East Tennessee State University

2019-2020
Financial Report

EAST TENNESSEE STATE UNIVERSITY

Financial Report

For Year Ended June 30, 2020

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EAST TENNESSEE STATE
UNIVERSITY

December 7, 2020

Mr. Scott Niswonger, Chair
East Tennessee State University Board of Trustees
P.O. Box 70734
Johnson City, TN 37614

Dear Mr. Niswonger:

Enclosed herewith is the Annual Financial Report of East Tennessee State University for the fiscal year ending June 30, 2020.

Sincerely,

Dr. Brian E. Noland
President

Office of Business and Finance
PO Box 70601 Johnson City, TN 37614-1710 | P 423-439-5884 | F 423-439-4620 | www.ETSU.edu/bf

EAST TENNESSEE STATE
UNIVERSITY

December 7, 2020

Dr. Brian E. Noland, President
East Tennessee State University
Box 70734
Johnson City, TN 37614

Dear Dr. Noland:

Transmitted herewith is the Annual Financial Report of East Tennessee State University for the fiscal year ending June 30, 2020.

This report has been prepared in accordance with the generally accepted accounting principles as provided by the Governmental Accounting Standards Board with other appropriate agencies.

The financial report is unaudited. The most recent audit covered the year ending June 30, 2019, for which an audit report has been issued. The University received an unqualified opinion on that report.

Sincerely,

B. J. King

B. J. King, CFO

enclosure

Office of Business and Finance
PO Box 70601 Johnson City, TN 37614-1710 | P 423-439-5884 | F 423-439-4620 | www.ETSU.edu/bf

EAST TENNESSEE STATE UNIVERSITY
2020 Management's Discussion and Analysis

Introduction

This section of East Tennessee State University's annual financial report presents a discussion and analysis of the financial performance of the university during the fiscal year ended June 30, 2020, with comparative information presented for the fiscal year ended June 30, 2019. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and the notes to the financial statements. The financial statements, notes, and this discussion are the responsibility of management.

The university has two discretely presented component units, the East Tennessee State University Foundation and the Medical Education Assistance Corporation (MEAC). More detailed information about the university's component units is presented in Note 21 to the financial statements. This discussion and analysis focuses on the university and does not include the foundation or MEAC.

Overview of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the university as a whole. The full scope of the university's activities is considered to be a single business-type activity, and accordingly, is reported within a single column in the basic financial statements.

The university's financial report includes the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The statement of net position is a point-in-time financial statement. The statement of net position presents the financial position of the university at the end of the fiscal year. To aid the reader in determining the university's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows of resources, and net position of the university and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The statement of net position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of the university. They are also able to determine how much the university owes vendors, lenders, and others. Net position represents the difference between the university's assets and liabilities, along with the difference between deferred outflows and deferred inflows of resources, and is one indicator of the university's current financial condition.

The statement of net position also indicates the availability of net position for expenditure by the university. Net position is divided into three major categories. The first category, net investment in capital assets, represents the university's total investment in property, plant, and equipment, net of outstanding debt obligations and deferred outflows/inflows of resources related to these capital assets. To the extent debt or deferred inflows of resources have been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is subdivided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources and, as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is available for expenditure by the university but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted net position is available to the university for any lawful purpose of the university.

The following table summarizes the university's assets, liabilities, deferred outflows/inflows of resources, and net position at June 30, 2020, and June 30, 2019.

Summary of Net Position
(in thousands of dollars)

	2020	2019
Assets:		
Current assets	$ 59,607	$ 47,045
Capital assets, net	402,159	374,719
Other assets	161,836	160,132
Total assets	**623,602**	**581,896**
Deferred outflows of resources		
Deferred amount on debt refunding	5,030	5,579
Deferred outflows related to pensions	13,987	18,891
Deferred outflows related to OPEB	6,030	5,843
Total deferred outflows of resources	**25,047**	**30,313**
Liabilities:		
Current liabilities	54,009	51,527
Noncurrent liabilities	237,784	241,370
Total liabilities	**291,793**	**292,897**

Deferred inflows of resources		
Deferred amount on debt refunding	75	81
Deferred inflows related to pensions	4,954	1,309
Deferred inflows related to OPEB	9,934	2,067
Total deferred inflows of resources	**14,963**	**3,457**
Net position:		
Net investment in capital assets	232,873	216,248
Restricted – expendable	25,044	28,143
Unrestricted	83,976	71,465
Total net position	**$341,893**	**$315,855**

Comparison of Fiscal Year 2020 to Fiscal Year 2019

- Current cash reserves increased $8.9 million from 2019 to 2020. Current accounts receivable also increased a total of $2.9 million during the same time period. The increase in accounts receivable includes receivables from CARES Act Funding of $3.7 million. Amounts due from component units also increased $956 thousand. The increases resulted in a total increase of current assets of 27% from 2019 to 2020.

- Capital assets, net of depreciation, increased primarily due to the continued construction of the Martin Fine Arts Center, as well as the renovation of D.P. Culp Center. These projects will be completed in Fall 2020.

- Deferred outflows of resources decreased in 2020 mainly as a result of a decrease in the university's proportionate share of deferred outflows of resources related to the Closed State and Higher Education Pension Plan within TCRS.

- As to current liabilities, during 2020, unearned revenue increased by $2.6 million. The largest increase in unearned revenue was in grant and contracts, which increased $1.643 million. The current portion of long-term liabilities also increased by $1.8 million due to bonding of three revolving credit obligations, funding the Martin Fine Arts Center, the D.P. Culp Center, and the Millennium Center. These increases in bonded indebtedness resulted in an increase in current liabilities for 2020.

- As to noncurrent liabilities, during 2020, the university's noncurrent proportionate share of the OPEB liability decreased by $7.1 million. This is due to the transition of the Closed State Employee Group OPEB Plan to a prefunded arrangement where assets were deposited and accumulated in a qualifying trust during the year ended June 30, 2019. Also decreasing by $4.9 million in 2020 was the university's portion of the net pension liability under the Closed State and Higher Education Employee Pension Plan within TCRS. Amounts due to grantors decreased by $1.4 million because the university returned $1.4 million of Perkins Loan funds to the U.S. Department of Education. Noncurrent long-term liabilities increased by $7.6 million due to increase in TSSBA debt due to ongoing construction projects, including the Martin Fine Arts Center and the D.P. Culp Center. Noncurrent liabilities experienced an overall decrease of $3.6 million from 2019 to 2020.

- ♦ Deferred inflows of resources increased in 2020 as a result an increase in the university's proportionate share of deferred inflows of resources related to pensions and deferred inflows of resources related to other postemployment benefits.

- ♦ Net investment in capital assets increased due to ongoing construction projects including the Martin Fine Arts Center and D.P. Culp Center.

- ♦ Restricted expendable net position decreased mainly due to a decrease in amounts restricted for capital projects. An $8 million gift received for the construction of the Martin Fine Arts Center in 2019 was expended during the 2020 fiscal year.

- ♦ Unrestricted net assets increased due to increases in renewal and replacement funds in anticipation of future projects.

The Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the university's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the university, both operating and nonoperating, the expenses paid by the university, both operating and nonoperating, and any other revenues, expenses, gains, or losses received or spent by the university.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the university. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the university. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although East Tennessee State University is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the university has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the "increase in net position" is more indicative of overall financial results for the year.

A summary of the university's revenues, expenses, and changes in net position for the years ended June 30, 2020, and June 30, 2019, follows.

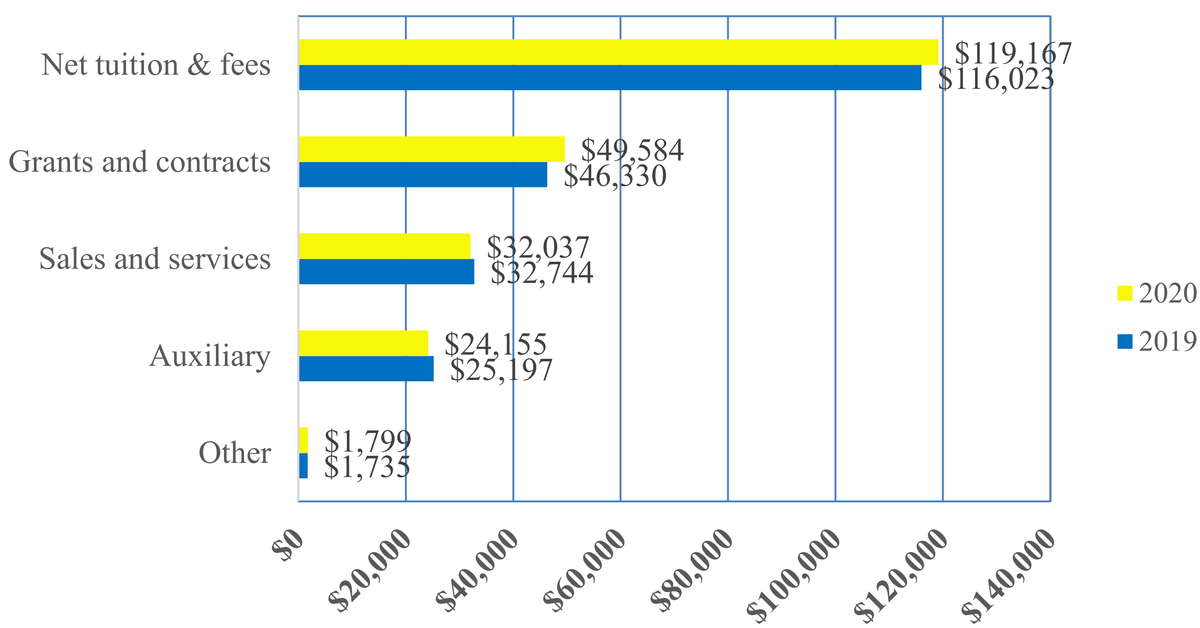
Summary of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	2020	2019
Operating revenues	$ 226,742	$ 222,029
Operating expenses	395,435	378,390
Operating loss	(168,693)	(156,361)
Nonoperating revenues and expenses	180,477	167,215
Income (loss) before other revenues, expenses, gains, or losses	11,784	10,853
Other revenues, expenses, gains, or losses	14,254	37,423
Increase (decrease) in net position	26,038	48,276
Net position at beginning of year, as originally reported	315,855	267,579
Cumulative effect of change in accounting principle	-	-
Prior Period Adjustment	-	-
Net position at beginning of year restated	315,855	267,579
Net position at end of year	**$ 341,893**	**$ 315,855**

Operating Revenues

The following summarizes the operating revenues by source that were used to fund operating activities for the last two fiscal years:

Operating Revenues by Source
(in thousands of dollars)



