for fiscal year-end 2021 and 2020 (in thousands):



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the total revenues earned and expenses incurred for operating, non-operating, and other related activities during the fiscal year. The purpose of this statement is to assess K-State's operating results.

Revenues

Operating revenues at K-State as of June 30, 2021 decreased by \$43.6 million, or 7.3%, to \$554.7 million compared to \$598.3 million the previous fiscal year. The following is a summary of the significant changes:

- Student fee revenues, after scholarship allowances, were \$202.88 million in 2021, compared to \$227.75 million in 2020, a decrease of 10.9%.
- Grants and contracts revenue (federal, state and local, and non-governmental) were \$229.7 million in 2021, compared to \$194.0 million in 2020, an increase of 2.7%. This category includes funds received for sponsored research, teaching, and public service activities.
- Auxiliary enterprises include Housing, Athletics, Parking Services, Student Health, and the Center for Child Development, along with a variety of other smaller services. Auxiliary revenues were \$107.89 million in 2021, compared to \$133.81 million in 2020, a decrease of 19.4%.
- Sales and services were \$51.5 million in 2021, compared to \$44.6 million in 2020, an increase of 15.5%.

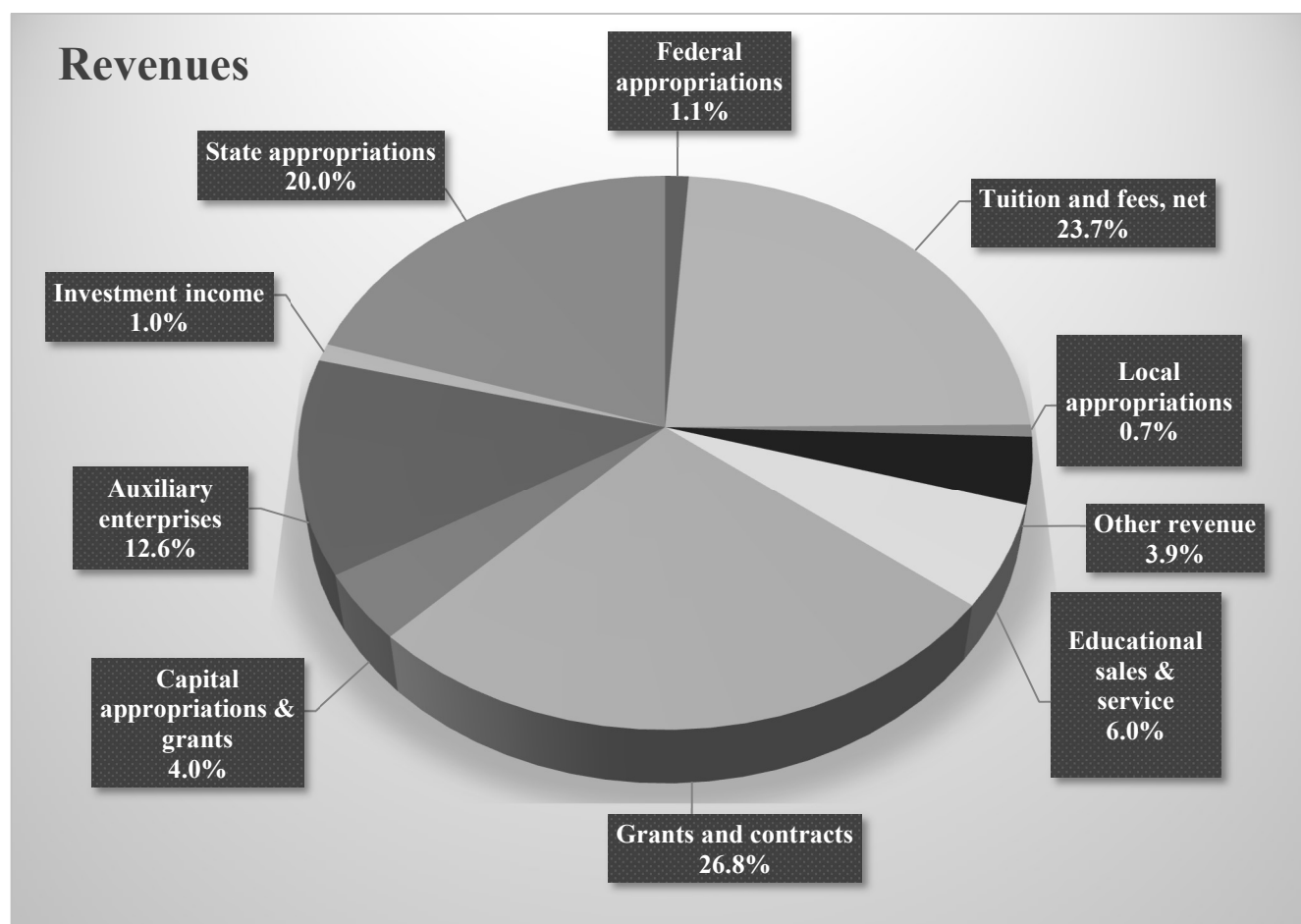
Total nonoperating revenues were up 11.4% from the prior year, going to \$255.73 million in 2021 from \$229.53 million in 2020. The following is a summary of the significant changes:

- State appropriations were \$170.99 million in 2021, compared to \$176.91 million in 2020, a decrease of 3.3%.
- Local appropriations were \$5.97 million in 2021, compared to \$6.13 million in 2020, a decrease of 2.6%.
- Investment income was \$8.68 million in 2021, compared to \$2.89 million in 2020, an increase of 200.2%.
- Federal grants and contracts were \$60.32 million in 2021, compared to \$30.8 million in 2020, an increase of 95.8%.
- Other nonoperating revenue was \$6.36 million in 2021, compared to \$7.16 million in 2020, a decrease of 11.2%.

Other revenues included the following changes and trends:

- Capital appropriations were \$12.26 million in 2021, compared to \$13.9 million in 2020, a decrease of 12.4%.
- Capital grants and gifts were \$19.43 million in 2021, compared to \$35.38 million in 2020, a decrease of 45.1%.

In summary, total revenues decreased by \$50.9 million to \$855.4 million in 2021 from \$906.3 million in 2020. The composition of the total for 2021 is displayed in the following graph:



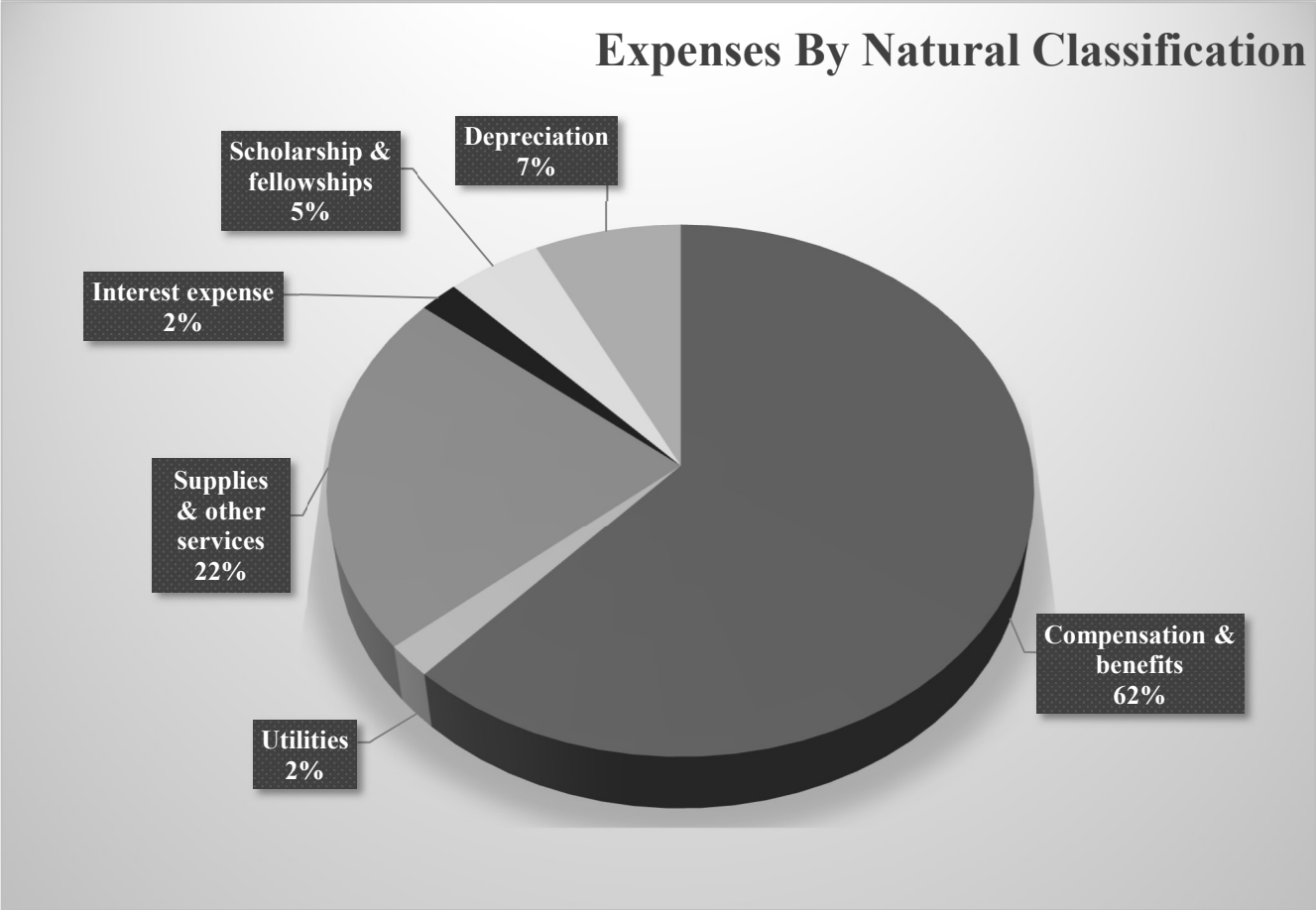
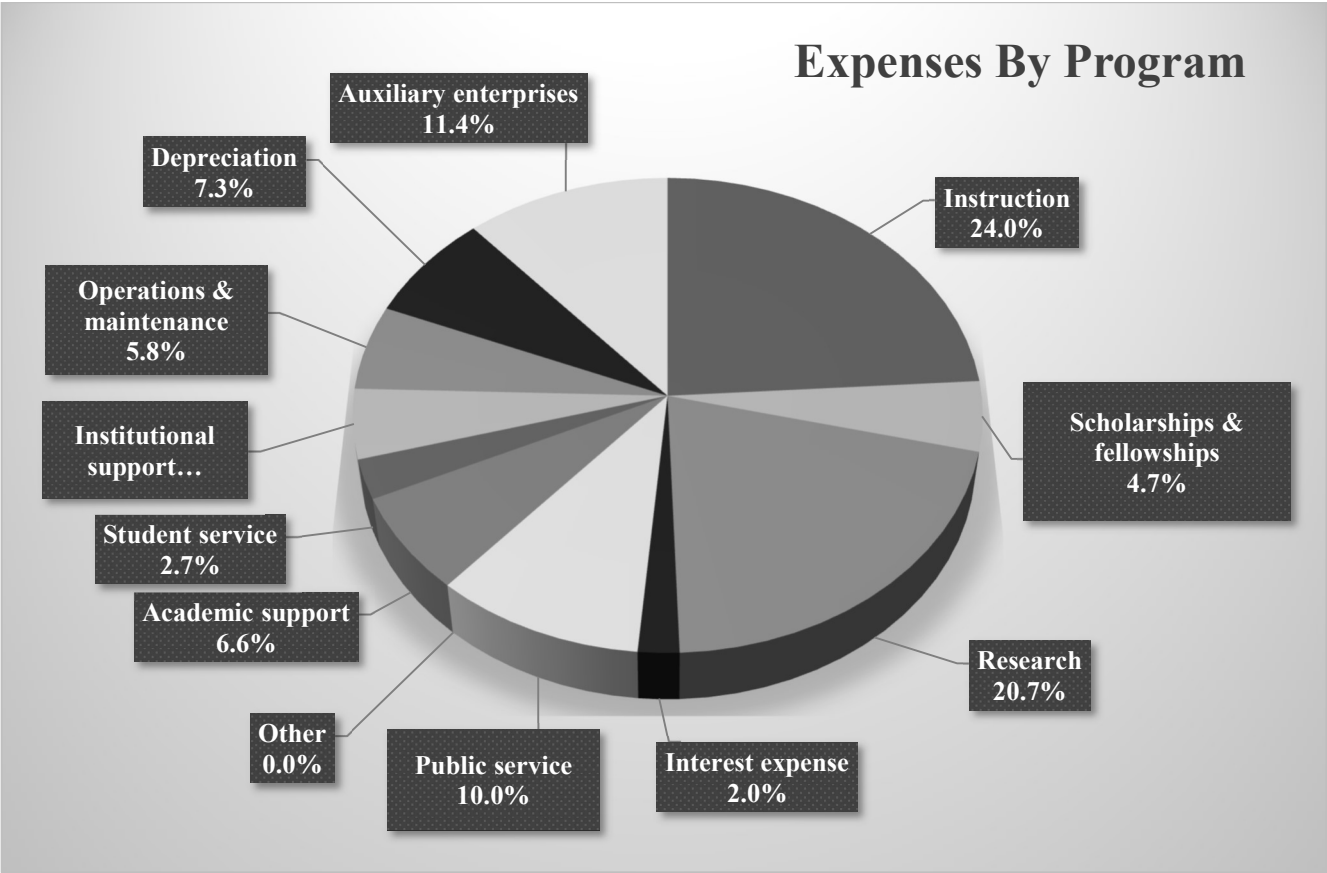
Expenses

