ANNUAL FINANCIAL REPORT
2022-2023

CENTRAL MICHIGAN UNIVERSITY / We do.

Central Michigan University Board of Trustees

President and Select Administrators

CMU
CENTRAL MICHIGAN UNIVERSITY

Financial Statements

Central Michigan University

June 30, 2023

CENTRAL MICHIGAN UNIVERSITY

July 2023

To the People of the State of Michigan:

Central Michigan University was established over 130 years ago to meet Michigan's need for teachers and business leaders. Today, we continue to meet the state's needs through more than 200 high-quality academic programs designed to address talent gaps in critical areas, including health care, science and engineering, business, and education. CMU has the first neuroscience undergraduate degree program in the state, is the first and only university with an undergraduate degree in meteorology and is the only university in Michigan, and one of only two in the Midwest operating an island research station. At CMU, we continue to prepare future leaders who are creative, innovative problem-solvers, that can work collaboratively across differences and embrace compassion and empathy.

CMU also takes pride in providing a safe and productive environment for our faculty, staff, and students. In line with this goal, CMU continued to upgrade residence halls and dining facilities this past year and expanded the already robust network of cameras and remote access controls in several buildings on campus. CMU's Police Department also re-engaged students, faculty, and staff in safety training sessions. All of these efforts allowed us to maintain a safe and productive environment for employees, students, and visitors.

CMU is a critical partner to the state of Michigan — to its residents, its communities, and its businesses. More than 90 percent of our student body are from Michigan, and they represent 81 of 83 counties. Also, 78 percent of recent CMU graduates indicated that they chose to stay in the Great Lakes State to work. CMU continues to make Michigan a better place to work and live.

We are preparing students to become valuable and impactful members of our state's economy. Our students and graduates have more than a billion-dollar impact on the economy as well as driving civic engagement within our communities. CMU's impact has created over ten thousand Michigan jobs. Thus, it is essential that we continue working to make higher education accessible and affordable to individuals focused on personal and intellectual growth. We are committed to our mission of preparing students for productive careers, meaningful lives, and responsible citizenship in a global society.

State funding accounts for 21 percent of our operating budget and covers only 78 days of operation. Additionally, per-student funding at Michigan's 15 public universities ranges widely. Central receives $6,514 per student – the 8th lowest in the state. These factors place a large financial burden on students and families. At CMU, we understand the cost and most importantly the benefit of our students' education. CMU remains committed to students by managing tuition increases, both at the undergraduate and graduate levels. In addition, because of our strong commitment to managing the cost of a CMU education, our leadership team is highly focused on efficient management of our operating expenses.

CMU continues to maintain its commitment to increasing rigor, relevance and excellence, a 10-year strategic envisioning process launched in the fall of 2019 to address rapid changes in the field of higher education. The pandemic has accelerated this process through pressure to rapidly adapt our learning environment and offerings for our students nearly overnight. We continue our focus on bold and innovative thought and enhanced transformational change in the months and years ahead, with the goal of better serving our students.

It is my pleasure to share the story of CMU's financial performance for the fiscal year ending June 30, 2023. The report that follows details CMU's solid financial position, the result of being a responsible steward of taxpayer's dollars, conservative fiscal management, and strategic cost reallocations.

Sincerely,

Mary Moran Hill

Mary Moran Hill
Vice President and Chief Financial Officer
Finance and Administrative Services

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Central Michigan University

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, fiduciary activities, and discretely presented component units of Central Michigan University (the “University”), a component unit of the State of Michigan, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, fiduciary activities, and discretely presented component units of the University as of June 30, 2023 and 2022 and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of CMU Medical Education Partners (CMEP) or the Institute of Excellence in Education (IEE), which represent all of the balances of the assets, net assets, and revenue of the discretely presented component units. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CMEP and IEE, is based solely on the report of the other auditors. The financial statements of CMEP and IEE were not audited under *Government Auditing Standards*.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Trustees
Central Michigan University

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Institution's proportionate share of the net pension liability and schedule of Institution pension contributions, and schedule of the Institution's proportionate share of the net OPEB liability and schedule of Institution OPEB contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

To the Board of Trustees
Central Michigan University

Other Information

Management is responsible for the accompanying annual financial report, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 28, 2023

INTRODUCTION

This section of the Central Michigan University (the university or CMU) annual financial report presents a discussion and analysis of the financial performance of the university for the fiscal year ended June 30, 2023, with selected comparative information for the years ended June 30, 2022, and 2021. For accurate contextual understanding, read this discussion prepared by management, along with the financial statements and related note disclosures, in its entirety. The discussion and analysis focus is on current activities, resulting changes and currently known facts.

REPORTING ENTITY

Central Michigan University is an institution of higher education and a component unit of the State of Michigan. The financial reporting entity consists of the university and other organizations for which the university is financially accountable.

Under the provision of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus,* the Central Michigan University Foundation has been determined to be a component unit. Their activity has been blended into the university's financial statements.

Under the same GASB Statement No. 61, Central Health Advancement Solutions (CHAS) and the Institute for Excellence in Education (IEE) have been determined to be significant component units. The sole purpose of CHAS is to hold a 90% membership interest in CMU Medical Education Partners (CMEP) Accordingly, the financial activity for CMEP on behalf of CHAS and IEE are discretely presented in the university's financial statements. Refer to Note 1 to the financial statements for more information regarding these component units and other affiliated entities.

FACTORS INFLUENCING FUTURE PERIODS

Central Michigan University, while facing external factors beyond our control, is committed to keeping higher education affordable and accessible to students and families. The university continues to explore marketable programs, undertake new initiatives, and meet its core mission and ongoing operating needs through effectively managing finances and streamlining processes. However, the continual decline in Michigan high school graduates, students' attainment of credit hours before entering CMU, and the robust job market, may have an adverse effect on the university's ability to meet its goals. The level of enrollment, amount of state support, compensation and benefit increases, inflation, and costs related to deferred maintenance and the continual need to ensure safety for students are major impact factors on student tuition and fee increases.

Two decades ago, the university endured significant reductions to state appropriations and the increases since then have not kept pace with inflation, resulting in more reliance on student tuition and fees for revenue. In fiscal year 2023, state appropriations contributed approximately 17.3% of university revenues. In fiscal year 2003, state appropriations contributed approximately 27.1% of university revenues. The university also has a required supplemental contribution to the Michigan Public School Employees' Retirement System (MPSERS) for retiree pension and health care benefits that additionally reduces the revenue available for operations. The required contribution back to the state was $83.2 million for fiscal year 2023 compared to $6.8 million for fiscal year 2003. The required contribution for fiscal year 2023 includes $74.5 million of contributions provided to the university as state appropriations and forwarded back to the retirement system in this fiscal year but is related to future expected costs of the MPSERS program.

The university is committed to preserving academic quality and leadership opportunities, while providing excellent service to our students, and not dramatically increasing tuition and fees for our students and their families. The university continues to set the bar in maintaining low tuition and fee increases even though state appropriations provide a much smaller percentage of university revenues than what they did twenty years ago. Significant efforts, such as continuing to invest in the student financial wellness collaborative, food pantry, and counseling services will allow us to better educate and assist students with financial and well-being needs while we continue to identify and implement efficient and effective cost-saving measures. Recognizing the continued financial challenges of our students and their families, the university has increased total CMU aid from approximately $31.2 million in 2008 to $72.6 million in 2023, making degrees possible for many students who otherwise could not pursue their dream of higher education.

Central Michigan University continues to be committed to addressing the financial needs of our students and their families.

The university is continuing to navigate new, ongoing expectations of students, faculty, and staff regarding agile services and flexible employment conditions in the post-pandemic environment. Demands to meet these expectations will increase pressures on the already limited resources of the university. However, the HyFlex teaching modality implemented in the summer of 2020, additional safety initiatives, and remote work opportunities are expected to continue for the foreseeable future. Central Michigan University is committed to its top priorities of providing a safe and desirable campus community for learning and working.

Operating Budget and Deferred Maintenance

The university's Board of Trustees approved the operating budget for fiscal year 2024 of $434.5 million. The balanced budget was adjusted to align our expenses with our anticipated revenue streams. This includes staffing, supplies and equipment reductions, along with incremental increases to fulfill collective bargaining agreements and other necessary costs.

The university models a five-year forecast of its revenue and expense budget. This model is significantly impacted by unpredictable future state appropriations funding, declining levels of Michigan high school graduates causing potential declining enrollment, and modest increases in salary, benefits, and equipment costs. The university remains steadfast in its commitment to achieve operational efficiencies, implement additional cost-saving measures where appropriate, and increase financial aid for our students. With these economic factors in sight, the university is continuing its fiscally conservative approach as good stewards of its available resources.

The formal budget and modeling process includes the university's annual review of the priority needs and requirements for deferred maintenance, technology, renovations, and new construction projects. This comprehensive review allows for systematic prioritization on an institutional basis. Priorities are set based on anticipated future funding, with maintenance related projects having priority over new initiatives.

The campus has many deferred maintenance needs as documented in a detailed audit of each building. The current analysis of existing deferred maintenance needs is $377.9 million, $191.6 million of that is for general fund supported facilities. Over the past eleven years, the university has dedicated between $5.7 to $8.4 million per year toward addressing these needs annually, with a standard allocation of $5.7 million annually.

During fiscal year 2023, the university expended approximately $18.3 million on plant related projects. Funding sources included bond funding, gifts and other university funds.

Academic Priorities

The university has a longstanding tradition of enhancing student learning and success as well as contributing to the discovery and dissemination of knowledge. Dedicated faculty, committed to leading-edge pedagogy and research, work to grow the wisdom, technological sophistication, and creativity of CMU students. As part of our commitment to student success and academic excellence, periodic reviews are conducted in areas of academic structure, operations, and support services, focused on enhancing the delivery of learning experiences to support student needs, innovative scholarship, and the communities of Mt. Pleasant and beyond.

As we move forward into the next academic year, the university's strategic plan has identified top priorities for investment and growth that position us well to meet the rapidly changing landscape of higher education. These include but are not limited to, enhancing high-impact learning experiences, expanding the use and knowledge of artificial intelligence, aligning transferrable skills with professional pathways, and elevating the university's scholarly reputation through research and creative endeavors, with an eye on equity, justice, and sustainability.

College of Medicine

The Central Michigan University College of Medicine (CMED) is the nation's 137th medical school and was founded to produce high-quality physicians for underserved communities in Michigan. In the 2022-2023 academic year, CMED focused on solidifying and strengthening existing relationships while exploring additional educational opportunities for our students.

The number of applicants to CMED continues to expand showing great interest in the program. The matriculating class of 2022 was selected from over 7,900 applicants. Eight percent of the students in the 2022 matriculating class represent CMED defined diversity categories that include Black/African American, Hispanic/Latino/Latina/Latinx, women, Native American and medically underserved urban and rural areas of Michigan. Also, 75% of the matriculating 2022 class call Michigan home. CMED continued to be successful with their 2022-2023 Match. Match statistics provide evidence that CMED is advancing the mission of the medical school, with over 60% matching to primary care and just over 50% matching to a residency program in Michigan.

CMED received full accreditation from the Liaison Committee for Medical Education (LCME) in June 2018 and hosted a reaccreditation review in March 2023. Outcomes of the LCME survey visit will be known October 2023. Data collection and preparation for the visit began in the fall of 2021. CMED updated a Continuous Quality Improvement (CQI) process to include monitoring all 12 accreditation standards and 93 elements via an element-based continuous quality matrix in preparation for the site visit.

The Accreditation Council of Graduate Medical Education (ACGME) is the body responsible for reviewing and accrediting graduate medical education (GME) residency programs. The CMU College of Medicine is the academic sponsor of eight residency programs based at CMU Medical Education Partners (CMEP) in Saginaw. CMEP is a GME consortium and partnership between CMU, Covenant HealthCare and Ascension St. Mary's. All residency programs including family medicine, internal medicine, emergency medicine, emergency medical services, psychiatry, podiatry, general surgery, and pediatrics are accredited.

During the 2022-2023 academic year, the College has worked to engage in strategic clinical affiliations to meet long-term educational and financial needs. The College's learning and working environment remains strong and the focus has shifted to building ongoing curricular continuous quality improvement that sustains the College's ability to attract the best students, to recruit and retain faculty, and engage support staff.

To address a gap in educational offerings, CMED affiliated with Children's Hospital of Michigan and University Pediatrics in Detroit to provide clinical training in pediatrics and its subspecialties for our students. The strategic partnership with University Pediatricians (UP) continues to pay dividends through collaborations and expansion of clinical and translational research activities through the UP-CMU Clinical Research Institute (UP-CMU CRI). The UP-CMU CRI is generously supported by grants and endowments from the Children's Foundation which also supports four endowed chairs.

To fulfill its mission to train physicians who may work in underserved areas of Michigan, the College of Medicine participates in the MIDOCS program. MIDOCS is a state-funded program set up to expand graduate medical education residency positions in primary care and select specialties to recruit and retain physicians in underserved areas in the state of Michigan. In addition to training costs for the residents, the MIDOCS program also provides a $75,000 debt relief incentive for those residents who commit to serving two years at an approved site following the residency. MIDOCS residents train alongside residents matched through CMU Medial Education Partners residency programs. CMED has participated in the MIDOCS program since its inception, recruiting 5-6 new residents each year. CMU matched three medical students to the MIDOCS programs in 2022-2023.

The College of Medicine, in partnership with the Michigan Department of Health and Human Services and the Centers for Medicare and Medicaid Services (CMS) provides support and funding to Michigan physicians to enhance access to healthcare services to Medicaid enrollees. The Public Entity Physician Payment Adjustment Program (PEPPAP) and Specialty Network Access Fee Program (SNAF) programs are designed to provide higher reimbursement to both public and private practitioners and practitioner groups who treat Medicaid patients. Higher reimbursement is used to maintain access to services. Eligibility for Payment Adjustments is limited to practitioners affiliated with seven public entities, including CMU.

Currently, the CMU program enrolls over 1,000 practitioners committed to providing access to high quality medical services to Medicaid enrollees.

Student Recruitment and Retention

The Student Recruitment and Retention (SRR) division, formed June 1, 2020, provides strategic leadership for the university's recruitment and retention efforts in support of fulfilling the university's vision and strategic priorities.

The university utilizes a data-informed, iterative process for Strategic Enrollment Management. The 2022-2023 academic year saw further implementation of the new customer relationship management (CRM) system. The new system not only improved the student experience with CMU's admission process but helped decrease the amount of time it takes staff to make an admission decision from roughly two weeks (prior to implementation) to no more than 48 hours, except at peak application submission time (October – November).

Creative usage of the CRM system opened doors for more personalized follow-up with students and collaboration between Admissions and the Office of Scholarships and Financial Aid to ensure admitted students were awarded the financial aid for which they were eligible.

Personnel changes, including more dynamic leaders, within the undergraduate admissions office allowed for improvements in on campus recruiting events, personalized outreach to students and families, and a greater emphasis on creative ideas for recruitment.

The International Admissions office stepped into the use of agents to help recruit students in 2020. This has paid off tremendously, tripling international enrollment since fall 2020. A strategic decision was made to expand efforts to recruit international undergraduate students as well, resulting in an increase of 59 students from 2021 to 2023.

The Office of Student Success manages the new student orientation program. This year they collaborated with the Career Development Center (CDC) to bring interest inventories to students and conversations with parents about how the CDC can assist students with exploration of potential majors and career development, leading to better outcomes and job placement.

Also undertaken this year was a review of university major merit scholarships that simplified understanding for students and families and optimized financial aid resources.

For the Fall 2024 recruiting cycle, the focus is on domestic undergraduate admission recruiting, with more parent engagement as they are the biggest influencers for prospective college students. SRR is also collaborating with University Communications and Marketing to impact 61 specific high schools with targeted digital advertising campaigns to combat the competitive conquesting of other Michigan public universities. The Office of Scholarships and Financial Aid is implementing a new system to ensure CMU is able to continue to award aid in a compliant manner with a better student user experience. On the retention front, data analysis is underway to understand which students leave and why in order to provide useful data to inform development of better strategies to improve retention, persistence, and graduation rates.

Campus Master Plan and Campus Identity Project

The Campus Master Plan ensures that CMU's campus and facilities align with leadership direction for the university and enhances the success of CMU students. The Campus Master Plan includes a facilities condition assessment, four Area Development Plans, Capital Plan, and a campus land use plan. It also includes a space utilization study, bench marked against similar universities. This comprehensive evaluation of the campus and facilities provides information that guides our investment in new facilities, major renovations, and deferred maintenance.

The goal of the Campus Identity Project is to create a campus with an engaging outdoor environment, clear borders, effective signage, and simplified yet strategic landscaping. The campus landscape reflects a strong sense of academic impact, with a walkable campus and open spaces that inspire and connect all who visit, study, work, and live here. Implementation of Phase V of the Wayfinding and Identity Plan was contracted in 2022 and executed during the 2023 construction season.

The Campus Master Plan and Campus Identity Project provide strategic guidance identifying and prioritizing capital and deferred maintenance projects across campus. Together, the two initiatives have guided decision making on capital project placement including pedestrian and motorized vehicle access. The Capital Plan was updated as part of the Master Plan in 2021 to guide development for the next decade.

CMU Research Corporation

Central Michigan University Research Corporation (CMURC) is a professional coworking space with accelerator programs focused on product and strategic development for entrepreneurs to positively impact the economy in the Great Lakes Bay Region. The organization is a single point of contact for startups and established businesses who want to harness the intellectual, technological, and material resources of Central Michigan University to grow their ideas and businesses. Created two decades ago, it brings together local, regional and statewide partners to accelerate the success of entrepreneurs, growing businesses, and jobs by leveraging the resources of Central Michigan University, the Mount Pleasant SmartZone, and the Michigan Economic Development Corporation's 21st Century Jobs Trust Fund.

