



ANNUAL FINANCIAL REPORT

2021-2022



CENTRAL
MICHIGAN UNIVERSITY

/ We do.

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Central Michigan University
June 30, 2022

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July 2022

To the People of the State of Michigan:

Central Michigan University was established nearly 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.

Despite the ongoing challenges of a global pandemic, CMU set the leadership standard by maintaining an in-person environment through the entire 2021-2022 academic year. Our extensive technology infrastructure was the foundation that gave us the ability to offer a flexible mix of in-person and remote instruction during the 2021-2022 academic year. The COVID-19 pandemic has had a significant impact on higher education around the world, yet CMU has offered a robust, albeit different, educational experience for our students.

CMU also takes pride in providing a safe and productive workplace for our faculty, staff, and student employees. In line with this goal, CMU continued several COVID-19 safety precautions during the 2021-2022 academic year, such as mask requirements, mandatory health screenings prior to arriving on campus, and case tracking. All of these efforts allowed us to maintain a safe working environment for employees and visitors.

CMU is a partner to the state of Michigan — to its residents, its communities, and its businesses. More than 85 percent of our student body are from Michigan, and they represent 82 of 83 counties. After they graduate, more than 84 percent of CMU's graduates stay in the Great Lakes State to work.

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 20 percent of our operating budget and covers only 77 days of operation. Additionally, per-student funding at Michigan's 15 public universities ranges widely. Central receives \$5,804 per student — the sixth 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, 2022. 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
Interim Vice President and Chief Financial Officer, Finance and Administrative Service

Independent Auditor's Report

To the Board of Directors
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, 2022 and 2021 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, 2022 and 2021 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. The financial statements of CMEP and IEE were not audited under *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the University adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 Directors
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 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 Supplemental 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the listing of board of trustees, president and vice presidents, and financial administrative staff and introductory letter but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Board of Directors
Central Michigan University

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2022 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.



September 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Michigan University

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, 2022, with selected comparative information for the years ended June 30, 2021, and 2020. 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, the robust job market, and impacts resulting from the lingering effects of the COVID-19 global pandemic, 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, and cost of continued efforts to mitigate the effects of COVID-19 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 2022, state appropriations contributed approximately 23.7% of university revenues. In fiscal year 2002, state appropriations contributed approximately 31.5% 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 \$39.3 million for fiscal year 2022 compared to \$6.2 million for fiscal year 2002. The required contribution for fiscal year 2022 includes \$24.4 million of contributions provided to the university as state appropriations and forwarded back to the retirement system which have been deferred to a future fiscal year based on timing differences with the MPSERS program plan year.

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 \$72.0 million in 2022, making degrees possible for many students who otherwise could not pursue their dream of higher education.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

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

As the COVID-19 global pandemic winds down, the university is adjusting to new, ongoing expectations of students, faculty, and staff regarding agile services and flexible employment conditions. 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 2023 of \$434.7 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 estimate of existing deferred maintenance needs is \$375.9 million, \$190.6 million of that is for general fund supported facilities. Over the past ten years, the university has dedicated between \$5.7 to \$8.4 million per year toward addressing these needs annually, with an average allocation of approximately \$6.3 million per year over that timeframe.

During fiscal year 2022, the university expended approximately \$21.7 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.

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 2021-2022 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 2021 was selected from over 7,400 applicants. Fifteen percent of the students in the 2021 matriculating class represent CMED defined diversity categories that include Black/African American,

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

Hispanic/Latino/Latina/Latinx, Women, Native American and medically underserved urban and rural areas of Michigan. Also, 70% of the matriculating 2021 class call Michigan home. CMED continued to be successful with their 2021-2022 Match. Match statistics provide evidence that CMED is advancing the mission of the medical school, with 64% matched to primary care and 52% matched to a residency program in Michigan.

CMED received full accreditation from the Liaison Committee for Medical Education (LCME) in June 2018 and is scheduled for a reaccreditation review in March 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, a new program starting July 1, 2022, are accredited.

During the 2021-2022 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 and has added a fourth endowed chair in the 2021-2022 academic year in addition to three added in the 2020-2021 academic year.

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 Medical Education Partners residency programs. CMED has participated in the MIDOCS program since its inception, recruiting 5-6 new residents each year.

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 800 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

The university utilizes a data-informed, iterative process for Strategic Enrollment Management. The 2021-2022 academic year was marked by the ongoing COVID-19 pandemic and its impact on recruitment and retention. As in the previous year, some students decided to defer for a semester or year based on fears of COVID-19 or a disinterest in online or Hyflex instructional formats. However, the campus was open and many classes and student events took place in person. SRR continued with personalized campus visits. In August 2021, Admissions implemented a new customer relationship management (CRM) system that made it easier for students to apply for admission and receive an admission decision more quickly. The new communication system is more robust and flexible than the previous system and communications were more timely in this past recruiting cycle.

As the impact of COVID-19 tapered, CMU Admissions returned to hosting Maroon and Gold recruitment dinners. Twenty-three dinners were held February through April and were well attended. Eighty-eight percent of those who attended enrolled at CMU. A new component to the freshman orientation program was introduced which provided a personal conversation with students and their supporters regarding the cost to attend college and the student's related financial aid. These conversations were well-received and ensured families knew exactly what to expect. For academic year 2022-2023, CMU is on track for an increase to the freshman class for Fall 22.

For the Fall 2023 recruiting cycle, the university plans to continue to offer in-person recruitment events and is evaluating opportunities for a format refresh. Additionally, staff positions are being added in key areas to focus on supporting the new CRM and recruiting transfer students.

Lastly, a new strategic plan for growth of program offerings, micro-credentials, badges and certificates and a different approach with military offerings is in development by the newly created Innovation and Online division.

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 late 2021 and executed during the 2022 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

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.

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

	2022	2021	2020
		(as Restated)	
Current assets	\$ 124.7	\$ 152.8	\$ 111.5
Noncurrent assets			
Lease assets, net	6.0	7.3	
Capital assets, net	542.6	556.6	570.4
Other	481.5	465.6	410.1
TOTAL ASSETS	<u>1,154.8</u>	<u>1,182.3</u>	<u>1,092.0</u>
DEFERRED OUTFLOWS	<u>40.4</u>	<u>21.5</u>	<u>21.2</u>
Current liabilities	102.8	92.6	100.8
Noncurrent liabilities	308.1	341.4	351.6
TOTAL LIABILITIES	<u>410.9</u>	<u>434.0</u>	<u>452.4</u>
DEFERRED INFLOWS	<u>64.0</u>	<u>18.7</u>	<u>11.9</u>
TOTAL NET POSITION	<u>\$ 720.3</u>	<u>\$ 751.1</u>	<u>\$ 648.9</u>

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 2022, total assets decreased \$27.5 million. Significant changes in assets occurred in the following areas:

- Cash and cash equivalents including restricted cash, decreased \$12.8 million due primarily to the utilization of cash for operating needs and investment purchases.
- Endowment investments decreased \$12.4 million due primarily to investment depreciation resulting from unfavorable market conditions.
- Recorded a \$10.6 million net asset for Other Post Employment Benefits (OPEB) under the Michigan Public School Employee's Retirement System (MPERS) plan due to the overfunded status of the plan as of the most recent valuation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

- Net capital assets decreased \$14.1 million primarily due to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation expense.

In 2021, total assets increased \$90.3 million due primarily to the effect of an increase in cash and cash equivalents of \$24.7 million due primarily to investment redemptions and cash received from the federal CRRSA Act Higher Education Emergency Relief Funds program for lost revenue; an increase of State appropriations receivable of \$14.9 million due primarily to reinstatement of state aid withdrawn the previous year for both the university and university authorized K-12 charter schools; the addition of \$9.4 million in lease receivables due to the adoption of GASB Statement No. 87, *Leases*; an increase of Endowment Investments of \$55.2 million due primarily to investment appreciation due to favorable market conditions; a decrease of Other long-term investments of \$7.2 million due primarily to investment redemptions to replace decreased cash flow from university operations amid the COVID-19 global pandemic; the addition of \$7.3 million in lease assets due to the adoption of GASB Statement No. 87, *Leases* and a decrease in net capital assets of \$13.7 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, 2022, the university had \$1.068 billion invested in capital assets and accumulated depreciation of \$525 million. Depreciation totaled \$28.0 million for the current fiscal year compared to \$28.2 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, 2022:

- Construction of Parking Lot 75 (\$2.4 million of construction in progress). The project includes design and construction of a new parking lot located south of Broomfield Road and east of West Campus Drive.
- Upgrade of a 1250 Ton Absorber located in the Central Energy Facility (\$1.6 million of construction in progress). The project includes replacement of the existing absorber.
- Design development for a new Washington Commons Residential Community (\$1.4 million of construction in progress). The new residential community will provide a modern, independent living experience for student residents and replace Kewadin Village and Northwest Apartments.

The university has three significant projects that were placed in-service and capitalized as of June 30, 2022:

- The Down Under Food Court renovation project in the Bovee University Center was completed in October 2021 and accounted for \$4.1 million in capitalized expenditures. The project included the demolition of the old food court and the design and construction costs for a newly renovated food court which brought new franchises to campus.
- University Website Project was completed in January 2022 and accounted for \$2.6 million in capitalized expenditures. The project included the design and implementation costs for a new digital experience platform.
- Replacement of Air Handlers in the Bovee University Center was completed in August 2021 and accounted for \$2.0 million in capitalized expenditures. The project included the design and construction work.

In 2021, capital assets decreased \$13.8 million due to a net increase of \$14.4 million in capitalized costs primarily in the areas of construction in progress, buildings, land improvements, and equipment less \$28.2 million in depreciation.

Endowment and Pooled Operating Investments

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

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

During 2021, endowment investments increased \$55.2 million, and pooled operating investments decreased by \$7.2 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 amid the COVID-19 global pandemic. Investment income for 2021 within both investment portfolios is comprised of a \$63.4 million increase in market value, \$5.6 million of investment income net of financial fees, and \$23.2 million realized gain from the sale of long-term investments. Earnings distributed from endowments for scholarships and fellowships totaled \$7.5 million. This spending distribution was offset by gifts received for endowments of \$2.5 million and a change in cash on hand in the endowment of \$3.2 million.

DEFERRED OUTFLOWS

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.