Operating expenses were \$790.49 million for the 2021 fiscal year compared to \$821.26 million for the 2020 fiscal year. This was a decrease of 3.7%. The following is a summary of the changes for 2021:

- Expenses related to K-State's mission of instruction, research and public service were \$441 million in 2021, compared to \$461.5 million in 2020, a decrease of 4.4%.
- Auxiliary services expenses were \$92.1 million in 2021, compared to \$95.5 million in 2020, a decrease of 3.6%.
- Expenses related to academic support, student services, and institutional support were \$113.4 million in 2021, compared to \$113.75 million in 2020, a decrease of 0.3%.
- Operations & maintenance of plant expenditures were \$46.4 million in 2021, compared to \$50.2 million in 2020, a decrease of 7.6%.
- Depreciation expenses were \$59.25 million in 2021, compared to \$59.92 million in 2020, a decrease of 1.1%.
- Scholarship & fellowship expenses were \$38.29 million in 2021, compared to \$40.33 million in 2020, a decrease of 5.1%.

Non-operating expenses, represented by interest expense and loss on disposal of assets, were \$15.8 million in 2021, compared to \$18 million in 2020, a decrease of 12.2%.

The composition of total expenses for 2021, including operating and non-operating, are displayed below:



STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash receipts and payments during the fiscal year. Its purpose is to assess K-State's ability to generate future net cash flows and meet its obligations as they come due.

SUMMARY OF THE STATEMENT OF CASH FLOWS (in thousands of dollars):

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Net cash provided (used) by:		
Operating activities	\$ (154,135)	\$ (189,993)
Non-capital financing/appropriations	236,226	210,113
Capital and related financing/appropriations	(59,226)	(35,893)
Investing activities	<u>(4,127)</u>	<u>5,867</u>
Net increase in cash	\$ 18,738	\$ (9,906)
 Beginning cash and cash equivalent balances	 <u>206,242</u>	 <u>216,148</u>
Ending cash and cash equivalent balances	<u>\$ 224,980</u>	<u>\$ 206,242</u>

Cash provided by operating activities includes tuition and fee and grant and contract revenues. Cash used for operating activities includes payments to employees and suppliers. Cash provided by non-capital financing/appropriations includes state and local appropriations, federal grants and contracts, and the receipts and disbursements of the federal direct student loan program and the federal Pell student aid grant program. Cash provided for capital and related financing activities represents proceeds from debt, principal and interest payments towards 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.

CAPITAL ASSETS

K-State made significant investments in capital during the 2021 fiscal year. Detailed information regarding capital asset additions, retirements & depreciation is available in Note 6 to the financial statements.

The following is a brief summary of the construction projects that were completed during the current fiscal year:

- Various deferred building maintenance projects totaling \$10.5 million.
- The \$5.5 million Morris Family Multicultural Student Center includes gathering, meeting, and performance practice spaces, student and multicultural student organization group spaces, a kitchen, office spaces, prayer/meditation room and additional core support spaces. Construction began December 2020 and was substantially complete and occupied beginning November 2020.
- The Mosier Hall renovation project will be completed in three phases. The first two phases include the creation of a new auditorium with updated technology and seating options and the creation of a new Pet Health Center. The estimated total cost for the first two phases is \$8 million. The project began October 2020 and was completed January 2021. The third phase will address the need for additional research space by creating a research suite.
- The Hale Library repair and restoration project was undertaken as result of a fire on May 22, 2018. The \$42 million project began January 2020 and was completed February 2021.
- Renovation of the Derby Dining Center includes a new entry, updates to the first floor, a new open dining experience on the second floor, updates to the heat and air systems as well as the fire safety systems. The \$16 million renovation began November 2020 and was completed January 2021.

Additionally, several construction projects were in progress or in the planning and design phase at year-end:

- The McCain Auditorium project will expand and renovate the lobby to improve patron interactions and experiences. A new box office, concierge station, and concessions area will be added to provide adequate ticket and event space. In addition, a new suite of administrative offices, a technical director's suite, and donor lounge will be created. The \$6 million project began May 2020 and was completed in August 2021.
- The Bill Snyder Family Stadium south end zone seating and concourse expansion project will include the creation of new premium seating options above the existing concourse level and additional public restrooms and concessions. New video boards will be installed in the southeast and southwest corners of the stadium and additional improvements will be made to Bramlage Coliseum. The \$49.9 million project began June 2021 and was completed in August 2021.
- A new \$7.7 million residence hall on the Salina Aerospace and Technology Campus will expand housing capabilities due to a 122% increase in new freshman enrollment and lack of housing available in the Salina community. Construction is anticipated to begin in March 2022 and be complete June 2023.
- The new Football Indoor Facility, which will include an accompanying outdoor practice field, will provide an enormous recruiting and operational advantage for the football program and allow it to operate in a more efficient manner throughout the year. This new facility will feature a full outdoor turf practice field, 130-yard indoor turf practice field, accessibility to the Vanier Family Football Complex and a limestone exterior to match stadium and campus architecture. The \$31.7 million construction project is anticipated to begin March 2022 and be complete June 2023.
- A new \$43.2 million Volleyball/Olympic Training Center will include a two-level, air-conditioned Volleyball arena seating 3,100 fans and feature two practice courts and a game court. In addition, auxiliary locker rooms will accommodate multiple teams for regular season and NCAA tournament matches. The Olympic Training Center will service and be used daily by 12 of the 16 K-State Athletics' teams. Included are a 14,000 sq ft strength and conditioning, sports medicine and rehab space, nutrition and refueling station, 8,000 sq ft second level multi-use turf area, office space and a mental health & wellness area. Construction will begin March 2022 and is anticipated to be complete June 2023.

DEBT ADMINISTRATION

At June 30, 2021, K-State had \$454.44 million in debt outstanding, compared to \$469.49 million at June 30, 2020. K-State paid \$24.4 million in principal payments related to all outstanding debt.

Standard & Poor's Ratings Services currently rates K-State "A+". Moody's Investors Service currently rates K-State "Aa3". More detailed information about the long-term liabilities is available in Notes 8, 9, 10 and 11 to the financial statements.

ECONOMIC OUTLOOK

The university continues to make progress towards its goal to become a top 50 public research university by the year 2025. Research awards have been steadily increasing with FY 2021 exceeding \$206 million, a 40% increase since our 2025 strategic plan began. Our endowment balance, which benefits key areas for our faculty, staff, and students, was at \$860.5 million at the end of FY 2021 up from \$628 million in FY 2020. The substantial increase was driven primarily by the global equity markets' reaction to stimulus policies and reopening of economies during the pandemic. The university's alumni, friends, corporate partners, students, faculty, and staff provided a total of \$177.4 million of gift activity. This is the tenth consecutive year that fundraising has topped \$100 million, with the three-year average reaching \$182 million. These private funding efforts reflect donor and alumni confidence that K-State is delivering a quality educational and student life experience for our students and conducting vital research and service efforts for the state, nation and world.

Fall student headcount for the 2020-2021 academic year dropped 4.1% from fall 2019, with predictions for additional declines in enrollment in the 2021-2022 academic year. The University continues to advance our strategic enrollment plan and will implement a modified tuition and fee structure for fall 2021. The implementation of a new simplified tuition and fees structure is an important step forward in providing students with flexibility in choosing the modality of instruction without financial consideration and an easier-to-understand cost of attendance. We are also continuing our efforts to further deploy our new customer relations management system to better coordinate our recruitment events, communication campaigns, and ultimately improve upon our enrollment yield. We are continuing efforts to improve upon and align our current activities related to all facets of the student journey with K-State, from recruitment and admissions through the educational experience and post-graduation.

At the state level, prior to the close of the 2021 Legislative Session, the Legislature restored the \$7.4M of CARES Act funding that the University's State General Fund was reduced by and replaced with federal funds in the previous year. However, the SGF funding remains 2% below pre-pandemic State General Fund levels. Additional one-time funding for higher education was appropriated by the 2021 Legislature to satisfy Federal Maintenance of Effort (MOE) requirements for the State to receive over \$1 billion in federal aid. The University received \$4.2 million of this MOE grant which was earmarked by the State for specific uses. The University also received \$1.9 million for need-based aid scholarships and recruitment efforts. Excluding the one-time MOE funds, the State general fund appropriations for FY 2022 are currently set at \$177.8 million. The long-term outlook of K-State's state appropriations remains unclear. State funding has remained stagnant or fallen and pressure is increasing to fund additional operating costs and growth in key academic areas with tuition dollars and extramural funding. In addition, an upcoming physical infrastructure deferred maintenance requirement, required by the Kansas Board of Regents, presents significant costs increases that will be difficult to manage without additional investment by the State.

COVID IMPACT

The University continues to manage impacts of the COVID-19 pandemic. FY 2021 saw significant impacts to our institution to mitigate the effects of the crisis. All areas of campus were affected by the pandemic including student enrollment, housing and dining, parking services and other revenue generating activities. In recognition of this unprecedented financial picture, the University executed significant budgetary reductions in FY 2021 including implementation of a hiring freeze, termination of employees, deployed furloughs, and reduced other operating expenditures. The University also received support through federal, state, and local governments to assist with the additional cost burdens associated with the pandemic. This, along with the conservative planning, allowed the University to continue operations.

The University welcomed students, faculty, and staff back to campus in fall 2020 by deploying remote and hybrid work and instruction methods. As the pandemic persisted, the goal was to reduce the density of classrooms, residence halls and workspaces to enable proper social distancing. Robust and proactive testing, quarantine and isolation policies allowed us to successfully limit the spread of COVID-19 for our students, faculty and staff. The University planned a return to campus for fall 2021 with increased in-person activity while maintaining an active focus on COVID-19 safety measures including mask requirements and improvements to our ventilation systems. The length of the health crises and pace of recovery remain uncertain, and plans will continue to evolve as necessary in response to pandemic needs.

Although the immediate uncertainties of the pandemic have passed, it has disrupted the traditional cadence of attendance at higher education institutions. This, combined with the University's already declining enrollment, unpredictable state investment and increasing operational expenses will prove to be challenging for K-State in the upcoming year. Management will diligently monitor the state, national, and university economic conditions as part of its financial planning to protect the long-term health of the institution. The University is not aware of any additional known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variables having a global effect on virtually all types of business operations.