Recognized as one of the top Michigan SmartZones, CMURC expanded from the Mount Pleasant location to open three new facilities: Uptown Bay City in March 2017, Riverfront Saginaw in September 2018, and Midland in 2020. This venture demonstrates that CMU is a community partner in spurring economic development activities to graduate and retain more Michigan residents and improve our state's economy and future development.

USING THE ANNUAL REPORT

The university's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statements.

STATEMENTS OF NET POSITION

The Statements of Net Position include all assets and liabilities. The Statements of Net Position are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the services or goods/products are provided and expenses and liabilities are recognized when others provide the service or product, regardless of when cash is exchanged. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the university. Assets and liabilities are generally measured using current values. Investments are stated at fair value or amortized cost, and capital assets are stated at historical cost less an allowance for depreciation.

The remainder of this page intentionally left blank

A three-year summarized comparison of the university's assets, liabilities and net position (shown in millions) at June 30 is as follows:

	2023	2022 (as Restated)	2021 (as Restated)
Current assets	$ 133.7	$ 123.5	$ 152.8
Noncurrent assets			
Lease assets, net	10.9	11.0	7.3
Capital assets, net	523.6	542.6	556.6
Other	479.9	481.5	465.6
TOTAL ASSETS	1,148.1	1,158.6	1,182.3
DEFERRED OUTFLOWS	13.6	40.4	21.5
Current liabilities	112.7	105.0	92.6
Noncurrent liabilities	241.5	309.8	341.4
TOTAL LIABILITIES	354.2	414.8	434.0
DEFERRED INFLOWS	15.2	64.0	18.7
TOTAL NET POSITION	$ 792.3	$ 720.2	$ 751.1

ASSETS

Current assets consist of cash and cash equivalents, receivables net of the allowance for doubtful accounts, inventories, and prepaid expenses. Noncurrent assets include restricted cash and cash equivalents, pledges receivable, leases receivable, endowment investments at fair value, long-term investments, and lease and capital assets. During 2023, total assets decreased $10.5 million. Significant changes in assets occurred in the following areas:

- Endowment investments increased $13.7 million due primarily to investment appreciation resulting from favorable market conditions.
- Other long-term investments decreased $7.5 million due primarily to investment redemptions to replace decreased cash flow from university operations.
- Net capital assets decreased $19.0 million primarily due to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation expense.

In 2022, total assets decreased $23.7 million due primarily to the effect of a decrease in cash and cash equivalents of $12.8 million resulting from the utilization of cash for operating needs and investment purchases; a decrease of Endowment Investments of $12.4 million due primarily to investment depreciation due to unfavorable market conditions; a recorded $10.6 million net asset for Other Post Employment Benefits (OPEB) under the Michigan Public School Employee's Retirement System (MPSERS) plan due to the overfunded status of the plan as of the most recent valuation at the end of the fiscal year; the addition of $5.0 million in lease assets due to the adoption of GASB Statement No. 96, *Subscription Based Information Technology Arrangements* in fiscal year 2023 and a decrease in net capital assets of $14.0 million due primarily due to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation expense.

Capital Assets

At June 30, 2023, the university had $1.067 billion invested in capital assets and accumulated depreciation of $543 million. Depreciation totaled $28.7 million for the current fiscal year compared to $28.0 million last year. Refer to Note 5 to the financial statements for details regarding capital assets.

The university had three significant projects in progress as of June 30, 2023:

- Upgrade of a 1250 Ton Absorber located in the Central Energy Facility ($1.8 million of construction in progress). The project includes replacement of the existing absorber.

- The Bush Theatre Lighting Replacement project ($0.7 million of construction in progress). The project includes electrical panel and controls replacement, new theatrical lighting and systems controls and replacement of lobby and corridor ceiling lighting.
- Foust Garden Level Renovation project ($0.6 million of construction in progress). The project includes a renovation of the lower level of Foust Hall into a new office suite.

The university has two significant projects that were placed in-service and capitalized as of June 30, 2023:

- Construction of Parking Lot 75 was completed in August 2022 and accounted for $4.9 million in capitalized expenditures. The project included design and construction of a new parking lot located south of Broomfield Road and east of West Campus Drive.
- The varsity softball and baseball field conversions from natural to synthetic turf was completed in August 2022 and accounted for $2.0 million in capitalized expenditures. The project included the design and installation of the new surface.

In 2022, capital assets decreased $14.0 million due to a net increase of $14.0 million in capitalized costs primarily in the areas of construction in progress, buildings, land improvements, and equipment less $28.0 million in depreciation.

Endowment and Pooled Operating Investments

During 2023, endowment investments increased by $13.7 million and pooled operating investments decreased by $7.9 million. The endowment increase was a result of investment appreciation due to favorable market conditions and the pooled operating decrease was a result of investment redemptions to replace decreased cash flow from university operations. Investment income for 2023 within both investment portfolios is comprised of a $16.5 million increase in market value, $5.6 million of investment income net of financial fees, and $5.4 million realized gain from the sale of long-term investments. Earnings distributed from endowments for scholarships and fellowships totaled $9.3 million. This spending distribution was offset by gifts received for endowments of $7.3 million and a change in cash on hand in the endowment of $0.5 million.

During 2022, endowment investments decreased $12.4 million and pooled operating investments increased by $3.3 million. The endowment decrease was a result of investment depreciation due to unfavorable market conditions and the pooled operating increase was a result of the net of unfavorable market conditions and cash investment purchases. Investment income for 2022 within both investment portfolios is comprised of a $59.0 million decrease in market value, $4.8 million of investment income net of financial fees, and $15.0 million realized gain from the sale of long-term investments. Earnings distributed from endowments for scholarships and fellowships totaled $9.0 million. This spending distribution was offset by gifts received for endowments of $3.9 million and a change in cash on hand in the endowment of $3.2 million.

DEFERRED OUTFLOWS

During 2023, deferred outflows decreased by $26.8 million due primarily to a $1.1 million change in the market value position of hedging derivatives on variable rate debt which reduced deferred expense, a decrease of $23.9 million in deferral of expense related to statutorily required contributions to the Michigan Public School Employee's Retirement System (MPSERS) plan net pension liability and a $1.7 million decrease in deferral of expense related to statutorily required contributions to the Michigan Public School Employee's Retirement System (MPSERS) plan net OPEB liability.

During 2022, deferred outflows increased by $18.9 million due primarily to a $2.4 million change in the market value position of hedging derivatives on variable rate debt which reduced deferred expense, offset by an increase of $21.4 million in deferral of expense related to statutorily required contributions to the Michigan Public School Employee's Retirement System (MPSERS) plan net pension liability.

Refer to Note 9 to the financial statements for detail regarding the MPSERS plan.

LIABILITIES

Current liabilities consist of accounts payable, unearned revenue, deposits, and the current portion of the long-term obligations payable within the next twelve months. During 2023, current liabilities increased $7.7 million. Significant changes in current liabilities occurred in the following areas as of June 30, 2023:

- Accrued payables to vendors increased $5.6 million due primarily to a $6.5 million increase in the amount due to medical partners participating with the College of Medicine in the Public Entity Physician Payment Adjustment Program and Specialty Network Access Fees program offset by a $1.9 million decrease in vendor accruals for construction project related payables.
- Accrued payables to charter schools increased $3.7 million due primarily to an increase in state aid and the addition of two charter schools in fiscal year 2023.

During 2022, current liabilities increased $12.4 million primarily due to $6.0 million of unamortized balance for Chartwells' financial investment in the university's dining program and facilities which is being recognized over the life of the contract, a $1.6 million increase in the amount due to medical partners participating with the College of Medicine in Specialty Network Access Fees program and an increase of $1.5 million in vendor accruals for construction project related payables primarily for the construction of parking lot 75 and accrued payables to charter schools increasing $1.7 million due primarily to an increase in state aid.

Noncurrent liabilities consist of long-term debt, lease obligations and other obligations for which the principal is due more than one year from the balance sheet date and net pension obligations for the MPSERS retirement plan. Also included is the Retirement Service Award program, accrued compensated absences, and bonded debt. Refer to Note 7 to the financial statements for the detail regarding the change in long-term debt, hedging instruments, and other obligations. During 2023, noncurrent liabilities decreased $68.3 million. Significant changes in noncurrent liabilities occurred in the following areas as of June 30, 2023:

- Debt service of $7.3 million was recorded on outstanding bond and note principal, and premium amortization.
- Market value of hedging derivatives decreased by $1.1 million.
- Recorded $59.8 million decrease in net pension liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPSERS) plan due to one-time state appropriations provided to the university and forwarded back to the state as supplemental required contributions.

During 2022, noncurrent liabilities decreased $31.6 million primarily due to debt service of $7.2 million being recorded on outstanding bond and note principal, and premium amortization; the issuance of $14.7 million in new bonds and $15.1 million in bonds to refinance $19.1 million in bonds previously issued in 2012 as well as $7.5 million in bond premium for the issuance; market value of hedging derivatives decreased by $2.4 million; a $29.8 million decrease in net pension liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPSERS) plan was recorded; and a $10.5 million decrease in net OPEB liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPSERS) plan was recorded.

DEFERRED INFLOWS

During 2023, deferred inflows decreased $48.8 million due primarily to a $43.1 million decrease in the deferral of revenues resulting from recording the university's proportionate share of the net pension liability related to the Michigan Public School Employee's Retirement System (MPSERS) plan and $6.1 million decrease in deferral of revenues resulting from recording the university's proportionate share of the net OPEB liability related to the Michigan Public School Employee's Retirement System (MPSERS) plan.

During 2022, deferred inflows increased $45.3 million due primarily to a $40.2 million increase in the deferral of revenues resulting from recording the university's proportionate share of the net pension liability related to the Michigan Public School Employee's Retirement System (MPSERS) plan and $5.8 million increase in deferral of revenues resulting from recording the university's proportionate share of the net OPEB liability related to the Michigan Public School Employee's Retirement System (MPSERS) plan.

Refer to Note 9 to the financial statements for detail regarding the MPSERS plan.

NET POSITION

Net position represents the difference between the total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources. The university's net position (shown in millions) at June 30 are summarized as follows:

	2023	2022 (as Restated)	2021 (as Restated)
Investment in capital assets	$ 534.4	$ 553.6	$ 563.9
Debt related to capital assets	(165.1)	(172.4)	(158.7)
Deferred outflow on defeased debt	1.8	2.0	1.8
Deferred inflow on defeased debt	(0.5)	(0.7)	(0.8)
Net investment in capital assets	370.6	382.5	406.2
Restricted for:			
Nonexpendable	78.3	71.6	67.8
Expendable	105.2	107.1	101.1
Unrestricted	238.2	159.0	176.0
TOTAL NET POSITION	$ 792.3	$ 720.2	$ 751.1

Net investment in capital assets represents the university's lease and capital assets, net of accumulated depreciation and amortization, and outstanding principal balances of debt, attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets decreased $11.9 million in 2023 primarily due to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation and amortization expense. During 2022, net investment in capital assets decreased $23.7 million due primarily to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation and amortization expense.

Restricted nonexpendable net position represents the historical value of gifts to the university's permanent endowment funds. Increases in restricted nonexpendable net position are primarily due to additions to permanent endowment funds.

Restricted expendable net position are funds restricted by outside parties or law. This includes net appreciation of permanent endowments and funds received that are restricted for operations, grants and contracts, and facilities. During 2023 restricted expendable net position decreased $1.9 million primarily due to the spending of bond proceeds on projects for improvements to existing residence halls, replacement seating at McGuirk Arena and replacement of theatrical lighting and controls in Bush Theatre. During 2022 restricted expendable net position increased $6.0 million primarily due to unspent bond proceeds restricted for improvements to existing residence halls, replacement seating at McGuirk Arena and replacement of theatrical lighting and controls in Bush Theatre.

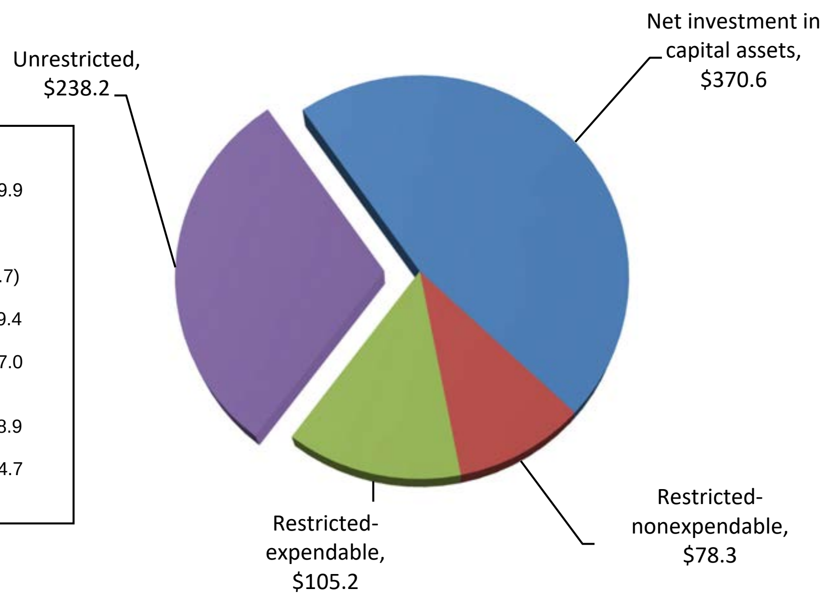
Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the university, such as donors or grant agencies. This includes funds that have been designated by the governing board for specific purposes, including funds functioning as endowment, as well as amounts that have been contractually committed for goods and services, not yet received.

During 2023 unrestricted net position increased primarily due to favorable market conditions related to investments and a decrease in the university's proportionate share of the pension liability related to the Michigan Public School Employee's Retirement System (MPSERS) plan. During 2022 unrestricted net position decreased primarily due to use of unrestricted funds for operations.

The remainder of this page intentionally left blank

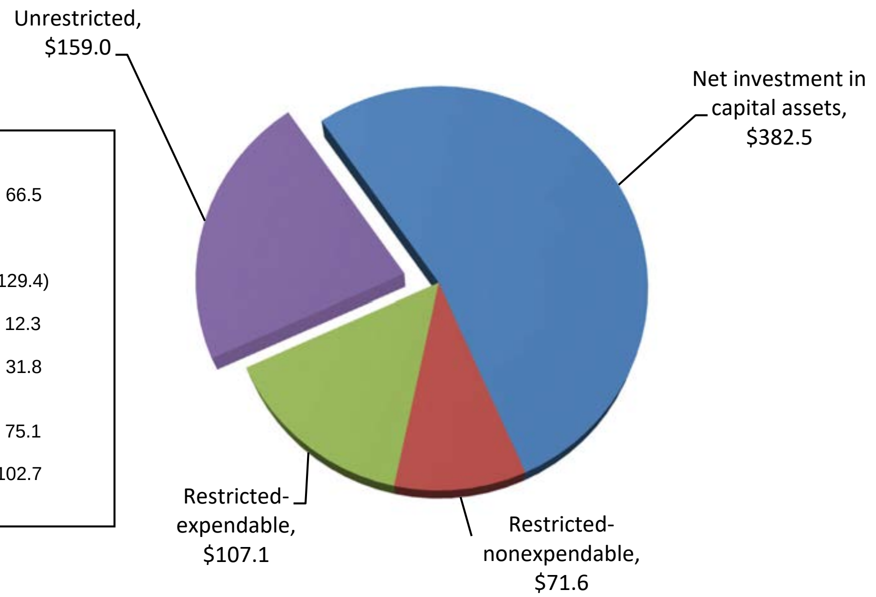
The following is a breakdown of net position at June 30, 2023 (shown in millions).

