FINANCIAL REPORT

Year Ended June 30, 2013

BALL STATE
UNIVERSITY

EDUCATION REDEFINED®

Front Cover: David Owsley Museum of Art

To

The President and Board of Trustees

Ball State University

This financial report presents

the financial position of

Ball State University at June 30, 2013,

and the results of activities for

the year then ended.

Randall B. Howard
Vice President for Business Affairs
and Treasurer

December 13, 2013

REPORT OF THE TREASURER

On behalf of the Board of Trustees of Ball State University, I am pleased to present Ball State University's 2012-13 Financial Report. What follows is an objective record of the University's stewardship of its human, physical and financial resources. Ball State University's management has prepared and is responsible for the completeness and fairness of the financial statements and the related footnote disclosures included in this report, along with the discussion and analysis.

Ball State is currently at an exciting juncture in its 95-year history. The increasingly global, technology-driven marketplace is demanding new skills of college graduates. The University has taken a proactive approach in recognizing these changing dynamics and **responding with bold steps to ensure its competitiveness as a top-quality choice in public higher education**. Ball State's response is multi-faceted but **can be summarized with one word – "distinctiveness"**. The health of the University, which is defined by **quality students and quality faculty**, relies on being known for unique qualities and attributes.

Before you get to the Financial Statements, I wanted to share with you a little bit about the University itself, our history and composition, and to highlight some of the exciting news from our Strategic Plan and the distinctive education that we provide at Ball State. And finally I want to share with you some of the recognition that the university has been receiving as a result of our efforts.

The University

Ball State University, located in Muncie, Indiana, was **founded in 1918** as the Indiana State Normal School, Eastern Division. The Ball brothers, a prominent Muncie industrial family, had acquired the land and buildings of a private normal school and donated the property to the State of Indiana. In 1929, the Indiana General Assembly separated the Muncie campus from Indiana State Normal School, naming the Muncie campus Ball State Teachers College. In 1965, the General Assembly renamed the institution Ball State University, in recognition of its significant growth in enrollment and physical facilities, the variety and quality of its educational programs and services, and in anticipation of the much broader role it would be expected to assume in the future. The University is governed by a nine-member Board of Trustees, which includes a full-time student and two members nominated by the Ball State University Alumni Association. All members of the Board are appointed by the Governor of Indiana to four-year terms, except for the student member, who is appointed to a two-year term.

Studebaker East Residence Hall

The **University is divided into seven academic colleges**, offering six associate-level programs, 175 undergraduate degree programs, 103 masters-level programs, 17 doctoral-level programs and two specialists programs. Ball State is fully accredited by the North Central Association of Colleges and Schools (Higher Learning Commission of the North Central Association of Colleges and Schools). In addition, various schools, departments and programs are accredited by numerous other professional agencies, licensing boards, and state agencies. The University also operates the state's only K-12 laboratory school, Burris, as well as the Indiana Academy for Science, Mathematics and Humanities, **the state's only residential high school for gifted and talented students.**

Enrollment for Fall 2012 totaled 18,831 full-time equivalent students from **a total headcount of 21,053**. On-campus and blended (on-campus students taking off-campus courses) enrollment totaled 17,309 full-time equivalent students from a total headcount of 17,851. The University provides on-campus housing in residence halls and apartments for approximately 7,600 students. As of the beginning of the 2012-13 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 2,862 full-time and 450 part-time personnel. The campus facilities include over 110 buildings totaling approximately seven million gross square feet on over 1,000 acres.

Strategic Plan Highlights

Two years ago, we completed implementation of the strategic plan that guided our university since 2007, and it was **a success by any measure**. We met or made significant progress on about 90 percent of the plan's 104 measurable performance indicators. Now we are building on our success to achieve even greater heights through our new strategic plan, ***Education Redefined 2.0: Advancing Indiana.*** This strategic plan will guide our efforts through 2017, and it includes 107 measurable performance indicators.

Immersive Learning Project: Kurt Vonnegut Memorial Library

In short, this new strategic plan is a continuation of the last strategic plan with an even sharper focus on **building a distinctive university to benefit the businesses, communities, and citizens of our state**. Both of the plans emphasize a relentless focus on **academic quality**, which includes identifying rigorous learning outcomes and assessing our students' abilities to meet them. We push our students to become **innovative, collaborative, and creative**. Our bright and curious students learn to **think critically** and **solve problems** and then put that knowledge to use.

The four key goals of this strategic plan are: (i) providing **distinctive, high-quality** educational experiences; (ii) becoming a **recognized leader** for educational and disciplinary **innovation**; (iii) investing in an **increasingly vibrant** and integrated University community; and (iv) **advancing Indiana** through student engagement and faculty expertise. These goals enhance the distinctive opportunities offered by the University by emphasizing its **entrepreneurial approach** to learning, scholarship, and civic engagement.

The cornerstone of both the 2007-2012 and 2012-2017 strategic plans is the offering of **relevant Immersive Learning opportunities** to each undergraduate student. Immersive Learning pulls together interdisciplinary student teams with faculty mentors to **solve real-world problems for partners such as Indiana businesses** and communities. The final product adds lasting value to the partners. Students have created business plans, websites, documentaries, content and applications for emerging media, publications, and much more. In addition to benefiting the partner organizations, Immersive Learning opportunities **advance students' careers** by helping them define a career path, make connections to a profession or industry, and show prospective employers real-world experience.

One example of an Immersive Learning project involved the **2012 London Olympics** and approximately 40 Ball State students from eight fields of study. They were in London to provide behind-the-scenes stories for news media across the U.S. It was the first time a large group of American students covered the Olympics. Through the *BSU at the Games* immersive learning experience, student photographers, reporters, videographers, and illustrators produced and distributed stories about sporting events, individual athletes, life in the Olympic Village, and London's culture and atmosphere. They maintained a website, a Facebook page, a Twitter feed, and a YouTube channel. Their articles, videos, and graphics were used by the *Chicago Tribune, USA Today College, The Huffington Post*, and NBC affiliate WTHR-TV and several other media outlets. The team showcased its best stories in a post-Olympic television program aired by Fox College Sports, Indiana Comcast, and PBS affiliate WIPB-TV.

BSU AT THE GAMES 2012

As another example of an Immersive Learning project, fourteen Ball State students adapted Cathy Day's Hoosier novel *The Circus in Winter* into an original musical that has won a series of national accolades, including honors at the National Kennedy Center American College Theater Festival and inclusion in the National Alliance for Musical Theatre's 2012 Festival of New Musicals.

Since the implementation of the strategic plan in 2007, the University has featured more than 1,250 Immersive Learning projects involving more than 20,500 students. Many of those projects stimulated **economic development and quality-of-life improvements throughout the state.**

Another major initiative of the strategic plan is to **attract, retain, and enroll a more selective and diverse student body**. For fall 2013, preliminary figures show that approximately 70.0 percent of the University's incoming freshmen pursued academic honors diplomas, up from 62.0 percent for fall 2012 and an increase of over 50.0 percent since the 2006 class. In addition, the average SAT score of the incoming class for fall 2013 is more than 20 points higher than for fall 2012 and represents an increase of more than 40 points since the 2006 class. In terms of diversity, the percentage of minority students in the freshmen cohort for fall 2013 was nearly 16.0 percent, an increase of about 80.0 percent from the 2006 class. The number of international students has grown to over 800, which is an increase of approximately 500 international students since 2004. These increases in selectivity and diversity have come during a period that has also seen increases in applications to the University; applications for fall 2013 exceeded 17,100.

Recruitment of higher quality and better prepared students leads to better retention rates. Retention of first-year students who returned as sophomores for the fall 2013 was 78.9 percent, up 4.4 percent since fall 2006. This success is reflected in *U.S. News & World Report's* recognition of the University's first-year programs for the tenth year in a row in 2013.

Another initiative of the strategic plan focuses on increasing the number of **nationally ranked or recognized faculty and academic programs**. The quality and value of a Ball State education has improved dramatically. Increases in national rankings and recognition should reinforce this fact to external audiences and promote the University's brand among prospective students. At least 54 of the University's academic programs have received national rankings and recognitions since 2007. In addition, 59 Ball State students have earned national scholarships and fellowships since 2006, including one Truman, two Goldwater, and four Fulbright scholarships. In addition, the University has had three Rhodes Scholarship finalists and a national Olmsted Scholarship finalist.

Public Recognition Highlights

Since 2006, the University and its academic programs have had more **national rankings and recognitions**, raising the profile and prestige of a Ball State education. In academic year 2011-12, Ball State ranked **eighth among "up-and-coming" colleges** and universities by *U.S. News & World Report*, placing the University among institutions "that recently made **the most promising and innovative changes in the areas of academics**, faculty, student life, campus, or facilities." Plus, *The Princeton Review* named Ball State one of the best universities in the Midwest for the eighth year. These recognitions follow a highly successful academic year 2010-11, when Ball State's classification by the Carnegie Foundation for the Advancement of Teaching was **elevated to a Research University, high research activity** (RU/H), placing the University in the company of Boston College, Clemson University, and College of William and Mary, among others. About that time, the University was also ranked sixth in the nation for improvement in graduation rates among public research institutions between 2001 and 2008 by *The Chronicle of Higher Education*.

Spring 2013 Commencement

Ball State has also received recognition for its **achievements in emerging media**, including the 2012 New Media Consortium Center of Excellence Award, coverage by *The Chronicle of Higher Education* of the Emerging Media Living-Learning Community in Johnson Complex, multiple awards from TechPoint, a 2010 W3 Silver Award, being named the 2009 Academic Institution of the Year by the Mobile Marketing Association, and the iMedia faculty earning second place to Harvard University in AT&T's Big Mobile on Campus Challenge in 2009.

In addition, the University has been lauded for **its commitment to sustainability**. In *The Princeton Review's Guide to 322 Green Colleges: 2013 Edition*, Ball State was recognized for the fourth year. It is the first public institution in Indiana listed among the most environmentally responsible colleges and universities in the U.S. and Canada. **Ball State's geothermal conversion project continues to attract praise** from national media outlets, other leading universities, and the highest levels of state and national government. In fact, 50 universities, cities, and other entities have visited or contacted the University to learn more about our geothermal project. In the December 2009 issue of *Architect Magazine*, Ball State was listed among six universities committed to social justice. The University also has been named **a Military Friendly School** since 2009 by *G.I. Jobs*, placing it in the top 15.0 percent of all schools nationwide, and one of only 60 Military Friendly Universities by *Military Advanced Education Magazine* in 2009.

Several academic programs also have been nationally recognized and ranked in their respective fields. For example, the **entrepreneurship program has been ranked among the top 15 national programs since 1999** by *U.S. News & World Report*. The magazine in 2011 listed *Military 2 Market* (M2M), part of the entrepreneurship program, first among "**10 College Classes That Impact the Outside World**," putting it in the same company as Villanova and Carnegie Mellon universities, and *Entrepreneur*/*The Princeton Review* ranked the program in the top 25 in 2009.

Other programs ranked or recognized in recent years include Accounting, Architecture, Chemistry, Center for Information and Communication Sciences, Communication Studies, Counseling Psychology, Educational Leadership, Educational Studies, English, Family and Consumer Sciences, Finance, Journalism, Landscape Architecture, Marketing and Management, Music, Nursing, Philosophy and Religious Studies, Physics and Astronomy, ROTC, Speech Language Pathology and Audiology, Telecommunications, Theatre and Dance, and Urban Planning.

Conclusion

Ball State will continue its efforts to **differentiate itself** from other public institutions by **enhancing the quality** of the academic experiences offered to all students, by attracting students of even higher quality, by supporting strong faculty and academic programs, by enhancing a vibrant University community, and by providing a **distinctive impact on the economic well-being of the state of Indiana**. As the following financial reports indicate, the University is on **solid financial ground,** and we will continue to **advance Indiana through the relentless execution of our Strategic Plan and distinctive educational opportunities**.

Randall B. Howard

Vice President for Business Affairs and Treasurer

This financial report has been prepared

by the Office of University Controller

Ball State University, Muncie, Indiana 47306

Ball State University provides equal opportunity to all students and applicants for admission in its education programs, activities, and facilities without regard to race, religion, color, sex (except where sex is a bona fide qualification), sexual orientation, gender identity/gender expression, physical or mental disability, national origin, ancestry, or age.

Ball State University provides equal opportunity to all employees and applicants for employment in its recruitment, hiring, retention, promotion, tenure, transfer, layoff, return from layoff, training, and other employment decisions and in its compensation and benefits programs without regard to race, religion, color, sex (except where sex is a bona fide occupational qualification), sexual orientation, gender identity/gender expression, physical or mental disability, national origin, ancestry, age, or citizenship (for U. S. citizens and protected lawfully-admitted aliens).

The University also takes affirmative action to employ and advance minorities, women, qualified disabled persons, and qualified disabled veterans and veterans of the Vietnam era. Information concerning the University's affirmative action programs can be obtained from the Office of University Compliance, Ball State University, Muncie, IN 47306.

Each line administrator is responsible for ensuring that educational and employment decisions are made and implemented in accordance with the University's equal opportunity and affirmative action policy. All persons involved in the decision-making process, including members of faculty and other employee committees, shall act in a nondiscriminatory manner. The Office of University Compliance is responsible for developing, coordinating, and implementing policies and procedures for institutional compliance with all applicable federal and state equal opportunity laws and regulations and for preparing and monitoring compliance with required affirmative action programs.

Complaints regarding unlawful discrimination should be filed within 45 calendar days following the alleged act or incident giving rise to the complaint in the Office of University Compliance in accordance with the *Ball State University Equal Opportunity and Affirmative Action Complaint Investigation Procedure and Appeal Process.* A copy of this document may be obtained by contacting the Office of University Compliance.

The President will review the University's equal opportunity and affirmative action policy and programs at least once each year, measure progress against the objectives stated in the affirmative action programs, and report findings and conclusions to the Board of Trustees.

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF BALL STATE UNIVERSITY, MUNCIE, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Ball State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

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 audits. We did not audit the financial statements of Ball State University Foundation, a component unit of the University as discussed in Note A, which represents 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ball State University Foundation, is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, based on our audits and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Ball State University as of June 30, 2013 and 2012, and the respective changes in its financial position and its cash flows, thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) and the Other Post-Employment Benefits Retiree Health and Life Insurance Plans 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 the 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Introductory Section, Report of the Treasurer, and Supplemental Information Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory Section, Report of the Treasurer, and Supplemental Information Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Bruce Hartman
State Examiner

October 24, 2013

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Ball State University
Management's Discussion and Analysis
June 30, 2013

Using this Report

This financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows, prepared in accordance with *Statement No. 35 of the Governmental Accounting Standards Board, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, an Amendment of GASB Statement No. 34,* as well as subsequent applicable statements from the GASB. These financial statements focus on the financial condition, results of operations, and cash flows of the University as a whole. Important features of these statements, which are mandated by the Governmental Accounting Standards Board, include:

- Revenues that are charges for services and goods, including tuition and fees and non-capital grants, are recorded as operating revenues. This means that state appropriations, which are used primarily for operations, are required to be shown as non-operating revenue.
- Scholarship allowances are required to be recorded in three different places: as a reduction to tuition and fees, as a reduction to room and board and as an operating expense. The user must total the three amounts in order to ascertain the total scholarship aid received by students from the University. Not included in these amounts are scholarship aid received directly by students, as well as loan and work-study aid.
- Federal and State Scholarships and Grants received by the University, the proceeds of which are reported as a reduction of operating income, are reported as non-operating revenue.
- Capital assets include construction in progress and infrastructure, as well as completed capital projects and capital acquisitions.

This financial report also includes, in addition to the basic financial statements referred to above, management's discussion and analysis, the report of independent auditors, notes to the financial statements and supplemental information. Included also, in accordance with GASB Statement No. 39, separately presented, are the financial statements and significant notes to the financial statements for the Ball State University Foundation. The Ball State University Foundation is a separate, not-for-profit corporation which solicits, collects and invests donations for the sole benefit of Ball State University. The Foundation's financial statements are presented in accordance with the reporting principles of the Financial Accounting Standards Board and therefore are not comparable to those of the University.

Current Economic Climate

The National Association of State Budget Officers (NASBO) reported in the spring of 2013 that after several years of slow recovery in the national economy, fiscal distress is finally beginning to subside for most states. However, the unemployment rate continues to remain high and the economic recovery is relatively weak compared to other post-recessionary periods. Thus, state operating budgets likely will be constrained by elevated expenditure pressures and slow revenue growth in the upcoming fiscal year. Additionally, states are challenged with providing resources for critical areas that were cutback in the recession, declining federal funds for

Students at the College of Architecture & Planning

state programs subject to sequestration, and continued spending demands in areas directly impacted by the sluggish economy, such as Medicaid, higher education and corrections. Modest state fiscal advancements are widespread with forty-two governors, Including Indiana's, recommending higher spending levels in fiscal year 2013-14 compared to fiscal year 2012-13. Governors' spending plans show that fiscal year 2013-14 will likely be the fourth consecutive year of budget growth for many states, although aggregate general fund spending and revenue remain below historical growth trends. Revised revenue estimates for fiscal year 2012-13 indicate that states are in better fiscal position to increase spending for some program areas in fiscal year 2013-14, particularly K-12 education, which experienced significant reductions during the recession. However, additional budget dollars remain scarce and new spending priorities are likely to be curtailed by health care related expenditures and future health care spending demands.

In its report advising the Indiana General Assembly on the fiscal year 2013-14 revenue forecast, IHS Global Insight predicted that the economy's fundamentals are improving, but fiscal policy headwinds will restrain near-term growth. Monetary policy will remain accommodative into 2015 (while the Federal Reserve Chairman has suggested a tapering of the Fed's stimulus policy may be forthcoming, it has not yet occurred). Housing markets will continue their resurgence, supporting growth. Consumers will cautiously increase spending in response to gains in asset values, employment, and income. The US energy boom is creating jobs, investment, and a competitive advantage. Real GDP growth will pick up from 2.0 percent this year to 2.8 percent in 2014. Finally, they concluded that upside and downside risks were evenly balanced.