Kansas State University
Statement of Net Position
For the Year Ended June 30, 2021

	University Funds	
	2021	2020
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 214,442,434	\$ 182,016,773
Restricted cash and cash equivalents	10,537,543	24,225,437
Accounts receivable, net	74,490,699	72,349,986
Insurance recovery receivable	-	-
Pledges receivable, net	9,006,180	7,417,474
Investments	19,776,772	12,359,168
Loans to students, net	4,614,239	5,764,704
Inventories	3,759,916	6,430,852
Prepaid expenses	592,950	561,162
Total Current Assets	337,220,733	311,125,556
Noncurrent Assets		
Restricted cash and cash equivalents	-	-
Pledges receivable, net	24,588,321	25,523,022
Investments	46,132,461	40,032,645
Loans to students, net	6,189,241	7,619,818
Other assets	159,618	162,122
Capital assets, net	1,214,124,244	1,195,146,672
Total Noncurrent Assets	1,291,193,885	1,268,484,279
Total Assets	1,628,414,618	1,579,609,835
<u>DEFERRED OUTFLOWS</u>		
Deferred amounts on refunding	1,736,717	3,235,481
Pension contributions	17,124,815	10,832,542
Asset Retirement Obligation	1,607,120	1,570,497
OPEB Death & Disability	746,964	956,741
Total Deferred Outflows of Resources	21,215,616	16,595,261
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	47,836,103	47,319,385
Due to other agencies	-	-
Unearned revenue	52,506,988	39,992,090
Accrued compensated absences	17,168,378	17,467,870
Capital leases payable	700,509	710,192
Other loans payable	7,610,532	113,561
Revenue bonds payable	22,250,848	23,977,105
Other liabilities	45,416	51,079
Deposits held in custody for others	3,719,547	2,648,529
Refundable advances from governmental grants	2,113,789	2,049,552
Total Current Liabilities	153,952,110	134,329,363
Noncurrent Liabilities		
Accrued compensated absences	8,616,420	7,392,128
Accrued other postemployment benefits	-	-
Capital leases payable	3,810,504	4,583,312
Other loans payable	772,911	883,443
Revenue bonds payable	419,293,500	439,222,398
Other liabilities	1,269,531	1,118,723
Refundable advances from governmental grants	6,838,154	8,160,347
OPEB death & disability liability	3,123,310	3,485,056
Asset retirement obligation liability	1,705,972	1,635,155
Net pension liability	70,383,684	64,382,220
Total Noncurrent Liabilities	515,813,986	530,862,782
Total Liabilities	669,766,096	665,192,145
<u>DEFERRED INFLOWS</u>		
OPEB Death & Disability	447,886	192,984
Pension contributions	9,818,521	10,311,291
Total Deferred Inflows of Resources	10,266,407	10,504,275
<u>NET POSITION</u>		
Net investment in capital assets	761,859,023	739,922,783
Restricted for:		
Nonexpendable	21,129,564	19,494,210
Expendable		
Scholarships, research, instruction, public service, & other	21,076,516	13,571,167
Loans	6,350,968	6,258,358
Capital projects	16,698,824	29,409,421
Debt service	2,515,823	3,862,684
Unrestricted	139,967,013	107,990,053
Total Net Position	\$ 969,597,731	\$ 920,508,676

Kansas State University
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

	University Funds	
	2021	2020
Operating Revenues:		
Tuition and fees, net of scholarship allowances of \$41,899,029	\$ 202,878,653	\$ 227,752,820
Federal appropriations	9,716,902	14,607,986
Federal grants and contracts	102,844,086	97,725,313
State and local grants and contracts	25,864,785	23,501,471
Nongovernmental grants and contracts	40,662,894	42,951,093
Sales and services of educational activities	51,523,955	44,599,788
Auxiliary enterprises		
Housing revenues	33,637,885	34,957,656
Athletics revenues	62,640,828	86,127,454
Parking revenues	2,767,613	3,166,800
Student health revenues	7,421,915	7,840,541
Child care center revenues	1,302,220	1,591,180
Other auxiliary revenues	121,563	131,305
Interest earned on loans to students	312,816	410,263
Other operating revenues	13,013,018	12,944,689
Contributions	11,285	17,175
Total Operating Revenues	554,720,418	598,325,534
Operating Expenses:		
Instruction	193,475,605	201,629,068
Research	166,829,519	175,051,077
Public Service	80,728,279	84,776,452
Academic Support	53,462,797	48,840,050
Student Service	21,701,910	29,002,428
Institutional Support	38,237,820	35,911,022
Operations & Maintenance of Plant	46,377,292	50,178,559
Depreciation	59,251,567	59,915,784
Scholarships & Fellowships	38,286,919	40,325,994
Auxiliary Enterprises	92,056,246	95,486,217
Other Expenses	79,385	141,532
Total Operating Expenses	790,487,339	821,258,183
Operating Income (Loss)	(235,766,921)	(222,932,649)
Nonoperating Revenues (Expenses)		
State appropriations	170,987,851	176,906,945
Local appropriations	5,968,289	6,128,475
Federal grants and contracts	60,318,223	30,804,315
Other nonoperating revenue	6,360,004	7,162,016
Investment income	8,677,502	2,890,258
Interest expense	(15,825,271)	(16,709,112)
Gain/Loss on disposal of assets	651,720	(1,318,365)
Student fees for capital projects	2,771,582	5,635,076
Net Nonoperating Revenues	239,909,900	211,499,608
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	4,142,979	(11,433,041)
Other Revenues, Expenses, Gains and Losses		
Capital appropriations	12,259,000	13,995,453
Capital grants and gifts	19,427,409	35,380,713
Additions to permanent endowment	22,218	17,225
Other additions/deductions, net	271,643	1,099,031
Asset Retirement Obligation	(34,194)	(32,714)
Perkins program termination	-	-
Extraordinary gain - building impairment, insurance recovery	13,000,000	28,000,000
Other Revenues, Expenses, Gains and Losses	44,946,076	78,459,708
Increase (Decrease) in Net Assets	49,089,055	67,026,667
Net Position		
Net Position -- Beginning of Year, as previously reported	920,508,676	853,482,009
Net Position -- End of Year	\$ 969,597,731	\$ 920,508,676

Kansas State University
Statement of Cash Flows
For the Year Ended June 30, 2021

	University Funds	
	2021	2020
Cash Flows from Operating Activities		
Tuition and fees	\$ 203,254,845	\$ 225,283,113
Endowment income	11,285	17,175
Sales and services of educational activities	51,523,955	44,599,788
Auxiliary enterprise charges		
Housing	33,637,885	34,957,656
Other	83,359,417	87,061,814
Grants and contracts	173,672,704	162,495,839
Federal appropriations	12,330,985	12,626,681
Payments to suppliers	(229,715,850)	(241,503,780)
Compensation & benefits	(498,117,398)	(529,515,799)
Loans issued to students and employees	2,581,042	629,385
Other receipts (payments)	13,325,834	13,354,952
Net Cash Flows from Operating Activities	(154,135,296)	(189,993,176)
Cash Flows from Noncapital Financing Activities		
State appropriations	171,165,215	174,097,661
Local appropriations	5,968,289	6,128,475
Federal/State student aid	53,464,547	24,183,252
Repayment of perkins funds to ED	(2,076,408)	(2,320,827)
Funds held for others	380,406	284,824
Nonoperating grants	7,323,601	7,739,236
Net Cash Flows from Noncapital Financing Activities	236,225,650	210,112,621
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	90,440,770	58,531,278
Proceeds from sale of capital assets	1,427,707	401,620
Proceeds from insurance recovery	13,000,000	28,000,000
Capital appropriations	12,259,000	13,995,453
Capital grants and gifts	19,427,409	35,380,713
Student fees for capital projects	2,771,582	5,635,076
Purchases of capital assets	(79,005,125)	(94,397,401)
Principal paid on capital debt and leases	(26,591,977)	(24,372,899)
Principal paid by revenue bond defeasance	(78,900,000)	(43,500,000)
Interest paid on capital debt and leases	(14,326,507)	(16,666,031)
Other	271,643	1,099,031
Net Cash Flows from Capital and Related Financing Activities	(59,225,499)	(35,893,160)
Cash Flows from Investing Activities		
Investment income	1,181,275	2,860,242
Purchase of investments	(17,242,644)	(20,078,495)
Redemption of investments	11,934,281	23,085,967
Net Cash Flows from Investing Activities	(4,127,088)	5,867,714
Net change in cash and cash equivalents	18,737,767	(9,906,001)
Prior Period Restatement		0
Cash and cash equivalents -- beginning of year	206,242,210	216,148,211
Cash and cash equivalents -- end of year	\$ 224,979,977	\$ 206,242,210

Kansas State University
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2021

	University Funds	
	2021	2020
Reconciliation		
Operating income (loss)---SRECNP	\$ (235,766,921)	\$ (222,932,649)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	59,251,567	59,915,784
Changes in assets and liabilities:		
Accounts receivable, net	3,881,594	(13,845,339)
Loans to students, net	2,581,042	629,385
Inventories	2,673,440	(1,971,268)
Prepaid expenses	(31,788)	(403,315)
Accounts payable and accrued liabilities	516,718	(5,418,115)
Deferred revenue	12,514,898	(4,083,177)
Accrued compensated absences	924,800	2,181,404
OPEB obligations	102,933	(557,280)
Pension contributions	(783,579)	(3,508,606)
Net cash used in operating activities---Cash Flow	<u>\$ (154,135,296)</u>	<u>\$ (189,993,176)</u>

Kansas State University Foundation
Consolidated Statements of Financial Position
June 30, 2021 and 2020

Assets

	2021	2020
Cash and cash equivalents	\$ 29,511,589	\$ 80,278,830
Investments	1,153,016,819	848,530,291
Pledges receivable – net of allowance and discounts	83,235,816	82,810,060
Receivables from estates	26,255,240	1,278,683
Loans receivable	31,389	36,556
Property and equipment, net of accumulated depreciation; 2021 - \$3,789,866, 2020 - \$3,137,979	13,754,662	14,205,259
Golf Course property and equipment, net of accumulated depreciation; 2021 - \$5,091,450, 2020 - \$4,655,366	6,991,578	6,905,485
Note receivable	10,374,000	10,374,000
Cash surrender value of life insurance policies	8,668,045	7,574,922
Other assets and accrued investment income	7,271,257	7,025,512
	<hr/>	<hr/>
Total assets	<u>\$ 1,339,110,395</u>	<u>\$ 1,059,019,598</u>

Liabilities and Net Assets

Liabilities

Accounts payable, deposits and other liabilities	\$ 1,852,172	\$ 2,136,880
Accrued liabilities	3,958,267	3,378,449
Assets held for others	18,489,758	13,342,373
Unitrust and annuity liabilities	24,699,065	22,497,790
Long-term debt and lines of credit	46,916,755	44,441,783
	<hr/>	<hr/>
Total liabilities	95,916,017	85,797,275

Net Assets

Net assets without donor restrictions	136,748,821	94,584,254
Net assets with donor restrictions	1,106,445,557	878,638,069
	<hr/>	<hr/>
Total net assets	1,243,194,378	973,222,323
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,339,110,395</u>	<u>\$ 1,059,019,598</u>

Kansas State University Foundation
Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 5,106,166	\$ 114,820,628	\$ 119,926,794
Recovery for bad debts	14,278	292,193	306,471
Net contribution revenue, less provision for bad debts	<u>5,120,444</u>	<u>115,112,821</u>	<u>120,233,265</u>
Investment income (loss), net	(12,920,461)	1,802,782	(11,117,679)
Net realized and unrealized gains on investments	56,916,755	188,897,135	245,813,890
Other support			
Operational service charges, management fees and other	19,621,207	(35,737)	19,585,470
Receipts for grants, research, supplies, travel and other			
University departmental activities and funding allotments, etc.	615,211	1,850,406	2,465,617
Actuarial losses on unitrusts and annuity obligations	(142)	(17,589)	(17,731)
Net assets released from restrictions and change in donor designation	<u>79,802,330</u>	<u>(79,802,330)</u>	<u>-</u>
Total revenues, gains and other support	<u>149,155,344</u>	<u>227,807,488</u>	<u>376,962,832</u>
Expenses and Support			
Direct University support			
Scholarships and other student awards	17,533,196	-	17,533,196
Academic support	14,263,238	-	14,263,238
Administrative support	36,596,938	-	36,596,938
Capital improvements	15,999,112	-	15,999,112
Subtotal	<u>84,392,484</u>	<u>-</u>	<u>84,392,484</u>
Management and general	10,560,456	-	10,560,456
Fundraising and development	<u>12,037,837</u>	<u>-</u>	<u>12,037,837</u>
Total expenses and support	<u>106,990,777</u>	<u>-</u>	<u>106,990,777</u>
Change in Net Assets	42,164,567	227,807,488	269,972,055
Net Assets, Beginning of Year	<u>94,584,254</u>	<u>878,638,069</u>	<u>973,222,323</u>
Net Assets, End of Year	<u><u>\$ 136,748,821</u></u>	<u><u>\$ 1,106,445,557</u></u>	<u><u>\$ 1,243,194,378</u></u>

Kansas State University Foundation
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 3,285,514	\$ 105,616,410	\$ 108,901,924
Provision for bad debts	(23,422)	(1,194,688)	(1,218,110)
Net contribution revenue, less provision for bad debts	<u>3,262,092</u>	<u>104,421,722</u>	<u>107,683,814</u>
Investment loss, net	(6,747,810)	(210,774)	(6,958,584)
Net realized and unrealized gains on investments	10,958,780	25,571,628	36,530,408
Other support			
Operational service charges, management fees and other	18,352,831	(35,257)	18,317,574
Receipts for grants, research, supplies, travel and other			
University departmental activities and funding allotments, etc.	682,206	1,222,930	1,905,136
Actuarial gains (losses) on unitrusts and annuity obligations	39,405	(2,553,478)	(2,514,073)
Net assets released from restrictions and change in donor designation	<u>82,330,807</u>	<u>(82,330,807)</u>	<u>-</u>
Total revenues, gains and other support	<u>108,878,311</u>	<u>46,085,964</u>	<u>154,964,275</u>
Expenses and Support			
Direct University support			
Scholarships and other student awards	17,580,674	-	17,580,674
Academic support	10,996,173	-	10,996,173
Administrative support	49,427,820	-	49,427,820
Capital improvements	7,799,388	-	7,799,388
Subtotal	<u>85,804,055</u>	<u>-</u>	<u>85,804,055</u>
Management and general	9,227,440	-	9,227,440
Fundraising and development	<u>12,735,714</u>	<u>-</u>	<u>12,735,714</u>
Total expenses and support	<u>107,767,209</u>	<u>-</u>	<u>107,767,209</u>
Change in Net Assets	1,111,102	46,085,964	47,197,066
Net Assets, Beginning of Year	<u>93,473,152</u>	<u>832,552,105</u>	<u>926,025,257</u>
Net Assets, End of Year	<u><u>\$ 94,584,254</u></u>	<u><u>\$ 878,638,069</u></u>	<u><u>\$ 973,222,323</u></u>

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Kansas State University (K-State) is a comprehensive, research, federal land grant institution, governed by the Kansas Board of Regents, and is an agency of the State of Kansas. Accordingly, K-State is included in the audited comprehensive annual financial report of the State of Kansas.

