



Financial  
Statements and  
Supplemental  
Information  
as of June 30,  
2021 and 2020  
Together with  
Auditor's  
Report



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## **Independent Auditor's Report**

To the Board of Regents  
Eastern Michigan University

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Eastern Michigan University, a component unit of the State of Michigan (the "University"), and its discretely presented component unit as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Eastern Michigan University's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The discretely presented component unit was not audited under *Government Auditing Standards*.

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 entity'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 entity'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 opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Eastern Michigan University and its discretely presented component unit as of June 30, 2021 and 2020 and the respective changes in their financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the COVID-19 pandemic has impacted the operations of the University. Our opinion is not modified with respect to this matter.

To the Board of Regents  
Eastern Michigan University

**Other Matter**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the University's proportionate share of the net pension liability, schedule of the University's pension contributions, schedule of the University's proportionate share of the net OPEB liability, schedule of the University's OPEB contributions, and schedule of changes in the University's total OPEB liability and related ratios 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021 on our consideration of Eastern Michigan University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Eastern Michigan University's internal control over financial reporting and compliance.



October 14, 2021

**As of June 30, 2021**

**Board of Regents**

<b>Name</b>	<b>Position</b>
Ms. Eunice Jeffries	Chair
Mr. Michael Hawks	Vice Chair
Mr. Dennis Beagen	Board Member
Ms. Michelle Crumm	Board Member
Mr. Nathan K. Ford	Board Member
Dr. Jessie Kimbrough Marshall	Board Member
Mr. Alexander Simpson	Board Member
Mr. Chad Newton	Board Member

**Executive Officers**

<b>Name</b>	<b>Position</b>
Dr. James M. Smith	President
Dr. Rhonda Longworth	Provost and Executive Vice President
Mr. Leigh Greden	Chief of Staff
Mr. Michael Valdes	Chief Financial Officer and Treasurer to the Board of Regents
Ms. Lauren London	General Counsel and University Attorney
Mr. Walter Kraft	Vice President Communications
Mr. Scott Wetherbee	Vice President and Director of Athletics
Dr. James Carroll	Associate Provost and Vice President
Mr. Ron Woody	Chief Information Officer
Mr. Kevin Kucera	Vice President, Enrollment Management
Ms. Vicki Reaume	Vice President and Secretary to the Board of Regents
Mr. William Shepard	Vice President, Advancement
Mr. Robert Heighes	Executive Director, Public Safety

**Financial Administration**

<b>Name</b>	<b>Position</b>
Ms. Doris M. Celian	Controller
Mr. Todd Ohmer	Executive Director, Financial Planning and Budgets
Ms. Sandra L. Mullally	Assistant Controller

The following discussion and analysis of Eastern Michigan University's ("University") financial statements provides an overview of the University's financial activities for the years ended June 30, 2021, 2020, and 2019. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

The University's financial report was prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental entities to be included in the reporting entity (GASB Statement No. 61). These criteria include significant operational or financial relationships. Based on the application of the criteria, the University has one component unit -- the Eastern Michigan University Foundation. The Foundation's statements are discretely presented as part of the University's reporting entity in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB).

Eastern Michigan University offers a supportive, accessible, affordable, and quality learning and living environment. The University's distinct mix of comprehensive academic resources, strong community initiatives, focus on education first, and nationally recognized undergraduate research achievements set it apart.

Founded in historic Ypsilanti in 1849, the University occupies 880 acres on the main campus with 122 buildings and a student body of approximately 16,000 students. In addition, the EMU Parsons Center in Traverse City provides opportunities for the study of the Arts and Sciences in Northern Michigan.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments took preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy was negatively affected, and the University's operations were also impacted, including shifting to a remote online learning environment, sending students off campus, eliminating non-essential travel, and cancelling or postponing certain athletic and other auxiliary events. The following sections will discuss further the specific impacts related in the financial statements for the years ending June 30, 2021 and 2020.

#### Financial Highlights for the Year Ended June 30, 2021

• Total net position	\$ 126,786,341
• Change in total net position	20,625,926
• Capital assets - Net	642,676,586
• Change in capital assets - Net	5,660,445
• Total long-term debt	343,191,432
• Change in total long-term debt	(4,060,286)

**Financial Statements**

The University's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current year's revenues and expenses are considered regardless of when cash is received or paid. Net position is one indicator of the current financial condition of the University and is measured by assets plus deferred outflows minus liabilities and deferred inflows.

Following is a summary of the major components of the net position and operating results of the University for the years ended June 30, 2021, 2020, and 2019:

<b>Net Position as of June 30</b>	2021	2020	2019
<b>Assets</b>			
Current assets	\$ 69,088,224	\$ 55,089,572	\$ 51,770,433
Noncurrent assets:			
Capital assets - net of depreciation	642,676,586	637,016,141	593,742,828
Other	32,466,505	60,452,954	132,202,779
Total Assets	744,231,315	752,558,667	777,716,040
<b>Deferred Outflows</b>	47,808,441	70,140,568	29,211,505
<b>Liabilities</b>			
Current liabilities	68,908,144	81,346,008	89,177,296
Noncurrent liabilities	539,796,235	575,220,975	533,526,554
Total Liabilities	608,704,379	656,566,983	622,703,850
<b>Deferred Inflows</b>	56,549,037	59,971,836	63,903,021
<b>Net Position</b>			
Net investment in capital assets	275,446,001	277,454,267	266,530,673
Restricted	26,488,565	13,607,326	15,739,048
Unrestricted (deficit)	(175,148,225)	(184,901,177)	(161,949,047)
Total Net Position	\$ 126,786,341	\$ 106,160,416	\$ 120,320,674

The University saw an increase in current assets for fiscal year 2021 primarily due to accounts receivable for Coronavirus grants and aid. The overall increase in current assets against the decline in non-current assets was due to the University use of assets from investments and restricted Coronavirus grants and aid to fund operations. Deferred outflows decreased significantly due to changes in the annual swap valuation and the University's single employer OPEB valuation as described in Note 1. For fiscal year 2020, the University saw a significant increase in capital assets primarily due to ongoing building construction for Sill Hall and the renovation of the REC IM building.

## Eastern Michigan University

### Management's Discussion and Analysis

For fiscal year 2021, the reduction in current liabilities was the result of a decrease in outstanding construction project payables. The decrease in non-current liabilities was due to market experience changes in the University's annual swap valuation. For fiscal year 2020, the changes in current liabilities (decrease) and non-current liabilities (increase) were driven by the same factors as fiscal year 2021.

Following is a summary of the major components of the revenue, expenses, and changes in net position of the University for the years ended June 30, 2021, 2020, and 2019:

	Year Ended June 30		
	2021	2020	2019
<b>Operating Revenue</b>			
Student tuition and fees - Net	\$ 149,350,937	\$ 162,280,143	\$ 165,013,368
Grants and Contracts	14,646,058	14,946,808	16,059,616
Auxiliary activities - Net	26,142,729	41,707,989	45,436,166
Other	4,756,593	4,998,592	6,868,741
Total operating revenue	<u>194,896,317</u>	<u>223,933,532</u>	<u>233,377,891</u>
<b>Operating Expenses</b>			
Instruction	104,634,355	107,314,796	121,727,159
Research	6,402,699	8,516,762	6,398,911
Public service	13,490,477	13,003,683	13,546,729
Academic support	34,906,671	29,287,442	35,214,013
Student services	30,754,802	22,866,372	18,507,130
Institutional support	25,294,454	29,908,288	31,699,704
Scholarships and fellowships	27,550,863	32,889,134	32,726,905
Operations and maintenance of plant	26,039,690	28,494,837	31,173,745
Auxiliary activities - Net	37,393,453	44,046,869	48,880,204
Depreciation	20,390,238	17,067,008	15,308,854
Other expenditures	-	134,137	88,006
Total operating expenses	<u>326,857,702</u>	<u>333,529,328</u>	<u>355,271,360</u>
<b>Net Operating Loss</b>	<b>(131,961,385)</b>	<b>(109,595,796)</b>	<b>(121,893,469)</b>
<b>Nonoperating Revenue (Expenses)</b>			
State appropriations	78,648,627	69,697,392	77,541,090
Gifts	10,297,434	8,753,703	7,495,972
Pell grants	20,999,461	26,328,047	28,010,545
Investment income (loss)	5,463,457	(6,788,555)	(1,949,786)
Coronavirus federal grants and aid	44,369,399	2,759,180	-
Other nonoperating revenue (expenses)	(8,262,609)	(7,025,369)	(9,111,214)
Net nonoperating revenue	<u>151,515,769</u>	<u>93,724,398</u>	<u>101,986,607</u>
<b>Capital Contributions</b>	<u>1,071,541</u>	<u>1,711,140</u>	<u>27,651,617</u>
Increase (Decrease) in net position	<u>20,625,925</u>	<u>(14,160,258)</u>	<u>7,744,755</u>
<b>Net Position - Beginning of year</b>	<u>106,160,416</u>	<u>120,320,674</u>	<u>112,575,919</u>
<b>Net Position - End of year</b>	<u><u>\$ 126,786,341</u></u>	<u><u>\$ 106,160,416</u></u>	<u><u>\$ 120,320,674</u></u>

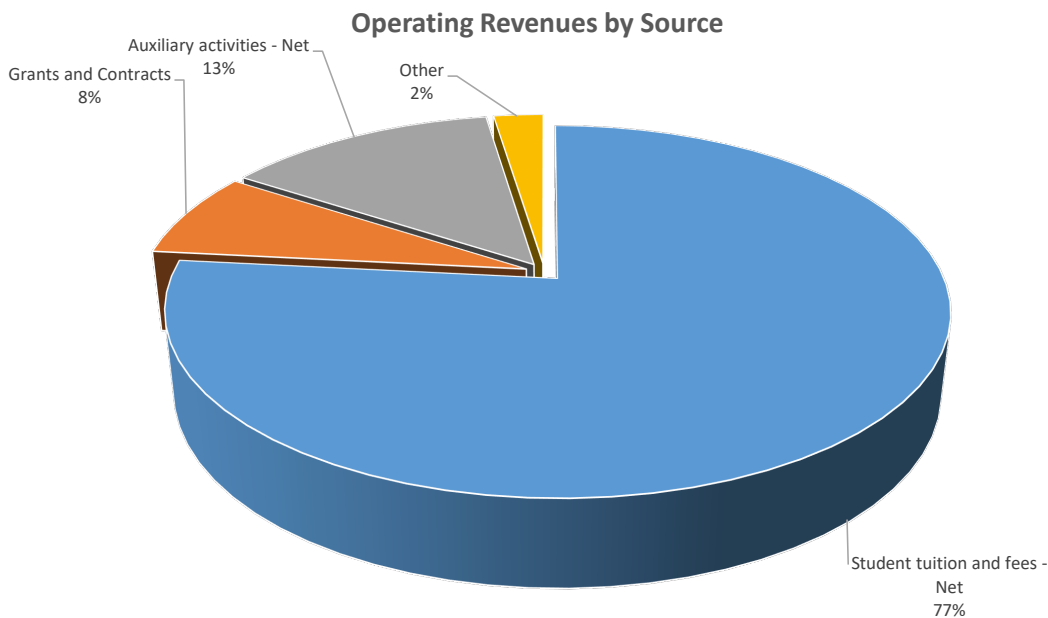


**Operating Revenues**

Operating revenues include all transactions that result from the sales and/or receipts of goods and services such as tuition and fees, housing, and other auxiliary units. In addition, certain federal, state and private grants are considered operating if they are a contract for services and not for capital purposes.

Net student tuition and fees revenue decreased (8.03 percent) as a result of lower enrollment, offset by a Board of Regents approved tuition and mandatory fee weighted average increase of 3.9 percent effective Fall 2020.

The following is a graphic illustration of operating revenues by source:



Operating revenue for fiscal year 2021 decreased by approximately \$29.1 million over the prior year, primarily due to continued lower enrollment and a decline in credit hours. The University also experienced decreases in auxiliary revenue primarily due to continued operational shutdown due to COVID-19.

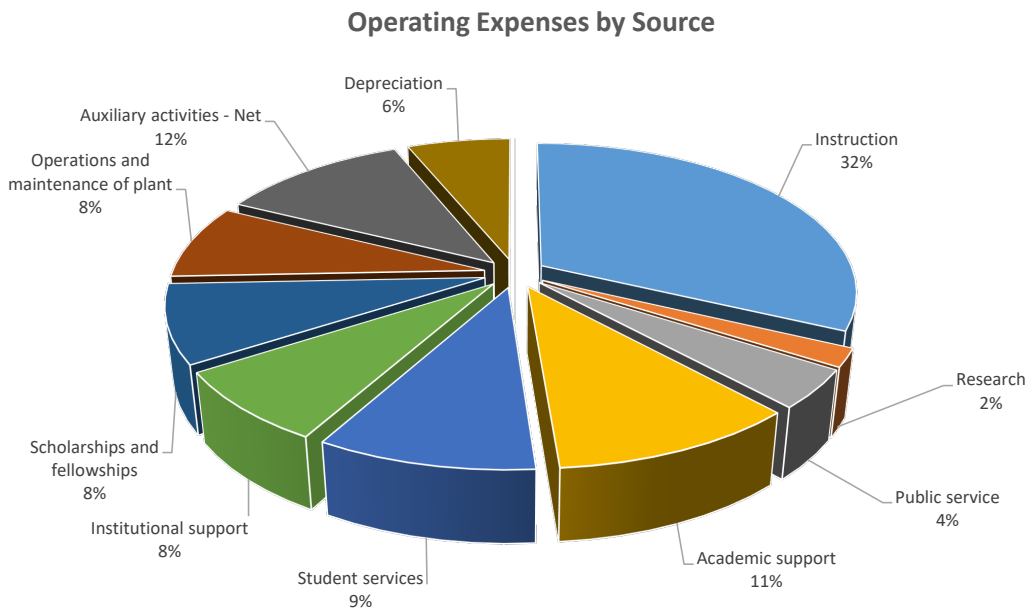
Operating revenue for fiscal year 2020 decreased by approximately \$9.4 million over the prior year, primarily due to continued lower enrollment and a decline in credit hours. The University also experienced decreases in auxiliary revenue primarily due to operational shutdown due to COVID-19, which included special refunds issued for housing and dining. Non-governmental grants and contracts revenue and departmental revenue also declined as the result of expiring grant contracts and programs on temporary shutdown due to COVID-19.

**Operating Expenses**

Operating expenses are all costs necessary to perform and conduct the programs and primary purposes of the University.

The University is committed to providing financial support to students. The University has long sponsored its prestigious National Scholars program, which attracts some of the brightest and most promising students.

The following is a graphic illustration of operating expenses by source:



Operating expenses for fiscal year 2021 decreased by \$6.7 million from the prior year primarily due to conservative budgeting practices by the University and the continued restrictions placed on operations due to the COVID-19 pandemic.

Operating expenses for fiscal year 2020 decreased by \$21.7 million from the prior year primarily due to conservative budgeting practices by the University, which has made difficult but necessary fiscal decisions over the past several years, including offering a voluntary employee retirement incentive program. The University also saw decreases in expenses for auxiliaries and the operations and maintenance of facilities related to the COVID-19 shut down.