Comparison of Fiscal Year 2020 to Fiscal Year 2019

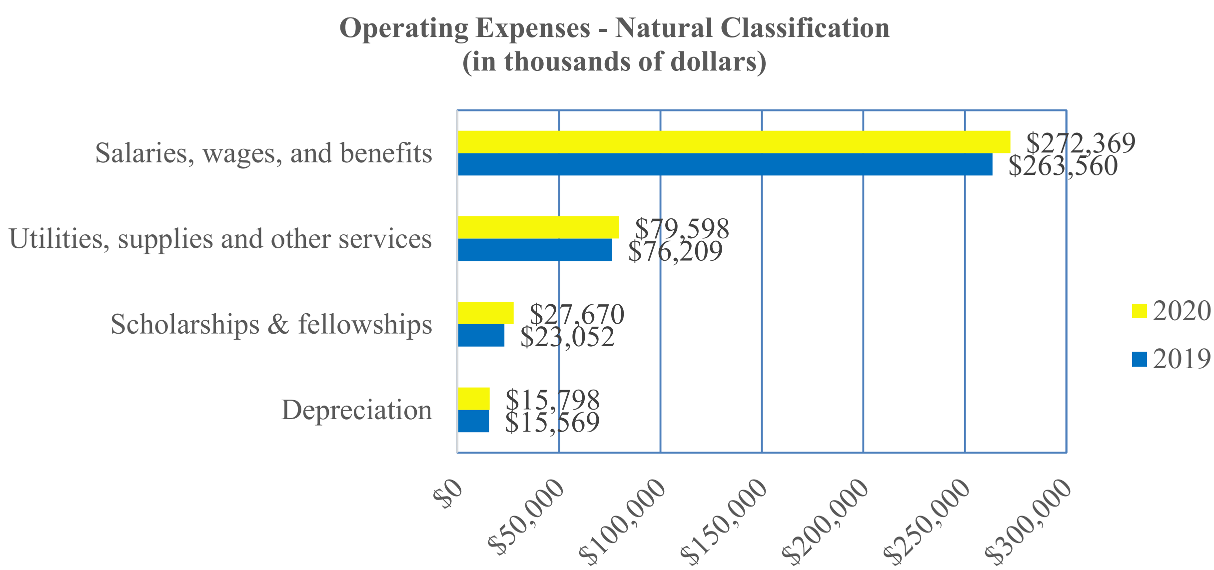
- ♦ Tuition and fees increased in 2020 due to an average 2.3% maintenance and mandatory fee increase and increases in other non-mandatory fees, less discounts for tuition and fees offered to eligible students and reported as a scholarship allowance in the financial statements.

- ♦ Grants and contracts increased mainly due to an increase in nongovernmental grants and contracts. During fiscal year 2020, the university received several new private grants, including two grants totaling $3.2 million.

- ♦ As to auxiliary revenues, the residence halls experienced a decrease in occupancy during fiscal year 2020. This decrease along with the shutdown of residence halls during the months of May and June due to the COVID pandemic, resulted in a decrease of residential life revenues of $1.1 million. The bookstore, food service, and wellness facilities also had decreases in revenue in 2020 due to the pandemic.

Operating Expenses

Operating expenses may be reported by nature or function. The university has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last two fiscal years:



Comparison of Fiscal Year 2020 to Fiscal Year 2019

- ♦ Salaries, wages and benefits increased in fiscal year 2020 due to a 2.0% across the board pay increase as well as an increase in compensated absences of $2.2 million.

- Operating expenses increased due to an increase in professional and administrative services, and supplies.

- Scholarships and fellowships increased by $4.6 million due largely to the receipt of CARES Act funding received by the university for disbursement to students impacted by COVID-19.

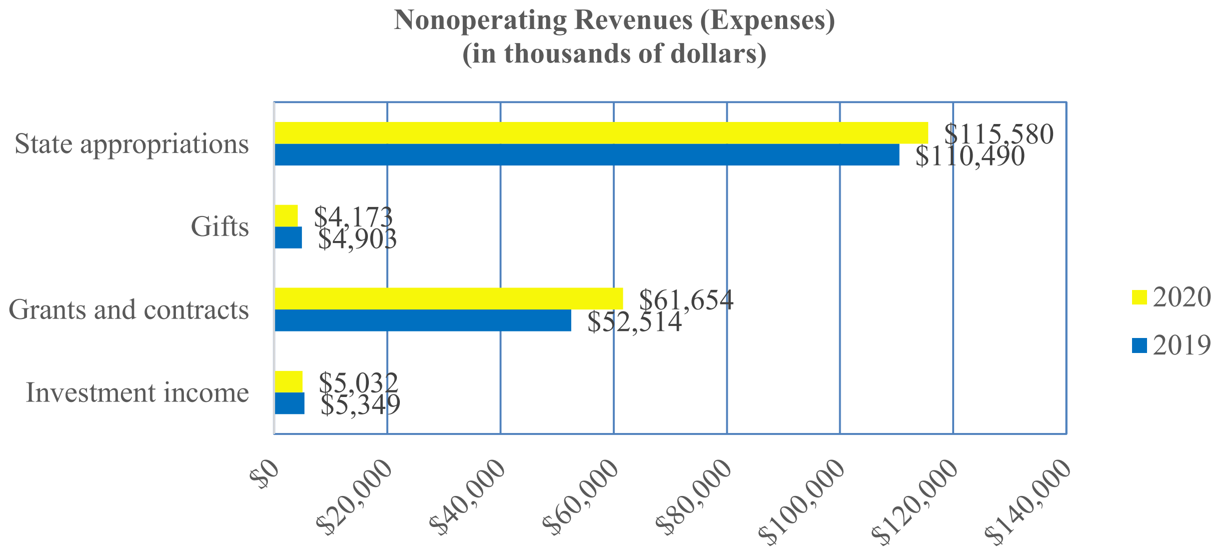
- Depreciation increased slightly due to the completion of several renovation projects in the previous year.

Nonoperating Revenues and Expenses

Certain revenue sources that the university relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by the GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the university's nonoperating revenues and expenses for the last two fiscal years:

Nonoperating Revenues (Expenses)
(in thousands of dollars)

	2020	2019
State appropriations	$ 115,580	$ 110,490
Gifts	4,173	4,903
Grants and contracts	61,654	52,514
Investment income	5,032	5,349
Interest on capital asset-related debt	(6,230)	(5,741)
Interest on noncapital debt	(144)	(192)
Bond issuance costs	(296)	(34)
Other non-operating expenses	708	(74)
Total nonoperating revenues/(expenses)	**$ 180,477**	**$ 167,215**



Comparison of Fiscal Year 2020 to Fiscal Year 2019

- State appropriations increased in fiscal year 2020 by 5%. Included is an increase in outcomes funding of $3.4 million and 2% salary increase of $1.3 million.

- Nonoperating gifts decreased slightly from 2019 to 2020 due to a decrease in gifts from the ETSU Foundation.

- Nonoperating grants and contracts increased during 2020 due to the receipt of CARES Act funding totaling $9.1 million.

- Interest on capital asset-related debt increased due to ongoing construction projects including the Martin Fine Arts Center and the D.P. Culp Center

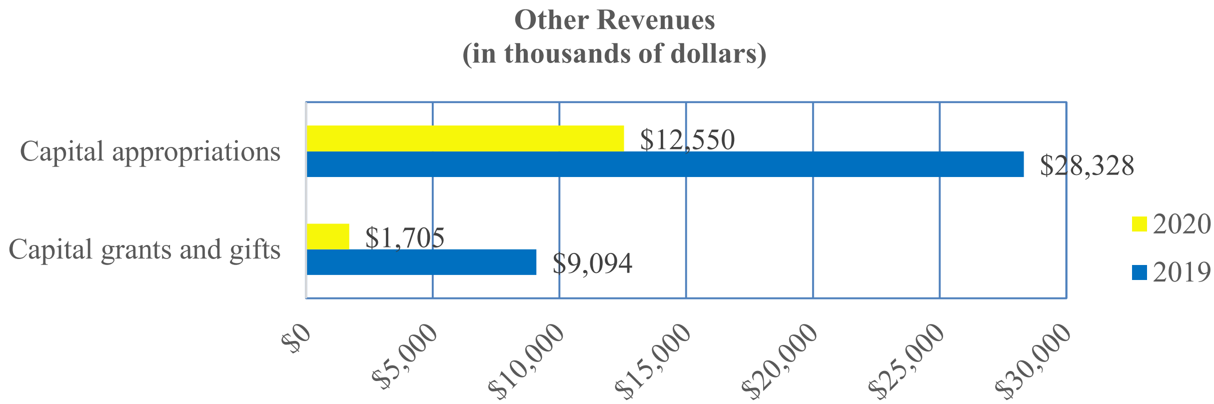
- Other nonoperating revenue increased in 2020, as a result of insurance recoveries from flood damage experienced in the fall of 2019 in Lamb Hall.

Other Revenues

This category is composed of state appropriations for capital purposes and capital grants and gifts. These amounts were as follows for the last two fiscal years:

Other Revenues
(in thousands of dollars)

	2020	2019
Capital appropriations	$ 12,550	$ 28,328
Capital grants and gifts	1,705	9.094
Total other revenues	**$ 14,255**	**$ 37,422**



Comparison of Fiscal Year 2020 to Fiscal Year 2019

- Capital appropriations decreased from 2019 to 2020 due to a decrease in appropriation funded expenditures for capital projects, including $15.2 million for the Martin Fine Arts Center.

- The university received capital assets of $7.5 million, including the Millennium Center and Pedestrian Sky Bridge, which were reported as capital gifts in 2019. Therefore, reported capital grants and gifts decreased in 2020.

Capital Assets and Debt Administration

Capital Assets

East Tennessee State University had $402 million invested in capital assets, net of accumulated depreciation of $272 million at June 30, 2020; and $375 million invested in capital assets, net of accumulated depreciation of $259 million at June 30, 2019. Depreciation charges totaled $15.8 million for the year ended June 30, 2020, and $15.6 million for year ended June 30, 2019.

Summary of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2020	**2019**
Land	$ 19,381	$ 19.381
Land improvements & infrastructure	39,011	42,531
Buildings	237,496	242,643
Equipment	12,178	12,212
Library holdings	300	337
Intangible assets	647	728
Art and historical collections	24	24
Projects in progress	93,122	56,863
Total	**$402,159**	**$374,719**

- Capital assets, net of depreciation, increased from 2019 to 2020 due to ongoing projects including the Martin Fine Arts Center and the D.P. Culp renovation.

At June 30, 2020, outstanding commitments under construction contracts totaled $50 million for various renovations and repairs of buildings and infrastructure including commitments for the Martin Fine Arts Building, the D.P Culp renovation, and Lamb Hall renovations. Future state capital outlay appropriations will fund $26 million of these costs including $17.5 million for the Lamb Hall renovation.

More detailed information about the university's capital assets is presented in Note 6 to the financial statements.

Debt

The university had $177 and $168 million in debt outstanding at June 30, 2020, and June 30, 2019, respectively. The table below summarizes these amounts by type of debt instrument.

Schedule of Outstanding Debt
(in thousands of dollars)

	2020	**2019**
Revolving Credit Facility	$ -	$ 27,125
Bonds	154,937	124,224
Unamortized Bond Premiums	21,978	16,270
Lease Obligation	146	-
Total	**$177,061**	**$167,619**

The TSSBA has issued bonds with interest rates ranging from 1.77% to 5% due serially to 2048 on behalf of East Tennessee State University. The university is responsible for the debt service of these bonds. The current portion of the $155 million bonds outstanding at June 30, 2020, is $8 million.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2020, were as follows:

Fitch	AA+
Moody's Investor Service	Aa1
Standard & Poor's	AA+

More information about the university's long-term liabilities is presented in Note 9 to the financial statements.