Unrestricted Net Position	
Capital projects	$ 49.9
Debt stabilization, pension & OPEB obligation & insurance reserves	$ (51.7)
Unrealized gains (loss)	$ 19.4
Contractual commitments	$ 27.0
Working capital balances for departmental & auxiliary	$ 88.9
Quasi endowment funds	$ 104.7



The following is a breakdown of net position at June 30, 2022

Unrestricted Net Position	
Capital projects	$ 66.5
Debt stabilization, pension & OPEB obligation & insurance reserves	$ (129.4)
Unrealized gains (loss)	$ 12.3
Contractual commitments	$ 31.8
Working capital balances for departmental & auxiliary	$ 75.1
Quasi endowment funds	$ 102.7



The remainder of this page intentionally left blank

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and the expenses incurred during the year. Activities are reported as operating or non-operating. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation. Depreciation amortizes the cost of an asset over its expected useful life. A summarized comparison of the university's revenues, expenses, and changes in net position (shown in millions) for the years ended June 30 is as follows:

	2023	2022 (as Restated)	2021 (as Restated)
OPERATING REVENUES			
Tuition, net	$ 161.2	$ 152.4	$ 172.5
Grants and contracts	19.2	18.6	18.4
Auxiliary enterprises, net	59.9	61.4	50.6
Other operating revenues	33.5	29.9	23.4
TOTAL OPERATING REVENUES	273.8	262.3	264.9
OPERATING EXPENSES	448.3	419.6	413.5
OPERATING LOSS	(174.5)	(157.3)	(148.6)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	191.0	97.8	91.0
Other nonoperating revenues	55.7	28.2	159.9
Interest on debt	(6.3)	(6.2)	(6.3)
NET NONOPERATING REVENUES	240.4	119.8	244.6
INCOME (LOSS) BEFORE OTHER REVENUES	65.9	(37.5)	96.0
OTHER REVENUES			
Capital appropriations			0.8
Capital grants and gifts	(1.0)	2.9	3.0
Additions to permanent endowments	7.2	3.7	2.4
TOTAL OTHER REVENUES	6.2	6.6	6.2
INCREASE (DECREASE) IN NET POSITION	72.1	(30.9)	102.2
NET POSITION			
NET POSITION AT BEGINNING OF YEAR	720.2	751.1	648.9
NET POSITION AT END OF YEAR	$ 792.3	$ 720.2	$ 751.1

OPERATING REVENUES

Operating revenues for fiscal year ending June 30, 2023, increased compared to fiscal year 2022. Gross tuition for fiscal years ended June 30, 2023, 2022, and 2021 were $218.1 million, $214.6 million, and $229.5 million, respectively. Scholarship allowances for fiscal years ended June 30, 2023, 2022, and 2021 were $56.9 million, $62.2 million, and $57.0 million, respectively. Auxiliary enterprises include residence halls, apartments, food services, intercollegiate athletics, university bookstore, university press, parking services, energy facility, telecommunications, information technology, university recreation, events activities, events center and clinics. Auxiliary enterprise operations are intended to be self-supporting. Grants and contracts include all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent the funds have been expended for exchange transactions. Non-exchange revenues are recorded when received or when an eligibility criterion has been met. During 2023, operating revenues increased $11.5 million. Significant changes in operating revenues occurred in the following areas as of June 30, 2023:

- Tuition before scholarship allowance increased by $3.5 million due to an increase in tuition rates. Scholarship allowances decreased by $5.3 million resulting in an increase in net tuition of $8.8 million.

- Auxiliary enterprise operating revenues, before room and board discount, decreased $0.7 million primarily due to lower residence hall occupancy. An increase in room and board allowance resulted in an overall decrease of $1.5 million.
- Other operating revenues increased by $3.6 million due primarily to a $1.6 million increase related to the new international student health insurance university policy, a $1.0 million increase in the amount received for participating in the Public Entity Physician Payment Adjuster Program and Specialty Network Access Fees Program, as well as increases in various areas including charter schools administration fees and clinical trials.

During 2022, operating revenues decreased $2.6 million. Tuition before scholarship allowance decreased by $14.9 million due to lower enrollment and scholarship allowances increased by $5.2 million which resulted in a decrease in net tuition of $20.1 million. Auxiliary enterprise operating revenues, before room and board discount, increased $10.0 million primarily due to higher residence hall occupancy rates resulting in a $3.3 million increase in room and board revenue including retail dining as well as a $5.0 million increase in athletic revenue as campus operations and athletic events resumed following the COVID-19 global pandemic. A decrease in room and board allowance resulted in an overall increase of $10.7 million. Other operating revenues increased by $6.5 million due primarily to a $2.1 million increase in the amount received for participating in the Public Entity Physician Payment Adjuster Program and Specialty Network Access Fees Program as well as increases in various areas including alumni events which resumed following the COVID-19 global pandemic, non-credit course and other academic fees, charter schools' administration fees and college partnerships with other universities and hospitals.

OPERATING EXPENSES

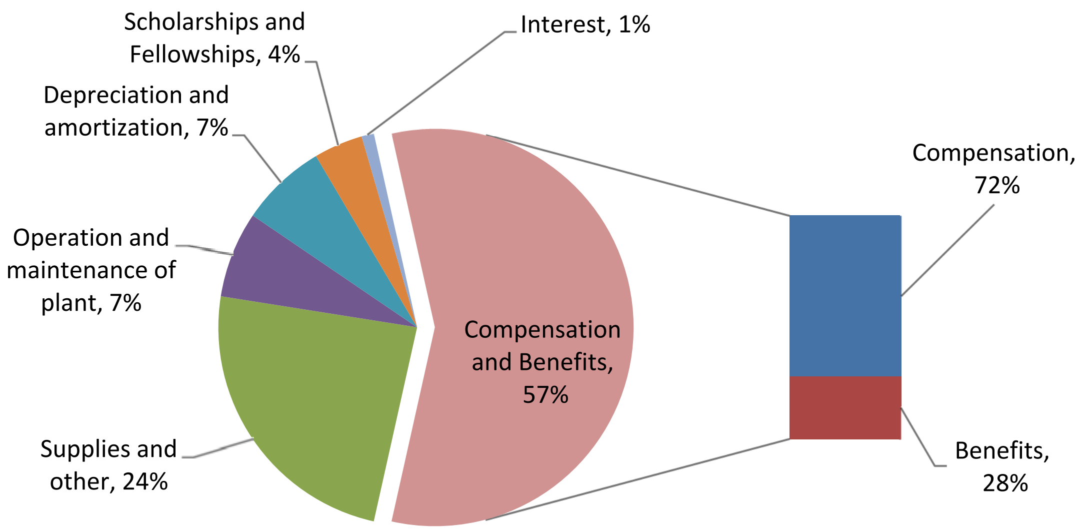
Operating expenses include compensation and benefits, scholarships and fellowships, utilities, supplies, operation and maintenance of plant expenses, and depreciation and amortization. Interest expense is classified as a non-operating expense.

A comparative summary of the expenses (shown in millions) for the years ended June 30 is as follows:

	2023	2022 (as Restated)	2021 (as Restated)
Operating			
Compensation and benefits	$ 258.8	$ 260.5	$ 264.1
Supplies and other	108.3	63.0	57.1
Operation and maintenance of plant	30.4	30.6	35.3
Depreciation and amortization	34.0	32.9	30.3
Scholarships and fellowships	16.8	32.6	26.7
TOTAL OPERATING EXPENSES	448.3	419.6	413.5
Nonoperating			
Interest	6.3	6.2	6.3
TOTAL EXPENSES	$ 454.6	$ 425.8	$ 419.8

The remainder of this page intentionally left blank

A summary of the expenses by natural classification for the year ended June 30, 2023, excluding component unit expenses is as follows:



Significant changes in operating expenses occurred in the following areas as of June 30, 2023:

- Compensation and benefit expenses decreased $1.7 million. Of this decrease, the university compensation increased 0.3% and benefits decreased 2.9%. The increase in compensation is primarily due to an increase in student compensation and the decrease in benefits primarily resulted from a decrease in the number of filled faculty and staff positions.
- Supplies and Other increased $45.3 million primarily due to a $39.8 million net increase in expense to support the unfunded portion of the Michigan Public School Employee's Retirement System (MPSERS) pension and OPEB plan, as well as increases in various areas including insurance expenses, and expenses for the Women and Children Center.
- Scholarship and Fellowship expenses decreased $15.8 million due primarily to a decrease of $20.2 million in student aid awards provided under the Higher Education Emergency Relief Fund III as authorized by the American Rescue Plan Act.

During 2022, compensation and benefit expenses decreased $3.6 million. Of this decrease, university compensation decreased 1.4% and benefits decreased 1.2%. The change in compensation and benefits primarily resulted from a decrease in the number of filled faculty and staff positions. Supplies and Other increased $8.8 million primarily due to a $2.4 million increase in spending by residence services to support residence hall and dining facility operations, including $1.7 million of preopening and other expense incurred by the new dining vendor; a $4.0 million increase in athletics spending primarily to support team travel and game guarantee expenses; an $800 thousand increase in utility costs due primarily to increases in gas prices; and $1.6 million increase in expenses for the tracking, testing and security related to managing COVID-19 on campus. Scholarship and Fellowship expenses increased $5.9 million due primarily to an increase of $11.5 million in student aid awards provided under the Higher Education Emergency Relief Fund III as authorized by the American Rescue Plan Act. Operation and maintenance of plant decreased $4.4 million due primarily to fewer non-capitalized infrastructure improvement projects and a decrease in the allocation of university utility expenses to the facilities management division based on budget reductions.

A comparative summary of the expenses by functional classification (shown in millions) for the years ended June 30 is as follows:

	2023		2022 (as Restated)		2021 (as Restated)	
Instruction	$ 117.2	26 %	$ 122.7	29 %	$ 128.1	30 %
Research	23.3	5	23.1	5	20.6	5
Public Service	18.9	4	16.8	4	15.3	4
Academic Support	45.6	10	46.7	11	45.6	11
Student Services	26.9	6	24.7	6	22.0	5
Institutional Support	38.6	9	32.2	8	32.5	8
Scholarships and Fellowships	14.6	3	30.1	7	24.5	6
Operation and Maintenance of Plant	31.0	7	31.6	7	36.0	8
Auxiliary Services	86.8	19	86.8	20	75.0	18
Depreciation	28.7	6	28.0	7	28.2	7
Other	16.7	4	(23.1)	-5	(14.3)	-3
Interest Expense	6.3	1	6.2	1	6.3	1
Total Expenses by Function	$ 454.6	100 %	$ 425.8	100 %	$ 419.8	100 %

Note: Component unit expenses are not shown on the above report.

Significant changes in functional expenses occurred in the following areas as of June 30, 2023:

- Instructional expenses decreased $5.5 million due primarily to planned cost reductions related to lower enrollment including a decrease in the number of filled faculty and staff positions.
- Institutional Support increased $6.4 million due primarily to an increase in self-funded medical and prescription claims.
- Scholarships and Fellowship expenses decreased $15.5 million primarily due to a $20.2 million decrease in student aid awarded under the Higher Education Emergency Relief Fund III as authorized by the American Rescue Plan Act.
- Other expenses increased $39.8 million primarily due to changes in the unfunded portion of the MPSERS net pension and net OPEB liability.

During 2022, instructional expenses decreased $5.4 million due primarily to planned cost reductions related to lower enrollment including a decrease in the number of filled faculty and staff positions. Scholarship and fellowship expenses increased $5.6 million primarily due to an additional $11.5 million in student aid awards provided under the Higher Education Emergency Relief Fund III as authorized by the American Rescue Plan Act. Auxiliary enterprises increased $11.8 million primarily due to a $2.4 million increase in spending by residence services to support residence hall and dining facility operations, including $1.7 million of preopening and other expense incurred by the new dining vendor, as well as a $4.0 million increase in athletics spending primarily to support team travel and game guarantee expenses, an $800 thousand increase in utility costs due primarily to increases in gas prices and a $4.0 million reduction in allocation of utility expenses to the facilities management division based on budget reduction initiatives. Other expenses decreased $8.8 million primarily due to changes in the unfunded portion of the MPSERS net pension and net OPEB liability.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues (expenses) consist of state appropriations, gifts and pledges (net of allowance), investment income including realized gains and losses, Federal Pell grant program, governmental coronavirus support programs, lease agreements, and other non-operating revenues less interest on debt-financed capital asset.

Significant changes in non-operating revenues (expenses) occurred in the following areas as of June 30, 2023:

- State Appropriations increased $93.2 million primarily due to increases in state aid supplemental appropriations provided to support the MPSERS program.
- Investment income increased $66.8 million primarily due to an increase of $75.5 million in unrealized gains due to favorable market conditions.
- Governmental coronavirus support programs revenue decreased $40.2 million primarily due to the full utilization of the funding provided under the Higher Education Emergency Relief Fund III as authorized by the American Rescue Plan Act by the end of fiscal year 2022.

During 2022, state appropriations increased $6.8 million primarily due to increases in operational state aid funding and supplemental appropriations provided to specifically support the MPSERS program. Investment income decreased $131.5 million primarily due to an increase of $122.4 million in unrealized losses due to unfavorable market conditions. Governmental coronavirus support programs revenue increased $4.0 million primarily due to utilization of the increased funding provided under the Higher Education Emergency Relief Fund III as authorized by the American Rescue Plan Act.

OTHER REVENUES

Other revenues consist of capital appropriations and capital grants and gifts, including pledges and additions to permanent endowments. A gift received by the university, where a donor has specified that only the investment earnings from that gift can be expended for the purpose designated by the donor, is classified as a permanent endowment. The principal cannot be expended. Endowment gifts do not include pledges. Other revenue in 2023 decreased $0.4 million primarily due to the reclassification of a pledge agreement that was formerly classified as a capital gift and reclassified to an operating gift.

During 2022, other revenue decreased $0.4 million primarily due to a decrease in capital appropriations from the State Building Authority as the Center for Integrated Health Studies building reached substantial completion in November 2019.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the university during the year. A comparative summary of the statements of cash flows (shown in millions) for the years ended June 30 is as follows:

	2023	2022 (as Restated)	2021 (as Restated)
Cash received from operations	$ 683.9	$ 649.2	$ 656.4
Cash expended for operations	(878.1)	(811.9)	(803.7)
NET CASH USED BY OPERATING ACTIVITIES	(194.2)	(162.7)	(147.3)
Net cash provided by noncapital financing activities	199.5	187.9	151.2
Net cash used by capital financing activities	(26.4)	(7.8)	(24.2)
Net cash provided (used) by investing activities	21.8	(30.2)	45.0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV	0.7	(12.8)	24.7
CASH AND CASH EQUIV, BEGINNING OF THE YEAR	50.0	62.8	38.1
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 50.7	$ 50.0	$ 62.8

The most significant components of cash flows used from operating activities are tuition and fees, auxiliary activities, and grants and contracts. Net cash used in operating activities was $194.2 million ($162.7 million at June 30, 2022). To offset this, the net cash provided from noncapital financing activities, consisting primarily of state appropriations, was $199.5 million ($187.9 million at June 30, 2022).

Cash used by capital financing activities was $26.4 million ($7.8 million at June 30, 2022), primarily the result of the investment in major capital construction projects and payment of debt and interest on bonds and lease agreements.

Cash provided by investing activities was $21.8 million ($30.2 million used by investment activities at June 30, 2022) due to favorable market conditions.

REQUESTS FOR INFORMATION

Questions concerning information provided in the Management's Discussion and Analysis or other required supplemental information, financial statements and notes thereto, or requests for additional financial information should be addressed to Central Michigan University, Warriner 104, Mount Pleasant, Michigan 48859.

The remainder of this page intentionally left blank

STATEMENTS OF NET POSITION

Central Michigan University

	YEAR ENDED JUNE 30 2023	2022 (as Restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 41,208,587	$ 35,282,201
Accounts, leases and pledges receivable, net	23,132,127	22,190,498
State appropriations receivable, operations	16,575,004	17,052,492
State appropriations receivable, Charter Schools	46,304,188	42,570,562
Inventories	2,799,282	2,251,526
Other assets	3,638,564	4,151,695
TOTAL CURRENT ASSETS	133,657,752	123,498,974
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	9,442,753	14,676,515
Pledges receivable, net	3,835,959	5,112,753
Leases receivable, net	8,160,499	8,190,400
Endowment investments	245,105,237	231,367,296
Other long-term investments	204,118,189	211,583,085
Net OPEB asset	9,308,291	10,613,086
Lease assets, net	10,883,743	11,001,581
Capital assets, net	523,594,260	542,546,593
TOTAL NONCURRENT ASSETS	1,014,448,931	1,035,091,309
TOTAL ASSETS	1,148,106,683	1,158,590,283
DEFERRED OUTFLOWS		
Deferred Outflows of Resources	13,634,768	40,454,107
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	81,837,991	74,619,320
Unearned revenue	18,789,327	18,550,215
Deposits	865,356	849,414
Current portion of long-term debt and other obligations	11,223,698	11,027,299
TOTAL CURRENT LIABILITIES	112,716,372	105,046,248
NONCURRENT LIABILITIES:		
Long-term debt, hedging instruments, and other obligations	162,083,470	170,569,036
Net pension liability	79,382,848	139,230,704
TOTAL NONCURRENT LIABILITIES	241,466,318	309,799,740
TOTAL LIABILITIES	354,182,690	414,845,988
DEFERRED INFLOWS		
Deferred Inflows of Resources	15,235,228	63,983,190
NET POSITION		
Net investment in capital assets	370,611,589	382,477,643
Restricted for:		
Nonexpendable		
Scholarships, fellowships and research	78,261,407	71,644,405
Expendable		
Scholarships, fellowships and research	69,092,140	62,294,879
Instructional department uses	23,334,921	23,391,603
Capital projects	12,780,925	21,422,046
Unrestricted	238,242,551	158,984,636
TOTAL NET POSITION	$ 792,323,533	$ 720,215,212

See Notes to the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Central Michigan University

	YEAR ENDED JUNE 30 2023	2022 (as Restated)
REVENUES		
OPERATING REVENUES:		
Tuition	$ 218,109,908	$ 214,647,261
Less: Scholarship allowances	56,897,872	62,231,779
Net tuition	161,212,036	152,415,482
Federal grants and contracts	10,426,416	10,721,947
State and local grants and contracts	696,739	738,735
Nongovernmental grants and contracts	8,017,790	7,189,186
Sales and services of educational activities	33,489,306	29,879,007
Auxiliary enterprises (net of room & board allowances of $10,837,690 in 2023 and $10,130,755 in 2022)	59,941,194	61,362,246
TOTAL OPERATING REVENUES	273,783,481	262,306,603
EXPENSES		
OPERATING EXPENSES:		
Compensation:		
Faculty	92,321,418	93,367,411
Staff	85,398,401	84,366,635
Benefits	71,353,144	73,512,314
Student	9,773,224	9,259,873
Scholarships and fellowships	16,760,172	32,600,302
Utilities	8,660,409	8,436,436
Supplies and other	99,580,154	54,522,627
Operation and maintenance of plant expenses	30,421,980	30,606,931
Depreciation and amortization	34,016,073	32,899,298
TOTAL OPERATING EXPENSES	448,284,975	419,571,827
OPERATING LOSS	(174,501,494)	(157,265,224)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	91,031,554	93,671,958
State appropriations - MPSERS	99,977,115	4,080,289
Gifts and pledges (net of allowance)	10,062,662	7,487,313
Gifts of term endowments	27,130	249,150
Investment (loss) income (net of investment expense)	27,619,078	(39,185,359)
Interest on lease and capital assets related debt	(6,359,067)	(6,202,898)
Federal Pell grant program	15,697,681	17,153,555
Governmental coronavirus support programs	1,129,947	41,283,733
Other nonoperating revenues	1,187,362	1,192,127
NET NONOPERATING REVENUES (EXPENSES)	240,373,462	119,729,868
INCOME (LOSS) BEFORE OTHER REVENUES	65,871,968	(37,535,356)
OTHER REVENUES		
Capital grants and gifts	(1,017,464)	2,941,506
Additions to permanent endowments	7,253,817	3,665,279
TOTAL OTHER REVENUES	6,236,353	6,606,785
INCREASE (DECREASE) IN NET POSITION	72,108,321	(30,928,571)
NET POSITION		
NET POSITION AT BEGINNING OF YEAR	720,215,212	751,143,783
NET POSITION AT END OF YEAR	$ 792,323,533	$ 720,215,212

See notes to the financial statements.

