Cleveland State University

(A Component Unit of the State of Ohio)

Financial Report
June 30, 2020

Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements	
Statements of Net Position	12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14-15
Statements of Net Position – Discretely Component Units	16
Statements of Revenues, Expenses, and Changes in Net Position – Discretely Component Units	17
Notes to Financial Statements	18-46
Required Supplementary Information	
Retirement Plan and Other Post-Employment Benefits Plan (OPEB) Data	47-50

RSM US LLP

Independent Auditor's Report

To the President and Board of Trustees
Cleveland State University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Cleveland State University (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of Cleveland State University as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11 as well as the required supplementary information data for certain retirement plan data and other postemployment benefits (OPEB) data on pages 47-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The financial statements of the University, as of and for the year ended June 30, 2019, were audited by other auditors, whose report, dated October 11, 2019, expressed an unmodified opinion on those statements.

RSM US LLP

Cleveland, Ohio
October 15, 2020

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the University) as of and for the year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University was established in 1964 by action of the Ohio General Assembly and is part of the State of Ohio's (the State) system of State-supported and State-assisted institutions of higher education. It is one of the 13 State universities in Ohio. By statute, it is a body politic and corporate and an instrumentality of the State. Located in the city of Cleveland, the University is an urban institution. A majority of the University's students commute daily from their homes in the Cleveland metropolitan area.

Using the Annual Financial Report

The University's financial report includes financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These principles require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the University as a whole. Many other nonfinancial factors also must be considered in assessing the overall health of the University, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

The financial statements prescribed by GASB Statement No. 35 (the statement of net position, the statement of revenue, expenses and changes in net position, and the statement of cash flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provisions of GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*, the Cleveland State University Foundation, Inc. (the "Foundation") and the Euclid Avenue Development Corporation (the "Corporation") are treated as component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from the management's discussion and analysis. Financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Union Building Room 501, Cleveland, OH 44115-2214; financial statements for the Corporation can be obtained from the Office of the Senior Vice President for Business Affairs and Finance at 2300 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Financial Highlights

The University's financial position remained strong with assets of $699.2 million, deferred outflows of $38.9 million, liabilities of $478.4 million and deferred inflows of $47.0 million at June 30, 2020. Net position, which represents the residual interest in the University's assets and deferred outflow of resources after liabilities and deferred inflows of resources are deducted, totaled $212.7 million, after the implementation of GASB Statement No. 75 on July 1, 2017 and the implementation of GASB Statement No. 68 on July 1, 2014.

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and deferred outflows and liabilities and deferred inflows - net position - is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets, deferred outflows, liabilities, and deferred inflows are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30 is as follows:

	2020	2019	2018
Current assets	$ 189,691,147	$ 188,947,513	$ 179,117,948
Noncurrent assets:			
Capital assets, net	497,502,068	516,393,214	497,104,489
Other	11,963,749	13,477,618	14,966,306
Deferred outflows	38,857,599	62,877,571	56,156,612
Total assets and deferred outflows	738,014,563	781,695,916	747,345,355
Current liabilities	39,191,555	43,012,702	42,946,226
Noncurrent liabilities	439,192,816	489,014,013	462,731,299
Deferred inflows	46,950,193	26,710,953	28,123,522
Total liabilities and deferred inflows	525,334,564	558,737,668	533,801,047
Net position	$ 212,679,999	$ 222,958,248	$ 213,544,308

Current assets consist primarily of cash, short-term investments, accounts and notes receivable, prepaid expenses, and inventories. Current liabilities consist primarily of accounts payable, accrued payroll and other liabilities, unearned revenue, and the current portion of long-term debt.

Current assets increased in 2020 from 2019 primarily due to a small increase in accounts receivable as the result of relaxed collection efforts during the fourth quarter due to COVID-19 pandemic and in 2019 from 2018, due to an increase in short-term investments.

Net capital assets decreased in 2020 from 2019 by $18.9 million, or 3.7% and increased in 2019 from 2018 by $19.3 million, or 3.9%. The decrease in 2020 is attributable retirement of assets, and depreciation. The increase in 2019 is attributable to the retirement of a capital lease on a building, partially offset by retirement of assets, and depreciation.

As a result of the University's compliance with GASB Statement No. 68 and GASB Statement No. 75, deferred outflow of resources has been recorded. Deferred outflow of resources is defined as the consumption of net assets applicable to a future reporting period. The deferred outflows have a positive effect on net position similar to assets. The University's deferred outflows in 2020 decreased from 2019 by $24.0 million, or 38.2%, primarily due changes in assumptions and differences between projected and actual earnings on pension plan investments related to GASB Statement No. 68 (See Required Supplementary Information (RSI) and notes to the RSI). The University's deferred outflows in 2019 increased from 2018 by $6.7 million, or 12.0%, primarily due to the implementation of GASB Statement No. 75 and changes in assumptions related to GASB Statement No. 68.

Statement of Net Position (Continued)

Other assets decreased in 2020 from 2019 by $1.5 million, or 11.2%, and in decreased in 2019 from 2018 by $1.5 million, or 9.9%, primarily due to the pay down of Perkins loans receivable.

As a result of the University's compliance with GASB Statement No. 68 and GASB Statement No. 75, deferred inflows of resources have been recorded. Deferred inflows of resources is defined as the current acquisition of net assets that is applicable to a future period. The deferred inflows have a negative effect on net position similar to liabilities. The University's deferred inflows in 2020 increased from 2019 by $20.2 million, or 75.8%, primarily due to the difference between projected and actual earnings, changes in assumptions and changes in proportionate share on the OPERS and STRS Pension Plans (See RSI and notes to the RSI). The University's deferred inflows in 2019 decreased from 2018 by $1.4 million, or 5.0%, primarily due the difference between projected and actual earnings on the OPERS and STRS Pension Plans.

Current and non-current liabilities decreased in 2020 from 2019 by $53.6 million, or 10.0%, primarily due to the timing of accounts payable and the net decreases in net pension and OPEB liabilities as a result of GASB 68 and 75, and decreased in 2019 from 2018 by $26.3 million, or 5.2%, primarily due to the timing of accounts payable and the net increase in net pension and net OPEB liabilities as a result of GASB 68 and 75

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled $12.3 million in 2020, $49.3 million in 2019 and $37.8 million in 2018. Capital additions and retirements for 2020, 2019, and 2018 exclude transfers from construction in progress to buildings in the amount of $0 in 2020, $6.8 million in 2019 and $24.6 million in 2018. Capital retirements totaled $1.8 million in 2020, $1.2 million in 2019 and $1.9 million in 2018. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to $6.8 million in 2020, $17.2 million in 2019 and $20.9 million in 2018.

In June 2019, the University issued Series 2019 Limited Available Receipts Bonds, which was a direct purchase by a bank, in the principal amount of $27,700,000. The Series 2019 Limited Available Receipts Bonds were issued as fixed rate bonds maturing on June 21, 2022. Interest is payable semi-annually at the rates of 2.31 – 2.87%. The transaction was a Direct Purchase by the bank. The proceeds of the bonds were used to finance a lease balloon payment.

In February 2016, the University issued $32,475,000 of general receipts bonds, Series 2016A. The bonds bear interest rates ranging from 3.0% to 5.0% and mature beginning June 1, 2016 through June 1, 2036. The proceeds of the issuance were used to decrease a portion of the Series 2007A bonds and pay issuance costs. The purpose of this transaction was to refund future callable maturities to achieve debt service savings of approximately $3,900,000 over the life of the bonds.

In August 2012, the University issued Series 2012 General Receipts Bonds in the amount of $152 million. Included in this issuance was $45 million of funding for a planned new facility on campus to advance the University's growing role in health sciences and expand its alliance with Northeast Ohio Medical University (NEOMED). The University demolished a vacant dormitory and replaced it with a health and life sciences building, The Center for Innovations in Medical Professions. Construction began in November 2013 and was completed in June 2015.

Capital and Debt Activities (Continued)

In September 2011, the University issued taxable general receipts bonds in the principal amount of $5.77 million. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with monthly maturities beginning October 1, 2013 through April 1, 2042. Interest is payable monthly at the annual rate of 5.32%. The proceeds of the bonds were used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood - Project Phase I. This phase is the subject of a "project development agreement" dated July 14, 2011 by and between Cleveland State University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer, but is not affiliated with Cleveland State University.

In August 2010, the University entered into a capital lease with the Corporation in the amount of $7.07 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make payments to the Corporation equal to its required debt service payments.

In August 2009, the University entered into a capital lease with the Corporation in the amount of $14.5 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make periodic payments to the Corporation equal to its required debt service payments.

In March 2009, the University entered into a capital lease with a bank, in the amount of $42.8 million. Proceeds were used to fund a variety of energy conservation projects on the University's campus.

Net Position

The University's net position at June 30 is summarized as follows:

	2020	2019	2018
Net investment in capital assets	$ 270,140,816	$ 274,545,601	$ 267,433,706
Restricted - expendable	32,270,203	31,213,310	30,549,317
Restricted - nonexpendable	1,385,337	1,434,709	1,456,277
Unrestricted	(91,116,357)	(84,235,372)	(85,894,992)
Total net position	$ 212,679,999	$ 222,958,248	$ 213,544,308

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Changes in this category of net position are due to the net effect of additions to, disposals of, and depreciation on capital assets.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Changes in this category are customarily due to the timing of revenue and expenses in funds provided by donors and grantors and in 2018, the change is due to use of restricted donations in capital building projects. Restricted nonexpendable net position consists primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance.

Net Position (Continued)

Unrestricted net position is not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of $5.5 million at June 30, 2020, $5.8 million at June 30, 2019 and $6.0 million at June 30, 2018.

For the year ended June 30, 2020, the University had a decrease in total net position of $10.3 million or 4.6%. The decrease is attributable to market losses on the investment portfolio, increased Pension and OPEB expense and decreases in certain revenues resulting from the COVID-19 pandemic. During the year, the University temporarily suspended its current investment policy due to potential market risks caused by COVID-19. The majority of the investment portfolio was moved into conservative, lower risk investments. Net investment in capital assets decreased by $4.4 million or 1.6% because depreciation and capital asset retirements exceeded capital additions. Unrestricted net position decreased by $6.9 million or 8.2% primarily because the positive investment returns offset the increase in pension expense related to GASB Statement No. 68.

For the year ended June 30, 2019, the University had an increase in total net position of $9.4 million or 4.4%. Net investment in capital assets increased by $7.1 million or 2.7% because capital additions exceeded depreciation and capital asset retirements. Unrestricted net position increased by $1.7 million or 1.9% primarily because the positive investment returns offset the increase in pension expense related to GASB Statement No. 68.

