Addendum #1

FINANCIAL REPORT 2021-2022

NORTHERN MICHIGAN UNIVERSITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Northern Michigan University's (the "University") annual financial report presents our discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2022, 2021 and 2020. This discussion, which includes The Northern Michigan University Foundation, whenever appropriate, has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of management.

Reporting Entity

Northern Michigan University is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Trustees is appointed by the Governor of the State of Michigan. Accordingly, the University is included in the State's financial statements as a discretely presented component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various state agencies, payments to State retirement programs for University employees, and reimbursements for capital outlay projects.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statements presented focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Under the University reporting model, State appropriations, Pell grant revenue, Federal Higher Education Emergency Relief Funds, Federal Coronavirus Relief Funds grant, gifts, and investment income are reported as nonoperating revenues and results in the University showing an operating loss of $53.2 million for the year ended June 30, 2022, and $54.9 million for the year ended June 30, 2021. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

Financial Highlights

The University's net position for the year ended June 30, 2022, of $263.0 million increased by $9.0 million from the prior year balance of $254.0 million, as adjusted for the cumulative effect of a change in accounting principle. The increase included a net operating loss of $53.2 million and $62.9 million net nonoperating revenues and capital items. The beginning fund balance for fiscal year 2021 was increased by $60,000 as a result of the University recognizing certain lease assets and liabilities for leases that previously were classified as operating leases and recognizing inflows of resources or outflows of resources based on the payment provisions of the contract. This beginning balance adjustment resulted from the implementation of GASB 87, *Leases*.

Operating revenues for the year ended June 30, 2022 of $118.9 million increased by $12.1 million from the prior year. Student tuition and fees totaling $73.1 million is the largest component of operating revenue and increased by $4.9 million from the prior year. All other operating revenues of $45.8 million netted to a $7.2 million increase over the prior year. Nonoperating revenues totaling $66.4 million decreased by $24.7 million from the prior year. The largest components of this decrease was a $3.9 million increase in State appropriations, a $7.4 million decrease in Federal Higher Education Emergency Relief Funds (HEERF) and Federal Coronavirus Relief Fund grants, a $22.1 million decrease in investment income and a $0.9 million increase in other non-operating revenue.

Operating revenues for the year ended June 30, 2021 of $106.8 million decreased by $6.8 million from the prior year. Student tuition and fees totaling $68.2 million is the largest component of operating revenue and decreased by $3.0 million from the prior year. All other operating revenues of $38.6 million netted to a $3.7 million decrease. Nonoperating revenues totaling $91.1 million increased by $23.3 million from the prior year. The largest components of this increase was a $17.3 million increase in Federal Higher Education Emergency Relief Funds (HEERF) and Federal Coronavirus Relief Fund grants, a $4.8 million increase in State appropriations as a result of the approximate 11% reduction in State appropriations in fiscal year 2020, a $3.1 million increase in investment income and a $1.4 million decrease in Pell Grant revenue.

Operating and nonoperating expenses (including HEERF related expenses) totaling $175.6 million for the year ended June 30, 2022, increased by $10.6 million from the prior year. Salaries, wages, and benefits of $94.1 million, the largest component of operating and non-operating expenses, decreased by $1.0 million. Supplies and support services of $38.9 million increased by $4.3 million from the prior year total of $34.6 million. Scholarships of $18.4 million increased by $5.6 million from the prior year total of $12.8 million due primarily to HEERF funding being provided to students. All other components of operating and nonoperating expenses increased by $1.7 million which included increases in utilities of $1.3 million, depreciation expense of $0.2 million, and interest on capital asset related debt of $0.2 million.

Operating and nonoperating expenses (including HEERF related expenses) totaling $165.0 million for the year ended June 30, 2021 decreased by $7.3 million from the prior year. Salaries, wages, and benefits of $95.2 million, the largest component of operating and non-operating expenses, decreased by $8.0 million, primarily due to the implementation of an Early Retirement Incentive Plan in 2020 and other pandemic related labor decreases. Supplies and support services of $34.8 million decreased by $0.8 million from the prior year total of $35.6 million. All other components of operating and nonoperating expenses increased by $1.4 million which included an increase in scholarships of $1.8 million and depreciation expense of $0.4 million and decreases in interest on capital asset related debt of $0.2 million and utilities of $0.6 million.

Condensed Financial Information

Condensed Statements of Net Position

	June 30		
	2022	2021 (as restated)	2020
Assets			
Current assets	$ 95,297,422	$ 73,735,871	$ 53,058,529
Noncurrent assets			
Capital	329,046,771	326,687,010	333,027,401
Other	116,064,705	110,594,455	101,301,492
Total noncurrent assets	445,111,476	437,281,465	434,328,893
Total assets	540,408,898	511,017,336	487,387,422
Total deferred outflows of resources	14,681,069	7,398,997	6,726,973
Liabilities			
Current liabilities	38,631,882	35,433,823	31,196,497
Noncurrent liabilities	168,736,120	160,656,393	172,844,678
Total liabilities	207,368,002	196,090,216	204,041,175
Total deferred inflows of resources	84,683,753	68,261,788	68,423,332
Net position			
Net investment in capital assets	178,937,061	173,193,651	173,285,048
Restricted			
Nonexpendable	982,525	1,141,269	925,363
Expendable	5,477,897	5,747,382	5,203,384
Unrestricted	77,640,729	73,982,027	42,236,093
Total net position	$ 263,038,212	$ 254,064,329	$ 221,649,888