STATEMENTS OF CASH FLOWS – DIRECT METHOD

Central Michigan University

	YEAR ENDED JUNE 30 2023	2022 (as Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Tuition	$ 164,125,105	$ 156,407,695
Grants and contracts	17,260,143	20,226,111
Payments to suppliers	(181,785,118)	(126,853,805)
Payments for utilities	(8,660,409)	(8,436,436)
Payments to employees	(187,337,039)	(187,176,310)
Payments for benefits	(73,603,032)	(73,578,624)
Payments for scholarships and fellowships	(16,760,172)	(32,600,302)
Auxiliary activities	60,747,530	60,652,762
Sales and services of educational activities	31,390,681	26,611,108
Other receipts (payments)	517,495	2,060,086
William D. Ford PLUS direct lending receipts	104,566,095	109,257,012
William D. Ford PLUS direct lending disbursements	(104,566,095)	(109,257,012)
Third Party Scholarship receipts	16,774,839	13,952,966
Third Party Scholarship disbursements	(16,875,790)	(13,918,130)
Charter School funding receipts	288,565,693	260,028,988
Charter School funding disbursements	(288,565,693)	(260,028,988)
NET CASH USED BY OPERATING ACTIVITIES	(194,205,767)	(162,652,879)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	167,130,149	118,983,592
Federal Pell grant program	15,697,681	17,153,555
Governmental coronavirus support programs	1,099,157	41,014,009
Gifts for other than capital purposes	8,293,276	6,809,883
Gifts for endowment purposes	7,280,947	3,914,429
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	199,501,210	187,875,468
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt		17,831,172
Capital grants and gifts received	1,046,824	1,701,596
Purchases of capital assets	(9,948,153)	(9,259,030)
Principal paid on capital debt	(6,380,000)	(6,310,000)
Principal payments on leases	(5,001,941)	(5,772,859)
Interest paid on capital debt and leases	(7,308,314)	(7,129,010)
Insurance proceeds		26,175
Other receipts leases	1,151,897	1,107,125
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(26,439,687)	(7,804,831)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	143,813,308	143,761,400
Income on investments, net	11,114,780	19,815,576
Purchase of investments	(133,091,220)	(193,795,080)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	21,836,868	(30,218,104)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	692,624	(12,800,346)
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	49,958,716	62,759,062
CASH AND CASH EQUIVALENTS-END OF THE YEAR	$ 50,651,340	$ 49,958,716

See notes to the financial statements.

STATEMENTS OF CASH FLOWS – DIRECT METHOD

Central Michigan University

	YEAR ENDED JUNE 30	
	2023	2022 (as Restated)
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (174,501,494)	$ (157,265,224)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization and loss on disposal of capital assets	34,874,076	33,732,855
Change in assets, liabilities and deferred resources:		
Receivables, net	(4,362,152)	51,175
Inventories	(547,756)	383,770
Other assets	513,131	2,270,404
Accounts payable, accrued liabilities and deposits	7,234,613	4,225,685
Unearned revenue	367,673	1,772,724
Retirement service award program	(82,680)	(60,385)
Compensated absences	80,247	(296,319)
Other obligations	2,031	(2,102)
Net pension liability and net OPEB asset	(58,543,061)	(50,850,071)
Deferred resources - pension and OPEB	759,605	3,384,609
NET CASH USED BY OPERATING ACTIVITIES	$ (194,205,767)	$ (162,652,879)

See notes to the financial statements.

STATEMENTS OF FIDUCIARY FUNDS

Central Michigan University

STATEMENTS OF FIDUCIARY NET POSITION

	CUSTODIAL FUNDS YEAR ENDED JUNE 30	
	2023	**2022**
ASSETS		
Cash and cash equivalents	$ 1,221,858	$ 1,612,104
TOTAL ASSETS	1,221,858	1,612,104
LIABILITIES		
Deposits		
TOTAL LIABILITIES		
NET POSITION		
Restricted for:		
Organizations	1,221,828	1,612,104
TOTAL NET POSITION	$ 1,221,858	$ 1,612,104

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	CUSTODIAL FUNDS YEAR ENDED JUNE 30	
	2023	**2022**
ADDITIONS		
CONTRIBUTIONS:		
University Pediatrics	$ 2,499,085	$ 2,485,252
TOTAL ADDITIONS	2,499,085	2,485,252
DEDUCTIONS		
University Pediatrics	2,889,331	2,274,491
TOTAL DEDUCTIONS	2,889,331	2,274,491
INCREASE IN FIDUCIARY NET POSITION	(390,246)	210,761
NET POSITION		
NET POSITION AT BEGINNING OF YEAR	1,612,104	1,401,343
NET POSITION AT END OF YEAR	$ 1,221,858	$ 1,612,104

See Note 1 to the Central Michigan University financial statements.

This page intentionally left blank.

STATEMENTS OF NET ASSETS
CMU Medical Education Partners

		YEAR ENDED JUNE 30 2023		2022
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	3,533,305	$	3,723,972
Cash - designated funds		369,594		743,199
Investments		3,880,615		3,488,434
Patient accounts receivable, less allowance for doubtful accounts of $247,370 in 2023 and $321,745 in 2022		1,163,814		1,167,298
Receivables - member hospitals		1,157,943		1,108,105
Receivables - funding support		807,707		775,419
Prepaid expenses		1,329,011		1,050,863
TOTAL CURRENT ASSETS		12,241,989		12,057,290
ASSETS WHOSE USE IS LIMITED:				
Investments held for designated purposes		973,239		895,663
Investments held for 457(b) plan participants		4,280,930		3,443,337
Investments held for MiDocs Program		750,000		
TOTAL ASSETS WHOSE USE IS LIMITED:		6,004,169		4,339,000
Other Assets		13,540		13,540
Intangible right-of-use asset - operating leases		5,546,757		
Intangible right-of-use asset - financing lease		41,108		
Leasehold improvements, furniture, and equipment, net		3,037,737		1,780,907
TOTAL ASSETS	$	26,885,300	$	18,190,737
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	$	1,315,254	$	1,623,310
Payroll and related liabilities		3,528,052		4,031,531
Other accrued liabilities		7,794		7,794
Deferred revenue		1,730,100		30,847
Current portion of operating lease liability		824,040		
Current portion of financing lease liability		10,444		
TOTAL CURRENT LIABILITIES		7,415,684		5,693,482
Deferred obligations - MIDOCs program		810,418		564,793
Malpractice liability		200,000		200,000
Amounts due to 457(b) plan participants		4,280,930		3,443,337
Operating lease liability - net of current position		4,722,717		
Financing lease liability - net of current position		30,664		
TOTAL LIABLITIES		17,460,413		9,901,612
NET ASSETS				
Without donor restrictions		9,424,887		8,289,125
TOTAL LIABLITIES AND NET ASSETS	$	26,885,300	$	18,190,737

See Notes 1 and 12 to the Central Michigan University financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

CMU Medical Education Partners

	YEAR ENDED JUNE 30 2023	2022
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Member hospitals	$ 23,573,333	$ 21,712,133
Net patient service revenue	15,985,555	15,068,000
Quality incentive programs:		
PPAP/SNAF	2,238,721	2,323,471
Other incentive programs	519,106	439,237
Contract revenue	14,863,888	14,431,974
Donations and grants		
Contributed office space	714,568	714,568
Other donations and grant	1,156,118	179,050
Investment income	415,749	(538,189)
Other revenue	235,954	152,406
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	59,702,992	54,482,650
OPERATING EXPENSES		
Salaries, wages, and payroll taxes	41,758,677	40,235,464
Employee benefits	6,482,467	7,560,723
Other employee benefits	260,325	201,882
Recruiting	172,992	195,069
Clinical supplies	1,161,716	926,970
Office supplies	94,698	93,509
Educational supplies and services	491,309	445,187
Consulting and contractual services	1,536,353	1,425,336
Communications	266,008	357,256
Continuing medical education	435,213	396,858
Education, conferences and travel	660,392	599,869
Insurance	1,713,092	1,361,768
Facility and equipment	2,342,995	2,327,303
Other expenses	338,280	226,006
Depreciation	462,522	400,804
Patient bad debts expense	484,901	478,462
TOTAL OPERATING EXPENSES	58,661,940	57,232,466
Unrestricted Revenues and other support over operating expenses	1,041,052	(2,749,816)
Other nonoperating revenue (expense)		
Net investment (loss) income and interest	84,241	(115,231)
Nonoperating grant revenue	23,765	504,790
Nonoperating grant expense		(488,133)
Professional liability expense	(13,296)	(15,286)
Increase (Decrease) in net assets without donor restrictions	1,135,762	(2,863,676)
NET ASSETS		
NET ASSETS AT BEGINNING OF YEAR	8,289,125	11,152,801
NET ASSETS AT END OF YEAR	$ 9,424,887	$ 8,289,125

STATEMENTS OF NET ASSETS

The Institute for Excellence in Education

	YEAR ENDED JUNE 30 2023	2022
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,407,221	$ 1,207,746
Accounts receivable, net allowance	701,037	558,677
Accounts receivable - related party		
Central Michigan University	90,910	90,910
The Center for Charter Schools	24,200	23,100
Inventory	59,339	67,058
Prepaid expenses	214,103	203,441
TOTAL CURRENT ASSETS	2,496,810	2,150,932
Property and equipment, net	22,791	24,680
Intangible assets, net	3,541,640	3,440,625
Goodwill, net		137,044
Right of use asset - operating lease, net	274,890	
TOTAL ASSETS	$ 6,336,131	$ 5,753,281
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 224,313	$ 221,742
Accrued liabilities	416,564	443,781
Compensated absences	154,415	158,371
Unearned revenue	315,066	132,442
Operating lease obligation, current portion	64,818	
TOTAL CURRENT LIABILITIES	1,175,176	956,336
Operating lease obligation, net of current portion	210,941	
TOTAL LIABLITIES	1,386,117	956,336
NET ASSETS		
Without donor restrictions	4,950,014	4,796,945
TOTAL LIABLITIES AND NET ASSETS	$ 6,336,131	$ 5,753,281

See Note 1 to the Central Michigan University financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

The Institute for Excellence in Education

	YEAR ENDED JUNE 30	
	2023	2022
OPERATING REVENUE AND OTHER SUPPORT		
State Appropriations - related party		
Central Michigan University	$ 500,000	$ 500,000
Service Revenue	5,563,776	5,822,721
Federal Grants	524,467	930,282
Contributions	804,187	531,096
Book revenue, net of cost of goods sold `	2,463	13,226
Other revenue	19,298	7,264
Interest Income	15,381	1,567
Debt forgiveness		627,261
Gain (loss) on disposal of property and equipment	(408)	(33)
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	7,429,164	8,433,384
OPERATING EXPENSES		
Compensation	3,395,530	3,791,173
Benefits	964,838	1,015,604
Occupancy	76,137	106,073
Services and fees	806,267	1,252,575
Supplies and other	301,926	314,815
Telephone	35,221	29,173
Marketing	81,940	67,050
Travel	294,172	214,547
Bad Debt	20,277	1,664
Depreciation and Amortization	1,299,787	1,208,941
TOTAL EXPENSES	7,276,095	8,001,615
CHANGE IN NET ASSETS	153,069	431,769
NET ASSETS		
NET ASSETS AT BEGINNING OF YEAR	4,796,945	4,365,176
NET ASSETS AT END OF YEAR	$ 4,950,014	$ 4,796,945

NOTE 1--ORGANIZATION, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Central Michigan University (the university or CMU) is an institution of higher education and is considered to be a component unit of the State of Michigan because the Governor of the State of Michigan appoints its Board of Trustees (the board). 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, appropriations for Charter Schools, grants from various state agencies, State Building Authority (SBA) revenues and payments to the state retirement program for university employees. The university has five affiliated organizations that were evaluated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, which the university adopted July 1, 2010 and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which the university adopted July 1, 2016. Each organization is described below as well as the impact that it has on the university's financial statements:

- Central Health Advancement Solutions (CHAS) is a Michigan nonprofit corporation established January 28, 2011 and is organized on a non-stock membership basis. The sole member of the corporation is the Board of Trustees of Central Michigan University. The sole purpose is to hold a 90% membership interest in CMU Medical Education Partners (CMEP) whose mission is to integrate medical education, research, and service, primarily for the training of medical residents and other medical related personnel. In accordance with the provisions of GASB Statement No. 61, the financial activity for CMEP on behalf of CHAS is discretely presented in the university's financial statements (refer to pages 27 and 28 for CMEP financial statements). The June 30, 2023 audited financial statements for CMEP can be found at: www.cmich.edu

- The Charter Schools Development & Performance Institute d/b/a National Charter Schools Institute (NCSI), d/b/a Institute for Excellence in Education (IEE), a Michigan nonprofit corporation, was formed on November 29, 2001. The institute is incorporated as a private tax-exempt corporation with the primary goal to facilitate the development and performance of charter schools in Michigan and throughout the nation, and to pursue multiple related objectives in support of Charter Schools. There are two classes of members of the corporation, Category A and Category B. The Category A members consist of persons who are the president or members of the Board of Trustees of Central Michigan University. Category B members of the corporation consist of individuals serving as members of the Board of Trustees of the corporation. The university transferred $500,000 to the IEE for each of the years ended June 30, 2023 and June 30, 2022, respectively.

  In accordance with the provisions of GASB Statement No. 61, the IEE is considered a component unit of the university and the operations of the IEE should be discretely presented in the university's financial statements because there is a financial benefit/burden and the blending criteria of GASB Statement No. 61 are not met. As a result, IEE is shown discretely presented at June 30, 2023 (refer to pages 29 and 30 for IEE financial statements).

- The Central Michigan University Research Corporation (CMURC) was formed as an independent 501(c)(3) nonprofit corporation on February 15, 2002. The corporation's sole member is Central Michigan University. The purpose for which the corporation was formed is to solicit, collect, receive and administer funds exclusively for the support of the scientific, literary and educational programs of the university as permitted by an organization exempt from federal income taxation. In June 2019, the university's Board of Trustees approved extending an annual contribution of $500,000 through FY 2024. Fiscal year 2023 was the twenty-second year of the commitment. At June 30, 2023, and 2022, the net assets of CMURC were $1,561,347 and $1,764,051, respectively. In accordance with the provisions of GASB Statement No. 80, CMURC is considered a component unit of the university and the operations of CMURC should be blended into the university's financial statement because the university is the corporation's sole member. However, the university has excluded the amounts from the financial statements overall due to insignificance.

- The CMU Foundation (Foundation) is a Michigan nonprofit corporation established during fiscal year 1998. The purpose for which the corporation is organized and operated is to solicit, collect, receive and administer funds to provide support for the objectives and purposes of the university. There were insignificant assets and no liabilities as of June 30, 2023 and 2022. In accordance with the provisions of GASB Statement No. 61, the Foundation is blended into the university's financial statements because the activity is insignificant and the Foundation provides services entirely to the university. There was no financial activity to be reported for the years 2023 and 2022.

- CMU Charter Schools are nonsectarian public schools of choice that operate with freedom from many of the regulations that apply to traditional public schools. The "charter" establishing each such school is a performance contract detailing the school's mission, program, goals, students served, methods of assessment and ways to measure success. In accordance with the provisions of GASB Statement No. 61, the CMU Charter Schools are considered a related organization because there is no financial benefit/burden to the university nor can the university impose its will on the charter schools. According to GASB Statement No. 61, only note disclosure is required for related organizations.

Therefore, the financial statements include the operations of the university, CHAS, IEE, and the Foundation, collectively known as the university's financial statements, based on the evaluation of the entities and provisions of GASB Statements No. 61 and No. 80.