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is heavily dependent on State assistance. The University is required to present State appropriations as nonoperating revenue, which as a result increases the operating loss for all years presented. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenue, expenses, and changes in net assets for the years ended June 30 are as follows:

	2020	2019	2018
Operating revenue:			
Net student tuition and fees	$ 142,999,926	$ 142,863,095	$ 146,339,500
Grants and contracts	15,087,152	15,008,892	18,743,925
Other	27,337,944	34,036,038	34,361,502
Total operating revenue	185,425,022	191,908,025	199,444,927
Operating expenses:			
Educational and general	257,154,101	250,889,761	202,853,279
Auxiliary enterprises	29,400,336	33,224,859	30,188,987
Depreciation and amortization	29,487,716	30,610,604	28,782,708
Total operating expenses	316,042,153	314,725,224	261,824,974
Operating loss	(130,617,131)	(122,817,199)	(62,380,047)
Nonoperating revenue, net of interest:			
State appropriations	76,836,813	77,597,317	75,489,568
Other	36,749,871	37,480,459	39,368,820
(Loss) gain before other changes	(17,030,447)	(7,739,423)	52,478,341
Other changes	6,752,198	17,153,363	20,926,089
(Decrease) increase in net assets	(10,278,249)	9,413,940	73,404,430
Net position - beginning of year	222,958,248	213,544,308	206,949,994
Adjustment for change in accounting principle	-	-	(66,810,116)
Net position - beginning of year (as restated*)	-	-	140,139,878
Net position - end of year	$ 212,679,999	$ 222,958,248	$ 213,544,308

**Restated as required by the adoption of GASB Statement No. 75*

Statement of Revenue, Expenses, and Changes in Net Position (Continued)

Total revenue and other changes, net of interest on debt, in fiscal 2020, 2019 and 2018 were $314.3 million, $332.8 million, and $344.4 million, respectively. The most significant sources of 2020 operating revenue for the University, as reflected in the statement of revenues, expenses, and changes in net position, were student tuition and fees of $143.0 million, grants and contracts of $15.1 million, and auxiliary services of $17.3 million.

Revenue from tuition and fees (net of scholarship allowances) was relatively flat in 2020 compared to 2019. Revenue from tuition and fees (net of scholarship allowances) decreased slightly in 2019 from 2018 by $3.5 million, or 2.4%, due to tuition decreases in certain graduate programs. Headcount enrollment decreased by 4.1% while full-time equivalent enrollment decreased by 3.1% over the prior year.

Other operating revenue decreased slightly in 2020 from 2019 primarily due to the effects of COVID-19 on auxiliary enterprises and in 2019 from 2018 primarily due to auxiliary enterprises.

Total expenses in 2020, 2019, and 2018 were $324.6 million, $323.3 million, and $271 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. Expenses increased by $1.3 million (0.4%) in 2020, $52.9 million (20.2%) in 2019, and decreased by $76 million (21.7%) in 2018. The changes in 2020 and 2019 are primarily related to change in pension and Other Post-Employment Benefits (OPEB) expense ($8.5 million in 2020 and $3.1 million in 2019) related to GASB Statement No. 68 and No. 75.

Sources of nonoperating revenue include State appropriations of $76.8 million in 2020, $77.6 million in 2019, and $75.5 million in 2018; grants and contracts of $36.3 million in 2020, $28.8 million in 2019, and $29.1 million in 2018; gifts of $11.2 million in 2020, $12.2 million in 2019, and $10.8 million in 2018. It also reflects an investment loss of $2.3 million in 2020, investment income of $5.0 million in 2019, and $8.6 million in 2018.

Net nonoperating revenue decreased in 2020 from 2019 by $1.5 million or 1.0% primarily due to investment losses due to volatility in the markets as a result of COVID-19 and the upcoming elections. Net nonoperating revenue was relatively flat in 2019 compared to 2018.

Other changes consist primarily of State capital appropriations of $6.7 million in 2020, $17.1 million in 2019, and $20.9 million in 2018.

Credit Rating

The University's bonds are rated "A+" stable by Standard & Poor's, with the most recent rating published on August 5, 2019. An "A" rating indicates a strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. This rating is consistent with the years ended June 30, 2019 and 2018. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong. The University's bonds are rated "A1" stable by Moody's Investors Service, with the most recent rating published on July 26, 2019. Obligations rated "A" by Moody's are judged to be upper-medium grade and are subject to low credit risk. The highest achievable rating is "AAA".

Looking Ahead

The primary challenges facing Ohio's four-year universities, including Cleveland State University (CSU), continue to be (1) maintaining the quality of academic instruction, (2) increasing enrollment and assisting students in degree completion, (3) growing revenue, and (4) controlling costs. In addition, adjusting for the impact of COVID-19 in 2020. The State continues to make college affordability cornerstones of its policies for public higher education in the state. The state will continue to monitor progress on these initiatives through reporting by the state's universities to the Department of Higher Education's Efficiency Advisory Committee.

The COVID-19 pandemic has impacted the financial markets and economic outlook including the state of Ohio and the environment in which the University operates. When the Governor issued the stay at home order in March of 2020, the University was expecting to receive $79.3 million in State Share of Instruction (SSI) funding in fiscal year 2020. Subsequent to that date, the State reduced all state universities SSI funding, which reduced the University's expected allocation by $3 million for fiscal year 2020.

The Ohio Department of Higher Education (ODHE) informed the University that due to the state's present economic situation, as a result of COVID-19, the University's SSI funding from the state for fiscal year 2021 will also be reduced. The University is now expecting $77 million in SSI funding for fiscal year 2021, which is $0.6 million less than fiscal year 2020 final allocation and $4.7 million less than the fiscal Year 2021 initial estimate provided by ODHE.

Revenue from student instructional fee tuition is projected to be approximately $145.2 million in fiscal year 2021, compared to fiscal year 2020 instructional fee tuition result of $143.0 million. The preliminary Fall 2020 (fiscal year 2021) credit hour enrollment and the resulting tuition revenue is in line with the projection for fiscal year 2021. There will be the expected Fall-to-Spring semester attrition in credit hour enrollment, as is normal, but still expected to be in line with the University's projection for fiscal year 2021.

As in prior years, the ability of the University to finance its mission and execute its strategic plan continues to be dependent upon student enrollment and tuition revenue, in addition to State SSI funding. The State's fiscal year 2020-2021 operating budget tuition policy provides some assistance in meeting our revenue targets. After freezing undergraduate tuition rates for the previous five academic years, Ohio's public 4-year universities have the authority to increase tuition up to 2% in FY20 and 4.1% for the tuition guarantee cohort and 2% for continuing non-guarantee and graduate students in fiscal year 2021.

Looking Ahead (Continued)

The University continues to pursue enrollment growth on a regional and international level. At the same time, the University is focusing on retention that has substantially improved results in both retention and graduation rates. New majors in high-demand healthcare professions are positioned for strong enrollment growth in the next 5 years. The latest Fall-to-Fall retention rate (Fall 2019 to Fall 2020) is 76.6% up from 73.5% last year. Strategies to improve retention include the University's "2-for-1 Tuition Promise" for Fall semester 2020, which essentially states that the student's Spring 2021 remaining tuition is funded by CSU after applying financial aid and other grants. Students must meet specific eligibility criteria, including completing a minimum of 12 credit hours in Fall 2020 with a minimum GPA of 2.75 for the semester. The University continues its other retention initiatives including an automated early warning system, intrusive advising of freshmen by employing "success" coaches, and better understanding of residence life and student affairs data to track students' academic performance. In March 2019, CSU announced the CSU Global Initiative that is based upon a strategic partnership with Shorelight Education, LLC. This collaboration will allow more international students to obtain access to CSU's undergraduate and graduate programs. The relationship leverages Shorelight's reach and experience in serving international students with CSU's emphasis on experiential and practical learning leading to tangible post-graduation outcomes. International student enrollment from the program began in Fall 2019.

The unexpected arrival of COVID-19 created a number of disruptions to the University including faculty and staff working remotely, de-densified residence and dining halls, physical distancing in all classrooms and common spaces, canceled or delayed athletic and other revenue generating events and significant changes to the delivery of instruction. Because it is unknown what the full impact of COVID-19 and these factors will be, the University has already begun the process of re-evaluating its strategic goals and priorities with the announcement of 'CSU 2.0', an opportunity to redefine the University. The various CSU 2.0 task forces will identify and prioritize options to help set a course for critical actions that will expand its ability to provide high quality, affordable and engaged learning experiences.

Cleveland State University

Statement of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	**$ 4,043,094**	$ 4,787,998
Investments	**147,064,671**	154,187,555
Accounts receivable, net	**34,484,956**	26,780,012
Notes receivable, net	**1,360,073**	1,409,812
Prepaid expenses and inventories	**2,738,353**	1,782,136
Total current assets	**189,691,147**	188,947,513
Noncurrent assets:		
Long-term and endowment investments	**3,387,555**	3,447,330
Notes receivable, net	**8,576,194**	10,030,288
Capital assets, net	**497,502,068**	516,393,214
Total noncurrent assets	**509,465,817**	529,870,832
Total assets	**699,156,964**	718,818,345
Deferred outflows of resources:		
Pension	**28,813,809**	56,742,154
OPEB	**8,873,187**	4,891,268
Bond refunding	**1,170,603**	1,244,149
Total deferred outflows of resources	**38,857,599**	62,877,571
Total assets and deferred outflows of resources	**$ 738,014,563**	$ 781,695,916
Liabilities		
Current liabilities:		
Accounts payable	**6,197,487**	6,477,121
Accrued liabilities	**11,890,408**	13,551,830
Unearned revenue	**8,648,561**	8,964,150
Compensated absences	**1,558,696**	905,641
Obligations under capital leases	**3,392,803**	5,915,360
Long-term debt - current portion	**7,503,600**	7,198,600
Total current liabilities	**39,191,555**	43,012,702
Noncurrent liabilities:		
Accrued liabilities	**9,811,814**	11,653,272
Compensated absences	**8,743,134**	8,847,684
Net pension liability	**174,762,351**	210,259,303
Net OPEB liability	**42,622,074**	42,781,469
Obligations under capital leases	**19,036,940**	23,678,636
Long-term debt	**184,216,503**	191,793,649
Total noncurrent liabilities	**439,192,816**	489,014,013
Total liabilities	**478,384,371**	532,026,715
Deferred inflows of resources		
Pension	**27,650,735**	13,082,936
OPEB	**19,299,458**	13,628,017
Total deferred inflows of resources	**46,950,193**	26,710,953
Net Position		
Net investment in capital assets	**270,140,816**	274,545,601
Restricted:		
Expendable - gifts, grants and student loans	**32,270,203**	31,213,310
Nonexpendable - endowments	**1,385,337**	1,434,709
Unrestricted (deficit)	**(91,116,357)**	(84,235,372)
Total net position	**212,679,999**	222,958,248
Total liabilities, deferred inflows and net position	**$ 738,014,563**	$ 781,695,916

See notes to financial statements.