Financial Highlights

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2013, as compared to the previous year. Net position increased by $20.5 million, due primarily to an increase in net investment in capital assets of $16.7 million, some of which was offset by a reduction in restricted net position for construction of $10.3 million. Unrestricted net position also increased by $13.2 million.

Students working in the Center for Information & Communication Sciences

The current ratio for the University, which is calculated by dividing current assets by current liabilities, increased from 4.72 to 1 at June 30, 2012, to 5.55 to 1 at June 30, 2013. This ratio measures the University's ability to meet short term obligations with short term assets. One of the most basic determinants of clear financial health is the availability of expendable net position to cover debt should it become necessary to settle those debt obligations. The viability ratio measures the University's ability to fund these long-term obligations. At June 30, 2013, the University's viability ratio was 1.72 to 1, up slightly from the June 30, 2012, viability ratio of 1.59 to 1. A ratio above 1 to 1 indicates that the University is able to respond to adverse conditions as well as attract capital from external resources and fund new objectives.

Appropriations, Gifts and Grants

After experiencing three consecutive years of decreases in state operating appropriations, the appropriation for fiscal year 2012-13, including the Entrepreneurial College line item, was flat compared with fiscal year 2011-12. Despite these recent decreases, mission critical programs as outlined in the University Strategic Plans have not been affected, nor have programs directly affecting the academic experience of students.

Students working in the Cooper Life Sciences Building

The University's Sponsored Programs Office garnered over $20.2 million in grant awards, contracts awarded to University Centers and Institutes, and funding to the Ball State University Foundation. This is an increase of $6.1 million over the prior year. Notable proposals funded in fiscal year 2012-13 include significant grants from the U.S. Department of State to the Center for International Development and Journalism; support for the VSTOP program with the Indiana Secretary of State; software donations from multiple companies; and support for a Chevy Market Study from the Bonneville Environmental Corporation. Grant awards may include cash received in advance, letters of credit, and cost reimbursable projects.

During fiscal year 2012-13, supporters of Ball State University contributed private gifts to the Ball State University Foundation totaling $17.9 million. In addition to funds received during the fiscal year, the University has also obtained several major multi-year commitments in support of its capital campaign and strategic plan. These gifts will be reflected in future fiscal year giving reports.

Other Postemployment Benefits

As of the most recent actuarial study, dated July 1, 2011, Ball State University's liability for retiree health care was estimated to be $181.7 million. As of June 30, 2013, the trust fund established to assist in financing this liability had a market value of $181.8 million. It is expected that the funding level will vary with general economic conditions over time. The University has a systematic plan in place to fund the benefit in accordance with the GASB Statement No. 45 rules, and is currently showing a prepaid expense amount, as opposed to a liability, of $9.1 million, which indicates that the funding is slightly ahead of plan.

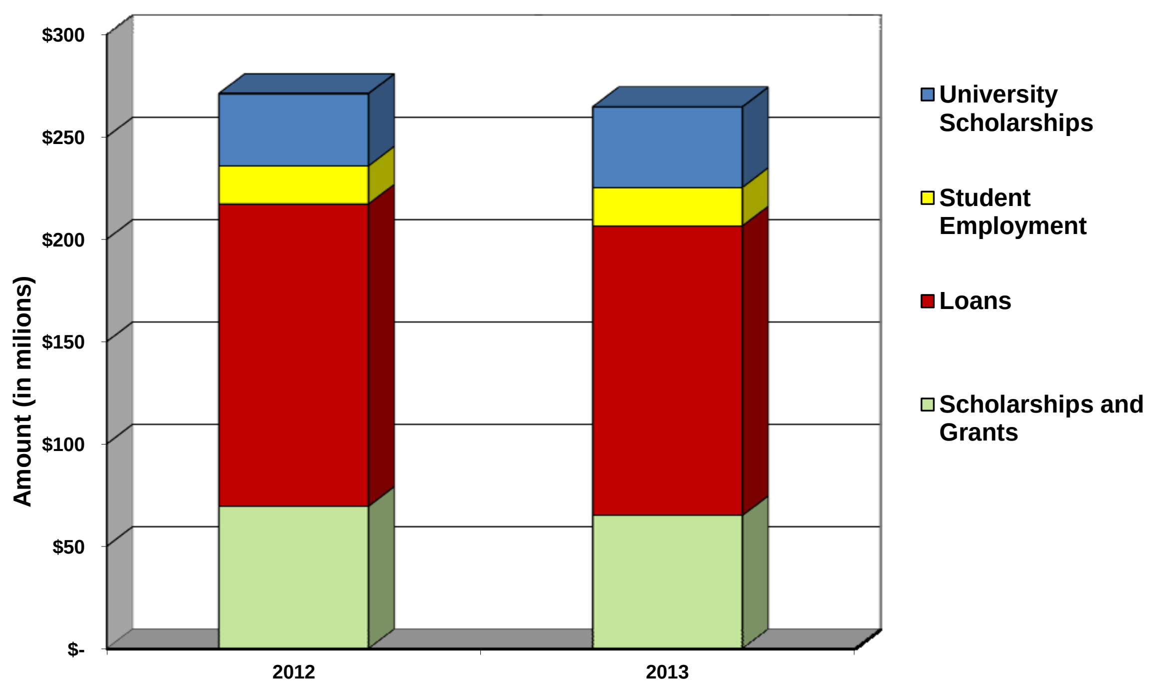
Ball State University is not unique in providing health care as a benefit for its retirees. One of Ball State University's financial strengths is that it has been engaged since the late 1980's in the systematic funding of this liability to its current status. As of June 30, 2013, the Voluntary Employee Beneficiary Association (VEBA) Trust was 100.1 percent actuarially funded. According to a study done by Hewitt EnnisKnupp, of companies within the S&P 500 that offered an OPEB plan, their funded ratio was only 29.0 percent as of December 31, 2012.

In addition to retiree health care, Ball State also provides life insurance coverage to its retirees. The July 1, 2011, actuarial study estimated the liability for this benefit at $22.3 million. As of June 30, 2013, the Life Insurance Continuance Fund (LICF) established to assist in financing this liability had a market value of $21.9 million. The LICF was 98.2 percent funded on June 30, 2013.

Scholarships and Financial Aid

The rising cost of higher education in the United States has received widespread attention. To help alleviate the costs of attending Ball State University, many students are provided assistance in covering the cost of their tuition and fees through college and University provided financial assistance. This assistance can be based on financial need or merit. Additional types of financial assistance include federal and state financial assistance, federally guaranteed student loans, federal and state college work study, institutional aid providing room and board expenses, graduate assistants' and doctoral assistants' tuition remissions, other external scholarships and University student wages. These and other types of aid are available to improve affordability and access for Ball State students. The University's total student financial assistance provided in fiscal year 2012-13, as the graph indicates, was approximately $264.7 million compared to $271.2 million in the prior year.

Total Student Financial Assistance



Grants, scholarships and remitted fees, which is financial assistance excluding loans and student employment, decreased by 0.5 percent in fiscal year 2012-13 as a result of decreases in federal and state grants. Financial aid from institutional sources increased by 11.3 percent. Including loans and student employment, all forms of financial assistance decreased by 2.4 percent from the prior year.

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report in summary fashion the financial position of the University as a whole and on its activities, focusing on the University's net position. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting. The only exceptions are gifts and grants and interest on student loans, which are generally recorded only when received. The following is a summary of the major components of net position at June 30, 2013.

Net Position
As of June 30, 2013 and 2012

	2013	2012
Assets:		
Current Assets	$ 222,257,842	$ 230,894,267
Noncurrent Assets:		
Capital Assets, Net of Depreciation	594,652,356	589,327,136
Other	119,762,715	116,922,942
Total Assets	$ 936,672,913	$ 937,144,345
Liabilities:		
Current Liabilities	$ 40,062,238	$ 48,941,122
Noncurrent Liabilities	178,680,870	190,785,937
Total Liabilities	$ 218,743,108	$ 239,727,059
Net Position:		
Net Investment in Capital Assets	$ 425,877,356	$ 409,137,155
Restricted	21,763,360	31,224,195
Unrestricted	270,289,089	257,055,936
Total Net Position	$ 717,929,805	$ 697,417,286
Total Liabilities and Net Position	$ 936,672,913	$ 937,144,345

Current and Other Assets

Current assets decreased $8.6 million from the previous year primarily due to a decrease in Accounts Receivable, Net of Unbilled Costs of $12.4 million which was offset by an increase in Cash and Cash Equivalents of $3.9 million. The remaining current asset line items showed little variance to the prior fiscal year.

Debt Administration

The University funds new construction and large renovation projects on campus with various sources such as philanthropy, internal cash reserves, cash appropriations from the State, and bond proceeds. As of June 30, 2013, the University had $168.8 million of bond indebtedness outstanding, compared to $180.2 million outstanding the prior year end. All of the University's bonds are fixed-rate, tax-exempt issuances that are secured by student fees or auxiliary revenues, depending on the original purpose of the bond. Ball State's rating of AA- by Standard & Poor's and Aa3 by Moody's was reaffirmed in fall 2013. Both S&P and Moody's noted the University's consistently strong operating performance, conservative budgeting practices, strong liquidity levels and moderate debt burden as positive indicators of future financial performance. No new debt was issued in fiscal year 2012-13. More details regarding the University's bonds payable are presented in the Notes to Financial Statements.

Capital Assets

As of June 30, 2013, the University had $425.9 million invested in capital assets, net of accumulated depreciation of $332.1 million and related debt of $168.8 million. Depreciation charges totaled $23.8 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost.

Teachers College Building

Renovation of the Teachers College Building entered its final phase, with completion anticipated in early Spring 2014. Teachers College is the second component of the Central Campus Academic Renovation and Utilities Improvement project, following North Quadrangle which reopened last year. Approximately $6.4 million was expended on the Teachers College renovation in fiscal year 2012-13. Design work for the renovation of the Applied Technology Building, the final building in this plan to revitalize the core of the campus, is underway. Approximately 11,000-14,000 students, or about two-thirds of the students on campus, use one or more of these three buildings each week. Funding for these renovations comes from proceeds of student fee bonds issued by the University.

The University continues to work on expanding the new geothermal district heating and cooling system throughout campus. Phase I went live in the fall of 2011. Funding for the remainder of the project has now been approved by the Indiana General Assembly. Once completed, the project will result in the largest full-scale district geothermal system in the country and will incorporate four components (well fields, heat pump chillers in two district energy stations, hot and cold district loops and building interfaces) to provide heating and cooling to 47 major campus buildings. The entire project, when completed, will save the University over $2.0 million per year in energy costs, reduce dependence on fossil fuels, and cut the University's carbon footprint roughly in half. Construction expenditures for the system totaled $3.6 million during fiscal year 2012-13.

A project to renovate and expand the David Owsley Museum of Art at Ball State University adds four new galleries to the east and west ends of the Fine Arts Building. The expansion, made possible by the generosity of donors to Ball State University, increases the Museum's display space by 44.0 percent. Approximately $2.9 million was expended in fiscal year 2012-13. Substantial completion of the project was achieved shortly after the end of the fiscal year.

The David Owsley Museum of Art

Studebaker East Residence Hall reopened to students in Fall 2012 after a lengthy renovation. Expenditures for construction in fiscal year 2011-12 for the major renovation and expansion included $2.5 million. This renovation was funded from internally designated capital repair and replacement accounts.

Following the reopening of Studebaker East, Johnson A Residence Hall was taken offline as the University continued on its plan to improve housing for students. Johnson A will be completed renovated and expanded, with capacity for approximately 140 new beds being added. In fiscal year 2012-13, $2.2 million was spent on the early stages of this project.

The University continues the phased roll-out of its new Enterprise Resource Planning (ERP) system. Once completed, the system will allow for better collaboration and sharing of information from finance, human resources, student services, and financial aid. Expenditures on the ERP system in fiscal year 2012-13 amounted to $5.9 million.

Current operating funds were utilized to purchase $3.6 million in capital equipment, some of which replaced mostly fully-depreciated equipment dispositions originally costing $3.5 million.

The University is committed to maintaining its capital assets in good condition. This is accomplished through comprehensive planning for facilities upkeep. Although the physical age of many of the campus buildings is in excess of 40-60 years, long-range planning has allowed for funding to keep these facilities in the best condition possible. The next section on net position describes the components of this planning in more detail.

Net Position

As described below, the net investment in capital assets of the University accounts for $425.9 million of its net position. In addition, the University had other net positions totaling $292.0 million as of June 30, 2013. This included $21.7 million in restricted net position which was comprised of: $1.2 million in nonexpendable endowment restricted for student scholarships, $6.4 million restricted for debt service, $2.9 million restricted for student loans, $7.7 million restricted for construction, and $3.5 million restricted for external grants. Restricted net position decreased by $9.5 million, primarily due to the utilization of bond proceeds on the Central Campus Academic Renovation and geothermal conversion projects.

Aside from capital assets and restricted net position, the remaining $270.3 million of net position is in unrestricted net position. Unrestricted net position is not subject to externally imposed restrictions. However, the unrestricted net position is internally restricted for specific authorized purposes at the end of each fiscal year. The specific purposes for which these assets are internally restricted include the stewardship and renewal of capital assets, campus development and infrastructure, technological advancements, new building construction, self-insurance reserves, prepaid expense for retiree benefits as calculated in accordance with GASB Statement No. 45, student scholarships, student loans, funds received for instructional and athletic camps, workshops, and field trips, and other purposes. These internally restricted amounts are further discussed in the following sections. Unrestricted net position increased by $13.2 million over the prior fiscal year, primarily due to increases in reserves for non-state supported buildings.

Stewardship and Renewal of Capital Assets

The campus facilities of Ball State University have a current replacement value of approximately $2.1 billion based on an analysis of existing facilities and current construction cost indices. These facilities include over 110 buildings totaling approximately seven million gross square feet. Campus buildings involve: 35 acres of roof area, contain 108 elevators, 406 general-purpose classrooms wired for technology, and complex mechanical operating systems in each structure. The average building at Ball State University is 44 years old. The University also owns over 1,000 acres of land, approximately 731 of which are developed. Under the ground, the University has nearly 20 miles of steam, condensate and chilled water piping, nearly 26 miles of sewers, almost 14 miles of water piping, over 50 miles

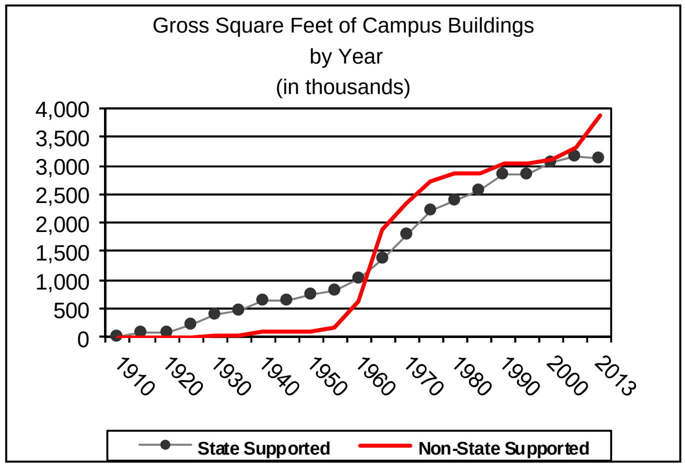
Shafer Tower

of electrical power distribution wiring and over 5,338 miles of communication cable to connect buildings. In addition, the thousands of boreholes drilled to date for the geothermal conversion project include almost 740 miles of loop piping. Above the ground, the University has 1,489 outside lighting poles, 34 miles of sidewalks and service roads, and 68 acres of surface parking lots. All of these assets have their own unique life cycles for maintenance and renewal, and the Facilities Planning & Maintenance staff of the University is responsible for ensuring that the assets are kept in excellent condition.

The financing of construction and ongoing renewal of University property is dependent on the type and use of the facility involved. These next two sections discuss how these costs are handled for state supported and non-state supported buildings. The University is committed to a systematic plan of ongoing renewal of campus facilities and infrastructure systems. This commitment is evidenced by Ball State University's strategic initiative of creating a vibrant and supportive campus atmosphere.

State Supported Academic and Administrative Buildings

Campus buildings which serve a primarily academic or administrative purpose are generally funded through bond financing, state appropriations allocated on a biennial basis by the Indiana General Assembly, or philanthropic support. As shown in the accompanying graph, approximately 45.0 percent of the campus square footage is dedicated to academic and administrative uses. As the "state supported" moniker suggests, the upkeep of these buildings is intended to be funded by the State of Indiana In reality, state funding for repair and rehabilitation of these spaces has been reduced over the last several biennia, leading to increased deferred maintenance needs. Some of these deferred maintenance needs have been addressed in the past through large scale renovation projects such as the Central Campus Academic Renovation and Utilities Improvement Project which was discussed earlier. The University has also set aside approximately $5.4 million of internal funds for maintenance and equipping of targeted academic buildings where state R&R appropriations are not readily available.



Non-State Supported Buildings

The remaining 55.0 percent of campus square footage consists of buildings which are built and maintained without state funds. These "non-state supported" facilities include dining and residence halls, parking facilities, the student center, performance venues, athletic facilities, and conference venues. These non-state supported buildings play a critical role in achieving the University's mission of fostering educational, cultural, and social development in the student body and the community. Non-state supported buildings have a current replacement value of approximately $0.9 billion. Between now and 2020, approximately $172.5 million, in current dollars, is planned or underway for investment in renewal projects on these facilities. As of the end of fiscal year 2012-13, $82.0 million has been allocated from auxiliary operations revenues and student fees for the stewardship and renewal of these facilities. The following tables list major non-state supported projects currently underway or in the planning process for the next few years.