### **Nonoperating Revenues**

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, Pell grant reimbursements, investment income (including realized and unrealized gains and losses), and restricted development funds that do not require any services to be performed. Nonoperating revenue was significantly impacted by the following factors:

- State operating appropriations increased \$8.9 million to \$78.6 million in 2021 due to the restoration of full appropriations after the State reduced the 2020 appropriations. In 2020, State operating appropriations decreased \$7.8 million to \$69.7 million due to the State replacing a portion of the July and all of the August State appropriations with CARES Act funding.
- Interest expense for fiscal year 2021 decreased slightly (\$409,791) due to reductions in bond interest expense and changes in the valuation of interest expense on the swaps. In fiscal year 2020, interest expense decreased by \$3.0 million, primarily driven by the up-front payment structure for refinanced debt, and the changes in recognition of interest expense on the valuation of swaps.
- Investment income from operations increased by \$12.2 million in fiscal year 2021. This is primarily due to increase of \$3.5 million recognized from the valuation of the University's interest rate swaps (a decrease of \$4.8 million was recognized from the swap valuation in 2020). The University's investments otherwise held fairly stable - University investments were re-allocated to vehicles with lower risk during the COVID-19 crisis to reduce exposure to market volatility.
- Pell grants decreased \$5.3 million to \$21.0 million in 2021. In 2020, Pell grants decreased \$1.6 million to \$26.3 million. Pell grant revenue correlates to enrollment trends and a declining national average of Pell recipients as a percentage of the 12-month undergraduate headcount.
- Coronavirus grants and aid increased by \$41.6 million to \$44.3 million in 2021. In 2020, the University recorded \$2.7 million for coronavirus grants and aid.

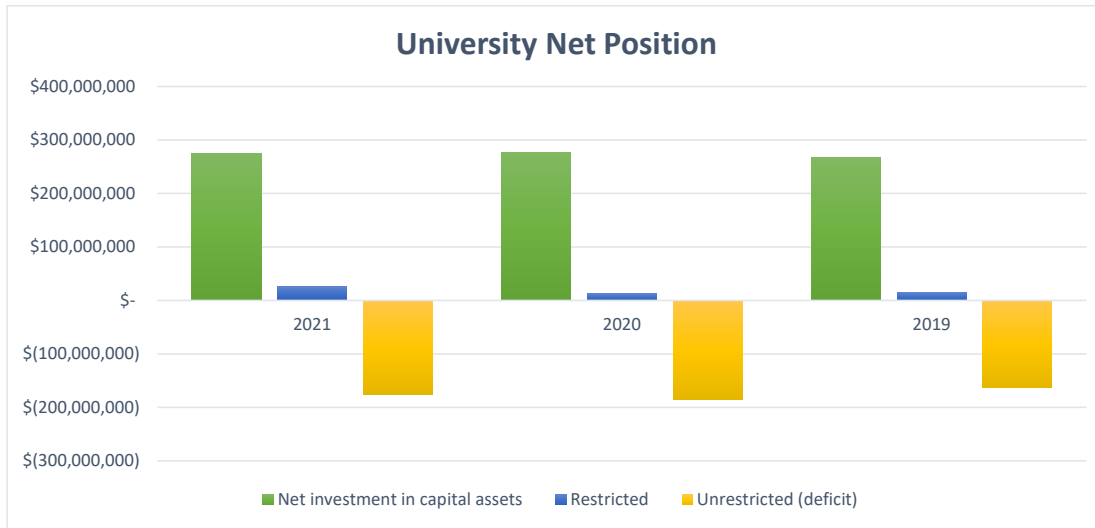
### **Capital Contributions**

Capital contributions consist of items that are typically nonrecurring, extraordinary, or unusual to the University. Examples would be capital gifts, capital appropriations from the state or federal government, and transfers from related entities. Capital contributions amounted to \$1.07 million in 2021 and \$1.7 million in 2020.

**University Net Position**

The University's financial position at June 30, 2021 reflected assets and deferred outflows of \$792.0 million, and liabilities and deferred inflows of \$665.3 million. The University's assets and deferred outflows, and liabilities and deferred inflows both decreased significantly due to the valuation of interest rate swaps and reduced accounts payable as a result of fewer construction projects.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2021, 2020, and 2019.



The University's net pension liability was \$84.4 million, \$83.9 million and \$80.5 million at June 30, 2021, 2020 and 2019, respectively. The University's net OPEB liabilities were \$28.8 million, \$34.9 million and \$29.2 million at June 30, 2021, 2020 and 2019, respectively. The University had a deficit in unrestricted net position of \$168.8 million, \$183.0 million and \$161.9 million at June 30, 2021, 2020 and 2019, respectively. The difference between net investment in capital assets and unrestricted net position of \$7.7 million at June 30, 2021 is restricted for identified future needs including contractual obligations, debt service, student loans, capital outlay and insurance reserves.

**Statement of Cash Flows**

Another way to assess the financial health of the University is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the University during a period. The statement of cash flows also helps users assess:

- The University's ability to generate future net cash flows
- The University's ability to meet obligations as they come due
- The University's need for external financing

	Year Ended June 30		
	2021	2020	2019
<b>Cash Provided by (Used in):</b>			
Operating activities	\$ (141,592,810)	\$ (109,807,229)	\$ (67,731,558)
Noncapital financing activities	147,002,832	129,857,939	113,073,653
Capital and related financing activities	(40,941,010)	(75,978,945)	(77,851,930)
Investing activities	16,087,475	78,184,292	13,569,801
<b>Net Increase (Decrease) in Cash</b>	<u>(19,443,512)</u>	<u>22,256,057</u>	<u>(18,940,034)</u>
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>36,837,292</u>	<u>14,581,235</u>	<u>33,521,269</u>
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 17,393,780</u>	<u>\$ 36,837,292</u>	<u>\$ 14,581,235</u>

For fiscal year 2021, the most significant components of cash flows used in operating activities were tuition and fees, auxiliary activities, and grants and contracts. Net cash used in operating activities was \$141.6 million. To offset this, the net cash provided from noncapital financing activities was \$147.0 million, which consisted primarily of State appropriations and Federal Pell grants. Cash used in capital and related financing activities was mostly stable, and cash from investing activities increased as the University used proceeds from long-term investments to bolster cash reserves.

Cash and cash equivalents decreased by \$19.4 million during fiscal year 2021, primarily to support COVID-19 expenses reimbursed by coronavirus relief grant programs. Cash and cash equivalents will be replenished in fiscal year 2022. For fiscal year 2020, cash and cash equivalents increased by \$22.3 million. Primarily this was due to CARES Act funding from the Department of Education, the University moving funds from long-term investments into cash and cash equivalents, and investment capital used for cash paid to suppliers and employees on construction projects.

### Funding for a Successful Future

Eastern Michigan University ("Eastern") enriches lives in a supportive, intellectually dynamic, and diverse community. Its dedicated faculty balance teaching and research to prepare students with relevant skills and real-world awareness. Eastern is an institution of opportunity where students learn in and beyond the classroom to benefit the local and global communities.

The University's vision is to be a premier public university recognized for student-centered learning, high quality academic programs, and community impact. Eastern's focus remains on investing in its students and faculty, in academic quality, and in maintaining and improving facilities that enhance the learning environment for its approximately 16,000 students.

In December 2020, the Board approved a \$5.1 million capital budget for fiscal year 2022. The budget includes investment for improvements supporting necessary infrastructure improvements in academic, administrative, and auxiliary facilities, campus wide infrastructure improvements, Title IX compliance investments, information technology, safety and asset preservation.

In June 2021, the Board approved a flat tuition charge of \$6,975 for the Fall and Winter semester for undergraduate students taking between 12 and 16 credit hours per semester and a \$580 per credit hour charge for undergraduate students taking below 12 credit hours or above 16 credit hours per semester. With this change in methodology, Eastern will continue to invest in strong and high-demand academic programs while maintaining its commitment to provide students with a high-quality education at an affordable price.

The Board also approved a \$297.0 million general fund operating expenditure budget for fiscal year 2022. The budget reflects a one-time increase of \$3 million in State Appropriations and a 2.7% increase in tuition and fees. The budget also includes projected personnel costs of \$168.8 million, revenue from departmental activities and other sources of \$3.4 million, and University-sponsored financial aid of \$54.8 million.

The University continues to expand on the "EMU Safe" program developed in 2021 to address the best practices for the safe return to campus from COVID-19 restrictions. The University's number one priority is the health, safety and well-being of students, faculty and staff. The University has adjusted its budget and expectations for financial results for fiscal year 2022 taking into account hybrid operations.

Eastern Michigan University's successful future depends on the collective efforts of its stakeholders. These efforts build on a solid foundation of exceptional academic programs that prepare students for real-world experience.

**Statement of Net Position**

	Year Ended June 30	
	2021	2020
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents - unrestricted (Note 2)	\$ 17,393,780	\$ 25,189,397
Accounts receivable, net (Note 3)	29,175,885	16,242,040
Appropriation receivable	14,100,943	5,387,925
Inventories	291,244	336,606
Deposits and prepaid expenses	5,954,634	5,864,842
Accrued interest receivable	2,171,738	2,068,762
Total current assets	<u>69,088,224</u>	<u>55,089,572</u>
Noncurrent Assets:		
Cash and cash equivalents - restricted (Note 2)	-	11,647,895
Student loans receivable, net (Note 3)	3,137,106	3,854,682
Long-term investments - unrestricted (Notes 2 & 4)	21,995,340	20,326,723
Long-term investments - restricted (Notes 2 & 4)	6,134,059	23,363,654
Long-term investments - real estate (Notes 2 & 4)	1,200,000	1,260,000
Capital assets, net (Note 5)	642,676,586	637,016,141
Total noncurrent assets	<u>675,143,091</u>	<u>697,469,095</u>
<b>Total Assets</b>	<b><u>744,231,315</u></b>	<b><u>752,558,667</u></b>
<b>Deferred Outflows</b>	<u>47,808,441</u>	<u>70,140,568</u>
<b>Liabilities</b>		
Current liabilities:		
Current portion of long-term debt (Note 6)	3,974,188	4,060,287
Current portion of interest rate swaps (Note 6)	1,967,204	2,235,606
Accounts payable and accrued liabilities	16,226,116	25,138,864
Accrued payroll	8,693,091	8,511,316
Payroll taxes and accrued fringe benefits	14,774,397	12,852,492
Unearned fees and deposits	20,082,665	25,852,362
Insurance and other claims payable (Note 8)	3,190,483	2,695,081
Total current liabilities	<u>68,908,144</u>	<u>81,346,008</u>
Noncurrent liabilities:		
Accrued compensated absences (Note 7)	1,593,677	1,883,626
Long-term debt (Note 6)	339,217,244	343,191,431
Long-term unearned fees and deposits	14,314,025	15,832,371
Long-term accrued benefits	9,080,953	5,719,320
Interest rate swaps (Note 6)	23,842,911	25,541,713
Fair value of derivative instruments (Note 6)	35,720,585	60,346,344
Net OPEB liabilities (Notes 9 & 10)	28,774,141	34,854,995
Net Pension liability (Note 9)	84,366,879	83,913,363
Federal Perkins	2,885,820	3,937,812
Total noncurrent liabilities	<u>539,796,235</u>	<u>575,220,975</u>
<b>Total Liabilities</b>	<b><u>608,704,379</u></b>	<b><u>656,566,983</u></b>
<b>Deferred Inflows</b>	<u>56,549,037</u>	<u>59,971,836</u>
<b>Net Position</b>		
Net Investment in capital assets	275,446,001	277,454,267
Restricted Grants and Contributions	26,488,565	13,607,326
Unrestricted (deficit)	(175,148,225)	(184,901,177)
<b>Total Net Position</b>	<b><u>\$ 126,786,341</u></b>	<b><u>\$ 106,160,416</u></b>

**Statement of Revenue, Expenses, and Changes in Net Position**

	Year Ended June 30	
	2021	2020
<b>Operating Revenues</b>		
Student tuition and fees	\$ 204,054,275	\$ 218,258,731
Scholarship allowances	(54,703,338)	(55,978,588)
Net student tuition and fees	149,350,937	162,280,143
Federal grants and contracts	8,640,949	9,779,152
Federal financial aid	1,853,989	1,957,622
State grants and contracts	2,814,797	1,525,414
State financial aid	1,225,887	496,046
Nongovernmental grants & contracts	110,436	1,188,574
Departmental activities	4,656,615	4,823,477
Auxiliary activities revenue - net	26,142,729	41,707,989
Other operating	99,978	175,115
<b>Total Operating Revenues</b>	<b>194,896,317</b>	<b>223,933,532</b>
<b>Operating Expenses</b>		
Instruction	104,634,355	107,314,796
Research	6,402,699	8,516,762
Public service	13,490,477	13,003,683
Academic support	34,906,671	29,287,442
Student services	30,754,802	22,866,372
Institutional support	25,294,454	29,908,288
Scholarships and fellowships	27,550,863	32,889,134
Operation and maintenance of plant	26,039,690	28,494,837
Auxiliary activities expenses - net	37,393,453	44,046,869
Depreciation	20,390,238	17,067,008
Other	-	134,137
<b>Total Operating Expenses</b>	<b>326,857,702</b>	<b>333,529,328</b>
<b>Operating Loss</b>	<b>(131,961,385)</b>	<b>(109,595,796)</b>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	78,648,627	69,697,392
Gifts	10,297,434	8,753,703
Investment income (loss)	5,463,457	(6,788,555)
Interest expense	(8,778,175)	(9,187,966)
Pell grants	20,999,461	26,328,047
Other non operating	498,399	2,137,709
Coronavirus federal grants and aid	44,369,399	2,759,180
Gain (loss) on sale of assets	17,167	24,888
<b>Total Non-Operating Revenues (Expenses)</b>	<b>151,515,769</b>	<b>93,724,398</b>
<b>Capital Contributions</b>		
State capital appropriations	-	639,599
Capital gifts	1,071,541	1,071,541
<b>Total Capital Contributions</b>	<b>1,071,541</b>	<b>1,711,140</b>
(Decrease) Increase in net position	20,625,925	(14,160,258)
<b>Net Position - Beginning of Year</b>	<b>106,160,416</b>	<b>120,320,674</b>
<b>Net Position - End of Year</b>	<b>\$ 126,786,341</b>	<b>\$ 106,160,416</b>