Economic Factors That Will Affect the Future

The original state budget as proposed by Governor Lee provided for an increase of $4.5 million for the university which can be used for salaries and operations, and $1.1 million for strategic initiatives for the College of Medicine in pediatric services. After the impact of the coronavirus began to be realized as a reduction in state revenues, the Governor reduced these increases in funding. The university retained the $1.1 million for the pediatric strategic initiatives. The ETSU Board of Trustees at their April 2020 meeting approved a zero percent increase in tuition and fees across all units to hold costs down for students in the next academic year.

Regarding campus operations, in March 2020, the coronavirus (COVID-19) health crisis changed the manner in which the university functioned within a matter of days. In response to the pandemic, the university shifted from a majority on-campus, in person class settings to a remote learning and work environment. Residential students were encouraged to return home as the university focused on the health and safety of students and employees.

Additionally, federal, state, and local authorities responded to the pandemic by enacting mandates which have resulted in an economic decline. The pandemic continues to impact the financial climate of the university as conversion of courses from in person to on-line or hybrid results in declines in housing and dining revenues and is expected to impact enrollment for academic year 20-21. In response to the economic downturn created by the pandemic and the uncertainty of state appropriations for fiscal year 2021, the university encouraged reductions of planned expenditures and budgets for the completion of fiscal year 2020 and also for fiscal year 2021. In April university departments were asked to suspend travel and to consider delaying or halting hiring activities.

The university established the Strategic Operations Workgroup in May, 2020 to provide the university leadership with projected budget scenarios for the fiscal year 2021 budget year. The workgroup recommended a 4.3% budget reduction for academic units, a 5.3% budget reduction for administrative units, and a base budget adjustment for the College of Arts and Sciences. These budget adjustments will be implemented in the October revised budget. The workgroup expects these reductions to be achieved without significantly altering the institution's teaching, research, and service mission.

We are not aware of any other factors, decisions, or conditions that are expected to have a significant impact on the university's financial position or results of operations during the fiscal year.

East Tennessee State University
Unaudited Statement of Net Position
June 30, 2020

	University	ETSU Foundation	Medical Education Assistance Corporation
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2 and 21)	$ 31,166,459.19	$ 849,508.82	$ 19,906,920.00
Short-term investments (Note 21)	-	-	6,466,379.00
Accounts, notes, and grants receivable (net) (Notes 5 and 21)	22,020,184.91	189.00	8,250,386.00
Due from State of Tennessee	2,185,738.54	-	-
Due from ETSU	-	-	247,915.00
Due from component units	2,195,214.31	-	-
Pledges receivable (net) (Note 21)	-	1,426,038.51	-
Inventories (at lower of cost or market)	193,988.91	-	-
Prepaid expenses	267,243.45	-	606,599.00
Accrued interest receivable	1,560,815.82	115,200.04	-
Other assets	17,561.70	-	-
Total current assets	59,607,206.83	2,390,936.37	35,478,199.00
Noncurrent assets:			
Cash and cash equivalents (Notes 2 and 21)	94,031,130.71	9,898,654.39	-
Investments (Notes 3 and 21)	63,137,230.00	97,803,455.76	4,076,411.00
Investment in Tennessee Retiree Group Trust	1,145,806.62	-	-
Accounts, notes, and grants receivable (net) (Note 5)	2,529,913.44	-	-
Due from State of Tennessee	22,410.10	-	-
Net pension asset (Note 11)	968,981.00	-	-
Pledges receivable (net) (Note 21)	-	2,816,560.83	-
Capital assets (net) (Notes 6 and 21)	402,159,110.67	12,000.00	4,848,734.00
Other assets	-	-	153,094.00
Total noncurrent assets	563,994,582.54	110,530,670.98	9,078,239.00
Total assets	$ 623,601,789.37	$ 112,921,607.35	$ 44,556,438.00
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on debt refunding	$ 5,029,524.77	$ -	$ -
Deferred outflows related to OPEB (Note 12)	6,030,064.00	-	-
Deferred outflows related to pensions (Note 11)	13,987,327.00	-	-
Total deferred outflows of resources	$ 25,046,915.77	$ -	$ -
LIABILITIES			
Current liabilities:			
Accounts payable (Note 8)	$ 5,317,589.48	$ 26,555.41	$ 1,269,051.00
Accrued liabilities	11,553,236.72	-	3,312,976.00
Due to State of Tennessee	302,471.28	-	-
Due to ETSU	-	955,832.31	1,239,382.00
Due to MEAC	247,915.00	-	-
Student deposits	512,270.69	-	-
Unearned revenue	22,575,150.31	-	1,764,818.00
Compensated absences (Notes 9 and 21)	3,549,058.99	-	118,208.00
Accrued interest payable	1,217,817.66	-	-
Long-term liabilities, current portion (Note 9)	8,103,628.17	-	-
Deposits held in custody for others	629,658.72	-	676,355.00
Other liabilities	-	395.00	776,576.00
Total current liabilities	54,008,797.02	982,782.72	9,157,366.00
Noncurrent liabilities:			
OPEB obligation (Note 12)	20,596,707.00	-	-
Net pension liability (Note 11)	30,412,385.00	-	-
Compensated absences (Notes 9 and 21)	13,042,306.48	-	472,830.00
Long-term liabilities (Notes 9 and 21)	168,957,614.51	-	4,896,317.00
Due to grantors (Note 9)	4,775,032.13	-	-
Total noncurrent liabilities	237,784,045.12	-	5,369,147.00
Total liabilities	$ 291,792,842.14	$ 982,782.72	$ 14,526,513.00
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on debt refunding	$ 74,698.89	$ -	$ -
Deferred inflows related to OPEB (Note 12)	9,933,824.00	-	-
Deferred inflows related to pensions (Note 11)	4,954,289.00	-	-
Total deferred inflows of resources	$ 14,962,811.89	$ -	$ -
NET POSITION			
Net investment in capital assets	$ 232,872,606.09	$ 12,000.00	$ 4,848,734.00
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	-	48,810,943.00	-
Research	-	720,409.64	-
Instructional department uses	-	6,477,681.22	-
Other	-	4,119,059.06	-
Expendable:			
Scholarships and fellowships	548,321.33	17,952,186.78	-
Research	957,199.65	2,204,981.96	-
Instructional department uses	305,159.73	5,884,779.13	-
Loans	250,306.50	-	-
Capital projects	1,231,900.33	1,698,305.90	-
Debt service	15,828,970.31	-	-
Pensions	968,981.00	-	-
Other	4,953,693.58	18,905,194.85	-
Unrestricted	83,975,912.59	5,153,283.09	25,181,191.00
Total net position	$ 341,893,051.11	$ 111,938,824.63	$ 30,029,925.00

The notes to the financial statements are integral part of this statement.

East Tennessee State University
Unaudited Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

	University	ETSU Foundation	Medical Education Assistance Corporation
REVENUES			
Operating revenues:			
Student tuition and fees (Note 13)	$ 119,166,993.49	$ -	$ -
Gifts and contributions	-	7,491,007.31	-
Governmental grants and contracts	26,919,672.46	-	741,264.00
Non-governmental grants and contracts (Note13)	22,665,079.80	-	-
Sales and services of educational activities (Note 13)	21,423,321.40	-	-
Sales and services of other activities (Note 13)	10,613,322.59	-	-
Net Patient Charges	-	-	43,013,698.00
Auxiliary enterprises:			
Residential life (Note 13)	13,092,688.26	-	-
Bookstore	116,917.56	-	-
Food service (Note 13)	6,673,293.35	-	-
Wellness facility	1,574,612.01	-	-
Other auxiliaries (Note 13)	2,697,626.69	-	-
Interest earned on loans to students	187,429.24	-	-
Other operating revenues	1,611,201.89	1,644,416.31	827,878.00
Total operating revenues	226,742,158.74	9,135,423.62	44,582,840.00
EXPENSES			
Operating Expenses (Note 17)			
Salaries and wages	195,780,881.73	-	28,618,639.00
Benefits	76,587,913.71	-	2,499,671.00
Utilities, supplies, and other services	79,598,187.95	2,700,746.41	6,940,326.00
Scholarships and fellowships	27,670,763.61	2,750,549.19	-
Depreciation expense	15,797,796.18	-	465,550.00
Payments to or on behalf of East Tennessee State University (Note 21)	-	4,009,232.50	-
Total operating expenses	395,435,543.18	9,460,528.10	38,524,186.00
Operating income (loss)	(168,693,384.44)	(325,104.48)	6,058,654.00
NONOPERATING REVENUES (EXPENSES)			
State appropriations	115,580,060.58	-	-
Gifts, including $2,304,497.55 from ETSU Foundation and $1,674,488 from MEAC	4,173,009.05	-	-
Grants and contracts	61,653,947.00	-	-
Investment income (net of investment expense for the for the component units of $383,661.14)	5,031,885.57	2,617,184.11	366,098.00
Interest on capital asset-related debt	(6,229,907.60)	-	-
Interest on noncapital debt	(143,783.81)	-	-
Bond issuance costs	(296,004.45)	-	-
Payments to or on behalf of ETSU or ETSU Foundation	-	-	(1,938,526.00)
Other non-operating revenues/(expenses)	707,924.34	-	123,837.00
Net nonoperating revenues	180,477,130.68	2,617,184.11	(1,448,591.00)
Income before other revenues, expenses gains, or losses	11,783,746.24	2,292,079.63	4,610,063.00
Capital appropriations	12,550,126.05	-	-
Capital grants and gifts, including from component unit(s)	1,704,734.95	-	-
Additions to permanent endowments	-	1,618,534.46	-
Total other revenues	14,254,861.00	1,618,534.46	-
Increase (decrease) in net position	26,038,607.24	3,910,614.09	4,610,063.00
NET POSITION			
Net position -beginning of year	315,854,443.87	108,028,210.54	25,419,862.00
Net position - end of year	$ 341,893,051.11	$ 111,938,824.63	$ 30,029,925.00

The notes to the financial statements are integral part of this statement.