Current assets totaled $95.3 million at June 30, 2022, $73.8 million at June 30, 2021, and $53.1 million for June 30, 2020. The ratio of current assets to current liabilities was 2.5 for the year ended June 30, 2022, 2.1 for the year ended June 30, 2021, and 1.7 for the year ended June 30, 2020. Cash and cash equivalents increased by $2.0 million from the prior year. Restricted cash increased by $28.7 million over the prior year related to unspent bond proceeds on hand.

Current liabilities of $38.6 million at June 30, 2022 increased by $3.2 million from the prior year. Accounts payable, accrued liabilities, and accrued payroll increased by $5.9 million due mostly to construction project activities. Deferred revenue decreased by $1.0 million from the prior year due primarily to more summer classes being held prior to the end of the fiscal year. Current portion of long-term debt decreased by $1.8 million due primarily to payments made associated with the Early Retirement Incentive Plan.

Long-term debt including notes and bonds payable, net of unamortized deferred charge on refunding, is the largest liability totaling $103.5 million at June 30, 2022, $77.4 million at June 30, 2021, and $83.1 million at June 30, 2020. Bonds and notes payable at June 30, 2022 included $33.7 million in 2021 General Revenue Fixed Rate Bonds, $58.7 million of 2018 General Revenue Fixed Rate Bonds, and remaining unamortized deferred costs and premiums of $12.5 million. The University reported a net pension liability of $53.1 million at June 30, 2022, $64.6 million at June 30, 2021, and $63.1 million at June 30, 2020 for its proportionate share of the Michigan Public School Employees' Retirement System (MPSERS) net pension liability. The University reported an other post employment benefit (OPEB) asset of $4.0 million at June 30, 2022, an OPEB liability of $4.0 million at June 30, 2021 and $8.6 million at June 30, 2020 for it's proportionate share of the MPSERS net OPEB assets and liabilities.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30		
	2022	2021 (as restated)	2020
Operating revenues			
Tuition and fees, net	$ 73,116,473	$ 68,213,279	$ 71,259,616
Grants and contracts	8,078,560	6,606,291	7,686,258
Auxiliary enterprises, net	23,718,962	19,639,290	22,253,995
Other operating revenues	14,025,656	12,342,016	12,381,116
Total operating revenues	118,939,651	106,800,876	113,580,985
Operating expenses	172,118,257	161,724,375	168,777,665
Operating loss	(53,178,606)	(54,923,499)	(55,196,680)
Nonoperating revenues			
State appropriations	52,745,749	48,890,358	44,079,546
Pell grant revenue	9,350,693	9,354,436	10,793,567
Higher Education Emergency Relief Funds	13,319,801	15,391,288	3,458,415
Federal Coronavirus Relief Funds	-	5,358,200	
Other nonoperating revenues, net	(12,482,501)	8,811,418	5,944,481
Net nonoperating revenues	62,933,742	87,805,700	64,276,009
Income before other revenues	9,755,136	32,882,201	9,079,329
Loss on asset disposal	(781,253)	(527,785)	(1,812,244)
Total increase in net position	8,973,883	32,354,416	7,267,085
Net position - beginning of year	254,064,329	221,649,888	214,382,803
Cumulative effect of change in accounting principle (Note A)		60,025	
Net position - end of year	$ 263,038,212	$ 254,064,329	$ 221,649,888

Tuition and Fees

The University currently has the second lowest annual tuition and fees out of the 15 state universities in Michigan. As part of tuition and fees, each full-time undergraduate student is provided the use of a notebook computer. A full-time undergraduate student normally takes 15 credit hours per semester and a full-time graduate student takes 12 credit hours per semester. The University charges tuition and fees under a lower division-upper division model. Undergraduate students with more than 56 credits are considered upper division students.

The following table sets forth the average annual student tuition and fees for full-time on-campus students for the academic year indicated.

Average Annual Academic Year Full Time Student Tuition and Fees

	2022	2021	2020
Undergraduate, resident			
Lower division	$ 12,172	$ 11,680	$ 11,255
Upper division	12,748	12,232	11,795
Undergraduate, nonresident			
Lower division	17,668	17,176	16,751
Upper division	18,496	17,980	17,543
Graduate, resident	15,508	14,908	14,375
Graduate, nonresident	20,692	20,092	19,559

Room and Board

The annual cost of room and board which includes laundry and other miscellaneous residence fees, was $11,572 for fiscal year 2022, $11,072 for fiscal year 2021, and $10,774 for fiscal year 2020. The University provides on-campus residence hall and apartment facilities for students. Most students who are not living at home with their parents must live on campus through their first four semesters.