**Statement Cash Flows**

	Year Ended June 30	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Cash received from students for tuition and fees	\$ 204,668,355	\$ 219,177,612
Cash received from auxiliary activities	30,456,187	50,528,268
Cash (paid to) received from other sources	(8,177,251)	6,791,009
Grants and contracts	11,566,182	12,493,141
Student loans granted - net of repayments	(1,051,992)	(1,605,432)
Scholarship allowances	(59,016,796)	(63,635,696)
Cash paid to suppliers and employees	(236,942,150)	(249,756,185)
Cash paid for financial aid	(83,095,345)	(83,799,946)
Federal direct lending receipts	87,015,111	102,931,365
Federal direct lending disbursements	(87,015,111)	(102,931,365)
Net cash from operating activities	<u>(141,592,810)</u>	<u>(109,807,229)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash received from State appropriations	69,935,609	78,305,698
Federal Pell grants	20,999,461	26,328,047
Gifts received from EMU Foundation	11,698,363	10,817,119
Cash received from Coronavirus federal grants and aid	44,369,399	14,407,075
Net cash from noncapital financing activities	<u>147,002,832</u>	<u>129,857,939</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal payments under debt obligations	(4,060,286)	(4,567,832)
Cash received from State Building Authority	-	1,265,618
Interest paid	(10,847,209)	(11,095,682)
Purchases of Capital Assets	(26,033,515)	(61,581,049)
Net cash from capital and related financing activities	<u>(40,941,010)</u>	<u>(75,978,945)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(25,842,248)	(54,798,449)
Proceeds from sales and maturities of investments	39,597,849	130,198,039
Interest received	2,331,875	2,784,702
Net cash from investing activities	<u>16,087,475</u>	<u>78,184,292</u>
Net increase (decrease) in cash and cash equivalents	(19,443,512)	22,256,057
<b>Cash and Cash Equivalents - Beginning of year</b>	36,837,292	14,581,235
<b>Cash and Cash Equivalents - End of year</b>	<u><u>\$ 17,393,780</u></u>	<u><u>\$ 36,837,292</u></u>
<b>Supplemental Disclosure of Noncash Items</b>		
Disposal of capital assets, net of depreciation	\$ 6,034,085	\$ 5,103
Capital gifts received in-kind	\$ 1,136,787	\$ 109,079

**Statement Cash Flows**

	Year Ended June 30	
	2021	2020
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (131,961,385)	\$ (109,595,796)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	20,390,238	17,067,008
Changes in assets and liabilities:		
Accounts receivable - Net	(12,933,845)	1,792,418
Inventories	45,362	712,486
Deposits and prepaid expenses	(89,792)	(1,503,523)
Student loans receivable	(334,416)	(686,550)
Accounts payable and accrued liabilities	(8,912,748)	(13,813,963)
Accrued payroll	181,775	(549,703)
Payroll taxes and accrued fringe benefits	5,283,538	(1,435,229)
Unearned fees and deposits	(7,288,043)	(1,096,580)
Net pension liability	(6,080,854)	5,638,315
Net OPEB liability	453,516	3,407,447
Deferred resources - Pension	(1,473,374)	(1,128,924)
Deferred resources - OPEB	921,765	(8,009,233)
Insurance and other claims payable	495,402	(544,470)
Accrued compensated absences	(289,949)	(60,932)
Total change in assets and liabilities	<u>(30,021,663)</u>	<u>(17,278,441)</u>
Net cash from operating activities	<u>\$ (141,592,810)</u>	<u>\$ (109,807,229)</u>

## Eastern Michigan University Foundation

### Balance Sheet

	Year Ended June 30	
	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 3,708,673	\$ 5,776,361
Investments	93,668,692	73,210,071
Contributions receivable	2,616,418	2,219,278
Other Assets	185,013	155,863
Investments held under split-interest agreements	859,607	748,514
Property and equipment - Net	39,192	35,532
<b>Total Assets</b>	<b>\$ 101,077,595</b>	<b>\$ 82,145,619</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,035,466	\$ 466,642
Split-interest obligations	581,478	539,277
<b>Total Liabilities</b>	<b>1,616,944</b>	<b>1,005,919</b>
<b>Net Assets</b>		
Net assets without donor restrictions	1,021,497	1,000,033
Net assets with donor restrictions	98,439,154	80,139,667
<b>Total Net Assets</b>	<b>99,460,651</b>	<b>81,139,700</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 101,077,595</b>	<b>\$ 82,145,619</b>

## Eastern Michigan University Foundation

### Statement of Activities and Changes in Net Assets

	Year Ended June 30	
	2021	2020
<b>Revenue, Gains and Other Support</b>		
Contributions	\$ 12,006,219	\$ 11,783,623
Investment income	238,790	211,878
Net realized and unrealized gains (losses)	17,853,696	(1,441,049)
Support from EMU	1,278,567	1,951,749
Other revenue	6,688	11,704
<b>Total revenue, gains and other support</b>	<b>31,383,960</b>	<b>12,517,905</b>
<b>Expenses</b>		
Contributions to EMU:		
Expendable contributions	8,349,341	6,558,210
Contributions from endowment income	1,923,610	2,027,832
General and administrative - Foundation management	506,245	455,575
Fundraising	2,388,018	2,898,069
<b>Total Operating Expenses</b>	<b>13,167,214</b>	<b>11,939,686</b>
<b>(Decrease) Increase in Net Assets Before Other Changes in Net Assets</b>	18,216,746	578,219
<b>Other Changes in Net Assets</b>		
Funds transferred from EMU	217,827	97,872
Change in value of split-interest agreements	(113,622)	(21,165)
<b>Increase in Net Assets</b>	<b>18,320,951</b>	<b>654,926</b>
<b>Net Assets - Beginning of Year</b>	<b>81,139,700</b>	<b>80,484,774</b>
<b>Net Assets - End of Year</b>	<b>\$ 99,460,651</b>	<b>\$ 81,139,700</b>

**Statement Cash Flows**

	Year Ended June 30	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 18,320,951	\$ 654,926
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	15,020	16,007
Net realized and unrealized (gain) loss on investments	(17,853,696)	1,441,052
Change in cash surrender value of life insurance	(29,822)	56,167
Change in value of split-interest agreements	113,622	21,165
Contributions restricted for long-term purposes	(2,829,153)	(2,293,205)
Changes in assets and liabilities that (used) provided cash and cash equivalents:		
Contributions receivable	(397,140)	(580,330)
Accounts receivable	672	4,429
Accounts payable	568,824	(37,773)
Net cash and cash equivalents from operating activities	<u>(2,090,722)</u>	<u>(717,562)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(18,680)	(7,317)
Purchases of investments	(47,021,172)	(21,135,415)
Proceeds from the sale and maturities of investments	44,305,154	23,275,294
Net cash and cash equivalents (used in) provided by investing activities	<u>(2,734,698)</u>	<u>2,132,562</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from new split-interest agreements	-	293,880
Payments on split-interest agreements	(71,421)	(95,517)
Proceeds from contributions restricted for long-term purposes	2,829,153	2,293,205
Net cash and cash equivalents provided by financing activities	<u>2,757,732</u>	<u>2,491,568</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(2,067,688)	3,906,568
<b>Cash and Cash Equivalents - Beginning of year</b>	5,776,361	1,869,793
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 3,708,673</u>	<u>\$ 5,776,361</u>

**Footnote 1 - Basis of Presentation and Significant Accounting Policies**

**University** - The University is an institution of higher education located in Ypsilanti, Michigan, and is considered to be a component unit of the State of Michigan (the "State") because its Board of Regents is appointed by the Governor of the State of Michigan. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various state agencies, and payments to state retirement programs for the benefit of University employees.

**Basis of Presentation**

The financial statements of Eastern Michigan University (the "University") have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The University reports as a special purpose government engaged primarily in business type activities (BTA), as defined by the GASB using the economic resources measurement focus, on the accrual basis. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

The University follows the "business-type" activities reporting requirements of GASB Statement No. 34. GASB 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following categories:

- **Net Investment in Capital Assets** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement in those assets.
- **Restricted, expendable** - Net position subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
- **Unrestricted** - Net position not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents (the "Board") or may otherwise be limited by contractual agreements with outside parties. The University has committed the unrestricted net position to provide for identified future needs, such as debt service, contractual obligations, capital outlay, academic programming, and postemployment benefits.

These statements have also been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity GASB Statement No. 61, *Financial Reporting Entity: Omnibus*. These criteria include significant operational or financial relationships with the University. Based on application of the criteria, the University has one component unit.

**Component Unit of the University** - The Eastern Michigan University Foundation financial statements are discretely presented as part of the University's reporting entity. These statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). The officers of Eastern Michigan University Foundation include certain University administrative officials and the University has controlling interest in the Foundation's board.

The Internal Revenue Service has determined that the Foundation is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

**Footnote 1 - Basis of Presentation and Significant Accounting Policies (continued)**

The Eastern Michigan University Foundation exists for the sole purpose of soliciting, collecting, and investing donations for the benefit of Eastern Michigan University. No modifications have been made to the Foundation financial statements included in the University's financial report. A complete copy of the audited financial statements of Eastern Michigan University Foundation is available at the Foundation offices located on the campus of the University.

**Summary of Significant Accounting Policies**

**Cash and Investments** - The University invests substantially all of its cash in interest-bearing instruments. Investments are reported at fair value, based on quoted market prices, with changes in fair value reported as investment income in the statement of revenue, expenses, and changes in net position. Cash equivalents consist of highly liquid investments with an original maturity of three months or less.

**Inventories** - Inventories consist primarily of supplies and natural gas and are stated at the lower of cost or market with cost determined by the retail method.

**Capital Assets** - Capital assets are stated at cost if purchased or at acquisition value at the date of the gift for donated property. Physical properties, with the exception of land, are depreciated on the straight-line method over the estimated useful service lives of the respective assets. Estimated service lives are as follows:

Leasehold improvements	12 to 20 years
Buildings	40 to 60 years
Equipment	5 to 10 years
Library Holdings	5 to 10 years

**Unearned Fees and Deposits** - Unearned fees and deposits primarily include unearned tuition and fee revenue for future semesters, exclusivity contract unearned revenue, and agency balances held in custody for others. For fiscal year 2020, unearned fees and deposits included \$11,647,895 of CARES act funding received but not yet earned. There were no unearned fees and deposits related to Coronavirus federal grants and aid for fiscal year 2021.

**Interest Rate Swaps** – The fair value of interest rate swaps deemed liabilities as of the date of termination of the related debt have been recorded as a liability that is being amortized over the life of the swap contracts using the effective interest method. Amortization for the years ended June 30, 2021 and 2020 was \$2,176,024 and \$2,271,958, respectively, and is recorded as a reduction to interest expense.

**Accrued Compensated Absences** - Accrued compensated absences are comprised of the portion of unused sick leave accrued as of June 30 but not expected to be paid within one year. The portion of sick leave expected to be paid within one year and all accrued vacation leave are included in accrued payroll, taxes, and fringe benefits.

**Deferred Outflows** – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows consist of accumulated changes in the fair value of hedging derivative instruments, pension, and OPEB obligations described in Note 6 and Note 9, respectively. Deferred outflows also include the deferred gain or loss on refunding of debt and interest rate swaps.

**Footnote 1 - Basis of Presentation and Significant Accounting Policies (continued)**

**Deferred Inflows** – In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows for funding received through state appropriations for contributions to the MPSERS pension and OPEB plan after the measurement date and for other deferrals related to the pension plan as described in Note 9. The University also reports deferred inflows for the deferred gain on refunding of interest rate swaps, and a deferred inflow for the parking money received that is attributable to future periods.

The University's deferred outflows/inflows for the year ended June 30, 2021 were:

	Deferred outflows	Deferred inflows
<i>MPSERS pension plan</i>		
Contributions subsequent to measurement date	\$ 5,315,871	\$ -
Deferred Section 264 state aid payments	-	1,297,944
<i>MPSERS OPEB plan</i>		
Changes in assumptions	108,730	-
Differences between expected and actual experience	25,499	-
Net difference between projected and actual earnings	-	143,636
Changes in proportionate share of contributions	1,150,749	-
<i>Single employer OPEB plan</i>		
Changes in assumptions	2,456,762	-
Differences between expected and actual experience	3,526,139	47,000
Deferred loss on refunding of debt	1,847,503	-
Deferred gain/loss on refunding of interest rate swaps	33,377,188	5,067,203
Unamortized proceeds from parking service agreement	-	49,993,254
	<u>\$ 47,808,441</u>	<u>\$ 56,549,037</u>



**Footnote 1 - Basis of Presentation and Significant Accounting Policies (continued)**

The University's deferred outflows/inflows for the year ended June 30, 2020 were:

	Deferred outflows	Deferred inflows
<i>MPSERS pension plan</i>		
Contributions subsequent to measurement date	\$ 4,691,691	\$ -
Deferred Section 264 state aid payments	-	628,466
Net difference between projected and actual earnings	-	1,518,672
<i>MPSERS OPEB plan</i>		
Contributions subsequent to measurement date	1,172,623	-
Changes in assumptions	282,775	-
Differences between expected and actual experience	-	703,451
Net difference between projected and actual earnings	-	350,956
Changes in proportionate share of contributions	2,831	2,484
<i>Single employer OPEB plan</i>		
Changes in assumptions	3,143,063	-
Differences between expected and actual experience	4,533,608	79,000
Deferred loss on refunding of debt	1,958,353	-
Deferred gain/loss on refunding of interest rate swaps	-	4,728,874
Effective interest rate swaps FMV	54,355,624	395,250
Unamortized proceeds from parking service agreement	-	51,564,683
	<u>\$ 70,140,568</u>	<u>\$ 59,971,836</u>

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

**Other Postemployment Benefit Costs** – For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPSERS and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. For the University's single employer OPEB plan, deferred outflows and inflows of resources, and the net OPEB liability for the plan were determined based on the report prepared by the University's actuary. There are no assets held in trust for the plan, and expense is recognized in accordance with full accrual accounting.

**Footnote 1 - Basis of Presentation and Significant Accounting Policies (continued)**

**Use of estimates** - The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Auxiliary Activities** - Auxiliary activities consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>		
Auxiliary activities; gross	\$ 30,540,237	\$ 48,119,290
Less: Internal sales	(84,050)	(1,219,702)
Less: Scholarship allowances	(4,313,458)	(5,191,599)
<b>Auxiliary activities revenue - net</b>	<u>\$ 26,142,729</u>	<u>\$ 41,707,989</u>
	<u>2021</u>	<u>2020</u>
<b>Operating Expenses:</b>		
Auxiliary activities; gross	\$ 41,790,960	\$ 52,923,679
Less: Internal sales	(84,050)	(1,219,702)
Less: Scholarship allowances	(4,313,458)	(5,191,599)
<b>Auxiliary activities expenses - net</b>	<u>\$ 37,393,453</u>	<u>\$ 46,512,378</u>

In fiscal year 2020 the University's internal sales eliminations increased significantly over the prior year due to a new reporting structure for internal sales between departments related to the University's Event Management department. Internally generated events revenue is now classified as internal revenue and expense.

**Operating and Nonoperating Revenues** - The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues due to their non-exchange nature, which include state appropriations and investment income. Restricted and unrestricted resources are spent and tracked within donor guidelines, if any, by the awarded University department. Federal Pell grant revenue is also classified as nonoperating. The amounts received for 2021 and 2020 are \$21 million and \$26.3 million, respectively.

**Income Taxes** - The University is a part of the State of Michigan for purposes of Internal Revenue Code Section 115, and is an organization as described in Internal Revenue Code Section 501(c)(3). The University's income generally is exempt from federal income taxes, although income from certain activities may be subject to taxation as unrelated business income. Any component units are also exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code for activities related to their exempt purposes.