During 2021, deferred outflows increased by \$0.3 million due primarily to a \$1.3 change in the market value position of hedging derivatives on variable rate debt which reduced deferred expense and a \$0.2 million reduction in the deferral of expense related to changes in assumptions in the valuations of the university's proportionate share of the Other Post Employment Benefits (OPEB) liabilities, offset by additional deferral of expense of \$1.9 million primarily related to changes in assumptions in the valuations of the university's proportionate share of 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 2022, current liabilities increased \$10.2 million. Significant changes in current liabilities occurred in the following areas as of June 30, 2022:

- Unearned revenue increased \$6.0 million primarily due to the unamortized balance of Chartwells' financial investment in the university's dining program and facilities which is being recognized over the life of the contract.
- Accrued payables to vendors increased \$2.3 million due primarily to a \$1.6 million increase in the amount due to medical partners participating with the College of Medicine in the 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.
- Accrued payables to charter schools increased \$1.7 million due primarily to an increase in state aid.

During 2021, current liabilities decreased \$8.2 million primarily due to a \$7.5 million decrease 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 and a decrease of \$6.8 million in vendor accruals for building projects as the Chippewa Champions Center was put in-service offset by accrued payables to charter schools increasing \$5.4 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 and OPEB 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 2022, noncurrent liabilities decreased \$33.3 million. Significant changes in noncurrent liabilities occurred in the following areas as of June 30, 2022:

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

- Debt service of \$7.2 million was recorded on outstanding bond and note principal, and premium amortization.
- Issued \$14.7 million in new bonds and \$15.1 million in bonds to refinance \$19.1 million in bonds previously issued in 2012. The issuance included \$7.5 million in bond premium.
- Market value of hedging derivatives decreased by \$2.4 million.
- Recorded \$29.8 million decrease in net pension liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPERS) plan.
- Recorded a \$10.5 million decrease in net OPEB liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPERS) plan.

During 2021, noncurrent liabilities decreased \$10.2 million primarily due to debt service of \$6.8 million being recorded on outstanding bond and note principal, and premium amortization; the addition of \$5.8 million in lease liabilities due to the adoption of GASB Statement No. 87, *Leases*; market value of hedging derivatives decreasing by \$1.3 million; recording of \$4.4 million in additional net pension liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPERS) plan; and recording of a \$12.3 million decrease in net OPEB liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPERS) plan.

DEFERRED INFLOWS

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 (MPERS) 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 (MPERS) plan.

During 2021, deferred inflows increased \$6.8 million due primarily to a \$1.3 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 (MPERS) plan, \$1.8 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 (MPERS) plan, \$0.7 million increase in the deferral of revenues resulting from split interest agreements and the recording of \$9.4 million deferral of revenue resulting from lease agreements due to the adoption of GASB Statement No. 87, *Leases*.

Refer to Note 9 to the financial statements for detail regarding the MPERS 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:

	2022	2021	2020
		(as Restated)	
Investment in capital assets	\$ 548.6	\$ 563.9	\$ 570.4
Debt related to capital assets	(168.5)	(158.7)	(158.0)
Deferred outflow on defeased debt	2.0	1.8	1.9
Deferred inflow on defeased debt	(0.7)	(0.8)	(1.0)
Net investment in capital assets	381.4	406.2	413.3
Restricted for:			
Nonexpendable	71.6	67.8	65.2
Expendable	107.1	101.1	71.2
Unrestricted	160.2	176.0	99.2
TOTAL NET POSITION	\$ 720.3	\$ 751.1	\$ 648.9

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

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 \$24.8 million in 2022 primarily due to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation and amortization expense. During 2021, net investment in capital assets decreased \$7.1 million due primarily to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation 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 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. During 2021 restricted expendable net position increased \$29.9 million due to an increase in favorable market conditions.

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.

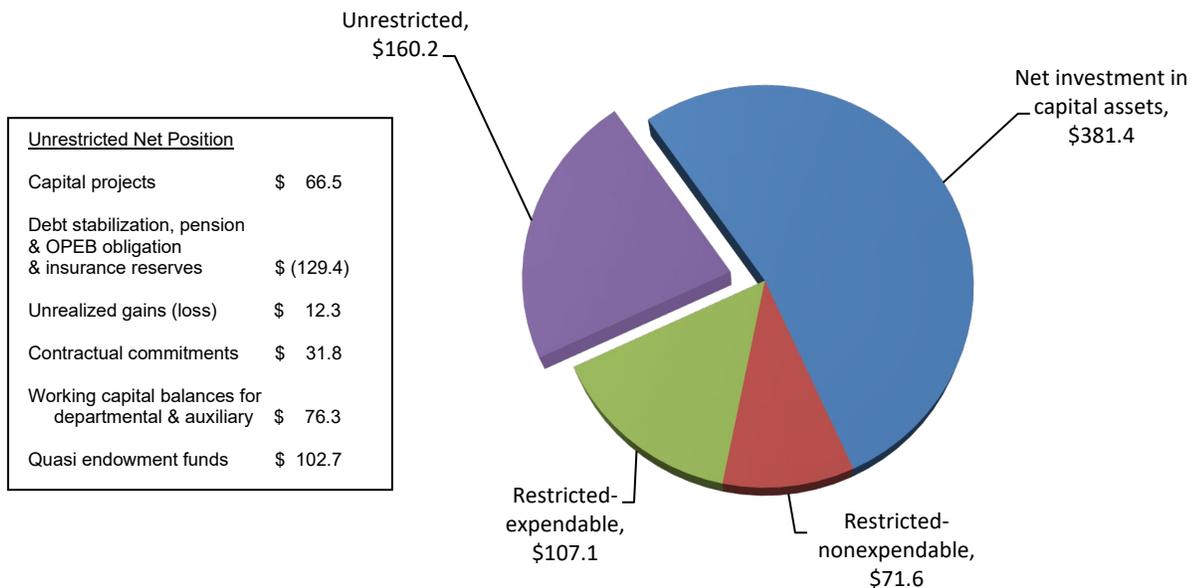
During 2022 unrestricted net position decreased primarily due to use of unrestricted funds for operations. During 2021 unrestricted net position increased primarily due to favorable market conditions related to investments and a decrease in the university's proportionate share of the OPEB liability related to the Michigan Public School Employee's Retirement System (MPSERS) plan.

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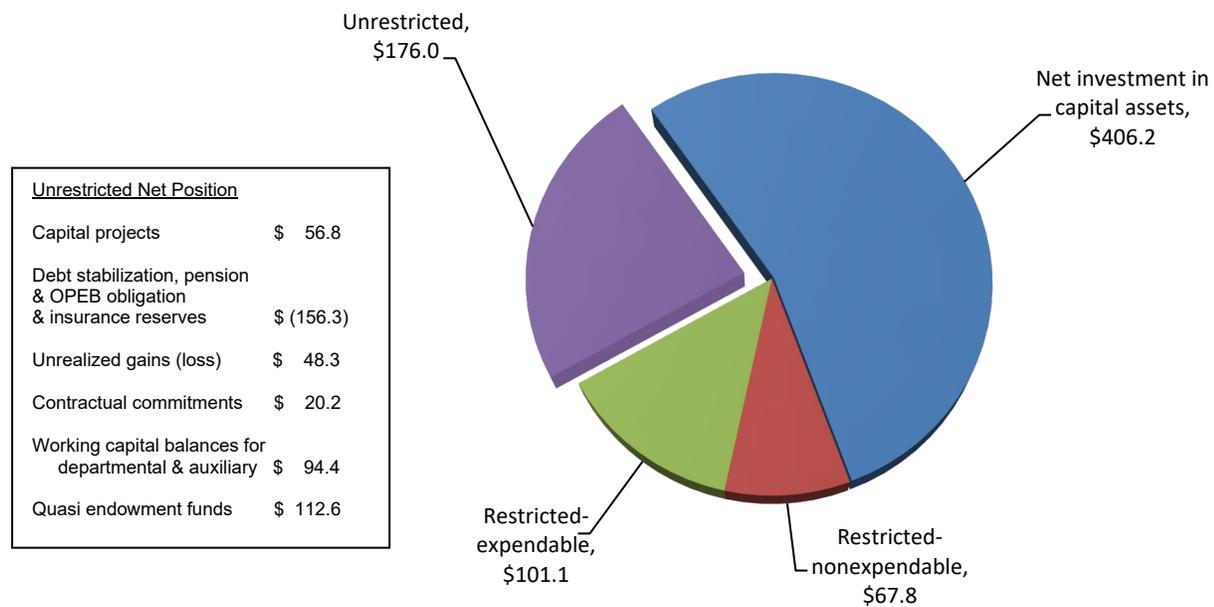
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

The following is a breakdown of net position at June 30, 2022 (shown in millions).



The following is a breakdown of net position at June 30, 2021 (shown in millions).



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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

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:

	2022	2021	2020
		(as Restated)	
OPERATING REVENUES			
Tuition, net	\$ 152.4	\$ 172.5	\$ 190.2
Grants and contracts	18.6	18.4	14.5
Auxiliary enterprises, net	61.4	50.6	62.5
Other operating revenues	29.9	23.4	22.3
TOTAL OPERATING REVENUES	<u>262.3</u>	<u>264.9</u>	<u>289.5</u>
OPERATING EXPENSES	<u>419.7</u>	<u>413.5</u>	<u>446.8</u>
OPERATING LOSS	(157.4)	(148.6)	(157.3)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	97.8	91.0	80.9
Other nonoperating revenues	28.2	159.9	59.0
Interest on debt	(6.0)	(6.3)	(6.0)
NET NONOPERATING REVENUES	<u>120.0</u>	<u>244.6</u>	<u>133.9</u>
INCOME (LOSS) BEFORE OTHER REVENUES	(37.4)	96.0	(23.4)
OTHER REVENUES			
Capital appropriations		0.8	11.0
Capital grants and gifts	2.9	3.0	3.2
Additions to permanent endowments	3.7	2.4	2.2
TOTAL OTHER REVENUES	<u>6.6</u>	<u>6.2</u>	<u>16.4</u>
INCREASE (DECREASE) IN NET POSITION	(30.8)	102.2	(7.0)
NET POSITION			
NET POSITION AT BEGINNING OF YEAR	751.1	648.9	655.9
NET POSITION AT END OF YEAR	<u>\$ 720.3</u>	<u>\$ 751.1</u>	<u>\$ 648.9</u>

OPERATING REVENUES

Operating revenues for fiscal year ending June 30, 2022 decreased compared to fiscal year 2021. Gross tuition for fiscal years ended June 30, 2022, 2021, and 2020 were \$214.6 million, \$229.5 million, and \$249.2 million, respectively. Scholarship allowances for fiscal years ended June 30, 2022, 2021, and 2020 were \$62.2 million, \$57.0 million, and \$59.0 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 2022, operating revenues decreased \$2.6 million. Significant changes in operating revenues occurred in the following areas as of June 30, 2022:

- Tuition before scholarship allowance decreased by \$14.9 million due to lower enrollment. Scholarship allowances increased by \$5.2 million resulting 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

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.