K-State is currently classified as a Doctoral/Research University – Extensive under the Carnegie Classification system and is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. Undergraduate, graduate and post-graduate degrees are available from nine colleges: Agriculture, Architecture, Planning & Design, Arts & Sciences, Business Administration, Education, Engineering, Health and Human Sciences, Veterinary Medicine, and Salina Aerospace and Technology (formerly K-State Polytechnic).

Other major operating units of K-State are the Agricultural Experiment Station and the statewide Cooperative Extension Service. K-State provides teaching, research, public service and related activities in the cities of Manhattan, Salina, and Olathe, Kansas. Additional sites include 18,000 acres of the Agricultural Experiment Station located in research centers at Hays, Garden City, Colby, Tribune and Parsons, and 8,600 acres in the Konza Prairie Research Natural Area, which is jointly operated by the Agricultural Experiment Station and the Division of Biology.

Financial Reporting Entity

As required by the accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the consolidated financial position and financial activities of K-State and the component units listed below. These financial statements have not been audited.

Blended Component Units

The following blended component units are legally separate entities for which the university is financially accountable:

K-State Olathe Innovation Campus, Inc. is a not-for-profit corporation under the laws for the State of Kansas. Located in Olathe, Kansas, it is a place of academic research and focuses primarily on commercially viable applied research and technology discovery in animal health, plant science, food safety and security, bioenergy, and other relevant areas. It is a Type 1 Supporting Organization of Kansas State University under section 509 (a)(3) of the Internal Revenue Code.

K-State Athletics, Inc. is a not-for-profit entity under the laws of the State of Kansas. It provides an intercollegiate athletic program for the students, faculty, alumni, guests, and visitors of Kansas State University. The primary source of revenue is derived from athletic event ticket sales, conference distributions and game guarantees. K-State Athletics, Inc. has agreed to operate as a department of the university and be subject to the regulations and administrative policies of K-State.

Kansas State University in Italy is a not-for-profit entity established under Italian law in order to carry out education programs for students of K-State in Italy with recognition of a non-taxable entity status by Italian authorities.

The K-State Union Corporation is a not-for-profit entity under the laws of the State of Kansas, formed for the purpose of providing services and maintaining facilities for the operation of a student union at K-State.

Kansas State University Veterinary Clinical Outreach, Inc. is a not-for-profit corporation under the laws of the State of Kansas. Its purpose is to provide hands-on clinical training at satellite facilities for the Veterinary Health Center at K-State.

Kansas State University Research Foundation (dba Kansas State University Innovation Partners) is a not-for-profit corporation under the laws of the State of Kansas. The business and purposes of this corporation are to promote, encourage, and aid scientific investigation, research, and technology transfer at Kansas State University.

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Discrete Component Unit

The Kansas State University Foundation (the Foundation) is legally separate from K-State and based on the nature and significance of the relationship to K-State is discretely presented.

The Foundation is a not-for-profit corporation under the laws of the State of Kansas. It was organized to promote the development and welfare of Kansas State University in its educational and scientific purposes. As a private, nonprofit organization, its financial reports are prepared in accordance with Financial Accounting Standards Board (FASB) standards, including FASB Statement Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Due to the differences between K-State and the Foundation's reporting models, the Foundation's financial statements are not included in the consolidated statements, but instead are separately presented with no modifications. A complete copy of their audited financial statements, including notes, is available on their website:

<https://www.found.ksu.edu/financials/audit/index.html>.

Basis of Accounting

For financial reporting purposes, K-State is considered a special-purpose government engaged only in business-type activities. Accordingly, K-State's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash Equivalents

For the purposes of the Statement of Cash Flows, K-State considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities, fixed income securities, and mutual funds are carried at fair value. Fair value is determined using quoted market prices.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to K-State's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are stated at cost.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, K-State's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of 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 is \$100,000 or greater. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Costs incurred during construction of long-lived assets are recorded as construction-in-progress and are not depreciated until placed in service.

Depreciation is computed using the straight-line method and half-year convention over the estimated useful lives of the assets, generally 40 years for buildings, 25 years for infrastructure and land improvements, 8 years for equipment, 5 years for vehicles, 3 years for information processing and computer systems, and 5 to 40 years for componentized buildings and building improvements.

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Works of art have been capitalized at cost at the date of acquisition or fair market value at the date of donation. These are considered inexhaustible and are not subject to depreciation. It is the intent of K-State that all art works and historical objects be held for the purpose of exhibition to the public to further education and research. If any items are sold from any collection, the proceeds from such disposition are intended to be set aside for future acquisitions for the collections.

Unearned Revenues

Unearned revenues consist primarily of summer school tuition not earned during the current year, amounts received from grant and contract sponsors that have not yet been earned, and athletic ticket sales.

Compensated Absences

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

Deposits Held in Custody for Others

Deposits held in custody for others consist primarily of student organizations' moneys and amounts due for various study abroad programs.

Refundable Advances from Governmental Grants

In accordance with GASB Statement 33, K-State has recognized a liability for the federal portion of its Perkins Loan portfolio that is expected to be repaid to the Department of Education. Given that the Perkins Loan Program was not renewed and the wind-down procedures for the program require that the Federal funds be returned on an annual basis for the Department of Education's portion of the cash received each year, a liability has been recognized and an allocation is made between current and noncurrent based on expected repayment requirements in accordance with the current Department of Education guidelines.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds and loans payable, capital lease obligations with contractual maturities greater than one year, estimated amounts for accrued compensated absences, accrued other postemployment benefits, and other liabilities that will not be paid within the next fiscal year.

Deferred Outflow/Inflows of Resources

Deferred outflows and deferred inflows result from the consumption or acquisition of net position in one period that is applicable to future periods. Deferred outflows related to debt defeasance are amortized over the remaining life of the debt refunded. Deferred outflows and deferred inflows related to the pension plan are described in more detail in Note 13. Deferred outflows and deferred inflows related to the KPERs Death and Disability benefits plan are described in more detail in Note 14.

Net Position

K-State's net position is classified as follows:

Net investment in capital assets: This component represents capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction or improvement of those assets.

Restricted net position – non-expendable: Restricted non-expendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of K-State, 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

K-State is classified as exempt from federal income tax under Section 115(a) and under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3). Certain revenues generated from activities unrelated to K-State's exempt purpose may be subject to federal income tax under Internal Revenue Code Section 511(a)(2)(B).

Classification of Revenues

Revenues are classified as either operating or non-operating 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) federal appropriations, 3) sales and services of auxiliary enterprises or educational activities, 4) most federal, state and local grants and contracts, and 5) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, certain federal and state grants, and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, such as state appropriations and investment income.

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 Statement 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 K-State 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 non-operating revenues in K-State's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, a scholarship discount and allowance has been recorded.

Pensions

K-State's proportional share of the Kansas Public Employees Retirement System (KPERS) is reported in accordance with the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Note 2 – Deposits and Investments

A summary of deposits and investments at June 30 is as follows:

	2021	2020
Cash deposits with State Treasury	\$ 191,765,183	\$ 152,753,102
Cash deposits with financial institutions	33,214,794	53,489,108
Investments at K-State Foundation	38,523,598	23,310,338
Other investments	27,385,635	29,081,475
	<u>\$ 290,889,210</u>	<u>\$ 258,634,023</u>

A reconciliation of deposits and investments to the Statement of Net Position as of June 30 is as follows:

	2021	2020
Cash and cash equivalents (current)	\$ 214,442,434	\$ 182,016,773
Restricted cash and cash equivalents (current)	\$ 10,537,543	24,225,437
Investments (current)	\$ 19,776,772	12,359,168
Investments (non-current)	\$ 46,132,461	40,032,645
	<u>\$ 290,889,210</u>	<u>\$ 258,634,023</u>

Deposits

The total carrying amount of cash and cash equivalents on deposit with the State Treasurer and other financial institutions at June 30, 2021 was \$224,979,977. K-State's deposits with the State Treasurer are pooled with the funds of other state agencies and, with the exception of the bond funds, placed in short-term investments in accordance with statutory limitations with the exception of the bond funds. All bond proceeds are invested in conjunction with specifications stated in the bond resolutions.

State law requires K-State 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 are any funds maintained in the imprest fund, organizational safekeeping, and any funds held by external entities on behalf of K-State.

Cash balances maintained by the State Treasurer are pooled and 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 the Pooled Money Investment Board and are reported at fair value, based on quoted market prices.

Deposit balances not maintained by the State Treasurer are covered by FDIC or collateralized. K-State does not have a formal deposit policy regarding custodial credit risk. However, management has evaluated the financial stability of the financial institutions involved and feels the deposit custodial credit risk is minimal.

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Investments

Pooled Money Investment Board (PMIB): The investment policy of the PMIB is governed by state statutes. The primary objectives are to attain safety, liquidity, and yield. Allowable investments for state pooled monies are as follows:

- Certificates of deposit in Kansas banks, which are fully collateralized.
- Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America, or any agency thereof.
- Obligations and securities of United States sponsored enterprises that under federal law may be accepted as security for public funds. Monies available for investment shall not be invested in mortgage-backed securities of such enterprises, which include the Government National Mortgage Association.
- Repurchase and reverse purchase agreements with a bank or a primary government securities dealer that reports to the Market Reports Division of the Federal Reserve Bank of New York.
- Loans as mandated by the Kansas Legislature limited to not more than the greater of 10 percent or \$140,000,000 of total investments.
- Certain Kansas agency bonds and SKILL or IMPACT act projects and bonds.
- Corporate bonds that have received one of the two highest credit ratings by a nationally recognized investment rating firm, not to exceed maturities of two years.
- High grade commercial paper that does not exceed 270 days to maturity and have received one of the two highest credit ratings by a nationally recognized investment rating firm.

Kansas Development Finance Authority (KDFA): For investments related to K-State's revenue bonds, state statutes permit cash balances to be invested as permitted by bond documents and bond covenants. KDFA manages K-State'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

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Kansas State University Foundation (the Foundation)

The Foundation is authorized by state statute to act as the investing agent for the state agricultural university fund. Allowable investments include:

- Time deposit, open accounts for periods of not less than 30 days, or certificates of deposit for periods of not less than 90 days, in commercial banks located in Kansas.
- United States treasury bills or notes with maturities as the investing agent shall determine.
- The permanent endowment fund of the endowment association or foundation.

The Foundation is also the investing agent for K-State Athletics, Inc. The investment policies of the Foundation are governed by policies and procedures established by their Asset Management Committee, which is a committee of the Board of Directors, in collaboration with staff and consultants. The Foundation staff implements policies through: (1) the selection of investment strategies, (2) the hiring, monitoring, and changing of investment managers, and (3) rebalancing the portfolios. Investment results are monitored by the committee quarterly through manager and portfolio performance and due diligence reporting, and annually through outside auditing of the Foundation's accounts and procedures. The specific return objectives, risk parameters, and spending policies of K-State Athletics, Inc. are adopted to be in compliance with the Foundation's policies and procedures for endowment and investment management.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. K-State does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

PMIB minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements 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.