**Footnote 1 - Basis of Presentation and Significant Accounting Policies (continued)**

**COVID-19 Impact:** On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions to reduce physical human interactions, including the temporary suspension of community events and other activities, broad travel restrictions, and the temporary closing of many businesses. Throughout 2021 and 2020, the University has also taken measures in response to the pandemic including transitioning instruction to remote learning to the fullest extent possible, limiting on-campus residence, eliminating all non-essential travel, and cancelling or postponing athletic and performing arts events, all of which have resulted in lost revenues for the University for the years ended June 30, 2021 and 2020. To offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19, the University received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA). The University was allocated Higher Education Emergency Relief Fund (HEERF) grants totaling approximately \$77 million, of which a portion was required to be given directly to students. The University also received Coronavirus Relief Funds from the State of Michigan totaling approximately \$8.6 million to spend on necessary expenditures incurred due to the public health emergency with respect to COVID-19. For the years ended June 30, 2021 and 2020 the University recognized grant revenue totaling approximately \$44.3 million and \$2.7 million, respectively, under these programs. In addition, the University also received other emergency relief under the CARES Act through the Strengthening Institutions Program totaling approximately \$1.6 million and also elected to utilize payroll tax deferrals as allowed under the CARES Act. The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations or cash flows will depend on a number of factors, including but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the University's community, all of which are uncertain and cannot be predicted.

**GASB Pronouncements Adopted**

Effective for the fiscal year ended June 30, 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*, ("GASB 84"). This statement establishes criteria for identifying fiduciary activities and the related reporting requirements for fiduciary activities. GASB 84 permits certain entities, such as the University, to report activities that would otherwise require separate fiduciary fund financial statements within the University's Statement of Net Position and Statement of Cash Flows as an operating activity if upon receipt, the funds are normally expected to be held for three months or less. These fiduciary activities were reclassified to the operating activities portion of the Statement of Cash Flows at June 30, 2021 and 2020, respectively.

During the current year, the University adopted GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Certain requirements of the new standard were applicable for June 30, 2021, however these requirements were not applicable to the University during the year.

**Upcoming GASB Statements**

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the University's fiscal year ending June 30, 2021 were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

**Footnote 1 - Basis of Presentation and Significant Accounting Policies (concluded)**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the University's fiscal year ending June 30, 2021 were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the University's fiscal year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's fiscal year ending June 30, 2023.

**Footnote 2 - Cash and Investments**

The University utilizes the pooled cash method of accounting for substantially all of its cash and cash equivalents. The University's investment policy, as set forth by the Board, authorizes investment in securities of the U.S. Treasury and agencies, corporate bonds and notes, commercial paper, time savings deposits, Eurodollars and certain external mutual funds, separately managed funds and other pooled funds. Restricted cash and investments represent unspent bond proceeds utilized for capital projects and unearned proceeds from Coronavirus federal grants and aid. The University's investment objective is to preserve investment principal while deriving a reasonable return consistent with the prevailing market and economic conditions. Investment decisions are based on specific guidelines which incorporate quality, safety, diversity, and liquidity of funds.

Cash and investments consisted of the following as of June 30, 2021:

	Fair Market Value	Less than 1 year	1-5 Years	6-10 Years
<b>Cash and cash equivalents:</b>				
Unrestricted:				
Time deposits	\$ 17,393,780	\$ 17,393,780	\$ -	\$ -
<b>Total unrestricted cash and cash equivalents</b>	<u>17,393,780</u>	<u>17,393,780</u>	<u>-</u>	<u>-</u>
<b>Long-term investments:</b>				
Unrestricted:				
Trust cash equivalents	11,212,112	11,212,112	-	-
Government bonds	99,668	-	99,668	-
Alternative investments - equity funds	3,186,956	3,186,956	-	-
Mutual funds - balanced	574,250	574,250	-	-
Mutual funds - fixed income	3,273,269	400,138	-	2,873,131
Exchange traded equity funds	3,649,085	3,649,085	-	-
Real estate	1,200,000	-	1,200,000	-
<b>Total long-term unrestricted investments</b>	<u>23,195,340</u>	<u>19,022,541</u>	<u>1,299,668</u>	<u>2,873,131</u>
Restricted:				
Trust cash equivalents	6,134,059	6,134,059	-	-
<b>Total long-term restricted investments</b>	<u>6,134,059</u>	<u>6,134,059</u>	<u>-</u>	<u>-</u>
<b>Total Cash and Investments</b>	<u>\$ 46,723,179</u>	<u>\$ 42,550,380</u>	<u>\$ 1,299,668</u>	<u>\$ 2,873,131</u>

**Footnote 2 - Cash and Investments (continued)**

Cash and investments consisted of the following as of June 30, 2020:

	Fair Market Value	Less than 1 year	1-5 Years	6-10 Years
<b>Cash and cash equivalents:</b>				
Unrestricted:				
Time deposits	\$ 25,189,397	\$ 25,189,397	\$ -	\$ -
<b>Total unrestricted cash and cash equivalents</b>	<u>25,189,397</u>	<u>25,189,397</u>	<u>-</u>	<u>-</u>
<b>Long-term investments:</b>				
Unrestricted:				
Trust cash equivalents	12,433,950	12,433,950	-	-
Government bonds	99,490	-	99,490	-
Alternative investments - equity funds	2,290,732	2,290,732	-	-
Mutual funds - balanced	704,440	704,440	-	-
Mutual funds - fixed income	2,612,013	-	-	2,612,013
Exchange traded equity funds	2,186,098	2,186,098	-	-
Real estate	1,260,000	-	1,260,000	-
<b>Total long-term unrestricted investments</b>	<u>21,586,723</u>	<u>17,615,220</u>	<u>1,359,490</u>	<u>2,612,013</u>
Restricted:				
Trust cash equivalents	1,524,970	1,524,970	-	-
Restricted cash & cash equivalents	11,647,895	11,647,895	-	-
Certificates of deposit	1,407,492	1,407,492	-	-
Treasury notes	11,360,369	11,360,369	-	-
Government bonds	9,070,823	9,070,823	-	-
<b>Total long-term restricted investments</b>	<u>35,011,549</u>	<u>35,011,549</u>	<u>-</u>	<u>-</u>
<b>Total Cash and Investments</b>	<u>\$ 81,787,669</u>	<u>\$ 77,816,166</u>	<u>\$ 1,359,490</u>	<u>\$ 2,612,013</u>

**Footnote 2 - Cash and Investments (continued)**

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses due to rising interest rates, the University's operating investment policy provides for a diversified portfolio comprised of short, intermediate, and long-term investments. Short-term investments are restricted to at least 50% of the portfolio in U.S. Government Securities and/or U.S. Government Agency issues. The asset allocation, as a percentage of the total market value of the investment pool, is targeted as follows:

Asset Class	Permissible Range %
<b>Total Equity</b>	<b>20% - 60%</b>
<b>Fixed Income:</b>	<b>20% - 80%</b>
High Quality	0% - 80%
Return Seeking	0% - 50%
<b>Global Asset Allocation / Risk Parity</b>	<b>0% - 25%</b>
<b>Alternatives:</b>	<b>0% - 25%</b>
Hedge Funds	0% - 20%
Real Assets	0% - 15%

The University is also exposed to risk indirectly since its mutual fund investees hold investments such as futures, options, and collateralized mortgage obligations (generally referred to as "derivatives"). This risk is considered to be minimal.

**Credit Risk** - Investment policies for cash and investments as set forth by the Board shall be to preserve investment principal while deriving a reasonable return consistent with the prevailing market and economic conditions. The weighted average credit quality is restricted to be no less than "AAA" (or its equivalent rating by two national rating agencies) for the short-term investment pool. There is no credit quality restriction for the long-term investment pool. At June 30, 2021 and 2020, the University's debt instruments (subject to fluctuations in interest rates) and related ratings consisted of the following:

	2021		2020	
	Market Value	S&P Rating	Market Value	S&P Rating
<b>Bond Mutual Funds:</b>				
Mutual funds - fixed income	3,273,269	N/A	2,612,013	N/A
U.S. Government agency bonds				
Federal Farm Credit Agency	-		3,035,381	AA+
Federal Home Loan Banks	-		3,019,299	AA+
Federal Natl Management Assoc	-		3,016,143	AA+
United States Treasury	99,668	N/A	99,490	N/A
Tennessee Valley Authority	-		2,002,207	AA+
<b>Total</b>	\$ 3,372,937		\$ 13,784,533	

**Footnote 2 - Cash and Investments (continued)**

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the University will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The University's cash investment policy does not limit the value of deposits or investments that may be held by an outside party. Investments in external investment pools and in open-ended mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. All cash and cash equivalents are held in the University's name as of June 30, 2021 and 2020. As of June 30, 2021, the report bank balance in depository accounts was \$18,003,843. Of these balances, \$507,415 was covered by federal depository insurance and \$17,496,428 was uninsured and uncollateralized. As of June 30, 2020, the report bank balance in depository accounts was \$37,873,988. Of these balances, \$1,907,342 was covered by federal depository insurance and \$35,966,646 was uninsured and uncollateralized.

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy provides that investments will be diversified within equity and fixed income securities as well as alternative investments so as to provide a balance that will enhance total return while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and of the factors that may influence them.

The following investments comprise more than 5% of the total investments portfolio as of June 30, 2021 and 2020:

**June 30, 2021:**

Northern Inst U.S. Govt Fund	\$ 17,346,172
Baird	1,921,241
SEG Baxter	2,301,953
Vanguard Index Participation Equities	3,649,085
	<u>\$ 25,218,450</u>

**June 30, 2020:**

Northern Inst U.S. Govt Fund	\$ 13,958,920
Federal Farm Credit Agency	3,035,381
Federal Home Loan Banks	3,019,299
Federal Natl Mtg Assn	3,016,144
United States Treasury	11,459,859
Vanguard Index Participation Equities	2,186,098
	<u>\$ 36,675,701</u>

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2021 and 2020, the University had \$3,248,297 and \$2,290,732, respectively, invested in mutual funds that have funds invested in various countries throughout the world and, therefore, exposes the University to foreign currency risk indirectly. The University did not have any direct investments or deposits denominated in foreign currencies at June 30, 2021 and 2020.



**Footnote 2 - Cash and Investments (concluded)**

Investments at the Eastern Michigan University Foundation are as follows:

	<u>2021</u>	<u>2020</u>
Corporate stocks	\$ 106,347	\$ 108,477
Certificates of deposit (long-term)	400,000	350,000
Real estate	667,334	667,334
Mutual funds	16,624,664	19,812,192
Commingled funds - equity	31,093,404	20,754,341
Commingled funds - fixed income	18,856,590	6,827,586
Commingled funds - balanced	-	2,930,503
Commingled funds - real assets	7,830,135	6,441,891
Hedge funds	8,968,695	8,227,274
Private equity funds	9,981,130	7,838,987
<b>Total</b>	<u>\$ 94,528,299</u>	<u>\$ 73,958,585</u>

Net gains/losses from security transactions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Investment income:		
Dividend and interest income	\$ 708,766	\$ 581,465
Unrealized gain (loss)	14,117,535	60,834
Realized gain (loss)	3,736,161	(1,501,886)
Investment fees	(469,976)	(369,587)
<b>Total investment income</b>	<u>\$ 18,092,486</u>	<u>\$ (1,229,174)</u>

**Footnote 3 - Receivables**

University accounts receivable consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Sponsor accounts	\$ 16,017,648	\$ 3,263,518
Student accounts	5,766,946	4,953,755
Charter school appropriations	5,133,581	5,896,284
Third party tuition	589,263	1,025,729
Other	3,187,475	2,745,343
Subtotal	<u>30,694,913</u>	<u>17,884,629</u>
Less: Allowances for uncollectibles	<u>(1,519,028)</u>	<u>(1,642,589)</u>
<b>Accounts receivable - net</b>	<u><u>\$ 29,175,885</u></u>	<u><u>\$ 16,242,040</u></u>

University student loans receivable consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Student loans receivable	\$ 3,701,816	\$ 4,491,427
Less: allowance for uncollectibles	<u>(564,710)</u>	<u>(636,745)</u>
<b>Student loans receivable - net</b>	<u><u>\$ 3,137,106</u></u>	<u><u>\$ 3,854,682</u></u>

Included in contributions receivable for the Foundation are the following unconditional promises to give at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<b>Contributions receivable:</b>		
Gross contributions promised	\$ 3,115,439	\$ 2,856,686
Less: allowance for uncollectibles	<u>(467,316)</u>	<u>(571,337)</u>
Subtotal	2,648,123	2,285,349
Less: unamortized discount	<u>(31,705)</u>	<u>(66,071)</u>
<b>Net unconditional promises to give:</b>	<u><u>2,616,418</u></u>	<u><u>2,219,278</u></u>
	<u>2021</u>	<u>2020</u>
<b>Amounts due in:</b>		
Less than one year	\$ 1,308,280	\$ 1,245,382
One to five years	1,183,940	932,085
More than five years	<u>623,219</u>	<u>679,219</u>
<b>Total:</b>	<u><u>3,115,439</u></u>	<u><u>2,856,686</u></u>

Subsequent to year end in July 2020, the State of Michigan passed Public Act 146 of 2020 that replaced the August 2020 and part of the July 2020 appropriation payments with Coronavirus Relief Funds that the State had received from the federal government. Due to the timing of the Act and eligibility requirements of the funding, \$8,658,200 in appropriations originally appropriated for fiscal year 2020 was recognized as revenue during the fiscal year ending June 30, 2021, which also reduced the State Appropriations Receivable as of June 30, 2020.