During 2021, tuition before scholarship allowance decreased by \$19.7 million due to lower enrollment and scholarship allowances decreased an additional \$2.0 million which resulted in a decrease in net tuition of \$17.7 million. Auxiliary enterprise operating revenues, before room and board discount, decreased \$12.2 million primarily due to fewer incoming students in the residence halls related to precautions surrounding the COVID-19 global pandemic which limited service in the residence halls and dining facilities. A decrease in room and board allowance resulted in an overall decrease of \$11.9 million.

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:

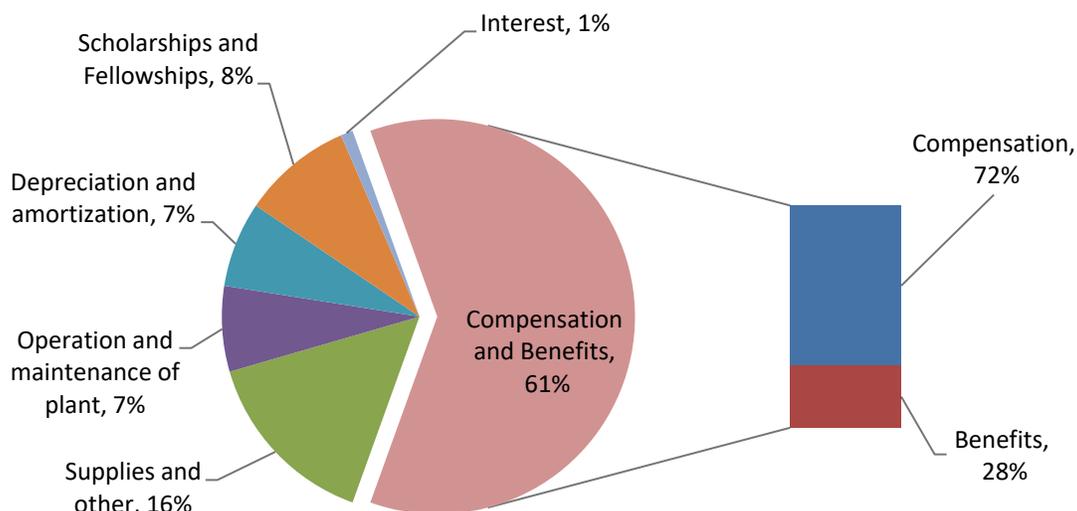
	<u>2022</u>	<u>2021</u> (as Restated)	<u>2020</u>
Operating			
Compensation and benefits	\$ 260.5	\$ 264.1	\$ 276.8
Supplies and other	65.9	57.1	86.3
Operation and maintenance of plant	30.9	35.3	33.5
Depreciation and amortization	29.8	30.3	27.7
Scholarships and fellowships	32.6	26.7	22.5
TOTAL OPERATING EXPENSES	<u>419.7</u>	<u>413.5</u>	<u>446.8</u>
Nonoperating			
Interest	6.0	6.3	6.0
TOTAL EXPENSES	<u>\$ 425.7</u>	<u>\$ 419.8</u>	<u>\$ 452.8</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

A summary of the expenses by natural classification for the year ended June 30, 2022, excluding component unit expenses is as follows:



Significant changes in operating expenses occurred in the following areas as of June 30, 2022:

- Compensation and benefit expenses decreased \$3.6 million. Of this decrease, the 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.

During 2021, compensation and benefit expenses decreased \$12.7 million. Of this decrease, the university compensation decreased 3.9% and benefits decreased 6.4%. The change in compensation and benefits primarily resulted from a decrease in the number of filled faculty and staff positions and a significant decrease in student compensation of \$2.3 million due to precautions related to the COVID-19 global pandemic which severely limited available positions and the ability of students to continue working. Supplies and Other decreased \$29.2 million due primarily to a \$13.5 million net decrease in expense to support the unfunded portion of the Michigan Public School Employee's Retirement System (MPERS) pension and OPEB plan as well as spending reductions in several auxiliary units. The residence halls and dining facilities had reduced wages and supplies expenses due to fewer students living in the residence halls and eating in the dining restaurants. Other planned cost reductions and travel restrictions put in place during the fiscal year led to reduced supplies and equipment spending. Scholarship and Fellowship expenses increased \$4.2 million due primarily to an additional \$2.9 million in federal Higher Education Emergency Relief Funds program student aid awards as well as an increase in institutional aid under a few new award programs aimed at improving enrollment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

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

	2022		2021 (as Restated)		2020	
Instruction	\$ 122.7	29 %	\$ 128.1	30 %	\$ 139.7	31 %
Research	23.1	5	20.6	5	16.0	4
Public Service	16.8	4	15.3	4	17.4	4
Academic Support	46.8	11	45.6	11	49.4	11
Student Services	24.7	6	22.0	5	23.9	5
Institutional Support	32.2	8	32.5	8	35.9	8
Scholarships and Fellowships	30.1	7	24.5	6	18.7	4
Operation and Maintenance of Plant	31.6	7	36.0	8	33.5	7
Auxiliary Services	86.8	20	75.0	18	85.5	19
Depreciation	28.0	7	28.2	7	27.7	6
Other	(23.1)	-5	(14.3)	-3	(1.0)	0
Interest Expense	6.0	1	6.3	1	6.1	1
Total Expenses by Function	\$ 425.7	100 %	\$ 419.8	100 %	\$ 452.8	100 %

Significant changes in functional expenses occurred in the following areas as of June 30, 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.
- Scholarships 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; 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.

During 2021, instructional expenses decreased \$11.6 million due primarily to planned cost reductions related to lower enrollment including a decrease in the number of filled faculty and staff positions and a corresponding decrease in instructional supplies and equipment spending. Research expenses increased \$4.6 million primarily due to research initiatives with University Pediatrics. Scholarships and Fellowship expenses increased \$5.8 million primarily due to an additional \$2.9 million in federal Higher Education Emergency Relief Funds program student aid awards as well as an increase in institutional aid under a few new award programs aimed at improving enrollment. Auxiliary Enterprises decreased \$10.5 million primarily due to reductions across several auxiliary units. The residence halls and dining facilities had reduced wages and supply expenses due to fewer students living in the residence halls and eating in the dining restaurants. Other planned cost reductions and travel restrictions put in place during the fiscal year led to reduced supplies and equipment spending in many auxiliary units. Other expenses decreased \$13.3 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 assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

Significant changes in non-operating revenues (expenses) occurred in the following areas as of June 30, 2022:

- State Appropriations increased \$6.8 million primarily due to increases in operational state aid funding and supplemental appropriations provided to specifically to 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.

During 2021, State Appropriations increased \$10.1 million primarily due to reinstatement of state aid withdrawn the previous year for both the university and university authorized K-12 charter schools. Gifts and pledges (net of allowance) decreased \$5.4 million primarily due to fewer donations towards operating initiatives. Investment income increased \$81.3 million as a result of investment appreciation due to favorable market conditions. Governmental coronavirus support programs revenue increased \$26.4 million due to new funding from the following federal programs: Coronavirus Relief Funds, Coronavirus Response and Relief Supplemental Appropriations - Higher Education Emergency Relief Funds, and 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 2022 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.

During 2021, other revenue decreased \$10.2 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:

	2022	2021 (as Restated)	2020
Cash received from operations	\$ 648.0	\$ 656.4	\$ 699.6
Cash expended for operations	(815.1)	(803.7)	(821.5)
NET CASH USED BY OPERATING ACTIVITIES	(167.1)	(147.3)	(121.9)
Net cash provided by noncapital financing activities	187.9	151.2	140.7
Net cash used by capital financing activities	(3.4)	(24.2)	(19.9)
Net cash provided (used) by investing activities	(30.2)	45.0	12.4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV	(12.8)	24.7	11.3
CASH AND CASH EQUIV, BEGINNING OF THE YEAR	62.8	38.1	26.8
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 50.0	\$ 62.8	\$ 38.1

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 \$167.1 million (\$147.3 million at June 30, 2021). To offset this, the net cash provided from noncapital financing activities, consisting primarily of state appropriations, was \$187.9 million (\$151.2 million at June 30, 2021).

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

Cash used by capital financing activities was \$3.4 million (\$24.2 million at June 30, 2021), primarily the result of the investment in major capital construction projects offset by proceeds from debt issued to fund the capital projects and capital appropriations received.

Cash used by investing activities was \$30.2 million (\$45.0 million provided by investment activities at June 30, 2021) due to purchases of investments.

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.