For revenue bond investments managed by KDFA, due to the tax-exempt status of the bonds, it is generally the practice of KDFA and K-State to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, KDFA generally invests to maximize the interest rate and set a term of investment based on estimated expenditures, which is generally 3-5 years.

The state agricultural university funds are invested in the Foundation's pooled endowment fund and are subject to their investment policy.

As of June 30, 2021, K-State had investments with the following maturities:

Investment Type	Investment Maturities						Undetermined Maturity Dates
	Fair Value	< 1 yr.	1-5 yrs.	6-10 yrs.	> 10 yrs.		
K-State Foundation Investment Pool	\$ 38,523,598	-	-	-	-	\$	38,523,598
Other Long Term Investments	27,385,635	-	-	-	-		27,385,635
Grand Total	<u>\$ 65,909,233</u>	-	-	-	-	<u>\$</u>	<u>65,909,233</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to K-State. K-State's investments 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. Certain investments have an underlying collateral agreement.

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, K-State will not be able to recover the value of the investments that are in the possession of an outside party. K-State's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the university's name, and are held by either the counterparty or the counterparty's trust department or agent.

K-State does not have a formal investment policy that addresses custodial credit risk. However, K-State's custodial credit risk is estimated to be minimal based on the expressed investment policies of PMIB, KDFA and the Foundation.

Concentration of credit risk is the risk of loss attributed to the magnitude of K-State's investment in a single issuer that exceeds 5% 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.

Information about concentrations of investments with a single issuer is not provided by the State Treasurer or PMIB and therefore K-State cannot provide this information. The financial statements of the State of Kansas provide additional information about the risk associated with the State Treasurer's and PMIB's investment portfolios.

Fair Value Measurement

GASB Statement 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 the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities on a recurring basis recognized in the accompanying Statement of Net Position and the corresponding level within the fair value hierarchy at June 30, 2021. Information to determine the June 30, 2021 levels for investments held by the Foundation for K-State Athletics, Inc. was not available as of the date of their audit report and therefore not included in the table below.

	June 30, 2021			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market mutual funds	\$ 9,960,925	\$ 9,960,925	\$ -	\$ -
U.S. Treasury securities	7,068,523	7,068,523	-	-
Corporate bonds	1,550,162	1,550,162	-	-
Foreign	827,968	827,968	-	-
Equity Securities	13,881,372	4,254,406	8,623,937	1,003,029
External investment pools	7,518,296	4,771,572	-	2,746,724
	<u>\$ 40,807,246</u>	<u>\$ 28,433,556</u>	<u>\$ 8,623,937</u>	<u>\$ 3,749,753</u>

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Note 3 – Accounts Receivable

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying Statement of Net Position.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Tuition and Fees	\$ 13,263,063	\$ 10,231,279
Auxiliary Enterprises	94,113	75,050
Grants and Contracts	31,193,704	31,448,507
Unspent state appropriations	7,707,438	7,884,802
Federal appropriations	940,088	3,554,171
Other	21,970,397	19,850,244
	<u>\$ 75,168,803</u>	<u>\$ 73,044,053</u>
Less: Allowance for uncollectible amounts	678,104	694,067
Net Accounts Receivable	<u>\$ 74,490,699</u>	<u>\$ 72,349,986</u>

Note 4 – Pledges Receivable

Pledges receivable are shown net of allowances for uncollectible accounts in the accompanying Statement of Net Position.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Due within one year	\$ 9,414,851	\$ 7,959,574
Due in one to five years	19,116,742	20,443,549
More than five years	9,228,500	9,388,750
	<u>\$ 37,760,093</u>	<u>\$ 37,791,873</u>
Less: Unamortized discount	3,734,127	4,167,670
Less: Allowance for uncollectible amounts	431,465	683,707
Net Pledges Receivable	<u>\$ 33,594,501</u>	<u>\$ 32,940,496</u>

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Note 5 – Loans to Students

Student loans made through the Federal Perkins Loan Program and the Health Professions Student Loan Program comprise substantially all of the loans to students at June 30, 2021 and 2020. The programs provide 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.

As K-State 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.

Effective October 1, 2018, the United States Department of Education (U.S. ED) did not renew the Federal Perkins Loan Program. As a result, after a brief transition period, no new loans could be disbursed to students. The current guidance provided by U.S. ED stipulates that as cash is collected by the university from loans disbursed prior to October 1, 2018, such funds are to be remitted back to U.S. ED on a proportional basis (the Perkins program was originally funded by U.S. ED with a small percentage matched by the university). Given this recent guidance, K-State has determined that it is probable that U.S. ED, as the provider of the original resource, will require the return of the resources originally received under this program. At the time of the receipt, K-State recorded non-exchange revenues, and thereby, the balance of the resources provided by U.S. ED previously resided in the university's restricted net position.

Pursuant to guidance provided by GASB Statement 33 and based on K-State's estimate that the return of these resources is probable, a liability of \$8,951,943 has been recorded on the university's financial statements for the fiscal year ended June 30, 2021.

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Note 6 – Capital Assets

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Land and Improvements	\$ 13,564,458	\$ -	\$ 653	\$ 13,563,805
Art Collections	3,131,155	-	-	3,131,155
Construction in Progress	66,074,360	35,694,100	20,878,827	80,889,633
Buildings & Improvements	1,421,245,324	55,266,260	564,587	1,475,946,997
Land Improvements	37,236,087	2,449,631	-	39,685,718
Infrastructure	89,875,565	-	6,224	89,869,341
Equipment and Furnishings	213,531,858	13,745,164	11,656,227	215,620,795
Vehicles	25,116,005	721,452	542,350	25,295,107
Intangibles	11,648,182	159,414	50,833	11,756,763
IT Info Processing Equipment	6,599,819	43,651	374,973	6,268,497
Total Capital Assets	\$ 1,888,022,813	\$ 108,079,672	\$ 34,074,674	\$ 1,962,027,811
Less: Accumulated Depreciation				
Building & Improvements	\$ 510,487,830	\$ 37,402,297	\$ 272,219	\$ 547,617,908
Land Improvements	19,552,985	1,181,214	-	20,734,199
Infrastructure	24,185,040	3,461,226	5,477	27,640,789
Equipment and Furnishings	169,218,501	11,317,675	11,211,820	169,324,356
Vehicles	20,623,009	1,234,673	522,387	21,335,295
Intangibles	8,046,558	1,041,014	32,983	9,054,589
IT Info Processing Equipment	5,988,181	411,475	374,973	6,024,683
Total Depreciation	\$ 758,102,104	\$ 56,049,574	\$ 12,419,859	\$ 801,731,819
Capital Assets, net	\$ 1,129,920,709	\$ 52,030,098	\$ 21,654,815	\$ 1,160,295,992
K-State Olathe Innovation Campus, Inc.				26,082,004
K-State Athletics, Inc.				24,402,753
K-State Union Corporation				3,310,385
K-State Veterinary Clinical Outreach, Inc				5,712
Kansas State University Research Foundation				27,398
				<u>\$ 1,214,124,244</u>

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Land and Improvements	\$ 13,564,458	\$ -	\$ -	\$ 13,564,458
Art Collections	3,084,655	46,500	-	3,131,155
Construction in Progress	28,176,582	50,879,242	12,981,464	66,074,360
Buildings & Improvements	1,385,454,609	35,790,715	-	1,421,245,324
Land Improvements	35,713,744	1,522,343	-	37,236,087
Infrastructure	89,278,470	597,095	-	89,875,565
Intangibles	204,459,410	12,836,150	3,763,702	213,531,858
Equipment and Furnishings	25,255,242	585,778	725,015	25,116,005
Vehicles	11,689,151	126,694	167,663	11,648,182
IT Info Processing Equipment	6,330,217	310,690	41,088	6,599,819
Total Capital Assets	\$ 1,803,006,538	\$ 102,695,207	\$ 17,678,932	\$ 1,888,022,813
Less: Accumulated Depreciation				
Building & Improvements	\$ 473,601,363	\$ 36,679,666	\$ (206,801)	\$ 510,487,830
Land Improvements	18,407,822	1,376,626	231,463	19,552,985
Infrastructure	20,715,996	3,469,044	-	24,185,040
Intangibles	160,426,181	12,113,131	3,320,811	169,218,501
Equipment and Furnishings	20,063,769	1,284,255	725,015	20,623,009
Vehicles	7,044,768	1,126,092	124,302	8,046,558
IT Info Processing Equipment	5,361,711	711,794	85,324	5,988,181
Total Depreciation	\$ 705,621,610	\$ 56,760,608	\$ 4,280,114	\$ 758,102,104
Capital Assets, net	\$ 1,097,384,928	\$ 45,934,599	\$ 13,398,818	\$ 1,129,920,709
K-State Olathe Innovation Campus, Inc.				26,754,029
K-State Athletics, Inc.				34,855,199
K-State Union Corporation				3,579,780
K-State Veterinary Clinical Outreach, Inc				3,628
Kansas State University Research Foundation				33,327
				<u><u>\$ 1,195,146,672</u></u>

K-State has elected not to capitalize its library book collections. These collections adhere to K-State's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep encumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

Kansas State University
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7 – Unearned Revenue

Unearned revenues consist primarily of summer session tuition and fees, advance collections on grants and contracts, and athletic ticket sales. The breakdown of unearned revenues is as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Tuition and fees	\$ 10,453,646	\$ 7,029,707
Grants and contracts	28,323,129	24,276,993
Athletic tickets and other	13,730,213	8,685,390
	<u>\$ 52,506,988</u>	<u>\$ 39,992,090</u>

Note 8 – Changes in Non-Current Liabilities

Liability activity for the year ended June 30, 2021 consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Accrued compensated absences	\$ 24,859,998	\$ 25,784,798	\$ 24,859,998	\$ 25,784,798	\$ 17,168,378	\$ 8,616,420
Accrued other postemployment benefits	3,485,056	-	361,746	3,123,310	-	3,123,310
Capital leases payable	5,293,503	-	782,490	4,511,013	700,509	3,810,504
Other loans payable	997,004	7,575,192	188,753	8,383,443	7,610,532	772,911
Revenue bonds payable	463,199,503	82,865,578	104,520,733	441,544,348	22,250,848	419,293,500
Other liabilities	13,014,856	10,337,707	11,379,701	11,972,862	2,159,205	9,813,657
Net pension liability	64,382,220	6,001,464	-	70,383,684	-	70,383,684
Total Liabilities	<u>\$ 575,232,140</u>	<u>\$ 132,564,739</u>	<u>\$ 142,093,421</u>	<u>\$ 565,703,458</u>	<u>\$ 49,889,472</u>	<u>\$ 515,813,986</u>

Liability activity for the year ended June 30, 2020 consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Accrued compensated absences	\$ 22,678,594	\$ 24,859,998	\$ 22,678,594	\$ 24,859,998	\$ 17,467,870	\$ 7,392,128
Accrued other postemployment benefits	3,791,510	-	306,454	3,485,056	-	3,485,056
Capital leases payable	6,377,728	118,232	1,202,456	5,293,504	710,192	4,583,312
Other loans payable	1,362,174	-	365,170	997,004	113,561	883,443
Revenue bonds payable	470,973,497	58,531,278	66,305,272	463,199,503	23,977,105	439,222,398
Other liabilities	68,729,960	-	4,347,740	64,382,220	-	64,382,220
Net pension liability	14,720,487	10,410,779	12,116,410	13,014,856	2,100,631	10,914,225
Total Liabilities	<u>\$ 588,633,950</u>	<u>\$ 93,920,287</u>	<u>\$ 107,322,096</u>	<u>\$ 575,232,141</u>	<u>\$ 44,369,359</u>	<u>\$ 530,862,782</u>

Kansas State University
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 9 – Revenue Bonds Outstanding

Revenue bonds payable consisted of the following at June 30, 2021:

	Principal Outstanding <u>6/30/21</u>	Principal Outstanding <u>6/30/20</u>
Kansas Development Finance Authority Revenue Bonds – Series 2021A (Kansas State University 2010G-2 (BAB) Student Recreation Complex Expansion Refunding Project) issued on January 13, 2021 in the original amount of \$16,300,000. Due in annual installments with the final maturity on 5/01/2040. Interest ranging from 2% to 5% payable semi- annually, collateralized a pledge of K-State’s unrestricted revenues.	\$16,300,000	\$0
Kansas Development Finance Authority Revenue Bonds – Series 2021A (Kansas State University 2010U-1 Qualified Energy Conservation Refunding Project) issued on January 13, 2021 in the original amount of \$5,445,000. Due in annual installments with the final maturity on 5/01/2028. Interest 5% payable semi-annually, collateralized a pledge of K- State’s unrestricted revenues.	\$5,445,000	\$0
Kansas Development Finance Authority Revenue Bonds – Series 2021A (Kansas State University 2010U-2 Energy Conservation Refunding Project) issued on January 13, 2021 in the original amount of \$1,830,000. Due in annual installments with the final maturity on 5/01/2029. Interest 5% payable semi-annually, collateralized a pledge of K- State’s unrestricted revenues.	\$1,830,000	\$0
Kansas Development Finance Authority Revenue Bonds – Series 2021A (Kansas State University 2012F Energy Conservation Refunding Project) issued on January 13, 2021 in the original amount of \$10,310,000. Due in annual installments with the final maturity on 5/01/2033. Interest ranging from 2% to 5% payable semi-annually, collateralized a pledge of K-State’s unrestricted revenues.	\$10,310,000	\$0
Kansas Development Finance Authority Revenue Bonds – Series 2021A (Kansas State University 2012H (2003C Portion) Scientific R&D Facilities Refunding Project) issued on January 13, 2021 in the original amount of \$19,900,000. Due in annual installments with the final maturity on 5/01/2033. Interest ranging from 2% to 5% payable semi-annually, collateralized a pledge of K-State’s unrestricted revenues.	\$19,900,000	\$0
Kansas Development Finance Authority Revenue Bonds – Series 2021A (Kansas State University 2012H (2003J-1 Portion) Scientific R&D Facilities Energy Conservation Refunding Project) issued on January 13, 2021 in the original amount of \$3,325,000. Due in annual installments with the final maturity on 5/01/2024. Interest 5% payable semi-annually, collateralized a pledge of K-State’s unrestricted revenues.	\$3,325,000	\$0

Kansas State University
Notes to Financial Statements
For the Year Ended June 30, 2021

	Principal Outstanding <u>6/30/21</u>	Principal Outstanding <u>6/30/20</u>
Kansas Development Finance Authority Revenue Bonds – Series 2021C (The K-State Athletics, Inc. of Kansas State University 2012B-2 Refunding Project) issued on March 24, 2021 in the original amount of \$11,350,000. Due in annual installments with the final maturity on 7/01/2040. Interest ranging from 2.4% to 2.8% payable semi-annually, collateralized by a pledge of operating and non-operating unrestricted gross revenues, gains, and net assets released from restrictions.	\$11,350,000	\$0
Kansas Development Finance Authority Revenue Bonds – Series 2021C (The K-State Athletics, Inc. of Kansas State University 2016D Refunding Project) issued on March 24, 2021 in the original amount of \$6,830,000. Due in annual installments with the final maturity on 7/01/2040. Interest ranging from 2.4% to 2.8% payable semi-annually, collateralized by a pledge of operating and non-operating unrestricted gross revenues, gains, and net assets released from restrictions.	\$6,830,000	\$0
Kansas Development Finance Authority Revenue Bonds – Series 2019H (K-State Olathe Innovation Campus, Inc 2009L Olathe Refunding Project) issued on September 19, 2020 in the original amount of \$23,275,000. Due in annual installments with the final maturity on 9/01/2039. Interest ranging from 2% to 5% payable semi-annually, collateralized by a pledge of sales tax revenue.	\$22,425,000	\$23,275,000
Kansas Development Finance Authority Revenue Bonds – Series 2019C (Kansas State University 2011G Landfill Refunding Project) issued on July 9, 2020 in the original amount of \$2,930,000. Due in annual installments with the final maturity on 5/01/2041. Interest ranging from 3% to 5% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$2,735,000	\$2,820,000
Kansas Development Finance Authority Revenue Bonds – Series 2019C (Kansas State University 2011G Housing Refunding Project) issued on July 9, 2020 in the original amount of \$9,545,000. Due in annual installments with the final maturity on 5/01/2041. Interest ranging from 3% to 5% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$8,910,000	\$9,190,000
Kansas Development Finance Authority Revenue Bonds – Series 2019C (Kansas State University 2009K1 Child Care Refunding Project) issued on July 9, 2020 in the original amount of \$9,545,000. Due in annual installments with the final maturity on 5/01/2041. Interest ranging from 3% to 5% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$4,155,000	\$4,155,000
Kansas Development Finance Authority Revenue Bonds – Series 2019C (Kansas State University Derby Dining Center Project) issued on July 9, 2020 in the original amount of \$14,465,000. Due in annual installments with the final maturity on 5/01/2044. Interest ranging from 3% to 5% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$13,650,000	\$14,000,000

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

	Principal Outstanding <u>6/30/21</u>	Principal Outstanding <u>6/30/20</u>
Kansas Development Finance Authority Direct Placement Revenue Bonds – Series 2017E (Kansas State University Electrical Distribution System Project) issued on August 17, 2017 in the original amount of \$8,100,000. Due in annual installments with the final maturity on 5/01/2025. Interest of 1.97% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$4,465,000	\$5,530,000
Kansas Development Finance Authority Direct Placement Revenue Bonds – Series 2017B (Kansas State University Energy Conservation Project – Salina Campus) issued on February 15, 2017 in the original amount of \$2,883,500. Due in annual installments with the final maturity on 1/15/2032. Interest of 2.52% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$2,348,000	\$2,440,000
Kansas Development Finance Authority Revenue Bonds – Series 2016D (The K-State Athletics, Inc. of Kansas State University 2011A-1 Refunding Project) issued on April 5, 2016 in the original amount of \$15,615,000. Due in annual installments with final maturity on 7/1/31. Interest ranging from 2.4% to 5% payable semi-annually, collateralized by the pledge of revenues of the corporation.	\$11,150,000	\$12,440,000
Kansas Development Finance Authority Revenue Bonds – Series 2016D (The K-State Athletics, Inc. of Kansas State University 2012B-1 Refunding Project) issued on 4/5/12016 in the original amount of \$32,495,000. Due in annual installments with final maturity on 7/1/32. Interest ranging from 2.4% to 5% payable semi-annually, collateralized by the pledge of revenues of the corporation.	\$26,495,000	\$31,580,000
Kansas Development Finance Authority Revenue Bonds – Series 2016A (Kansas State University Student Union Project) issued on January 7, 2016 in the original amount of \$24,275,000. Due in annual installments with final maturity on 3/1/36. Interest ranging from 2.0% to 4.0% payable semi-annually, collateralized by a pledge of the K-State’s unrestricted revenues.	\$19,630,000	\$20,630,000
Kansas Development Finance Authority Revenue Bonds – Series 2016A (Kansas State University Seaton Hall Project) issued on January 7, 2016 in the original amount of \$59,000,000. Due in annual installments with final maturity on 3/1/2040. Interest ranging from 2.0% to 4.0% payable semi-annually, collateralized by a pledge of the K-State’s unrestricted revenues.	\$49,850,000	\$51,830,000
Kansas Development Finance Authority Revenue Bonds – Series 2016A (Kansas State University 2007H Parking Refunding Project) issued on January 7, 2016 in the original amount of \$14,540,000. Due in annual installments with final maturity on 3/1/36. Interest ranging from 2.0% to 4.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$11,760,000	\$12,360,000

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

	Principal Outstanding <u>6/30/21</u>	Principal Outstanding <u>6/30/20</u>
Kansas Development Finance Authority Revenue Bonds – Series 2015B (Kansas State University Chill Plant Project) issued on April 30, 2015 in the original amount of \$53,650,000. Due in annual installments with final maturity on 5/1/35. Interest ranging from 3.0% to 5.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$42,140,000	\$44,300,000
Kansas Development Finance Authority Revenue Bonds – Series 2015B (Kansas State University 2005A Housing Refunding Project) issued on April 30, 2015 in the original amount of \$800,000. Due in annual installments with final maturity on 5/1/34. Interest ranging from 3.0% to 5.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$605,000	\$640,000
Kansas Development Finance Authority Revenue Bonds – Series 2015B (Kansas State University 2007A Housing Refunding Project) issued on April 30, 2015 in the original amount of \$7,415,000. Due in annual installments with final maturity on 5/1/37. Interest ranging from 3.0% to 5.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$6,695,000	\$6,705,000
Kansas Development Finance Authority Revenue Bonds – Series 2014D-1 (Kansas State University College of Engineering Project) issued on May 1, 2014 in the original amount of \$18,615,000. Due in annual installments with final maturity on 4/1/29. Interest ranging from 3.0% to 5.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues and KSU Kan-Grow revenues.	\$11,415,000	\$12,575,000
Kansas Development Finance Authority Revenue Bonds – Series 2014D-2 (Kansas State University Housing Projects) issued on May 1, 2014 in the original amount of \$114,935,000. Due in annual installments with final maturity on 4/1/44. Interest ranging from 3.0% to 5.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues.	\$96,580,000	\$103,320,000
Kansas Development Finance Authority Revenue Bonds – Series 2012F (Kansas State University Energy Conservation Project) issued on November 1, 2012 in the original amount of \$17,205,000. Due in annual installments with final maturity on 5/1/33. Interest ranging from 2.0% to 5.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues. Fully refunded with 2021A revenue bonds.	\$0	\$12,470,000
Kansas Development Finance Authority Refunding Revenue Bonds-Series 2012H (Kansas State University Project – Scientific R&D Facilities) issued on April 19, 2012 in the original amount of \$23,510,000. Due in annual installments with final maturity on 8/1/32. Interest ranging from 2.0% to 5.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues. Fully refunded with 2021A revenue bonds.	\$0	\$22,560,000

Kansas State University
Notes to Financial Statements
For the Year Ended June 30, 2021

	Principal Outstanding <u>6/30/21</u>	Principal Outstanding <u>6/30/20</u>
Kansas Development Finance Authority Refunding Revenue Bonds-Series 2012H (Kansas State University Project – Energy Conservation) issued on April 19, 2012 in the original amount of \$12,460,000. Due in annual installments with final maturity on 8/1/23. Interest ranging from 2.0% to 5.0% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues. Fully refunded with 2021A revenue bonds.	\$0	\$4,980,000
Kansas Development Finance Authority Revenue Bonds-Series 2012B-2 (K-State Athletics, Inc. of Kansas State University Project) issued on March 1, 2012 in the original amount of \$23,640,000. Due in annual installments with final maturity on 7/1/25. Interest ranging from 1.088% to 4.233% payable annually, collateralized by the pledge of revenues of the corporation.	\$4,680,000	\$17,325,000
Kansas Development Finance Authority Revenue Bonds-Series 2010U-1 (The Kansas Board of Regents – Kansas State University Qualified Energy Conservation Project) issued on December 1, 2010 in the original amount of \$17,815,000. Due in annual installments with final maturity on 5/1/29. Interest ranging from 1.8% to 5.45% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues. Fully refunded with 2021A revenue bonds.	\$1,165,000	\$8,680,000
Kansas Development Finance Authority Revenue Bonds-Series 2010U-2 (The Kansas Board of Regents – Kansas State University Project – Energy Conservation) issued on December 1, 2010 in the original amount of \$2,345,000. Due in annual installments with final maturity on 6/30/29. Interest ranging from 2.0% to 4.375% payable semi-annually, collateralized by a pledge of K-State’s unrestricted revenues. Fully refunded with 2021A revenue bonds.	\$0	\$2,345,000
Kansas Development Finance Authority Revenue Bonds-Series 2010G-1 (The Kansas Board of Regents – Kansas State University Student Recreation Complex Expansion Project) and Taxable Revenue Bonds-Series 2010G-2 (Kansas Board of Regents – Kansas State University Student Recreation Complex Expansion Project) (Build America Bonds – Direct Payment to Issuer) issued on June 29, 2010 in the original amount of \$21,565,000. Due in annual installments with final maturity on 10/1/39. Interest ranging from 2.0% to 6.6% payable semi-annually, collateralized by a pledge of student fees. Fully refunded with 2021A revenue bonds.	\$0	\$17,860,000
Kansas Development Finance Authority Revenue Bonds-Series 2009K-2 (The Kansas Board of Regents – Kansas State University Child Care Facility Project) issued on July 29, 2009 in the original amount of \$1,530,000. Due in annual installments with final maturity on 6/30/23. Interest ranging from 2.625% to 5.625% payable semi-annually, collateralized by a pledge of user fees.	\$340,000	\$500,000