**Footnote 4 - Fair Value Measurements**

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The University had the following recurring fair value measurements as of June 30, 2021:

	Balance at June 30, 2021	Fair Market Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments by fair value level:</b>				
Cash and cash equivalents				
Trust cash equivalents	17,346,171	17,346,171	-	-
Debt securities				
Exchange traded fund - Fixed	398,587	398,587	-	-
Government bonds	99,668	-	99,668	-
Mutual funds - fixed [B]	3,273,269	3,273,269	-	-
Real estate funds				
Real estate [G]	1,200,000	-	-	1,200,000
Equity securities [A]				
Mutual funds - Balanced	574,250	574,250	-	-
Exchange traded equity funds	3,250,498	3,250,498	-	-
Total investments by fair value level	<u>26,142,443</u>	<u>24,842,776</u>	<u>99,668</u>	<u>1,200,000</u>
<b>Investments measured at the net asset value (NAV)</b>				
Equity funds [A]	3,186,956			
<b>Total investments     measured at fair value</b>	<u>\$ 29,329,399</u>			
<b>Investment derivative instruments</b>				
Fair value of derivative instruments [F]	\$ (35,720,585)		\$ (35,720,585)	

**Footnote 4 - Fair Value Measurements (continued)**

The University had the following recurring fair value measurements as of June 30, 2020:

	Balance at June 30, 2020	Fair Market Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments by fair value level:</b>				
Cash and cash equivalents				
Certificates of deposit	\$ 1,407,492	\$ -	\$ 1,407,492	\$ -
Trust cash equivalents	13,958,920	13,958,920	-	-
Debt securities				
U.S. Treasury securities	11,360,369	-	11,360,369	-
Government bonds	9,170,313	-	9,170,313	-
Mutual funds - fixed [B]	2,612,013	2,612,013	-	-
Real estate funds				
Real estate [G]	1,260,000	-	-	1,260,000
Equity securities [A]				
Mutual funds - Balanced	704,440	704,440	-	-
Exchange traded equity funds	2,186,098	2,186,098	-	-
Total investments by fair value level	<u>42,659,645</u>	<u>19,461,471</u>	<u>21,938,174</u>	<u>1,260,000</u>
<b>Investments measured at the net asset value (NAV)</b>				
Equity funds [A]	2,290,732			
<b>Total investments     measured at fair value</b>	<u>\$ 44,950,377</u>			
<b>Investment derivative instruments</b>				
Fair value of derivative instruments [F]	\$ (60,346,344)		\$ (60,346,344)	

**Footnote 4 - Fair Value Measurements (continued)**

The Foundation had the following recurring fair value measurements as of June 30, 2021:

	Balance at June 30, 2021	Fair Market Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments by fair value level:</b>				
Investments - Including investments held under split-interest agreements				
Certificates of Deposit (long term)	\$ 400,000	\$ 400,000	\$ -	\$ -
Corporate stock securities	106,347	106,347	-	-
Mutual funds - Fixed income	3,739,003	3,739,003	-	-
Mutual funds - Equity	8,233,482	8,233,482	-	-
Mutual funds - Balanced	4,652,179	4,652,179	-	-
Beneficial investment in charitable lead trust	935,719			935,719
Total investments by fair value level	<u>18,066,730</u>	<u>17,131,011</u>	<u>-</u>	<u>935,719</u>
<b>Investments measured at the net asset value (NAV)</b>				
Commingled equity funds [A]	31,093,404			
Commingled fixed income [B]	18,856,590			
Commingled balanced fund [C]	-			
Commingled real assets [H]	7,830,135			
Hedge fund of funds [D]	8,968,695			
Private equity of funds [E]	9,981,130			
Total investments measured at Net Asset Value	<u>76,729,954</u>			
<b>Total investments measured at fair value</b>	<u>\$ 94,796,684</u>			

**Footnote 4 - Fair Value Measurements (continued)**

The Foundation had the following recurring fair value measurements as of June 30, 2020:

	Balance at June 30, 2020	Fair Market Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments by fair value level:</b>				
Investments - Including investments held under split-interest agreements				
Certificates of Deposit (long term)	\$ 350,000	\$ 350,000	\$ -	\$ -
Corporate stock securities	108,477	108,477	-	-
Mutual funds - Fixed income	10,349,597	10,349,597	-	-
Mutual funds - Equity	5,352,510	5,352,510	-	-
Mutual funds - Balanced	4,110,085	4,110,085	-	-
Beneficial investment in charitable lead trust	985,718			985,718
Total investments by fair value level	<u>21,256,387</u>	<u>20,270,669</u>	<u>-</u>	<u>985,718</u>
<b>Investments measured at the net asset value (NAV)</b>				
Commingled equity funds [A]	20,754,341			
Commingled fixed income [B]	6,827,586			
Commingled balanced fund [C]	2,930,503			
Commingled real assets [H]	6,441,891			
Hedge fund of funds [D]	8,227,274			
Private equity of funds [E]	7,838,987			
Total investments measured at Net Asset Value	<u>53,020,582</u>			
<b>Total investments measured at fair value</b>	<u>\$ 74,276,969</u>			

**Footnote 4 - Fair Value Measurements (continued)**

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

The fair value of U.S. Treasury Securities at June 30, 2021 and 2020 was determined primarily based on level 2 inputs. The University estimates the fair value of these using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

**Investments in Entities that Calculate Net Asset Value per Share**

The University holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

**University Investments Held at the Net Asset Value as of June 30, 2021**

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Equity funds [A]	\$ 3,186,956	\$ -	Daily	30 days

**University Investments Held at the Net Asset Value as of June 30, 2020**

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Equity funds [A]	\$ 2,290,732	\$ -	Daily	30 days

**Footnote 4 - Fair Value Measurements (continued)**

**Foundation Investments Held at the Net Asset Value as of June 30, 2021**

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equity funds [A]	\$ 31,093,404	\$ -	Daily, Weekly, Monthly	2-30 days
Fixed-income funds [B]	18,856,590	-	Daily	2-3 days
Hedge fund of funds [D]	8,968,695	-	Monthly, Quarterly	30-90 days
Real assets funds [H]	7,830,135	1,574,407	Daily	2 days
Opportunistic/Private Equity [E]	9,981,130	5,175,022	N/A	N/A
<b>Total</b>	<u>\$ 76,729,954</u>	<u>\$ 6,749,429</u>		

**Foundation Investments Held at the Net Asset Value as of June 30, 2020**

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equity funds [A]	\$ 20,754,341	\$ -	Daily	2-30 days
Fixed-income funds [B]	6,827,586	-	Daily	3 days
Balanced funds [C]	2,930,503	-	Monthly	30 days
Hedge fund of funds [D]	8,227,274	-	Quarterly	30-90 days
Real assets funds [H]	6,441,891	2,593,809	Daily, Monthly	2 days
Opportunistic/Private Equity [E]	7,838,987	4,363,140	N/A	N/A
<b>Total</b>	<u>\$ 53,020,582</u>	<u>\$ 6,956,949</u>		

**Description of Asset Classes for Fair Value Measurement**

- [A] Equity funds invest in publicly traded securities listed in domestic, international, and/or emerging markets. This segment of the portfolio is intended to provide global growth exposure. Investments are diversified across market capitalization and geographic region.
- [B] Fixed-income funds are invested in debt instruments of sovereign and/or corporate issuers. This segment of the portfolio is primarily focused on income generation. Investments are diversified across credit quality, market sector, and geographic region.
- [C] Balanced funds have the ability to invest in equity, fixed income, and real assets. The balanced segment is primarily focused on diversification and volatility mitigation via liquid tactical strategies providing exposure which may otherwise be difficult for the portfolio to obtain. The strategies are focused on providing an attractive absolute return at a reasonable level of risk.



**Footnote 4 - Fair Value Measurements (concluded)**

- [D] Hedge fund of funds - A fund of hedge funds is an investment vehicle whose portfolio consists of shares in a number of hedge funds. These strategies are typically diversified by manager and investment style and may include allocations to styles such as relative value, event-driven, hedged equity, and global macro, among others. Fund of hedge funds typically target an absolute return that is independent of market returns. Investments in this asset class are meant to provide a diversified alpha source. Holdings in hedge funds are recognized to be less liquid than public market securities and may include a lockup for initial investments. Risk in this asset class is specific to the strategy being utilized. The volatility of hedge funds of funds typically is similar to that of fixed income.
- [E] Opportunistic/Private equity – Private equity is an ownership interest in a non-publicly traded limited liability company (LLC) or limited partnership (LP). The segment is primarily focused on providing global growth exposure. The segment may be diversified across a spectrum of markets, geographies, and investment styles. Investments in this asset class are illiquid and typically include multi-year investment horizons. Risk is specific to the strategy being utilized and may be above that of the general market.
- [F] The fair value of hedging derivative instruments classified in Level 2 was valued using available market inputs such as interest rates and yield curves adjusted for nonperformance risk that are observable at commonly quoted intervals.
- [G] For those assets with fair value measured using Level 3 inputs, the University determines fair value measurement policies and procedures in consultation with the real estate appraiser. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the observable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. The Income Capitalization method was used for determining the appraised value of the real estate.
- [H] Real Asset Funds- Public segment is focused primarily on providing inflation-adjusted dividend yield, collateral return from Commodities, and can be a function of Net Operating Income within the Real Estate space. The segment may be diversified across a spectrum of markets, geographies, and investment styles. Private Real Assets is an ownership interest in a privately held limited liability company (LLC) or limited partnership (LP). The segment is focused primarily on providing inflation adjusted dividend yield, collateral return from Commodities, and can be a function of Net Operating Income within the Real Estate space. The segment may be diversified across a spectrum of markets, geographies, and investment styles. Investments in this asset class are illiquid and typically include multiyear investment horizons. Risk is specific to the strategy being utilized and may be above that of the general market.

**Footnote 5 - Capital Assets**

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2021:

	2020	Additions/ Transfers	Retirements/ Transfers	2021
<b>Non-depreciable:</b>				
Land	\$ 11,330,028	\$ 2,705,174	\$ -	\$ 14,035,202
Construction in process	57,797,835	23,669,509	(68,948,017)	12,519,327
Total non-depreciable capital assets	<u>69,127,863</u>	<u>26,374,683</u>	<u>(68,948,017)</u>	<u>26,554,529</u>
<b>Depreciable:</b>				
Infrastructure	71,376,084	1,718,403	(217,772)	72,876,715
Leasehold improvements	375,996	-	-	375,996
Buildings	746,149,089	67,197,476	(5,951,610)	807,394,955
Library holdings	51,245,526	360,214	-	51,605,740
Equipment	73,157,846	5,650,124	(618,173)	78,189,797
Total depreciable capital assets	<u>942,304,541</u>	<u>74,926,217</u>	<u>(6,787,555)</u>	<u>1,010,443,203</u>
Total cost of capital assets	<u>1,011,432,404</u>	<u>101,300,900</u>	<u>(75,735,572)</u>	<u>1,036,997,732</u>
<b>Less: Accumulated depreciation</b>				
Infrastructure	39,418,093	4,014,948	(30,403)	43,402,638
Leasehold improvements	375,996	-	-	375,996
Buildings	226,583,849	12,366,404	(128,504)	238,821,749
Library holdings	49,552,599	503,334	-	50,055,933
Equipment	58,485,726	3,505,552	(326,448)	61,664,830
Total accumulated depreciation	<u>374,416,263</u>	<u>20,390,238</u>	<u>(485,355)</u>	<u>394,321,146</u>
Capital assets - Net	<u>\$ 637,016,141</u>	<u>\$ 80,910,662</u>	<u>\$ (75,250,217)</u>	<u>\$ 642,676,586</u>

**Notes to Financial Statements**

**June 30, 2021 and 2020**

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2020:

	2019	Additions/ Transfers	Retirements/ Transfers	2020
<b>Non-depreciable:</b>				
Land	\$ 11,330,028	\$ -	\$ -	\$ 11,330,028
Construction in process	41,292,193	56,184,592	(39,678,950)	57,797,835
Total non-depreciable capital assets	<u>52,622,221</u>	<u>56,184,592</u>	<u>(39,678,950)</u>	<u>69,127,863</u>
<b>Depreciable:</b>				
Infrastructure	48,457,835	10,711,374	12,206,875	71,376,084
Leasehold improvements	375,996	-	-	375,996
Buildings	725,150,929	27,284,172	(6,286,012)	746,149,089
Library holdings	50,838,726	406,800	-	51,245,526
Equipment	93,408,461	5,427,230	(25,677,845)	73,157,846
Total depreciable capital assets	<u>918,231,947</u>	<u>43,829,576</u>	<u>(19,756,982)</u>	<u>942,304,541</u>
Total cost of capital assets	<u>970,854,168</u>	<u>100,014,168</u>	<u>(59,435,932)</u>	<u>1,011,432,404</u>
<b>Less: Accumulated depreciation</b>				
Infrastructure	33,767,786	2,358,210	3,292,097	39,418,093
Leasehold improvements	361,686	14,310	-	375,996
Buildings	215,004,894	11,578,955	-	226,583,849
Library holdings	48,980,603	571,996	-	49,552,599
Equipment	78,996,371	2,543,537	(23,054,182)	58,485,726
Total accumulated depreciation	<u>377,111,340</u>	<u>17,067,008</u>	<u>(19,762,085)</u>	<u>374,416,263</u>
Capital assets - Net	<u>\$ 593,742,828</u>	<u>\$ 82,947,160</u>	<u>\$ (39,673,847)</u>	<u>\$ 637,016,141</u>

**Footnote 5 - Capital Assets (concluded)**

Certain University facilities, including the John W. Porter College of Education, Everett L. Marshall College of Health and Human Services Building, the Pray-Harrold Building and Strong Hall have been financed in whole or in part by State Building Authority (“SBA”) bond issues which are secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements between the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to the respective buildings, the State of Michigan will make all lease payments to the SBA, and the University will pay all operating and maintenance costs. At the expiration of the individual leases, the SBA has agreed to sell each building to the University for one dollar.

The University capitalized \$1,641,797 and \$957,508 as of June 30, 2021 and June 30, 2020, respectively, in interest on 2018A bond projects (including Rec IM and Sill Hall).

The following table presents the University's commitments for major construction projects for the year ended June 30, 2021:

<u>Project</u>	<u>Amount</u>
Rec IM Renovations	1,374,358
Energy Systems	747,637
Sill Hall Renovations	\$ 536,961
Health Center	361,486
Roofing Allowance	476,490
Other Projects	3,627,734
	<u>\$ 7,124,666</u>

The following table presents the University's commitments for major construction projects for the year ended June 30, 2020:

<u>Project</u>	<u>Amount</u>
Sill Hall Renovations	\$ 9,855,125
Rec IM Renovations	5,153,656
Athletic Training - FFE	1,280,477
Health Center	1,098,032
Rec IM Locker Room Renovations	1,034,272
Roofing Allowance	522,525
Other Projects	2,824,028
	<u>\$ 21,768,115</u>

**Footnote 6 - Long-term Debt**

Long-term debt consists of the following as of June 30, 2021 and 2020:

	Interest Rates	Maturity	2020	Additions	Retirements/ Defeasance	2021	Current Portion
<b>General Revenue Bonds:</b>							
Series 2018A	4.00%	2038 - 2047	\$ 78,270,000	\$ -	\$ -	\$ 78,270,000	\$ -
<b>General Revenue Refunding Bonds:</b>							
Series 2018B	5.00%	2047 - 2058	155,000,000	-	-	155,000,000	-
Series 2017A	3.00 - 5.00%	2020 - 2038	70,295,000	-	(3,015,000)	67,280,000	2,905,000
Series 2016	3.375 - 4.125%	2028 - 2047	24,060,000	-	-	24,060,000	-
<b>Refunding Bonds:</b>							
Series 2014	2.00 - 4.00%	2017 - 2029	9,765,000	-	(20,000)	9,745,000	20,000
<b>Build America Bonds:</b>							
Series 2009D	4.21 - 7.21%	2017 - 2019	-	-	-	-	-
<b>Direct Borrowing - Installment Financing Agreement</b>							
	3.98%	2019 - 2023	1,810,604	-	(579,304)	1,231,300	603,206
			<u>339,200,604</u>	<u>-</u>	<u>(3,614,304)</u>	<u>335,586,300</u>	<u>\$ 3,528,206</u>
<b>Unamortized Bond Premium:</b>							
Series 2018A			678,771	-	(28,680)	650,091	28,680
Series 2017A			7,372,343	-	(417,302)	6,955,041	417,302
			<u>8,051,114</u>	<u>\$ -</u>	<u>\$ (445,982)</u>	<u>7,605,132</u>	<u>\$ 445,982</u>
Less current portion of long-term debt			3,614,303			3,528,206	
Less current portion of bond premium			445,984			445,982	
<b>Long-term debt</b>			<u>\$ 343,191,431</u>			<u>\$ 339,217,244</u>	

Long-term debt consists of the following as of June 30, 2020 and 2019:

	Interest Rates	Maturity	2019	Additions	Retirements/ Defeasance	2020	Current Portion
<b>General Revenue Bonds:</b>							
Series 2018A	4.00%	2038 - 2047	\$ 78,270,000	\$ -	\$ -	\$ 78,270,000	\$ -
<b>General Revenue Refunding Bonds:</b>							
Series 2018B	5.00%	2047 - 2058	155,000,000	-	-	155,000,000	-
Series 2017A	3.00 - 5.00%	2020 - 2038	73,150,000	-	(2,855,000)	70,295,000	3,015,000
Series 2016	3.375 - 4.125%	2028 - 2047	24,060,000	-	-	24,060,000	-
<b>Refunding Bonds:</b>							
Series 2014	2.00 - 4.00%	2017 - 2029	9,785,000	-	(20,000)	9,765,000	20,000
<b>Direct Borrowing - Installment Financing Agreement</b>							
	3.98%	2019 - 2023	3,057,454	-	(1,246,850)	1,810,604	579,303
			<u>343,322,454</u>	<u>-</u>	<u>(4,121,850)</u>	<u>339,200,604</u>	<u>\$ 3,614,303</u>
<b>Unamortized Bond Premium:</b>							
Series 2018A			707,451	-	(28,680)	678,771	28,680
Series 2017A			7,789,644	-	(417,301)	7,372,343	417,304
			<u>8,497,095</u>	<u>\$ -</u>	<u>\$ (445,981)</u>	<u>8,051,114</u>	<u>\$ 445,984</u>
Less current portion of long-term debt			4,121,849			3,614,303	
Less current portion of bond premium			445,982			445,984	
<b>Long-term debt</b>			<u>\$ 347,251,718</u>			<u>\$ 343,191,431</u>	

**Footnote 6 - Long-term Debt (continued)**

**Issuances and Refundings of Long-term Debt**

***Direct Borrowing - Installment Financing Agreement***

On July 20, 2018, EMU signed an installment financing agreement with Key Government Finance to finance the purchase of CISCO hardware, software, and maintenance. The payments of principal and interest will extend over 4 years and will provide for significant upgrades to the University's server systems. The University grants Key Government Finance a first lien to all of the property purchased through the financing agreement, as well as any substitutions or replacements to the property, or insurance proceeds generated by the property. This lien is Key Government Finance's collateral on the financing agreement.