Major Construction Projects in Progress
Non-State Supported Buildings
($1.0 million or greater)

	Budget (in millions)
Johnson A Renovation	$ 35.7
	-
Total Major Projects in Progress	$ 35.7

Major Construction Projects in Planning
Non-State Supported Buildings
($1.0 million or greater)

	Budget (in millions)
Johnson B Renovation	$ 38.0
McKinley Commons	25.9
Total Major Projects in Planning	$ 63.9

Since the University receives no state funding for the repair and rehabilitation of these facilities, the University, for many years, has followed a very strategic and pragmatic plan for maintaining these facilities. The underlying premise of the plan is an independent study done jointly by the Society for College and University Planning, the National Association of College and University Business Officers, and the Association of Physical Plant Administrators of Universities and Colleges and sponsored by the Lilly Endowment *(Financial Planning Guidelines for Facility Renewal and Adaption)*. This study recommended that between two percent and four percent of plant replacement costs should be set aside on average each year in order to adequately fund repairs and renewal and to adapt facilities to changing code requirements and evolving contemporary needs. Based on this study as well as its own experience over many years, the University established a plan whereby approximately three percent of current replacement value for housing, dining, and other non-state supported buildings would be contributed annually in order to adequately fund this stewardship responsibility. This approach has allowed the University to avoid even higher costs brought about by accumulated deferred maintenance. For parking facilities, which are comprised of multi-level structures and paved and gravel lots, an annual target of two percent of current replacement value has been established.

Park Residence Hall

Component Life-Cycle Illustrations

	Years
Roofs	15-20
Masonry Tuck Pointing	30-40
HVAC Systems	15-25
Foundations	80-100
Windows	40-50
Electrical Systems	15-30
Exterior Door Systems	15-20
Elevators	20-30
Lighting Fixtures	20-30

This methodology, which provides generational equity in funding across multiple student populations, is based on the principle that users should pay their fair share for the deterioration of the facilities they use. The goal is to maintain competitive, quality facilities at the lowest long-term cost to students. The Component Life-Cycle Illustrations table provides several examples of major repair and renewal components, as well as the typical life cycle for each. The balance in the repair and rehabilitation reserves for these non-state supported buildings will fluctuate over time depending on the number and size of projects underway in any year.

The success of this pragmatic approach is validated by the evolution of the University's residence hall and dining facilities system. Over the past several years, the facilities in the residence hall and dining system have been systematically renovated or replaced as they reach the end of their useful lives. These improvements have been financed utilizing residence and dining revenues accumulated over many years, together with debt to be serviced utilizing future residence and dining revenues. The result has been an offering of on-campus residence and dining facilities with the type of accommodations that students attending college today expect at room and board rates that are competitive with other housing and dining options available to students.

Kinghorn Residence Hall

Of the $82.0 million set aside for the stewardship and renewal of non-state supported facilities, approximately $40.4 million is specifically for repair and rehabilitation of residence and dining hall facilities. Over the last six years, two new residence halls, Park Hall in 2007 and Kinghorn Hall in 2010, have opened. DeHority Complex and Studebaker East have both been completely renovated during that time, and a complete renovation of Johnson A Residence Hall is now underway. These new and renovated accommodations have proven to be very popular with students. Overall, residence halls occupancy rates were at 94.4 percent for Fall 2012. Aside from the renovation of Johnson A, future renovation plans include the neighboring Johnson B Residence Hall and Elliott Hall. Dining options have also been upgraded over the past few years, with renovations to Noyer Dining and Woodworth Commons and new offerings throughout campus including Starbucks, Taco Bell, and Quizno's. The current replacement value for the residence hall and dining facilities is $649.8 million. Over the next seven years, the University plans to use more than $135.9 million from the Residence Hall and Dining Repair and Replacement account, in current dollars, for scheduled major projects as well as ongoing capital repair and replacement projects. These uses include several major projects, like the upcoming renovation of the Johnson Halls Complex.

The University's parking facilities consist of three parking garages with 1,498 spaces and 68 acres of surface parking with an additional 7,654 spaces. These facilities, with a current replacement value of $57.0 million, are also not supported by state funding. To ensure the preservation of these facilities, a long-term plan has been developed to provide for necessary periodic maintenance and major renovations. The Parking Facilities Renewal account currently contains $3.2 million, funded primarily from parking revenues, including permits, daily fees, and citations. The renewal account is used to maintain the parking garages, repair asphalt lots, and convert gravel lots to paved lots. The University plans to spend more than $6.5 million, in current dollars, over the next seven years for major and ongoing renewal of these facilities.

In addition to residence and dining halls and parking facilities, the University's non-state supported facilities also include the student center, conference centers, Emens Auditorium and recreational and athletic facilities. The current replacement value for these buildings is $194.8 million. A renewal plan for each of these buildings is updated annually. Over $38.4 million has been set aside to fund the renewal of these facilities. This fund has been provided by applicable auxiliary revenues, as well as the student fees allocated for the support of these facilities. Over the next seven years, approximately $30.1 million in current dollars will be used from this account for regular ongoing capital renewal projects.

Students in the John E. Worthen Arena

A comprehensive campus master planning process is now underway that will help the University develop strategic goals, guiding principles and priorities for the development and use of facilities over the next several decades. As part of this process, the University is soliciting broad and active input from current students, alumni, faculty and staff, and the community. Orderly campus development has been a hallmark of the University since 1922, when the original academic core of the campus was laid out. Since that time, the campus has strategically and prudently expanded into areas adjacent to the original campus. The tracts of land required for this expansion have been acquired over many years without State funding. The University has found that developing and acquiring property in a methodical and organized manner substantially ahead of a specific need is the most desirable and cost effective approach. The University has allocated $15.1 million for further development of the campus.

Technological Advancement and Other Capital Projects

Ball State University realizes the critical role that technology plays in today's academic environment. The University has been nationally recognized for its commitment to offering the latest in computing equipment through Information Technology. This has been accomplished by a consistent funding methodology supported by an annual allocation for technology equipment renewal. The account for computer equipment renewal has a balance of $11.6 million for cyclical updates of this equipment as well as for automating other campus systems, such as the library circulation system.

Students working on Audio Board

As discussed in the Capital Assets section, the University is updating its Enterprise Resource Planning (ERP) system. The University has implemented a phased roll-out of various modules including Finance, Recruiting and Admissions, Human Resources, Registration, Accounts Receivable, Advancement, and various student system components. The University's goal is full implementation of this administrative systems technology within the coming years to coincide with the goals and mission of the University's Strategic Plan. The core components of the ERP system have been fully implemented. The primary systems still to be updated include the campus portal development, the CRM and replacement Advancement system. Approximately $15.5 million remains allocated for costs related to these endeavors.

Approximately $12.9 million has been set aside for capital projects that are underway or recently authorized. These projects include the eventual replacement of the campus telephone system and furnishings and equipment for academic buildings.

Insurance and Other Exposures

Through self-insurance, Ball State University is able to better contain costs and avoid purchasing higher cost insurance coverage from outside carriers. A requirement of self-insurance, however, is the establishment of sufficient reserves to cover claims incurred by the University and its constituents. As of June 30, 2013, self-insurance reserves total $14.7 million, of which $11.9 million pertains to the self-insured health care plan for employees, retirees, and their families. Of the $11.9 million reserve for health claims, $7.0 million represents claims that were incurred but not yet paid as of year-end, while $4.9 million is available for higher than anticipated claims in any given year. These amounts are established at the end of each year in consultation with the University's outside actuaries. The remaining $2.8 million in insurance reserves includes $1.2 million for the employee and retiree life insurance plan and $1.6 million to cover higher than expected expenditures in unemployment and workers' compensation, as well as the high deductibles for property and casualty insurance. In addition to the insurance reserves, the requirements of GASB Statement No. 45 resulted in the recognition of $9.1 million in prepaid retiree health care expense, an increase of $1.0 million over the prior year.

The University's student fee bonds are secured by pledges and first liens on student fees. The debt service on a portion of these bonds is reimbursed by a Fee Replacement Appropriation made by the Indiana General Assembly. There is no guarantee that this appropriation will be renewed in any subsequent year, as the current General Assembly cannot legally bind future General Assemblies. In order to facilitate the timely payment of the debt service on the bonds and the receipt of fee replacement appropriations, the University has established a reserve account. The current balance in this account is $16.2 million.

The University has allocated $9.3 million, or approximately 2.8 percent of the fiscal year 2012-13 general fund budget, to a contingency reserve. This reserve is intended to help offset the costs related to a significant, unforeseen event, such as a major pandemic, a major weather-related event, other adverse acts of nature, or other claims.

Other Allocations

The University works closely with students who have difficulty with the financial obligations of attending the University. In order to assist students whose financial aid packages have not been finalized, the University has designated $0.4 million for emergency loans. The University has also set aside $2.6 million for scholarship funding to help offset reduced aid opportunities from external sources.

A. Umit Taftali Center for Capital Markets and Investing

The University has also designated funds to be used for various academic initiatives. As part of a matching grant agreement, approximately $2.8 million will be used primarily for on-going programs at the Marilyn K. Glick Center for Glass. In addition, $4.3 million has been designated to assist with academic initiatives such as immersive learning projects, new emerging media technology, a systematic need to provide start-up packages for a potentially large number of new tenure-track faculty over the coming years, and strategic faculty salary increases over the next two years. An additional $5.6 million has been allocated to support the initiatives of the new strategic plan. These funds will be allocated to such initiatives as their financial plans and timing are finalized.

At the end of the fiscal year, several operating accounts maintain residual balances that will be carried forward to the next fiscal year to be used for their intended purposes. At June 30, 2013, these balances totaled $63.3 million. The balances also include fees collected but not yet expensed for specific purposes, including workshops, academic and athletic camps, and conferences.

GASB Statement No. 31 requires the University to adjust the carrying value of its investments to their market value as of the end of each fiscal year, even though the University seldom disposes of any investment instrument prior to its maturity. As of June 30, 2013, the University recorded a negative market adjustment, $0.6 million of which was applied to the balances in unrestricted net position.

Change in Net Position

The following is a summary of the revenues and expenses resulting in the changes in net position for the year ended June 30, 2013. Note that, for purposes of this statement, state appropriations are considered non-operating revenues.

Change in Net Position
Year Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues	$ 251,330,630	$ 254,504,231
Operating Expenses	421,135,527	411,356,282
Net Operating Income/(Loss)	$ (169,804,897)	$ (156,852,051)
Net Non-Operating Revenues	186,658,684	187,742,894
Other Revenue – Capital Appropriations and Gifts	3,658,732	5,457,778
Increase in Net Position	$ 20,512,519	$ 36,348,621
Net Position - Beginning of Year	697,417,286	661,068,665
Net Position - End of Year	$ 717,929,805	$ 697,417,286

Operating Revenues

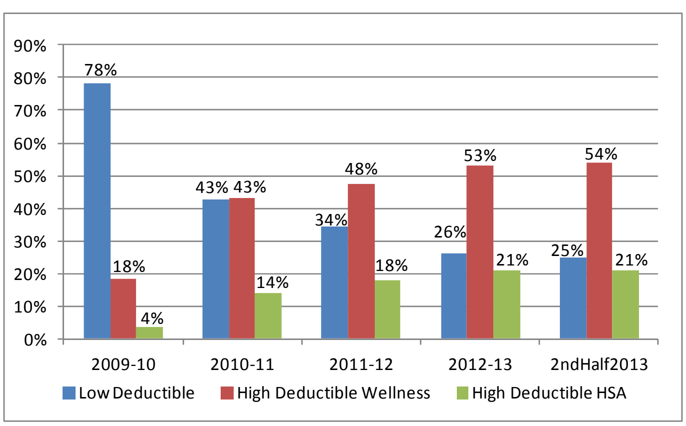
Operating revenues increase net position and include all transactions that result in sales and/or receipts from goods and services such as tuition and fees, housing, dining and athletics. In addition, federal, state and private grants are considered operating if they are not for financial aid or capital purposes.

Student tuition and fees net revenue increased $0.6 million as a result of modest rate increases, while enrollment decreased slightly. Auxiliary enterprises revenue, including housing and dining net revenues, decreased $2.9 million, due primarily to a decline in student enrollment. Scholarship allowances, generated by federal and state financial aid funds as well as internally generated discounts, have reduced tuition and fees revenue by $67.8 million and room and board revenue by $5.9 million.

Grants and contracts revenue decreased by $0.1 million from the prior year to a total $16.5 million for fiscal year 2012-13. The combined balances for sales and services of educational departments and other operating revenue resulted in a $0.8 million decrease.

Operating Expenses

Operating expenses reduce net position and consist of all the costs necessary to perform and conduct the programs and primary purposes of the University. Included in this total are student aid payments of $4.0 million, which are in addition to $67.8 million and $5.9 million in scholarships and auxiliary fee allowances netted against tuition and fees revenue and room and board revenues, respectively. Overall, operating expenses increased $9.8 million over last year. This increase resulted from personnel services and benefits of $4.2 million, and a $9.7 million increase in other supplies and expenses. The large increase to supplies and expense offsets the prior year decrease of $6.7 million. This fluctuation may be the result of new system implementations that occurred during the prior fiscal year. The other supplies and expense balance includes: basic office supplies, insurance, certain contracts, postage, certain rental costs, software, minor equipment, travel and other expenses. Deprecation expense also increased by $1.6 million. There were reductions for repairs and maintenance of $2.4 million.



Particularly with the uncertainty surrounding the Patient Protection and Affordable Care Act, health care expenses continue to be an area where the University works very hard to control costs. By providing employees an incentive to migrate to consumer driven heath care plans, the University has been able to reduce premiums paid by both employee and the University, while at the same time reducing medical claims. Since fiscal year 2006-07, premiums have actually seen a reduction in two of the three health care plans offered by the University.

The University is committed to providing health enhancement wellness programs to employees to not only improve their level of health but also to improve their quality of life by expanding its health enhancement program activities, including offering free health risk assessments and screenings to employees and their spouses, incentives for participation in wellness activities, free tobacco cessation programs, and continuing to work with employees on managing their chronic health conditions. The University has also continues to monitor and make appropriate changes to the various health plans to encourage good consumer behavior, such as use of generic drugs and preventative care to control costs, without adversely affecting medical care. Due to a combination of increases in investment returns in the VEBA Trust, and decreased actuarial liabilities and structural savings resulting from health care plan changes, a contribution to the VEBA Trust was not necessary in fiscal year 2012-13.

Non-Operating Revenues and Expenses

Non-operating revenues increase net position, and non-operating expenses reduce net position. Non-operating revenues and expenses are generated from transactions that are primarily non-exchange in nature, consisting mainly of state appropriations, federal and state scholarships and grants, private gifts, interest expense and investment income (interest and dividend income and realized and unrealized gains and losses).

For fiscal year 2012-13, state operating appropriations distributed to the University remained constant at $139.5 million. Revenues from private gifts increased $3.6 million.

Federal and State Scholarships and Grants decreased by $4.0 million. Other Non-Operating Income consists primarily of head count funds (formerly ADM receipts) for the Indiana Academy for Science, Mathematics and Humanities and for the Burris Laboratory School, plus a Medicare Retiree Drug Subsidy the total of which decreased $0.7 million. Due to market fluctuations and unrealized losses, investment income decreased by $1.9 million.

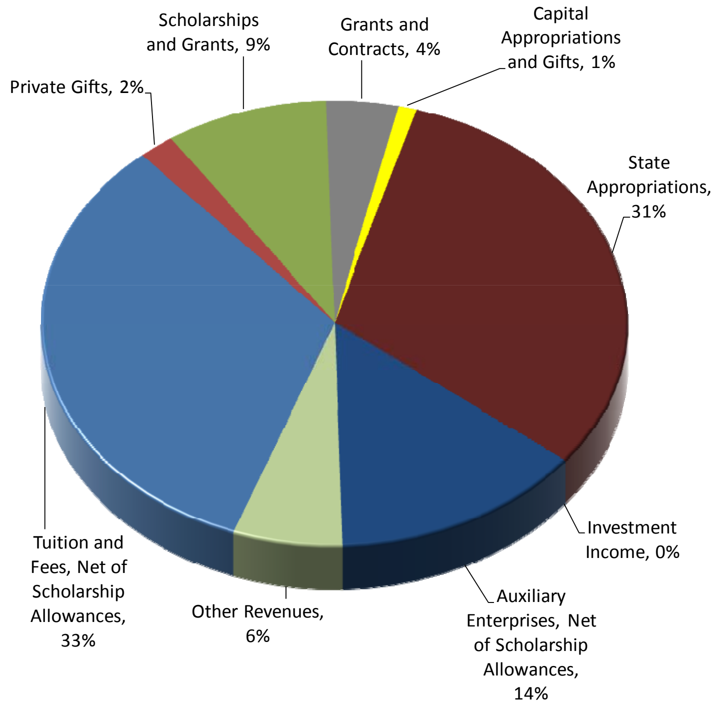
Other Revenues

Renewal and Replacement Appropriations (millions of dollars)					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
$3.4	**$0.0**	**$1.6**	**$2.5**	**$4.3**	**$0.0**

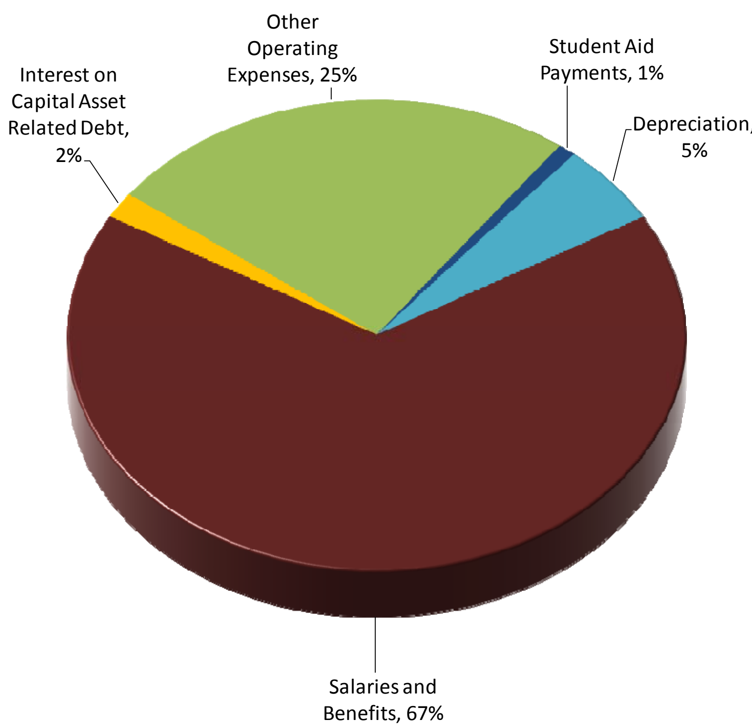
Other revenues increase net position and consist of capital appropriations, gifts and grants, as well as items that are typically non-recurring, extraordinary, or unusual to the University.