Significant Events Impacting the Organization

On May 11, 2023, the national emergency status of the COVID-19 global pandemic officially expired. The university continues to monitor guidance from the Centers for Disease Control, however most operations have returned to pre-pandemic service levels with expanded options for online and remote interactions. For the year ended June 30, 2023 there was no funding provided to the university to support student financial aid or institutional costs under the Higher Education Emergency Relief Funds (HEERF), however the university received $1.1 million from federally authorized coronavirus support programs for various grant initiatives. For the year ended June 30, 2022 the university recognized revenue of $39.78 million under the Higher Education Emergency Relief Funds (HEERF) to support student financial aid and institutional costs incurred due to the global pandemic and an additional $1.5 million was received from the coronavirus support programs for grant initiatives.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. The statements incorporate all fund groups utilized internally by the university. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The university follows the "business-type" activities requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. This statement requires the following components of the university's financial statements:

- Management's discussion and analysis

- Basic financial statements including a Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows for the university as a whole

- Notes to the financial statements

GASB Statement No. 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 four net asset categories:

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

- Restricted:

  Nonexpendable – Net position subject to externally imposed constraints that they be maintained permanently by the university. Such assets include the university's permanent endowment funds.

  Expendable – Net position whose use by the university is 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 positions that are not subject to externally imposed constraints. Unrestricted net positions may be designated for specific purposes by action of management or the board or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net positions are designated for academic, research and outreach programs and initiatives, postemployment benefits, operating and stabilization reserves, capital projects and capital asset renewals and replacements.

This statement also requires the university to report revenues net of discounts and allowances. Gift and grant revenues are recognized at the later of the pledge date or when the eligibility requirement of the gifts and grants are met. In addition, direct lending is not reported as federal revenue and scholarship expenditures but is instead treated as a fiduciary transaction.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

The university and its component units define cash and cash equivalents as highly liquid, short-term investments that bear little or no market risk and are stated at fair value.

Restricted cash and cash equivalents represent cash held in trust accounts related to bonded debt and unspent bond proceeds.

Both cash and cash equivalents and restricted cash and cash equivalents are included in cash and cash equivalents on the Statements of Cash Flows.

Pledges

Financial support to the university in the form of pledges is received from business enterprises, foundations and individuals. Revenue from gift pledges is recorded only when there is an unconditional promise to pay and all eligibility requirements, including time requirements, have been met. Contributions to permanent and term endowments are not recognized as assets until actually received by the university.

Inventories

Inventories are primarily stated at actual cost, using the first-in first-out method.

Investments

All investments are stated at fair value.

Capital Assets

Capital assets for the university are stated at cost or, when donated, at acquisition value at date of gift. Depreciation is computed using the straight-line method from the date of acquisition. University building additions and improvements with a cost in excess of $50,000 are capitalized if the life of the building is extended; equipment with a cost in excess of $5,000 and a useful life greater than one year is capitalized;

and software in excess of $250,000. Assets are depreciated over the estimated useful life for the respective asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The university does not capitalize certain works of art or historical treasures (except for certain museum collections) that are held for exhibition, education, research or public service.

Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property as follows:

Asset Classification	Useful Life
Buildings and Improvements more than $100,000	40 years
Buildings and Improvements $50,000 to $100,000	10 years
Infrastructure	20 years
Leasehold Improvements	10 years
Land Improvements	8 years
Intangible Assets	40 years or indefinite
Equipment – Digital TV	20 years
Equipment	8 years
Library books	8 years
Vehicles	4 years
Software	Lesser of 5 years or actual

Compensated Absences

University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation based upon the nature of separation (death, retirement or termination). Certain limitations have been placed on the hours of vacation that employees may accumulate and carry over for payment at death, retirement or termination. Unused hours exceeding these limitations are forfeited.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension and other post-employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

Unearned Revenue

Unearned revenue consists primarily of dining services support provided by the vendor which will be recognized over the life of the contract, advance ticket sales for athletic events, summer school tuition, fall room and board not earned during the current year, and contract and sponsored program advances.

CMEP Estimated Professional Liability

The provision for estimated self-insured medical malpractice claims is actuarially determined and includes estimates of the costs for both reported claims and claims incurred but not reported. The liability is approximately $200 thousand at June 30, 2023 and June 30, 2022, and is included in the member hospital and malpractice fund liability. Additionally, CMEP has malpractice funding held by trustee of approximately $1 million at June 30, 2023 and $900 thousand at June 30, 2022.

Deferred Outflows and Deferred Inflows

In addition to assets, the statement of financial 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 a future period and as such, is not recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources consist of interest rate swap agreements that are stated at fair value based on the zero coupon valuation method, gains or losses on the defeasance of debt and deferred resources related to the university's proportionate share of the net pension and other post-employment benefit liability for the Michigan Public School Employee's Retirement System (MPSERS) plan. The university recorded deferred outflows for hedging instruments (noncurrent liabilities) of $1,835,627 at June 30, 2023, and $2,901,521 at June 30, 2022. Also included in deferred outflows is the gain or loss on the defeasance of four General Revenue Bonds Series: Series 2005 valued at $661,635 and $720,447, net of amortization, at June 30, 2023 and 2022 respectively; Series 2006 valued at $143,961 and $155,713, net of amortization, at June 30, 2023 and 2022 respectively and Series 2012 valued at $977,753 and $1,083,456, net of amortization, at June 30, 2023 and 2022 respectively. The value of deferred outflows related to the MPSERS plan for pensions was $9,200,260 and $33,080,922 as of June 30, 2023 and 2022 respectively, and for other post-employment benefits (OPEB) was $815,532 and $2,512,048 as of June 30, 2023 and 2022, respectively. See Note 9 for additional information on deferred outflows related to the MPSERS plan.

In addition to liabilities, the statement of financial 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 a future period and as such, is not recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of future revenue streams related to the defeasance of debt, split-interest agreements and lease agreements, deferred inflows of resources related to state appropriations received after the measurement date, and deferred inflows of resources related to the university's proportionate share of the net pension and net OPEB liability for the MPSERS plan. The university recorded deferred inflows of resources related to the gain or loss on the defeasance of the General Revenue Bonds Series 2009 valued at $511,922 and $669,436, net of amortization, at June 30, 2023 and 2022 respectively. Deferred inflows of resources applicable to split-interest agreements include $5,658,507 and $5,167,672 at June 30, 2023 and 2022 respectively. See Note 8 for additional information on deferred inflows related to split-interest agreements. At June 30, 2023 and June 30, 2022, respectively, deferred inflows related to leasing agreements was $9,047,355 and $8,955,056. See Note 11 for additional information on leases. There were no deferred inflows related to changes in the pension portion of the MPSERS plan at June 30, 2023. At June 30, 2022, the value related to changes in the pension portion of the MPSERS plan was $18,746,090. There were no deferred inflows related to changes in the OPEB portion of the MPSERS plan at June 30, 2023. The value related to changes in the OPEB portion of the MPSERS plan was $6,071,483 at June 30, 2022. See Note 9 for additional information on deferred inflows related to the MPSERS plan. The value of deferred inflows of resources related to funding received through state appropriations for contributions to the MPSERS plan, after the measurement date, was $17,444 and $24,373,453 at June 30, 2023 and June 30, 2022, respectively.

Bond Issuance Costs

Bond issuance costs are expensed when incurred.

Operating and Non-operating Revenues

Operating revenues of the university consist of tuition, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 34, including state appropriations, federal Pell grant revenue, federal COVID revenue, gifts and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the recipient university department within the guidelines of donor restrictions, if any.

Revenue Recognition

Revenues are recognized when earned and expenditures are recognized when the good or service is provided. Restricted grant revenue is recognized only to the extent expended.

Student Tuition

Student tuition revenues are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances represent the difference between the stated charge for goods and services provided by the university and the amount that is paid by the students or third parties on behalf of the students, where the university has discretion over such expenses.

Auxiliary Enterprises

Auxiliary enterprises primarily represent revenues generated from university residence services, intercollegiate athletics, clinics and various other departmental activities that provide services to the student body, faculty, staff and general public.

CMEP Revenue

CMEP has agreements with third-party payers that provide for reimbursements to the corporation at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the corporation's established rates for services and amounts reimbursed by third-party payers. The corporation grants credit without collateral to its patients, most of who are Michigan residents and are insured under third-party payer agreements. Significant concentrations of CMEP accounts receivable at June 30, 2023 and June 30, 2022 include Medicare (28.8% and 24.2%), Blue Cross (13.3% and 8.8%), Medicaid (27.2% and 30.1%), other commercial insurers (17.5% and 18.4%) and self-pay (13.2% and 18.5%), respectively.

CMEP patient accounts receivable and revenue are recorded when patient services are performed. Patient accounts receivable are recorded at the corporation's established rates with contractual adjustments, charity allowances, policy discounts and the provision for uncollectible accounts deducted to arrive at net patient accounts receivable. Patient services are recorded net of an allowance for doubtful accounts of $247,370 at June 30, 2023. Patient services are recorded net of the total allowance for doubtful accounts of $321,745 at June 30, 2022.

Donor Restricted Endowments

Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Michigan in 2009, the board acts in a fiduciary capacity as trustee of its endowment funds. The UPMIFA requires that the board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the university as well as the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. See Note 2 for the university spending policy. Endowment realized and unrealized appreciation is reported consistently with the net position categorization of the related endowment, net of spending policy distributions.

Fiduciary Activity

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the university's programs. The university maintains a fund to record the escrow transactions of University Pediatrics. The funds are segregated and held separately for them.

The university's business-type activities may report assets with a corresponding liability that otherwise should be reported in a custodial fund in the statement of net position of the business-type activity if those assets, upon receipt, are normally expected to be held for three months or less. Examples of this activity include direct loans, third party scholarships and charter school funding activity.

Eliminations

In preparing the financial statements, the university eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the Statements of Net Position. Similarly, revenues and expenses related to internal service activities are also eliminated from the Statements of Revenues, Expenses and Changes in Net Position. Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts where the university has discretion over such expenses, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Use of Estimates

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

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. The 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.

Adoption of New Standards

During the current year, the university adopted GASB Statement No. No. 96 *Subscription-Based Information Technology Arrangements* (SBITAs). As a result, the university's statements now include a liability for the present value of payments expected to be made and right-to-use assets that will be recognized over the term of the subscription agreement. SBITA activity is further described in Note 11. The financial statements for the year ended June 30, 2022 have been restated in order to adopt GASB Statement No. 96.

The effect of this new standard on net position was as follows:

	June 30, 2022
Net position - As previously reported	$ 720,290,265
Adjustment for GASB Statement No. 96	(75,053)
Net position - As restated	$ 720,215,212

NOTE 2--CASH AND CASH EQUIVALENTS, ENDOWMENTS AND OTHER LONG-TERM INVESTMENTS

Policy

The university uses the "pooled cash" method of accounting and has retained independent investment managers to handle all of its cash and investments. The component units maintain interest-bearing deposits and short-term investments with financial institutions that are insured by the Federal Deposit Insurance Corporation.

Investment policies for cash and cash equivalents, as set forth by the Board of Trustees, authorize the investment managers to invest in commercial paper of companies rated within the highest classification established by not less than two national rating services. Investments may be made in securities of the US Treasury and Federal Agencies, common stock, convertible bonds, convertible preferred stock, time savings accounts and other fixed income, equities and other marketable securities deemed prudent by the investment managers. For investment grade accounts, the weighted average credit quality is to be no less than AAA for the short-term investment pool accounts, AA for the intermediate-term investment pool accounts and A for the long-term investment pool accounts. The weighted average credit quality is to be no less than B for the non-investment grade long-term investment pool accounts. In addition, the minimum acceptable credit quality at the time of purchase for individual securities shall be A for the short-term investment pool accounts and BBB for the intermediate-term and long-term investment pool accounts.

Policies regarding marketable securities in the endowment investments, as set forth by the Board of Trustees, authorize the investment managers to invest in equities, bonds or other marketable securities as outlined in the CMU Endowment Investment Policy Statement (found on the Board of Trustees website). The endowment income spending policy is 4.25% of the 20-quarter rolling average of the market value of the endowment pool with an additional 0.50% allocated to an administrative fee. Under state law, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the university may appropriate for spending as much of the endowment as the institution deems prudent for the uses, benefits, purposes and duration for which the particular endowment fund was established, subject to evaluation of several specific factors including general economic conditions and the fund's purpose. Although UPMIFA allows spending of the original gift, the university's board policy does not allow the annual spending income allocation to reduce the original gift principal. Therefore, some of the endowments may not have distributed for fiscal year 2023. The spending policy is reviewed periodically by the investment committee, who recommend changes to the Board of Trustees. The net appreciation on investments of donor-restricted endowments available for authorization for expenditure approximates $61,794,091 at June 30, 2023, and $56,314,790 at June 30, 2022. The net appreciation is a component of restricted, expendable net position. The yields of the endowment investments were as follows:

	June 30	
	2023	2022
Interest and Dividends	0.3 %	0.2 %
Net Realized and Unrealized Gains	6.0 %	-5.6 %
Total Return	6.3 %	-5.4 %

The university had the following investments:

	Fair Market Value June 30	
	2023	2022
Investments:		
Bonds (Including Bonds, Mutual Funds, & ETFs)	$ 134,402,059	$ 133,506,546
Equities (Including Equities, Mutual Funds, & ETFs)	204,425,772	193,501,721
Real Estate	27,417	68,281
Alternative Investments	92,079,062	94,448,335
Cash Equivalents-Endowments/Restricted	22,363,391	31,189,617
Beneficial Interests in Split-Interest Agreements	5,368,478	4,912,396
Cash Equivalents	1,671,279	794,961
Cash Deposits	39,537,308	34,487,240
Total Investments	$ 499,874,766	$ 492,909,097
As Reported on the Statements of Net Position		
Current Investments:		
Cash and Cash Equivalents	$ 41,208,587	$ 35,282,201
Noncurrent Investments:		
Restricted Cash and Cash Equivalents	9,442,753	14,676,515
Endowment Investments	245,105,237	231,367,296
Other Long-Term Investments	204,118,189	211,583,085
Total Noncurrent Investments	458,666,179	457,626,896
Total Investments	$ 499,874,766	$ 492,909,097

Investments at Amortized Cost

The university invests in the Governments of Michigan Investing Cooperatively (GovMIC) program. The GovMIC share class was specifically designed for governmental entities and is a class within the broader Michigan Liquid Asset Fund (MILAF) portfolio. This external investment pool provides daily liquidity and flexibility to investors and measures its investments at amortized cost. There are no minimum deposit or redemption requirements for investors in the fund, nor are there any limits on the number of deposits or withdrawals. The fund is invested in compliance with Michigan Public Act 20. For Term MILAF funds, there is a one-day minimum investment period and investments may not be redeemed, without penalty, for at least 14 calendar days with the exception of direct investments of funds distributed by the State of

Michigan. Redemptions made prior to the end of the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount redeemed. The university only had holdings in the GovMIC daily liquidity fund of the MILAF portfolio and the values were $9,441,307 as of June 30, 2023 and $14,676,459 as of June 30, 2022 of restricted bond proceeds.

Credit Risk

For investments in non-mutual and non-pooled funds, no more than 10% of the portfolio, at cost, can be invested in any single issue, except the investments in U.S. government securities. The weighted average quality is to be no less than "AAA" (or its equivalent rating by two national rating agencies) for the short-term investment pool accounts, "AA" for the intermediate-term investment pool accounts, and "A" for the investment grade accounts long-term investment pool accounts.

In addition, the minimum acceptable credit quality at the time of purchase for individual securities in the investment grade accounts shall be "A" for the short-term investment pool accounts, and "BBB" for the intermediate-term and investment grade long-term pool accounts. The diversified fixed income manager shall maintain an overall weighted average credit rating of B or better.

As of June 30, 2023, the weighted average of all University debt instruments fell within the Standard & Poor's credit rating range of AAA to B.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturities of fixed income investments as of June 30, 2023 and 2022 are as follows:

June 30, 2023
Fixed Income Investment Maturities

Investment Type	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
US Treasury/TIPS	$ 205,389	$ 11,064,462	$ 6,516,424	$ 2,614,039	$ 20,400,314
Core Fixed Income	2,076,406	11,877,992	12,603,893	7,361,175	33,919,466
Short Duration Fixed Income	8,244,239	29,725,866	437,421	52,460	38,459,986
Global Multi-Sector Fixed Income	(110,972)	5,713,030	3,833,572	652,716	10,088,346
Absolute Return Fixed Income	3,792,010	13,520,315	9,715,760	4,505,862	31,533,947
Total	$ 14,207,072	$ 71,901,665	$ 33,107,070	$ 15,186,252	$ 134,402,059

June 30, 2022
Fixed Income Investment Maturities

Investment Type	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
US Treasury/TIPS	$ 1,507,272	$ 13,360,865	$ 8,089,027	$ 3,743,059	$ 26,700,223
Core Fixed Income	2,231,201	11,662,867	12,494,590	7,755,894	34,144,552
Short Duration Fixed Income	7,765,673	24,012,628	556,584	79,512	32,414,397
Global Multi-Sector Fixed Income	732,569	3,495,955	4,564,244	910,132	9,702,900
Absolute Return Fixed Income	6,540,226	13,584,486	7,560,513	2,859,249	30,544,474
Total	$ 18,776,941	$ 66,116,801	$ 33,264,958	$ 15,347,846	$ 133,506,546

Concentration of Credit Risk

Deliberate management of the asset mix among classes of investments is a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political or social developments is a highly desirable objective. The university's general policy shall be to diversify investments within both equity and fixed income securities to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. Accordingly, the university did not have investments in any one issuer that represented 8.6% or more of total investments at June 30, 2023, or June 30, 2022.

Foreign Currency Risk

All of the university's holdings of foreign investments were in US dollars at June 30, 2023 and June 30, 2022, therefore the university was not subject to foreign currency risk.