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STATEMENTS OF NET POSITION

Central Michigan University

	YEAR ENDED JUNE 30	
	2022	2021
		(as Restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 35,282,201	\$ 62,759,052
Accounts, leases and pledges receivable, net	22,190,498	23,308,407
State appropriations receivable, operations	17,052,492	16,812,020
State appropriations receivable, Charter Schools	42,570,562	40,848,585
Inventories	2,251,526	2,635,296
Other assets	5,312,442	6,422,099
TOTAL CURRENT ASSETS	124,659,721	152,785,459
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	14,676,515	10
Pledges receivable, net	5,112,753	4,768,488
Leases receivable, net	8,190,400	8,691,633
Endowment investments	231,367,296	243,740,257
Other long-term investments	211,583,085	208,287,340
Net OPEB asset	10,613,086	
Lease assets, net	6,019,722	7,334,024
Capital assets, net	542,546,593	556,641,952
TOTAL NONCURRENT ASSETS	1,030,109,450	1,029,463,704
TOTAL ASSETS	1,154,769,171	1,182,249,163
DEFERRED OUTFLOWS		
Deferred Outflows of Resources	40,454,107	21,553,461
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	74,619,320	70,516,730
Unearned revenue	18,550,215	12,527,505
Deposits	849,414	726,319
Current portion of long-term debt and other obligations	8,795,705	8,855,270
TOTAL CURRENT LIABILITIES	102,814,654	92,625,824
NONCURRENT LIABILITIES:		
Long-term debt, hedging instruments, and other obligations	168,904,465	161,904,739
Net pension liability	139,230,704	168,997,255
Net OPEB liability		10,470,434
TOTAL NONCURRENT LIABILITIES	308,135,169	341,372,428
TOTAL LIABILITIES	410,949,823	433,998,252
DEFERRED INFLOWS		
Deferred Inflows of Resources	63,983,190	18,660,589
NET POSITION		
Net investment in capital assets	381,391,949	406,189,917
Restricted for:		
Nonexpendable		
Scholarships, fellowships and research	71,644,405	67,830,823
Expendable		
Scholarships, fellowships and research	62,294,879	70,923,001
Instructional department uses	23,391,603	23,407,092
Capital projects	21,422,046	6,750,286
Unrestricted	160,145,383	176,042,664
TOTAL NET POSITION	\$ 720,290,265	\$ 751,143,783

See Notes to the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Central Michigan University

	YEAR ENDED JUNE 30	
	2022	2021 (as Restated)
REVENUES		
OPERATING REVENUES:		
Tuition	\$ 214,647,261	\$ 229,515,299
Less: Scholarship allowances	62,231,779	56,983,875
Net tuition	152,415,482	172,531,424
Federal grants and contracts	10,721,947	7,839,888
State and local grants and contracts	738,735	652,842
Nongovernmental grants and contracts	7,189,186	9,848,321
Sales and services of educational activities	29,879,007	23,362,259
Auxiliary enterprises (net of room & board allowances of \$10,130,755 in 2022 and \$10,854,071 in 2021)	61,362,246	50,646,384
TOTAL OPERATING REVENUES	262,306,603	264,881,118
EXPENSES		
OPERATING EXPENSES:		
Compensation:		
Faculty	93,367,411	96,366,195
Staff	84,366,635	85,007,987
Benefits	73,512,314	74,375,885
Student	9,259,873	8,306,918
Scholarships and fellowships	32,600,302	26,717,414
Utilities	8,436,436	7,593,616
Supplies and other	57,431,699	49,563,845
Operation and maintenance of plant expenses	30,940,839	35,284,193
Depreciation and amortization	29,796,478	30,310,957
TOTAL OPERATING EXPENSES	419,711,987	413,527,010
OPERATING LOSS	(157,405,384)	(148,645,892)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	93,671,958	89,489,726
State appropriations - MPSERS	4,080,289	1,526,478
Gifts and pledges (net of allowance)	7,487,313	8,544,171
Gifts of term endowments	249,150	23,600
Investment (loss) income (net of investment expense)	(39,185,359)	92,294,554
Interest on lease and capital assets related debt	(5,977,913)	(6,314,205)
Federal Pell grant program	17,153,555	20,177,397
Governmental coronavirus support programs	41,283,733	37,262,709
Other nonoperating revenues	1,182,355	1,588,066
NET NONOPERATING REVENUES (EXPENSES)	119,945,081	244,592,496
INCOME (LOSS) BEFORE OTHER REVENUES	(37,460,303)	95,946,604
OTHER REVENUES		
Capital appropriations		788,430
Capital grants and gifts	2,941,506	3,009,552
Additions to permanent endowments	3,665,279	2,449,317
TOTAL OTHER REVENUES	6,606,785	6,247,299
INCREASE (DECREASE) IN NET POSITION	(30,853,518)	102,193,903
NET POSITION		
NET POSITION AT BEGINNING OF YEAR	751,143,783	648,949,880
NET POSITION AT END OF YEAR	\$ 720,290,265	\$ 751,143,783

See notes to the financial statements.

STATEMENTS OF CASH FLOWS – DIRECT METHOD

Central Michigan University

	YEAR ENDED JUNE 30	
	2022	2021 (as Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Tuition	\$ 156,407,695	\$ 174,294,607
Grants and contracts	20,226,111	17,459,331
Payments to suppliers	(130,096,785)	(112,000,946)
Payments for utilities	(8,436,436)	(7,593,616)
Payments to employees	(187,176,310)	(189,788,212)
Payments for benefits	(73,578,624)	(73,335,329)
Payments for scholarships and fellowships	(32,600,302)	(26,717,414)
Auxiliary activities	60,652,762	50,243,277
Sales and services of educational activities	26,611,108	19,514,933
Other receipts (payments)	899,339	519,229
William D. Ford PLUS direct lending receipts	109,257,012	125,740,784
William D. Ford PLUS direct lending disbursements	(109,257,012)	(125,740,784)
Third Party Scholarship receipts	13,952,966	14,113,421
Third Party Scholarship disbursements	(13,918,130)	(14,027,791)
Charter School funding receipts	260,028,988	254,502,312
Charter School funding disbursements	(260,028,988)	(254,502,812)
NET CASH USED BY OPERATING ACTIVITIES	(167,056,606)	(147,319,010)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	118,983,592	82,489,607
Federal Pell grant program	17,153,555	20,177,397
Governmental coronavirus support programs	41,014,009	37,398,665
Gifts for other than capital purposes	6,809,883	8,618,025
Gifts for endowment purposes	3,914,429	2,472,917
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	187,875,468	151,156,611
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	17,831,172	
Capital appropriations		1,493,693
Capital grants and gifts received	1,701,596	2,317,807
Sales of capital assets		530,000
Purchases of capital assets	(9,259,030)	(14,463,820)
Principal paid on capital debt	(6,310,000)	(6,050,000)
Principal payments on leases	(1,594,117)	(1,815,445)
Interest paid on capital debt and leases	(6,904,025)	(7,046,358)
Insurance proceeds	26,175	
Other receipts leases	1,107,125	872,802
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(3,401,104)	(24,161,321)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	143,761,400	190,565,351
Income on investments, net	19,815,576	28,866,815
Purchase of investments	(193,795,080)	(174,428,981)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(30,218,104)	45,003,185
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,800,346)	24,679,465
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	62,759,062	38,079,597
CASH AND CASH EQUIVALENTS-END OF THE YEAR	\$ 49,958,716	\$ 62,759,062

See notes to the financial statements.

STATEMENTS OF CASH FLOWS – DIRECT METHOD**Central Michigan University**

	YEAR ENDED JUNE 30	
	2022	2021
		(as Restated)
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)		
TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (157,405,384)	\$ (148,645,892)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization and loss on disposal of capital assets	30,630,035	30,640,748
Change in assets, liabilities and deferred resources:		
Receivables, net	51,175	(6,297,476)
Inventories	383,770	368,528
Other assets	1,109,657	978,782
Accounts payable, accrued liabilities and deposits	4,225,685	(7,380,787)
Unearned revenue	1,772,724	(2,417,389)
Retirement service award program	(60,385)	(195,125)
Compensated absences	(296,319)	12,091
Other obligations	(2,102)	(821)
Net pension and OPEB liability (asset)	(50,850,071)	(7,877,696)
Deferred resources - pension and OPEB	3,384,609	(6,503,973)
NET CASH USED BY OPERATING ACTIVITIES	\$ (167,056,606)	\$ (147,319,010)

See notes to the financial statements.

STATEMENTS OF FIDUCIARY FUNDS

Central Michigan University

STATEMENTS OF FIDUCIARY NET POSITION

	CUSTODIAL FUNDS	
	YEAR ENDED JUNE 30	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,612,104	\$ 1,401,343
TOTAL ASSETS	<u>1,612,104</u>	<u>1,401,343</u>
LIABILITIES		
Deposits	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> </u>	<u> </u>
NET POSITION		
Restricted for:		
Organizations	1,612,104	1,401,343
TOTAL NET POSITION	<u>\$ 1,612,104</u>	<u>\$ 1,401,343</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	CUSTODIAL FUNDS	
	YEAR ENDED JUNE 30	
	<u>2022</u>	<u>2021</u>
ADDITIONS		
CONTRIBUTIONS:		
University Pediatrics	\$ 2,485,252	\$ 1,877,510
TOTAL ADDITIONS	<u>2,485,252</u>	<u>1,877,510</u>
DEDUCTIONS		
University Pediatrics	<u>2,274,491</u>	<u>1,263,501</u>
TOTAL DEDUCTIONS	<u>2,274,491</u>	<u>1,263,501</u>
INCREASE IN FIDUCIARY NET POSITION	210,761	614,009
NET POSITION		
NET POSITION AT BEGINNING OF YEAR	<u>1,401,343</u>	<u>787,334</u>
NET POSITION AT END OF YEAR	<u>\$ 1,612,104</u>	<u>\$ 1,401,343</u>

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STATEMENTS OF NET ASSETS

CMU Medical Education Partners

	YEAR ENDED JUNE 30	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,723,972	\$ 4,762,648
Cash - designated funds	743,199	609,615
Investments	3,488,434	4,052,905
Patient accounts receivable, less allowance for doubtful accounts of \$321,745 in 2022 and \$270,288 in 2021	1,167,298	1,074,502
Receivables - member hospitals	1,108,105	1,279,051
Receivables - funding support	775,419	773,528
Prepaid expenses and other assets	1,050,863	908,234
TOTAL CURRENT ASSETS	12,057,290	13,460,483
ASSETS WHOSE USE IS LIMITED:		
Investments held for designated purposes	895,663	1,020,857
Investments held for 457(b) plan participants	3,443,337	3,708,775
TOTAL ASSETS WHOSE USE IS LIMITED:	4,339,000	4,729,632
Other Assets	13,540	13,540
Leasehold improvements, furniture, and equipment, net	1,780,907	1,318,748
TOTAL ASSETS	\$ 18,190,737	\$ 19,522,403
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,623,310	\$ 541,724
Payroll and related liabilities	4,031,531	3,355,411
Other accrued liabilities	7,794	
Unearned revenue	30,847	300,921
TOTAL CURRENT LIABILITIES	5,693,482	4,198,056
Deferred obligations - MIDOCs program	564,793	262,771
Estimated professional liability under self-insurance	200,000	200,000
Amounts due to 457(b) plan participants	3,443,337	3,708,775
TOTAL LIABILITIES	9,901,612	8,369,602
NET ASSETS		
Without donor restrictions	8,289,125	11,152,801
TOTAL LIABILITIES AND NET ASSETS	\$ 18,190,737	\$ 19,522,403