Capital renewal and replacement funds from the State of Indiana are appropriated on a biennial basis. The funding amount is based on a formula that takes into account the age, condition, and use of the campus facilities. In recent years, the state has not allocated funding for capital renewal and replacement appropriations due to the financial condition of the state. All renewal and replacement appropriations received after 2008 have been from federal stimulus funds, which were fully expended as of the end of fiscal year 2011-12. Capital gifts from the Ball State University Foundation totaled $3.7 million for various capital projects, including the expansion of the David Owsley Museum of Art and preliminary work on the new Charles W. Brown Planetarium.

Total Revenues by Source



Total Expenses by Object



Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the University during the period. Unlike the Statement of Revenues, Expenses and Changes in Net Position, which reports revenues when they are earned and expenses when they are incurred, regardless of when cash is received or disbursed, the Statement of Cash Flows reports actual cash received and disbursed. The focus of the Statement of Cash Flows is on the increase or decrease in cash and cash equivalents. The Statement of Cash Flows helps the user assess the University's ability to generate future net cash flows, meet obligations as they come due, and assess the University's needs for external financing.

Cash Flows
Year Ended June 30, 2013 and 2012

	2013	2012
Cash and Equivalents Provided By/(Used In):		
Operating Activities	$ (150,939,796)	$ (139,933,155)
Non-Capital Financing Activities	202,627,926	189,816,522
Capital and Related Financing Activities	(45,153,046)	(65,675,833)
Investing Activities	(2,670,476)	36,257,891
Net Increase in Cash and Equivalents	$ 3,864,608	$ 20,465,425
Cash and Equivalents – Beginning of Year	140,916,530	120,451,105
Cash and Equivalents – End of Year	$ 144,781,138	$ 140,916,530

The major components of cash flows provided from operating activities are tuition and fees and auxiliary enterprise activities (housing and dining fees). Less cash was provided by tuition and fees and auxiliary enterprise activities than in the prior year due to reduced enrollment, but offset by a modest rate increase. The major components of cash flows used in operating activities are payments for employees (including benefits) and payments to suppliers and service providers. Compared to the prior year, more cash was expended for supplies and expense as well as benefits.

Cash flows provided from non-capital financing activities primarily reflect state appropriations received of $139.6 million and scholarships and grants from federal and state sources of $41.4 million.

Cash flows from capital financing activities reflect a decrease in cash for the year, due primarily to cash expenditures of $29.7 million for capital assets in fiscal year 2012-13. Debt service was $19.1 million in fiscal year 2012-13.

Cash flows from investing activities, most of which consists of reinvesting the proceeds from investments as they mature, resulted in a net decrease in cash of $2.7 million.

Economic Factors That Will Affect the Future

As a public university, Ball State University is obviously tied to the State of Indiana, which supplies about 30.0 percent of the total financial resources in fiscal year 2012-13. State revenues for fiscal year 2012-13 were 2.4 percent above fiscal year fiscal year 2011-12 and slightly above forecast. State reserves remain quite high for the second year in a row in excess of $1.9 billion. The State of Indiana maintains an Aaa rating from Moody's and an AAA rating from Standard & Poor's, one of only 11 states with top rankings by both ratings agencies. State revenues are forecasted to continue to grow by 4.3 percent in fiscal year 2013-14 and an additional 3.7 percent in fiscal year 2014-15.

Students working with Emerging Media

For 2013, Moody's gave a negative outlook for U.S. not-for-profit private and public colleges and universities. In 2012, ratings downgrades far outpaced upgrades for the fourth consecutive year. Moody's further reported that downward rating momentum continued through the first half of calendar year 2013. Ball State University's rating, on the other hand, was upgraded in fiscal year 2010-11. That rating was confirmed in fiscal year 2011-12. In 2013, Ball State's ratings for student fee and housing and dining bonds rating was once again confirmed and the parking revenue bonds were upgraded. Presently, all of Ball State bonds are rated Aa3 (stable outlook) by Moody's and AA- (stable outlook) by Standard & Poor's.

In affirming the University's rating, Moody's cited Ball State's "recorded strong and consistent operating performance." Moody's also noted that "the University has a solid balance sheet cushion" and that the "Aaa rated State of Indiana has provided consistent operating and capital appropriation support". Standard & Poor's also cited the University's "[c]onsistently strong operating performance", as well as "[s]trong financial resource ratios" and also cited the University's "[s]teady student demand and stable enrollment." Ball State is well positioned to maintain its strong financial position into the future.

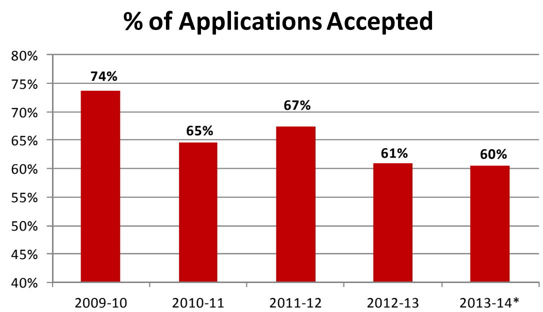
Spring 2013 Commencement

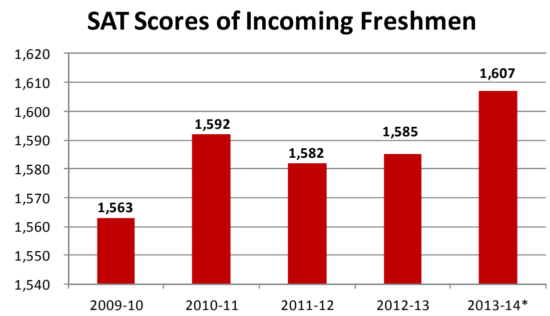
In Moody's 2013 higher education sector outlook, they note that management teams will be forced to make deeper and more structural expense reductions to adjust to long-term prospects of muted revenue growth. The University prides itself on being good stewards of taxpayer and student dollars. Based on externally generated reports addressing the efficiency of postsecondary institutions, Ball State ranks high in efficiency in key areas of staffing levels, growth in administrative staffing, health care costs and energy costs per square foot of facilities. These are areas where the University has been able to make structural reductions in expenditures to both maintain the strong financial position of the University and to keep college affordable for students and families.

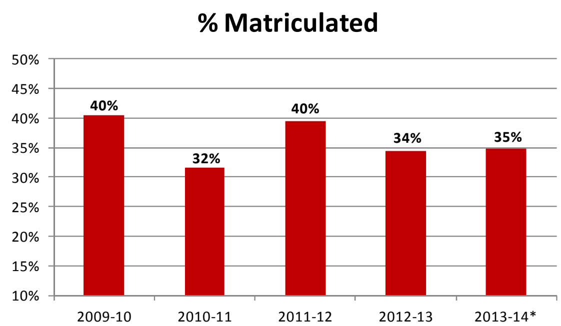
Since 2004, the State of Indiana has been utilizing a performance funding formula for higher education in one form or another. The formula is drafted and managed by the Indiana Commission for Higher Education (ICHE). ICHE uses the funding formula to recommend funding to the Indiana legislature for appropriations to the various public universities in the state. The funding formula has changed somewhat in each of the last six biennial budget cycles. The two constants in the funding formula have been to recommend increases in funding to campuses that increase the number of degrees awarded, primarily to resident undergraduate students, and to campuses that increase graduation rates. Because Ball State has focused on increasing the quality of the student body and the quality of our educational experiences, as opposed to the quantity of our student body, the university has not fared as well under the performance funding formula as some of the growing and larger campuses in the state.

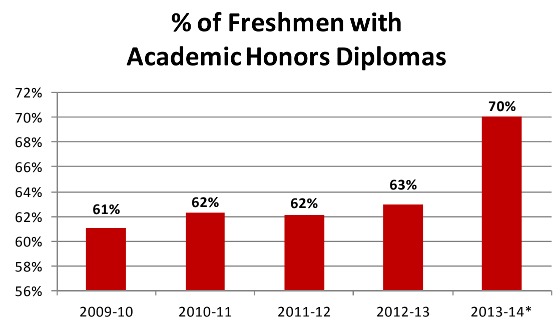
In the most recent manifestation of the performance funding formula, Ball State is classified as a research campus and earns funding under the formula primarily for an increase in the number of degrees awarded to resident students, increases in the number of "high-impact" degrees awarded to resident students (as chosen by ICHE, primarily in STEM disciplines), increases in the resident undergraduate four-year graduation rate, and some measure of efficiency. Ball State takes very seriously the goals set forth by ICHE in creating their budget recommendations. With an eye toward increasing the amount of funding that Ball State receives under the Performance Funding formula, while being true to our strategic direction of becoming better and not bigger, the University continues to focus on enrolling students who are increasingly better academically prepared. In part because of our increasing selectivity in student admissions, and in part through a concerted set of policy initiatives, the University's graduation rate has been growing steadily and substantially. In fact, the *Chronicle of Higher Education* found that between 2002 and 2008, Ball State showed the sixth highest improvement in six-year graduation rate of any public research university in the country. In addition, since 2002, Ball State has had the fastest growing four-year graduation rate among all Indiana public universities.

The increase in selectivity of the University's student body is illustrated in the following charts.









**Preliminary data collected for 2013-14 academic year.*

Ball State also rolled out a four-point affordability plan in the fall of 2011, designed to both increase the graduation rate and to keep college affordable for students and families. The four-point plan included: (1) reducing the number of credit hours required for a baccalaureate degree from 126 to 120 for most majors; (2) allowing students to take on-line courses as part of the 12-18 credit hour bracket for no additional charge, thus giving students the ability to complete more credit hours for less money and more flexibility in scheduling courses; (3) reducing the cost of summer school; and (4) granting a $500 Completion Scholarship to any resident student who graduated in four calendar years or less.

These policies and initiatives are expected to increase the performance of the University as measured in the performance funding formula. However, even if Ball State continues to lag other public colleges in the performance funding formula recommendations, the University has a line item in the budget for the "Entrepreneurial College", which the Indiana General Assembly has funded quite generously over the past few years, increasing the appropriation from $1.0 million in fiscal year 2010-11 to $6.6 million in fiscal year 2013-14. The line item is considered an acknowledgement of the distinctive education that Ball State provides to Indiana, and recognition of the immersive and entrepreneurial education provided to its citizens.

Tuition and Enrollment

Ball State University has the second lowest tuition rate of any college in the Mid-American Conference and lower tuition than the University's two closest competitors for Indiana students. Total enrollment has increased by five percent since 2002-03. This increase in enrollment is attributable to aggressive recruitment of higher ability students. Increased quality of applicants has enabled Ball State to increase its admissions standards and selectivity.

Similarly, freshman retention has risen from 76.7 percent in Fall 2007 to 78.0 percent in Fall 2012. By extracting components of the Strategic Plan related to providing immersion

Spring 2013 Commencement

experiences for all students, securing national recognition for additional program areas, increasing the numbers of international students through targeted efforts in specific countries, fostering growth in graduate study programs, and taking steps that add to the vibrancy of the campus experience for students, the ability to attract greater numbers of high ability students will be enhanced.

Financial Aid

Financial aid from all sources disbursed by the University has increased by 172.4 percent since fiscal year 2003-04 and has grown at a higher rate than tuition charges have grown.

Gifts and Other Revenue

Ball State University raised a record $210.8 million at the conclusion of its Ball State Bold capital campaign, the most ambitious and successful effort in the University's history. Commitments to the campaign totaled $210,814,367. All told, 65,398 donors supported the campaign; nearly half — 29,024 — were first-time contributors to the University. New and matured planned gifts totaled more than $64.0 million, exceeding the $50.0 million goal and increasing membership in Beneficence Society.

Rendering of Future Charles W. Brown Planetarium

Ball State is currently in the midst of a smaller athletics campaign titled *Cardinal Commitment: Developing Champions*. The $20.0 million campaign is intended to improve the athletic facilities for football, baseball, softball, volleyball, golf and basketball. The campaign close is not until December 2014, and already the university has raised over 75.0 percent of the funds in gifts or pledges.

Fiscal year 2012-13 brought $20.2 million in external dollars to Ball State University in the form of sponsored programs, an increase of more than 43.0 percent from the prior fiscal year. The University submitted nearly 500 proposals during the fiscal year, and 267 funded awards were recorded. These figures include grant awards, contracts awarded to University Centers and Institutes, and funding to the Ball State University Foundation that resulted in sponsored programs.

Conclusion

In summary, as the financial statements indicate, the University has been an effective steward of the human, physical and financial resources entrusted to it, based on a planned approach to addressing long-term needs and liabilities while facing shorter-term challenges not unlike other public institutions nationwide. In addition, Ball State's distinctive educational offerings, solid financial position, efficient operations and growing reputation make the University well positioned for the future. With the 2007-12 Strategic Plan now completed and the new 2012-17 Strategic Plan well underway, the University has a solid plan for the future. When all of this is taken into consideration, Ball State University remains in a strong position to be a major asset of significant benefit to the citizens of the State of Indiana.

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Ball State University

Statement of Net Position
As of June 30, 2013 and 2012

	2013	2012
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 144,781,138	$ 140,916,530
Short Term Investments	22,399,893	22,091,435
Accrued Interest Receivable – Investments	326,081	330,583
Accounts Receivable, Net, and Unbilled Costs (Note C)	24,058,602	36,461,573
Inventories	1,296,776	1,455,907
Deposit with Bond Trustee	15,429,830	15,599,381
Notes Receivable, Net	1,596,726	2,122,796
Prepaid Retiree Benefits (Note H)	9,080,422	8,073,883
Prepaid Expenses	3,288,374	3,842,179
Total Current Assets	$ 222,257,842	$ 230,894,267
Noncurrent Assets:		
Endowment Investments	$ 1,492,528	$ 947,127
Accounts and Notes Receivable, Net	9,579,113	9,505,101
Other Long Term Investments	108,691,074	106,470,714
Capital Assets, Net (Note D)	594,652,356	589,327,136
Total Noncurrent Assets	$ 714,415,071	$ 706,250,078
Total Assets	$ 936,672,913	$ 937,144,345
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 20,488,698	$ 27,360,095
Deposits	7,247,724	9,858,836
Deferred Revenue	850,816	307,191
Long Term Liabilities – Current Portion	11,475,000	11,415,000
Total Current Liabilities	$ 40,062,238	$ 48,941,122
Noncurrent Liabilities:		
Liability for Compensated Absences (Note B)	$ 7,469,745	$ 7,699,328
Perkins Loan Program – Federal Capital Contribution	9,027,549	9,169,642
Long Term Liabilities, Net (Note E)	162,183,576	173,916,967
Total Noncurrent Liabilities	$ 178,680,870	$ 190,785,937
Total Liabilities	$ 218,743,108	$ 239,727,059
Net Position:		
Net Investment in Capital Assets	$ 425,877,356	$ 409,137,155
Restricted for:		
Nonexpendable Scholarships	1,221,392	914,729
Expendable:		
Debt Service	6,448,040	6,137,084
Loans	2,866,919	2,437,440
Construction	7,751,670	18,083,069
External Grants	3,475,339	3,651,873
Unrestricted	270,289,089	257,055,936
Total Net Position	$ 717,929,805	$ 697,417,286
Total Liabilities and Net Position	$ 936,672,913	$ 937,144,345

Ball State University Foundation

Consolidated Statements of Financial Position
As of June 30, 2013 and 2012

	2013	2012
Assets:		
Cash	$ 379,205	$ 373,079
Interest and Dividends Receivable	9,797	1,000
Contributions Receivable, Net of Allowances of $506,191 and $454,075	16,215,568	12,663,328
Property Held for Sale	272,041	1,010,623
Investments	182,729,475	169,756,962
Investments Held in Split-Interest Agreements	2,197,928	2,213,581
Beneficial Interest in Remainder Trusts	1,051,210	1,108,246
Other Assets	654,561	338,153
Cash Surrender Value of Life Insurance	1,736,952	1,678,869
Property and Equipment	8,599,539	5,310,444
Beneficial Interest in Perpetual Trusts	2,518,316	2,393,189
Total Assets	$ 216,364,592	$ 196,847,474
Liabilities:		
Accounts Payable	$ 6,238,867	$ 4,990,441
Grants Payable	-	741,508
Accrued Expenses	177,970	179,741
Line of Credit	6,550,000	4,454,000
Term Note Payable	5,300,000	6,300,000
Annuity Obligations	2,439,071	2,514,420
Trust Obligations	609,789	647,926
Bonds Payable	10,000,000	10,000,000
Total Liabilities	$ 31,315,697	$ 29,828,036
Net Assets:		
Unrestricted	$ (3,924,889)	$ (5,722,302)
Temporarily Restricted	118,403,404	102,967,737
Permanently Restricted	70,570,380	69,774,003
Total Net Assets	$ 185,048,895	$ 167,019,438
Total Liabilities and Net Assets	$ 216,364,592	$ 196,847,474

Ball State University

Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues:		
Student Tuition and Fees	$ 217,476,258	$ 213,108,850
Scholarship Allowances	(67,776,493)	(64,034,785)
Net Student Tuition and Fees	$ 149,699,765	$ 149,074,065
Federal Grants and Contracts (Note C)	6,836,429	6,460,847
State & Local Grants and Contracts	2,471,052	1,476,908
Non-Governmental Grants and Contracts	7,146,986	8,650,838
Sales and Services of Educational Departments	12,759,993	15,816,246
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2013 - $5,931,304; 2012 - $5,984,849)	56,819,743	58,799,224
Other	8,038,457	8,953,287
Other Operating Revenues	7,558,205	5,272,816
Total Operating Revenues	$ 251,330,630	$ 254,504,231
Operating Expenses:		
Personnel Services	$ 216,089,205	$ 213,059,725
Benefits (Note H)	69,903,749	68,683,862
Utilities	12,197,026	11,888,201
Repairs and Maintenance	13,676,386	16,063,767
Other Supplies and Expenses	81,428,222	71,771,689
Student Aid	4,027,667	7,717,510
Depreciation	23,813,272	22,171,528
Total Operating Expenses	$ 421,135,527	$ 411,356,282
Operating Income/(Loss)	$ (169,804,897)	$ (156,852,051)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants (Note C)	$ 41,402,424	$ 45,359,910
State Appropriations (Note C)	139,513,297	139,525,712
Investment Income	399,241	2,335,654
Interest on Capital Asset Related Debt	(7,651,334)	(8,110,434)
Private Gifts	7,212,364	3,630,992
Other Non-Operating Income (Note C)	5,782,692	5,001,060
Net Non-Operating Revenues/(Expenses)	$ 186,658,684	$ 187,742,894
Income Before Other Revenues, Expenses, Gains or Losses	$ 16,853,787	$ 30,890,843
Capital Appropriations (Note C)	-	4,268,791
Capital Gifts	3,658,732	1,188,987
Increase in Net Position	$ 20,512,519	$ 36,348,621
Net Position – Beginning of Year	697,417,286	661,068,665
Net Position – End of Year	$ 717,929,805	$ 697,417,286