Cleveland State University

Statement of Revenue, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Revenue:		
Operating revenue:		
Student tuition and fees	**$ 177,338,565**	$ 175,608,822
Less scholarship allowances	**(34,338,639)**	(32,745,727)
Net student tuition and fees	**142,999,926**	142,863,095
Federal grants and contracts	**8,361,024**	8,243,522
State grants and contracts	**3,321,492**	2,400,530
Local grants and contracts	**536,315**	406,924
Private grants and contracts	**2,868,321**	3,957,916
Sales and services	**6,226,642**	6,866,398
Auxiliary enterprises	**17,271,345**	22,245,600
Other	**3,839,957**	4,924,040
Total operating revenue	**185,425,022**	191,908,025
Expenses:		
Operating expenses:		
Instruction	**107,048,421**	105,924,864
Research	**9,164,775**	9,272,103
Public service	**5,415,710**	6,515,774
Academic support	**26,173,218**	29,342,103
Student services	**17,729,022**	18,456,990
Institutional support	**34,198,790**	30,499,646
Operation and maintenance of plant	**27,025,169**	30,291,627
Scholarships and fellowships	**21,869,676**	17,441,653
Auxiliary enterprises	**29,400,336**	33,224,859
Pension expense	**6,999,148**	15,687,422
OPEB expense (revenue)	**1,530,172**	(12,542,421)
Depreciation and amortization	**29,487,716**	30,610,604
Total operating expenses	**316,042,153**	314,725,224
Operating loss	**(130,617,131)**	(122,817,199)
Nonoperating revenue (expenses):		
State appropriations	**76,836,813**	77,597,317
Federal grants and contracts	**29,786,144**	23,218,264
State grants and contracts	**6,565,085**	5,592,550
Gifts	**11,241,453**	12,296,415
Investment (loss) income	**(2,273,821)**	4,984,195
Interest on debt	**(8,568,990)**	(8,610,965)
Net nonoperating revenue	**113,586,684**	115,077,776
Decrease before other changes	**(17,030,447)**	(7,739,423)
Other changes:		
State capital appropriations	**6,752,198**	17,153,363
(Decrease) increase in net position	**(10,278,249)**	9,413,940
Total net position at beginning of year	**222,958,248**	213,544,308
Total net position at end of year	**$ 212,679,999**	$ 222,958,248

See notes to financial statements.

Cleveland State University

Statement of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Tuition and fees	**$ 140,648,295**	$ 143,243,343
Grants and contracts	**11,885,920**	13,904,042
Payments to or on behalf of employees	**(192,052,234)**	(182,908,571)
Payments to vendors	**(90,162,215)**	(93,804,476)
Cost of loan collections	**(212,055)**	(293,079)
Collection of loans to students	**3,348,160**	2,182,024
Auxiliary enterprises	**14,784,523**	23,371,509
Other receipts	**10,066,599**	11,790,438
Net cash flows used in operating activities	**(101,693,007)**	(82,514,770)
Cash flows from noncapital financing activities:		
State appropriations	**76,836,813**	77,597,317
Grants and contracts	**36,351,229**	28,810,814
Gifts	**11,241,453**	12,296,415
Loan funds returned to government	**(1,240,191)**	-
Cash provided by Stafford and PLUS loans	**88,860,491**	113,154,694
Cash used by Stafford and PLUS loans	**(88,858,346)**	(116,000,000)
Cash provided by agency fund activities	**80,213**	10,238
Net cash flows provided by noncapital financing activities	**123,271,662**	115,869,478
Cash flows from capital financing activities:		
Proceeds from capital debt and leases	**143,243**	27,704,385
Capital appropriations	**6,752,198**	17,153,363
Purchases of capital assets	**(12,755,170)**	(49,899,329)
Principal paid on capital debt and leases	**(12,347,496)**	(13,799,897)
Interest paid on capital debt and leases	**(9,406,886)**	(9,504,360)
Net cash flows used in capital financing activities	**(27,614,111)**	(28,345,838)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	**26,110,385**	22,276,419
Purchase of investments	**(18,927,726)**	(30,329,934)
Interest on investments	**(1,892,107)**	5,408,336
Net cash flows provided by (used in) investing activities	**5,290,552**	(2,645,179)
Net (decrease) increase in cash	**(744,904)**	2,363,691
Cash and cash equivalents:		
Beginning	**4,787,998**	2,424,307
Ending	**$ 4,043,094**	$ 4,787,998

Cleveland State University

Statement of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating loss to cash used by operating activities:		
Operating loss	**$ (130,617,131)**	$ (122,817,199)
Adjustments to reconcile net operting loss to net cash flows provided by operating activities		
Depreciation and amortization	**29,487,716**	30,610,604
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Accounts receivable, net	**(7,704,944)**	83,148
Notes receivable, net	**3,136,105**	1,888,945
Prepaid expenses and inventories	**(956,411)**	453,695
Deferred outflows	**23,946,426**	(6,794,505)
Accounts payable	**(298,786)**	512,782
Accrued liabilities	**(2,953,286)**	3,312,571
Unearned revenue	**(315,589)**	295,684
Net pension liability	**(35,496,952)**	31,907,495
Net OPEB liability	**(159,395)**	(20,555,421)
Deferred inflows	**20,239,240**	(1,412,569)
Net cash flows used in operating activities	**$ (101,693,007)**	$ (82,514,770)

See notes to financial statements.

Cleveland State University

Statements of Net Position - Discretely Presented Component Units
June 30, 2020 and 2019

	2020			2019		
	Cleveland State University Foundation, Inc.	**Euclid Avenue Development Corporation**	**Total (memorandum only)**	Cleveland State University Foundation, Inc.	Euclid Avenue Development Corporation	Total (memorandum only)
Assets						
Current assets:						
Cash and cash equivalents	**$ 3,481,791**	**$ 3,794,437**	**$ 7,276,228**	$ 3,102,158	$ 2,812,957	$ 5,915,115
Receivables, net						
Accounts	**-**	**-**	**-**	61,578	-	61,578
Contributions	**3,673,115**	**-**	**3,673,115**	3,959,139	-	3,959,139
Student	**-**	**57,980**	**57,980**	-	56,350	56,350
Other	**-**	**45,764**	**45,764**	3,961	406,708	410,669
Investments	**-**	**15,012,404**	**15,012,404**	-	15,413,477	15,413,477
Other assets	**258,305**	**31,061**	**289,366**	243,970	14,147	258,117
Total current assets	**7,413,211**	**18,941,646**	**26,354,857**	7,370,806	18,703,639	26,074,445
Receivables, net						
Contributions	**8,543,531**	**-**	**8,543,531**	10,670,652	-	10,670,652
Leases	**-**	**18,220,000**	**18,220,000**	-	19,605,000	19,605,000
Investments	**90,298,163**	**5,716,348**	**96,014,511**	89,993,950	4,656,136	94,650,086
Funds held on behalf of others	**3,977,212**	**-**	**3,977,212**	4,025,833	-	4,025,833
Property and equipment, net	**-**	**52,307,890**	**52,307,890**	-	54,192,250	54,192,250
	102,818,906	**76,244,238**	**179,063,144**	104,690,435	78,453,386	183,143,821
Total assets	**$ 110,232,117**	**$ 95,185,884**	**$ 205,418,001**	$ 112,061,241	$ 97,157,025	$ 209,218,266
Liabilities and Net Position						
Current liabilities:						
Accounts payable	**$ 59,338**	**$ 789,545**	**$ 848,883**	$ 22,092	$ 725,595	$ 747,687
Accrued expenes	**-**	**1,641,851**	**1,641,851**	-	1,774,654	1,774,654
Payable to Cleveland State University	**3,259,589**	**1,325,823**	**4,585,412**	4,368,311	-	4,368,311
Bonds payable	**-**	**1,830,000**	**1,830,000**	-	1,745,000	1,745,000
Deferred revenue	**-**	**63,145**	**63,145**	-	232,823	232,823
Other	**111,759**	**194,888**	**306,647**	114,803	232,096	346,899
Total current liabilities	**3,430,686**	**5,845,252**	**9,275,938**	4,505,206	4,710,168	9,215,374
Bonds payable, net	**-**	**84,465,672**	**84,465,672**	-	87,434,397	87,434,397
Funds held on behalf of others	**3,977,212**	**-**	**3,977,212**	4,025,833	-	4,025,833
Deferred revenue	**-**	**1,013,557**	**1,013,557**	-	1,051,093	1,051,093
Total liabilities	**7,407,898**	**91,324,481**	**98,732,379**	8,531,039	93,195,658	101,726,697
Net Position						
Restricted:						
Expendable	**102,451,088**	**-**	**102,451,088**	103,663,985	-	103,663,985
Unrestricted	**373,131**	**3,861,403**	**4,234,534**	(133,783)	3,961,367	3,827,584
Total net position	**102,824,219**	**3,861,403**	**106,685,622**	103,530,202	3,961,367	107,491,569
Total liabilities and net position	**$ 110,232,117**	**$ 95,185,884**	**$ 205,418,001**	$ 112,061,241	$ 97,157,025	$ 209,218,266

See notes to the financial statements.

Cleveland State University

Statements of Revenues, Expenses and Changes in Net Position - Discretely Presented Component Units
Years Ended June 30, 2020 and 2019

	2020			2019		
	Cleveland State University Foundation, Inc.	**Euclid Avenue Development Corporation**	**Total (memorandum only)**	Cleveland State University Foundation, Inc.	Euclid Avenue Development Corporation	Total (memorandum only)
Revenues						
Contributions	**$ 9,887,517**	**$ -**	**$ 9,887,517**	$ 10,263,736	$ -	$ 10,263,736
Management fees	**39,563**	**-**	**39,563**	37,850	-	37,850
Rental income	**-**	**9,271,826**	**9,271,826**	-	9,940,445	9,940,445
Maintenance fee	**-**	**216,333**	**216,333**	-	212,498	212,498
Other	**-**	**313,272**	**313,272**	-	624,730	624,730
Total revenues	**9,927,080**	**9,801,431**	**19,728,511**	10,301,586	10,777,673	21,079,259
Expenses						
Program services	**11,802,299**	**9,192,418**	**20,994,717**	14,312,843	9,964,017	24,276,860
Supporting services:						
Management and general	**661,520**	**339,738**	**1,001,258**	760,492	374,751	1,135,243
Fundraising	**94,683**	**-**	**94,683**	178,325	-	178,325
Total expenses	**12,558,502**	**9,532,156**	**22,090,658**	15,251,660	10,338,768	25,590,428
Change in net position before non-operating activity	**(2,631,422)**	**269,275**	**(2,362,147)**	(4,950,074)	438,905	(4,511,169)
Non-operating activity						
Loss on forgiveness of lease receivable	**-**	**(1,385,000)**	**(1,385,000)**	-	-	-
Gain on bond extinguishment	**-**	**804,022**	**804,022**	-	-	-
Investment income and unrealized and realized gains, net	**2,322,541**	**211,739**	**2,534,280**	3,824,169	757,930	4,582,099
Provision for uncollectible contributions	**(397,102)**	**-**	**(397,102)**	(101,206)	-	(101,206)
Change in net position	**(705,983)**	**(99,964)**	**(805,947)**	(1,227,111)	1,196,835	(30,276)
Net position – beginning of year	**103,530,202**	**3,961,367**	**107,491,569**	104,757,313	2,764,532	107,521,845
Net position – end of year	**$ 102,824,219**	**$ 3,861,403**	**$ 106,685,622**	$ 103,530,202	$ 3,961,367	$ 107,491,569

See notes to the financial statements.