Nine residence halls with a rated capacity of 2,549 students have an average occupancy of 2,506 and are at 98.3% capacity. The increase in occupancy was due to the local housing shortage and affordability and an increase in late applications. Campus apartments total 261 units. Most apartments are rented during the academic year with occupancy varying depending on the ratio of single students to student families and the size of the household. All residence hall students are required to be on one of four different meal plans which can be used at two on-campus dining facilities.

Operating Expenses

Operating expenses for June 30, 2022, including depreciation and amortization of $13.6 million, totaled $172.1 million. Of this total, $84.0 million, or 48.8%, was used for instruction, research, student aid, and student services, $30.7 million, or 17.8% was used for operation, maintenance, and depreciation and amortization, and $19.6 million, or 11.4%, was used for auxiliary enterprises. Operating expenses for June 30, 2021 (as restated), including depreciation and amortization of $13.4 million, totaled $161.7 million. Of this total, $76.4 million, or 47.2%, was used for instruction, research, student aid, and student services, $28.9 million, or 17.8% was used for operation, maintenance, and depreciation and amortization, and $18.2 million, or 11.3%, was used for auxiliary enterprises. Operating expenses for June 30, 2020, including depreciation of $12.8 million, totaled $168.8 million. Of this total, $81.1 million, or 48.0%, was used for instruction, research, student aid, and student services, $29.5 million, or 17.5% was used for operation, maintenance, and depreciation, and $19.9 million, or 11.8%, was used for auxiliary enterprises.

Other

State appropriations of $52.7 million for the year ended June 30, 2022, $48.9 million for the year ended June 30, 2021, and $44.1 million for the year ended June 30, 2020 is the largest source of nonoperating revenues. The appropriation is recognized in the period for which it is appropriated.

Interest expense on outstanding debt and capital leases was $3.5 million for the year ended June 30, 2022, $3.3 million for the year ended June 30, 2021, and $3.5 million for the year ended June 30, 2020.

The Statements of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the University during the year.

Condensed Statements of Cash Flows

	June 30		
	2022	**2021 (as restated)**	**2020**
Cash provided (used) by:			
Operating activities	$ (39,169,505)	$ (35,957,631)	$ (39,479,083)
Noncapital financing activities	75,422,842	62,183,307	67,932,774
Capital and related financing activities	8,819,197	(17,182,202)	(28,864,788)
Investing activities	(14,414,876)	619,898	8,988,805
Net increase (decrease) in cash and cash equivalents	30,657,658	9,663,372	8,577,708
Cash and cash equivalents, beginning of year	39,115,045	29,451,673	20,873,965
Cash and cash equivalents, end of year	$ 69,772,703	$ 39,115,045	$ 29,451,673

Major sources of funds included in operating activities are student tuition and fees of $72.8 million, grants and contracts of $17.2 million and auxiliary sales of $23.3 million for the year ended June 30, 2022; student tuition and fees of $68.2 million, grants and contracts of $10.1 million and auxiliary sales of $20.0 million for the year ended June 30, 2021; student tuition and fees of $71.3 million, grants and contracts of $7.3 million and auxiliary sales of $22.6 million for the year ended June 30, 2020. The major sources of funds included in noncapital financing activities are State appropriations of $52.7 million, HEERF of $13.3 million, and Pell grant revenue of $9.4 million. State appropriations of $41.2 million, HEERF of $6.6 million, Pell grant revenue of $9.4 million, and Federal Coronavirus Relief Funds (CRF) of $5.4 million for the year ended June 30, 2021; State appropriations of $48.0 million, Pell grant revenue of $10.8 million, and Federal Higher Education Emergency Relief revenue of $2.3 million for the year ended June 30, 2020. See additional cash flow information related to capital assets and long-term debt within the footnotes.

Northern Michigan University Foundation

The mission of the Northern Michigan University Foundation (the "Foundation") is to cultivate and promote the private philanthropic support of the University's mission through a comprehensive advancement effort.

Net assets of $50.8 million decreased $5.5 million for the year ended June 30, 2022 as compared to an increase in net assets of $12.4 million for the year ended June 30, 2021.

Net assets of $56.3 million increased $12.4 million for the year ended June 30, 2021 as compared to an increase in net assets of $1.6 million for the year ended June 30, 2020. The increase in net position of $12.4 million for fiscal year 2021 changed by $10.8 million from the increase in net position of $1.6 million for fiscal year 2020.

The Foundation continues to engage in activities that increase donor awareness of giving opportunities to support the University by providing scholarships, facilities, and learning opportunities.

Factors Impacting Future Periods

Economic Factors

The COVID-19 global pandemic continued into and throughout the entire 2021-22 academic year, posing a wide variety of challenges to the University, as it did to other colleges and universities. As it had done the previous academic year, the University expended considerable effort to provide a safe environment for students, faculty, staff and campus visitors, especially as it returned to mostly in-person learning, teaching, working and living.

The University did extensive COVID-19 testing for students, faculty, and staff; required masks indoors and outdoors when transmission rates in the area were high; offered numerous traditional student and employee activities in both in-person and virtual formats; provided newer technology and new technology training to students, faculty, and staff; offered vaccination and booster events and services throughout the year; and took on many other efforts to keep the university community safe, informed and engaged in COVID-19 related decision-making and pandemic protocol implementation.