***General Revenue and Refunding Bonds***

On May 17, 2018, the University issued \$78,270,000 of General Revenue Bonds, Series 2018A. The Series 2018A bonds amortize over 30 years with principal payments beginning in 2038. The proceeds from the issuance will go towards capital projects for the University.

On May 17, 2018, the University issued \$155,000,000 of General Revenue and Refunding Bonds, Series 2018B, to redeem the \$155,000,000 2017 General Revenue Refunding Bonds which terminated the 2017 Total Return Swap. The 2018 Total Return Swap was issued to further hedge the variable rate on the 2018B Series Bonds. The Series 2018B bonds amortize over 40 years with principal payments beginning in 2047. The refunding resulted in a reduction of total interest payments of \$11,700,935 and an economic gain (difference between the present values of the interest payments on the old and new debt) of \$8,608,431.

On August 31, 2017, the University issued \$73,150,000 of General Revenue and Refunding Bonds, Series 2017A, to redeem the \$23,160,000 2009C General Revenue Bonds, and to redeem \$55,430,000 of the 2009D Build America Bonds. The Series 2017A bonds amortize over 21 years with principal payments beginning in 2020. The refunding was done for structural purposes, and to wrap around new money bonds.

On May 4, 2017, the University issued \$155,000,000 of General Revenue and Refunding Bonds, Series 2017. The Series 2017 refunded the \$155,000,000 2015 Term Loan and terminated the 2015 Total Return Swap. The 2017 Total Return Swap was issued in order to hedge the variable rate on the 2017 Series Bonds. The Series 2017 Bonds amortize over 29 years with principal payments beginning in 2021. The refunding resulted in a reduction of total interest payments of \$648,762 and an economic gain (difference between the present values of the interest payments on the old and new debt) of \$18,021.

On November 30, 2016, the University issued \$24,060,000 of General Revenue and Refunding Bonds, Series 2016, to redeem the \$20,000,000 2016 Term Loan and provide \$4,060,000 for capital projects. The Series 2016 amortizes over 20 years with principal payments beginning in 2028.

On August 20, 2014, the University issued \$9,860,000 of General Revenue Refunding Bonds, Series 2014. These bonds refunded \$9,860,000 of General Revenue Build America Bonds, Series 2009D. 2014 Series bonds amortize over 14 years with principal payments beginning June 30, 2016.

Certain bonded debt agreements require student fees to equal or exceed 200% of the related debt service. The University is in compliance with these covenants.

Principal and interest on long-term debt are payable from operating revenues, allocated student fees and the excess of revenues over expenditures of specific auxiliary activities. The obligations are generally callable.

**Footnote 6 - Long-term Debt (continued)**

On May 17, 2018, the University entered into a 2018B Total Return Swap in order to hedge the variable rate on the 2018B Series Bonds. The 2018B Total Return Swap terminated the 2017 Total Return Swap and wraps around the 2001, 2006 and 2009 swap agreements, which were established at the same time and for the same amount as the issuance of certain variable rate debt with the intent of creating a synthetic fixed rate debt, at an interest rate that is lower than if fixed rate debt were to have been issued directly. As a result, the Series 2015 swap now hedges the 2018B total return swap and reduced the financing element described below by \$2,324,223.

On May 4, 2017, the University entered into a 2017 Total Return Swap in order to hedge the variable rate on the 2017 Series Bonds. The 2017 Total Return Swap terminated the 2015 Total Return Swap and wraps around the 2001, 2006 and 2009 swap agreements, which were established at the same time and for the same amount as the issuance of certain variable rate debt with the intent of creating a synthetic fixed rate debt, at an interest rate that is lower than if fixed rate debt were to have been issued directly.

The May 4, 2017 refinancing of the 2015 Term Loan, the June 19, 2015 refinancing of the 2009 swap and the June 25, 2015 refunding of the debt associated with the original swaps created synthetic termination events. Under a synthetic termination event, the fair value of the swap associated with the termination event is deemed an additional borrowing (also referred to as a financing element) to be amortized over the life of the related debt. The synthetic terminated swaps are then revalued and considered new swaps and eligible for consideration as effective or ineffective swaps. Effective swaps are recorded as hedging derivative instrument assets or liabilities, with an offsetting deferred inflow or outflow. Ineffective swaps are recorded as hedging derivative investment assets or liabilities with offsetting changes in fair value running through investment income. Based on regression analysis and/or dollar offset method, all but two of the swap agreements have been determined to be ineffective hedging derivative instruments as of June 30, 2017 and 2016.

On June 25, 2015 the University entered into a Total Return swap transaction with Barclays Bank PLC in the notional amount of the 2015 Term Loan of \$155,000,000 plus a premium of \$3,569,650. The 2015 Total Return swap agreement wrapped around the 2001, 2006 and 2009 swap agreements, which were established at the same time and for the same amount as the issuance of certain variable rate debt with the intent of creating a synthetic fixed rate debt, at an interest rate that is lower than if fixed rate debt were to have been issued directly. In addition, on June 19, 2015, the University refinanced the 2009 single-mini swap that is used to replace, over time, the amortizing notional amounts of the 2001 and 2006 swaps.

Regression analysis evaluated effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item. The changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item when certain criteria were met. Under the dollar-offset method, the changes in the fair value of the derivative are divided by the changes in fair value of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. The result of the calculation must fall within 80% to 125% percent in order for the derivative to be considered effective.

In accordance with GASB 53, these swaps are considered hybrid instruments consisting of a financing element of \$25,810,115 and \$27,777,318 for June 30, 2021 and 2020, respectively - and a fair value of the derivative instrument (\$35,720,585) and (\$60,346,344) for June 30, 2021 and 2020, respectively. The financing element is reported as an interest rate swap liability that is being amortized over the remaining life of the original debt. The derivative is reported as a fair value of derivative instrument asset or liability with an offsetting deferred inflow or outflow within the Statement of Net Position. The swaps considered no longer effective are treated as an investment at fair value. The deferred inflow or outflow at time determined ineffective is immediately recognized in investment income.

**Footnote 6 - Long-term Debt (continued)**

**June 30, 2021:**

Series	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Contract Provider	Credit Rating (Moody's)	Scheduled	Inception Date
	Paid by EMU		Received by EMU	Received by EMU			Termination Date	
Total Return		68% of LIBOR						
Swap 2018B		+ 65 basis points	5.000%	-	Barclays	Baa2	9/1/2023	5/10/2018
Series 2001	4.465%	-	-	68% of LIBOR	JPMorgan	A2	6/1/2027	11/30/2012
Series 2001	4.720%	-	-	68% of LIBOR	JPMorgan	A2	6/1/2027	7/27/2001
				62% of LIBOR				
Series 2006	3.317%	-	-	+ 20 basis points	Barclays	Baa2	6/1/2036	1/23/2006
Series 2015	3.141%	-	-	68% of LIBOR	Barclays	Baa2	3/1/2049	6/19/2015

**Hedging derivative instruments:**

Series	Current	July 1, 2020	Change in	June 30, 2021	June 30, 2021	June 30, 2021
	Notional Amount		fair value (reported as deferred)		June 30, 2021 fair value	Deferred Inflow
Receive-fixed, pay-variable interest rate swaps:						
Series 2018B, original notional amount of \$155.0 million	\$ 155,000,000	\$ 395,250	\$ 151,900	\$ 547,150	\$ 547,150	\$ -
Receive-variable, pay-fixed interest rate swaps:						
Series 2015, original notional amount of \$2.5 million maturities through 2049	44,440,000	(54,355,624)	20,978,436	(33,377,188)	-	33,377,188
<b>Total hedging instruments</b>				<u>\$ (32,830,038)</u>	<u>\$ 547,150</u>	<u>\$ 33,377,188</u>

**Investment derivative instruments:**

Series	Current	July 1, 2020	Change in	June 30, 2021	Reclass to	Total
	Notional Amount		fair value (reported as investment income)		investment derivative included in investment income	impact on investment income year ended June 30, 2021
Receive-variable, pay-fixed interest rate swaps:						
Series 2001, original notional amount of \$15.7 million	\$ 9,246,000	\$ (502,020)	\$ 186,502	\$ (315,518)	\$ -	\$ 186,502
Series 2001, original notional amount of \$24.8 million	13,869,000	(758,010)	278,545	(479,465)	-	278,545
Series 2006, original notional amount of \$85.7 million	58,240,000	(5,125,940)	3,030,377	(2,095,563)	-	3,030,377
Series 2015, original notional amount of \$2.5 million maturities 2021-2049	44,440,000	-	-	-	-	-
<b>Total derivative instruments</b>			<u>\$ 3,495,424</u>	<u>\$ (2,890,546)</u>		<u>\$ 3,495,424</u>



**Footnote 6 - Long-term Debt (continued)**

**June 30, 2020:**

Series	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Contract Provider	Credit Rating (Moody's)	Scheduled	Inception Date
	Paid by EMU		Received by EMU	Received by EMU			Termination Date	
Total Return Swap 2018B		68% of LIBOR + 65 basis points	5.000%	-	Barclays	Baa2	9/1/2023	5/10/2018
Series 2001	4.465%	-	-	68% of LIBOR	JPMorgan	A2	6/1/2027	11/30/2012
Series 2001	4.720%	-	-	68% of LIBOR	JPMorgan	A2	6/1/2027	7/27/2001
Series 2006	3.317%	-	-	62% of LIBOR + 20 basis points	Barclays	Baa2	6/1/2036	1/23/2006
Series 2015	3.141%	-	-	68% of LIBOR	Barclays	Baa2	3/1/2049	6/19/2015

**Hedging derivative instruments:**

Series	Current Notional Amount	July 1, 2019 fair value	Change in fair value (reported as deferred)	June 30, 2020 fair value	June 30, 2020 Deferred Inflow	June 30, 2020 Deferred Outflow
	Receive-fixed, pay-variable interest rate swaps:					
Series 2018B, original notional amount of \$155.0 million	\$ 155,000,000	\$ 260,400	\$ 134,850	\$ 395,250	\$ 395,250	\$ -
Receive-variable, pay-fixed interest rate swaps:						
Series 2015, original notional amount of \$2.5 million maturities through 2049	44,440,000	(20,168,192)	(34,187,432)	(54,355,624)	-	54,355,624
<b>Total hedging instruments</b>				<u>\$ (53,960,374)</u>	<u>\$ 395,250</u>	<u>\$ 54,355,624</u>

**Investment derivative instruments:**

Series	Current Notional Amount	July 1, 2019 fair value	Change in fair value (reported as investment income)	June 30, 2020 fair value	Reclass to Investment derivative included in investment income	Total impact on investment income year ended June 30, 2020
	Receive-variable, pay-fixed interest rate swaps:					
Series 2001, original notional amount of \$15.7 million	\$ 9,246,000	\$ (156,450)	\$ (345,570)	\$ (502,020)	\$ -	\$ (345,570)
Series 2001, original notional amount of \$24.8 million	13,869,000	(237,873)	(520,137)	(758,010)	-	(520,137)
Series 2006, original notional amount of \$85.7 million	58,240,000	(1,137,590)	(3,988,350)	(5,125,940)	-	(3,988,350)
Series 2015, original notional amount of \$2.5 million maturities 2021-2049	44,440,000	-	-	-	-	-
<b>Total derivative instruments</b>			<u>\$ (4,854,057)</u>	<u>\$ (6,385,970)</u>		<u>\$ (4,854,057)</u>

**Footnote 6 - Long-term Debt (concluded)**

**Credit Risk:** The University is exposed to credit risk on hedging derivative instruments that are in asset positions. The terms of the swap agreement require collateralization of the fair value of hedging derivative instruments in asset positions based on a scale that evaluates both the market value of the swap and the counterparty's credit rating. The terms of the Total Return Swap of 2018B call for the University to post collateral to the counterparty under certain conditions tied to the prevailing rating of the University and the mark to market valuations of the swaps. As of June 30, 2019, \$2.0 million of collateral was posted with Barclays. During fiscal year 2020, the collateral requirement was removed as part of the restructuring of the Barclays swap agreement. No collateral was required as of June 30, 2020 or June 30, 2021. There is no exposure to credit risk on the hedging derivative instruments in liability position.

**Interest Rate Risk:** The University is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR swaps decrease, the University's net payment on the swaps increases.

**Basis Risk:** The University is exposed to basis risk on its LIBOR-based swaps due to variable-rate payments received by the University on these instruments based on a rate of index other than interest rates the University pays on its variable-rate debt, which is remarketed every 30 days. In December 2012, the University amended a portion of the 2001 fixed payer swap by changing the received rate from Securities Industry and Financial Markets Association (SIFMA) to a percentage of LIBOR. This amendment effectively decreased the swap fixed pay leg from 4.72% to 4.465%. Since the 2001, 2006, and 2015 swap agreements receive a percentage of LIBOR from the counterparty and pay a percentage of LIBOR for bonds, basis risk is mitigated. As of June 30, 2021, the one-month LIBOR rate was 0.10%, whereas 62 percent of one-month LIBOR plus 20 basis points was 0.26%. As of June 30, 2021, the three-month LIBOR rate was 0.14%, whereas 68 percent of the three-month LIBOR was 0.10%. As of June 30, 2020, the one-month LIBOR rate was 0.17%, whereas 62 percent of one-month LIBOR plus 20 basis points was 0.30%. As of June 30, 2020, the three-month LIBOR rate was 0.30%, whereas 68 percent of the three-month LIBOR was 0.20%.

**Termination Risk:** The University may terminate a derivative instrument on any business day and terminate and cash settle the instrument by providing prior written notice to the counterparty. Additional termination events will apply if either party fails to maintain the appropriate long-term senior debt credit ratings; or if the University fails to post collateral in accordance with the terms and conditions set forth in the ISDA Credit Support Annex.