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	
	2022	2021
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Member hospitals	\$ 21,712,133	\$ 21,243,404
Net patient service revenue	15,068,000	12,848,205
Quality incentive programs	2,762,708	2,194,948
Contract and other revenue	15,477,998	14,823,158
Investment income	(538,189)	57,749
Paycheck protection loan forgiveness		5,049,500
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	54,482,650	56,216,964
OPERATING EXPENSES		
Salaries, wages, and payroll taxes	40,235,464	34,780,182
Employee benefits	7,762,605	6,562,496
Recruiting	195,069	347,647
Consumable supplies	1,020,479	865,267
Educational supplies and services	445,187	425,486
Consulting and contractual services	1,425,336	1,830,630
Communications	357,256	329,800
Educational conferences and travel	996,727	731,963
Insurance	1,361,768	1,067,099
Facility and equipment	2,327,303	2,093,516
Other expenses	226,006	233,167
Depreciation	400,804	376,446
Provision for bad debts	478,462	492,319
TOTAL OPERATING EXPENSES	57,232,466	50,136,018
Unrestricted Revenues and other support over operating expenses	(2,749,816)	6,080,946
Other nonoperating revenue (expense)		
Net investment (loss) income and interest	(115,231)	214,327
Nonoperating grant revenue	504,790	500,469
Nonoperating grant expense	(488,133)	(500,644)
Professional liability expense	(15,286)	(18,553)
Increase (Decrease) in net assets without donor restrictions	(2,863,676)	6,276,545
NET ASSETS		
NET ASSETS AT BEGINNING OF YEAR	11,152,801	4,876,256
NET ASSETS AT END OF YEAR	\$ 8,289,125	\$ 11,152,801

STATEMENTS OF NET ASSETS

The Institute for Excellence in Education

	YEAR ENDED JUNE 30	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,207,746	\$ 1,204,027
Accounts receivable, net allowance	558,677	635,040
Accounts receivable - related party		
Central Michigan University	90,910	90,910
The Center for Charter Schools	23,100	7,400
Inventory	67,058	60,236
Prepaid expenses	203,441	164,961
TOTAL CURRENT ASSETS	<u>2,150,932</u>	<u>2,162,574</u>
Property and equipment, net	24,680	15,062
Intangible assets, net	3,440,625	3,362,462
Goodwill, net	137,044	274,088
TOTAL ASSETS	<u>\$ 5,753,281</u>	<u>\$ 5,814,186</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 221,742	\$ 183,654
Accrued liabilities	443,781	359,736
Compensated absences	158,371	159,124
Unearned revenue	132,442	121,591
TOTAL CURRENT LIABILITIES	<u>956,336</u>	<u>824,105</u>
Note payable, net of current portion		624,905
TOTAL LIABILITIES	<u>956,336</u>	<u>1,449,010</u>
NET ASSETS		
Without donor restrictions	<u>4,796,945</u>	<u>4,365,176</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,753,281</u>	<u>\$ 5,814,186</u>

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	
	2022	2021
OPERATING REVENUE AND OTHER SUPPORT		
State Appropriations - related party		
Central Michigan University	\$ 500,000	\$ 509,545
Service Revenue	5,822,721	5,054,216
Federal Grants	930,282	864,413
Contributions	21,096	18,875
Contributions - related party	510,000	307,500
Book revenue, net of cost of goods sold	13,226	5,078
Other revenue	7,264	1,618
Interest Income	1,567	1,496
Debt forgiveness	627,261	625,738
Gain (loss) on disposal of property and equipment	(33)	(7,300)
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	8,433,384	7,381,179
OPERATING EXPENSES		
Compensation	3,788,409	3,075,185
Benefits	1,018,368	934,369
Interest		8,332
Occupancy	106,073	105,945
Services and fees	1,252,575	1,015,856
Supplies and other	314,815	186,844
Telephone	29,173	28,138
Marketing	67,050	31,663
Travel	214,547	34,427
Bad Debt	1,664	21,828
Inventory writedowns		2,240
Depreciation and Amortization	1,208,941	1,028,058
TOTAL EXPENSES	8,001,615	6,472,885
CHANGE IN NET ASSETS	431,769	908,294
NET ASSETS		
NET ASSETS AT BEGINNING OF YEAR	4,365,176	3,456,882
NET ASSETS AT END OF YEAR	\$ 4,796,945	\$ 4,365,176

NOTES TO THE FINANCIAL STATEMENTS

Central Michigan University

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, 2022 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, 2022 and June 30, 2021, 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, 2022 (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 2022 was the twenty-first year of the commitment. At June 30, 2022, and 2021, the net assets of CMURC were \$1,764,051 and \$1,688,621, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

- 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, 2022 and 2021. 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 activity to be reported for the years 2022 and 2021.
- 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

The global outbreak of COVID-19, continued to have a significant financial impact during fiscal year 2022. The university kept several protocols in place that required additional spending, such as testing, vaccinations and reserving a residence hall for isolating individuals with the virus. This led to a continuation of lower utilization of residence halls, dining and retail venues, bookstore, catering, conference facilities, limited athletics revenues, and a decline in tuition revenue.

The university received grant funding to support coronavirus related efforts under several federal programs. 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. An additional \$1.5 million was received from the coronavirus support programs authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARP) to support water sampling initiatives, saliva analysis research and library and child development programming needs. For the year ended June 30, 2021 the university reported revenue for two programs awarded as part of the Coronavirus Relief Fund (CRF) authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES) including \$9.821 million through the State of Michigan to cover costs incurred due to the public health emergency and \$287,600 of CRF funds directed to support water sampling initiatives related to coronavirus. Also, as part of the CARES Act, the university recognized revenue of \$26.39 million under the Higher Education Emergency Relief Funds (HEERF) to support student financial aid and institutional costs incurred due to the global pandemic. An additional \$763,830 was received from the Corporation for Public Broadcasting to support public broadcasting under the American Rescue Plan Act (ARP) of 2021.

Although there has been a recent decline in the number of cases, the total financial impact of the pandemic on the university cannot be determined at this time due to the dynamic and unprecedented nature of the pandemic, including uncertainties relating to the pandemic's duration and severity, new strains of the virus, vaccine distribution, and additional actions that may be taken by the State and federal governments.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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, 2022 and June 30, 2021, and is included in the member hospital and malpractice fund liability. Additionally, CMEP has malpractice funding held by trustee of approximately \$900 thousand at June 30, 2022 and \$1 million at June 30, 2021.

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 (MPERS) plan. The university recorded deferred outflows for hedging instruments (noncurrent liabilities) of \$2,901,521 at June 30, 2022, and \$5,319,801 at June 30, 2021. Also included in deferred outflows is the gain or loss on the defeasance of four General Revenue Bonds Series: Series 2002A had no value at June 30, 2022 due to the series being refunded in August of 2021 and \$841,466, net of amortization, at June 30, 2021; Series 2005 valued at \$720,447 and \$779,259, net of amortization, at June 30, 2022 and 2021 respectively; Series 2006 valued at \$155,713 and \$167,465, net of amortization, at June 30, 2022 and 2021 respectively and Series 2012 valued at \$1,083,456, net of amortization, at June 30, 2022. The value of deferred outflows related to the MPERS plan for pensions was \$33,080,922 and \$11,657,024 as of June 30, 2022 and 2021 respectively, and for other post-employment benefits (OPEB) was \$2,512,048 and \$2,788,446 as of June 30, 2022 and 2021, respectively. See Note 9 for additional information on deferred outflows related to the MPERS 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 MPERS 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 \$669,436 and \$826,950, net of amortization, at June 30, 2022 and 2021 respectively. Deferred inflows of resources applicable to split-interest agreements include \$5,167,672 and \$5,277,633 at June 30, 2022 and 2021 respectively. See Note 8 for additional information on deferred inflows related to split-interest agreements. At June 30, 2022 and June 30, 2021, respectively, deferred inflows related to leasing agreements was \$8,955,056 and \$9,368,906. See Note 11 for additional information on leases. At June 30, 2022, the value related to changes in the pension portion of the MPERS plan was \$18,746,090. There were no deferred inflows related to changes in the pension portion of the MPERS plan at June 30, 2021. The value related to changes in the OPEB portion of the MPERS plan was \$6,071,483 and \$285,464 at June 30, 2022 and 2021 respectively. See Note 9 for additional information on deferred inflows related to the MPERS plan. The value of deferred inflows of resources related to funding received through state appropriations for contributions to the MPERS plan, after the measurement date, was \$24,373,453 and \$2,901,636 at June 30, 2022 and June 30, 2021, respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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, 2022 and June 30, 2021 include Medicare (24.2% and 18.0%), Blue Cross (8.8% and 9.9%), Medicaid (30.1% and 34.1%), other commercial insurers (18.4% and 18.9%) and self-pay (18.5% and 19.1%), 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 \$321,745 at June 30, 2022. Patient services are recorded net of the total allowance for doubtful accounts of \$270,288 at June 30, 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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. 87, *Leases*. 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 as well as receivables for the presented value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease agreement. Lease activity is further described in Note 11. The financial statements for the year ended June 30, 2021 have been restated in order to adopt GASB Statement No. 87.

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

	<u>June 30, 2021</u>
Net position - As previously reported	\$ 751,257,275
Adjustment for GASB Statement No. 87	<u>(113,492)</u>
Net position - As restated	<u>\$ 751,143,783</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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 4.75% of the 20-quarter rolling average of the market value of the endowment pool of which 0.25% is 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 2022. 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 \$56,314,790 at June 30, 2022, and \$65,701,177 at June 30, 2021. The net appreciation is a component of restricted, expendable net position. The yields of the endowment investments were as follows:

	June 30	
	<u>2022</u>	<u>2021</u>
Interest and Dividends	0.2 %	0.3 %
Net Realized and Unrealized Gains	<u>-5.6 %</u>	<u>27.2 %</u>
Total Return	<u>-5.4 %</u>	<u>27.5 %</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

The university had the following investments:

	Fair Market Value June 30	
	2022	2021
Investments:		
Bonds (Including Bonds, Mutual Funds, & ETFs)	\$ 133,506,546	\$ 117,423,297
Equities (Including Equities, Mutual Funds, & ETFs)	193,501,721	239,362,350
Real Estate	68,281	80,003
Life Insurance Policies		205,652
Alternative Investments	94,448,335	85,517,708
Cash Equivalents-Endowments/Restricted	31,189,617	4,535,951
Beneficial Interests in Split-Interest Agreements	4,912,396	4,902,646
Cash Equivalents	794,961	30,193,332
Cash Deposits	34,487,240	32,565,720
Total Investments	<u>\$ 492,909,097</u>	<u>\$ 514,786,659</u>
As Reported on the Statements of Net Position		
Current Investments:		
Cash and Cash Equivalents	\$ 35,282,201	\$ 62,759,052
Noncurrent Investments:		
Restricted Cash and Cash Equivalents	14,676,515	10
Endowment Investments	231,367,296	243,740,257
Other Long-Term Investments	211,583,085	208,287,340
Total Noncurrent Investments	<u>457,626,896</u>	<u>452,027,607</u>
Total Investments	<u>\$ 492,909,097</u>	<u>\$ 514,786,659</u>

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 \$14,676,459 as of June 30, 2022 of restricted bond proceeds and \$25,002,385 as of June 30, 2021 of operating cash.