The University's ability to adapt, remain mostly in-person and continue to move forward were paramount in fiscal year 2022 ending in a strong financial position. This same effort and ability to adapt remains important going forward as the pandemic continues to persist and change over time, presenting challenges to the university with unknown economic implications into the next fiscal year.

Enrollment Management and Student Services

The Academic and Career Advisement Center (ACAC) is responsible for a variety of services and activities to support student success. In recent years, new initiatives have been designed and implemented to assist in retaining students and to assist students in becoming academically successful.

The Centralized Advising Program wherein ACAC professional advisers advised all new entering freshmen in baccalaureate and associate degree programs was launched in the 2015 fall semester and supplemented existing programs that included the First Year Experience (FYE) Program and a long-standing and successful Freshman Probation Program. The combined effort has led to an increase in both retention and students attaining academic good standing for every fall cohort since its inception.

The Educational Success Platform (ESP) is a retention and communication tool intended to assist faculty, advisers, and students communicate more effectively, serves as an early warning system, and ultimately, increase the retention of students at the University. Faculty may use the system to compliment students for their efforts, communicate with one or all students in a class section, and also let students know when they are not performing adequately. These notifications to students are copied to their academic advisers (and, if an athlete, to their head coach) so that they may be aware and also reach out to the student.

The University is implementing a plan to expand its investment in enhancing student success, wellness, retention and career planning guidance. The plan will enable ACAC and other student service areas – financial aid to the counseling center – to more easily connect with students through peer and personal advisers. These (embedded) advisers will work with undergraduate students of all class status, not only first-year students, as is the case with the current central advising program. This concierge-styled advising will more easily enable the University to identify students at academic risk or in personal crisis, allowing for earlier intervention. This initiative will assist with improving the University's retention rate, increase student knowledge and use of University resources, and improve student awareness of University processes.

The University's investment in the U.P. Cybersecurity Institute is designed as a way to attract new students to the programs of this in-demand career field, provide opportunities for adult career changers, and produce the talent necessary to support regional economic development. In 2019, the University was selected by the State of Michigan to serve as the State's sixth cybersecurity hub, the only one of its kind in the Upper or Northern Lower Peninsula. The Institute that has developed from the cybersecurity hub designation is expanding training in cybersecurity to a wide range of Upper Peninsula residents, including K-12 students, college students, businesses, and adult community members, many of whom are seeking to change careers. This effort is rapidly contributing to the buildout of the local digital economy. There are an estimated 2 million vacant cybersecurity positions globally, and many of these jobs can be performed from anywhere in the world, including the Upper Peninsula.

Enrollment Data

For the 2021-22 academic year, as of the fall census date, thirty-four percent (34%) of the University's students were from Upper Peninsula Michigan counties, forty-two (42%) of the University's students came from Michigan's Lower Peninsula counties, and the remaining twenty-four percent (24%) came from other states and foreign countries.

The following table indicates the total beginning-of-semester (BOS) fall headcount enrollment of undergraduate and graduate students. Also indicated are the fiscal year equated students and total annual end-of-semester (EOS) credit hours for all students attending the University.

	Fall BOS Headcount Enrollment				Annual Total Credit Hours Taken		
Academic Year	Undergraduate Students	Graduate Students	Total	Fiscal Year Equated Students	Undergraduate Students	Graduate Students	Total
2018	7,089	506	7,595	6,713	191,200	7,976	199,175
2019	7,136	596	7,732	6,768	193,665	7,329	200,994
2020	6,734	634	7,368	6,815	194,655	7,705	202,360
2021	6,611	603	7,214	6,509	183,659	9,138	192,797
2022	6,434	536	6,970	6,375	N/A	N/A	N/A

Admissions

The Admissions staff developed and executed strategic activities designed to positively impact enrollment in a still-active global pandemic environment. Through collaboration with University partners, Admissions utilized a mix of virtual and in-person college fairs, campus visits, and scholarship competitions. In-person and virtual visits pushed capacity limits, with over 2,150 prospective students and 3,990 guests participating. Off campus, Admissions conducted over 1,450 outreach activities to reach targeted markets. Investments in transfer initiatives and new geographic markets will impact future term enrollments.

The tables below set forth the total number of first year (including associate degree, vocational and one-year certificate students) and transfer applications received and accepted and the number of students enrolled for the fall semesters indicated.

First-Year Student Admissions

First-Year Student Admissions

Fall Semester	Applications Received	Applications Accepted	Percent Accepted	Total New Freshmen Enrolled	Percent Enrolled
2017	6,173	4,591	74.4	1,501	32.7
2018	7,768	5,007	64.5	1,608	32.1
2019	7,827	5,045	64.5	1,601	31.7
2020	6,389	4,169	67.0	1,354	32.5
2021	6,693	4,670	69.8	1,491	31.9

By August 4, 2022, the University had received 6,304 freshman applications (as compared to 6,669 as of August 4, 2021) and had granted 4,391 acceptances (as compared to 4,675 as of August 4, 2021).