Ball State University Foundation

Consolidated Statements of Activities
Years Ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:								
Contributions	$ 904,390	$ 16,506,253	$ 507,990	$ 17,918,633	$ 819,705	$ 6,661,744	$ 1,703,083	$ 9,184,532
Promotional Activities and Other Revenue	12,016	-	-	12,016	4,353	-	-	4,353
Investment Income (Loss)	7,194,819	12,538,175	200,343	19,933,337	(931,295)	2,274,422	193,161	1,536,288
Change in Value of Split-Interest Agreements	46,824	578,688	150,080	775,592	(72,695)	436,234	(166,743)	196,796
Rental and Other Income	591,922	-	-	591,922	114,852	-	-	114,852
Operating Support Fees	1,222,096	(1,216,859)	(5,237)	-	1,133,948	(1,117,583)	(16,365)	-
	$ 9,972,067	$ 28,406,257	$ 853,176	$ 39,231,500	$ 1,068,868	$ 8,254,817	$ 1,713,136	$ 11,036,821
Net Assets Released from Restrictions	13,027,389	(12,970,590)	(56,799)	-	9,099,354	(8,711,130)	(388,224)	-
Total Revenues, Gains and Other Support	$ 22,999,456	$ 15,435,667	$ 796,377	$ 39,231,500	$ 10,168,222	$ (456,313)	$ 1,324,912	$ 11,036,821
Expenses:								
University Programs	$ 15,645,886	$ -	$ -	$ 15,645,886	$ 11,107,665	$ -	$ -	$ 11,107,665
Management and General	2,009,594	-	-	2,009,594	1,715,899	-	-	1,715,899
Fund Raising	3,546,563	-	-	3,546,563	3,598,425	-	-	3,598,425
Total Expenses	$ 21,202,043	$ -	$ -	$ 21,202,043	$ 16,421,989	$ -	$ -	$ 16,421,989
Change in Net Assets	$ 1,797,413	$ 15,435,667	$ 796,377	$ 18,029,457	$ (6,253,767)	$ (456,313)	$ 1,324,912	$ (5,385,168)
Net Assets, Beginning of Year	(5,722,302)	102,967,737	69,774,003	167,019,438	531,465	103,424,050	68,449,091	172,404,606
Net Assets, End of Year	$ (3,924,889)	$ 118,403,404	$ 70,570,380	$ 185,048,895	$ (5,722,302)	$ 102,967,737	$ 69,774,003	$ 167,019,438

Ball State University

Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Source / (Uses) of Cash:		
Operating Activities:		
Tuition and Fees	$ 145,530,835	$ 147,997,850
Grants and Contracts	11,341,743	13,960,579
Payments to Suppliers	(77,633,035)	(65,245,844)
Payment for Maintenance and Repair	(13,676,386)	(16,063,767)
Payments for Utilities	(12,197,026)	(11,888,201)
Payments for Personnel Services	(213,764,786)	(217,736,309)
Payments for Benefits	(71,342,785)	(69,773,666)
Payments for Scholarships and Fellowships	(2,576,431)	(7,518,508)
Auxiliary Enterprise Charges:		
Room and Board	56,273,029	58,507,168
Other	7,911,841	8,912,899
Sales and Services of Educational Activities	11,638,870	14,172,170
Other Receipts/Disbursements/Advances	7,554,335	4,742,474
Net Cash Provided/(Used) by Operating Activities	$ (150,939,796)	$ (139,933,155)
Non-Capital Financing Activities:		
Federal and State Scholarships and Grants	$ 41,402,424	$ 45,359,910
State Appropriations	139,617,526	141,411,671
William D. Ford Direct Lending Receipts	133,890,006	126,490,724
William D. Ford Direct Lending Disbursements	(125,842,327)	(133,162,902)
Private Gifts	7,777,605	5,465,854
Foundation Receipts	1,879,023	1,812,411
Foundation Disbursements	(1,879,023)	(1,812,411)
Other Non-Operating Revenue	5,782,692	5,001,060
Other Receipts	-	(749,795)
Net Cash Provided/(Used) by Non-Capital Financing Activities	$ 202,627,926	$ 189,816,522
Capital Financing Activities:		
Proceeds from Capital Debt	$ -	$ -
Capital Appropriations	-	4,268,791
Capital Gifts	3,658,732	1,188,987
Unamortized Bond Premium	(258,391)	(258,391)
Purchases of Capital Assets	(29,656,604)	(51,349,786)
Principal Paid on Capital Debt	(11,415,000)	(11,275,000)
Interest Paid on Capital Debt	(7,651,334)	(8,035,774)
Deposits with Trustee	169,551	(214,660)
Net Cash Provided/(Used) by Capital Financing Activities	$ (45,153,046)	$ (65,675,833)
Investing Activity:		
Proceeds from Sales and Maturities of Investments	$ 103,055,705	$ 184,527,929
Interest on Investments	(726,181)	3,611,766
Purchase of Investments	(105,000,000)	(151,881,804)
Net Cash Provided/(Used) by Investing Activities	$ (2,670,476)	$ 36,257,891
Net Increase/(Decrease) in Cash	$ 3,864,608	$ 20,465,425
Cash – Beginning of the Year	140,916,530	120,451,105
Cash – End of the Year	$ 144,781,138	$ 140,916,530

Ball State University

Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of Net Operating Revenues/(Expenses) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	$ (169,804,897)	$ (156,852,051)
Adjustments to Reconcile Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Depreciation Expense	23,813,272	22,171,528
Equipment Retired	518,114	874,485
Changes in Assets and Liabilities:		
Operating Receivables, Net	3,685,821	(7,328,022)
Inventories	159,131	100,641
Other Assets	(452,734)	(1,607,211)
Accounts Payable	(6,871,397)	1,426,684
Deferred Revenue	543,625	(1,258,784)
Deposits Held for Others	(2,753,206)	1,977,381
Compensated Absences	(229,583)	(35,141)
Advance on Long Term Grants	-	-
Long Term Accounts and Notes Receivable	452,058	597,335
Net Cash Provided/(Used) by Operating Activities	$ (150,939,796)	$ (139,933,155)

Ball State University Foundation

Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities:		
Change in Net Assets	$ 18,029,457	$ (5,385,168)
Items not Requiring/(Providing) Cash:		
Depreciation and Amortization	149,362	68,555
Bad Debts	164,129	214,306
Net Realized and Unrealized Gains on Investments	(20,614,189)	(2,165,559)
Gain on Disposal of Property and Equipment	-	(606,654)
Writedown of Property Held for Sale	-	722,500
Change in Value of Trusts	(68,091)	511,715
Contributions of Marketable Equity Securities	(708,050)	(1,309,940)
Contributions Restricted for Long-Term Investment	(507,990)	(1,703,083)
Net Change in Value of Split-Interest Agreements	(97,833)	818,193
Changes In:		
Contributions Receivable, Including Amortization of Discount on Pledges Receivable	(3,716,369)	3,184,912
Interest and Dividends Receivable and Other Assets	(325,205)	(1,290,400)
Accounts Payable and Accrued Expenses	1,246,655	1,884,491
Grants Payable	(741,508)	-
Net Cash Used in Operating Activities	$ (7,189,632)	$ (5,056,132)
Investing Activities:		
Purchase of Property and Equipment	$ (3,487,614)	$ (13,567)
Additions to Property Held for Sale	(2,926)	(141,615)
Proceeds from Property & Equipment & Sale of Real Estate	790,665	1,669,378
Purchase of Investments	(31,309,396)	(206,199,000)
Sales and Maturities of Investments	39,659,122	206,613,329
Net Increase in Cash Surrender Value of Life Insurance	(58,083)	(61,169)
Net Cash Provided by Investing Activities	$ 5,591,768	$ 1,867,356
Financing Activities:		
Net Borrowings Under Lines of Credit Agreement	$ 1,096,000	$ 954,000
Proceeds from Contributions Restricted for Investment in Permanent Endowment	507,990	1,703,083
Net Cash Provided by Financing Activities	$ 1,603,990	$ 2,657,083
Net Increase/(Decrease) in Cash	$ 6,126	$ (531,693)
Cash-Beginning of the Year	373,079	904,772
Cash-End of Year	$ 379,205	$ 373,079
Interest Paid	$ 243,908	$ 377,410

Ball State University
Notes to Financial Statements
June 30, 2013

Note A – Significant Accounting Policies

Reporting Entity

Ball State University (University) is a public institution of higher education governed by a nine-member Board of Trustees in accordance with IC 21-19-3. The University is considered to be a component unit of the State of Indiana. The Governor of Indiana appoints the Trustees, one of whom is a full-time student at the University and two of whom are nominated or selected by the Ball State University Alumni Association. All members of the Board of Trustees are appointed for terms of four years, except for the student member whose term is two years. No more than six of the non-student Trustees may be of the same sex, and at least one of them must be a resident of Delaware County, Indiana.

The University is included in the State's financial statements as a discrete component unit. Transactions with the State of Indiana relate primarily to: appropriations for operations, repairs and rehabilitations, and debt service for academic buildings; appropriations and other revenues for operation of the Indiana Academy for Science, Mathematics, and Humanities; grants for other purposes; and payments to State retirement programs for University employees.

Financial Statements

The financial statements of the University are prepared in accordance with the principles outlined in *Statement No. 35* of the Governmental Accounting Standards Board (GASB). The University has elected to report its financial results as a special-purpose government engaged only in business-type activities, using proprietary fund accounting and financial reporting. Required financial statements consist of:

Management's Discussion and Analysis
Statement of Net Position
Statement of Revenues, Expenses and Changes in Net Position
Statement of Cash Flows
Notes to Financial Statements
Required Supplemental Information other than Management Discussion and Analysis.

The financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting with the following exceptions, which are common practices in colleges and universities:

Interest on student loans is recorded only when received.
Gifts are recorded when received.

Major sources of revenues recorded in advance of the year in which the predominant amount of service is rendered are classified as deferred income on the Statement of Net Position. Advances on exchange activities are recorded as deferred income. All other earned receipts are reported as revenue in the period they are received. Internal service activity revenues, including overhead charges, are offset against the expenses of internal service activities. Restricted and unrestricted resources are spent and tracked at the discretion of the department within the guidelines of donor restrictions.

Operating Revenues/Expenses

Operating revenues encompass all revenues from exchange transactions arising from the activities necessary to carry out the primary mission of the University, including tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprises net revenues. Revenues from investing activities, Ball State University Foundation donations, federal and state financial aid, and state appropriations are considered to be non-operating revenue.

Operating expenses encompass all expenses paid to acquire goods and services provided in return for operating revenues and to carry out the mission of the University. Examples include personnel services, benefits, and other supplies and expenses. Expenses are reported using natural classifications in the Statement of Revenues, Expenses and Changes in Net Position.

Student Tuition and Fees

Student tuition and fees are net of scholarship allowances funded from University funds as well as scholarships and fellowships funded from federal, state and other grants, to the extent that these funds offset all or a portion of each student's tuition and fees. Scholarships and grants awarded by third parties directly to students without University involvement in the decision-making process are not treated as a reduction of tuition and fees but rather as a source of direct payment.

The University conducts summer classes, which for billing purposes consist of two five-week summer sessions and a ten-week summer semester. The first summer session takes place during May and June, while the second summer session takes place during June and July, with slightly more days falling in July. The summer semester takes place during the two summer sessions. Bills are due on June 1. By June 30, students have exhausted most of their rights to any refund of tuition and fees. Therefore, all summer tuition and fees are reported as revenue for the year ended June 30 of that summer. Faculty salaries for summer are paid in June for first summer session and half of summer semester and in July for second summer session and the second half of summer semester.

Cash and Investments

Investments are reported at fair value. Investments with a maturity date of one year or less are considered to be short-term investments, with the exception of those with a maturity date of three months or less, which are considered to be cash equivalents. All other investments are considered to be long-term.

Accounts Receivable and Notes Receivable

Accounts Receivable and Notes Receivable are both reported net of a calculated reserve for uncollectible items. The reserves as of June 30, 2013, and June 30, 2012, were $7,217,258 and $5,435,154 respectively for accounts receivable. For notes receivable, the reserves were $2,045,265 and $1,886,265 for the same dates.

Inventories

Inventories are stated at the lower of cost or market value, based on a physical count. Cost is based on purchases, and determined on a moving average basis for Central Stores and a first-in, first-out basis for all other inventories.

Capital Assets

Capital assets consist of land and land improvements, infrastructure, buildings and building improvements, construction in progress, and equipment and are recorded at cost or, for contributed assets, at fair value at the date of acquisition. Additionally, in accordance with GASB 51, intangible assets costing in excess of $100,000 and having a life greater than one year are capitalized. All land and building acquisitions are capitalized. Capital assets also include land improvements and infrastructure costing in excess of $100,000. Building improvements are capitalized if the project cost is more than $100,000 or 20.0 percent of the building's replacement value and either extends the useful life of the building, changes the use or purpose of the original building, or expands the total square footage of the building. The University capitalizes equipment with a cost of $5,000 or more and a useful life in excess of one year. Construction costs that cross fiscal years are capitalized as Construction in Progress, but are not depreciated until the assets are placed in service. Non-capital equipment and facility costs, routine repairs, and maintenance are charged to operating expenses in the year the expense was incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, generally 50 years for buildings, ten to 50 years for exhaustible land improvements, and three to ten years for equipment. Land and inexhaustible land improvements are not depreciated.

The library collection is not depreciated. All items in the collection are deemed to retain their full value if they are still on hand. All new additions to the collection are treated as an expense at the time of purchase.

The art collection, housed primarily in the David Owsley Museum of Art at Ball State University, is not included, due to the difficulty in determining an accurate value, plus the restrictions in place regarding sales of artwork and use of the funds resulting from such sales, as well as disposition of the artwork in the unlikely event that the museum would cease to exist.

Component Unit

Discrete Component Unit

The Ball State University Foundation (Foundation) is a legally separate, tax-exempt Indiana nonprofit corporation that is an Internal Revenue Code Section 170(b) (1) (A) organization organized and operated for the benefit of the University. Under the reporting standards of the Governmental Accounting Standards Board (GASB), the Foundation is defined to be a component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation by-laws allow for thirty-one voting directors, seven of whom serve by position. The seven directors who serve by position include the President of the University Board of Trustees, the University President, the Vice-Presidents of Business Affairs and Advancement and two other members of the University Board of Trustees. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Transactions with the Foundation primarily involve the funding of expenditures for which University funds are not available. These include both unrestricted funds and those restricted by donors. Expenditures include scholarships, funding of distinguished professorships, capital expenditures, and operational support.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including *FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's annual report for these differences.

To assist those reading the financial statements of the Foundation, the following excerpts from the Notes to Consolidated Financial Statements of the Ball State University Foundation are reproduced as follows:

Note 18: Deficit Balance in Unrestricted Net position and Liquidity (complete reproduction)

According to the Foundation's Stable Value Donor Agreements, unrealized and realized gains and losses related to Stable Value funds are allocated to unrestricted net position, resulting in a deficit unrestricted net asset balance of approximately $3,925,000 at June 30, 2013. Total net assets of the Foundation at June 30, 2013, were approximately $185.0 million. Management continues to believe the Foundation has sufficient liquidity to meet obligations as they become due and will be able to maintain operations into the future in the normal course of business. Management continues to monitor this area very closely and will take appropriate actions should circumstances dictate.

Note 8: Line of Credit and Term Note Payable (complete reproduction)

The Foundation has a $15.0 million unsecured revolving line of credit with a group of banks expiring in June 2014. At June 30, 2013, there was $6,550,000 borrowed against this line. Interest varies with the one month London InterBank Offer Rate (LIBOR) plus 2.00 percent. There is a minimum interest rate of 3.25 percent, which was the interest rate in effect at June 30, 2013.

The Foundation also has a term loan facility that is due December 30, 2018. The line is unsecured, with a fixed interest rate of 3.30 percent. There was $5.3 million borrowed against this facility at June 30, 2013. Repayments are $250,000 quarterly beginning in October 2010 and extending through December 2018 when the remaining balance outstanding is due.

Both of these agreements contain covenants, which include maintaining minimum net position of $100.0 million. As of June 30, 2013, the Foundation was in compliance with the financial covenants.

Complete financial statements for the Foundation can be requested from the Foundation office at 2800 W. Bethel Ave., Muncie, IN 47306.

Related Entities

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as required by *GASB Statement No. 14, The Financial Reporting Entity*. As additionally required by *GASB Statement No. 39*, *Determining Whether Certain Organizations Are Component Units*, organizations that raise and hold economic resources for the direct benefit of the university are included in the reporting entity. The reporting entity is further clarified by the addition of *GASB Statement No. 61*, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. A financial benefit or burden relationship must now also exist between the primary government and the component unit before it becomes part of the reporting entity. The University evaluates potential component units for inclusion in the reporting entity based on all of these criteria.

Service Concession Agreements

The University has entered into agreements with various vendors. They are all considered Service Concession Agreements as Ball State University is the transferor and each of these entities is recognized as an operator under *GASB Statement No. 60*, *Accounting and Financial Reporting for Service Concession Agreements*. However, none of the agreements have resulted in significant deferred inflows or outflows of resources that would require further disclosure as of June 30, 2013.