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, 2022, the weighted average of all university debt instruments fell within the Standard & Poor's credit rating range of AAA to B.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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, 2022 and 2021 are as follows:

Investment Type	June 30, 2022				
	Fixed Income Investment Maturities				
	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

Investment Type	June 30, 2021				
	Fixed Income Investment Maturities				
	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
US Treasury/TIPS	\$ 345,835	\$ 14,391,355	\$ 9,773,457	\$ 3,877,832	\$ 28,388,479
Core Fixed Income	3,736,617	16,589,164	9,852,280	7,801,039	37,979,100
Short Duration Fixed Income	761,218	2,721,338	12,605	6,303	3,501,464
Emerging Market Debt	981,615	1,466,765	1,148,778	2,687,184	6,284,342
Global Multi-Sector Fixed Income	5,082,754	10,036,279	4,772,984	1,144,778	21,036,795
Absolute Return Fixed Income	4,194,325	7,931,382	5,337,496	2,769,914	20,233,117
Total	\$ 15,102,364	\$ 53,136,283	\$ 30,897,600	\$ 18,287,050	\$ 117,423,297

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 5% or more of total investments at June 30, 2022, or June 30, 2021.

Foreign Currency Risk

All of the university's holdings of foreign investments were in US dollars at June 30, 2022 and June 30, 2021, 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 \$34,487,240 at June 30, 2022, and \$32,565,720 at June 30, 2021. The deposits were reflected in the accounts of the banks at \$38,516,046 at June 30, 2022, and \$38,339,291 at June 30, 2021. Of the bank balance, \$38,016,046 at June 30, 2022, and \$37,942,949 at June 30, 2021, 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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 \$202.2 million at June 30, 2022, and \$225.0 million at June 30, 2021, 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 \$2,462,656 at June 30, 2022, and \$2,286,701 at June 30, 2021.

During the fiscal year, the university received approximately \$260,000,000 (\$254,500,000 in fiscal year 2021) of state appropriations, which were forwarded to fifty-seven charter schools.

	June 30	
	2022	2021
		(as Restated)
Tuition, Room and Board	\$ 4,574,222	\$ 5,070,223
Contracts and Grants	3,889,302	5,020,560
Sales and Services	8,168,438	8,290,884
Insurance Proceeds	708	
Pledges	8,748,344	8,122,565
Leases	8,967,453	9,417,689
Other Activities	1,145,184	846,607
Total	<u>35,493,651</u>	<u>36,768,528</u>
State Appropriations-Operations	17,052,492	16,812,020
State Appropriations-Charter Schools	<u>42,570,562</u>	<u>40,848,585</u>
Total Receivable	<u>\$ 95,116,705</u>	<u>\$ 94,429,133</u>

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 \$156,719 and \$228,539 for fiscal years ended June 30, 2022 and 2021, respectively. Certain pledges are recorded at present value calculated using a discount rate of the average interest rate for bonded debt of 3.97% at June 30, 2022 and 4.00% at June 30, 2021, resulting in a discount of \$630,559 and \$504,278 at June 30, 2022 and 2021, respectively. The present value of pledges outstanding is \$8,748,344 at June 30, 2022 and \$8,122,565 at June 30, 2021.

Payments on pledged receivables at June 30, 2022 are expected to be received in the following fiscal years:

2023	\$ 3,635,591
2024 - 2028	4,376,512
2029 and after	736,241
	<u>\$ 8,748,344</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 5--CAPITAL ASSETS

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	<u>26,865,280</u>	<u>6,346,882</u>	<u>6,985,576</u>	<u>26,226,586</u>
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	<u>529,776,672</u>	<u>(12,623,108)</u>	<u>833,557</u>	<u>516,320,007</u>
Capital Assets, Net	<u>\$ 556,641,952</u>	<u>\$ (6,276,226)</u>	<u>\$ 7,819,133</u>	<u>\$ 542,546,593</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Capital assets, net of depreciation, consist of the following as of June 30, 2021:

	Beginning Balance July 1, 2020	Additions	Reductions	Ending Balance June 30, 2021
Non-depreciated capital assets:				
Land	\$ 12,927,599			\$ 12,927,599
Intangible Assets	425,936			425,936
Capitalized Collections	872,527	\$ 210,785	\$ 3,500	1,079,812
Construction In Progress	<u>36,790,148</u>	<u>9,286,821</u>	<u>33,645,036</u>	<u>12,431,933</u>
Total non-depreciated capital assets	51,016,210	9,497,606	33,648,536	26,865,280
Depreciated capital assets:				
Land Improvements	42,936,928	693,587		43,630,515
Infrastructure	25,697,625	2,329,625		28,027,250
Buildings	808,024,069	33,651,257	463,096	841,212,230
Leasehold Improvements	346,256			346,256
Furniture and Equipment	84,752,817	1,826,227	1,454,732	85,124,312
Library Materials	31,722,013	391,720		32,113,733
Intangible Assets	924,706			924,706
Less accumulated depreciation:				
Land Improvements	30,176,380	2,653,348		32,829,728
Infrastructure	14,327,183	1,237,270		15,564,453
Buildings	334,221,529	19,117,716	132,173	353,207,072
Leasehold Improvements	198,046	25,050		223,096
Furniture and Equipment	67,097,920	4,232,055	1,459,365	69,870,610
Library Materials	28,152,971	923,537		29,076,508
Intangible Assets	<u>823,083</u>	<u>7,780</u>		<u>830,863</u>
Total depreciated capital assets	<u>519,407,302</u>	<u>10,695,660</u>	<u>326,290</u>	<u>529,776,672</u>
Capital Assets, Net	<u>\$ 570,423,512</u>	<u>\$ 20,193,266</u>	<u>\$ 33,974,826</u>	<u>\$ 556,641,952</u>

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, 2022 primarily consists of the construction costs for the Parking Lot 75 project of \$2.4 million, Powerhouse upgrade to the 1250 ton absorption chiller of \$1.6 million, the Washington Commons Residential Community project of \$1.4 million and other projects including maintenance and remodeling of approximately \$6.0 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 \$43.5 million as of June 30, 2022 (\$24.6 million as of June 30, 2021).

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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.

	<u>2022</u>	<u>2021</u>
University Wages and Benefits	\$ 14,412,936	\$ 14,304,933
University Supplies	17,635,822	15,363,212
Charter Schools	<u>42,570,562</u>	<u>40,848,585</u>
Total	<u>\$ 74,619,320</u>	<u>\$ 70,516,730</u>

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, 2022:

	Beginning Balance July 1, 2021 (as Restated)	Additions	Reductions	Ending Balance June 30, 2022	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		<u>7,470,061</u>	<u>216,061</u>	<u>7,254,000</u>	<u>248,000</u>
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		1,206,753	6,289,546	1,244,375
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	<u>2,871</u>	<u>53,028</u>	<u>55,130</u>	<u>769</u>	<u>769</u>
Total	<u>\$ 170,760,009</u>	<u>\$ 37,313,089</u>	<u>\$ 30,372,928</u>	<u>\$ 177,700,170</u>	<u>\$ 8,795,705</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Long-term debt, hedging instruments and other obligations consist of the following as of June 30, 2021:

	Beginning Balance July 1, 2020 (as Restated)	Additions	Reductions	Ending Balance June 30, 2021 (as Restated)	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	\$ 20,375,000		\$ 555,000	\$ 19,820,000	\$ 505,000
Series 2012A Series Bonds	20,480,000		725,000	19,755,000	665,000
Series 2014:					
Series Bonds	38,350,000		1,765,000	36,585,000	1,860,000
Term Bonds	22,105,000			22,105,000	
Series 2014 Unamortized Premium	6,596,000		272,000	6,324,000	272,000
Series 2016 Series Bonds	17,965,000		780,000	17,185,000	820,000
Series 2016 Unamortized Premium	2,379,000		156,000	2,223,000	156,000
Series 2019 Series Bonds	25,410,000		2,125,000	23,285,000	2,360,000
Series 2019 Unamortized Premium	4,161,000		292,000	3,869,000	292,000
Total Long-Term Debt	157,821,000		6,670,000	151,151,000	6,930,000
Other Obligations:					
Note Payable	200,000		100,000	100,000	100,000
Lease Obligations	8,923,069		1,426,770	7,496,299	1,711,641
Hedging Instruments	6,572,388		1,252,587	5,319,801	
Compensated Absences	6,113,835	\$ 12,091		6,125,926	101,687
Retirement Service Programs	759,237		195,125	564,112	9,071
Other Obligations	3,692	52,031	52,852	2,871	2,871
Total	\$ 180,393,221	\$ 64,122	\$ 9,697,334	\$ 170,760,009	\$ 8,855,270

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 2022 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 2022 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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 2022 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, 2012, the university issued \$23,015,000 in General Obligation Revenue Bonds, Series 2012A. The outstanding bonds bear an interest rate between 2.75% and 3.75% and mature in fiscal years 2021 through 2033. The proceeds of these bonds were used to advance refund \$20.9 million of outstanding General Revenue Bonds Series 2002A, with an interest rate of 5.05%. The General Revenue Bonds issued in May 2012 were refunded by the General Revenue Refunding Bonds, Series 2021 in August 2021.