Transfer Student Admissions

Fall Semester	Applications Received	Applications Accepted	Percent Accepted	Students Enrolled	Percent Enrolled
2017	1,096	668	60.9	407	60.9
2018	1,547	782	50.5	488	62.4
2019	1,337	698	52.2	419	60.0
2020	1,229	701	57.0	393	56.1
2021	1,169	672	57.5	360	53.6

By August 4, 2022, the University had received 1,166 transfer applications (as compared to 1,138 as of August 4, 2021) and had granted 678 acceptances (as compared to 671 as of August 4, 2021).

Capital Plan

The University has recently focused on modernizing the campus as part of the strategic plan of investing in innovation. Major projects totaling $109 million that have been recently completed include The Woods ($79.6 million), Northern Center ($23.3 million), and dining facility ($5.8 million). The University is expanding on this initiative and has academic and student initiatives totaling $94.5 million scheduled to be completed over the next three years. Two projects that have been completed in the Summer of 2022 include Hospitality Management and Cosmetology Renovation in the Northern Center ($6.1 million) and donor-funded Berry Events Center Hockey Locker Room Renovation ($1.05 million). More details regarding the upcoming projects follow:

The Behavior Education Assessment and Research (BEAR) Center enables credentialed professionals to provide Applied Behavior Analytic (ABA) services to the regional community. The services provided by the BEAR Center have grown along with their space needs. In May 2021, the University purchased property near campus and plans to renovate the facility to include a waiting/reception area, office type counseling rooms, staff offices, file room, classroom and restrooms for the BEAR Center. The total project budget is $2.0 million. Construction began in May 2022 and is expected to be completed in December 2022.

In December 2018, the Career Tech and Engineering Technology Facility project for $28.6 million was authorized for planning per Public Act 618. The project will provide new modern classrooms and flexible laboratories creating a vibrant, high tech facility for future application engineers and technical career professionals. Construction authorization for the Career Tech and Engineering Technology project was approved by the State Legislature on December 29, 2020. The design was completed and the project was bid in winter 2021. Construction began in May 2022 and is expected to be completed in August 2023.

Plans have been completed for a new Health and Wellness Center that will integrate the existing Health Center and Counseling Center that are currently located in separate buildings. The new Health and Wellness Center is under construction adjacent to the existing residence halls providing more convenient access to students living on campus. Exam rooms, therapy rooms and laboratories will meet the latest Center for Disease Control's (CDC) recommendations for environmental conditions. A new parking lot will be constructed adjacent to the new center for faculty, staff and students who live off campus. The project budget is $7.7 million. Construction is expected to be completed in July 2023.

Two projects in the academic core include the Northern Enterprise Center and the Harden Hall Library renovation. The Northern Enterprise Center is identified in the University's capital outlay request to the State of Michigan. The new academic center, located in the academic mall, will be the home of the College of Business. The center will enable the University to expand opportunities for students to interact with local businesses, increase economic growth and significantly enhance the learning and growth opportunities for our students. New classrooms and laboratories will provide vibrant, modern high-tech teaching spaces for our future business leaders based on the Universities expertise in collaborative learning design and incorporating technology into instruction.

While the Harden Hall Library renovation in the academic mall will redevelop its program space to create a vibrant library and resource center that is more welcoming and user friendly for faculty, staff, and students. More collaborative and quiet study spaces will be provided along with incorporating more technology. The renovation will upgrade the furnishings and shelving, improve lighting and electrical systems, improve access to library public/technical services and co-locate Archives and the Beaumier U.P. Heritage Center. An emerging technologies area will provide students opportunities to experience virtual reality and create pod casts and other digital recordings. All the on-campus tutoring centers will be co-located to create a Learning Commons for the sciences, math, language and writing labs. Construction for these two projects is anticipated to begin in summer 2023 and be completed by fall 2024. The total budget for these two projects, the Harden Hall Library renovation and the Northern Enterprise Center, is expected to be $31.6 million.

Natural Sciences Research Center project will address the need for additional teaching labs in the Weston Hall and the Science Building. Recruitment of new faculty is difficult due to the lack of research lab space. Expanded scheduling has been required to accommodate all the biology and chemistry classes in the teaching labs. This project would construct an addition onto the Science Complex to increase the number of wet labs for both teaching and faculty research. The project budget is $11.7 million.

Berry Events Center Infrastructure Improvements project will replace the end-of-life ice making system equipment to ensure system reliability. The rink size will be reduced and new dasher boards will be installed to increase player safety, improve player recruitment and reduce energy costs. Also, several major air handling units such as the dehumidification unit will be replaced to better regulate the environmental conditions within the building. Construction is expected to begin in April 2023 for a project budget of $6.5 million. Construction is expected to be completed by August 2023.

In 2019, the University completed a comprehensive update of their existing Campus Master Plan. The 2019 Campus Master Plan represents a new vision that aligns the University's academic mission, strategic plan, and physical planning goals into a single document which will help guide the future development of the campus. The Campus Master Plan builds upon many of the bold initiatives of the 2015 Strategic Plan, creating a new vision that is achievable yet flexible to accommodate future challenges. The master plan provides a 10-15 year framework for campus facilities and infrastructure that includes recommendations for building opportunities and additions, pedestrian and open space enhancements, roadway realignments, and new or reconfigured parking facilities. Several underutilized and inefficient buildings were identified for demolition including West Hall and 25% of the Jacobetti Complex. This space reduction totals over 150,000 square feet and supports the University's goals of improving space efficiency and reducing operating costs. Remaining projects identified in the Campus Master Plan will be pursued dependent on available funding from a combination of donors, state funding, and University resources.