East Tennessee State University
Unaudited Statement of Cash Flows
for the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$	120,518,986.23
Grants and contracts		50,010,001.59
Sales and services of educational activities		23,033,267.85
Sales and services of other activities		10,613,322.59
Payments to suppliers and vendors		(79,664,006.23)
Payments to employees		(192,704,490.20)
Payments for benefits		(75,033,195.96)
Payments for scholarships and fellowships		(27,658,705.73)
Loans issued to students		(126,401.38)
Collection of loans from students		658,242.65
Interest earned on loans to students		72,948.68
Funds received for deposits held for others		4,980,673.03
Funds dispersed for deposits held for others		(4,798,367.48)
Auxiliary enterprise charges:		
Residence halls		13,200,681.61
Bookstore		117,220.33
Food services		6,457,619.20
Wellness facility		1,574,612.01
Other auxiliaries		2,662,324.44
Other receipts (payments)		183,182.89
Net cash provided (used) by operating activities	$	(145,902,083.88)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	$	115,424,197.58
Gifts and grants received for other than capital or endowment purposes		61,854,019.51
Federal/state student loan receipts		96,806,991.00
Federal/state student loan disbursements		(98,189,627.88)
Principal paid on noncapital debt		(736,617.72)
Interest paid on noncapital debt		(244,914.43)
Other non-capital financing receipts (payments)		709,202.06
Net cash provided (used) by non-capital financing activities	$	175,623,250.12
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and gifts received	$	1,455,055.00
Purchase of capital assets and construction		(12,955,137.47)
Principal paid on capital debt and lease		(5,589,094.24)
Interest paid on capital debt and lease		(6,833,675.12)
Bond issue costs paid on new debt issue		(296,004.45)
Net cash provided (used) by capital and related financing activities	$	(24,218,856.28)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$	51,065,628.33
Income on investments		4,091,788.44
Purchase of investments		(50,614,581.13)
Net cash provided (used) by investing activities	$	4,542,835.64
Net increase (decrease) in cash and cash equivalents		10,045,145.60
Cash and cash equivalents - beginning of year		115,152,444.30
Cash and cash equivalents - end of year	$	125,197,589.90

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income/(loss)	$ (168,693,384.44)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Noncash operating expenses	16,133,164.38
Change in assets, liabilities, and deferrals:	
Receivables, net	(166,900.76)
Inventories	(17,054.54)
Prepaid items	422,297.79
Net pension asset	(121,185.00)
Other assets	(114,480.56)
Deferred outflows of resources	4,230,039.05
Accounts payable	309,710.91
Accrued liabilities	1,420,004.72
Unearned revenues	2,625,010.34
Deposits	(5,633.13)
Compensated absences	2,106,151.54
Net pension liability	(4,880,210.00)
Net OPEB obligation	(9,947,638.00)
Due to grantors	(1,428,019.00)
Loans to students	531,841.27
Deferred inflows of resources	11,511,896.00
Other	182,305.55
Net cash provided (used) by operating activities	$ (145,902,083.88)

Non-cash investing, capital, and financing transactions

Gifts of capital assets	249,679.95
Unrealized gains on investments	891,383.33
Loss on disposal of capital assets	(1,277.72)
Purchase of capital assets and construction with capital appropriations	12,370,620.85
Purchase of capital assets and construction with TSSBA proceeds	16,961,476.89
Purchase of capital assets with capital lease	213,961.73

The notes to the financial statements are integral part of this statement.

EAST TENNESSEE STATE UNIVERSITY
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The university is a part of the State University and Community College System of Tennessee (the System). The Focus on College and University Success Act of 2016 removed the six universities from the governance of the Tennessee Board of Regents but they remain part of the System. The universities have their own local governing boards that provide governance, approve policies, set tuition and fee rates, and hire presidents. The System has limited oversight responsibilities during the transition period and continuing oversight responsibilities in the areas of budget approval and institutional debt. The System is a component unit of the State of Tennessee because the state appoints a majority of the System's governing body and provides significant financial support; the System is discretely presented in the *Tennessee Comprehensive Annual Financial Report.* That report is available at https://www.tn.gov/finance/rd-doa/fa-accfin-cafr.html.

The financial statements present only that portion of the System's activities that is attributable to the transactions of East Tennessee State University

The East Tennessee State University Foundation and the Medical Education Assistance Corporation are considered component units of the university. Although the university does not control the timing or amount of receipts from these organizations, the majority of resources, or income thereon, which these organizations hold and invest are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation and corporation can only be used by, or for the benefit of the university, these organizations are considered component units of the university and are discretely presented in the university's financial statements. See Note 21 for more detailed information about the component units and how to obtain the report.

Basis of Presentation

The university and its component units' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting

For financial statement purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all of the provider's eligibility requirements have been met. All significant interfund transactions have been eliminated.

The university has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange. Operating revenues include (1) tuition and fees, net of scholarship discounts and allowances; (2) certain federal, state, local and private grants and contracts; (3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (4) interest on institutional loans. Operating expenses include (1) salaries and wages; (2) employee benefits; (3) utilities, supplies and other services; (4) scholarships and fellowships; and (5) depreciation.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the university's policy to determine which to use first, depending upon existing facts and circumstances.

Inventories

Inventories are valued at the lower of cost or market. Items are maintained on an average cost or first-in, first-out basis.

Compensated Absences

The university's employees accrue annual and sick leave at varying rates, depending upon length of service or classification. Some employees also earn compensatory time.

The amount of the liabilities for annual leave and compensatory time and their related benefits are reported in the statement of net position. There is no liability for unpaid accumulated sick leave since the university's policy is to pay this only if the employee is sick or upon death.

Capital Assets

Capital assets, which include property, plant, equipment, library holdings, works of art, historical treasures/collections, and intangible assets, are reported in the statement of net position at historical cost or at acquisition value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

A capitalization threshold of $100,000 is used for buildings and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for intangible assets is set at $100,000. The capitalization threshold for art, historical treasures/collections, and similar assets is set at $5,000.

These assets, with the exception of works of art and historical treasures/collections deemed inexhaustible and land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 60 years.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net positions have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits liability, as well as deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the closed Employee Group OPEB Plan and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as it is reported by the State of Tennessee Postemployement Benefits Trust. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the Closed Employee Group OPEB Plan. Invests are reported at fair value.

Net Position

The university's net position is classified as follows:

Net investment in capital assets - This represents the university's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

Expendable restricted net position - Expendable restricted net position includes resources that the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position - Unrestricted net position represents resources derived from student tuition and fees; state appropriations; sales and services of educational departments; sales and services of other activities; and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university, and may be used at the university's discretion to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discount 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 the university and the amount that is paid by the student and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

Note 2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2020, cash consists of $6,597,991.38 in bank accounts, $55,000.00 of petty cash on hand, $117,502,292.55 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer, and $1,042,305.97 in the LGIP deposits for capital projects account.

The LGIP, which is part of the State Pooled Investment Fund, is administered by the State Treasurer and is measured at amortized cost. The fund's required risks disclosures are presented in the *State of Tennessee's Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov.

LGIP deposits for capital projects - Payments related to the university's capital projects are made by the State of Tennessee's Department of Finance and Administration. The university's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenses are incurred, funds are withdrawn from the LGIP account by the System and transferred to the Department of Finance and Administration. The funds in the account are not available to the university for any other purpose until the project is completed and the System releases any remaining funds.

Note 3. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools,* as amended, and GASB Statement 72 Fair Value Measurement and Application, as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The university 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.

As of June 30, 2020, the university had the following investments and maturities.

		Investment Maturities (In Years)	
Investment Type	Fair Value	Less than 1	1 to 5
United States Agencies	$63,137,230.00	$17,301,630.00	$45,835,600.00

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university is authorized by statute to invest funds in accordance with the policy of its governing board. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds and the State of Tennessee Local Government Investment Pool. Securities are rated using Standard and Poor’s, Moody’s, Investors Service, and/or Fitch’s and are presented below using the Standard and Poor’s rating scale.

The policy restricts investments in banker’s acceptances and commercial paper. The policy requires that prime banker’s acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. Prime bankers’ acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must (1) arise out of the current shipment of goods between countries or with the United States, or (2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The policy requires that prime commercial paper shall be limited to that of corporations that meet the following criteria: (1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt rating must be A1 by all rating services (minimum of two). (2) The rating should be based on the merits of the issuer or guarantee by a nonbank. (3) A financial review should be made to ascertain the issuer’s financial strength to cover the debt. (4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

As of June 30, 2020, the university's investments were rated as follows:

Investment Type	Carrying Value	Credit Quality Rating AA	Credit Quality Rating Unrated
LGIP (amortized cost)	$118,544,598.52	$ -	$118,544,598.52
U.S. agency obligations	63,137,230.00	63,137,230.00	-
Total	$181,681,828.52	$63,137,230.00	$118,544,598.52

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the university's investment in a single issuer. The university's policy restricts investments in banker's acceptances, commercial paper, and money market mutual funds. The policy limits banker's acceptances to not exceed 20% of total investments on the date of acquisition and limits the combined amount of banker's acceptances and commercial paper to not exceed 35% of total investments at the date of acquisition. The amount invested in any one bank shall not exceed 5% of total investments on the date of acquisition. Additionally, no more than 5% of total investments at the date of acquisition may be invested in the commercial paper of a single issuer. The policy further limits the total holdings of an issuer's commercial paper to not more than 2% of the issuing corporation's total outstanding commercial paper. The university's policy limits investments in money market mutual funds to not exceed 10% of total investments on the date of acquisition.

More than 5% of the university's investments were invested in the following single issuers at June 30, 2020.

Issuer	Percentage of Total Investments June 30, 2020
Federal Home Loan Mortgage Corp (FHLMC) obligations	27%
Federal Farm Credit Bank (FFCB) Obligations	35%
Federal National Mortgage Association (FNMA) obligations	15%
Federal Home Loan Bank (FHLB) Obligations	23%

Note 4. Fair Value Measurement

The university categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The university has the following recurring fair value measurements as of June 30, 2020.

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)
Assets by Fair Value Level		
Debt securities		
U.S. agency obligations	$63,137,230.00	$63,137,230.00
Total debt securities	$63,137,230.00	$63,137,230.00
Total assets at fair value	$63,137,230.00	$63,137,230.00

Assets and liabilities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities

Note 5. Receivables

Receivables at June 30, 2020 included the following:

Student accounts receivable	$7,828,235.67
Grants receivable	9,673,591.97
Notes receivable	552,158.46
Clinic receivables	1,487,851.23
Medical Resident Participation Agreement receivable	3,259,776.74
Other receivables	2,497,696.92
Subtotal	25,299,310.99
Less allowance for doubtful account	2,812,819.95
Total receivables	$22,486,491.04

Federal Perkins Loan Program funds at June 30, 2020 include the following:

Perkins loans receivable	$4,832,655.27
Less allowance for doubtful accounts	2,769,047.96
Total	$2,063,607.31

Note 6. Capital Assets

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

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$19,381,320.07	$ -	$ -	$ -	$19,381,320.07
Land improvements & infrastructure	76,937,028.83	-	-		76,937,028.83
Buildings	428,134,655.51	-	4,127,951.06	-	432,262,606.57
Equipment	46,074,673.19	2,817,451.42	-	(2,869,727.86)	46,022,396.75
Library holdings	802,658.34	35,055.65	-	(116,927.62)	720,786.37
Intangible assets	5,242,145.81	-	-	-	5,242,145.81
Works of Art Historical Treasures	23,500.00	-	-	-	23,500.00
Projects in progress	56,862,612.64	40,387,122.34	(4,127,951.06)	-	93,121,783.92
Total	633,458,594.39	43,239,629.41	-	(2,986,655.48)	673,711,568.32
Less accumulated depreciation/amortization:					
Land improvements & infrastructure.	34,405,632.29	3,519,934.46	-	-	37,925,566.75
Buildings	185,491,960.13	9,274,754.39	-	-	195,766,714.52
Equipment	33,862,687.81	2,850,154.18	-	(2,868,450.14)	33,844,391.85
Library holdings	465,483.72	72,078.65	-	(116,927.62)	420,634.75
Intangible assets	4,514,275.28	80,874.50	-	-	4,595,149.78
Total	258,740,039.23	15,797,796.18	-	(2,985,377.76)	271,552,457.65
Capital assets, net	$374,718,555.16	$27,441,833.23	$ -	$ (1,277.72)	$402,159,110.67

Note 7. Capital Leases

The university has entered into an Enhanced Use Lease Agreement with the United States Department of Veterans Affairs (VA) for certain real property, including land and several buildings, at the Veterans Affairs Medical Center in Johnson City, Tennessee. The lease is for a period of 35 years. In lieu of lease payments, the university has assumed responsibility for all capital and recurring costs of maintaining the property covered by the agreements.