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 2022 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, 2022 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
2023	\$ 6,380,000	\$ 5,779,123	\$ 935,637	\$ 13,094,760
2024	6,660,000	5,530,929	916,888	13,107,817
2025	7,010,000	5,235,504	893,884	13,139,388
2026	7,315,000	4,924,074	870,903	13,109,977
2027	7,690,000	4,593,276	844,544	13,127,820
2028-2032	45,035,000	18,034,699	2,645,677	65,715,376
2033-2037	35,115,000	8,932,278	60,811	44,108,089
2038-2042	13,455,000	4,243,625		17,698,625
2043-2047	10,815,000	1,460,150		12,275,150
2048-2052	3,750,000	387,000		4,137,000
Total	143,225,000	\$ 59,120,658	\$ 7,168,344	\$ 209,514,002
Unamortized Premium	18,950,000			
	<u>\$ 162,175,000</u>			

HEDGING INSTRUMENTS

The university has one pay-fixed, receive-variable, interest rate swap at June 30, 2022 and 2021. The objective of this swap is to hedge interest rate risk on the Series 2008A bonds. A description of the swap is as follows:

Under this March 2002 swap, the university pays the counterparty a fixed payment of 4.44% and receives a variable payment of 67% of the London Interbank Offered Rate (LIBOR) (0.47196% at June 30, 2022). The swap agreement matures on October 1, 2032. The university received \$3,806,000 from the 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 remain unchanged.

As of June 30, 2022 and 2021, the swap agreement had a notional amount of \$19,200,000 and \$19,700,000, respectively, and was in a negative position of \$2,901,521 and \$5,319,801, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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 \$2,418,280 for fiscal year 2022 and a decrease to deferred outflows of \$1,252,587 for fiscal year 2021. The accumulated change in fair value of (\$2,901,521) and (\$5,319,801) is recorded in deferred outflows at June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022, the university does not believe that rollover risk is significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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, 2022 and June 30, 2021. 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 \$1,387,354 as of June 30, 2022 under the credit limit. There was an outstanding balance of \$215,063 as of June 30, 2021.

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 \$19,500,212 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 OBLIGATIONS

The university leases certain right to use assets from various third parties. The assets leased include land, buildings, equipment, and vehicles. See Note 11 for additional information on lease 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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, 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			
Event-driven hedge funds				
Multi-strategy hedge funds	32,157,223			
Multi-asset class funds				
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)	

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

The university has the following recurring fair value measurements as of June 30, 2021:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2021	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	\$ 11,177,051	\$ 11,177,051		
Domestic intermediate duration	7,991,396	7,785,744		\$ 205,652
Global and unconstrained duration	32,593,264	32,593,264		
Total debt securities	51,761,711	51,556,059		205,652
Equity securities				
Domestic	93,156,460	93,156,460		
Global	522,047	522,047		
Total equity securities	93,678,507	93,678,507		
Real asset funds				
Domestic	80,003	80,003		
Total real asset funds	80,003	80,003		
Alternative Strategies				
Multi-asset class funds	19,840,386	19,840,386		
Total alternative strategies	19,840,386	19,840,386		
Beneficial Interests				
Beneficial Interests in Split-Interest	4,902,646			4,902,646
Total Beneficial Interests	4,902,646			4,902,646
Total investments by fair value level	\$ 170,263,253	\$ 165,154,955	\$	\$ 5,108,298
Investments measured at the net asset value (NAV)				
Debt Securities - domestic/global	\$ 46,655,748			
Equity securities - domestic/global	145,683,843			
Private investments - domestic/global	30,727,542			
Equity long/short hedge funds	13,109,548			
Event-driven hedge funds				
Multi-strategy hedge funds	28,682,772			
Multi-asset class funds				
Real asset funds	12,997,846			
Total investments measured at the NAV	277,857,299			
Total investments measured at fair value	\$ 448,120,552			
Hedging derivative instruments				
Interest rate swaps - effective	\$ (5,319,801)		\$ (5,319,801)	
Total hedging derivatives	\$ (5,319,801)		\$ (5,319,801)	

The total investments measured at fair value have no cash included in endowments held by others as of June 30, 2022. As of June 30, 2021 total investments measured at fair value was inclusive of cash in endowments held by others of \$628,896.

The fair value of debt and equity securities classified in Level 1 at June 30, 2022 and 2021 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, 2022 and 2021 were valued using otherwise unobservable inputs. The life insurance policies have no value at June 30, 2022 due to full surrender and were valued at \$205,652 at June 30, 2021 using their cash surrender value. The beneficial interests in split-interest agreements, \$4,912,396 and \$4,902,646 at June 30, 2022 and June 30, 2021 respectively, were valued using investment statements and current market values of stock held in trusts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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, 2022 and 2021 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, 2022	June 30, 2021	June 30, 2022	
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible
Debt securities	\$ 43,847,451	\$ 46,655,748		Daily to Monthly
Equity securities	115,514,667	145,683,843		Daily to Monthly
Private Investments	41,353,218	30,727,542	\$ 12,527,146	N/A
Equity long/short hedge fund	10,523,593	13,109,548		Quarterly to Semi-Annually Rolling 2 Year
Event driven hedge fund				Quarterly to Annually
Multi-strategy hedge fund	32,157,223	28,682,772		Daily to Monthly
Multi-asset class fund				N/A
Real asset funds	10,414,301	12,997,846	9,298,758	
Total	\$ 253,810,453	\$ 277,857,299	\$ 21,825,904	

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 event driven hedge funds class includes investments in hedge funds that invest in situations with the expectation that a near term event will act as a catalyst changing the market's perception of a company, thereby increasing or decreasing the value of its equity or debt. A majority of the investments are targeted at economic policy decisions. 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 two years or less, and redemptions can be made on a rolling two-year basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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 multi asset class funds class includes investments in actively managed commingled funds that seek to provide a diversified and risk-managed portfolio in pursuit of a targeted return. The strategies may include securities and other investments that provide exposure to issuers located in at least three different countries, including the U.S. 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 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 2022 are summarized as follows:

	TIAA	MPSERS	University Total
Pension Contributions			
University Defined Contribution	\$ 15,830,844	\$ 10,576	\$ 15,841,421
University Normal Defined Benefit		519,396	519,396
Required Employee DB		318,315	
University DB UAAL		6,467,792	6,467,792
Payroll Floor UAAL (Estimated)		4,593,618	4,593,618
Stabilization UAAL Contribution		24,373,453	24,373,453
Health Contributions			
University Personal Health Fund DC		10,543	10,543
Required Employee PHF DC		10,543	
University Normal Defined Benefit		69,899	69,899
Required Employee DB		237,728	
University DB UAAL		1,924,356	1,924,356
Payroll Floor UAAL (Estimated)		1,366,735	1,366,735
Covered Payroll	155,435,386	8,156,645	163,592,031

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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 \$443,584 for fiscal year 2022 and \$489,347 for fiscal year 2021 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 \$55,779,325 and \$54,686,170 for fiscal year 2022 and 2021, 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
10/01/21 – 06/30/22	6.52%	19.86%	0.92%	5.87%
10/01/20 – 09/30/21	6.52%	19.74%	0.92%	5.99%
07/01/20 – 09/30/20	6.29%	19.74%	0.58%	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 \$519,396 in fiscal year 2022 and \$568,541 in fiscal year 2021. Required employee contributions were \$318,315 in fiscal year 2022 and \$326,888 in fiscal year 2021. The university's contributions to the unfunded MPSERS

NOTES TO THE FINANCIAL STATEMENTS (continued)

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defined benefit pensions totaled \$11,061,410 in fiscal year 2022 and \$10,795,050 in fiscal year 2021. The university also recorded \$24,373,453 and \$2,901,636 of stabilization rate revenue from the State of Michigan to assist in funding the MPERS pension and health Unfunded Actuarial Accrued Liability (UAAL) for the year ended June 30, 2022 and June 30, 2021, respectively. The university's contributions toward the MPERS defined contribution plan totaled \$10,576 in fiscal year 2022 and \$9,873 in fiscal year 2021.

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, 2022 and June 30, 2021, the university reported a pension liability of \$139,230,704 and \$168,997,255, respectively for its proportionate share of the net pension liability as calculated for the universities reporting unit of MPERS. 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 net pension liability for fiscal year 2021 was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, that used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2021, September 30, 2020 and September 30, 2019, the university's proportion was 24.78 percent, 24.74 percent and 24.58 percent respectively of the universities reporting unit.

For the year ended June 30, 2022 and June 30, 2021, the university recognized pension expense of \$3,389,149 and \$13,733,078, respectively.

At June 30, 2022 and June 30, 2021, the university reported a payable of \$608,770 and \$527,570, respectively for the outstanding amount of contributions to the pension plan.

Subsequent to the University's year-end on July 14, 2022, Michigan Act No. 144 of Public Acts of 2022 was approved. The Act's section 236(h) provides total appropriations of \$300 million for all universities to pay MPERS toward the unfunded pension liability. This additional appropriation and subsequent payment to MPERS will significantly reduce the net pension liability.

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At June 30, 2022 and June 30, 2021, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	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		\$ 18,746,090	\$ 214,903	
Contributions subsequent to the measurement date	\$ 33,080,922		11,442,121	
Total	\$ 33,080,922	\$ 18,746,090	\$ 11,657,024	\$

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
2022	\$ (5,005,323)
2023	(4,100,594)
2024	(4,604,213)
2025	(5,035,960)
Total	\$ (18,746,090)

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, 6.80% as of June 30, 2022 and 6.80% as of June 30, 2021 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, 2022	\$ 167,286,086	\$ 139,230,704	\$ 115,279,552
June 30, 2021	\$ 198,054,504	\$ 168,997,255	\$ 144,217,357

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, 2021 and October 1, 2020 the university contribution rate was 5.87% and 5.99% 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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premium subsidy (a pay as you go basis). The university's monthly contribution for retiree health care benefits, aggregated to \$3,360,990 during the 2022 university fiscal year and \$3,345,709 during the 2021 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 \$10,543 and \$10,826 for the university fiscal years ended June 30, 2022 and June 30, 2021, respectively.

At June 30, 2022, the university reported a net OPEB asset of \$10,613,086 and at June 30, 2021, a net OPEB liability of \$10,470,434, respectively, for its proportionate share of the net OPEB asset/liability calculated for the universities reporting unit of MPSERS. The net OPEB asset for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB asset 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 asset to September 30, 2021. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, that used update procedures to roll forward the estimated liability to September 30, 2020. The university's proportion of the net OPEB asset/liability was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2021, September 30, 2020, and September 30, 2019, the university's proportion was 24.75 percent, 24.78 percent and 24.78 percent respectively, of the universities reporting unit.

For the year ended June 30, 2022 and June 30, 2021, the university recognized OPEB expense of \$(11,683,646) and \$(10,507,108), respectively.