Note 1. Summary of Significant Accounting Policies

Organization and basis of presentation: Cleveland State University (the University) was established by the General Assembly of the State of Ohio (the State) in 1964 by statutory act under Chapter 3344 of the Ohio Revised Code. As such, the University is a component unit of the State. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code (IRC), except for unrelated business income.

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100: *Defining the Financial Reporting Entity*, the University's financial statements are included, as a discretely presented component unit, in the State's Comprehensive Annual Financial Report.

Furthermore, in accordance with GASB Codification Section 2600: *Reporting Entity and Component Unit Presentation and Disclosure,* The Cleveland State University Foundation, Inc. (the Foundation) and the Euclid Avenue Development Corporation (the Corporation) are included as discretely presented component units in these financial statements. The Foundation and Corporation, which are separate not-for profit organizations, meet the criteria set forth in the Codification Section 2600 due to significance of its operational and financial relationship with the University. Note 11 provides additional information on the Foundation and Corporation. Certain disclosures concerning the Foundation and Corporation are not included because they have been audited separately and reports have been issued under separate cover. Complete financial statements for the Foundation can be obtained from the Office of the Executive Director at 1836 Euclid Avenue, Union Building Room 501, Cleveland, Ohio 44115-2214. Complete financial statements for the Corporation can be obtained from its President at 2121 Euclid Avenue, AC 208, Cleveland, Ohio 44115.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

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

Restricted, expendable: Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific university needs.

Restricted, nonexpendable: Net position subject to externally imposed stipulations that they be maintained permanently by the University. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific university needs.

Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

The accompanying financial statements have been prepared on the accrual basis. The University reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Note 1. Summary of Significant Accounting Policies (Continued)

The University's policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net position are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. The University also classifies as operating revenue grants classified as exchange transactions and auxiliary activities. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, including State appropriations and investment income. Operating expenses include educational resources, administrative expenses and depreciation on capital assets. Under the University's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The principal operating revenue is student tuition and fees. Student tuition and fees revenue are presented net of scholarships and fellowships applied to student accounts.

Cash and cash equivalents: The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments: Investments are recorded at fair value as established by the major securities markets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. The University classifies all investments that mature in less than one year as current investments.

Endowment investments are subject to the restrictions of gift instruments, requiring principal to be maintained in perpetuity with only the income from the investments available for expenditure. The Board of Trustees (Board) of the University may set aside other assets for the same purposes as endowment investments (quasi-endowment); the University may expend the principal of quasi-endowment at any time subject to a vote of the Board.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has adopted GASB Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost, which approximates fair value.

Accounts receivable allowance: The allowance for bad debt is determined based on historical average and a reasonableness ratio of accounts receivable to bad debt. The objective is to increase the collectability of current receivables to assist the University's objectives regarding enrollment and retention. As such, the University enforces policies that prohibit registration with an unpaid balance over $1,000 and normally limit registrations for those students with a current unpaid balance between $200 - $1,000. The federal regulations regarding returns of funding under the Federal student aid programs of Title IV of the Higher Education Amendments of 1992 have continued to have an impact on outstanding accounts receivable.

Inventories: Inventories are reported at cost. Cost is determined on the average cost basis.

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are stated at historical cost or at an appraised value at date of donation, if acquired by gift. It is the University's policy to capitalize equipment costing $5,000 or more and buildings and improvements costing $100,000 or more. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets and is not allocated to the functional expenditure categories. Amortization of the capitalized cost of assets held under capital leases is generally computed using the straight-line method over the estimated useful lives of the underlying assets or the term of the lease, whichever is shorter. The University capitalizes but does not depreciate works of art or historical treasures that are held for exhibition, education, research, and public service and are recorded as nondepreciable capital assets, see Note 6.

Compensated absences: Classified employees earn vacation at rates specified under State law. Full-time administrators and twelve-month faculty earn vacation at a rate of 22 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 30 days.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave up to a maximum of 240 hours.

The University has an accrued liability for all accumulated vacation hours, plus an estimate of the amount of sick leave that will be paid upon retirement. Salary-related fringe benefits have also been accrued.

Unearned revenue: Unearned revenue consists primarily of amounts received in advance of an event, such as student tuition and fees, and advance ticket sales related to the next fiscal year.

Summer term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year are recognized as tuition revenue and operating expense. The portion of sessions falling into the next fiscal year are recorded as unearned revenue and prepaid expense in the statement of net position and will be recognized in the following fiscal year.

Perkins Loan Program: Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collection. The Department of Education (DOE) has made $8,613,749 in federal capital contributions, which are reflected as a non-current accrued liability on the University's statement of net position. The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2020, the University has made $2,588,775 in institutional capital contributions, which are reflected as part of the University's net position. Under current guidance issued by the DOE, at the time the University liquidates the loan portfolio and assigns the student loans to the DOE, the University will be forgoing its institutional capital contribution not yet received back through loan collections. During the year, the University returned $1,240,191 of excess liquid capital (cash on hand) to the DOE.

Classification of revenue: Revenue is classified as either operating or nonoperating.

Operating revenue includes revenues from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises, and certain federal, state, local and private grants, and contracts. The presumption is that there is a fair exchange of value between all parties to the transaction.

Non-operating revenue includes revenue from activities that have the characteristics of nonexchange transactions, such as state appropriations, and certain federal, state, local, and private gifts, and grants. The implication is that such revenues are derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

Note 1. Summary of Significant Accounting Policies (Continued)

Auxiliary enterprises: Auxiliary enterprise revenue primarily represents revenue generated by parking, events, food service, bookstore, recreation center, and intercollegiate athletics.

Scholarship allowances and student aid: Financial aid to students is reported in the statement of revenue, expenses, and changes in net position under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenue. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, to the ratio of aid not considered to be third-party aid to total aid.

Use of estimates: The preparation of financial statements in conformity U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Bond premiums, discounts and issuance costs: Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized as an expense in the period incurred.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the (Ohio Public Employees Retirement System/State Teachers Retirement System of Ohio Pension Plan STRS/OPERS) and additions to/deductions from STRS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefit costs: For purposes of measuring the net other postemployment benefit (OPEB) asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of STRS/OPERS and additions to/deductions from STRS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows and inflows of resources: Deferred outflows of resources are a use of net position by the University that is applicable to a future reporting period. Deferred outflows of resources of the University consist of certain changes in the net pension liability and net OPEB liability not included in pension expense and OPEB expense, respectively, as well as bond refunding. Employer contributions to the pension plan and OPEB plan subsequent to the measurement date of the net pension liability and OPEB liability, respectively, are also required to be reported as a deferred outflow of resources of the University. Deferred inflows of resources are an acquisition of net positions by the University that is applicable to a future reporting period. Deferred inflows of resources consist of certain changes in net pension liability not included in pension expense and net OPEB liability not included in OPEB expense.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent and pending accounting pronouncements: Effective May 2020, the University adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities and the focus of the criteria generally is on (1) whether the government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The provisions of this Statement are effective for the University's financial statements for the year ending June 30, 2021. The University has not yet determined the impact this statement will have on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new lease standard is expected to have a significant effect on the University's financial statements as a result of the leases classified as operating leases disclosed in Note 7. The effects on the statement of revenues, expenses and changes in net position is not expected to be significant. The provisions of this Statement are effective for the University's financial statements for the year ending June 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this Statement are effective for the University's financial statements for the year ending June 30, 2022. The University has not yet determined the impact this statement will not have an impact on their financial statements.

Reclassifications: Certain items in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications had no impact on total assets, liabilities, net position or change in net position.

Subsequent events: The University has evaluated subsequent events occurring between the end of the most recent fiscal year and through October 15, 2020, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

Deposits: Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of University cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. Under State law, financial institutions must collateralize all public deposits. The value of the pooled collateral must equal at least 102 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institution.

The bank balance at June 30, 2020 was $3,781,594, of which $746,787 was covered by FDIC, and $3,034,807 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

The bank balance at June 30, 2019 was $4,571,397, of which $902,490 was covered by FDIC, and $3,668,907 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments: In accordance with the Board's resolution, the types of investments that may be purchased by the University include United States Treasury securities, federal government agency securities, certificates of deposit, bank repurchase agreements, commercial paper, bonds and other obligations of the State or any of its political subdivisions, the STAR Ohio, bankers' acceptances, money market funds, common stocks, and corporate bonds. The endowment investments are managed by the Foundation, which can also invest in real estate and alternative investments.

STAR Ohio is an investment pool managed by the Ohio State Treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940.