<u>Note B – Compensated Absences</u>

The University records a liability for all unused vacation and sick leave balances that are payable upon employee termination in accordance with University policy. Accumulation of vacation and sick leave are dependent upon a University employee's job classification. University policy determines other variables within each job classification such as: job classification, years of service, employee's age, and employee's eligibility for retirement, and in which retirement plan the employee participates. All of these variables are considered in computing the University's liability for compensated absences.

Note C – American Recovery and Reimbursement Act of 2009 (ARRA)

The American Recovery and Reimbursement Act of 2009 was signed into law on February 17, 2009. The law provides federal spending and tax relief to stabilize and/or stimulate the economy. The University, Burris Laboratory School, and Indiana Academy for Science, Mathematics, and Humanities have been sub-recipients of ARRA funds.

During the fiscal year 2012-2013, the University did not receive any new ARRA funds. However, over the past four years from the inception of ARRA, the University has received funding for various projects and programs. The State of Indiana received funds from the ARRA to stabilize the state's budget. The University has been awarded and received ARRA funds through the State of Indiana to supplant State Appropriations and Capital Appropriations. The University has also received funds from the Auditor of State for Burris Laboratory School and Indiana Academy for Science, Mathematics, and Humanities. Other ARRA funds have been recorded through the Office of Contracts and Grants for various grant awards and programs. The University has also been awarded and/or received ARRA funding for Federal Work Study and COBRA premium subsidies.

ARRA funds received or those due from ARRA projects that have been started and not reimbursed are recorded on the financial statements. The receivable revenue equals the amount of the unreimbursed expenditures for the Office of Contracts and Grants ($1,362) as well as the COBRA premium subsidies ($0.1 million) as shown on the University's quarterly 941 payroll returns. Therefore, the Accounts Receivable, Net and Unbilled Costs from the Statement of Net position, includes $0.1 million of ARRA receivables at June 30, 2013.

The following summarized schedule, presents the effect of the ARRA funding on the University's Statement of Revenues, Expenses and Changes in Net position:

	2013	2012
Operating Revenues:		
Federal Grants and Contracts *	$ (1,362)	$ (101,401)
Total ARRA Operating Revenues and Receivables	$ (1,362)	$ (101,401)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants	$ -	$ -
State Appropriations	-	-
Other Non-Operating Income	-	253,466
Total ARRA Non-Operating Revenues	$ -	$ 253,466
Capital Appropriations	$ -	$ 4,268,791
Total ARRA Funding	$ (1,362)	$ 4,420,856

*ARRA revenue adjusted in FY 2012 and FY 2013 for overstatement in FY 2011, resulting in negative revenue listed for FY 2012 and FY 2013.

In accordance with the Section 1512 of the Recovery Act, the University will continue to provide quarterly reports to the funding agencies.

Note D – Capital Assets

	Book Value July 1, 2012	Additions	Deductions	CIP Transfers	Book Value June 30, 2013
Land and Inexhaustible Improvements	$ 14,734,862	$ 287,187	$ -	$ -	$ 15,022,049
Exhaustible Land Improvements	39,105,817	277,440	-	-	39,383,257
Infrastructure	69,022,519	3,574,680	-	4,347,116	76,944,315
Educational Buildings	321,588,924	10,177,996	-	-	331,766,920
Utility Buildings	23,689,641	230,122	-	-	23,919,763
Educational Equipment	49,436,846	2,783,313	3,167,148	-	49,053,011
Auxiliary Enterprise Buildings	327,685,895	3,295,279	-	18,476,225	349,457,399
Auxiliary Enterprise Equipment	11,536,356	813,023	287,000	-	12,062,379
Construction in Process	30,014,176	2,885,769	-	(22,823,341)	10,076,604
Other Property	1,504,280	-	230,124	-	1,274,156
Software	12,506,589	5,331,798	-	-	17,838,387
Total	$ 900,825,905	$ 29,656,607	$ 3,684,272	$ -	$ 926,798,240
Less Accumulated Depreciation:					
Infrastructure	$ 11,329,769	$ 2,415,620	$ -		$ 13,745,389
Exhaustible Land Improvements	17,565,557	1,281,941	-		18,847,498
Educational Buildings	129,984,264	6,642,280	-		136,626,544
Utility Buildings	8,732,995	476,572	-		9,209,567
Educational Equipment	38,247,830	3,440,542	2,875,941		38,812,431
Auxiliary Enterprise Buildings	96,091,969	7,029,746	-		103,121,715
Auxiliary Enterprise Equipment	8,755,505	768,625	271,806		9,252,324
Other Property	165,551	25,098	18,411		172,238
Software	625,329	1,732,849	-		2,358,178
Total	$ 311,498,769	$ 23,813,273	$ 3,166,158		$ 332,145,884
Capital Assets, Net	$ 589,327,136	$ 5,843,334	$ 518,114		$ 594,652,356

Note E – Bonds Payable

Long term liabilities reported in the Statement of Net Position include principal obligations for outstanding bonds and the noncurrent portions of premiums received on certain bond series and unamortized deferred costs. The premiums are being amortized over the life of each series and reduce the recorded interest expense. The deferred costs represent losses on refunding of previous debt and are amortized over the shorter of the life of the old or new debt. The current portions of Unamortized Premium on Bonds and Unamortized Deferred Costs are reflected in the Statement of Net position as Accounts Payable and Accrued Liabilities.

	Long Term Liabilities			
	June 30, 2013		June 30, 2012	
	Current Portion	Noncurrent Portion	Current Portion	Noncurrent Portion
Outstanding Bonds Payable	$ 11,475,000	$ 157,300,000	$ 11,415,000	$ 168,775,000
Unamortized Premiums on Bonds	445,970	5,071,159	445,970	5,517,128
Unamoritized Deferred Costs	(187,579)	(187,582)	(187,579)	(375,161)
Total	$ 11,733,391	$ 162,183,577	$ 11,673,391	$ 173,916,967

Parking System Revenue Bonds, Series 2003, in the amount of $6,495,000 were issued on August 14, 2003. Proceeds from the bonds were used to partially fund construction of the McKinley Parking Structure.

Housing and Dining System Revenue Bonds, Series 2006, in the amount of $35,425,000 were issued on January 19, 2006. Proceeds from the bonds were used to partially fund construction of Park Residence Hall and the expansion and renovation of Woodworth Dining Hall.

Student Fee Bonds, Series I, in the amount of $38,770,000 were issued on January 12, 1999. Proceeds from Series I were used to fund a portion of the construction of the Art and Journalism Building and to refund the outstanding Student Fee Bonds, Series G.

Student Fee Bonds, Series K, in the amount of $21,975,000, were issued on January 3, 2002. Proceeds from Series K bonds were used to fund construction of the Music Instruction Building and to fund the cost of issuance and an amount of capitalized interest.

Student Fee Bonds, Series L, in the amount of $16,425,000, were issued on July 21, 2004. Proceeds from Series L Bonds were used solely to refund all of the outstanding Student Fee Bonds remaining in Series J.

Student Fee Bonds, Series M, in the amount of $21,280,000, were issued on December 15, 2004. Proceeds from Series M bonds were used to fund construction and reconfiguration of the David Letterman Communication and Media Building and to fund the cost of issuance and a certain amount of capitalized interest.

Student Fee Bonds, Series N, in the amount of $63,615,000, were issued on January 30, 2008. Proceeds from Series N bonds were used to fund a portion of the University's conversion to a geothermal district heating and cooling system and to refund portions of the outstanding Student Fee Bonds remaining in Series I and K.

Student Fee Bonds, Series O, in the amount of $29,175,000, were issued on March 12, 2009. Proceeds from Series O bonds were used to fund a portion of the expansion and improvement of the Student Recreation and Wellness Center.

Student Fee Bonds, Series P, in the amount of $32,225,000, were dated and issued on March 15, 2011. Proceeds from Series P bonds were used to fund Phase I of the Central Campus Renovation and Utilities Improvement Project.

Long term bonds outstanding at June 30, 2013, were:

	Date of Issue	Original Issue	Retired 2012-2013	Outstanding June 30, 2013
Revenue Bonds:				
Parking System Revenue Bonds of 2003:				
Current Interest Bonds, 2.00% to 5.00%	08/14/03	$ 3,985,000	$ 320,000	$ 2,695,000
Term Bonds, 4.75%	08/14/03	2,510,000	-	2,510,000
Housing and Dining System Revenue Bonds of 2006:				
Current Interest Bonds, 3.50% to 5.00%	01/19/06	35,425,000	1,445,000	26,280,000
Student Fee Bonds:				
Student Fee Bonds, Series I:				
Current Interest Bonds, 3.25% to 5.20%	01/12/99	38,770,000	1,195,000	1,390,000
Student Fee Bonds, Series K:				
Current Interest Bonds, 4.00% to 4.60%	01/03/02	5,700,000	-	-
Term Bonds, 5.25% to 5.75%	01/03/02	16,275,000	920,000	975,000
Student Fee Bonds, Series L:				
Current Interest Bonds, 3.00% to 5.50%	07/21/04	16,425,000	975,000	9,800,000
Student Fee Bonds, Series M:				
Current Interest Bonds, 3.00% to 5.00%	12/15/04	19,355,000	870,000	13,870,000
Term Bonds, 3.80%	12/15/04	1,925,000	-	1,925,000
Student Fee Bonds, Series N:				
Current Interest Bonds, 3.50% to 5.00%	01/30/08	63,615,000	3,590,000	53,325,000
Student Fee Bonds, Series O:				
Current Interest Bonds, 3.00% to 5.25%	03/12/09	20,980,000	1,020,000	18,010,000
Term Bonds, 5.00%	03/12/09	8,195,000	-	8,195,000
Student Fee Bonds, Series P:				
Current Interest, 3.00% to 5.25%	03/15/11	32,225,000	1,080,000	29,800,000
Total Bonds		$ 265,385,000	$ 11,415,000	$ 168,775,000

The principal and interest on bonds are, for the most part, payable from net revenues of specific auxiliary enterprises and/or from student fees. Debt service on student fee bonds, with the exception of Series O, is eligible for fee replacement from the State of Indiana.

Future debt service requirements for all bonds outstanding are as follows:

	Principal	Interest and Capital Appreciation	Total
2014	$ 11,475,000	$ 7,678,895	$ 19,153,895
2015	11,155,000	7,230,249	18,385,249
2016	10,240,000	6,792,482	17,032,482
2017	9,830,000	6,336,944	16,166,944
2018	10,300,000	5,857,018	16,157,018
2019-2023	56,440,000	21,277,868	77,717,868
2024-2028	48,110,000	7,943,333	56,053,333
2029-2031	11,225,000	748,625	11,973,625
Total	$ 168,775,000	$ 63,865,413	$ 232,640,413

Note F – Operating Leases

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. The total rental expense under these agreements was $345,642 for the year ended June 30, 2013.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2013, are as follows:

	Future Lease Payments
2014	$ 325,290
2015	173,159
2016	124,200
2017	-
2018	-
Total	$ 622,649

Note G – Investments

Investments held in the name of the University at June 30, 2013, consisted of the following:

	Market
U.S. Government Agency Securities	$ 109,031,720
Certificates of Deposit	30,000,000
Demand Deposit Accounts	142,374,108
Other Government Held Assets and Investments	1,982,500
Total Investments	$ 283,388,328

In compliance with its Investment Policy, the University does not invest in foreign securities and is, therefore, not subject to foreign currency risk. Types of investments held are authorized by the University's Board of Trustees and comply with applicable state statutes. They may consist of any of the following:

- Treasury Securities of the United States Government.
- Obligations of agencies of the United States Government. At June 30, 2013, the University held Agency Securities totaling $109.0 million comprised of the following:

		Market
Federal Home Loan Mortgage Corporation	$	18,224,330
Federal National Mortgage Association		80,876,090
Federal Home Loan Bank		9,931,300
Total	$	109,031,720

- Certificates of deposit held at banks and savings banks incorporated under the laws of Indiana and national banking associations with banking offices in Indiana. At June 30, 2013, the University held the following certificates of deposit totaling $30.0 million:

		Market
Fifth Third Bank	$	15,000,000
First Financial Bank		10,000,000
Mutual Bank		5,000,000
Total Certificates of Deposit	$	30,000,000

- Repurchase agreements collateralized at 105.0 percent of the par value with United States Treasury and Agency securities.
- Commercial paper rated A1 (Standard & Poor's) or P1 (Moody's).
- Money market mutual funds comprised of US Treasury and Agency securities and commercial paper rated A1 (Standard & Poor's) or P1 (Moody's).
- Interest-bearing deposit accounts at banks and savings banks incorporated under the laws of Indiana and national banking associations with banking offices in Indiana. At June 30, 2013, the University's interest-bearing deposit accounts totaled $142.4 million and were comprised of working capital and short-term investments at the following banks:

		Market
First Merchants Bank, N.A.	$	15,009,108
First Financial Bank		26,365,000
Fifth Third Bank		22,000,000
Mutual Bank		40,000,000
PNC Bank		10,000,000
The Huntington National Bank		29,000,000
Total Demand Deposit Accounts	$	142,374,108

Types of investments held by the Ball State University Foundation, a component unit, are authorized by the Foundation's Board of Trustees. They include a broader selection of investments including corporate bonds, common and preferred stocks, private equity, hedge funds, foreign investments and common trusts and mutual funds.

Market values are determined by reviewing quoted market prices. The premium or discount on market securities is amortized or accreted to determine investment value.

All investments owned by the University are held in safekeeping by the issuing or selling entity or in a custodial account. The University's investment policy allows up to 20.0 percent of the University's investments to be placed in certificates of deposit and interest-bearing deposit accounts with a single financial institution, and up to five percent with a single issuer of commercial paper.

Cash deposits, certificates of deposit and interest-bearing deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. Amounts exceeding the FDIC-insured amount are insured by the Indiana Public Depository Fund.

Disclosures Related to Interest Rate Risk

Interest rate risk refers to changes in market interest rates having an adverse effect on the fair value of investments. Generally, the longer the term (life) of an investment, the greater its susceptibility to changes in market interest rates. The University manages its exposure to interest rate risk by purchasing a mixture of short-, intermediate- and long-term investments as a source of funds to meet the cash flow needs of current and future operations of the University.

The University's investment policy does not stipulate a specific earnings rate but has the following investment objectives:

- Safety and preservation of principal,
- Sufficient liquidity to meet working capital needs, planned capital asset expenditures, unanticipated spending requirements and investment opportunities,
- Maximum return on investment within prudent levels of risk and investment diversification, and
- Compliance with all statutory requirements of the State of Indiana.

Distribution of Investments

The following table shows the distribution of the University's investments by maturity:

Investment by Type	Less than Three Months	Greater than or Equal to Three Months and Less than or Equal to One Year	Greater than One Year and Less than or Equal to Five Years	Total Market Value
U.S. Government Agency Securities	$ -	$ 2,500,000	$ 106,531,720	$ 109,031,720
Certificates of Deposit	10,000,000	20,000,000	-	30,000,000
Demand Deposit Accounts	142,374,108	-	-	142,374,108
Other Government Held Assets and Investments	-	-	1,982,500	1,982,500
Total Investments	$ 152,374,108	$ 22,500,000	$ 108,514,220	$ 283,388,328

Note H – Pension Plans and Other Post-Employment Benefits

Pension Plans

Public Employees' Retirement Fund

The University contributes to the Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time staff and service personnel are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) give the University authority to contribute to the plan and govern, through the PERF Board, most requirements of the system. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of the member's contributions, set by state statute at three percent of compensation, plus the investment earnings credited to the member's account. The University has elected to make the contributions on behalf of the member. For the fiscal year ended June 30, 2013, there were 1,271 employees participating in PERF with an annual pay equal to $50,333,747.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (317) 233-3882.

The contributions requirements of plan members for PERF are established by the Board of Trustees of PERF. The University's annual pension cost for the current year and related information, as provided by the actuary, are as follows:

Annual Required Contribution	$	4,978,257
Interest on Net Pension Obligation		44,577
Adjustment to Annual Required Contribution		51,319
Annual Pension Cost	$	4,971,515
Contributions Made		3,889,005
Increase/(Decrease) in Net Pension Obligation	$	1,082,510
Net Pension Obligation, July 1, 2011		636,812
Net Pension Obligation, June 30, 2012	$	1,719,322

Contribution Rates:	
University	7.00%
Plan Members (Paid by BSU)	3.00%
Actuarial Valuation Date	6/30/2012
Actuarial Cost Method	Entry Age - Normal Cost
Amortization Method	Level Dollar, Closed Amortization Period
Amortization Period	30 years from 07-01-97
Asset Valuation Method	Smoothed Market Value Basis

Actuarial Assumptions	PERF
Investment Rate of Return	6.75%
Projected Future Salary Increases	4.00%
Cost-of-Living Adjustments	1.00%

Three Year Trend Information

Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$ 3,213,927	93.60%	$ (911,017)
2011	$ 4,795,184	67.72%	$ 636,812
2012	$ 4,971,515	78.12%	$ 1,719,322

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AL)	Excess/ (Unfunded) AL	Funded Ratio
07/01/2010	$ 49,239,962	$ 73,110,138	$ (23,870,176)	67.4%
07/01/2011	$ 44,630,032	$ 79,043,027	$ (34,412,995)	56.5%
07/01/2012	$ 39,422,688	$ 83,261,123	$ (43,838,435)	47.3%

Date	Covered Payroll	Excess/ (Unfunded) AL as a Percent of Covered Payroll
07/01/2010	$ 46,975,329	(50.8)%
07/01/2011	$ 47,684,764	(72.2)%
07/01/2012	$ 50,333,747	(87.1)%

Teachers’ Retirement Fund

The Teachers’ Retirement Fund (TRF) is a cost-sharing, multiple employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All faculty and professional personnel are eligible to participate in the defined benefits plan. State statute (IC 5-10.2) gives the University authority to contribute and governs most requirements of the system. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member’s annuity savings account. The annuity savings account consists of the member’s contributions, set by state statute at three percent of compensation, plus the interest credited to the member’s account. The University has elected to make the contributions on behalf of the member. For the fiscal year ended June 30, 2013, there were 370 employees participating in TRF with annual pay equal to $20,884,037. The University contributes at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.5 percent of covered payroll. The University’s contributions to the plan, including those made to the annuity on behalf of the members, for the fiscal years ended June 30, 2013, 2012, and 2011, were $2,223,498, $2,009,189, and $2,121,742, respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years.