At June 30, 2022 and June 30, 2021, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience				\$ 285,208
Changes of assumptions			\$ 51,084	
Net difference between projected and actual plan investment earnings		\$ 6,071,483	217,827	
Changes in proportion and differences between contributions and proportionate share of contributions			81	256
Contributions subsequent to the measurement date	\$ 2,512,048		2,519,454	
Total	\$ 2,512,048	\$ 6,071,483	\$ 2,788,446	\$ 285,464

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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
2022	\$ (1,576,168)
2023	(1,372,132)
2024	(1,493,004)
2025	<u>(1,630,179)</u>
Total	<u>\$ (6,071,483)</u>

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) liability to changes in the discount rate

The following presents the net OPEB (asset)/liability of the university, calculated using the current discount rate, 6.95% as of June 30, 2022 and June 30, 2021 respectively as well as what the university's net OPEB (asset)/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, 2022	\$ (6,494,307)	\$ (10,613,086)	\$ (14,138,687)
June 30, 2021	\$ 15,653,031	\$ 10,470,434	\$ 6,053,424

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

The following presents the net OPEB (asset)/liability 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, 2022 and 7.0% as of June 30, 2021 as well as what the university's net OPEB (asset)/liability 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, 2022	\$ (14,403,441)	\$ (10,613,086)	\$ (6,290,030)
June 30, 2021	\$ 5,762,066	\$ 10,470,434	\$ 15,859,066

Actuarial Assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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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 Disabled 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.

For 2021, the healthcare cost trend rate changed to an age rate, increasing 0.75% for pre-65 and decreasing by 1.75% for post-65 year old individuals.

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change increases the total plan's net pension liability by approximately \$8.1 billion and the total plan's net OPEB liability by approximately \$1.1 billion.

The total pension and OPEB liabilities measured as of September 30, 2020 are based on the results of an actuarial valuation date of September 30, 2019 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	7.00 percent, year 1 graded to 3.5% year 15; 3.00% Year 120

NOTES TO THE FINANCIAL STATEMENTS (continued)

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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.

The actuarial assumptions used for the September 30, 2019 valuation were based on the results of an actuarial experience study for the periods 2012 through 2017.

There were no significant changes to benefit terms for the pension or OPEB plans since the prior measurement date of September 30, 2019.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.80 percent at September 30, 2021 and 6.80 percent at September 30, 2020. The discount rate used to measure the total OPEB liability was 6.95 percent at September 30, 2021 and 6.95 percent at September 30, 2020. 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:

Investment Category	Plan Year September 30, 2021		Plan Year September 30, 2020	
	Expected		Expected	
	Target Allocation	Real Rate of Return	Target Allocation	Real Rate of Return
Domestic Equity Pools	25.0%	5.4%	25.0%	5.6%
Private Equity Pools	16.0%	9.1%	16.0%	9.3%
International Equity Pools	15.0%	7.5%	15.0%	7.4%
Fixed Income Pools	10.5%	-0.7%	10.5%	0.5%
Real Estate & Infrastructure Pools	10.0%	5.4%	10.0%	4.9%
Absolute Return Pools	9.0%	2.6%	9.0%	3.2%
Short Term Investment Pools	2.0%	-1.3%	2.0%	-0.1%
Real Return/Opportunistic Pools	12.5%	6.1%	12.5%	6.6%
Total	<u>100.0%</u>		<u>100.0%</u>	

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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.

NOTE 11--LEASE COMMITMENTS

Lessee Agreements

The university leases certain assets from various third parties. The assets leased include land, buildings, equipment and vehicles. 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 building asset.

Lease 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
Leased Assets (Lessee)				
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
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
Leased Assets (Lessee), Net	<u>\$ 7,334,024</u>	<u>\$ (977,832)</u>	<u>\$ 336,470</u>	<u>\$ 6,019,722</u>

Lease assets, net of amortization, consist of the following as of June 30, 2021:

	Beginning Balance July 1, 2020 (as Restated)	Additions	Reductions	Ending Balance June 30, 2021 (as Restated)
Leased Assets (Lessee)				
Land	\$ 337,674			\$ 337,674
Buildings	8,537,620	\$ 210,503	\$ 306,524	8,441,599
Equipment	583,920			583,920
Vehicles	47,775	14,527		62,302
Less accumulated amortization:				
Buildings		2,032,424	22,730	2,009,694
Equipment		59,690		59,690
Vehicles		22,087		22,087
Leased Assets (Lessee), Net	<u>\$ 8,923,069</u>	<u>\$ (1,305,251)</u>	<u>\$ 283,794</u>	<u>\$ 7,334,024</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

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At June 30, 2022 and June 30, 2021, the university recognized the following outflows as a result of certain items that were properly excluded from the initial measurement of the lease liability:

	Variable Payments	Termination Penalties
June 30, 2022	\$ 4,000	
June 30, 2021		\$ 17,644

Future principal and interest payments related to the university's lease liability at June 30, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 1,244,375	\$ 228,712	\$ 1,473,087
2024	1,215,570	181,075	1,396,645
2025	1,178,240	132,523	1,310,763
2026	801,818	90,726	892,544
2027	396,660	67,010	463,670
2028-2032	644,287	217,568	861,855
2033-2037	151,112	150,183	301,295
2038-2042	121,693	122,240	243,933
2043-2047	110,248	98,399	208,647
2048-2052	156,128	72,453	228,581
2053-2057	231,706	33,282	264,988
2058-2062	37,709	581	38,290
Total	\$ 6,289,546	\$ 1,394,752	\$ 7,684,298

As of June 30, 2022, the university has \$25,936 in commitments related to leases for which the lease 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.

At June 30, 2022 and June 30, 2021, the university recognized the following lease revenue and lease interest revenue related to its lessor agreements:

	Lease Revenue	Lease Interest Revenue
June 30, 2022	\$ 698,299	\$ 372,470
June 30, 2021	\$ 635,230	\$ 394,672

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 errors and omissions 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 errors and omissions, commercial general liability, auto and property claims.

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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.

NOTE 13—FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

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

	2022					
	Total	Compensation and Benefits	Supplies and Other	Scholarships and Fellowships	Utilities	Depreciation and Amortization
Instruction	\$ 122,721,801	\$ 113,669,145	\$ 4,403,687	\$ 3,584,613	\$ 153,405	\$ 910,951
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	46,772,147	34,556,600	11,841,097	186,487	30,519	157,444
Student Services	24,692,207	15,968,414	8,563,940	157,542		2,311
Institutional Support	32,233,827	24,561,421	7,392,703	11,954	86,703	181,046
Operations and Maintenance of Plant	31,648,505	11,337,848	19,942,485		130,449	237,723
Scholarships & Fellowships	30,072,439	11,675	296,782	29,763,982		
Auxiliary Enterprises	86,807,385	37,208,319	43,536,922	(1,866,237)	7,693,922	234,459
Depreciation	28,009,371					28,009,371
Other	(23,068,343)	11,894	(23,080,237)			
Total Operating Expenses	<u>419,711,987</u>	<u>\$ 260,506,233</u>	<u>\$ 88,372,538</u>	<u>\$ 32,600,302</u>	<u>\$ 8,436,436</u>	<u>\$ 29,796,478</u>
Interest Expense	5,977,913					
Total Expenses	<u>\$ 425,689,900</u>					
	2021 (as Restated)					
	Total	Compensation and Benefits	Supplies and Other	Scholarships and Fellowships	Utilities	Depreciation and Amortization
Instruction	\$ 128,076,590	\$ 118,553,256	\$ 4,304,098	\$ 3,759,437	\$ 183,479	\$ 1,276,320
Research	20,561,882	13,873,859	5,926,836	731,088		30,099
Public Service	15,334,134	8,452,304	6,487,865	29,669	330,484	33,812
Academic Support	45,656,898	33,830,166	11,468,690	139,447	35,483	183,112
Student Services	21,958,107	16,208,932	5,493,237	255,938		
Institutional Support	32,534,254	23,848,705	8,395,973	35,172	86,005	168,399
Operations and Maintenance of Plant	35,990,878	11,463,248	24,266,768	10,005	8,313	242,544
Scholarships & Fellowships	24,461,871	974,840	(138,396)	23,625,427		
Auxiliary Enterprises	75,027,721	36,764,316	33,002,407	(1,868,769)	6,949,852	179,915
Depreciation	28,196,756					28,196,756
Other	(14,272,081)	87,359	(14,359,440)			
Total Operating Expenses	<u>413,527,010</u>	<u>\$ 264,056,985</u>	<u>\$ 84,848,038</u>	<u>\$ 26,717,414</u>	<u>\$ 7,593,616</u>	<u>\$ 30,310,957</u>
Interest Expense	6,314,205					
Total Expenses	<u>\$ 419,841,215</u>					

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 14--NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services, such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time, in an exchange or exchange-like transaction. The provisions of this statement are effective for the university's fiscal year ending June 30, 2023. The effect of this new statement has not yet been determined.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITAs), that addresses accounting and financial reporting issues regarding the right-to-use subscription assets (an intangible asset) and the corresponding subscription liability, and capitalization criteria for outlays other than subscription payments, including implementation costs. This statement will provide consistency by establishing standard capitalization criteria for implementation costs, and improve comparability of financial reporting across governmental entities. Effective for the university's fiscal year ending June 30, 2023, this new statement may have an impact on the financial statements, but the full effect has not yet been determined.

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.

Required Supplemental Information

REQUIRED SUPPLEMENTAL INFORMATION (continued)

Central Michigan University

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 MPERS 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	MPERS fiduciary net position as a percentage of the total pension liability
	As a percentage	Amount			
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
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, 2022

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 in benefit terms in 2021, 2020, 2019, 2018, 2017, 2016, 2015 or 2014.

Changes of assumptions: There were no changes of 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 assumptions in 2016, 2015 or 2014.

REQUIRED SUPPLEMENTAL INFORMATION (continued)**Central Michigan University**

Schedule of the Institution's Proportionate Share of the Net OPEB (Asset) 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 MPERS net OPEB (asset) liability:		University's covered payroll	University's proportional share of the collective OPEB (asset) liability (amount), as a percentage of the University's covered payroll	MPERS fiduciary net position as a percentage of the total OPEB liability
	As a percentage	Amount			
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
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, 2022

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 in benefit terms in 2021, 2020, 2019, 2018 or 2017.

Changes of assumptions: 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 in assumptions in 2017.