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

	Principal Outstanding <u>6/30/21</u>	Principal Outstanding <u>6/30/20</u>
Kansas Development Finance Authority Revenue Bonds-Series 2008D (The Kansas Board of Regents – Kansas State University Student Life Center Project, Salina Campus) issued on June 15, 2008 in the original amount of \$1,600,000. Due in one installment from the Trust Estate 5/1/38. Interest at 5.10% payable semi-annually, collateralized by a pledge of student fees.	\$1,600,000	\$1,600,000
Kansas Development Finance Authority Revenue Bonds-Series 2005D (The Kansas Board of Regents – Kansas State University Research and Development Facilities Projects) issued on May 1, 2005 in the original amount of \$20,980,000. Due in annual installments with final maturity on 10/1/21. Interest ranging from 3.90% to 5.15% payable semi-annually, collateralized by a pledge of State appropriations and various university revenue funds.	\$1,415,000	\$2,820,000

Note 10 – Revenue Bonds Maturity Schedule

Future debt service requirements for all bonds outstanding at June 30, 2021 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 20,507,500	\$ 14,861,217	\$ 35,368,717
2023	20,807,500	14,139,094	34,946,594
2024	20,637,500	13,242,337	33,879,837
2025	23,917,500	12,296,862	36,214,362
2026	23,707,500	11,325,381	35,032,881
2027-2031	126,009,000	42,790,100	168,799,100
2032-2036	110,431,500	21,827,263	132,258,763
2037-2041	59,725,000	7,730,196	67,455,196
2042-2045	<u>13,755,000</u>	<u>1,065,900</u>	<u>14,820,900</u>
Total	<u>\$ 419,498,000</u>	<u>\$ 139,278,352</u>	<u>\$ 558,776,352</u>

In prior years, K-State defeased certain revenue bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the defeased bonds and the related trust balances are not reflected in the financial statements. Additionally, the above listing does not include unamortized premiums & discounts outstanding.

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For the Year Ended June 30, 2021

Note 11 – Loan and Lease Obligations

	Balance Outstanding <u>6/30/21</u>
<u>Capital Leases Payable</u>	
In July 2005, K-State and National City Commercial Capital Corporation entered into a 19-year financing agreement for the purpose of funding steam pipe replacement in the amount of \$873,755. Quarterly principal and interest payments are due starting September 29, 2005 at an interest rate of 1.0475%.	\$281,887
In January 2016, K-State and KSU Real Estate Fund, LLC entered into a 10-year financing agreement for the purpose of purchasing the Knox land in the amount of \$825,000. Annual lease payments are due starting February 1, 2016.	\$340,000
In November 2017, K-State and the City of Manhattan, Kansas entered into a 15-year financing agreement for the purpose of purchasing the Kansas State University Institute of Commercialization building in the amount of \$4,543,277. Annual lease payments were due beginning November 17, 2016.	\$3,685,459
In September 2018, K-State and KSU Real Estate Fund, LLC entered into a 4-year financing agreement for the purpose of purchasing the Burton land in the amount of \$280,000. Annual lease payments were due beginning November 1, 2018.	\$70,000
K-State is obligated for the purchase of certain equipment funded through issuance of blanket financing agreements.	\$133,666

Capital Leases Payable Maturity Schedule:

<u>Year Ending June 30:</u>	<u>Lease Payments</u>
2022	\$ 700,508
2023	562,453
2024	538,640
2025	498,137
2026	368,546
2027-2031	<u>1,842,727</u>
Total	<u>\$ 4,511,012</u>

Kansas State University

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For the Year Ended June 30, 2021

Other Loans Payable

In fiscal year 2010, \$2,538,649 of special assessment bonds were issued in Johnson County to pay for the infrastructure of the K-State Olathe Innovation Campus, Inc., with an additional amount issued in fiscal year 2011 of \$427,368. The City of Olathe reevaluated property boundaries used to allocate special assessment bonds, resulting in a decrease in the liability by \$338,105. During the year ended June 30, 2021, K-State Olathe Innovation Campus, Inc. donated 11.58 acres of land to the City of Olathe. As a result, future maturities were amended and the outstanding balance at June 30, 2021 is \$883,443.

K-State Athletics, Inc. has an available \$12,500,000 revolving line of credit with a banking institution with an interest rate of 1.125% and maturity on December 31, 2023, of which KSA has an outstanding balance of \$7,500,000 at June 30, 2021. Proceeds were used for the construction and renovation of Bill Snyder Family Stadium-South End Zone, Indoor Football Practice Facility and the Volleyball and Olympic Training Center. Pledged as collateral are all uncollected pledges associated with the baseball and soccer capital campaign, and all pledges designated for the Building Champions Campaign.

Other Loans Payables summary:

K-State Olathe special assessment bonds	\$	883,443
Athletics Line of Credit		7,500,000
	\$	<u>8,383,443</u>

Note 12 – Retirement Plans

K-State participates in one cost-sharing multiple-employer defined benefit pension plan, one defined contribution pension plan, and one federal pension plan.

Defined Benefit Plan

University Support Staff employees participate in the Kansas Public Employees Retirement System (KPERS). Benefit provisions are established by state statute and provide retirement, disability, and death benefits to benefits eligible employees. See Note 13 for detailed information.

Defined Contribution Plan

Eligible faculty and professional staff 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. The Regents have selected the following companies to provide investment options to participants: 1) Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) and 2) Voya Financial. 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 fiscal year ended June 30, 2021, active members were required by statute to contribute 5.5% and the university to contribute 8.5% of the employees' covered payroll. The Kansas Legislature establishes and may amend active plan members' and the university's contribution rates. K-State contributed \$21,108,572 during fiscal year 2021 and \$21,421,170 during fiscal year 2020. Individual employees contributed \$13,521,496 during fiscal year 2021 and \$13,724,422 during fiscal year 2020.

Federal Retirement Plan

Some Cooperative Extension Service employees at K-State participate in federal benefit programs. Prior to December 31, 1986, federal appointees were required to participate in the Federal Civil Service Retirement System (CSRS), a defined benefit plan. CSRS employees are subject to the hospital insurance portion of FICA, the CSRS employee deduction of 7.0%, and the employer contribution of 7.0%.

The Federal Employees Retirement System (FERS), also a defined benefit plan, was created beginning January 1, 1987. Employees hired after December 31, 1983 were automatically converted to FERS. Other federal employees not covered by FERS had a one-time option to transfer to FERS through December 31, 1987. Current FERS employees contribute 8% with

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an employer contribution rate of 1%. They also participate in a Thrift Savings Plan with an automatic employer contribution of 1%. Employees may also contribute to this plan at variable rates, in which case the employer contributes at a variable rate up to 5%. CSRS employees are also eligible for participation in the Thrift Savings Plan, but without employer contributions. Acceptance of new member participation was terminated effective July 1, 1986.

For the fiscal years ended June 30, 2021 and June 30, 2020, K-State contributed \$305,831 and \$349,451 respectively. Individual employees contributed \$147,441 and \$170,583 to these plans for fiscal years 2021 and 2020, respectively.

Voluntary Tax-Sheltered Annuity Program

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. This 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.

Note 13 – Pension Plan – Kansas Public Employees Retirement System

General Information about the Pension Plan

Plan description: University Support Staff participate in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Benefits provided: KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the state's General Assembly. Member employees with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

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

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee'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 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service, or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions: Member contribution rates are established by state law and are paid by the employee 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 for each of the three statewide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

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For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2021.

The actuarially determined employer contribution rates (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows: State employees' actuarial employer rate: 9.49%; statutory employer capped rate: 14.41%; Police and firemen actuarial employer rate: 21.93%; statutory employer capped rate: 21.93%. Contributions to the pension plan from K-State were \$5,940,775 for the year ended June 30, 2021.

Member contribution rates as a percentage of eligible compensation in fiscal year 2021 are 6.00% for public employees and 7.15% for police and firemen.

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

At June 30, 2021, K-State reported a liability of \$70,383,684 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. K-State'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 non-employer 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 K-State proportion was 0.905319%, which was a decrease of 0.0603100% from its proportion measured as of June 30, 2019. At June 30, 2020, K-State Police and Fire Group proportion was 0.222106%, which was an increase of 0.0316100% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, K-State recognized pension expense of \$5,157,196. At June 30, 2021, deferred outflows of resources and deferred inflows of resources were reported related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual experience	\$ 1,022,060	\$ 743,507
Net difference between projected and actual earnings on pension plan investments	6,259,411	-
Changes in proportionate share	258,688	9,075,014
Changes in assumptions	3,643,881	-
University contributions subsequent to measurement date	<u>5,940,775</u>	<u>-</u>
Total	<u>\$ 17,124,815</u>	<u>\$ 9,818,521</u>

\$17,124,815 reported as deferred outflows of resources related to pensions resulting from K-State's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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For the Year Ended June 30, 2021

Year ended June 30:

2021	\$ (1,254,486)
2022	(102,442)
2023	1,111,849
2024	1,598,782
2025	11,817
Thereafter	-
Total	<u>\$ 1,365,520</u>

Actuarial assumptions: The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases, including wage increases	3.25 to 11.75 percent, including inflation
Long-term rate of return, net of investment expense and including price inflation	7.5 percent

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study conducted for the January 1, 2016 through December 31, 2018.

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 KPERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	23.50%	5.20%
Non-U.S. Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield driven	8.00	4.70
Real return	11.00	3.25
Fixed income	11.00	1.55
Short-term investments	4.00	0.25
Total	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from K-State will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of K-State's proportionate share of the net pension liability to changes in the discount rate: The following presents K-State's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what K-State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$ 93,441,299	\$ 70,383,695	\$ 50,952,267

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

Note 14 – Death and Disability OPEB Plan – Kansas Public Employees Retirement System

Description

K-State participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The plan provides long-term disability benefits and life insurance benefit 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 premium provision.

Long-term disability benefit

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

Group life waiver of premium benefit

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

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For the Year Ended June 30, 2021

Members covered by benefit terms. At June 30, 2021, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1193
Active employees	<u>49</u>
Total	1242

Total OPEB Liability

The total OPEB liability of \$3,123,310 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 period included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10%, including price inflation
Discount rate	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, 2018 valuation were based on actuarial experience study 2016-2018. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2019 KPERS pension valuation.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at fiscal year-end 6/30/20	\$ 3,485,056
<u>Changes for the year:</u>	
Service Cost	\$ 197,627
Interest	120,274
Effect of liability gains or losses	(313,198)
Effect of assumption changes or inputs	130,378
Benefit payments	(496,827)
Net changes	<u>(361,746)</u>
Balance at fiscal year-end 6/30/21	<u>\$ 3,123,310</u>

Kansas State University

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For the Year Ended June 30, 2021

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 K-State, 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:

	1% Decrease	Current Discount Rate	1% Increase
	1.21%	2.21%	3.21%
\$	3,222,625	\$ 3,123,310	\$ 3,023,615

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, K-State recognized OPEB expense of \$289,986. At June 30, 2021, K-State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 98,230	\$ 355,118
Changes in assumptions	151,907	92,768
Benefit payments subsequent to the measurement date	496,827	-
Total	<u>\$ 746,964</u>	<u>\$ 447,886</u>

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$746,964 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, 2021. Other amounts reported as deferred outflows of sources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred Outflows (Inflows) of Resources

Year ended June 30:

2021	\$ (27,915)
2022	\$ (27,915)
2023	\$ (27,915)
2024	\$ (27,915)
2025	\$ (27,915)
Thereafter	<u>(58,174)</u>
	<u>\$ (197,749)</u>

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Note 15 – Asset Retirement Obligations

K-State measures its asset retirement obligations (AROs) based on the best estimate of the current value of costs associated with future retirement activities that are legally required when retiring certain assets. The university measures its estimate based on recent historical costs for similar retirement activities, cost estimates provided by vendors, and other inputs based on review of similar transactions internally and at other institutions. The following summary provides a general description of the major AROs reported at 6/30/2021 as well as a reference to the legal requirements that generated the ARO and the remaining useful life of the associated tangible capital asset:

<u>Description</u>	<u>Asset</u>	<u>Regulation</u>	<u>Remaining useful life</u>	<u>ARO measured at 6/30/2021</u>
Decommission costs, including disposal of radioactive materials, labor, energy & other costs	TRIGA Mark II nuclear reactor teaching facility	10 CFR 50.75, "Reporting & Recordkeeping for Decommissioning Planning"	48 yrs.	\$ 1,705,972
Total Asset retirement obligations at June 30, 2021				<u>\$ 1,705,972</u>

Deferred outflows of resources relate to the ARO totaled \$1,607,120 as of June 30, 2021. The expected future expense recognition associated with deferred outflows of resources related to the ARO over the next 5 years and thereafter is as follows:

Deferred Outflows (Inflows) of Resources

Year Ended June 30:

2022	\$ 33,482
2023	33,482
2024	33,482
2025	33,482
2026	33,482
Thereafter	<u>1,439,710</u>
	<u>\$ 1,607,120</u>

Legally required funding and assurance provisions have been met with a statement of intent submitted to the U.S. Nuclear Regulatory Commission (NRC), in compliance with 10 CFR 50.75(e)(1)(iv). The statement assures the NRC that funds for decommissioning will be obtained, when necessary, through a request for a legislative appropriation of funds or other means, to provide funds sufficiently in advance of decommissioning to prevent delay of required activities.