Custodial Credit Risk

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the university's name. The carrying amount of deposits, excluding those classified as investments, was $39,537,308 at June 30, 2023, and $34,487,240 at June 30, 2022. The deposits were reflected in the accounts of the banks at $43,757,043 at June 30, 2023, and $38,516,046 at June 30, 2022. Of the bank balance, $43,257,043 at June 30, 2023, and $38,016,046 at June 30, 2022, was uninsured and uncollateralized.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The university had custodial credit risk of $206.7 million at June 30, 2023, and $202.2 million at June 30, 2022, in its investment portfolios held by various investment managers as the counterparty.

NOTE 3--RECEIVABLES

Accounts receivable relate to several transactions including state appropriations, student tuition billings and auxiliary enterprise sales, such as food service, bookstore and residence halls. In addition, receivables arise from grant awards, financial aid and lease revenues. The receivables are shown net of allowance for doubtful accounts.

Accounts receivable are recorded net of the allowance for doubtful accounts of $2,605,089 at June 30, 2023, and $2,584,834 at June 30, 2022.

During the fiscal year, the university received approximately $290,000,000 ($260,000,000 in fiscal year 2022) of state appropriations, which were forwarded to fifty-nine charter schools.

	June 30	
	2023	2022
Tuition, Room and Board	$ 5,344,781	$ 4,574,222
Contracts and Grants	5,195,088	3,889,302
Sales and Services	6,700,474	8,168,438
Insurance Proceeds	708	708
Pledges	7,630,786	8,748,344
Leases	8,999,034	8,967,453
Other Activities	1,257,715	1,145,184
Total	35,128,586	35,493,651
State Appropriations-Operations	16,575,004	17,052,492
State Appropriations-Charter Schools	46,304,188	42,570,562
Total Receivable	$ 98,007,778	$ 95,116,705

NOTE 4--PLEDGES

The university receives pledges of financial support from corporations, foundations and individuals. The change in pledges has been recorded as gifts. Pledges receivables are presented net of allowance for doubtful contributions of $272,215 and $278,897 for fiscal years ended June 30, 2023 and 2022, respectively. Certain pledges are recorded at present value calculated using a discount rate of the average interest rate for bonded debt of 4.02% at June 30, 2023 and 3.97% at June 30, 2022, resulting in a discount of $427,954 and $630,599 at June 30, 2023 and 2022, respectively. The present value of pledges outstanding is $7,630,786 at June 30, 2023 and $8,748,344 at June 30, 2022.

Payments on pledged receivables at June 30, 2023 are expected to be received in the following fiscal years:

2024	$ 3,794,827
2025 – 2029	3,560,306
2030 and after	275,653
	$ 7,630,786

NOTE 5--CAPITAL ASSETS

Capital assets, net of depreciation, consist of the following as of June 30, 2023:

	Beginning Balance July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023
Non-depreciated capital assets:				
Land	$ 12,927,599			$ 12,927,599
Intangible Assets	425,936			425,936
Capitalized Collections	1,472,597			1,472,597
Construction In Progress	11,400,454	$ 5,788,467	$ 8,328,032	8,860,889
Total non-depreciated capital assets	26,226,586	5,788,467	8,328,032	23,687,021
Depreciated capital assets:				
Land Improvements	44,647,120	7,821,098	375,819	52,092,399
Infrastructure	28,579,948	426,479		29,006,427
Buildings	846,929,508	1,886,223	2,309,922	846,505,809
Leasehold Improvements	250,497			250,497
Furniture and Equipment	85,011,719	2,522,719	8,892,801	78,641,637
Library Materials	32,554,305	472,487		33,026,792
Intangible Assets	3,345,539			3,345,539
Less accumulated depreciation:				
Land Improvements	35,416,239	3,463,612	375,819	38,504,032
Infrastructure	16,793,653	1,085,972		17,879,625
Buildings	371,422,197	19,177,154	1,955,273	388,644,078
Leasehold Improvements	152,386	25,050		177,436
Furniture and Equipment	70,384,442	3,666,355	8,389,448	65,661,349
Library Materials	29,900,932	739,917		30,640,849
Intangible Assets	928,780	525,712		1,454,492
Total depreciated capital assets	516,320,007	(15,554,766)	858,002	499,907,239
Capital Assets, Net	$ 542,546,593	$ (9,766,299)	$ 9,186,034	$ 523,594,260

Capital assets, net of depreciation, consist of the following as of June 30, 2022:

	Beginning Balance July 1, 2021	Additions	Reductions	Ending Balance June 30, 2022
Non-depreciated capital assets:				
Land	$ 12,927,599			$ 12,927,599
Intangible Assets	425,936			425,936
Capitalized Collections	1,079,812	$ 392,785		1,472,597
Construction In Progress	12,431,933	5,954,097	$ 6,985,576	11,400,454
Total non-depreciated capital assets	26,865,280	6,346,882	6,985,576	26,226,586
Depreciated capital assets:				
Land Improvements	43,630,515	1,016,605		44,647,120
Infrastructure	28,027,250	552,698		28,579,948
Buildings	841,212,230	7,534,766	1,817,488	846,929,508
Leasehold Improvements	346,256		95,759	250,497
Furniture and Equipment	85,124,312	3,251,959	3,364,552	85,011,719
Library Materials	32,113,733	440,572		32,554,305
Intangible Assets	924,706	2,589,663	168,830	3,345,539
Less accumulated depreciation:				
Land Improvements	32,829,728	2,586,511		35,416,239
Infrastructure	15,564,453	1,229,200		16,793,653
Buildings	353,207,072	19,226,715	1,011,590	371,422,197
Leasehold Improvements	223,096	25,049	95,759	152,386
Furniture and Equipment	69,870,610	3,850,725	3,336,893	70,384,442
Library Materials	29,076,508	824,424		29,900,932
Intangible Assets	830,863	266,747	168,830	928,780
Total depreciated capital assets	529,776,672	(12,623,108)	833,557	516,320,007
Capital Assets, Net	$ 556,641,952	$ (6,276,226)	$ 7,819,133	$ 542,546,593

One of the critical factors in continuing the quality of the university's academic programs, research programs and residential life is the development and renewal of its capital assets. Construction in progress at June 30, 2023 primarily consists of the construction costs for the Powerhouse upgrade to the 1250 ton absorption chiller of $1.8 million, the Bush Theater Lighting Upgrade project of $0.7 million, the lower level renovation of Foust Hall of $0.6 million and other projects including maintenance and remodeling of approximately $5.8 million.

Funds needed to complete construction projects will be provided by current unrestricted university net assets or by future state appropriations, gifts, grants, State Building Authority (SBA) monies or bond funds. Funds required to complete the projects in process approximate $28.6 million as of June 30, 2023 ($43.5 million as of June 30, 2022).

The university entered into agreements with the SBA and the State of Michigan during prior fiscal years for the Park Library, Health Professions Building, Education Building, Biosciences Building and Center for Integrated Health Studies Building. The projects were financed with SBA Revenue Bonds and state appropriations. The buildings are recorded as assets of the university.

The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan, pursuant to the agreements between the SBA, the State of Michigan and the university. During the agreement term, the SBA will hold title to the facilities; the State of Michigan will make all annual payments to the SBA from operating appropriations; and the university will pay all operating and maintenance costs of the facilities. At the expiration of the agreements, the SBA has agreed to sell each facility to the university for the sum of one dollar.

NOTE 6--ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year.

	2023	2022
University Wages and Benefits	$ 12,321,485	$ 14,412,936
University Supplies	23,212,317	17,635,822
Charter Schools	46,304,189	42,570,562
Total	$ 81,837,991	$ 74,619,320

NOTE 7--LONG-TERM DEBT, HEDGING INSTRUMENTS AND OTHER OBLIGATIONS

Long-term debt, hedging instruments and other obligations consist of the following as of June 30, 2023:

	Beginning Balance July 1, 2022 (as Restated)	Additions	Reductions	Ending Balance June 30, 2023	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	$ 19,315,000		$ 655,000	$ 18,660,000	$ 605,000
Series 2014:					
Series Bonds	34,725,000		1,950,000	32,775,000	2,050,000
Term Bonds	22,105,000			22,105,000	
Series 2014 Unamortized Premium	6,052,000		272,000	5,780,000	272,000
Series 2016 Series Bonds	16,365,000		860,000	15,505,000	890,000
Series 2016 Unamortized Premium	2,067,000		156,000	1,911,000	156,000
Series 2019 Series Bonds	20,925,000		2,335,000	18,590,000	2,585,000
Series 2019 Unamortized Premium	3,577,000		292,000	3,285,000	292,000
Series 2021 Series Bonds	29,790,000		580,000	29,210,000	530,000
Series 2021 Unamortized Premium	7,254,000		248,000	7,006,000	248,000
Total Long-Term Debt	162,175,000		7,348,000	154,827,000	7,628,000
Other Obligations:					
Lease Obligations	6,289,546	$ 470,825	2,224,887	4,535,484	1,254,593
SBITA Obligations	3,896,165	5,635,302	3,756,111	5,775,356	2,289,836
Hedging Instruments	2,901,521		1,065,894	1,835,627	
Compensated Absences	5,829,607	80,247		5,909,854	48,053
Retirement Service Programs	503,727		82,680	421,047	416
Other Obligations	769	58,093	56,062	2,800	2,800
Total	$ 181,596,335	$ 6,244,467	$ 14,533,634	$ 173,307,168	$ 11,223,698

The remainder of this page intentionally left blank

Long-term debt, hedging instruments and other obligations consist of the following as of June 30, 2022:

	Beginning Balance July 1, 2021 (as Restated)	Additions	Reductions	Ending Balance June 30, 2022 (as Restated)	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	$ 19,820,000		$ 505,000	$ 19,315,000	$ 655,000
Series 2012A Series Bonds	19,755,000		19,755,000		
Series 2014:					
Series Bonds	36,585,000		1,860,000	34,725,000	1,950,000
Term Bonds	22,105,000			22,105,000	
Series 2014 Unamortized Premium	6,324,000		272,000	6,052,000	272,000
Series 2016 Series Bonds	17,185,000		820,000	16,365,000	860,000
Series 2016 Unamortized Premium	2,223,000		156,000	2,067,000	156,000
Series 2019 Series Bonds	23,285,000		2,360,000	20,925,000	2,335,000
Series 2019 Unamortized Premium	3,869,000		292,000	3,577,000	292,000
Series 2021 Series Bonds		$ 29,790,000		29,790,000	580,000
Series 2021 Unamortized Premium		7,470,061	216,061	7,254,000	248,000
Total Long-Term Debt	151,151,000	37,260,061	26,236,061	162,175,000	7,348,000
Other Obligations:					
Note Payable	100,000		100,000		
Lease Obligations	7,496,299	767,023	1,973,776	6,289,546	1,244,375
SBITA Obligations	6,062,922	2,203,112	4,369,869	3,896,165	2,231,594
Hedging Instruments	5,319,801		2,418,280	2,901,521	
Compensated Absences	6,125,926		296,319	5,829,607	97,787
Retirement Service Programs	564,112		60,385	503,727	104,774
Other Obligations	2,871	53,028	55,130	769	769
Total	$ 176,822,931	$ 40,283,224	$ 35,509,820	$ 181,596,335	$ 11,027,299

GENERAL REVENUE BONDS

On August 4, 2021, the university issued $29,790,000 in General Revenue Bonds, Series 2021. The outstanding bonds bear an interest rate between 3.00% and 5.00% and mature in fiscal years 2023 through 2052. The proceeds of these bonds were used to advance refund $19,090,000 of outstanding General Revenue Bonds, Series 2012. The advance refunding reduced total debt service payments over the next 11 years by approximately $3.5 million, which represents an economic gain of approximately $3.2 million. The additional $17.5 million in proceeds from the issuance will be used to pay a portion of the costs of certain capital improvement projects on the main campus of the university, including the renovation of the existing Troutman, Cobb and Wheeler residence halls to transform existing residence hall configurations into two-person, apartment-style living arrangements; the replacement of seating at McGuirk Arena; the replacement of theatrical lighting and controls in Bush Theatre and various other infrastructure enhancement projects.

On July 9, 2019, the university issued $25,410,000 in General Revenue Bonds, Series 2019. The outstanding bonds bear an interest rate of 5.00% and mature in fiscal years 2023 through 2035. The proceeds of these bonds were used to advance refund $16,610,000 of outstanding General Revenue Bonds, Series 2009. The advance refunding reduced total debt service payments over the next 7 years by approximately $2.1 million, which represents an economic gain of approximately $1.9 million. The additional $13.0 million in proceeds from the issuance were used to pay the costs of the demolition of a residence hall and the redevelopment of the site as green space, upgrades and improvements to the North Community Residence Halls, including electrical and life safety infrastructure upgrades and interior and exterior renovations and East, South and Towers Residence Halls infrastructure upgrades and improvements.

On January 5, 2016, the university issued $20,750,000 in General Revenue Refunding Bonds, Series 2016. The outstanding bonds bear an interest rate between 2.50% and 5.00% and mature in fiscal years 2023 through 2036. The proceeds of these bonds were used to advance refund $23,325,000 of outstanding General Revenue Bonds Series 2006, with an interest rate between 4.00% and 4.50%. The advance refunding reduced total debt service payments over the next 20 years by approximately $2.9 million, which represents an economic gain of approximately $2.2 million.

On October 1, 2014, the university issued $66,770,000 in General Revenue and Refunding Bonds, Series 2014. The outstanding bonds bear an interest rate between 3.50% and 5.00% and mature in fiscal years 2023 through 2045. A portion of the proceeds from the issuance was used to advance refund $25,385,000 of outstanding General Revenue Bonds, Series 2005. The additional $47.9 million in proceeds from the issuance were used, together with other available funds, to pay the costs of constructing, furnishing and equipping a new four story Biosciences Building.

On May 1, 2008, the university issued $43,025,000 in General Revenue Bonds, Series 2008A. The variable rate bonds mature in the fiscal years 2023 through 2033. Proceeds from this issuance were $43,025,000 of principal. The proceeds from the sale of the bonds were used to retire the 2002 Select Auction Variable Rate Securities (SAVRS) Series A and B bonds. The university retained the related swaps, and these swaps are now designated as a hedge against the General Revenue Bonds, Series 2008A as a means to fix the variable rate bond and minimize long-term interest rate risk.

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest (using June 30, 2023 rates) amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	Principal	Interest	Interest Rate Swaps, Net	Total
2024	$ 6,660,000	$ 6,109,677	$ 912,589	$ 13,682,266
2025	7,010,000	6,040,334	889,339	13,939,673
2026	7,315,000	5,721,153	866,110	13,902,263
2027	7,690,000	5,381,202	839,470	13,910,672
2028	7,915,000	5,012,401	757,879	13,685,280
2029-2033	47,630,000	18,522,702	1,906,319	68,059,021
2034-2038	27,055,000	7,480,925		34,535,925
2039-2043	14,050,000	3,644,425		17,694,425
2044-2048	8,460,000	1,103,200		9,563,200
2049-2052	3,060,000	250,800		3,310,800
Total	136,845,000	$ 59,266,819	$ 6,171,706	$ 202,283,525
Unamortized Premium	17,982,000			
	$ 154,827,000			

HEDGING INSTRUMENTS

The university has one pay-fixed, receive-variable, interest rate swap at June 30, 2023 and 2022. The objective of this swap is to hedge interest rate risk on the Series 2008A bonds. A description of the swap is as follows:

The university pays the counterparty a fixed payment of 4.44% and receives a variable payment of 67% of the Secured Overnight Financing Rate (SOFR) plus seven basis points (3.466324% at June 30, 2023). The swap agreement matures on October 1, 2032. The university received $3,806,000 from the second counterparty which was used to terminate the original swap with Lehman Brothers. Effective November 7, 2008, the swap agreement was assumed by Deutsche Bank AG. The swap provisions and termination date remained unchanged. Effective June 2, 2023, the swap agreement was assumed by PNC Bank. The key swap provisions and termination date remain unchanged, except for a conversion of the benchmark variable rate from the London Interbank Offering Rate (LIBOR) to SOFR.

As of June 30, 2023 and 2022, the swap agreement had a notional amount of $18,550,000 and $19,200,000, respectively, and was in a negative position of $1,835,627 and $2,901,521, respectively. As long as the variable rate portion of the swap being received by the university is less than the fixed rate being paid, the university will continue to be in a negative position on the swap.

The pay-fixed, receive-variable, interest rate swap is considered a cash flow hedge. The change in fair value was a decrease to deferred outflows of $1,065,894 for fiscal year 2023 and a decrease to deferred outflows of $2,418,280 for fiscal year 2022. The accumulated change in fair value of ($1,835,627) and ($2,901,521) is recorded in deferred outflows at June 30, 2023 and 2022, respectively.

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

To measure non-performance risk for a derivative liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics was used. This is the best method available under current market conditions since the university has no credit default swaps that actively trade in the marketplace. For a derivative asset, the adjustment for non-performance risk of counterparties is determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating are used. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative.

Credit Risk

As of June 30, 2023 and 2022, the hedging derivative instrument is a liability and therefore the university is not exposed to the credit risk of its swap counterparties. However, should interest rates change and the fair value of the swap become positive, the university would be exposed to credit risk in the amount of the hedging instrument's fair value. As of June 30, 2023 and 2022, the derivative counterparty is rated Baa3 which suggests a capacity to meet financial commitments. The university is not aware of any circumstance or condition that would preclude the counterparty from complying with the terms of the derivative agreement. The university monitors counterparty credit risk on an ongoing basis for any significant adverse changes.

Interest Rate Risk

Interest payments on the hedged variable-rate debt are generally expected to increase (decrease) as SIFMA rate increases (decreases). The university believes it has effectively hedged interest rate risk on the hedged portion of its variable-rate debt by entering into an interest rate swap.