Certain employees who participate in TRF are also eligible for supplementary retirement benefits under a noncontributory plan wherein the employee may designate one or more of the following companies to administer the funds:

ING Financial Advisers, LLC
Fidelity Investments Institutional Services Company, Inc.
Lincoln Financial Group
Teachers Insurance and Annuity Association - College Retirement Equities Fund

The same companies administer the funds in the Alternate Pension Plan which is designed to provide benefits comparable to those under TRF and the supplementary plan.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (888) 526-1687.

Alternate Pension

Faculty and professional personnel of the University have the option, in accordance with IC 21-38-3-3 and IC 21-38-7-3, to participate in a defined contribution plan administered by the same companies as the TRF supplementary retirement contribution. Benefit provisions are established and/or amended by the University's Board of Trustees. The plan purchases individual annuity contracts for members and provides for immediate vesting. The University contributes 12.27 percent of each participating employee's base salary. For employees hired on or after October 1, 2010, the University contributes five percent of each employee's base salary for the first three years and 10.5 percent for each year thereafter. For the fiscal year ended June 30, 2013, the University contributed $12,064,703 to this plan for 1,613 participating employees with annual payroll totaling $108,304,100, and for fiscal year ended June 30, 2012, the University contributed $11,802,634 for 1,509 employees with payroll totaling $105,853,263.

Early Retirement Program

Eligible employees may participate in an early retirement program. The plan provides a severance payment equivalent to 15.0 percent of the employee's final year's pay. Such payments are made in the final year of employment; therefore, no liability exists beyond the end of the fiscal year in which employment terminates. Prior to FY2013, the plan would also permit participants to select a cash settlement option in lieu of life insurance that is equal to 40.0 percent of that life insurance. Payments were made in two equal installments on January 31 of the calendar year following the calendar year in which retirement takes place and the next succeeding January 31. During FY2013, it was determined to discontinue the cash settlement option. Therefore, beginning FY2014, the cash settlement option will no longer be available. The FY2013 and remaining payments for FY2012 were accelerated and most were paid by June 30, 2013. However, there were some payments that were made in the first few months of FY2014. As of June 30, 2013, $306,761 is recorded as a liability representing payments to be made in FY2014 to employees who retired under the program.

Other Post-Employment Benefits

In addition to providing pension benefits, the University, as authorized by the University's Board of Trustees, provides certain health care and life insurance benefits for retired employees. Substantially all of the University's regular employees may become eligible for those benefits if they retire from the University after accruing the required years of service (15 years at age 62; 15 years at age 50 for those hired before July 1, 2009; ten years at age 60 for those hired before September 1, 1999). As of June 30, 2013, approximately 1,987 participants were eligible and were receiving one or both of these benefits.

Plan Description

The University's Retiree Health and Life Insurance Plans (Plans) are single-employer defined benefit health and life insurance plans administered by the University. The Plans provide medical, dental, and prescription drug insurance benefits to eligible retirees and spouses and life insurance benefits to eligible retirees. IC 21-38-3-3 assigns authority to the University's Board of Trustees to establish and amend benefit provisions for the University. The Plans issue a publicly available financial report that includes financial statements and required supplementary information for the Plans as a whole and for the participants. That report may be obtained by contacting Ball State University, Office of University Controller, AD 301, Muncie, IN 47306.

Funding Policy

The contribution requirements for members of the Plans are established by the University's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, as well as amounts necessary to prefund benefits as determined annually by the University. In addition, the University has followed a practice of contributing additional amounts generated by savings within the employee plans as well as the retiree plans. For the fiscal year ended June 30, 2013, the University contributed $7,998,306 for current claims and estimated applicable administrative costs and an additional $2,478,021 from Medicare prescription drug subsidies, rebates on prescription drugs, and savings generated within the employee and retiree plans this year and last year, in order to prefund benefits. Plan members receiving benefits contributed $2,628,876 for health insurance and $26,012 for life insurance or approximately 25.0 percent of the total premiums assessed, through their required contributions, which for health insurance ranged, for those not eligible for Medicare, from $42.25 to $280.00 per month for single coverage and $109.58 to $646.92 for family coverage. For those eligible for Medicare, the monthly premiums were $93.46 for medical and prescription drug coverage and $8.92 for optional dental coverage. These premium amounts were also paid by Medicare-eligible spouses for their coverage. Retiree life insurance monthly premiums are on a sliding scale based on coverage in the last year employed, with $37,500 being the maximum amount available for retirees. The monthly premium is $.055 per $1,000 of coverage.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation (asset) to the plan:

Annual Required Contribution	$	8,128,043
Interest on Net OPEB Obligation		(596,571)
Adjustment to Annual Required Contribution		(475,595)
Annual OPEB Cost	$	8,007,067
Contributions Made		9,133,206
Increase (Decrease) in Net OPEB Obligation	$	(1,126,139)
Net OPEB Obligation (Asset), Beginning of Year		(8,073,883)
Adjustment to OPEB Obligation (Asset) Beginning of Year		119,600
Net OPEB Obligation (Asset), End of Year	$	(9,080,422)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 and the two previous years were as follows:

	Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
Health Insurance	6/30/2011	$ 10,739,139	93.5%	$ (6,384,931)
	6/30/2012	6,644,670	119.9%	(7,704,014)
	6/30/2013	7,426,483	107.7%	(8,275,837)
Life Insurance	6/30/2011	$ 444,769	65.8%	$ (437,128)
	6/30/2012	438,859	84.7%	(369,869)
	6/30/2013	580,584	195.5%	(804,585)

Funded Status and Funding Progress

	Valuation Date	Actuarial Value of Assets	Actuarial Acrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/12	$ 155,839,955	$ 190,882,577	$ 35,042,622	81.6%	$ 161,982,678	21.6%
Life	7/1/12	20,062,555	22,828,391	2,765,836	87.9%	$ 161,982,678	1.7%
Total		$ 175,902,510	$ 213,710,968	$ 37,808,458	82.3%	$ 161,982,678	23.3%
Health	7/1/11	$ 156,645,643	$ 181,683,897	$ 25,038,254	86.2%	$ 157,397,746	15.9%
Life	7/1/11	21,487,762	22,261,030	773,268	96.5%	$ 157,397,746	0.5%
Total		$ 178,133,405	$ 203,944,927	$ 25,811,522	87.3%	$ 157,397,746	16.4%
Health	7/1/10	$ 127,901,788	$ 192,195,650	$ 64,293,862	66.5%	$ 154,679,963	41.6%
Life	7/1/10	18,429,554	20,150,137	1,720,583	91.5%	$ 154,679,963	1.1%
Total		$ 146,331,342	$ 212,345,787	$ 66,014,445	68.9%	$ 154,679,963	42.7%
Health	7/1/09	$ 114,147,732	$ 192,195,650	$ 78,047,918	59.4%	$ 151,120,585	51.6%
Life	7/1/09	16,546,332	20,150,137	3,603,805	82.1%	$ 151,120,585	2.4%
Total		$ 130,694,064	$ 212,345,787	$ 81,651,723	61.5%	$ 151,120,585	54.0%

As of June 30, 2012 (while using the June 30, 2011 actuarial valuation report to calculate 2012 values), the health insurance plan was 81.6 percent funded. The actuarial accrued liability for benefits was $190,882,577, and the actuarial value of assets was $155,839,955, resulting in an unfunded actuarial accrued liability (UAAL) of $35,042,622. The covered payroll (annual payroll of active employees covered by the plan) was $161,982,678, and the ratio of UAAL to covered payroll was 21.6 percent. As of the same date, the life insurance plan was 87.9 percent funded. The actuarial accrued liability for benefits was $22,828,391, and the actuarial value of assets was $20,062,555, resulting in an unfunded actuarial accrued liability (UAAL) of $2,765,836. The covered payroll (annual payroll of active employees covered by the plan) was $161,982,678, and the ratio of the UAAL to covered payroll was 1.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are consistent with the long-term perspective of the calculations.

In the June 30, 2007, 2009 and 2011 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and is appropriate as long as the University makes annual contributions (through a combination of benefits paid from general assets and contributions to the VEBA) that are at least as large as the ARC. If the OPEB is “unfunded,” the ARC would be calculated using a discount rate reflective of the University’s internal rates of return, which would result in a significantly larger ARC. The actuarial assumptions for 2009 and 2011 also included an annual healthcare cost trend rate initially of eight percent for non-Medicare medical, seven percent for Medicare eligible medical, eight percent for prescription drugs, five percent for dental, and four percent for administrative costs, reduced to an ultimate rate of four percent for administrative costs and 4.5 percent for everything else after 16 years. A payroll growth rate of four percent is assumed throughout. The actuarial value of the plan assets is market value. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 26 years.

Fund Balances and Activity

The VEBA trust fund established for the sole purpose of funding future retiree health care had the following activity for the year ended June 30, 2013:

Market Value at July 1, 2012	$	155,839,955
Transfer from Ball State University		-
Reinvested Net Earnings (Loss)		7,454,398
Unrealized Gain (Loss)		18,546,910
Fund Balance at June 30, 2013	$	181,841,263

These funds cannot under any circumstances revert to the University.

The Life Insurance Continuance Fund established for the sole purpose of funding future retiree life insurance benefits had the following activity for the year ended June 30, 2013:

Fund Balance at July 1, 2012	$	20,062,555
Transfer from Ball State University		-
Reinvested Net Earnings (Loss)		1,630,326
Unrealized Gain (Loss)		1,236,895
Death Claims and Related Charges		(1,002,149)
Fund Balance at June 30, 2013	$	21,927,626

These funds cannot under any circumstances revert to the University.

Note I – Included Entities

The University operates Burris Laboratory School and the Indiana Academy for Science, Mathematics, and Humanities under the direction of the Teachers College. The financial activity for these entities is included in the exhibits.

Note J – Commitments and Contingent Liability

During the normal course of operations, the University has become an interested party to various legal and administrative actions, the resolutions of which are not yet known. However, in the opinion of legal counsel and University management, the disposition of all pending litigation and actions will not have a material adverse effect on the financial condition of the University. To protect the integrity of any litigation or action, further details are held confidential.

The University has entered into loan guaranty agreements on two properties as discussed below:

> Sigma Chi Fraternity, Epsilon Omega chapter in Muncie, Indiana – The loan agreement provided for the refinancing of an existing mortgage to gain more favorable terms and to obtain additional funds for renovation of the fraternity house. The University is guarantor of the loan that was issued for $460,000. A ten-year pro forma budget provided by the chapter suggests that the housing corporation has the ability to service the debt and meet its other financial obligations.
>
> Sigma Phi Epsilon Alumni Corporation – The loan agreement allowed for the construction of a new fraternity house for Sigma Phi Epsilon Fraternity, Indiana Gamma chapter in Muncie, Indiana. The University is guarantor of a term loan in the amount of $1,040,000 and a term note in the amount of $559,000. A review of the chapter’s pro forma budget indicates that there will be adequate revenues to meet all debt and operating obligations.

The University has outstanding commitments for capital construction contracts of $35,544,198 at June 30, 2013.

Note K – Risk Management

The University is exposed to risks of loss related to:

- torts;
- theft of, damage to, or destruction of assets;
- errors or omissions;
- job-related illnesses or injuries to employees;
- life, health and other medical benefits provided to employees and their dependents; and,
- long-term disability benefits provided to employees.

The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings, contents and general liability the risk retention per incident is $100,000. The University retains the entire risk for job-related illnesses or injury to employees, property damage to its auto fleet, and short-term disability. Auto liability, life insurance and long-term disability are handled through fully insured commercial policies. The University retains the risk for its medical benefits.

Separate funds and accounts have been established to measure the results of the various combinations of risk retention and commercial insurance. Periodically (in some cases annually), after reviewing exposures with insurance consultants and actuaries, adjustments are made to reflect potential liabilities arising from risk retention. The University accounts for incurred, but not reported, health care claims by calculating an amount based on a review of applicable claims submitted after year end, as well as past experience. This estimated liability of $7.0 million at June 30, 2013, was determined by our actuarial consultants. Claims activity for the year was as follows:

Unpaid Health Care Claims at July 1, 2012	$	5,264,050
Claims Incurred		43,622,012
Claims Paid		41,897,984
Unpaid Health Care Claims at June 30, 2013	$	6,988,078

Note L – Subsequent Events

Housing and Dining System Revenue Bonds, Series 2013, in the amount of $33,440,000 were issued on October 8, 2013. Proceeds from the bonds will be used to fund the renovation and expansion of Johnson A Residence Hall.

Student Fee Bonds, Series Q, in the amount $35,840,000, were issued on October 21, 2013. Proceeds from Series Q bonds will be used to fund Phase II of the Central Campus Renovation and Utilities Improvement Project, a portion of the University's conversion to a geothermal district heating and cooling system, and to refund the outstanding Student Fee Bonds, Series M.

Ball State University
Required Supplemental Information
June 30, 2013

Other Post-Employment Benefits
Retiree Health and Life Insurance Plans

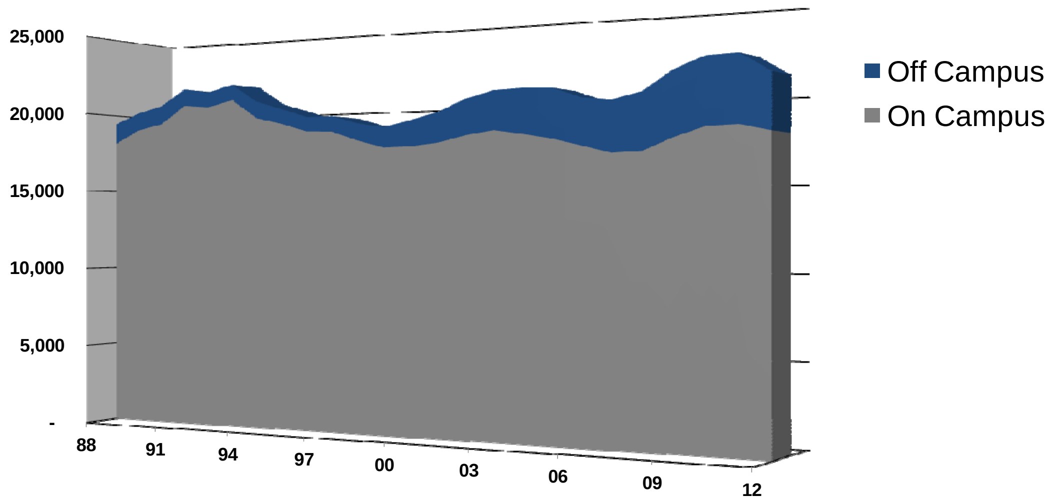
	Valuation Date	Actuarial Value of Assets	Actuarial Acrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/11	$ 156,645,643	$ 181,683,897	$ 25,038,254	86.2%	$ 157,397,746	15.9%
Life	7/1/11	21,487,762	22,261,030	773,268	96.5%	$ 157,397,746	0.5%
Total		$ 178,133,405	$ 203,944,927	$ 25,811,522	87.3%	$ 157,397,746	16.4%
Health	7/1/09	$ 114,147,732	$ 192,195,650	$ 78,047,918	59.4%	$ 151,120,585	51.6%
Life	7/1/09	16,546,332	20,150,137	3,603,805	82.1%	$ 151,120,585	2.4%
Total		$ 130,694,064	$ 212,345,787	$ 81,651,723	61.5%	$ 151,120,585	54.0%
Health	7/1/07	$ 148,827,822	$ 171,887,451	$ 23,059,629	86.6%	$ 136,645,256	16.9 %
Life	7/1/07	25,238,907	19,036,901	(6,202,006)	132.6%	$ 136,645,256	(4.5)%
Total		$ 174,066,729	$ 190,924,352	$ 16,857,623	91.2%	$ 136,645,256	12.3 %

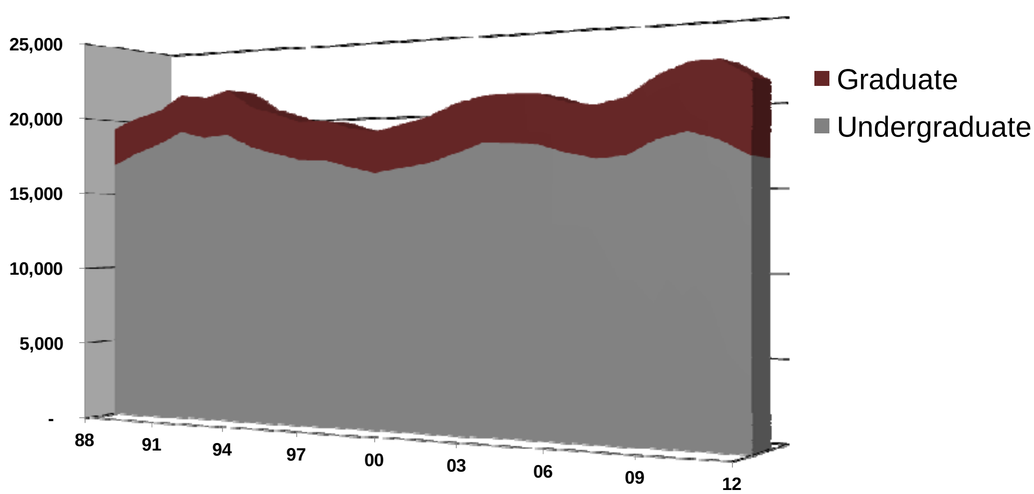
Supplemental Information

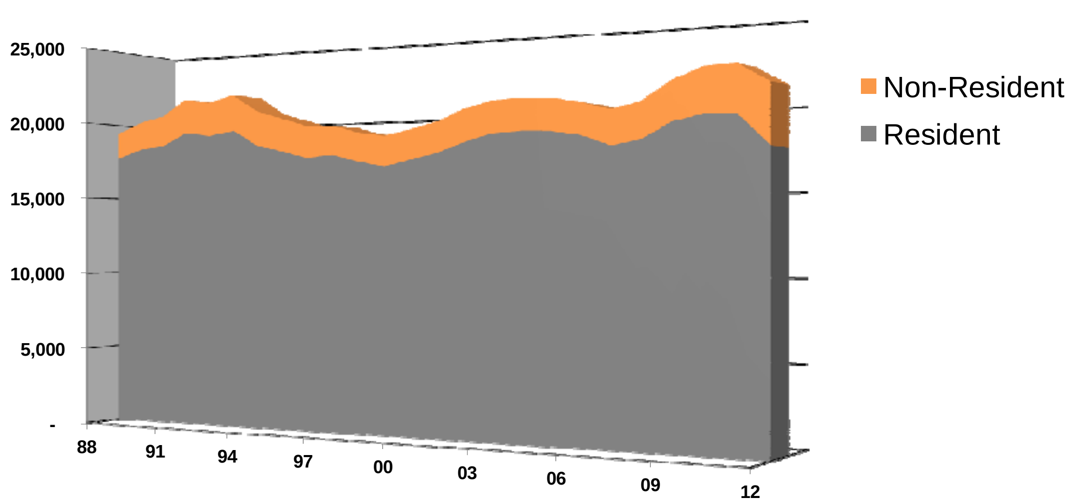
The following supplemental information has not been subjected to the auditing procedures applied to the basic financial statements and accordingly, the State Board of Accounts expresses no opinion thereon.