In conjunction with the lease, the university entered into a memorandum of agreement with the Department of Veterans Affairs to construct a building (the Basic Science Building) with joint funding from the State of Tennessee and the federal government. In accordance with the memorandum of agreement, the state provided $18 million to the federal government for its share of the total construction costs ($34,195,153.41). The Basic Science Building is included under the provisions of the Enhanced Use Lease Agreement. The university is renovating several other buildings on the VA campus as funds become available.

The university's leasing of the Basic Science Building and the other buildings on the VA campus will constitute a capital lease agreement. The lease term is substantially equal to the estimated useful life of the lease property. Accordingly, the university has capitalized the cost of the buildings at

$76,021,754.80. At June 30, 2020, the buildings are reported at $43,174,351.70, net of accumulated depreciation of $32,847,403.10

The university also has a capital lease agreement for equipment utilized by the information technology department. The lease began in August 2019 and ended in August 2022. Any interest associated with the lease was not reported. The asset balance at June 30, 2020 was $145,924.10 net of accumulated depreciation of $68,037.63. The following is a schedule by years of future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments as of June 30, 2020.

Year ending June 30:	
2021	$71,269.10
2022	74,655.00
2023	-
2024	-
2025	-
2026 –2030	-
2031 – 2035	-
Total minimum lease payments	145,924.10

Note 8. Accounts Payable

Accounts payable at June 30, 2020 included the following:

Vendors payable	$2,583,952.03
Unapplied student payments	66,154.16
Other payables	2,667,483.29
Total	$5,317,589.48

Note 9. Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$124,223,790.16	$36,971,189.46	$6,257,674.33	$154,937,305.29	$8,032,358.73
Unamortized bond premium	16,270,332.01	7,115,384.16	1,407,702.88	21,978,013.29	-
Revolving credit facility	27,125,096.73	4,772,787.24	31,897,883.97	-	-
Capital Lease Obligations	-	213,961.73	68,037.63	145,924.10	71,269.44
Subtotal	167,619,218.90	49,073,322.59	39,631,298.81	177,061,242.68	8,103,628.17
Other Liabilities					

Compensated absences	14,485,213.93	9,031,502.47	6,925,350.93	16,591,365.47	3,549,058.99
Due to grantor	6,203,051.13	-	1,428,019.00	4,775,032.13	-
Subtotal	20,688,265.06	9,031,502.47	8,353,369.93	21,366,397.60	3,549,058.99
Total long-term liabilities	$188,307,483.96	$58,104,825.06	$47,984,668.74	$198,427,640.28	$11,652,687.19

TSSBA Debt - Bonds

Bonds, with interest rates ranging from 1.77% to 5.0%, were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially until 2048 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the university, including state appropriations, see Note 10 for further details. The bonded indebtedness with the TSSBA included in long-term liabilities on the statement of net position is shown net of assets held by the authority in the debt service reserve and net of unexpended debt proceeds. There was no debt service reserve at June 30, 2020. Unexpended debt proceeds were $6,411,313.54.

Debt service requirements to maturity for the university's portion of TSSBA bonds at June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	$8,032,358.73	$7,149,637.36	$15,181,996.09
2022	8,168,659.51	6,806,096.46	14,974,755.97
2023	8,484,627.95	6,440,576.06	14,925,204.01
2024	8,335,873.66	6,074,588.96	14,410,462.62
2025	8,042,224.60	5,719,062.89	13,761,287.49
2026–2030	38,082,972.92	23,297,882.51	61,380,855.43
2031–2035	31,648,343.63	15,537,767.04	47,186,110.67
2036–2040	28,836,883.62	8,322,182.09	37,159,065.71
2041–2045	13,150,141.87	2,675,321.35	15,825,463,22
2046–2048	2,155,218.80	165,232.69	2,320,451.49
Total	$154,937,305.29	$82,188,347.41	$237,125,652.70

TSSBA Debt – Revolving Credit Facility

The Tennessee State School Bond Authority (TSSBA) receives loans from the revolving credit facility to finance the costs of various capital projects during the construction phase. When projects are placed in service, TSSBA issues long-term, fixed-rate debt to finance the project over its useful payback period and repays the revolving credit facility debt. No loans from the revolving credit facility were outstanding at June 30, 2020.

More detailed information regarding the bonds and the revolving credit facility can be found in the notes to the financial statements in the financial report for the TSSBA. That report is available on the state's website at https://www.comptroller.tn.gov/boards/tennessee-state-school-bond-authority/investor-information/tssba-financial-reports.html.

Note 10. Pledged Revenues

The university has pledged certain revenues and fees, including state appropriations, to repay $154,937,305.29 in revenue bonds issued from August 2012 to September 2019 (see Note 9 for further detail). Proceeds from the bonds provided financing for construction and renovation projects. The bonds are payable through 2048. Annual principal and interest payments on the bonds are expected to require 3.73% of available revenues. The total principal and interest remaining to be paid on the bonds is $237,125,652.70. Principal and interest paid for the current year, and total available revenues were $13,496,468.22 and $361,760,016.24, respectively.

Note 11. Pension Plans

<u>Defined Benefit Plan</u>

<u>Closed State and Higher Education Employee Pension Plan</u>

General Information about the Pension Plan

<u>Plan Description</u> – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

<u>Benefits Provided</u> - Title 8, Chapters 34-37, *Tennessee Code Annotated* establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of member's highest compensation for 5 consecutive years (up to Social Security integration level)	**x**	1.50%	**x**	Years of Service Credit	**x**	105%

Plus:

Average of member's highest compensation for 5 consecutive years (over the Social Security integration level)	**x**	1.75%	**x**	Years of Service Credit	**x**	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions - Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The university's employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2020 to the Closed State and Higher Education Employee Pension Plan were $9,344,941 which is 19.66% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liability – At June 30, 2020, the university reported a liability of $30,412,385 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on the proportion of the university's contributions during the year ended June 30, 2019 to the pension plan relative to the contributions of all participating state and higher education agencies. At June 30, 2019 measurement date, the university's proportion was 2.153601%. The proportionate share from the prior year's measurement date of June 30, 2018 was 2.184743%.

Pension expense – For the year ended June 30, 2020, the university recognized a pension expense of $12,578,818.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2020, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	$1,429,780	$ 480,793
Net difference between projected and actual earnings on pension plan investments	-	4,000,164
Changes in assumptions	2,187,675	-
Changes in proportion of net pension liability	493,621	335,059
University's contributions subsequent to the measurement date of June 30, 2019	9,344,941	(not applicable)
Total	$13,456,017	$4,816,016

Deferred outflows of resources, resulting from the university's employer contributions of $9,344,941 subsequent to the measurement date will be recognized as a decrease in net pension liability in 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:

Year Ended June 30:	
2021	$ 2,954,123
2022	(2,494,583)
2023	(1,034,795)
2024	(129,685)
2025	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions - The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

Discount rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the university's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the university's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
University's net pension liability (asset)	$73,392,696	$30,412,385	$ (4,552,456)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net positon is available in a separately issued TCRS financial report at www.treasury.tn.gov/tcrs.

Payable to the Pension Plan

At June 30, 2020, the university had no payable for the outstanding amount of legally required contributions to the pension plan required.

State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan description - State and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014 and covers employees hired before July 1, 2014. Employees hired after June 30, 2014 are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits provided –Tennessee Code Annotated Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest five consecutive year average compensation by 1% multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions - Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of their salary. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, the employer contributions for the State and Higher Educations Employee Retirement Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2020 to the State and Higher Education Employee Retirement Plan were $481,545, which is 1.73% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension asset – At June 30, 2020, the university reported an asset of $968,981 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by and actuarial valuation as of that date. The university's proportion of the net pension asset was based on a projection of the university's contributions during the year ended June 30, 2019 to the pension plan relative to the contributions of all participating state and higher education agencies. At June 30, 2019 measurement date, the university's proportion was 2.336161%. The proportionate share from the prior year's measurement date of June 30, 2018 was 2.197890%.

Pension expense – For the year ended June 30, 2020, the university recognized a pension expense of $307,763.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2020, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,603	$ 31,431
Net difference between projected and actual earnings on pension plan investments	-	40,023
Change in Assumptions	26,784	-
Changes in proportion of net pension liability (asset)	1,378	66,819
University's contributions subsequent to the measurement date of June 30, 2019	481,545	-
Total	$531,310	$138,273

Deferred outflow of resources, resulting from the university's employer contributions of $481,545 subsequent to the measurement date will be recognized as a decrease in net pension liability in 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:

Year Ended June 30:	
2021	($19,362)
2022	(24,393)
2023	(13,895)
2024	(8,139)
2025	(3,420)
Thereafter	(19,299)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense

Actuarial assumptions - The total pension liability (asset) as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.0%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.39%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the three factors described above.

Discount rate - The discount rate used to measure the total pension asset was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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 asset.

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the university's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the university's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
University's proportionate share of the net pension asset	($158,738)	$968,981	$1,817,333

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

Payable to the Pension Plan

At June 30, 2020, the university had no payable for the outstanding amount of legally required contributions to the pension plan required.

Total defined benefit pension expense – The total pension expense for the year ended June 30, 2020, for all state government defined benefit pension plans was $12,886,581.

Defined Contribution Plans

Optional Retirement Plan

Plan Description – The university contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 35, Part 4 of the TCA. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Funding Policy - For employees employed prior to July 1, 2014, plan members are noncontributory. The university contributes 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5% to the ORP and the university will contribute 9% of the employee's base salary. The required contributions made to the ORP were $8,492,427.54 for the year ended June 30, 2020, and $8,336,506.75 for the year ended June 30, 2019. Contributions met the requirements for each year.

Members are immediately 100% vested in the employer contributions made pursuant to the ORP. the Treasury Department has selected three investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions. Accordingly, the State of Tennessee is not acting in a trustee capacity nor does it have a fiduciary responsibility for the funds held by the investment vendors.

At June 30, 2020, the university reported a payable of $353,380.88 for the outstanding amount of legally required contributions to the optional retirement plan required.

Deferred Compensation Plans

Employees are offered three deferred compensation plans. The university, through the state of Tennessee, provides two plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). The third plan is administered by the university and was established in accordance with IRC, Section 403(b). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k), 403(b), and 457 establish participation, contribution, and withdrawal provisions for the plans. The university provides up to a $50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary, with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan. Employees will vest immediately to both the employee and employer contributions. During the year ended June 30, 2020, contributions totaling $4,732,370,58 were made by employees participating in the plan, with a related match of $2,529,351.36 made by the university. During the year ended June 30, 2019, contributions totaling $4,280,708.00 were made by employees participating in the 401(k) plan, with a related match of $2,177,444.15 made by the university.