The University had the following types of investments and maturities at June 30:

	2020		
		Less than	
	Fair Value	1 Year	1-5 Years
Investment type:			
Cash and cash equivalents	$ 33,460,861	$ -	$ -
Commercial paper and certificates of deposit	21,820,136	21,820,136	-
Fixed income debt securities	22,299,776	-	22,299,776
Fixed income mutual funds	24,177,959	24,177,959	-
STAR Ohio	42,450,792	-	-
Other investments	6,242,702	1,609,152	4,633,550
Total	$ 150,452,226	$ 47,607,247	$ 26,933,326

Note 2. Deposits and Investments (Continued)

	2019		
	Fair Value	Less than 1 Year	1-5 Years
Investment type:			
Cash and cash equivalents	$ 23,090,428	$ -	$ -
Commercial paper and certificates of deposit	22,483,277	22,483,277	-
Fixed income debt securities	10,971,774	-	10,971,774
Fixed income equity securities	33,665,918	33,665,918	-
Fixed income mutual funds	40,938,980	40,938,980	-
STAR Ohio	20,193,697	-	-
Other investments	6,290,811	3,618,925	2,671,886
Total	$ 157,634,885	$ 100,707,100	$ 13,643,660

Some of the U.S. agency securities are callable at various dates. The University believes that no securities will be called.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. While the University's bond mutual fund investment itself is not rated, the credit quality of the fund's holdings is AA or better, as rated by Standard & Poor's and Moody's.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. The University does not have a policy for custodial credit risk. At June 30, 2020 and 2019, none of the investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the University's name.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of June 30, 2020 and 2019, not more than 5% of the University's total investments were invested in any one issuer except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

Foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2020, there were no investments managed by international equity managers. At June 30, 2019, $16.5 million was managed by international equity managers that were subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

Note 3. Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy established by U.S. GAPP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The University estimates the fair value of Level 3 investments using the University's own estimates based on pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The University has the following recurring fair value measurements as of June 30:

	2020			
	Level 1	Level 2	Level 3	Total
Investment assets:				
Debt securities				
U.S. Treasuries	$ -	$ 9,711,598	$ -	$ 9,711,598
Corporate bonds	-	9,315,682	-	9,315,682
Agency bonds	-	3,272,496	-	3,272,496
Mutual funds				
Fixed income	24,177,959	-	-	24,177,959
Asset-backed securities	-	1,592,889	-	1,592,889
Pooled investments - CSU Foundation	2,506,791	880,764	-	3,387,555
Other investments	-	1,262,258	-	1,262,258
Total investments at fair value	$ 26,684,750	$ 26,035,687	$ -	52,720,437
Cash and cash equivalents				33,460,861
STAR Ohio				42,450,792
Commerical paper and certificates of deposit				21,820,136
Total investment assets				$ 150,452,226

Note 3. Fair Value Measurements (Continued)

	2019			
	Level 1	Level 2	Level 3	Total
Investment assets:				
Debt securities				
U.S. Treasuries	$ -	$ 5,758,960	$ -	$ 5,758,960
Corporate bonds	-	4,185,466	-	4,185,466
Agency bonds	-	1,027,348	-	1,027,348
Equity securities				
Stocks	13,460,758	-	10,951	13,471,709
Exchange traded funds	20,194,209	-	-	20,194,209
Mutual funds				
Equities	20,101,535	-	-	20,101,535
Fixed income	10,980,750	-	-	10,980,750
Alternative strategies	9,856,695	-	-	9,856,695
Asset-backed securities	-	1,818,072	-	1,818,072
Pooled investments - CSU Foundation	2,723,390	723,939	-	3,447,329
Other investments	-	1,025,410	-	1,025,410
Total investments at fair value	$ 77,317,337	$ 14,539,195	$ 10,951	91,867,483
Cash and cash equivalents				23,090,428
STAR Ohio				20,193,697
Commerical paper and certificates of deposit				22,483,277
Total investment assets				$ 157,634,885

Debt and equity securities and mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of corporate bonds, agency bonds and asset-backed securities at June 30, 2020 and 2019 was determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Short-term investments and investments on the statement of net position at June 30, 2020 and 2019 include investments in STAR Ohio of $42,450,792 and $20,193,697, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Note 4. Receivables

The composition of accounts receivable at June 30 is as follows:

	2020	2019
Student accounts	$ 11,534,595	$ 8,194,645
Grants	22,269,934	19,068,702
Other	2,841,457	616,252
Total accounts receivable	36,645,986	27,879,599
Less allowance for uncollectible accounts	(2,161,030)	(1,099,587)
Accounts receivable, net	$ 34,484,956	$ 26,780,012

Notes receivable consist primarily of loans to students under the Federal Perkins Loan Program. The composition of notes receivable at June 30 is summarized as follows:

	2020	2019
Perkins loan program	$ 10,089,708	$ 11,523,277
Other	448,927	575,973
Total notes receivable	10,538,635	12,099,250
Less allowance for uncollectible accounts	(602,368)	(659,150)
Notes receivable, net	9,936,267	11,440,100
Less current portion	(1,360,073)	(1,409,812)
Total noncurrent notes receivable	$ 8,576,194	$ 10,030,288

Note 5. State Support

The University is a State-assisted institution of higher education, which receives a student-based subsidy from the State. This subsidy is determined annually, based upon a formula devised by The Ohio Department of Higher Education (the ODHE).

In addition, the State provides the funding to construct or improve certain plant facilities on the University's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC). Upon completion, ODHE turns over control of the facility to the University. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. The OPFC revenue bonds are currently being funded through appropriations to ODHE by the General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in State-assisted institutions of higher education throughout the State.

Note 6. Capital Assets

Capital assets activity for the years ended June 30 is summarized as follows:

	2020			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets:				
Nondepreciable:				
Land	$ 58,635,897	$ -	$ -	$ 58,635,897
Construction in progress	1,318,759	8,603,571	-	9,922,330
Capitalized collections	7,102,155	-	-	7,102,155
Depreciable:				
Land improvements	24,658,643	-	(448,500)	24,210,143
Buildings	812,355,842	1,070,642	(936,500)	812,489,984
Equipment	61,883,045	1,170,819	(269,863)	62,784,001
Library books	37,622,967	497,809	(134,872)	37,985,904
Total capital assets	1,003,577,308	11,342,841	(1,789,735)	1,013,130,414
Less accumulated depreciation:				
Land improvements	19,089,485	93,805	-	19,183,290
Buildings	383,394,135	23,963,313	-	407,357,448
Equipment	48,963,739	3,998,081	(269,863)	52,691,957
Library books	35,736,735	658,916	-	36,395,651
Total accumulated depreciation	487,184,094	28,714,115	(269,863)	515,628,346
Capital assets, net	$ 516,393,214	$ (17,371,274)	$ (1,519,872)	$ 497,502,068

	2019			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets:				
Nondepreciable:				
Land	$ 58,631,512	$ 4,385	$ -	$ 58,635,897
Construction in progress	7,036,158	1,070,782	(6,788,181)	1,318,759
Capitalized collections	7,102,155	-	-	7,102,155
Depreciable:				
Land improvements	24,658,643	-	-	24,658,643
Buildings	760,190,126	52,165,716	-	812,355,842
Equipment	60,620,368	2,284,728	(1,022,051)	61,883,045
Library books	37,191,480	595,543	(164,056)	37,622,967
Total capital assets	955,430,442	56,121,154	(7,974,288)	1,003,577,308
Less accumulated depreciation:				
Land improvements	18,587,499	501,986	-	19,089,485
Buildings	360,451,417	22,942,718	-	383,394,135
Equipment	44,412,863	5,529,739	(978,863)	48,963,739
Library books	34,874,174	862,561	-	35,736,735
Total accumulated depreciation	458,325,953	29,837,004	(978,863)	487,184,094
Capital assets, net	$ 497,104,489	$ 26,284,150	$ (6,995,425)	$ 516,393,214

As of June 30, 2020, the University had commitments related to construction projects totaling $2,582,884.

Note 7. Noncurrent Liabilities Excluding Net Pension Liability

Noncurrent liabilities, excluding net pension liability, consist of the following as of June 30, 2020 and 2019:

	2020						
	Maturity Dates	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Current
Bonds and leases payable:							
2011 bonds payable	2020-2042	5.32%	$ 5,085,000	$ -	$ (120,000)	$ 4,965,000	$ 120,000
2012 bonds payable	2020-2037	5.00%	121,300,000	-	(5,095,000)	116,205,000	5,350,000
2016A bonds payable	2020-2036	3.00-5.00%	29,905,000	-	(1,210,000)	28,695,000	1,260,000
2019 direct purchase bonds	2022	2.31-2.87%	27,700,000	-	-	27,700,000	-
Premiums			15,002,249	-	(847,146)	14,155,103	773,600
Capital leases-direct placements	2020-2045	0.2-13.35%	29,593,996	143,243	(7,307,496)	22,429,743	3,392,803
Total bonds and leases payable			$ 228,586,245	$ 143,243	$ (14,579,642)	$ 214,149,846	$ 10,896,403
Other liabilities:							
Federal Perkins loans			$ 10,516,267	$ -	$ (1,902,518)	$ 8,613,749	$ -
Deposits			1,137,005	61,060	-	1,198,065	-
Compensated absences			9,753,325	548,505	-	10,301,830	1,558,696
Total other liabilities			$ 21,406,597	$ 609,565	$ (1,902,518)	$ 20,113,644	$ 1,558,696

	2019						
	Maturity Dates	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Current
Bonds and leases payable:							
2011 bonds payable	2019-2042	5.32%	$ 5,205,000	$ -	$ (120,000)	$ 5,085,000	$ 120,000
2012 bonds payable	2019-2037	5.00%	126,850,000	-	(5,550,000)	121,300,000	5,095,000
2016A bonds payable	2019-2036	3.00-5.00%	31,070,000	-	(1,165,000)	29,905,000	1,210,000
2019 direct purchase bonds	2022	2.31-2.87%	-	27,700,000	-	27,700,000	-
Premiums			14,531,700	1,244,149	(773,600)	15,002,249	773,600
Capital leases-direct placements	2010-2045	0.2-13.35%	35,780,908	4,385	(6,191,297)	29,593,996	5,915,360
Total bonds and leases payable			$ 213,437,608	$ 28,948,534	$ (13,799,897)	$ 228,586,245	$ 13,113,960
Other liabilities:							
Federal Perkins loans			$ 10,263,019	$ 253,248	$ -	$ 10,516,267	$ -
Deposits			1,104,292	3,252,366	(3,219,653)	1,137,005	-
Compensated absences			10,032,875	-	(279,550)	9,753,325	905,641
Total other liabilities			$ 21,400,186	$ 3,505,614	$ (3,499,203)	$ 21,406,597	$ 905,641

In June 2019, the University issued Series 2019 Limited Available Receipts Bonds to PNC Bank, NA, in the principal amount of $27,700,000. The Series 2019 Limited Available Receipts Bonds were issued as fixed rate bonds maturing on June 21, 2022. Interest is payable semi-annually at the rates of 2.31 – 2.87 percent. The transaction was a Direct Purchase by the bank. The proceeds of the bonds were used to finance a lease balloon payment.

In February 2016, the University issued $32,475,000 of general receipts bonds, Series 2016A. The bonds bear interest rates ranging from 3.0 percent to 5.0 percent and began maturing June 1, 2016 through June 1, 2036. The proceeds of the issuance refunded the Series 2007A bonds and pay issuance costs. The purpose of this transaction was to refund future callable maturities to achieve debt service savings of approximately $3,900,000 over the life of the bonds. As a result of the refunding, $1,493,588 was recorded in 2016 as a loss on refunding within the deferred outflows section on the statement of net position and the unamortized amount of $1,170,603 and $1,244,149 at June 30, 2020 and 2019, respectively and will be amortized into income through 2036. Amortization expense for both 2019 and 2018 was $73,546.