Using rates as of June 30, 2021, debt service requirements of the variable rate debt associated with the 2001 swap agreement, 2006 swap agreement, and the 2015 swap agreement and net swap payments, assuming current interest rates remain the same for term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Scheduled maturities of long-term liabilities are as follows:

Year	Direct Borrowing		Direct Borrowing			Net Interest	Net Principal and Interest
	Bond Principal	Installment Financing Principal	Bond Interest	Installment Financing Interest	Swap Interest		
2022	2,925,000	603,206	15,196,594	50,804	(2,028,027)	13,219,371	16,747,577
2023	3,085,000	628,094	15,050,744	25,915	(2,078,601)	12,998,058	16,711,152
2024	3,260,000	-	14,896,894	-	(2,093,549)	12,803,345	16,063,345
2025	3,630,000	-	14,734,294	-	(2,067,621)	12,666,673	16,296,673
2026	3,835,000	-	14,552,994	-	(2,096,531)	12,456,463	16,291,463
2027-2031	27,300,000	-	69,617,476	-	(10,920,420)	58,697,056	85,997,056
2032-2036	34,360,000	-	63,172,552	-	(10,632,036)	52,540,516	86,900,516
2037-2041	40,820,000	-	55,809,531	-	(8,808,338)	47,001,193	87,821,193
2042-2046	49,425,000	-	47,019,738	-	(4,924,450)	42,095,288	91,520,288
2047-2051	60,060,000	-	35,546,488	-	(557,782)	34,988,706	95,048,706
2052-2056	72,570,000	-	19,430,500	-	-	19,430,500	92,000,500
2057-2061	33,085,000	-	2,497,000	-	-	2,497,000	35,582,000
	<u>\$ 334,355,000</u>	<u>\$ 1,231,300</u>	<u>\$ 367,524,805</u>	<u>\$ 76,719</u>	<u>\$ (46,207,355)</u>	<u>\$ 321,394,169</u>	<u>\$ 656,980,469</u>

**Footnote 7 - Retirement Benefits**

Through December 31, 1995, the University offered participation in one of two retirement plans for all qualified employees: the Michigan Public School Employees' Retirement System ("MPERS") and a defined contribution plan administered by Teachers Insurance and Annuities Association - College Retirement Equities Fund ("TIAA-CREF"). The MPERS plan is further discussed in Note 9.

**Defined Contribution Plan**

The University provides a defined contribution plan administered by TIAA-CREF. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee contributions vest immediately. Employer contributions vest in accordance with their labor contract as seen in the schedule below. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. Average contribution rates, covered payroll, and University contributions to the plan for the years ended June 30, 2021 and 2020 were as seen below. The University has no liability beyond its own contribution under the TIAA-CREF plan.

	<u>2021</u>	<u>2020</u>
Covered payroll	\$122,543,000	\$127,327,000
Average contribution rate	9.92%	9.88%
University contribution	\$12,159,000	\$12,584,000

<u>Labor Unit</u>	<u>Employee Vesting</u>	
<b>AC, AH, AP, CA</b>	Hired on or before 12/31/12: <i>Immediate</i>	Hired on or after 1/1/13: <i>Two Years</i>
<b>CP</b>	Hired on or before 6/30/16: <i>Immediate</i>	Hired on or after 7/1/16: <i>Two Years</i>
<b>CS</b>	Hired on or before 6/30/16: <i>Immediate</i>	Hired on or after 7/1/16: <i>Two Years</i>
<b>FA</b>	<i>Immediate</i>	<i>Immediate</i>
<b>FM</b>	<i>Two years</i>	<i>Two years</i>
<b>LE</b>	Hired on or before 12/31/16: <i>Immediate</i>	Hired on or after 1/1/17: <i>Two Years</i>
<b>PE/PT</b>	<i>Two Years</i>	<i>Two Years</i>
<b>PS</b>	Hired on or before 6/30/13: <i>Immediate</i>	Hired on or after 7/1/13: <i>Two Years</i>

**Accrued Compensated Absences**

The University provides benefits upon retirement resulting from unused earned sick days for certain bargaining units. In addition, the University provides benefits upon departure from the University resulting from unused earned vacation time for all employees. The University calculates its compensated absence liability in accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences. The current portion of accrued absences is included in payroll taxes and accrued fringe benefits. The remaining portion is included in accrued compensated absences.

	<u>2021</u>	<u>2020</u>
Accrued Sick/Comp Leave:		
Long-term	\$ 1,593,677	\$ 1,883,626
Current portion	<u>1,188,339</u>	<u>1,467,240</u>
	\$ 2,782,015	\$ 3,350,866
Accrued Vacation:		
Current portion	\$ 4,521,949	\$ 4,415,922

**Footnote 8 - Contingencies and Commitments**

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against any and all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position. However, the University is party to certain Title IX lawsuits that were filed against the University during 2021. The University has reviewed the claims and has currently recorded a reserve of \$1,000,000 for any potential unfavorable outcome as of June 30, 2021. This amount is an estimate and could change in the future as additional information is known.

The University participates in the Michigan Universities Self-Insurance Corporation ("MUSIC"), which provides indemnity to members against comprehensive general liability, errors and omissions ("E&O"), and property losses commonly covered by insurance. MUSIC also provides risk management and loss control services and programs. Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer and commercial carriers covering the third. Comprehensive general liability coverage is provided on an occurrence basis. Errors and omissions and property coverage are provided on a claims-made basis.

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits. Liabilities for estimates of losses retained by the University under MUSIC and reserves for claims incurred but not reported under self-insurance programs have been established.

Claims activity for the year ended June 30, 2021 is as follows:

	Liability June 30, 2020	Claims incurred including changes in estimate	Claim Payments	Liability June 30, 2021
Medical Claims	\$ 1,600,523	\$ (19,212,049)	\$ 19,096,111	\$ 1,484,585
Property, General Liability, E&O	919,558	(1,383,517)	994,857	530,898
Workers Comp, Unemployment Comp	175,000	675,375	324,625	1,175,000
<b>Total</b>	<u>\$ 2,695,081</u>	<u>\$ (19,920,191)</u>	<u>\$ 20,415,593</u>	<u>\$ 3,190,483</u>

Claims activity for the year ended June 30, 2020 is as follows:

	Liability June 30, 2019	Claims incurred including changes in estimate	Claim Payments	Liability June 30, 2020
Medical Claims	\$ 1,788,547	\$ (27,053,256)	\$ 26,865,232	\$ 1,600,523
Property, General Liability, E&O	1,151,004	(605,688)	374,242	919,558
Workers Comp, Unemployment Comp	300,000	(605,386)	480,386	175,000
<b>Total</b>	<u>\$ 3,239,551</u>	<u>\$ (28,264,330)</u>	<u>\$ 27,719,860</u>	<u>\$ 2,695,081</u>

Claims activity for the year ended June 30, 2019 is as follows:

	Liability July 1, 2018	Claims incurred including changes in estimate	Claim Payments	Liability June 30, 2019
Medical Claims	\$ 867,418	\$ (21,348,086)	\$ 22,269,215	\$ 1,788,547
Property, General Liability, E&O	767,153	(223,213)	607,064	1,151,004
Workers Comp, Unemployment Comp	291,683	(433,869)	442,186	300,000
<b>Total</b>	<u>\$ 1,926,254</u>	<u>\$ (22,005,168)</u>	<u>\$ 23,318,465</u>	<u>\$ 3,239,551</u>

**Footnote 8 - Contingencies and Commitments (Concluded)**

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2021, the University has made \$1,745,979 in institutional capital contributions, which are reflected as part of the University's net position. Under current guidance issued by the Department of Education, at the time the University liquidates the loan portfolio and assigns the student loans to the Department of Education, the University will be forgoing its institutional capital contribution not yet received back through loan collections. The University has not yet been required to or elected to liquidate the loan portfolio.

**Footnote 9 - Michigan Public School Employees' Retirement System**

**Plan Description**

The University participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the University hired in 1996 or earlier. Certain University employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

**Benefits Provided**

Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for non duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

**Footnote 9 - Michigan Public School Employees' Retirement System (continued)**

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

**Contributions**

Public Act 300 of 1980, as amended, required the University to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The University's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	<u>Pension</u>	<u>OPEB</u>
October 1, 2018 - September 30, 2019	13.39%-19.59%	7.57%-7.93%
October 1, 2019 - September 30, 2020	13.39%-19.59%	7.57%-8.09%
October 1, 2020 - September 30, 2021	19.74%-26.26%	5.99%-6.91%

**Footnote 9 - Michigan Public School Employees' Retirement System (continued)**

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The University's required and actual pension contributions to the plan for the year ended June 30, 2021 and 2020 were \$6,583,734 and \$6,003,732, respectively, which include the University's contributions required for those members with a defined contribution benefit. The University's required and actual pension contributions include an allocation of \$1,297,944 and \$628,466 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021 and 2020, respectively.

The University's required and actual OPEB contributions to the plan for the years ended June 30, 2021, and June 30, 2020, were \$1,551,089, and \$1,553,094, respectively. These amounts include the University's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2021 and 2020, the University reported a liability of \$84,366,879 and \$83,913,363, respectively, for its proportionate share of the net pension liability as calculated for the Universities reporting unit of MPSERS. The net pension liability was measured as of September 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 and 2018, which used updated procedures to roll forward the estimated liability to September 30, 2020 and 2019. The University's proportion of the net pension liability was based on a projection of its long term share of contributions to the pension plan relative to the projected contributions of all participating Universities, actuarially determined. At September 30, 2020, 2019, and 2018, the University's proportion was 12.35 percent, 12.53 percent, and 12.60 percent respectively, of the Universities reporting unit.

**Net OPEB Liability**

At June 30, 2021 and 2020, the University reported a liability of \$5,226,394 and \$11,390,501, respectively, for its proportionate share of the net OPEB liability as calculated for the Universities reporting unit of MPSERS. The net OPEB liability was measured as of September 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019 and 2018, which used updated procedures to roll forward the estimated liability to September 30, 2020. The University's proportion of the net OPEB liability was based on a projection of its long term share of contributions to the OPEB plan relative to the projected contributions of all participating Universities, actuarially determined. At September 30, 2020, 2019, and 2018, the University's proportion was 12.37 percent, 12.41 percent, and 12.40 percent respectively, of the Universities reporting unit.

**Footnote 9 - Michigan Public School Employees' Retirement System (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended 2021 and 2020, the University recognized pension expense of \$5,034,904 and \$9,028,845, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	107,284	-	-	(1,518,672)
Total amortized deferrals	107,284	-	-	(1,518,672)
University contributions subsequent to the measurement date	5,208,587	-	4,691,691	-
<b>Total</b>	<b>\$ 5,315,871</b>	<b>\$ -</b>	<b>\$ 4,691,691</b>	<b>\$ (1,518,672)</b>

The \$1,297,944 and \$628,466 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 236(4) of the State School Aid Act (PA 94 of 1979), will be recognized as net pension expense for the years ended June 30, 2022 and 2021, respectively.



**Footnote 9 - Michigan Public School Employees' Retirement System (continued)**

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

Years Ending June 30	Amount
2022	\$ (589,435)
2023	15,272
2024	466,240
2025	215,207
	<u>\$ 107,284</u>

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

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the years ended June 30, 2021 and 2020, respectively, the University recognized OPEB recovery of (\$5,298,721) and (\$2,379,361). At June 30, 2021 and 2020, respectively, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (142,364)	\$ -	\$ (703,451)
Changes of assumptions	25,499	-	282,775	-
Net difference between projected and actual earnings on pension plan investments	108,730	-	-	(350,956)
Changes in proportion and differences between University contributions and proportionate share of contributions	-	(1,272)	2,831	(2,484)
Total amortized deferrals	<u>134,229</u>	<u>(143,636)</u>	<u>285,606</u>	<u>(1,056,891)</u>
University contributions subsequent to the measurement date	1,150,749	-	1,172,623	-
<b>Total</b>	<u>\$ 1,284,978</u>	<u>\$ (143,636)</u>	<u>\$ 1,458,229</u>	<u>\$ (1,056,891)</u>

**Footnote 9 - Michigan Public School Employees' Retirement System (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB was recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and therefore will not be included in future pension expense):

Years Ending June 30	Amount
2022	\$ (233,897)
2023	26,990
2024	128,951
2025	68,549
	<u>\$ (9,407)</u>

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2020 is based on the results of an actuarial valuation as of September 30, 2019, and rolled forward. The total pension and total OPEB liabilities were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial method
Investment rate of return - pension	6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary Increases	2.75 - 11.55%	Including wage inflation of 2.75%
Healthcare Cost Trend Rate	7.50%	Year 1 graded to 3.0% Year 12
Mortality basis	Retirees & Active	RP-2014 Male and Female Healthy Annuitant Mortality Tables, 100% for active, retirees scaled by 78% for females and 82% for males, adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

The total pension liability and total OPEB liability as of September 30, 2019 is based on the results of an actuarial valuation as of September 30, 2018, and rolled forward. The total pension and total OPEB liabilities were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial method
Investment rate of return - pension	6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary Increases	2.75 - 11.55%	Including wage inflation of 2.75%
Healthcare Cost Trend Rate	7.50%	Year 1 graded to 3.0% Year 12
Mortality basis	Retirees & Active	RP-2014 Male and Female Healthy Annuitant Mortality Tables, 100% for active, retirees scaled by 78% for females and 82% for males, adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

**Footnote 9 - Michigan Public School Employees' Retirement System (continued)**

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points and the actual per person health benefit costs were lower than projected. There were not significant changes in assumptions for the pension actuarial valuation. There were no significant terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.8 percent as of September 30, 2020 and 2019. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	September 30, 2020		September 30, 2019	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.0%	5.6%	28.0%	5.7%
Private equity pools	16.0%	9.3%	18.0%	9.2%
International equity pools	15.0%	7.4%	16.0%	7.2%
Fixed-income pools	10.5%	50.0%	10.5%	50.0%
Real estate and infrastructure pools	10.0%	4.9%	10.0%	3.9%
Absolute return pools	9.0%	3.2%	15.5%	5.2%
Real return/opportunities pools	12.5%	6.6%	-	-
Short-term investment pools	2.0%	-0.1%	2.0%	0.0%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

**Footnote 9 - Michigan Public School Employees' Retirement System (continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the University, calculated using the discount rate depending on the plan option. The following also reflects what the University's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2021		
	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
University's proportionate share of the net pension liability - June 30, 2021	\$ 98,872,852	\$ 84,366,879	\$ 71,996,249
	2020		
	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
University's proportionate share of the net pension liability - June 30, 2020	\$ 98,802,952	\$ 83,913,363	\$ 71,228,222

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the University, calculated using the current discount rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2021		
	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
University's proportionate share of the net OPEB liability - June 30, 2021	\$ 7,813,326	\$ 5,226,394	\$ 3,021,611
	2020		
	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
University's proportionate share of the net OPEB liability - June 30, 2020	\$ 14,313,629	\$ 11,390,501	\$ 8,902,164

**Footnote 9 - Michigan Public School Employees' Retirement System (concluded)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability of the University, calculated using the current healthcare cost trend rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2021		
	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net OPEB liability - June 30, 2021	\$ 2,876,178	\$ 5,226,394	\$ 7,916,169
	2020		
	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net OPEB liability - June 30, 2020	\$ 8,734,382	\$ 11,390,501	\$ 14,434,060

**Pension Plan and OPEB Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

**Payable to the Pension Plan and OPEB Plan** - At June 30, 2021, the University did not have a payable for any outstanding amount of contributions to the pension plan and OPEB plan required for the year ended June 30, 2021. At June 30, 2020, the University reported a payable of \$116,444 and \$48,895 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

**Footnote 10 - Other Postemployment Benefit Plan**

**Plan Description**

The University provides Other Postemployment Benefits ("OPEB") for all retired employees who meet eligibility requirements. The benefits are provided through the Eastern Michigan University Postretirement Medical and Life Insurance Plan (the "Plan"), a single employer plan administered by the Eastern Michigan University Board of Regents. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Substantially all of the University's employees may become eligible for certain healthcare benefits if they reach retirement age while working for the University, are vested in a University sponsored retirement plan, and their years of University service and age total a minimum of 70 - age 55 + 15 years of service or age 60 + 10 years of service. Retiring employees are eligible for life insurance benefits in a University-sponsored plan when service and age total a minimum of 70 - age 55 + 15 years of service or age 60 + 10 years of service for certain employees or 60 - age 50 + 10 years of service for other employees.