At June 30, 2020, the university had no payable for the outstanding amount of legally required contributions to the deferred compensation plan required.

Note 12. Other Postemployment Benefits

<u>Closed State Employee Group OPEB Plan</u>

General information about the OPEB plan

<u>Plan description</u> - Employees of the university, who were hired prior to July 1, 2015 and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan includes the primary government, the Tennessee Student Assistance

Corporation, the Tennessee Housing Development Agency, the University of Tennessee and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at https://www.tn.gov/finance/rd-doa/opeb22121.html.

Benefits provided - The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* 8-27-201. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard PPO plan or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active employees. This creates an implicit subsidy for the retirees. The retirees' cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80%; 20 but less than 30 years, 70%; and less than 20 years, 60%.

Contributions - Annually, an insurance committee, created in accordance with *Tennessee Code Annotated* 8-27-201, establishes the minimum required payments to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20 percent, 30 percent, 40 percent or 100 percent of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2020 was $145.4 million. The university's share of the ADC was $3,445,774. During the fiscal year the university contributed $3,445,774 to the OPEB Trust. The state general assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

OPEB Liability

Proportionate share - The university's proportion and proportionate share of the collective net OPEB liability, related to the EGOP, is 2.1631101485% and $20,596,707, respectively. The proportion existing at the prior measurement date was 2.2049885738%. This resulted in a change in proportion of 0.0418784253% between the current and prior measurement dates. The university's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2019 and measurement date of June 30, 2019.

OPEB expense – For the fiscal year ended June 30, 2020 the university recognized OPEB expense of $1,178,577.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2020 the university reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,311,457
Changes in Assumptions	1,125,693	4,919,877
Net difference between actual and projected Investment earnings	15,122	-
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	1,443,475	3,702,490
University's contributions subsequent to the measurement date	3,445,774	-
Total	$6,030,064	$9,933,824

The amounts shown above for "contributions subsequent to the measurement date" will be recognized as a reduction to the collective net OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows:

Year Ended June 30:	
2021	($1,218,249)
2022	(1,218,249)
2023	(1,218,249)
2024	(1,218,251)
2025	(1,222,030)
Thereafter	(1,254,506)

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease OPEB expense

Actuarial assumptions - The collective total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.03% for 2020, decreasing annually to an ultimate rate of 4.71%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Long-term expected rate of return – The long-term expected rate of return of 6 percent on OPEB Trust investments was established by consultation with plan actuaries and TCRS investment staff. TCA 9-27-802 establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement Systems (TCRS) is permitted to invest provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

Asset Class	Minimum	Maximum	Target Allocation
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best-estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. Equities	5.69%
Private equity and strategic lending	5.79%
U.S. fixed income	2.01%
Real estate	4.32%
Short-term securities	0.00%

Discount rate - The discount rate used to measure the total OPEB liability was 6%. This represents an increase of 2.38% over the 3.62% used at the prior measurement date. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the ADC rates pursuant to an actuarial valuation in accordance with the state's funding goals. Inactive plan members are assumed to contribute their share of the premium rate for the coverall option in which they are enrolled. Based on those assumptions, the OPEB Trust 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 OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The change in discount rate used is due to the transition of the EGOP from a pay-as-you-go arrangement to a prefunding arrangement through a qualified trust.

Changes in assumptions – The health trend rates for fiscal year 2021 and beyond have increased between .02% and .97% from what was used in the prior valuation. Additionally, the assumed initial per capita costs and premium amounts were revised to reflect rates adopted for the 2020 plan year. These changes in assumptions increased the net OPEB liability.

Sensitivity of proportionate share of the collective net OPEB liability to changes in the discount rate - The following presents the university's proportionate share of the collective total OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
Proportionate share of the collective net OPEB liability	$22,465,580	$20,596,707	$18,865,803

Sensitivity of proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate - The following presents the university's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	1% Decrease (5.03% decreasing to 3.71%)	Healthcare Cost Trend Rates (6.03% decreasing to 4.71%)	1% Increase (7.03% decreasing to 5.71%)
Proportionate share of the collective total OPEB liability	$18,189,575	$20,596,707	$23,389,963

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the State of Tennessee Comprehensive Annual Financial Report found at https://www.tn.gov/finance/rd-doa/fa-accfin-cafr.html.

Closed Tennessee Plan

General information about the OPEB plan

Plan description - Employees of the university, who were hired prior to July 1, 2015 and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The primary government as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee and the other institutions that make up the State University and Community College System also participates in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state administered Teacher Group Insurance and Local Government Insurance Plans.

Benefits provided - The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with *Tennessee Code Annotated* 8-27-209, benefits are established and amended by cooperation of insurance committees created by *Tennessee Code Annotated* 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. The university does not provide any subsidies for retirees in the TNP. The primary government paid $155,863 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis, and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with *Tennessee Code Annotated* 8-27-209, the state insurance committees established by *Tennessee Code Annotated* 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the TNP OPEB associated with the university's employees. The primary government's proportionate share of the total OPEB liability associated with the university was $4,140,482. At the June 30, 2019, measurement date, the proportion of the collective total OPEB liability associated with the university was 2.365372%. This represents a change of (0.099617%) from the prior year proportion of 2.464989%. The university's proportion of the collective total OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2019 and measurement date of June 30, 2019.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-

2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate - The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate - The following presents the primary governments proportionate share of the university's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate. The university does not report a proportionate share of the OPEB liability for employees in the TNP

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Primary government share of the collective total OPEB liability	\$4,692,909	\$4,140,482	\$3,679,189

OPEB expense - For the fiscal year ended June 30, 2019, the primary government recognized OPEB expense of \$153,693 for employees of the university participating in the TNP.

Note 13. Revenues

A summary of adjustments and allowances by revenue classification is presented as follows:

Revenue Source	Gross Revenue	Less Scholarship Allowance	Less Uncollectible Debts	Net Revenue
Tuition and Fees	\$179,074,260.86	\$59,101,874.06	\$805,393.31	\$119,166,993.49
Nongovernmental grants and contracts	22,760,067.29	-	94,987.49	22,665,079.80
Sales/Svcs Edu Dept	21,403,762.51	-	(19,558.89)	21,423,321.40
Sales/Svcs Other	10,643,322.59	-	30,000.00	10,613,322.59
Residential Life	13,601,775.92	425,999.13	83,088.53	13,092,688.26
Food Service	6,708,553.80	-	35,260.45	6,673,293.35
Other Auxiliaries	2,733,393.84	-	35,767.15	2,697,626.69
Total	\$256,925,136.81	\$59,527,873.19	\$1,064,938.04	\$196,332,325.58

Note 14. Chairs of Excellence

The university had $31,583,237.91 on deposit at June 30, 2020, with the State Treasurer for its Chairs of Excellence program. These funds are held in trust by the state and are not included in these financial statements.

Note 15. Insurance-Related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300,000 per person and $1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

The university participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on a percentage of the university's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2019, is presented in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the university participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the university for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. The amount of cash and cash equivalents designated for payment of claims held by the Risk Management Fund at June 30, 2019, was not available.

At June 30, 2020, the scheduled coverage for the university was $906,947,960 for buildings and $192,293,000 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The university participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on estimates of the ultimate cost of claims, including the costs of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Note 16. Commitments and Contingencies

Sick Leave

The university records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $69,283,803.16 at June 30, 2020.

Operating Leases

The university has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real property were $503,545.53 for the year ended June 30, 2020. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2020, outstanding commitments under construction contracts totaled $50,122,102.64 for construction and renovation projects of which $26,036,225.50 will be funded by future state capital outlay appropriations

Litigation

The university is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

Note 17. Natural Classifications with Functional Classifications

The university’s operating expenses by functional classification for the year ended June 30, 2020, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarship	Depreciation	Total
Instruction	$112,679,754.77	$40,711,787.37	$18,131,948.08	$ -	$ -	$171,523,490.22
Research	7,227,828.91	2,223,097.74	4,117,204.25	-	-	13,568,130.90
Public service	15,272,130.14	5,587,835.45	12,429,630.31	-	-	33,289,595.90
Academic support	20,628,289.98	9,457,807.20	5,104,121.12	-	-	35,190,218.30
Student services	14,200,212.28	6,248,566.68	8,243,916.01	-	-	28,692,694.97

Institutional support	15,385,586.63	6,596,542.29	5,051,076.10	-	-	27,033,205.02
Maintenance & Operation	8,363,973.95	4,809,500.21	13,639,961.17	-	-	26,813,435.33
Scholarships & Fellowships	-	-	-	27,670,763.61		27,670,763.61
Auxiliary	2,023,105.07	952,776.77	12,880,330.91	-	-	15,856,212.75
Depreciation	-	-	-	-	15,797,796.18	15,797,796.18
Total Expenses	$195,780,881.73	$76,587,913.71	$79,598,187.95	$27,670,763.61	$15,797,796.18	$395,435,543.18

Note 18. Affiliated Entity Not Included

The East Tennessee State University Research Foundation is a private, nonprofit foundation with the university as the sole beneficiary. The Research Foundation is controlled by a board independent of the university. The financial records, investments, and other financial transactions are handled external to the university, and these amounts are not included in the university's financial report. As reported in the foundation's most recently audited financial report, at June 30, 2019 the assets of the research foundation totaled $620,376, liabilities were $23,483 and the net position amounted to $596,893.

Note 19. Insurance Recoveries

The university sustained damage to various building on campus and some of the equipment they contained due to several unrelated events. The impairment of all assets involved was temporary and no impairment loss was recognized. An insurance recovery for the capital damage in the amount of $434,452.06 was recorded in fiscal year 2020. The insurance recovery is classified as other nonoperating revenue in the statement of revenues expense and changes in net position.

Note 20. On-Behalf Payments

During the year ended June 30, 2020, the State of Tennessee made payments of $155,862.50 on behalf of the university for retirees participating in the Closed Tennessee OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plans and is discussed further in Note 12.

Note 21. Component Units

EAST TENNESSEE STATE UNIVERSITY FOUNDATION

The East Tennessee State University Foundation is a legally separate, tax-exempt organization supporting East Tennessee State University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the university in support of its programs. The 25-member board of the Foundation is self-perpetuating and consists of graduates and friends of the university. Although the university does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the university, the Foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

During the year ended June 30, 2020, the Foundation made distributions of $4,009,232.50 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Dr. B.J. King, ETSU Chief Financial Officer, P.O. Box 70601, Johnson City, TN 37614.

Cash and Cash Equivalents

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2020, cash and cash equivalents consists of $308,116.44 in bank accounts, $9,670,142.88 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $769,903.89 in cash held by others.

The Foundation also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hour notification period for withdrawals of $5 million or more. The fund's required risks disclosures are presented in the State of Tennessee's Treasurer's Report. That report is available on the state's website at http://www.tn.gov/treasury.