Student Enrollment

Fall Headcount 1988-2012

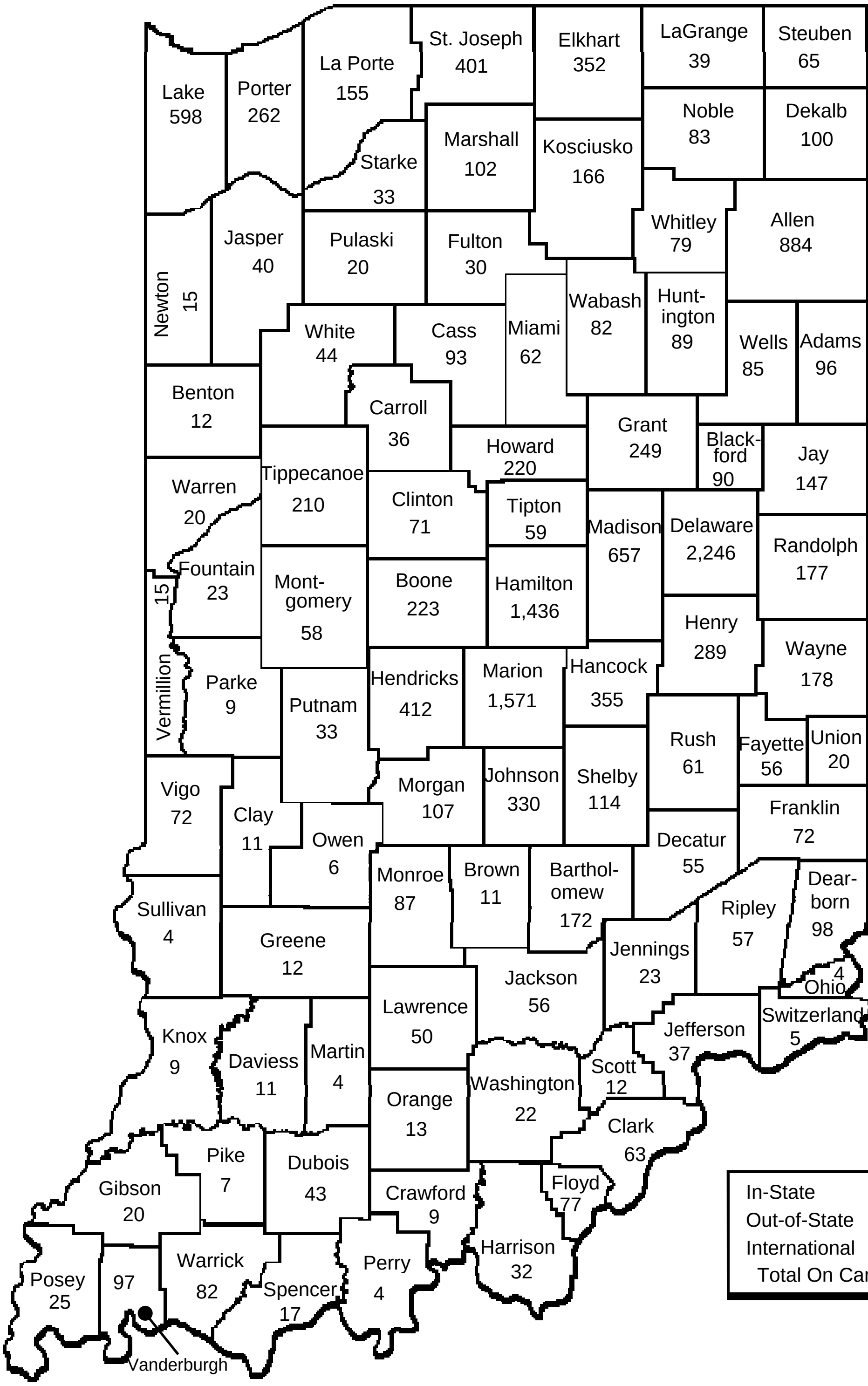






Campus Enrollment by County

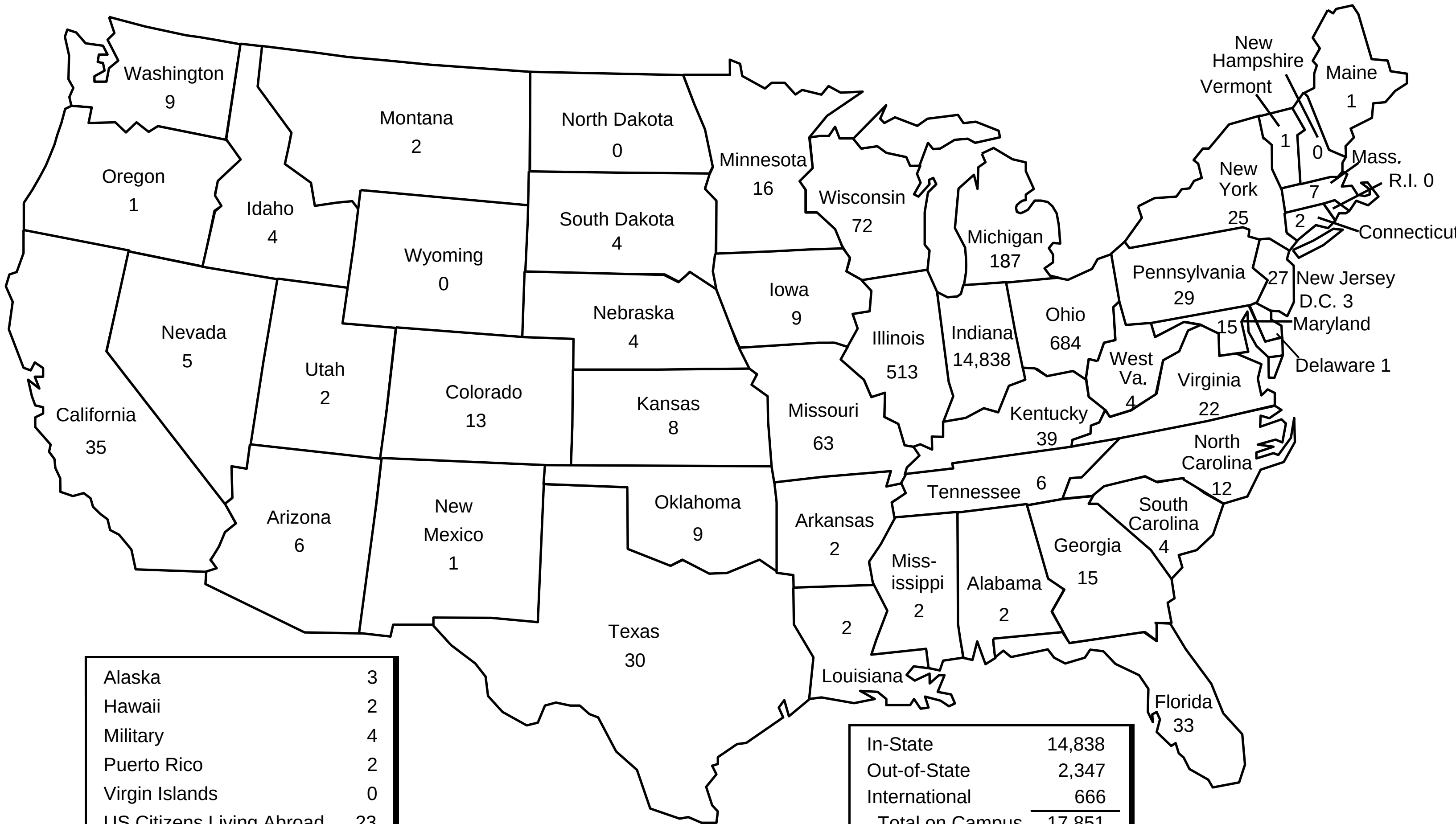
Fall 2012



In-State	14,838
Out-of-State	2,347
International	666
Total On Campus	17,851

Campus Enrollment by State

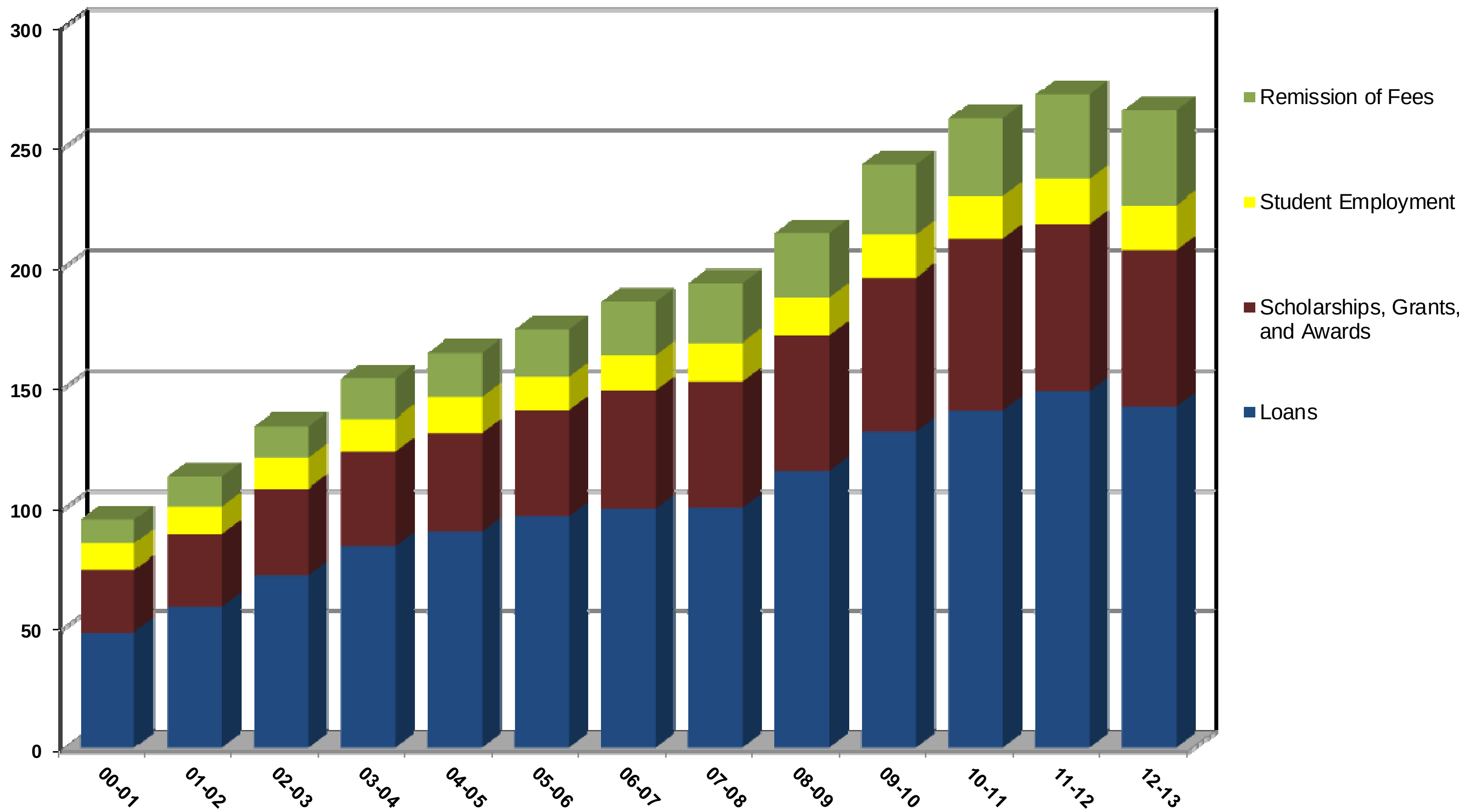
Fall 2012



Alaska	3
Hawaii	2
Military	4
Puerto Rico	2
Virgin Islands	0
US Citizens Living Abroad	23

In-State	14,838
Out-of-State	2,347
International	666
Total on Campus	17,851

Student Financial Assistance
2000-2001 through 2012-2013
(in millions of dollars)



Ball State University

Schedule of Annual Requirements for Principal and Interest

Revenue Bonds—Parking Facilities

Year Ended June 30, 2013

June 30	Principal	Interest	Total	Unliquidated Balance
2013				$ 5,205,000
2014	$ 340,000	$ 232,000	$ 572,000	4,865,000
2015	350,000	217,325	567,325	4,515,000
2016	365,000	201,238	566,238	4,150,000
2017	385,000	184,363	569,363	3,765,000
2018	400,000	166,700	566,700	3,365,000
2019	420,000	148,250	568,250	2,945,000
2020	435,000	129,013	564,013	2,510,000
2021	455,000	108,419	563,419	2,055,000
2022	480,000	86,213	566,213	1,575,000
2023	500,000	62,938	562,938	1,075,000
2024	525,000	38,594	563,594	550,000
2025	550,000	13,063	563,063	-
Total	$ 5,205,000	$ 1,588,116	$ 6,793,116	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Revenue Bonds—Housing and Dining

Year Ended June 30, 2013

June 30	Principal	Interest	Total	Unliquidated Balance
2013				$ 26,280,000
2014	$ 1,500,000	$ 1,175,330	$ 2,675,330	24,780,000
2015	1,570,000	1,106,080	2,676,080	23,210,000
2016	1,650,000	1,025,580	2,675,580	21,560,000
2017	1,735,000	940,955	2,675,955	19,825,000
2018	1,815,000	861,280	2,676,280	18,010,000
2019	1,900,000	777,480	2,677,480	16,110,000
2020	1,990,000	688,190	2,678,190	14,120,000
2021	2,085,000	594,275	2,679,275	12,035,000
2022	2,190,000	487,400	2,677,400	9,845,000
2023	2,300,000	375,150	2,675,150	7,545,000
2024	2,410,000	267,944	2,677,944	5,135,000
2025	2,515,000	164,794	2,679,794	2,620,000
2026	2,620,000	55,675	2,675,675	-
Total	$ 26,280,000	$ 8,520,133	$ 34,800,133	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Student Fee Bonds

Year Ended June 30, 2013

June 30	Principal	Interest	Total	Unliquidated Balance
2013				$ 137,290,000
2014	$ 9,635,000	$ 6,271,565	$ 15,906,565	127,655,000
2015	9,235,000	5,906,844	15,141,844	118,420,000
2016	8,225,000	5,565,664	13,790,664	110,195,000
2017	7,710,000	5,211,626	12,921,626	102,485,000
2018	8,085,000	4,829,038	12,914,038	94,400,000
2019	8,480,000	4,421,463	12,901,463	85,920,000
2020	8,905,000	3,999,070	12,904,070	77,015,000
2021	9,355,000	3,556,607	12,911,607	67,660,000
2022	8,270,000	3,128,750	11,398,750	59,390,000
2023	8,675,000	2,714,650	11,389,650	50,715,000
2024	9,105,000	2,278,413	11,383,413	41,610,000
2025	7,840,000	1,858,881	9,698,881	33,770,000
2026	8,240,000	1,456,488	9,696,488	25,530,000
2027	6,990,000	1,077,488	8,067,488	18,540,000
2028	7,315,000	731,994	8,046,994	11,225,000
2029	4,290,000	454,000	4,744,000	6,935,000
2030	4,510,000	234,000	4,744,000	2,425,000
2031	2,425,000	60,625	2,485,625	-
Total	$ 137,290,000	$ 53,757,164	$ 191,047,164	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Total Revenue and Student Fee Bonds

Year Ended June 30, 2013

June 30	Principal	Interest	Total	Unliquidated Balance
2013				$ 168,775,000
2014	$ 11,475,000	$ 7,678,895	$ 19,153,895	157,300,000
2015	11,155,000	7,230,249	18,385,249	146,145,000
2016	10,240,000	6,792,482	17,032,482	135,905,000
2017	9,830,000	6,336,944	16,166,944	126,075,000
2018	10,300,000	5,857,018	16,157,018	115,775,000
2019	10,800,000	5,347,193	16,147,193	104,975,000
2020	11,330,000	4,816,273	16,146,273	93,645,000
2021	11,895,000	4,259,301	16,154,301	81,750,000
2022	10,940,000	3,702,363	14,642,363	70,810,000
2023	11,475,000	3,152,738	14,627,738	59,335,000
2024	12,040,000	2,584,951	14,624,951	47,295,000
2025	10,905,000	2,036,738	12,941,738	36,390,000
2026	10,860,000	1,512,163	12,372,163	25,530,000
2027	6,990,000	1,077,488	8,067,488	18,540,000
2028	7,315,000	731,994	8,046,994	11,225,000
2029	4,290,000	454,000	4,744,000	6,935,000
2030	4,510,000	234,000	4,744,000	2,425,000
2031	2,425,000	60,625	2,485,625	-
Total	$ 168,775,000	$ 63,865,413	$ 232,640,413	

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