Basis Risk

The variable-rate debt hedged by the interest rate swap is, weekly-resetting variable rate demand obligation bonds. The university is exposed to basis risk since the variable rate receipts from the hedging derivatives are based on a rate or index other than the interest rates the university pays on its hedged debt.

Termination Risk

The university or its hedging counterparty may terminate a hedging instrument if the other party fails to perform under the terms of the contract. In addition, the university's swap counterparty has the right to terminate a hedging instrument if the credit rating of the university's unenhanced, unlimited tax general obligation bonds is withdrawn or reduced by any two of Fitch, Moody's, and S&P below BBB/Baa2. If such an event occurs, the university could be forced to terminate a derivative in a liability position.

Rollover Risk

Rollover risk is the risk that a hedging instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. As of June 30, 2023, the university does not believe that rollover risk is significant.

Foreign Currency Risk

All hedging instruments are denominated in US dollars and therefore the university is not exposed to foreign currency risk.

Market Access Risk

Market access risk is the risk that the university will not be able to enter credit markets or that credit will become more costly. For example, to complete a hedging instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time the university is unable to enter credit markets, expected cost savings may not be realized.

CREDIT LIMIT

The university entered into a commercial card services agreement as of January 28, 2011 and amended as of July 16, 2013 and December 21, 2017, which supports the university business card program. As part of the agreement, the university has an available credit limit in the amount of $8 million as of June 30, 2023 and June 30, 2022. The outstanding balance is due monthly. Due to the timing of the monthly close for the credit card statements, the university had an outstanding balance of $1,536,705 as of June 30, 2023 under the credit limit. There was an outstanding balance of $1,387,354 as of June 30, 2022.

LETTER OF CREDIT

In June 2019, the university signed a new stand by Letter of Credit agreement with a new counter party in the amount of outstanding bond principal plus 35 days interest equal to $18,838,932 to provide credit enhancement and liquidity support for certain General Revenue Refunding Bonds, Series 2008A. The expiration date of the stand by Letter of Credit is July 3, 2024.

LEASE AND SBITA OBLIGATIONS

The university leases certain assets from various third parties. The assets leased include land, buildings, equipment, and vehicles. The university also has subscription-based information technology arrangements (SBITA) for the right-to-use various information technology software. See Note 11 for additional information on lease and SBITA obligations.

OTHER OBLIGATIONS

The Retirement Service Award program and compensated absences have been determined to be primarily long-term liabilities. Other obligations have been determined to be primarily short-term liabilities.

The remainder of this page intentionally left blank

NOTE 8--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 has the following recurring fair value measurements as of June 30, 2023:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Market Measurements Using		
	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt Securities				
Domestic short term duration	$ 33,504,115	$ 33,504,115		
Domestic intermediate duration	19,683,834	19,683,834		
Global and unconstrained duration	26,560,785	26,560,785		
Total debt securities	79,748,734	79,748,734		
Equity securities				
Domestic	78,675,851	78,675,851		
Global	211,796	211,796		
Total equity securities	78,887,647	78,887,647		
Real asset funds				
Domestic	27,417	27,417		
Total real asset funds	27,417	27,417		
Beneficial Interests				
Beneficial Interests in Split-Interest	5,368,478			$ 5,368,478
Total Beneficial Interests	5,368,478			5,368,478
Total investments by fair value level	$ 164,032,276	$ 158,663,798	$	$ 5,368,478
Investments measured at the net asset value (NAV)				
Debt Securities - domestic/global	48,980,974			
Equity securities - domestic/global	131,210,476			
Private investments - domestic/global	39,478,020			
Equity long/short hedge funds	11,251,490			
Multi-strategy hedge funds	31,248,192			
Real asset funds	10,101,360			
Total investments measured at the NAV	272,270,512			
Total investments measured at fair value	$ 436,302,788			
Hedging derivative instruments				
Interest rate swaps - effective	$ (1,835,627)		$ (1,835,627)	
Total hedging derivatives	$ (1,835,627)		$ (1,835,627)	

The university has the following recurring fair value measurements as of June 30, 2022:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2022	Fair Market Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt Securities				
Domestic short term duration	$ 33,030,060	$ 33,030,060		
Domestic intermediate duration	26,081,506	26,081,506		
Global and unconstrained duration	30,547,529	30,547,529		
Total debt securities	89,659,095	89,659,095		
Equity securities				
Domestic	77,685,041	77,685,041		
Global	302,013	302,013		
Total equity securities	77,987,054	77,987,054		
Real asset funds				
Domestic	68,281	68,281		
Total real asset funds	68,281	68,281		
Beneficial Interests				
Beneficial Interests in Split-Interest	4,912,396			$ 4,912,396
Total Beneficial Interests	4,912,396			4,912,396
Total investments by fair value level	$ 172,626,826	$ 167,714,430	$	$ 4,912,396
Investments measured at the net asset value (NAV)				
Debt Securities - domestic/global	43,847,451			
Equity securities - domestic/global	115,514,667			
Private investments - domestic/global	41,353,218			
Equity long/short hedge funds	10,523,593			
Multi-strategy hedge funds	32,157,223			
Real asset funds	10,414,301			
Total investments measured at the NAV	253,810,453			
Total investments measured at fair value	$ 426,437,279			
Hedging derivative instruments				
Interest rate swaps - effective	$ (2,901,521)		$ (2,901,521)	
Total hedging derivatives	$ (2,901,521)		$ (2,901,521)	

The fair value of debt and equity securities classified in Level 1 at June 30, 2023 and 2022 were valued using prices quoted in active markets for those securities.

The fair value of debt and equity securities classified in Level 3 at June 30, 2023 and 2022 were valued using otherwise unobservable inputs. The beneficial interests in split-interest agreements, $5,368,478 and $4,912,396 at June 30, 2023 and June 30, 2022 respectively, were valued using investment statements and current market values of stock held in trusts.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the table below.

The fair value of hedging derivative instruments classified in Level 2 at June 30, 2023 and 2022 were valued using available market inputs such as interest rates and yield curves adjusted for nonperformance risk 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 fiscal year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	June 30, 2023	June 30, 2022	June 30, 2023	
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible
Debt securities	$ 48,980,974	$ 43,847,451		Daily to Monthly
Equity securities	131,210,476	115,514,667		Daily to Monthly
Private Investments	39,478,020	41,353,218	$ 9,776,018	N/A
Equity long/short hedge fund	11,251,490	10,523,593		Quarterly to Semi-Annually
Multi-strategy hedge fund	31,248,192	32,157,223		Quarterly to Annually
Real asset funds	10,101,360	10,414,301	8,225,452	N/A
Total	$ 272,270,512	$ 253,810,453	$ 18,001,470	

The debt securities class includes investments in primarily high quality US fixed income securities that are publicly traded and held in commingled asset vehicles. Securities held may include, but are not limited to, government and agency obligations, mortgage-backed securities, corporate bonds, debentures, and commercial paper. These investments can typically be liquidated within one month or less.

The equity securities class includes domestic and international comingled asset vehicles invested long-only in publicly listed equity securities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. These investments can typically be liquidated within one month or less.

The private investments class includes investments in private equity funds that invest in venture capital, growth equity and buyout funds, direct lending, portfolio investments, and private credit. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The investment period of these investments range from 6 - 12 years. The nature of these investments involve capital calls being made throughout the investment period, as well as income distributions being received as underlying investments are bought and sold. Because no public market exists for selling these types of investments, they are viewed as long-term in nature with funds being committed over the life of the investment.

The equity long/short hedge fund class includes investments in hedge funds that invest both long and short primarily in global common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The lock-up period is three years or less, and redemptions can be made on a semi-annual or quarterly basis.

The multi strategy hedge funds class includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The strategies may include convertible arbitrage, merger arbitrage, and fixed income arbitrage positions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The lock-up period is less than two years, and redemptions can be made quarterly.

The real asset funds class includes investments in real estate, energy infrastructure and energy-related funds that invest globally, but with the majority being in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the university's ownership interest in partners' capital. The nature of several of these investments involve capital calls being made throughout the investment period, as well as income distributions being received as underlying investments are bought and sold. Because no public market exists for selling these types of investments, they are viewed as long-term in nature with funds being committed over the life of the investment.

NOTE 9--RETIREMENT PLANS

The university has a defined contribution retirement plan for all qualified employees. CMU currently has one record-keeper for this plan, Teachers Insurance and Annuity Association (TIAA). Full-time faculty and professional administrators hired prior to January 1, 1996, who chose to participate in the defined contribution plan, receive university contributions equal to 12% of their base salary into the plan. All other employees participating in this plan, receive contributions equal to 10% of their base salary into the plan. All contributions are subject to IRS limits. University contributions begin immediately and employee benefits vest immediately.

Hourly employees hired prior to January 1, 1996, and other eligible employees choosing this option, participate in the Michigan Public School Employees' Retirement System (MPSERS), a cost-sharing multiple-employer defined benefit plan through the State of Michigan. Detailed information regarding the MPSERS plan, eligibility and the university's commitment under the plan is included in the MPSERS section of this footnote.

Contributions and covered payroll under all plans in fiscal year 2023 are summarized as follows:

	TIAA	MPSERS	University Total
Pension Contributions			
University Defined Contribution	$ 15,820,863	$ 6,712	$ 15,827,575
University Normal Defined Benefit		489,981	489,981
Required Employee DB		301,370	
University DB UAAL		4,058,186	4,058,186
Payroll Floor UAAL (Estimated)		3,267,794	3,267,794
Stabilization UAAL Contribution		74,450,275	74,450,275
Health Contributions			
University Personal Health Fund DC		9,351	9,351
Required Employee PHF DC		9,351	
University Normal Defined Benefit		65,062	65,062
Required Employee DB		221,251	
University DB UAAL		462,465	462,465
Payroll Floor UAAL (Estimated)		372,393	372,393
Covered Payroll	155,992,746	7,610,936	163,603,682

The university also sponsors the Retirement Service Award program covering certain employees hired before a specific date in 1976 and certain maintenance and food service employees. The plan provides for distributions to qualifying employees at retirement based principally on length of service and salary at retirement. Liabilities of $356,294 for fiscal year 2023 and $443,584 for fiscal year 2022 related to this program are included in the university Statements of Net Position. The assets are included with the university's cash and cash equivalents. The corresponding liabilities have been included with university's long-term debt, hedging instruments and other long-term obligations.

MPSERS – MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

Michigan Public School Employees' Retirement System (MPSERS), is a cost-sharing multiple-employer defined benefit and defined contribution plan through the State of Michigan. Employees hired on or after January 1, 1996 cannot participate in MPSERS, unless they previously were enrolled in the plan at Central Michigan University, or one of the other six universities that are part of MPSERS. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides post-employment health care benefits to retirees and beneficiaries who elected to receive those benefits. The State of Michigan Office of Retirement Services issues an annual financial report that includes financial statements and required supplementary information regarding MPSERS. The report is available on the web at http:www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 530 West Allegan Street, Lansing MI 48929. In July 2015, ORS determined that MPSERS has two reporting units: universities and non-universities. Office of Retirement Services provided the universities a separate net pension liability and net other postemployment benefits (OPEB) liability. Separate pension and OPEB information related to the universities reporting unit included in this plan is not available.

Contributions

Public Act 300 of 1980, as amended, required the university to contribute amounts necessary to finance the coverage of pension and OPEB 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.

The university's contributions are determined based on employee elections. There are four different benefit options included in the plan available to employees based on date of hire. The university also contributes to MPSERS a percentage of member and non-member payrolls, determined by the plan's actuaries, for the unfunded actuarial accrued liability (UAAL) portion of future pensions and health benefits. Public Act 136 of 2016 sets a rate cap of 25.73 percent for university employer UAAL contributions. In addition, the law establishes a requirement for a payroll floor. In a given fiscal year, each university owes UAAL contributions based on the greater of its payroll floor or its actual payroll. The payroll floor was $56,894,810 and $55,779,325 for fiscal year 2023 and 2022, respectively. Contribution rates are adjusted annually by the ORS. The rates for the defined benefit plan are as follows:

	Normal Pension Rate	Unfunded Pension Rate	Normal Health Rate	Unfunded Health Rate
10/01/22 – 06/30/23	6.52%	10.00%	0.92%	0.00%
10/01/21 – 09/30/22	6.52%	19.86%	0.92%	5.87%
07/01/21 – 09/30/21	6.52%	19.74%	0.92%	5.99%

Employees starting between January 1, 1990, and December 31, 1995, are required to contribute between 3.0% and 6.29% of their annual pay. During the period February 1, 2013 through June 30, 2013 employees could transition to a defined contribution plan.

The university's required defined benefit contributions to MPSERS normal pension costs, totaled $489,981 in fiscal year 2023 and $519,396 in fiscal year 2022. Required employee contributions were $301,370 in fiscal year 2023 and $318,315 in fiscal year 2022. The university's contributions to the unfunded MPSERS defined benefit pensions totaled $7,325,980 in fiscal year 2023 and $11,061,410 in fiscal year 2022. The university also recorded $74,450,275 and $24,373,453 of stabilization rate revenue from the State of Michigan to assist in funding the MPSERS pension and health Unfunded Actuarial Accrued Liability (UAAL) for the year ended June 30, 2023 and June 30, 2022, respectively. The university's contributions toward the MPSERS defined contribution plan totaled $6,712 in fiscal year 2023 and $10,576 in fiscal year 2022.

Benefits Provided

Benefit provisions of the defined benefit pension plan also are established by State statute. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation, times years of service, times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire begin at the age of 55 with years of service ranging from 10 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 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.

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.

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

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. For some members that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2023 and June 30, 2022, the university reported a pension liability of $79,382,848 and $139,230,704, respectively for its proportionate share of the net pension liability as calculated for the universities reporting unit of MPSERS. The net pension liability for fiscal year 2023 was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, that used update procedures to roll forward the estimated liability to September 30, 2022. The net pension liability for fiscal year 2022 was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, that used update procedures to roll forward the estimated liability to September 30, 2021. The university's proportion of the net pension liability was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2022, September 30, 2021 and September 30, 2020, the university's proportion was 24.83 percent, 24.78 percent and 24.74 percent respectively of the universities reporting unit.

For the year ended June 30, 2023 and June 30, 2022, the university recognized pension expense of $27,525,924 and $3,389,149, respectively.

At June 30, 2023 and June 30, 2022, the university reported a payable of $3,172 and $608,770, respectively for the outstanding amount of contributions to the pension plan.

Subsequent to the University's year-end on July 21, 2023, Michigan Act No. 103 of Public Acts of 2023 was approved. The Act's section 236(h) provides total appropriations of $200,000,000 for all universities to pay MPSERS toward the unfunded pension liability. This additional appropriation and subsequent payment to MPSERS will significantly reduce the net pension liability.

At June 30, 2023 and June 30, 2022, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual plan investment earnings	$ 4,246,896			$ 18,746,090
Contributions subsequent to the measurement date	4,953,364		$ 33,080,922	
Total	$ 9,200,260	$	$ 33,080,922	$ 18,746,090

The remainder of this page intentionally left blank

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

Plan Year Ending September 30		Amount
2023	$	394,986
2024		(109,643)
2025		(542,258)
2026		4,503,811
Total	$	4,246,896

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

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 current discount rate, 6.00% as of June 30, 2023 and 6.80% as of June 30, 2022 as well as what the university's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

	1.00 percent decrease	Current Discount Rate	1.00 percent increase
June 30, 2023	$ 110,586,593	$ 79,382,848	$ 52,894,663
June 30, 2022	$ 167,286,086	$ 139,230,704	$ 115,279,552

Pension plan fiduciary net position

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

Postemployment Benefits Other Than Pensions (OPEB)

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. The MPSERS Board of Trustees annually sets the employer contribution rate to fund the benefits. For the plan year beginning October 1, 2022 and October 1, 2021 the university contribution rate was 0.00% and 5.87% respectively of both member and non-member payroll wages to cover current and future unfunded retiree health benefits. Prior to October 1, 2014 the university contributions were based on actual retiree insurance coverage and corresponding premium subsidy (a pay as you go basis). The university's monthly contribution for retiree health care benefits, aggregated to $899,920 during the 2023 university fiscal year and $3,360,990 during the 2022 university fiscal year. Effective July 1, 2010, all active employees enrolled in MPSERS are required to contribute 3.0% of their pay toward retiree healthcare.

Under Public Act 300 of 2012, during the period February 1, 2013 through June 30, 2013 employees could elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election. Members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the retiree healthcare 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% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 403B account. The university's required contributions into PHF accounts were $9,351 and $10,543 for the university fiscal years ended June 30, 2023 and June 30, 2022, respectively.

The university reported a net OPEB asset of $9,308,291 and $10,613,086 at June 30, 2023 and June 30, 2022 respectively, for its proportionate share of the net OPEB asset calculated for the universities reporting unit of MPSERS. The net OPEB asset for fiscal year 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2021, that used update procedures to roll forward the estimated liability to September 30, 2022. The net OPEB asset for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2020, that used update procedures to roll forward the estimated liability to September 30, 2021. The university's proportion of the net OPEB asset was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2022, September 30, 2021, and September 30, 2020, the university's proportion was 24.86 percent, 24.75 percent and 24.78 percent respectively, of the universities reporting unit.

For the year ended June 30, 2023 and June 30, 2022, the university recognized OPEB expense of $(2,192,267) and $(11,683,646), respectively.