Note 7. Noncurrent Liabilities Excluding Net Pension Liability (Continued)

On August 21, 2012, the University issued general receipts bonds in the principal amount of $152,835,000. The General Receipts Series 2012 Bonds were issued as fixed rate bonds with maturities beginning June 1, 2013 through June 1, 2037. Interest is payable at the rate of 5.0 percent. The proceeds of the bonds were used to (1) pay costs of constructing a new building on the University's campus, rehabilitation of existing buildings, campus-wide upgrades of electrical, mechanical and security systems and improvements to campus walkways; (2) refunded the outstanding Series 2003A Bonds, Series 2004 Bonds and Series 2008 Bonds; and (3) pay costs relating to the issuance of the Series 2012 Bonds.

In September 2011, the University issued taxable general receipts bonds in the principal amount of $5,775,000. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with maturities beginning October 1, 2013 through April 1, 2042. Interest is payable at the rate of 5.32 percent. The proceeds of the bonds were used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood – Project Phase I. This phase is the subject of a "project development agreement" dated July 14, 2011 by and between the University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer.

Interest expense on indebtedness for the years ended June 30, 2020 and 2019 was $8,568,990 and $8,610,965, respectively. On construction-related debt, for the year ended June 30, 2020 and June 30, 2019 there was no interest cost capitalized.

The University leases various pieces of equipment and parking garages, which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease principal payments for two parking garage leases begin in August 2040. Capital lease obligations are collateralized by equipment with a gross cost of $65,121,467 and $81,634,928 and gross accumulated depreciation of $63,259,490 and $79,241,323 at June 30, 2020 and 2019, respectively. The capital leases have varying maturity dates through 2045.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Bonds Payable		Direct Placement Bonds		Capital Leases-Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 6,730,000	$ 7,303,842	$ -	$ 761,357	$ 3,392,802	$ 764,809
2022	6,995,000	7,023,510	27,700,000	803,654	526,318	742,937
2023	7,330,000	6,679,625	-	-	177,523	734,590
2024	7,695,000	6,312,741	-	-	82,142	731,327
2025	8,055,000	5,947,607	-	-	30,958	729,069
2026-2030	46,960,000	23,271,425	-	-	-	3,644,000
2031-2035	51,900,000	10,571,521	-	-	-	3,644,000
2036-2040	13,540,000	1,181,061	-	-	-	3,644,000
2041-2045	660,000	33,649	-	-	18,220,000	1,880,400
	$ 149,865,000	$ 68,324,981	$ 27,700,000	$ 1,565,011	$ 22,429,743	$ 16,515,132

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2020 and 2019 amounted to $2,528,170 and $3,635,290, respectively. The operating leases have varying maturity dates through 2042.

Note 7. Noncurrent Liabilities Excluding Net Pension Liability (Continued)

Future minimum operating lease payments as of June 30, 2020 are as follows:

	Operating Leases
Years ending June 30,	
2021	$ 2,406,057
2022	2,349,597
2023	2,169,480
2024	2,329,770
2025	2,737,270
2026-2030	13,819,352
2031-2035	14,398,710
2036-2040	12,470,563
2041-2045	10,134,613
2046-2049	7,786,758
	$ 70,602,170

Note 8. Employment Benefit Plans

Retirement plans: Substantially all nonstudent University employees are covered by one of three retirement plans. University faculty are covered by State Teachers Retirement System (STRS). Nonfaculty employees are covered by Ohio Public Employees Retirement System (OPERS). Employees may opt out of STRS and OPERS and participate in the Alternative Retirement Plan (ARP).

STRS and OPERS both offer three separate retirement plans: the defined benefit plan, the defined contribution plan, and a combined plan. STRS and OPERS each provide retirement, survivor, and disability benefits to plan members and their beneficiaries. The plans also each provide post-employment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Defined benefit plans: The University participates in the STRS and the OPERS, statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has three retirement plan options available to its members. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide post-employment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment healthcare plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, OH 43215
(888) 227-7877
www.strsoh.org

Ohio Public Employees Retirement System
277 East Town Street
Columbus, OH 43215
(800) 222-7377
www.opers.org

Note 8. Employment Benefit Plans (Continued)

Contributions: State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contribution rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are set at the maximums authorized by the ORC. The plans' 2020 and 2019 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Retirement	Benefits	Total	Total
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS - State/Local	14.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	18.10%	0.00%	0.00%	18.10%	13.00%

The University's required and actual contributions to the plan were:

	Year Ended June 30,			
	2020		2019	
	Pension	OPEB	Pension	OPEB
STRS	$ 8,002,180	$ -	$ 7,818,028	$ -
OPERS	7,558,682	-	8,073,431	-
	$ 15,560,862	$ -	$ 15,891,459	$ -

Benefits: STRS plan benefits are established under Chapter 3307 of the ORC, as amended in 2012 Substitute Senate Bill 342 and gives the retirement board the authority to make future adjustments to the member contribution rate, retirement age, and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits.

Note 8. Employment Benefit Plans (Continued)

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to $2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

STRS provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

OPERS plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (5 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit except for public safety and law enforcement participants. Member retirement benefits are calculated on a formula that considers years of service (5-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of $500 - $2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent, or an amount based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense: At June 30, 2020 and 2019, the University reported a liability for its proportionate share of the net pension liability of STRS and OPERS. For the year ended June 30, 2020, the net pension liability was measured as of June 30, 2019 for the STRS plan and December 31, 2019 for the OPERS plan. For the year ended June 30, 2019, the net pension liability was measured as of June 30, 2018 for the STRS plan and December 31, 2018 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, except STRS' net pension liability's actuarial valuation was dated July 1, 2018 and July 1, 2017, respectively, which was rolled forward to the measurement date. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement	Net Pension Liability		Proportionate Share		
Plan	Date	2020	2019	2020	2019	Change
STRS	6/30	$ 105,116,855	$ 107,685,334	0.4753%	0.4897%	0.0144%
OPERS	12/31	$ 69,645,496	$ 102,573,969	0.3570%	0.3766%	0.0196%

Note 8. Employment Benefit Plans (Continued)

For the years ended June 30, 2020 and 2019, the University recognized pension expense of $24,090,181 and $19,036,463, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 921,180	$ (1,559,308)
Changes of assumptions	16,213,476	-
Net difference between projected and actual earnings on pension plan investments	-	(19,337,618)
Changes in proportion and differences between University contributions and proprotionate share of contributions	123,528	(6,753,809)
University contributions subsequent to the measurement date	11,555,625	-
Total	$ 28,813,809	$ (27,650,735)

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,545,333	$ (2,289,492)
Changes of assumptions	28,194,555	-
Net difference between projected and actual earnings on pension plan investments	14,127,573	(6,529,920)
Changes in proportion and differences between University contributions and proprotionate share of contributions	72,649	(4,263,524)
University contributions subsequent to the measurement date	11,802,044	-
Total	$ 56,742,154	$ (13,082,936)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Years ending June 30,	Amount
2021	$ 1,222,266
2022	(5,233,456)
2023	(862,546)
2024	(5,561,813)
2025	7,583
Thereafter	35,415
Total	$ (10,392,551)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Note 8. Employment Benefit Plans (Continued)

Net OPEB liability/(asset), deferred outflows of resources, deferred inflows of resources, and OPEB expense: At June 30, 2020, the University reported a liability/(asset) for its proportionate share of the net OPEB liability of STRS/OPERS. For June 30, 2020, the net OPEB liability/(asset) was measured as of June 30, 2019 for STRS, and December 31, 2019 for the OPERS plan. For June 30, 2019, the net OPEB liability/(asset) was measured as of June 30, 2018 for STRS, and December 31, 2018 for the OPERS plan. The total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of those dates, except OPERS which used an actuarial valuation dated December 31, 2018 and 2017, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments and interest accruals during the year for the defined benefit health care plans.

Typically, the University's proportion of the net OPEB liability/(asset) would be based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below.

Plan	Measurement Date	Net OPEB Liability/(Asset) 2020	Net OPEB Liability/(Asset) 2019	Proportionate Share 2020	Proportionate Share 2019	Change
STRS	6/30	$ (7,873,000)	$ (7,869,805)	0.4753%	0.4897%	0.0144%
OPERS	12/31	$ 50,495,074	$ 50,651,274	0.3656%	0.3885%	0.0229%

For plan years ending June 30, 2020 and 2019, STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS' calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

For plan years ending December 31, 2019 and 2018, OPERS did not allocate employer contributions to the OPEB plan. Therefore, OPERS's calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

For the years ended June 30, 2020 and June 30, 2019, the University did not recognize OPEB expense. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 715,354	$ (5,019,007)
Changes of assumptions	8,157,833	(8,631,000)
Net difference between projected and actual earnings on pension plan investments	-	(3,065,196)
Changes in proportion and differences between University contributions and proprotionate share of contributions	-	(2,584,255)
Total	$ 8,873,187	$ (19,299,458)

Note 8. Employment Benefit Plans (Continued)

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 936,152	$ (596,432)
Changes of assumptions	1,633,056	(10,723,000)
Net difference between projected and actual earnings on pension plan investments	2,322,060	(899,000)
Changes in proportion and differences between University contributions and proprotionate share of contributions	-	(1,409,585)
Total	$ 4,891,268	$ (13,628,017)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

	Amount
Years ending June 30,	
2021	$ (2,279,288)
2022	(2,048,807)
2023	(1,728,806)
2024	(2,760,029)
2025	(1,618,369)
Thereafter	9,028
Total	$ (10,426,271)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the next year.

Actuarial assumptions: The total pension liability and OPEB liability/(asset) is based on the results of an actuarial valuation and were determined using the following actuarial assumptions for the University's current year:

	STRS	OPERS
Valuation date-Pension	June 30, 2019	December 31, 2019
Valuation date-OPEB	June 30, 2019	December 31, 2018
Actuarial cost method	Entry age normal	Individual entry age
Costs of living	None	1.40 percent - 3.0 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	3.25 percent
Investment rate of return-Pension	7.45 percent, net of investment expense, including inflation	7.20 percent, net of investment expense, including inflation
Investment rate of return-OPEB	7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	4.93 percent to 9.62 percent initial 4 percent ultimate	10.5 percent initial 3.50 percent ultimate in 2030
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Morality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

Note 8. Employment Benefit Plans (Continued)

The following are actuarial assumptions for the University's prior year:

	STRS	OPERS
Valuation date-Pension	July 1, 2018	December 31, 2018
Valuation date-OPEB	June 30, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Individual entry age
Costs of living	None	2.15 percent - 3.0 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return-Pension	7.45 percent, net of investment expense, including inflation	7.20 percent, net of investment expense, including inflation
Investment rate of return-OPEB	7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	-5.23 percent to 9.62 percent initial 4 percent ultimate	10.0 percent initial 3.25 percent ultimate in 2029
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Morality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

Pension discount rate: The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. 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. The discount rates used to measure the total pension liabilities for STRS was 7.45 percent for the plan years ended June 30, 2019 and 2018. The discount rates used to measure the total pension liability for OPERS was 7.20 percent for the plan years ended December 31, 2019 and 2018.