Investments

The Foundation is authorized to invest funds in accordance with its board of directors' policies. In accordance with GASB Statement 31, as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

As of June 30, 2020, the Foundation had the following investments and maturities.

Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Government	$ 12,411,027.90	$4,086,179.90	$ 833,803.80	$7,491,049.20	$ -
U.S. Agencies	3,431,882.00	577,990.00	1,315,732.00	1,538,160.00	-
Corporate bonds	13,267,590.51	230,195.25	8,203,854.51	4,278,238.45	555,302.30
Bond mutual funds	8,589,777.52	-	2,652,237.00	4,874,680.57	1,062,859.95
Total	$37,700,277.93	$4,894,360.15	$13,005,627.31	$18,182,128.22	$1,618,162.25

Non-Fixed Income Investments	
Mutual equity funds	$54,173,682.05
Hedge funds	5,680,548.70
CSV of life insurance	248,947.08
Total	$97,803,455.76

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. In order to reduce the exposure to interest rate risk, the Foundation will set limits regarding the weighted average maturity for each direct investment pool. In the case of federal securities, the weighted average of all investments should be less than three (3) years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating scale. Positions in debt securities owned by the Foundation should not be below investment grade and the Foundation's investment advisors have discretion to invest in bond funds that they deem appropriate for the Foundation's investment portfolio.

As of June 30, 2020, the Foundation's investments were rated as follows:

Investment Type	Fair Value	AAA	AA	A	BBB or Less	Unrated
LGIP	$ 9,670,142.88	$ -	$ -	$ -	$ -	$9,670,142.88
U.S. Government	12,411,027.90	-	12,411,027.90	-	-	-
U.S. Agencies	3,431,882.00	-	3,431,882.00	-	-	-
Corporate bonds	13,267,590.51	722,465.76	1,721,431.85	4,963,023.10	5,860,669.80	-
Bond mutual funds	8,589,777.52	332,456.04	-	-	8,150,108.33	107,213.15
Total	$47,3470,420.81	$1,054,921.80	$17,564,341.75	$4,963,023.10	$14,010,778.13	$9,777,356.03

Investments of endowment and similar funds are composed of the following:

	June 30, 2020
U.S. Government	$ 11,169,925.11
U.S. Agencies	3,088,693.80
Corporate bonds	11,940,831.45
Pooled Investment Vehicles	50,457,855.87
Hedge Fund	5,680,548.70
Deposits Held by Others	769,903.89
Total	$83,107,758.82

Assets of endowment funds are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the value per unit fair value at the beginning of the calendar quarter within which the transaction takes place. Of the total units at March 31, 2020, each having a fair value of $1.0632540765, 72,875,068.19 units were owned by endowment, and 4,487,714.80 units were owned by quasi-endowment.

The following tabulation summarizes changes in relationships between cost and fair values of the pooled assets for the year ended June 30, 2020:

	Pooled Assets			Fair Value
	Fair Value	Cost	Net Gains (Losses)	per Unit
End of year	$97,554,508.68	$97,065,755.55	$ 488,753.13	$1.0632540765
Beginning of year	94,897,217.85	92,982,304.39	1,914,913.46	1.0480596676
Unrealized net gains			(1,426,160.33)	
Realized net gains			1,507,276.70	
Total net gains			$ 81,116.37	

The average annual earnings per unit, exclusive of net gains, were $.026 for the year ended June 30, 2020.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation does not have a deposit policy for custodial credit risk. At June 30, 2020, the Foundation had $97,554,508.68 of uninsured and unregistered investments for which the securities are held by the counterparty.

Fair Value Measurement

The foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The foundation has the following recurring fair value measurements as of June 30, 2020:

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservabl e Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets by Fair Level Value					
Debt Securities					
U.S. Government	$12,411,027.90	$12,411,027.90	$ -	$ -	$ -
U.S. Agencies	3,431,882.00	3,431,882.00	-	-	-
Corporate bonds	13,267,590.51	13,267,590.51	-	-	-
Bond mutual funds	8,589,777.52	-	-	-	8,589,777.52
Total debt securities	37,700,277.93	29,110,500.41	-	-	8,589,777.52
Equity securities					
Mutual equity funds	54,173,682.05	-	-	-	54,173,682.05
Hedge funds	5,680,548.70	-	-	-	5,680,548.70
Total equity securities	59,854,230.75	-	-	-	59,854,230.75
Other Investments					
Cash surrender value of life insurance	248,947.08	248,947.08	-	-	-

Total Other Investments	248,947.08	248,947.08	-	-	-
Total assets at fair value	$97,803,455.76	$29,359,447.49	$ -	$ -	$68,444,008.27

Assets and liabilities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets and liabilities classified in Level 2 of the fair value hierarchy are valued using cash surrender value. Assets and liabilities classified in Level 3 are valued using realtor market analysis.

The valuation method for assets and liabilities measured at the net asset value per share (or its equivalent) is presented on the following table.

Assets Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Bond mutual funds	$ 8,589,777.52	$ -	Daily	None
Mutual equity funds	54,173,682.05	-	Daily	None
Hedge funds	5,680,548.70	-	Quarterly	91 Days

The above assets are commingled bond/equity funds that are considered to be commingled in nature. They are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Pledges Receivable - Pledges receivable at June 30, 2020, are summarized below, net of the allowance for doubtful accounts:

Current pledges	$1,444,963.51
Pledges due in one to five years	1,998,192.69
Pledges due after five years	1,070,000.00
Subtotal	4,513,156.00
Less allowance for doubtful accounts	(36,825.00)
Less discounts to net present value	(233,731.86)
Total pledges receivable, net	$4,242,599.34

Capital Assets

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

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Buildings	$59,000.00	$ -	$ -	$ -	$59,000.00
Equipment	56,601.00	-	-	(56,601.00)	-
Other Assets	12,000.00	-	-	-	12,000.00
Projects in progress	-	-	-	-	-

Total	127,601.00	-	-	(56,601.00)	71,000
Less accumulated depreciation/amortization:					
Buildings	59,000.00	-	-	-	59,000.00
Equipment	-	-	-	-	
Capital assets, net	$68,601.00	$ -	$ -	$ (56,601.00)	$12,000.00

Endowments

The ETSU Foundation's endowment consists of 615 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the ETSU Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as preservation of the historical dollar value of the original gift. As a result of this interpretation, the ETSU Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the foundation and the endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the foundation
7. The investment policies of the foundation

Return Objectives and Risk Parameters - The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that over the long term, will achieve a total return equivalent to or greater than the Foundation's financial requirements over the time horizon. The foundation expects its endowment funds, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

Spending Policy and How the Investment Objectives Relate - The foundation has a policy of appropriating for distribution each year 2% to 4% of the average quarterly balance for the three preceding calendar years depending on the amount of reserve for each endowment. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the foundation expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2020, net appreciation of $14,161,759.34 is available to be spent, of which $8,999,546.71 is included in restricted net position expendable for scholarships and fellowships, $139,580.85 is included in restricted net position expendable for research, $1,189,531.80 is included in restricted net position expendable for instructional departmental uses, and $3,833,099.98 included in restricted net position expendable for other purposes.

Revenues

The following revenues have been adjusted for uncollectible debts:

Revenue Source	Revenue	Bad Debt	Net
Gifts and contributions	$ 7,527,832.31	$36,825.00	$7,491,007.31
Other operating revenues	1,644,416.31	-	1,644,416.31
Other nonoperating revenues	2,617,184.11	-	2,617,184.11
Additions to permanent endowments	1,618,534.46	-	1,618,534.46
Total	$13,407,967.19	$36,825.00	$13,371,142.19

Subsequent Event

The ETSU Foundation Board met on September 5, 2019 and voted to approve a Memorandum of Understanding with a local developer to lease property for the Advancement and Alumni offices near campus. On August 14, 2020, a lease agreement was entered into between R & G Ventures, GP and the ETSU Foundation for space located inside the "Model Mill Building" located at 500

W. Walnut Street, Johnson City, Tennessee. The lease term is 7 years and includes a Tenant Improvement Option which would be credited to a purchase price at the end of the 7 year lease term. The base rent is approximately $160,000 per year with additional common area maintenance charges (CAM) not to exceed $5.50 per square foot. The move will consolidate all Advancement and Alumni personnel into one location easily accessible by donors and Foundation Board members.

MEDICAL EDUCATION ASSISTANCE CORPORATION

The Medical Education Assistance Corporation (MEAC) is a legally separate, tax-exempt organization supporting East Tennessee State University. MEAC acts primarily as a physicians practice group to supplement the resources that are available to the university in support of its medical education programs. The 13-member board of MEAC is self-perpetuating and consists of the department chairs from Quillen College of Medicine, a representative from East Tennessee State University's Office of the President, a representative from the East Tennessee State University Board of Trustees, and three at-large faculty from the Quillen College of Medicine. Although the university does not control the timing or amount of receipts from MEAC, the residual income that MEAC earns is restricted to supporting medical education. Because these restricted resources held by MEAC can only be used by, or for the benefit of, the university, MEAC is considered a component unit of the university and is discretely presented in the university's financial statements.

During the year ended June 30, 2020, MEAC made distributions of $1,938,526.00 to or on behalf of the ETSU or the ETSU Foundation for both restricted and unrestricted purposes. Complete financial statements for MEAC can be obtained from Russell Lewis, Chief Financial Officer, P.O. Box 699, Mountain Home, TN 37684.

Cash and Cash Equivalents

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2020, cash and cash equivalents consists of $17,691,182.00 in bank accounts, $2,600.00 of petty cash on hand and $2,213,138.00 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer.

MEAC also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is measured at amortized cost and is part of the Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hou notification period for withdrawals of $5 million or more. The fund's required risks disclosures are presented in the State of Tennessee's Treasurer's Report. That report is available on the state's website at www.treasury.tn.gov.

Investments

In accordance with GASB Statement 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise notes. The corporation is authorized to invest funds in accordance with its board of directors' policies. The corporation's investments at June 30, 2020, consisted of $7,485,730 of certificates of deposited reported at cost and $3,057,060 of U.S. agency obligations reports at fair value. The certificates of deposit and U.S. agency obligations had original maturities greater than three months.

Interest Rate Risk

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

As of June 30, 2020, MEAC had the following debt investments and maturities.

			Investment Maturities (In Years)	
Investment Type	Amortized Cost	Fair Value	Less than 1	1 to 5
US Agency Bonds	$ -	$3,057,060.00	$1,017,420.00	$2,039,640.00

Credit Risk

Credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. MEAC has no investment policy limiting its investment choices based on ratings issued by nationally recognized statistical rating organizations. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating Scale. As of June 30, 2020, MEAC's investments were rated as follows:

		Credit Quality Rating	
Investment Type	Fair Value	AA	Unrated
LGIP	$ 2,213,138.00	$ -	$2,213,138.00
US Agency Bonds	3,057,060.00	3,057,060.00	-

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of MEAC's investment in a single issuer. MEAC places no limit on the amount it may invest in any one issuer. More than 5 percent of MEAC's investments are investing in the following single issuer at June 30, 2020.