Bonds and notes payable at June 30, 2022 consist of the following:

Maturity Dates	Interest Rates: Coupon	Interest Rates: Yield	Maturity Value
12/1/2022	3.510%		1,025,000
12/1/2023	3.630%		1,025,000
12/1/2024	3.730%		895,000
12/1/2025	3.770%		800,000
12/1/2026	3.800%		830,000
12/1/2027	3.900%		865,000
12/1/2028	4.000%		895,000
6/1/2038	4.000%	1.820%	1,235,000
6/1/2039	4.000%	1.850%	1,285,000
6/1/2040	4.000%	1.880%	1,335,000
6/1/2041	4.000%	1.920%	1,385,000
6/1/2042 - 6/1/2046	4.000%	2.060%	7,810,000
12/1/2029	4.100%		920,000
12/1/2030	4.150%		950,000
12/1/2031	4.200%		880,000
12/1/2032	4.250%		915,000
12/1/2033	4.300%		955,000
12/1/2034-12/1/2038	4.450%		3,745,000
12/1/2039-12/1/2043	4.500%		4,105,000
12/1/2022	5.000%	2.280%	3,115,000
12/1/2023	5.000%	2.400%	3,310,000
12/1/2024	5.000%	2.560%	3,545,000
12/1/2025	5.000%	2.700%	3,240,000
12/1/2026	5.000%	2.820%	2,970,000
12/1/2027	5.000%	2.910%	3,095,000
12/1/2028	5.000%	2.990%	3,290,000
12/1/2029	5.000%	3.060%	3,475,000
12/1/2030	5.000%	3.110%	3,615,000
12/1/2031	5.000%	3.170%	1,775,000
12/1/2032	5.000%	3.210%	1,850,000
12/1/2033	5.000%	3.240%	1,930,000
12/1/2034	5.000%	3.290%	2,015,000
12/1/2035	5.000%	3.340%	2,450,000
12/1/2036	5.000%	3.400%	65,000
12/1/2037	5.000%	3.430%	65,000
12/1/2038	5.000%	3.450%	70,000
6/1/2023	5.000%	0.340%	1,215,000
6/1/2024	5.000%	0.470%	1,280,000
6/1/2025	5.000%	0.610%	1,345,000
6/1/2026	5.000%	0.790%	1,410,000
6/1/2027	5.000%	0.930%	1,480,000
6/1/2028	5.000%	1.110%	1,550,000
6/1/2029	5.000%	1.240%	1,635,000
6/1/2030	5.000%	1.350%	1,715,000
6/1/2031	5.000%	1.410%	1,800,000
6/1/2032	5.000%	1.450%	1,885,000
6/1/2033	5.000%	1.510%	965,000
6/1/2034	5.000%	1.540%	1,015,000
6/1/2035	5.000%	1.570%	1,065,000
6/1/2036	5.000%	1.590%	1,120,000
6/1/2037	5.000%	1.620%	1,175,000
Total			$ 92,385,000

Teaching, Learning, and Communication (TLC) Initiative

Access to Global Campus academic programs and online personal and professional development offerings has increased significantly over the past several years due to the rapid buildout of the University's unique wireless LTE network. More than 7,000 students and nearly 8,100 Educational Access Network customers use the network to manage course related activities and research, including bandwidth intensive applications such as streaming media, video conferencing, and large data file transfers. The University began building the network in fall 2017 with a goal of serving 64 communities over a two-year period, putting a priority on bringing high-speed educational broadband to students – pre-school through lifelong learner – in the most unserved and underserved rural Upper Peninsula communities. Today, the network serves 113 Upper Peninsula communities and two Lower Peninsula communities. The University's success with LTE in Marquette County has spread throughout Michigan's Upper Peninsula, northern Lower Peninsula and northeastern Wisconsin, and is positively changing the lives of many citizens and erasing the "homework gap" for K-12 schoolchildren in these rural areas.

The system runs on spectrum that is licensed to the University by the Federal Communications Commission (FCC) to serve six General Service Areas (GSAs). The network covers more than 16,000 square miles and crosses a geographic service area roughly the size of four New England states. To accelerate the buildout, the University received financial assistance from the Michigan Economic Development Corporation (MEDC) and partners with area K-12 schools, colleges and universities to deliver educational broadband to rural communities in an effort to engage learners of all ages in credit and no-credit educational experiences. As a result, learners of all ages are able to successfully earn high school and college credentials, receive continuing education needed in workforce development programs across the region, and engage in online personal enrichment learning modules.

The University continues its Teaching, Learning and Communication (TLC) initiative of providing all full-time students, faculty and staff with a laptop computer and a comprehensive technology package. To provide even greater access to education for the citizens of the region, The University continues its use of instructional career pathway and "virtual field trip" experiences for K-12 schools in response to high graduation requirements and shrinking school budgets. Programs are conducted using internet-based videoconferencing technology, along with streaming media. Content experts from within the University and surrounding areas provide "real world" information to students interested in career pathway information. In addition, the University offers continuing education for teacher re-certification and enrichment using interactive TV and works with local Regional Education Services Agencies (RESA) to support the technology needs of area schools.