OPEB discount rate: The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Plans that project fiduciary net position to be insufficient to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

The discount rate used to measure the total STRS OPEB liabilities/(assets) was 7.45 percent for the plan years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

Note 8. Employment Benefit Plans (Continued)

The discount rate used to measure the total OPERS OPEB liabilities/(assets) were 3.16 percent and 3.96 percent for the plan years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments of 6.00 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 2.75 percent and 3.71 percent at December 31, 2019 and December 31, 2018, respectively. At December 31, 2019, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

	STRS as of 07/01/19			OPERS as of 12/31/19			
				Defined Benefits Portfolio		Health Care Portfolio	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	28.00%	7.39%	Fixed Income	25.00%	1.83%	36.00%	1.53%
International Equity	23.00%	7.59%	Domestic Equities	19.00%	5.75%	21.00%	5.79%
Alternatives	17.00%	7.00%	Real Estate	10.00%	5.20%	0.00%	0.00%
Fixed Income	21.00%	4.00%	Private Equity	12.00%	10.70%	0.00%	0.00%
Real Estate	10.00%	6.00%	International Equity	21.00%	7.66%	23.00%	7.66%
Liquidity Reserves	1.00%	2.29%	REITs	0.00%	0.00%	6.00%	5.69%
			Other Investments	13.00%	4.98%	14.00%	4.90%
	100.00%		Total	100.00%		100.00%	

	STRS as of 07/01/18			OPERS as of 12/31/18			
				Defined Benefits Portfolio		Health Care Portfolio	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	28.00%	7.35%	Fixed Income	23.00%	2.79%	34.00%	2.42%
International Equity	23.00%	7.55%	Domestic Equities	19.00%	6.21%	21.00%	6.21%
Alternatives	17.00%	7.09%	Real Estate	10.00%	4.90%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Private Equity	10.00%	10.81%	0.00%	0.00%
Real Estate	10.00%	6.00%	International Equity	20.00%	7.83%	22.00%	7.83%
Liquidity Reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.98%
			Other Investments	18.00%	5.50%	17.00%	5.57%
	100.00%		Total	100.00%		100.00%	

Note 8. Employment Benefit Plans (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2020					
Plan	1.00 % Decrease		Current Discount Rate		1.00 % Increase
STRS	6.45%	$ 153,616,573	7.45%	$ 105,116,855	8.45% $ 64,059,359
OPERS	6.20%	115,833,780	7.20%	69,645,496	8.20% 28,189,269
		$ 269,450,353		$ 174,762,351	$ 92,248,628

2019					
Plan	1.00 % Decrease		Current Discount Rate		1.00 % Increase
STRS	6.45%	$ 157,260,255	7.45%	$ 107,685,334	8.45% $ 65,726,890
OPERS	6.20%	152,195,807	7.20%	102,573,969	8.20% 61,374,563
		$ 309,456,062		$ 210,259,303	$ 127,101,453

Sensitivity of the net OPEB liability/(asset) to changes in the discount rate: The following presents the net OPEB liability/(asset) of the University, calculated using the discount rate listed below, as well as what the University's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2020					
Plan	1.00 % Decrease		Current Discount Rate		1.00 % Increase
STRS	6.45%	$ (6,717,732)	7.45%	$ (7,873,000)	8.45% $ (8,843,650)
OPERS	2.16%	66,080,904	3.16%	50,495,074	4.16% 38,015,895
		$ 59,363,172		$ 42,622,074	$ 29,172,245

2019					
Plan	1.00 % Decrease		Current Discount Rate		1.00 % Increase
STRS	6.45%	$ (6,745,160)	7.45%	$ (7,869,805)	8.45% $ (8,815,016)
OPERS	2.96%	64,801,800	3.96%	50,651,274	4.96% 39,397,785
		$ 58,056,640		$ 42,781,469	$ 30,582,769

Note 8. Employment Benefit Plans (Continued)

Sensitivity of the net OPEB liability/(asset) to changes in the health care cost trend rate: The following presents the net OPEB liability/(asset) of the University, calculated using the healthcare cost trend rate listed below, as well as what the University's net OPEB liability/(asset) would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

	2020		
Plan	1.00 % Decrease	Current Discount Rate	1.00 % Increase
STRS	$ (8,927,124)	$ (7,873,000)	$ (6,581,045)
OPERS	49,005,008	50,495,074	51,966,146
	$ 40,077,884	$ 42,622,074	$ 45,385,101

	2019		
Plan	1.00 % Decrease	Current Discount Rate	1.00 % Increase
STRS	$ (8,761,657)	$ (7,869,805)	$ (6,964,059)
OPERS	48,686,820	50,651,274	52,913,700
	$ 39,925,163	$ 42,781,469	$ 45,949,641

Pension plan and OPEB plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS/OPERS financial report.

Assumption changes: During the measurement periods ended June 30, 2019 and December 31, 2019, respectively, certain assumption changes were made by the plans. The STRS OPEB discount rate remained the same at 7.45 percent. The OPERS OPEB discount rate was reduced from 3.96 percent to 3.16 percent, which impacted the annual actuarial valuation for OPEB prepared as of December 31, 2019.

During the measurement periods ended June 30, 2018 and December 31, 2018, respectively, certain assumption changes were made by the plans. The STRS OPEB discount rate increased significantly from 4.13 percent to 7.45 percent due to the cash flow analysis and there was a reduction in the health care cost trend rates, which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2018. The OPERS pension discount rate was reduced from 7.50 percent to 7.20 percent, which impacted the annual actuarial valuation for pension prepared as of December 31, 2018 and 2017.

Benefit changes: There were no significant benefit terms changes for the pension or OPEB plan(s) since the prior two measurement dates for STRS. Effective in 2022, OPERS will replace the current self-insured group plan with a marketplace concept for pre-Medicare retirees.

Payable to the pension plan: At June 30, 2020, the University reported a payable of $1,591,354 for the outstanding amount of contributions to the pension plans. At June 30, 2019, the University reported a payable of $2,118,313 for the outstanding amount of contributions to the pension plans. There were no amounts due to the OPEB plans at June 30, 2020 and 2019.

Note 8. Employment Benefit Plans (Continued)

Defined contribution plan: The University also offers eligible employees an alternative retirement program (ARP). The ARP is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. Full-time employees are eligible to choose a provider, in lieu of STRS or OPERS, from the list of providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of the private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents.

The University is required to contribute to STRS 4.50 percent of earned compensation for those employees participating in the ARP. The University's contributions for the years ended June 30, 2020 and 2019 were $724,455 and $737,208, respectively, which equal 4.50 percent of earned compensation.

The University also contributes what would have been the employer's contribution under STRS or OPERS, less the aforementioned percentage, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the years ended June 30, 2020 and 2019, employee contributions totaled $8,019,064 and $7,818,028, and the University recognized pension expense of $2,611,428 and $2,578,539, respectively as determined by actuarial valuations.

Note 9. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 1, 1993, the University joined with 11 other State-assisted universities in Ohio to form an insurance-purchasing pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurable value to the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of $100,000. The next $250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate deductible limit of $700,000. The commercial property insurer is liable for the amount of any claim in excess of $350,000, or $100,000 in the event the pool has reached its annual limit. There were no significant reductions in coverage from the prior year.

Note 9. Risk Management (Continued)

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. There is a $250,000 specific stop loss for any given individual. The changes in the total liability for actual and estimated medical claims for the is summarized below at June 30:

	2020	2019	2018
Liability at beginning of year	$ 2,343,649	$ 2,128,598	$ 3,487,608
Claims incurred	15,275,954	17,087,120	16,580,970
Claims paid	(15,616,480)	(17,215,881)	(16,580,425)
Change in estimated claims incurred but not reported	(872,416)	343,812	(1,359,555)
Liability at end of year	$ 1,130,707	$ 2,343,649	$ 2,128,598

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the statement of revenue, expenses, and changes in net position. The claim liability is included in accrued liabilities in the statement of net position.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect cash needed in subsequent fiscal years to pay the workers' compensation claims of participating State agencies and universities. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

During the normal course of its operations, the University has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the University administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the University. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 10. Grant Contingencies

The University receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a significant effect on any of the financial statements of the University at June 30, 2020.

Note 11. Component Units

The Foundation and the Corporation are legally separate not-for-profit entities organized for the purpose of providing support to the University. Both the Foundation and the Corporation are exempt from federal income taxes under Section 501(c)(3) of the IRC.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of business leaders 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 donors.

During the years ended June 30, 2020 and 2019, the Foundation paid $11,802,299 and $14,312,843, respectively, to the University. At June 30, 2020 and 2019, the University had receivables from the Foundation totaling $3,259,589 and $4,368,311, respectively.

As authorized by the Board, beginning in fiscal year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2020 and 2019, the amount on deposit with the Foundation totaled $3,387,555 and $3,447,329, respectively.

The Foundation had the following types of investments as of June 30:

	2020	2019
Cash and cash equivalents	$ 805,507	$ 4,685,999
Common stock - Domestic	948,839	758,139
Mutual funds		
International	16,543,172	16,090,478
Domestic	33,955,381	38,973,334
Balance fund	3,557,075	3,134,255
Fixed income securities	19,233,063	18,834,273
Investments at fair value	75,043,037	82,476,478
Alternative investments, at net asset value (NAV)	19,232,338	11,543,305
Total Investments	$ 94,275,375	$ 94,019,783

In accordance with *Fair Value Measurements* topic of the Financial Accounts Standards Board (FASB) Accounting Standards Codification (ASC), certain investments that were measured at net asset value (NAV) per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net position – discretely presented component units.