Issuer	Percentage of Total Investments
Federal Home Loan Bank (FHLB) Obligations	67%
Federal National Mortgage Association (FNMA) obligations	33%

Fair Value Measurement - MEAC categorizes its fair value measurements within the fair value hierarchy established by accounting principles accepted in the United States of America. MEAC has the following recurring fair value measurements as of June 30, 2020.

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets by Fair Level Value			
Debt Securities			
US Agency	$3,057,060.00	$ -	$3,057,060.00
Total assets at fair value	$3,057,060.00	$ -	$3,057,060.00

The assets classified in Level 2 of the fair value hierarchy are valued using the spread above risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of US government agency debt securities are included in the Level 2 hierarchy. Valuations are obtained from a third party pricing service for investment securities.

Receivables

Receivables at June 30, 2020, included the following:

Patient accounts receivable, net	$3,558,735.00
Other receivables	4,691,651.00
Total	$8,250,286.00

Capital Assets - Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 408,450.00	$ -	$ -	$ -	$ 408,450.00
Buildings & improvements	6,065,891.00	-	-	-	6,065,891.00
Leasehold improvements	769,706.00	-	-	-	769,706.00
Equipment	4,733,797.00	135,092.00	-	101,298.00	4,767,59100
Total	11,977,844.00	135,092.00	-	101,298.00	12,011,638.00
Less accumulated depreciation:					
Buildings & Improvements	1,812,353.00	227,912.00	-	-	2,040,265.00
Leasehold improvements	744,945.00	16,260.00	-	-	761,205.00
Equipment	4,223,069.00	221,378.00	-	83,013.00	4,361,434.00
Total	6,780,367.00	465,550.00	-	83,013.00	7,162,904.00
Capital assets, net	$5,197,477.00	(330,458.00)	$ -	$ 18,285.00	$4,848,734.00

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$696,839.00	$ -	$ 105,801.00	$591,038.00	$118,208.00
Notes payable	-	4,896,317.00	-	4,896,317.00	-
Total long-term liabilities	$696,839.00	$4,896,317.00	$105,801.00	$5,487,355.00	$118,208.00

On April 20, 2020 MEAC received a loan in the amount of $4, 896,317 pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES ACT. This loan is guaranteed by the U.S. Small Business Administration. The note payable, issued by a local bank, matures April 20, 2022 and bears interest at a rate of 1% per annum.

Under the terms of the Paycheck Protection Program, the loan may be forgiven at the end of 24 weeks from receiving loan proceeds if utilized for qualifying expenses and both number of employees and rates of compensation were maintained. The loan amount was utilized for qualifying expenses of payroll costs and benefits, rent, and utilities. MEAC will apply for loan forgiveness immediately following final guidance.

Capital Lease Between MEAC and the University

In 2008, MEAC entered into an agreement to lease a clinical education building from the university for 30 years at a rate equivalent to the cost of construction of the building, which was $2,942,254. The entire lease obligation was paid in 2009 upon the completion of construction. The agreement is currently being treated as a capital lease. Because there is no remaining obligation, no capital lease obligation has been reported by MEAC and no capital lease receivable has been reported by the university.

EAST TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of East Tennessee State University's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS

	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	2.153601%	$30,412,385	$48,552,102	62.61%	91.67%
2019	2.184743%	35,292,595	50,556,513	69.81%	90.26%
2018	2.113662%	37,826,081	50,712,584	74.59%	88.88%
2017	2.121410%	38,706,509	51,794,799	74.73%	87.96%
2016	2.069473%	26,681,350	54,038,562	49.37%	91.26%
2015	2.041149%	14,082,883	55,762,565	25.26%	95.11%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

2) This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

EAST TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of East Tennessee State University's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Pension Plan Within TCRS

	Proportion of the Net Pension Asset	Proportionate Share of the Net Pension Asset	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	2.336161%	$968,981	$21,915,711	4.42%	122.36%
2019	2.197890%	847,796	16,402,250	5.17%	132.39%
2018	2.094340%	434,336	11,157,589	3.89%	131.51%
2017	2.054754%	173,103	6,330,672	2.72%	130.56%
2016	2.184792%	60,758	2,379,157	2.55%	142,55%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

2) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

EAST TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of East Tennessee State University's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$9,344,941	$9,344,941	-	$47,530,893	19.66%
2019	9,337,610	9,337,610	-	48,552,102	19.23%
2018	9,540,014	9,540,014	-	50,556,513	18.87%
2017	7,616,299	7,616,299	-	50,712,584	15.02%
2016	7,784,757	7,784,757	-	51,794,799	15.03%
2015	8,121,767	8,121,767	-	54,038,562	15.03%
2014	8,381,113	8,381,113	-	55,762,565	15.03%
2013	8,044,873	8,044,873	-	53,525,437	15.03%
2012	7,674,153	7,674,153	-	51,469,841	14.91%
2011	7,186,331	7,186,331	-	48,198,060	14.91%
2010	6,074,138	6,074,138	-	46,652,366	13.02%

To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; and decreased the salary growth graded ranges from an average of 4.25% to an average of 4.00%.

EAST TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of East Tennessee State University's Contributions
State and Higher Education Employee Pension Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$481,545	$484,545	-	$27,834,900	1.73%
2019	$849,812	$849,812	-	$21,915,711	3.88%
2018	630,229	630,229	-	16,399,694	3.84%
2017	430,143	430,143	-	11,157,589	3.86%
2016	244,997	244,997	-	6,330,672	3.87%
2015	92,133	92,133	-	2,379,157	3.87%

This is a ten-year schedule; however, contributions to this plan began in 2015. Years will be added to this schedule in future years until ten years of information are available.

To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.5% to

EAST TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of the Employer Proportionate Share of the Collective Total OPEB Liability
Closed State Employee Group OPEB Plan
Fiscal Year Ending June 30

	2020	2019	2018
ETSU's proportion of the collective total OPEB liability	2.163110%	2.204989%	2.056860%
ETSU's proportionate share of the collective total OPEB liability	\$20,596,707	\$30,544,345	\$27,614,178
ETSU's covered payroll related to OPEB	\$97,220,848	\$100,835,192	\$101,025,263
ETSU's proportionate share of the collective total OPEB liability as a percentage of its covered payroll	21.19%	30.29%	27.33%

1) This is a ten-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.
2) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

EAST TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Contributions to State of Tennessee
Postemployment Benefits
Fiscal Year Ending June 30

	2020	2019
Actuarially Determined Contributions	$ 3,445,774	$ 2,805,000
Contributions in Relation to Actuarially determined contributions	$ 3,445,774	$ 2,805,000
Contribution Deficiency (Excess)	$ -	$ -
ETSU's covered employee payroll	$ 97,220,848	$100,835,193
ETSU's proportionate share of the collective total OPEB liability as a percentage of its covered payroll	3.54%	2.78%

1) This is a ten-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.
2) Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

EAST TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of the Employer Proportionate Share of the Collective Total OPEB Liability
Closed Tennessee Plan
Fiscal Year Ending June 30

	2020	2019	2018
ETSU's proportion of the collective total OPEB liability	0.0%	0.0%	0.0%
ETSU's proportionate share of the collective total OPEB liability	$ -	$ -	$ -
Primary government's proportionate share of the collective total OPEB liability	$ 4,140,482	$ 4,261,072	$ 4,092,142
Collective total OPEB liability	$ 4,140,482	$ 4,261,072	$ 4,092,142
ETSU's covered payroll related to OPEB	$120,400,918	$119,545,546	$119,808,196
ETSU's proportionate share of the collective total OPEB liability as a percentage of its covered payroll	3.44%	3.56%	3.42%

3) There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB statement 75 related to this OPEB plan.
4) This is a ten-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.
5) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

EAST TENNESSEE STATE UNIVERSITY
Supplementary Schedule of Cash Flows
East Tennessee State University Foundation
For the Year Ended June 30, 2020

Cash flows from operating activities	
Gifts and contributions	$ 7,491,929.98
Payments to suppliers and vendors	(2,315,055.01)
Payments for scholarships and fellowships	(2,750,549.19)
Payments to or on behalf of ETSU	(4,009,232.50)
Other receipts (payments)	1,641,994.43
Net cash provided by operating activities	59,087.71
Cash flows from noncapital financing activities	
Private gifts for endowment purposes	1,618,534.46
Net cash provided by noncapital financing activities	1,618,534.46
Cash flows from investing activities	
Proceeds from sales and maturities of investments	47,668,536.05
Income from investments	2,769,895.73
Purchase of investments	(50,258,361.36)
Net cash provided by investing activities	180,070.42
Net increase in cash and cash equivalents	1,857,692.59
Cash and cash equivalents – beginning of year	8,890,470.62
Cash and cash equivalents – end of year	$ 10,748,163.21
Reconciliation of operating loss to net cash used by operating activities:	
Operating income (loss)	(325,104.48)
Noncash operating expenses	56,601.00
Adjustments to reconcile operating loss to net cash used by operating activities	
Changes in assets and liabilities:	
Pledges receivable, net	148,521.19
Other receivables	(189.00)
Accounts payable	181,680.88
Other liabilities	(2,421.88)
Net cash provided (used) by operations	59,087.71
Noncash investing, capital, or financing transactions	
Loss on disposal of other assets	$ (12,117.66)
Unrealized losses on investments	$ (1,426,160.33)

EAST TENNESSEE STATE UNIVERSITY
Supplementary Schedule of Cash Flows - Medical Education Assistance Corporation
For the Year Ended June 30, 2020

Cash flows from operating activities	
Collections from patient charges	$ 42,711,946.00
Payments to employees	(28,542,925.00)
Payments for benefits	(2,499,671.00)
Payments to suppliers and vendors	(6,257,729.00)
Other receipts (payments)	325,700.00
Net cash provided by operating activities	5,737,321.00
Cash flows from noncapital financing activities	
Proceeds from Paycheck Protection Program loan – Cares Act	4,896,317.00
Gifts and grants for other than capital purposes	854,856.00
Payments to or on behalf of ETSU or ETSU Foundation	(1,396,255.00)
Net cash provided by noncapital financing activities	4,354,918.00
Cash flows from capital and related financing activities	
Proceeds from sale of property and equipment	15,000.00
Purchases of capital assets and construction	(135,092.00)
Net cash used by capital and related financing activities	(120,092.00)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	9,358,437.00
Income from investments	289,763.00
Purchase of investments	(8,449,016.00)
Other investing receipts (payments)	127,122.00
Net cash provided by investing activities	1,326,306.00
Net increase in cash	11,298,453.00
Cash – beginning of year	8,608,467.00
Cash – end of year	$ 19,906,920.00
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain	$ 6,058,654.00
Adjustments to reconcile operating loss to net cash used by operating activities	
Noncash operating expenses	465,550.00
Changes in assets and liabilities:	
Receivables	(1,960,513.00)
Prepaid expenses	(413,781.00)
Accounts payable	771,181.00
Accrued liabilities	181,515.00
Compensated absences	(105,801.00)
Deposits held in custody for others	415,319.00
Unearned revenue	909,962.00
Other	(584,765.00)
Net cash provided (used) by operations	$ 5737,321.00
Noncash investing, capital, or financing transactions	
Unrealized gains/(losses) on investments	76,335.00
Gain/(loss) on disposal of capital assets	(3,285.00)