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Note 16 – Pollution Remediation

The following disclosures are made in accordance with GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*:

A chemical waste landfill was created with approval of the U.S. Atomic Energy Commission and utilized from the mid-1960's to 1987 as a burying ground for tritium, carbon-14 and other short-lived radioactive elements. The university also disposed of some chemicals at the site from 1979 to 1983. The Kansas Board of Regents approved the plan to clean up the site, which commenced in fiscal year 2011 and was completed as of July 2012. Monitoring groundwater, sampling and reporting will continue as mandated by the EPA.

Seven monitoring wells have been installed and a quarterly sampling schedule is in effect related to the removal of diesel and gasoline underground storage tanks at the Ashland Bottoms Agronomy farm in Riley County. The remediation costs are paid from the State of Kansas Storage Tank Trust fund, less a \$4,000 deductible which has been paid by the university.

A spill of 1,500 gallons of urea ammonium nitrate occurred at the Ashland Bottoms Agronomy farm on October 20, 2017. The on-going cleanup is being conducted and paid for by K-State. Expenses to date total \$58,405. Future expenses are estimated at \$5,000.

Note 17 – Commitments and Contingencies

At June 30, 2021, K-State had outstanding commitments on various construction projects and contracts totaling approximately \$2.6 million.

K-State is a defendant in several lawsuits. However, university officials are of the opinion, based on advice of in-house legal counsel, that the ultimate outcome of all litigation will not have a material effect on the future operations or financial position of the university.

As of July 1, 2021, university property was insured with a \$1,000,000 deductible and a maximum policy limit of \$1,500,000,000 for the total of property damage and time element combined at scheduled locations. Coverage extends to buildings, machinery, equipment, and other contents (contents of buildings are covered at 10% of the value of the building) as well as business interruption. Property insurance is currently arranged through the Midwest Higher Education Compact (MHEC). K-State, as an agency of the State of Kansas, is covered by the Kansas Tort Claims Act, which generally limits the university's liability for general liability and personal injury claims to \$500,000 for any number of claims arising out of a single occurrence or event. K-State does not carry separate comprehensive general liability or personal injury insurance for the university as a whole. K-State is also covered by the Regent's umbrella insurance policy for automobile liability. Other insurance the university carries includes professional liability coverage for doctors at the university's student health center; coverage for employee crime and theft for the Division of Financial Services; Aviation Insurance to cover the liability and operations of K-State Polytechnic; coverage for some mobile equipment through an Inland Marine policy, and cybersecurity coverage has been procured in cooperation with the Kansas Board of Regents for K-State and its controlled corporations and affiliates. Additionally, the university purchases international liability insurance and International Travel Accident insurance and assistance services.

The outbreak of 2020 coronavirus (COVID-19), which was recognized as a global pandemic by the World Health Organization, has prompted governmental entities, businesses, organizations, and Universities to implement preventative and protective measures, including how business activities are conducted. The pandemic has resulted in a widespread economic downturn and created significant uncertainty, volatility and disruption in financial and business activities. The extent of the pandemic's impact on the University's operations and financial condition will depend on future developments, which are uncertain, including, but not limited to, the duration and severity of the pandemic, the effects of the pandemic on the economy, the remedial actions and stimulus measures adopted by the federal government, and to what extent normal economic and business activities can resume. The university has received funding from multiple state and federal sources to assist with the pandemic response.

Due to an unprecedented cold snap in February 2021, higher than normal energy invoices were received by the University. The University is disputing these charges and have not paid the invoices nor the subsequent interest charges for

Kansas State University

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For the Year Ended June 30, 2021

late payments related to them. The University does not anticipate additional payments into FY2022 for the invoices in dispute.

The university experienced a large loss on its property policy which occurred on May 22, 2018 to Hale Library. Operations and maintenance expenditures of \$5.4 million and an extraordinary gain of \$13 million from insurance recoveries are included on the Statement of Revenues, Expenses and Changes in Net Position for fiscal year 2021. These amounts are reported in accordance with GASB Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

In the normal course of operations, K-State receives grants, contracts, and other forms of reimbursement from various federal and state agencies. These activities are subject to audit and disallowance by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. K-State officials believe that the liability, if any, for any reimbursement that may arise as the result of audits, would not have a material effect on K-State's financial position.

Note 18 – Component Unit Disclosures

Discretely Presented Component Unit

Kansas State University Foundation (the Foundation) – The purpose of the Foundation is to encourage, receive and hold in trust any real or personal property given for the use of K-State, its faculty and students; and to invest, disburse, manage and control all such gifts in accordance with donor intent and to provide those services to K-State which are not or cannot be provided through state appropriations or student fees. Due to the differences between K-State and the Foundation's reporting models, the Foundation's financial statements are separately presented immediately following K-State's statements, with no modifications.

The Foundation's endowment consists of approximately 4,000 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). In accordance with generally accepted accounting principles, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following is the composition of net assets by type of endowment fund, excluding associated liabilities under split-interest agreements as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowments	-	\$ 497,663,787	\$ 497,663,787
Accumulated investments gains	-	155,960,976	155,960,976
Board designated endowments	49,671,596	-	49,671,596
Board policy designated to address underwater endowments	39,191,564	-	39,191,564
Term endowments	-	98,916,923	98,916,923
Net Assets	<u>\$ 88,863,160</u>	<u>\$ 752,541,686</u>	<u>\$ 841,404,846</u>

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

The Foundation's investments include debt and equity securities for liquidity, donated assets and real estate, as well as a managed portfolio of long-term investments. The Foundation's investments at June 30, 2021 were as follows:

	June 30, 2021	2021 Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments by fair value level				
Equity securities	\$ 167,573,553	\$ 167,573,553	\$ -	\$ -
Mutual funds	24,603,225	24,603,225	-	-
U.S. Government and agency obligations	58,362	-	58,362	-
Corporate bonds	1,232,464	-	1,232,464	-
Futures contracts	-	-	-	-
Closely held common stock	120,351,460	-	-	120,351,460
Real estate held for investment	70,355,390	-	-	70,355,390
Total investments by fair value level	<u>\$ 384,174,454</u>	<u>\$ 192,176,778</u>	<u>\$ 1,290,826</u>	<u>\$ 190,706,850</u>
Investments measured at the net asset value (NAV)				
Equity long/short hedge funds	\$ 66,840,314			
Absolute return hedge funds	99,290,850			
Equity securities	200,178,095			
Venture capital	143,777,639			
Domestic private equity	80,887,364			
International private equity	16,677,843			
Private capital distressed debt	5,014,631			
Natural resources	21,211,178			
Fixed income	105,185,412			
Futures				
Other securities and investments	15,992			
Real estate funds	54,366,272			
Total investments measured at the NAV	<u>\$ 793,445,590</u>			
Total investments	<u>\$ 1,177,620,044</u>			

For the fiscal year ended June 30, 2021, the total return of the Endowment Pool was 35.67%.

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

The Foundation holds certain assets for the benefit of K-State which do not provide a market rate of return on funds invested. Some examples of these investments include:

University Real Estate Fund – Certain real estate holdings vital to the mission of K-State were purchased and are held for current and potential university use.

Smith Scholarship House – The Foundation has provided the building rent-free in order to maintain the house in operation for the benefit of the students.

Holiday Inn – The hotel located adjacent to the university were built on land acquired by the Foundation to meet the needs of public lodging and service facilities close to the university.

Faculty and Accommodation Loans – The Foundation provides faculty loans at favorable interest rates to K-State faculty and staff to enable them to conduct business travel pending reimbursement from the university. Non-interest-bearing accommodation loans are available to faculty and staff when their salary payment cannot be processed by the university by payday.

Blended Component Units

Transactions between K-State and the following blended units have been eliminated from the financial statements. All other balances and transactions are blended with those of K-State and reported as if they were balances and transactions of the university.

K-State Olathe Innovation Campus, Inc. (Olathe) – On the Statement of Revenues, Expenses and Changes in Net Position, the Change in Net Position is recorded as \$1,451,816. Payments were made to K-State totaling \$2,426,206 during the fiscal year ending June 30, 2021. Investments held by Olathe at fiscal year-end total \$9,446,653.

K-State Italy – Revenues received from K-State totaled \$95,344.

K-State Athletics, Inc. (Athletics) – K-State owns all land used by Athletics, and any purchases and/or construction of permanent real property (i.e. buildings, land and improvements) on the land are recorded as leasehold improvements. On the Statement of Revenues, Expenses and Changes in Net Position, the Change in Net Position is recorded as -\$847,163. Payments made to K-State and its affiliates totaled \$9,176,652 during the fiscal year ending June 30, 2021. Revenue received from K-State was \$1,054,340. Investments held by Athletics at fiscal year-end totaled \$37,783,534 on the Statement of Net Position. Net pledges receivable, which consist of unconditional promises to give cash and other assets, totaled \$33,594,501. Pledges are accrued at estimated fair value at the date each promise is received. An allowance for doubtful collections is estimated by identifying specific pledges that are in doubt and applying a historical percentage to the remaining pledges.

Kansas State University Research Foundation (KSURF) – As of June 30, 2021, KSURF had investments totaling \$13,881,372 on the Statement of Net Position. The Change in Net Position on the Statement of Revenues, Expenses and Changes in Net Position for KSURF totaled \$1,494,731 for the fiscal year.

Kansas State University Veterinary Clinical Outreach, Inc. (KSUVCO) – The Change in Net Position is -\$523,996 on the June 30, 2021 Statement of Revenues, Expenses and Change in Net Position.

The K-State Union Corporation (the Union) – The Union is operated from facilities owned by K-State without charge. Included in the Change in Net Position amount of \$214,983 on the June 30, 2021 Statement of Revenue, Expenses and Change in Net Position are revenues received from K-State and related entities in the amount of \$2,604,347. The Union has a note payable due to K-State in the amount of \$180,000, which is to be repaid in equal annual installments of \$80,000 per year for the years 2022 through 2023 and a final payment of \$20,000 in 2024. This loan bears no interest. Investments at fiscal year-end total \$26,102 on the Statement of Net Position.

Kansas State University

Notes to Financial Statements

For the Year Ended June 30, 2021

Note 19 – Operating Expenses by Natural Classification

	Compensation & Benefits	Supplies & Other Services	Utilities	Scholarships & Fellowships	Depreciation	Total
Instruction	\$ 169,110,614	\$ 24,238,260	\$ 126,731	\$ -	\$ -	\$ 193,475,605
Research	118,959,765	47,424,577	445,177	-	-	166,829,519
Public Service	60,017,530	20,608,849	101,900	-	-	80,728,279
Academic Support	34,645,950	18,786,568	30,279	-	-	53,462,797
Student Service	18,021,644	3,680,252	14	-	-	21,701,910
Institutional Support	21,637,594	16,600,226	-	-	-	38,237,820
Operations and Maintenance of Plant	16,564,763	17,551,225	12,261,304	-	-	46,377,292
Depreciation	-	-	-	-	59,251,567	59,251,567
Scholarships and Fellowships	-	-	-	38,286,919	-	38,286,919
Auxiliary Enterprises	59,403,692	29,485,920	3,166,634	-	-	92,056,246
Other	-	79,385	-	-	-	79,385
Total Operating Expenses	<u>\$ 498,361,552</u>	<u>\$ 178,455,262</u>	<u>\$ 16,132,039</u>	<u>\$ 38,286,919</u>	<u>\$ 59,251,567</u>	<u>\$ 790,487,339</u>

Kansas State University
Annual Financial Report
For the fiscal year ended June 30, 2021
is available at:
<http://www.k-state.edu/finsvcs/financialreporting/reports.html>

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