At June 30, 2023 and June 30, 2022, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual plan investment earnings	$ 763,017			$ 6,071,483
Contributions subsequent to the measurement date	52,515		$ 2,512,048	
Total	$ 815,532	$	$ 2,512,048	$ 6,071,483

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

Plan Year Ending September 30	Amount
2023	$ (58,658)
2024	(180,070)
2025	(317,858)
2026	1,319,603
Total	$ 763,017

In addition, the contributions subsequent to the measurement date will result in an increase of the net OPEB asset in the next year.

Sensitivity of the net OPEB asset to changes in the discount rate

The following presents the net OPEB asset of the university, calculated using the current discount rate, 6.00% and 6.95% as of June 30, 2023 and June 30, 2022 respectively as well as what the university's net OPEB asset would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

	1.00 percent decrease	Current Discount Rate	1.00 percent increase
June 30, 2023	$ (4,979,635)	$ (9,308,291)	$ (12,985,410)
June 30, 2022	$ (6,494,307)	$ (10,613,086)	$ (14,138,687)

Sensitivity of the net OPEB asset to changes in the Healthcare Cost Trend Rate

The following presents the net OPEB asset of the university, calculated using the current healthcare cost trend rate, 7.75% for Pre-65 and 5.25% for Post-65 year old individuals as of June 30, 2023 and June 30, 2022 as well as what the university's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

	1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
June 30, 2023	$ (13,216,221)	$ (9,308,291)	$ (4,826,139)
June 30, 2022	$ (14,403,441)	$ (10,613,086)	$ (6,290,030)

Actuarial Assumptions

The total pension and OPEB liabilities measured as of September 30, 2022 are based on the results of an actuarial valuation date of September 30, 2021 and rolled forward using generally accepted actuarial procedures.

Actuarial cost method	Entry age, normal cost
Assumed rate of return	6.00 percent, net of investment expenses based on the groups (Pension) 6.00 percent, net of investment expenses based on the groups (OPEB)
Salary increases	2.75-11.55 percent, including wage inflation of 2.75%
Cost-of-Living Pension Adjustment	3% Annual Non-Compounded for MIP Members
Healthcare cost trend rate	Pre-65 7.75 percent, year 1 graded to 3.5% year 15; 3.00% Year 120 Post-65 5.25 percent, year 1 graded to 3.5% year 15; 3.00% Year 120
Mortality basis	
Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions [1]	
Opt Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

[1] Applies to individuals hired before September 4, 2012.

The actuarial assumptions used for the September 30, 2021 valuation were based on the results of an actuarial experience study for the periods 2012 through 2017.

The total pension and OPEB liabilities measured as of September 30, 2021 are based on the results of an actuarial valuation date of September 30, 2020 and rolled forward using generally accepted actuarial procedures.

Actuarial cost method		Entry age, normal cost
Assumed rate of return		6.80 percent, net of investment expenses based on the groups (Pension) 6.95 percent, net of investment expenses based on the groups (OPEB)
Salary increases		2.75-11.55 percent, including wage inflation of 2.75%
Cost-of-Living Pension Adjustment		3% Annual Non-Compounded for MIP Members
Healthcare cost trend rate		Pre-65 7.75 percent, year 1 graded to 3.5% year 15; 3.00% Year 120 Post-65 5.25 percent, year 1 graded to 3.5% year 15; 3.00% Year 120
Mortality basis		
	Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Disabled Retirees	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions [1]		
	Opt Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% hired after June 30, 2008 are assumed to opt out of the retiree health plan.
	Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
	Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

[1] Applies to individuals hired before September 4, 2012.

The actuarial assumptions used for the September 30, 2020 valuation were based on the results of an actuarial experience study for the periods 2012 through 2017.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent at September 30, 2022 and 6.80 percent at September 30, 2021. The discount rate used to measure the total OPEB liability was 6.00 percent at September 30, 2022 and 6.95 percent at September 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension 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 where best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Plan Year September 30, 2022		Plan Year September 30, 2021	
Investment Category	Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
Domestic Equity Pools	25.0%	5.1%	25.0%	5.4%
Private Equity Pools	16.0%	8.7%	16.0%	9.1%
International Equity Pools	15.0%	6.7%	15.0%	7.5%
Fixed Income Pools	13.0%	-0.2%	10.5%	-0.7%
Real Estate & Infrastructure Pools	10.0%	5.3%	10.0%	5.4%
Absolute Return Pools	9.0%	2.7%	9.0%	2.6%
Short Term Investment Pools	2.0%	-0.5%	2.0%	-1.3%
Real Return/Opportunistic Pools	10.0%	5.8%	12.5%	6.1%
Total	100.0%		100.0%	

NOTE 10--CONTINGENCIES AND COMMITMENTS

In the normal course of its activities and operations, the university is a party in various legal and administrative actions. The university has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, for which General Counsel provides oversight, the university is of the opinion that the outcome thereof will not have a material effect on the financial statements.

There were no settlement amounts exceeding insurance coverage for each of the past three fiscal years.

The remainder of this page intentionally left blank

NOTE 11—LEASE AND SBITA COMMITMENTS

Lessee Agreements and Subscription-Based Information Technology Arrangements

The university leases certain assets from various third parties. The assets leased include land, buildings, equipment, and vehicles. The university also has subscription-based information technology arrangements (SBITA) for the right-to-use various information technology software. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease liability based on the uncertainty of future usage of the asset.

Lease and SBITA assets, net of amortization, consist of the following as of June 30, 2023:

	Beginning Balance July 1, 2022 (as Restated)	Additions	Reductions	Ending Balance June 30, 2023
Lease and SBITA Assets				
Land	$ 337,674			$ 337,674
Buildings	8,178,792	$ 338,782	$ 1,725,653	6,791,921
Equipment	536,300			536,300
Vehicles	74,518	124,390	41,493	157,415
SBITA	8,084,679	5,774,069	693,718	13,165,030
Less accumulated amortization:				
Land		44,826		44,826
Buildings	2,905,910	1,260,264	912,642	3,253,532
Equipment	163,607	108,679		272,286
Vehicles	38,045	40,796	35,731	43,110
SBITA	3,102,820	3,877,738	489,715	6,490,843
Lease and SBITA Assets, Net	$ 11,001,581	$ 904,938	$ 1,022,776	$ 10,883,743

Lease and SBITA assets, net of amortization, consist of the following as of June 30, 2022:

	Beginning Balance July 1, 2021 (as Restated)	Additions	Reductions	Ending Balance June 30, 2022 (as Restated)
Lease and SBITA Assets				
Land	$ 337,674			$ 337,674
Buildings	8,441,599	$ 790,777	$ 1,053,584	8,178,792
Equipment	583,920		47,620	536,300
Vehicles	62,302	18,498	6,282	74,518
SBITA	6,062,922	2,210,607	188,850	8,084,679
Less accumulated amortization:				
Buildings	2,009,694	1,650,632	754,416	2,905,910
Equipment	59,690	114,235	10,318	163,607
Vehicles	22,087	22,240	6,282	38,045
SBITA		3,102,820		3,102,820
Lease and SBITA Assets, Net	$ 13,396,946	$ (1,870,045)	$ 525,320	$ 11,001,581

At June 30, 2023 and June 30, 2022, the university recognized the following outflows as a result of certain items that were properly excluded from the initial measurement of the lease liability:

	June 30, 2023	June 30, 2022
Variable Payments	$ 4,000	$ 4,000

Future principal and interest payments related to the university's lease liability at June 30, 2023 are as follows:

	Principal	Interest	Total
2024	$ 1,254,593	$ 162,756	$ 1,417,349
2025	1,141,262	111,508	1,252,770
2026	651,729	72,959	724,688
2027	224,862	55,597	280,459
2028	81,419	49,541	130,960
2029-2033	386,222	196,800	583,022
2034-2038	163,015	143,799	306,814
2039-2043	123,803	117,102	240,905
2044-2048	109,165	93,928	203,093
2049-2053	169,622	65,817	235,439
2054-2058	229,792	23,574	253,366
Total	$ 4,535,484	$ 1,093,381	$ 5,628,865

As of June 30, 2023, the university had no commitments related to leases for which the lease term had not commenced. The university's lease commitments as of June 30, 2022 were $25,936.

At June 30, 2023 and June 30, 2022, the university recognized the following outflows as a result of certain items that were properly excluded from the initial measurement of the SBITA liability:

	June 30, 2023	June 30, 2022 (as Restated)
Variable Payments	$ 183,278	$ 41,087

Future principal and interest payments related to the university's SBITA liability at June 30, 2023 are as follows:

	Principal	Interest	Total
2024	$ 2,289,836	$ 225,521	$ 2,515,357
2025	1,909,913	115,019	2,024,932
2026	744,906	56,798	801,704
2027	609,624	22,366	631,990
2028	191,026	6,148	197,174
2029-2033	30,051	2,149	32,200
Total	$ 5,775,356	$ 428,001	$ 6,203,357

As of June 30, 2023, the university has $361,786 in commitments related to subscription-based information technology arrangements for which the term has not commenced.

Lessor Agreements

The university leases certain assets to various third parties. The assets leased include land, buildings, and equipment. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable based on the uncertainty of future rate increases.

At June 30, 2023 and June 30, 2022, the university recognized the following lease revenue, lease interest revenue, and inflows as a result of certain items that were properly excluded from the initial measurement of the lease receivable:

	June 30, 2023		June 30, 2022	
Lease Revenue	$	725,510	$	698,299
Lease Interest Revenue	$	365,669	$	372,470
Variable Revenue	$	723		

NOTE 12--LIABILITY AND PROPERTY INSURANCE

The university participates with other Michigan public universities in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.). This corporation's purpose is to provide insurance coverage for educators' legal liability, commercial general liability, automobile physical damage and automobile liability. M.U.S.I.C. retains the first layer of coverage for losses exceeding retention levels in a group risk-sharing pool, and they purchase additional layers of excess insurance through commercial carriers for the aforementioned coverages. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the liability risk exposures and claims experience of each university.

Additionally, the university either self-insures or purchases commercially available coverage for exposures outside of the M.U.S.I.C. program, some of which are: property insurance, medical malpractice, workers compensation, fiduciary, and cyber insurance. The university has reserve accounts from which it pays its retention amounts for losses related to educators' legal liability, commercial general liability, auto and property claims.

Since January 28, 2011, CMEP has continued its commercial insurance coverage for property and casualty losses including professional medical malpractice, covering the corporation for its acts and omissions. Malpractice and other claims have been asserted against the corporation by various claimants. Such claims are in varied stages of processing and some may be litigated. Accordingly, CMEP's management and counsel cannot determine the ultimate outcome of the actions commenced. In the opinion of CMEP's management, all such matters are adequately covered by prior and existing insurance programs.

The remainder of this page intentionally left blank

NOTE 13—FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

The university's operating expenses by functional classification were as follows for years ended June 30:

	2023					
	Total	Compensation and Benefits	Supplies and Other	Scholarships and Fellowships	Utilities	Depreciation and Amortization
Instruction	$ 117,219,183	$ 108,455,734	$ 5,437,763	$ 3,257,127		$ 68,559
Research	23,244,575	14,383,247	8,023,794	804,920	$ 1,991	30,623
Public Service	18,858,245	8,324,669	10,081,949	17,403	357,305	76,919
Academic Support	45,637,590	33,918,236	10,792,021	155,657	14,720	756,956
Student Services	26,888,278	16,849,175	8,804,903	186,750	126,141	921,309
Institutional Support	38,632,127	30,563,815	7,497,263	11,284	98,685	461,080
Operations and Maintenance of Plant	30,959,322	10,426,503	19,968,632		32,639	531,548
Scholarships & Fellowships	14,637,968	34,745	273,475	14,329,748		
Auxiliary Enterprises	86,785,770	35,842,031	42,432,220	(2,002,717)	8,028,928	2,485,308
Depreciation	28,683,771					28,683,771
Other	16,738,146	48,032	16,690,114			
Total Operating Expenses	448,284,975	$ 258,846,187	$ 130,002,134	$ 16,760,172	$ 8,660,409	$ 34,016,073
Interest Expense	6,359,067					
Total Expenses	$ 454,644,042					

	2022 (as Restated)					
	Total	Compensation and Benefits	Supplies and Other	Scholarships and Fellowships	Utilities	Depreciation and Amortization
Instruction	$ 122,719,236	$ 113,669,145	$ 4,376,104	$ 3,584,613	$ 153,405	$ 935,969
Research	23,068,733	14,409,055	7,890,610	738,847		30,221
Public Service	16,753,915	8,771,862	7,584,549	23,114	341,438	32,952
Academic Support	46,767,901	34,556,600	11,271,439	186,487	30,519	722,856
Student Services	24,679,478	15,968,414	8,273,593	157,542		279,929
Institutional Support	32,212,403	24,561,421	7,157,012	11,954	86,703	395,313
Operations and Maintenance of Plant	31,651,122	11,337,848	19,628,704		130,449	554,121
Scholarships & Fellowships	30,072,439	11,675	296,782	29,763,982		
Auxiliary Enterprises	86,705,572	37,208,319	41,731,002	(1,866,237)	7,693,922	1,938,566
Depreciation	28,009,371					28,009,371
Other	(23,068,343)	11,894	(23,080,237)			
Total Operating Expenses	419,571,827	$ 260,506,233	$ 85,129,558	$ 32,600,302	$ 8,436,436	$ 32,899,298
Interest Expense	6,202,898					
Total Expenses	$ 425,774,725					

NOTE 14--NEW ACCOUNTING PRONOUNCEMENTS

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the fiscal year ending June 30, 2025. The effect of this new statement has not yet been determined.

Required Supplemental Information

Schedule of the Institution's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

	University's proportion of the Universities collective MPSERS net pension liability:		University's covered payroll	University's proportional share of the collective pension liability (amount), as a percentage of the University's covered payroll	MPSERS fiduciary net position as a percentage of the total pension liability
	As a percentage	Amount			
2022	24.83%	$79,382,848	$56,054,000	141.62%	74.39%
2021	24.78%	$139,230,704	$54,955,000	253.35%	52.26%
2020	24.74%	$168,997,255	$53,878,000	313.67%	43.07%
2019	24.58%	$164,606,252	$52,821,000	311.63%	44.24%
2018	24.49%	$156,499,530	$51,785,566	302.21%	45.87%
2017	24.54%	$141,154,617	$52,547,000	268.63%	47.42%
2016	24.49%	$137,188,658	$50,770,000	270.22%	46.77%
2015	23.49%	$128,881,423	$40,847,274	315.52%	47.45%
2014	24.89%	$93,365,966	$45,313,116	206.05%	63.00%

Schedule of Institution Pension Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2023	$82,266,236	$82,266,236		$56,894,810	144.59%
2022	$35,954,259	$35,954,259		$55,779,325	64.46%
2021	$14,265,277	$14,265,277		$54,686,170	26.09%
2020	$12,489,211	$12,489,221		$53,613,315	23.29%
2019	$12,220,875	$12,220,875		$52,562,142	23.25%
2018	$11,850,788	$11,850,788		$51,975,500	22.80%
2017	$10,398,309	$10,398,409		$52,102,750	19.96%
2016	$9,124,243	$9,124,243		$42,389,435	21.52%
2015	$8,048,600	$8,048,600		$41,843,844	19.23%

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2023

The employer's covered payroll 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.

Changes of benefit terms: There were no changes of benefit terms in 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 or 2014.

Changes of assumptions: The discount rate and investment rate used in 2022 decreased by 0.80%. There were no changes of benefit assumptions in 2021 or 2020. For 2019, the discount rate for the September 30, 2018 annual actuarial valuation decreased by 0.25%. For 2018, the discount rate for the September 30, 2017 annual actuarial valuation decreased by 0.45% and the valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. For 2017, the discount rate for the September 30, 2016 annual actuarial valuation decreased by 0.50%. There were no changes of benefit assumptions in 2016, 2015 or 2014.

Schedule of the Institution's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

	University's proportion of the Universities collective MPSERS net OPEB (asset)/liability:		University's covered payroll	University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered payroll	MPSERS fiduciary net position as a percentage of the total OPEB liability
	As a percentage	Amount			
2022	24.86%	($9,308,291)	$56,054,000	(16.61%)	121.19%
2021	24.75%	($10,613,086)	$54,955,000	(19.31%)	123.91%
2020	24.78%	$10,470,434	$53,878,000	19.43%	77.20%
2019	24.78%	$22,739,133	$52,821,000	43.05%	61.07%
2018	24.78%	$29,395,383	$51,785,566	56.76%	51.90%
2017	24.66%	$35,090,380	$52,547,000	66.78%	44.11%

Schedule of Institution OPEB Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2023	$899,920	$899,920		$56,894,810	1.58%
2022	$3,360,990	$3,360,990		$55,779,325	6.03%
2021	$3,345,709	$3,345,709		$54,686,170	6.12%
2020	$3,268,784	$3,268,784		$53,613,315	6.10%
2019	$3,215,494	$3,215,494		$52,562,142	6.12%
2018	$3,330,389	$3,330,389		$51,975,500	6.41%

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2023

The employer's covered payroll 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.

Changes of benefit terms: There were no changes of benefit terms in 2022, 2021, 2020, 2019, 2018 or 2017.

Changes of assumptions: The discount rate and investment rate used in 2022 decreased by 0.95%. For 2021, the healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75% percentage points and actual per person health benefit costs were lower than projected. For 2020, the discount rate was unchanged, 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. For 2019, the discount rate for the September 30, 2018 annual actuarial valuation decreased by 0.20%. For 2018, the discount rate for the September 30, 2017 annual actuarial valuation decreased by 0.35%. There were no changes of benefit assumptions in 2017.