WNMU-TV and WNMU-FM spent much of the year focused on maintaining the delivery of high-quality programming while adhering to the ever-changing guidance and protocols put in place due to the COVID-19 pandemic. Both stations successfully began transitioning to more in-person and hybrid productions rather than relying on strictly remote productions like the year prior. However, there were many lessons learned about remote productions and how they can continue to be utilized to provide flexibility and enhancements to productions moving forward. In fact, WNMU-FM was featured in "Radio World", a radio trade publication, for its virtual expansion which allowed staff to work from any location as needed using the ENCO system and automation.

WNMU-FM was also honored with a Michigan Association of Broadcasters award for the music show "The Shuffle" and a Merit Award for a book release interview with Moheb Saliman, author of "Homes". Also there were some equipment and facility improvements including: refurbishing vintage on-air studio microphones and new high-resolution field recording equipment. A new podcast studio was also installed which is available to reserve for anyone from the University or local community.

WNMU-TV was able to bring back in-person hosts and guests to the studios. This was a welcomed site and has revitalized our locally produced programming. In particular, high school students were welcomed back on campus to produce the 43rd season of High School Bowl. They were surprised to find a newly renovated set with updated technology including new flat panel displays for participant names, a new buzzer system incorporating the displays, new lighting, and even a new logo. The quiz bowl program showcases the academic strength and competitiveness of Upper Peninsula and Northern Lower Peninsula high school students. It succeeded such that the Michigan Learning Channel (MLC) requested access to the shows and is now broadcasting it across the State of Michigan. WNMU-TV is one of six public television stations that broadcasts the MLC.

In March 2022, WNMU-TV applied for and received grant funding from Twin Cities Public TV. The grant is focused on raising awareness on suicide prevention which is something that is unfortunately a concern in the local community. The grant will be fulfilled in the fall of 2022 with a handful of local productions and a live event that will include a panel of experts. There is also preliminary work underway for a MLC grant focused on showcasing the local community. The videos will be used as education engagement resources for elementary school teachers.

WNMU-TV and WNMU-FM observed changes in leadership and staff. The General Manager of both stations and the FM Station Manager both retired during fiscal year 2022. They were replaced by two internal promotions along with additions of new staff. The new leadership and staff are energized and excited to continue with the great foundation they have been provided and look forward to the future opportunities for both stations.

State Appropriations

The University expects to receive $50.8 million in base State Appropriations for the upcoming fiscal year. This is an increase of $2.0 million from the prior year base funding level of $48.8 million. The University has set student tuition and fees at 3.9% above the prior fiscal year and has met the State tuition restraint requirements.

President Search

On September 29, 2022, the Board of Trustees approved the selection of Dr. Brock Tessman, Ph.D. as the 17th president of Northern Michigan University. His expected start date is February 1, 2023. Dr. Kerri Schuiling will continue to serve as President until the transition date.

Rehmann

INDEPENDENT AUDITORS' REPORT

November 1, 2022

Board of Trustees
Northern Michigan University
Marquette, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, and the discretely presented component unit of ***Northern 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 the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2022 and 2021, and the respective changes in 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 The Northern Michigan University Foundation. Those statements were audited by other auditors whose report thereon was furnished to us, and our opinions, insofar as they relate to the amounts included for the above entity, are based solely on the report of the other auditors.

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 Independent Auditors' Responsibilities for the Audit 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 audit. The financial statements of the Northern Michigan University Foundation were not audited in accordance with *Government Auditing Standards.* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

107 South Cass St., Suite A, Traverse City, MI 49684 231.946.3230

Implementation of GASB Statement No. 87

As described in Notes A, E, and H, the University implemented the provisions of GASB Statement No. 87, *Leases,* in the current year. Accordingly, beginning net position of business-type activities as of July 1, 2020 was restated. Our opinion is not modified with respect to this matter.

Management's Responsibility for 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit 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 auditors' 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 an audit 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 an audit in accordance with GAAS and *Government Auditing Standards,* we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit 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 audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefits plans, as listed 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated November 1, 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, and 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.