Note 11. Component Units (Continued)

Financial assets measured at fair value on a recurring basis consisted of the following as of June 30:

	2020			
	Level 1	Level 2	Level 3	Total
Common stock - Domestic	$ 948,839	$ -	$ -	$ 948,839
Mutual funds:				
International	33,955,381	-	-	33,955,381
Domestic	16,543,172	-	-	16,543,172
Balanced fund	3,557,075	-	-	3,557,075
Fixed income	-	19,233,063	-	19,233,063
	$ 55,004,467	$ 19,233,063	$ -	74,237,530
Investments valued at NAV				19,232,338
Cash and cash equivalents				805,507
Total				$ 94,275,375

	2019			
	Level 1	Level 2	Level 3	Total
Common stock	$ 758,139	$ -	$ -	$ 758,139
Mutual funds:				
International	16,090,478	-	-	16,090,478
Domestic	38,973,334	-	-	38,973,334
Balanced fund	3,134,255	-	-	3,134,255
Fixed income	-	18,834,273	-	18,834,273
	$ 58,956,206	$ 18,834,273	$ -	77,790,479
Investments valued at NAV				11,543,305
Cash and cash equivalents				4,685,999
Total				$ 94,019,783

The donor restricted net assets of the Foundation has been limited by the donors to a specific time period, purpose or in are net assets are held in perpetuity, for the following purposes as of June 30:

	2020	2019
Instruction and academic support	$ 22,651,952	$ 24,278,077
Research	1,641,137	1,613,547
Public service	4,926,291	5,261,520
Financial aid	69,199,935	69,085,979
Institutional support	2,595,318	1,701,802
Capital and other projects	1,436,455	1,723,060
Total	$ 102,451,088	$ 103,663,985

The Corporation was organized primarily to further the educational mission of the University by developing, owning, and managing housing for the students, faculty, and staff of the University. The Board of the Corporation is self-perpetuating and the University does not control the Corporation.

Note 11. Component Units (Continued)

As of June 30, the Corporation had the following types of investments:

	2020	2019
Commercial paper	$ 5,716,348	$ 4,656,136
Money market funds	4,377	80,404
Exchange traded funds	-	4,918,831
Mutual funds	15,008,027	10,414,242
Total	$ 20,728,752	$ 20,069,613

During the years ended June 30, 2020 and 2019, the Corporation paid rent on the land leases in the amount of $500,000 and $770,000, respectively, to the University.

On August 8, 2019, the Corporation issued Development Refunding Revenue Bonds in the principal amount of $18,220,000. The Series 2019 Bonds were issued by the Cleveland-Cuyahoga County Port Authority as fixed rate bonds with a maturity of August 1, 2044 and a coupon rate of 4%. The proceeds of the bonds were issued to refund a portion of the outstanding principal amount of the Series 2014 Bonds; and to pay certain costs of issuance of the Series 2019 Bonds.

On December 9, 2014, the Corporation issued $88,945,000 of Cleveland-Cuyahoga County Port Authority Development Revenue Bonds (2014 bonds). The proceeds were used by the Corporation to refund bonds issued in 2005 through 2009. A portion of the 2014 bonds matured as of June 30, 2019. The remaining 2014 bonds mature at various dates from August 1, 2019 through August 1, 2044 with a fixed rate of interest of 5%. At the time of refunding, the Corporation chose to utilize funds held by the trustee to pay a portion of the outstanding principal on all existing bonds.

On December 18, 2009, the Corporation leased land, owned by the University and located on its campus, from the University. Annual rent is equal to the net available cash flows from the project.

On August 24, 2009, the Corporation entered into a development agreement with ACC to plan, design and construct 600 beds of student housing and a 300-car parking garage on this land. In addition, the Corporation entered into a management agreement with ACC to manage the student housing.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed.

On March 1, 2005, the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. On March 1, 2005, the Corporation entered into a development agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a management agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

Note 11. Component Units (Continued)

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Principal	Interest
2021	$ 1,830,000	$ 3,753,300
2022	1,925,000	3,659,425
2023	2,025,000	3,560,675
2024	2,130,000	3,456,800
2025	2,235,000	3,347,675
2026-2030	13,035,000	14,895,125
2031-2035	16,735,000	11,192,125
2036-2040	21,490,000	6,437,500
2041-2045	18,220,000	1,880,400
	$ 79,625,000	$ 52,183,025

Note 12. Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries. The extent to which the coronavirus impacts the University's financial condition, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted, included new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

During the year ended June 30, 2020, the University was awarded approximately $12,800,000 and $5,300,000 from the U.S. Department of Education/Higher Education Emergency Relief Fund (HEERF) and Ohio Department of Higher Education Coronavirus Relief Funds (ODHE CRF), respectively. These funds were awarded to provide economic relief to support the costs of remote learning, grants to students, technology and other purposes related to the disruption of campus operations due to the COVID-19 pandemic. As of June 30, 2020, the University recognized $6,781,893 and $741,477 of HEERF and ODHE CRF funds, respectively. The funding is reflected in nonoperating revenue federal grants and contracts, in the accompanying statement of revenue, expenses and changes in net position.

Required Supplementary Information

Cleveland State University

Retirement Plan Data
Years Ended June 30, 2020, 2019, 2018, 2017, 2016 and 2015
(In Thousands)

	STRS	OPERS
For the Year Ended June 30, 2020		
University's proportion of the net pension liability (asset)	0.4753%	0.3656%
University's proportionate share of the net pension liability (asset)	$ 105,116,855	$ 69,645,496
University's covered payroll	50,575,390	55,587,366
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.11%	79.81%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	82.17%
For the Year Ended June 30, 2019		
University's proportion of the net pension liability (asset)	0.4897%	0.3885%
University's proportionate share of the net pension liability (asset)	$ 107,685,334	$ 102,573,969
University's covered payroll	50,503,155	53,778,459
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	213.22%	190.73%
Plan fiduciary net position as a percentage of the total pension liability	77.30%	74.91%
For the Year Ended June 30, 2018		
University's proportion of the net pension liability (asset)	0.4941%	0.3926%
University's proportionate share of the net pension liability (asset)	$ 117,377,358	$ 60,974,449
University's covered payroll	49,431,335	56,151,077
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	237.46%	108.59%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	84.85%
For the Year Ended June 30, 2017		
University's proportion of the net pension liability (asset)	0.4985%	0.4095%
University's proportionate share of the net pension liability (asset)	$ 166,860,603	$ 92,716,335
University's covered payroll	47,227,159	56,133,087
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	353.31%	165.17%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	77.39%
For the Year Ended June 30, 2016		
University's proportion of the net pension liability (asset)	0.4990%	0.4038%
University's proportionate share of the net pension liability (asset)	$ 137,916,400	$ 69,702,983
University's covered payroll	48,272,044	54,452,664
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	285.71%	128.01%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	81.19%
For the Year Ended June 30, 2015		
University's proportion of the net pension liability (asset)	0.4989%	0.4026%
University's proportionate share of the net pension liability (asset)	$ 121,356,821	$ 48,402,809
University's covered payroll	44,789,568	53,202,254
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.95%	90.98%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	86.53%

Note: The University has presented as many years as information is available.

(Continued)

Cleveland State University

Retirement Plan Data (Continued)
Year Ended June 30, 2020
(In Thousands)

	STRS				
	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	8,002,180	8,002,180	-	51,869,587	15.46%
2019	7,818,028	7,818,028	-	50,575,390	15.46%
2018	7,802,860	7,802,860	-	50,503,155	15.45%
2017	7,653,361	7,653,361	-	49,431,335	15.48%
2016	7,292,553	7,292,553	-	47,227,159	15.44%
2015	7,359,961	7,359,961	-	48,272,044	15.25%

	OPERS Traditional, Combined and Member-Directed				
	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	7,588,682	7,588,682	-	52,342,712	14.50%
2019	8,073,431	8,073,431	-	55,587,366	14.52%
2018	6,961,758	6,961,758	-	53,778,459	12.95%
2017	8,322,520	8,322,520	-	56,151,077	14.82%
2016	7,990,496	7,990,496	-	56,133,087	14.23%
2015	7,760,107	7,760,107	-	54,452,664	14.25%

Cleveland State University

OPEB Plan Data
Years Ended June 30, 2020, 2019, 2018
(In Thousands)

	STRS	OPERS
For the Year Ended June 30, 2020		
University's proportion of the net OPEB (asset) liability	0.4753%	0.3656%
University's proportionate share of the net OPEB (asset) liability	$ (7,873,000)	$ 50,495,074
University's covered payroll	50,575,390	55,587,366
University's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-15.57%	90.84%
Plan fiduciary net position as a percentage of the total OPEB (assets) liability	174.70%	47.80%
For the Year Ended June 30, 2019		
University's proportion of the net OPEB (asset) liability	0.4897%	0.3885%
University's proportionate share of the net OPEB (asset) liability	$ (7,869,805)	$ 50,651,274
University's covered payroll	50,503,155	53,778,459
University's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-15.58%	94.19%
Plan fiduciary net position as a percentage of the total OPEB (assets) liability	176.00%	46.33%
For the Year Ended June 30, 2018		
University's proportion of the net OPEB (asset) liability	0.4941%	0.4057%
University's proportionate share of the net OPEB (asset) liability	$ 19,278,426	$ 44,058,464
University's covered payroll	49,431,335	56,151,077
University's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	39.00%	78.46%
Plan fiduciary net position as a percentage of the total OPEB (assets) liability	47.11%	54.14%

	STRS				
	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	-	-	-	51,869,587	0.00%
2019	-	-	-	50,575,390	0.00%
2018	-	-	-	50,503,155	0.00%

	OPERS Traditional, Combined and Member-Directed				
	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	-	-	-	52,342,712	0.00%
2019	-	-	-	55,587,366	0.00%
2018	1,160,293	1,160,293	-	53,778,459	2.16%

Changes in assumptions (Pension): The Retirement Boards of OPERS and STRS made no changes in assumptions in 2019 compared to the prior year.

Changes in assumptions (OPEB): The Retirement Board of OPERS approved one change to the actuarial assumptions in 2019. The discount rate was reduced from 3.96 percent to 3.16 percent. There were no other changes in assumptions compared to the prior year for OPERS. The Retirement Board of STRS Ohio made no changes in assumptions in 2019 compared to the prior year.

Changes to benefit terms: The Retirement Board of OPERS and the Retirement Board of STRS Ohio made no changes in benefits in 2019 compared to the prior year.

Changes of assumptions (Pension): The Retirement Board of OPERS approved one change to the actuarial assumptions in 2018. The long term expected rate of return was reduced from 7.50 percent to 7.20 percent. There were no other changes in assumptions compared to the prior year. The Retirement Board of STRS Ohio made no changes in assumptions in 2018 compared to the prior year.

Changes in assumptions (OPEB): The Retirement Board of OPERS approved one change to the actuarial assumptions in 2018. The long term expected rate of return was reduced from 6.50 percent to 6.00 percent. There were no other changes in assumptions compared to the prior year for OPERS. The Retirement Board of STRS increased the discount rate from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Changes to benefit terms: Effective July 1, 2017, the Cost of Living Adjustment (COLA) was reduced to zero for STRS Ohio.