**Footnote 10 - Other Postemployment Benefit Plan (continued)**

**Benefits Provided**

The Plan provides medical, medigap, dental, and life insurance benefits for retirees and their dependents. Benefits are provided through a third party insurer and the full cost of these benefits is covered by the plan for basic life insurance. The University's medigap, medical, and dental programs are self funded, and the full cost of these benefits is covered by the plan.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms as of June 30:

	Plan Membership
	<u>2020</u>
Inactive plan members or beneficiaries currently receiving benefits	1,074
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>1,411</u>
<b>Total</b>	<u>2,485</u>

**Contributions**

Retiree healthcare costs are paid by the University on a "pay as you go" basis. The University has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2021 and 2020, the University's projected payments for postemployment health benefit premiums were \$1,037,675 and \$598,584. Currently, active members are not required to contribute to the plan.

**Total OPEB Liability**

The University's total OPEB liability was measured as of June 30, 2021 and in 2020 and was determined by an actuarial valuation as of June 30, 2021 and in 2020. Changes in the total OPEB liability during the measurement year were as follows:

	Total OPEB Liability	
Changes in Total OPEB Liability	<u>2021</u>	<u>2020</u>
<b>Beginning Balance</b>	\$ 23,464,494	\$ 14,511,000
Changes for the year:		
Service cost	459,205	323,554
Interest	517,310	406,926
Differences between expected and actual experience	-	5,541,077
Changes of assumptions	144,414	3,280,521
Benefit payments	<u>(1,037,675)</u>	<u>(598,584)</u>
Net changes	<u>83,254</u>	<u>8,953,494</u>
<b>Ending Balance at June 30:</b>	<u>\$ 23,547,748</u>	<u>\$ 23,464,494</u>

**Footnote 10 - Other Postemployment Benefit Plan (continued)**

The primary change in assumptions for the University's single employer plan for the plan year 2021 was the change in discount rate from 2.21 to 2.16 percent. The primary change in assumptions for the University's single employer plan for the plan year 2020 was the change in discount rate from 2.79 to 2.21 percent. The University recorded a deferred outflow for its portion of changes in assumptions for the fiscal years ended June 30, 2021 and 2020.

The University also experienced a significant actuarial loss of expected and actual experience for plan year 2020. This was the net result of gains and losses due to demographic changes including an increase due to the number of members reported to be receiving Medicare reimbursements. The University recorded and amortized a deferred outflow of \$5,541,077 for its portion of changes in assumptions for the fiscal year ended June 30, 2020.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the years ended June 30, 2021 and 2020, respectively, the University recognized OPEB expense of \$1,745,024 and \$2,812,699.

At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 2,456,762	\$ -	\$ 3,143,063	\$ -
Difference between expected and actual experience	3,526,139	(47,000)	4,533,608	(79,000)
Total amortized deferrals	<u>\$ 5,982,901</u>	<u>\$ (47,000)</u>	<u>\$ 7,676,671</u>	<u>\$ (79,000)</u>

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

Years Ending	Amount
2022	\$ 1,718,184
2023	1,712,184
2024	1,664,184
2025	828,220
2026	13,129
	<u>\$ 5,935,901</u>

**Footnote 10 - Other Postemployment Benefit Plan (continued)**

**Actuarial Assumptions**

The June 30, 2021 and 2020 Total OPEB Liability was measured by an actuarial valuation as of June 30, 2021 and June 30, 2020 using the following actuarial assumptions:

Salary increases	3.50%
Discount rate	2.16% for 2021, 2.21% for 2020
<b>Healthcare cost trend rates</b>	
Pre-Medicare Medical & Prescription Drugs	7.25% graded to 4.50% over 11 years
Medicare Reimbursement	Assumed to increase by \$10 per month every three years
<b>Mortality Rates</b>	
Pre-Retirement	Pri.H-2012 Employee Headcount-weighted Mortality Tables, projected generationally with Scale MP-2019
Post-Retirement	Pri.H-2012 Healthy Retiree Headcount-weighted Mortality Tables, projected generationally with Scale MP-2019

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2021 and 2020, was 2.16 percent and 2.21 percent, respectively. The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of those dates.



**Footnote 10 - Other Postemployment Benefit Plan (continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the University, calculated using the current discount rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2021		
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
University's proportionate share of the net OPEB liability - June 30, 2021	\$ 26,746,983	\$ 23,547,748	\$ 20,900,681
	2020		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
University's proportionate share of the net OPEB liability - June 30, 2020	\$ 26,701,849	\$ 23,464,494	\$ 20,791,137

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability of the University, calculated using the current healthcare cost trend rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2021		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
University's proportionate share of the net OPEB liability - June 30, 2021	\$ 21,642,568	\$ 23,547,748	\$ 25,873,906
	2020		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
University's proportionate share of the net OPEB liability - June 30, 2020	\$ 21,540,130	\$ 23,464,494	\$ 25,818,887

**Footnote 10 - Other Postemployment Benefit Plan (concluded)**

**Assumption Changes**

Certain changes in assumptions contributed to the net change in total OPEB liability from July 1, 2020 through June 30, 2021. The primary change in assumption during the year was a change in the discount rate used to calculate the total OPEB liability from 2.21 to 2.16 percent. For June 30, 2020, the valuation-year per capita health costs, retiree contribution rates, and the future trend on health costs and retiree contribution rates were updated, and the assumed mortality rates were modified.

**Footnote 11 - Parking Lease and Concession Agreement**

On January 4, 2018, the University entered into a 35-year lease and concession agreement with Provident Resources. Operations of the agreement began on April 23, 2018. ParkEMU operates the University's parking concession on the concessionaire's behalf. Under the agreement, ParkEMU operates, maintains and retains parking revenues from the University's parking lots and structures. This agreement also regulates the parking rates that may be charged and future increases in these rates. The University received a lump sum payment of \$55 million from this agreement and will use the proceeds for University reserves and operations, as necessary.

The lump-sum payment under this service concession agreement is reported as a deferred inflow of resources and is being amortized to operating revenue over the life of the agreement. Deferred inflows related to the parking agreement were \$50.0 million and \$51.6 million at June 30, 2021 and 2020 respectively. The University reported the parking lots and structures as capital assets with a carrying value of \$12.6 million and \$12.9 million at June 30, 2021 and 2020, respectively.

**Footnote 12 - Operating Leases**

The University has entered into various operating leases, primarily for the University's agreement with Trinity Health, Ypsilanti Community Schools, and Xerox. The following is a schedule of the aggregate minimum rental commitment for operating leases of real and personal property for each of the succeeding five years ending June 30 and thereafter:

	<u>Amount</u>
2022	\$ 429,306
2023	349,285
2024	273,976
2025	60,000
2026	60,000
	<u>\$ 1,172,567</u>

**Footnote 13 - Subsequent Events**

The University offered to faculty with 7 or more years in their current rank and administrators with faculty tenure and held their faculty rank for 7 or more years a voluntary severance incentive plan (VSIP) in August 2021. Payments to each participant will be made over two years. The cost of the VSIP to the University for the year ended June 30, 2022 will be \$12,585,157.

On September 15, 2021, the Board of Regents approved four new collective bargaining agreements with the following labor units: EMU Association of University Professors (AAUP), EMU International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW) Local 1976, EMU Command Officers of Michigan (COAM) and EMU Police Officers Association of Michigan (POAM).

**Schedule of the University's Proportionate Share of the Net Pension Liability**

Michigan Public School Employees Retirement Plan  
(Plan Year October 1 - September 30)

	2020	2019	2018	2017	2016	2015	2014
University's proportionate share of the Universities' collective MPERS net pension liability							
As a percentage -	12.35%	12.53%	12.60%	12.61%	12.64%	13.76%	13.56%
Total amount -	\$ 84,366,879	\$ 83,913,363	\$ 80,505,916	\$ 72,522,686	\$ 70,826,130	\$ 75,462,865	\$ 50,881,674
University's covered payroll	\$ 26,892,000	\$ 26,365,000	\$ 25,847,723	\$ 26,228,000	\$ 25,341,000	\$ 23,597,000	\$ 24,244,000
University's proportionate share of the collective pension liability (amount), as a percentage of the University's covered payroll	313.72%	318.28%	311.46%	276.51%	279.49%	319.80%	209.87%
Fiduciary net position as a percentage of total pension liability (per ORS)	59.49%	60.08%	62.12%	47.42%	46.77%	47.45%	63.00%

**Schedule of Pension Contributions**

Michigan Public School Employees' Retirement Plan  
(Fiscal Year July 1 - June 30)

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 6,563,400	\$ 5,984,850	\$ 5,496,721	\$ 5,930,902	\$ 5,506,014	\$ 4,720,008	\$ 4,386,720
Contributions in relation to actuarially determined contractually required contribution	6,563,400	5,984,850	5,496,721	5,930,902	5,506,014	4,720,008	4,386,720
Contributions deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	27,295,380	26,760,475	26,235,681	25,943,000	23,420,000	23,272,000	23,935,000
Contributions as a percentage of covered payroll	24.05%	22.36%	20.95%	22.86%	23.51%	20.28%	18.33%

**Note:** GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively; ultimately, 10 years of data will be presented.

**Schedule of the University's Proportionate Share of the Net OPEB Liability**

Michigan Public School Employees Retirement Plan  
(Plan Year October 1 - September 30)

	2020	2019	2018	2017
University's proportionate share of the Universities' collective MPSERS net OPEB liability				
As a percentage -	12.37%	12.41%	12.40%	12.54%
Total amount -	\$ 5,226,394	\$ 11,390,501	\$ 14,705,680	\$ 17,850,848
University's covered payroll	\$ 26,892,000	\$ 26,365,000	\$ 25,847,723	\$ 26,228,000
University's proportionate share of the pension OPEB (amount), as a percentage of the University's covered payroll	19.43%	43.20%	56.89%	68.06%
Fiduciary net position as a percentage of total OPEB liability (per ORS)	59.76%	48.67%	43.10%	44.11%

**Schedule of OPEB Contributions**

Michigan Public School Employees' Retirement Plan  
(Fiscal Year July 1 - June 30)

	2021	2020	2019	2018
Statutorily required contributions	\$ 1,546,832	\$ 1,547,235	\$ 1,383,060	\$ 1,608,321
Contributions in relation to actuarially determined contractually required contribution	1,546,832	1,547,235	1,383,060	1,608,321
Contributions deficiency (excess)	-	-	-	-
Covered payroll	27,295,380	26,760,475	26,235,681	25,943,000
Contributions as a percentage of covered payroll	5.67%	5.78%	5.27%	6.20%

**Note:** GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively; ultimately, 10 years of data will be presented.

**Schedule of Changes in the University's Total OPEB Liability and Related Ratios**  
University Single Employer Plan  
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 459,205	\$ 323,554	\$ 391,000	\$ 360,000
Interest	517,310	406,926	422,000	427,000
Differences between expected and actual experience	-	5,541,077	(95,000)	-
Changes of assumptions or other inputs	144,414	3,280,521	339,000	270,000
Benefit payments	<u>(1,037,675)</u>	<u>(598,584)</u>	<u>(595,000)</u>	<u>(574,000)</u>
<b>Net change in total OPEB liability</b>	83,254	8,953,494	462,000	483,000
<b>Total OPEB liability - beginning</b>	\$ 23,464,494	\$ 14,511,000	\$ 14,049,000	\$ 13,566,000
<b>Total OPEB liability - ending</b>	<u>\$ 23,547,748</u>	<u>\$ 23,464,494</u>	<u>\$ 14,511,000</u>	<u>\$ 14,049,000</u>
 <b>Covered employee payroll</b>	 \$ 122,543,000	 \$ 127,327,000	 \$ 132,106,000	 \$ 133,694,000
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 19.22%	 18.43%	 10.98%	 10.51%

Discount rates used in determining the total reported liability for postemployment benefits obligations were 2.16%, 2.21%, 2.79% and 2.98% at the measurement dates of June 30, 2021, 2020, 2019, and 2018, respectively. No assets are accumulated in a trust to pay related other postemployment benefits.

**Note:** GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively; ultimately, 10 years of data will be presented.

**Notes to Required Supplemental Information  
For the Year Ended June 30, 2020**

**RSI Covered-payroll**

The employers' covered payroll to be reported in the required supplementary information is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll represents payroll on which contributions to both plans are based.

**Changes of benefit terms**

There were no changes of benefit terms for each of the reported plan years ended September 30.

**Changes of assumptions**

**Pension** - There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

**2019** – The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25% percentage points.

**2018** - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45% percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

**2017** - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50% percentage points.

**OPEB** - There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

**2020** – The healthcare cost trend rate decreased by 0.50% and actual per person health benefit costs were lower than projected for the September 30, 2019 annual actuarial valuation.

**2019** – The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25% percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.

**2018** - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35% percentage points. This valuation also includes

**2017** - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50% percentage points.

**Single Employer Plan** - Certain changes in assumptions contributed to the net change in total OPEB liability from July 1, 2020 through June 30, 2021. The primary change in assumption during the year was a change in the discount rate used to calculate the total OPEB liability from 2.21% to 2.16%. In addition, the valuation-year per capita health costs, retiree contribution rates, and the future trend on health costs and retiree contribution rates were updated, and the assumed mortality rates were modified. The University recorded a deferred outflow for its portion of changes in assumptions for the fiscal year ended June 30, 2021. No assets have been accumulated in a trust to pay related benefits for the Plan.

**Changes in Expected and Actual Experience**

**Single Employer Plan** - The University also experienced a significant actuarial loss of expected and actual experience for plan year 2020. This was the net result of gains and losses due to demographic changes including an increase due to the number of members reported to be receiving Medicare reimbursements.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Board of Regents  
Eastern Michigan University

We have audited, 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, the financial statements of Eastern Michigan University (the "University") and its discretely presented component unit as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2021. The financial statements of the discretely presented component unit was not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To Management and the Board of Regents  
Eastern Michigan University

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 14, 2021