Rehmann Robson LLC

NORTHERN MICHIGAN UNIVERSITY
Statements of Net Position

	Northern Michigan University June 30		Component Unit NMU Foundation June 30	
	2022	2021 as restated	2022	2021
Assets				
Current assets				
Cash and cash equivalents	$ 41,084,672	$ 39,115,045	$ 773,449	$ 629,823
Restricted cash	28,688,031			
Short-term investments			373,869	2,091,753
State appropriation receivable	8,961,577	8,876,307		
Accounts receivable (less allowance 2022--$2,561,000; 2021--$3,406,000)	11,301,595	20,636,223		
Student notes receivable (less allowance 2022--$968,000; 2021--$1,156,000)	1,238,251	1,356,978		
Pledges receivable (less allowance 2022--$50,235; 2021--$28,600)			491,882	667,342
Lease receivable	112,457	115,826		
Inventories	840,776	901,099		
Other assets	3,070,063	2,734,393	788,080	319,974
Total current assets	95,297,422	73,735,871	2,427,280	3,708,892
Noncurrent assets				
Long-term investments	108,460,701	106,576,715	43,913,566	49,429,605
Student notes receivable (less allowance 2022--$1,490,000; 2021--$1,935,000)	1,905,776	2,271,853		
Lease receivable	1,458,871	1,550,925		
Other long-term investments	194,962	194,962	3,072,407	1,627,591
Pledges receivable			730,226	998,692
Net OPEB asset	4,044,395			
Captial assets not being depreciated	93,295,647	83,274,396		
Capital assets being depreciated, net	235,751,124	243,412,614	1,428,679	1,425,981
Total noncurrent assets	445,111,476	437,281,465	49,144,878	53,481,869
Total assets	540,408,898	511,017,336	51,572,158	57,190,761
Deferred outflows of resources				
Deferred charge on refunding	1,344,557	1,846,588		
Deferred OPEB amounts	987,259	1,116,942		
Deferred pension amounts	12,349,253	4,435,467		
Total deferred outflows of resources	14,681,069	7,398,997		
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	16,919,275	11,685,586	402,590	478,952
Accrued payroll and benefits	8,240,825	7,547,401		
Unearned revenue (unearned student fees & deposits)	6,773,619	7,765,788		
Lease liabilities-current portion	271,462	240,896		
Long-term liabilities-current portion	6,426,701	8,194,152		
Total current liabilities	38,631,882	35,433,823	402,590	478,952
Noncurrent liabilities				
Annuities payable			367,099	413,375
Net OPEB liability		3,969,975		
Net pension liability	53,111,511	64,568,315		
Long-term lease liability-net of current portion	650,256	533,370		
Long-term liabilities-net of current portion	114,974,353	91,584,733		
Total noncurrent liabilities	168,736,120	160,656,393	367,099	413,375
Total liabilities	207,368,002	196,090,216	769,689	892,327
Deferred inflows of resources				
Deferred lease amounts	1,435,203	1,547,845		
Deferred OPEB amounts	2,652,889	442,488		
Deferred pension amounts	17,214,298	1,997,397		
Concessionaires arrangement	63,381,363	64,274,058		
Total deferred inflows of resources	84,683,753	68,261,788		
Net position				
Net investment in capital assets	178,937,061	173,193,651	1,428,679	1,425,981
Restricted for:				
Nonexpendable				
Scholarships and fellowships	63,757	63,757	2,600,647	2,299,143
Loans	60,038	60,038		
Instruction	858,730	1,017,474		
Expendable				
Instruction	1,093,239	1,295,334	9,938,365	11,340,760
Scholarships and fellowships	605,521	686,633	27,101,799	31,932,334
Loans	3,468,647	3,405,264		
Research	213,911	245,719		
Academic, student and public service	96,579	114,432	5,384,445	4,383,662
Unrestricted	77,640,729	73,982,027	4,348,534	4,916,554
Total net position	$ 263,038,212	$ 254,064,329	$ 50,802,469	$ 56,298,434

The accompanying notes are an integral part of these financial statements.

NORTHERN MICHIGAN UNIVERSITY

NORTHERN MICHIGAN UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Position

	Northern Michigan University June 30		Component Unit NMU Foundation June 30	
	2022	2021 as restated	2022	2021
Operating revenues				
Student tuition and fees (less allowance 2022--$20,757,000; 2021--$20,662,000)	$ 73,116,473	$ 68,213,279		
Gifts and contributions			$ 6,254,304	$ 4,936,118
Federal grants and contracts	4,325,624	4,276,912		
State and local grants and contracts	1,936,476	995,183		
Nongovernmental grants and contracts	1,816,460	1,334,196		
Sales and services of educational activities	13,873,200	12,331,570		
Auxiliary enterprise				
Residential life (less allowance 2022--$4,833,000; 2021--$4,481,000)	20,569,058	17,029,180		
Other auxiliary	3,149,904	2,610,110		
Other operating revenues	152,456	10,446		100
Total operating revenues	118,939,651	106,800,876	6,254,304	4,936,218
Operating expenses				
Educational and general				
Instruction	44,907,141	45,400,264		
Research	1,804,265	1,322,147		
Public service	9,049,939	8,950,958		
Academic support	13,442,761	14,033,860		
Student services	18,888,051	16,806,195		
Institutional support	15,269,422	15,318,173	1,492,832	1,867,932
Operations and maintenance of plant	17,117,345	15,492,862		
Student aid	18,450,837	12,838,253		
Depreciation and amortization	13,603,871	13,364,065		
Auxiliary enterprise				
Residential life	15,633,690	14,320,117		
Other	3,950,935	3,877,481		
Total operating expenses	172,118,257	161,724,375	1,492,832	1,867,932
Operating (loss) income	(53,178,606)	(54,923,499)	4,761,472	3,068,286
Nonoperating revenues (expenses)				
State appropriations	52,745,749	48,890,358		
Pell grant revenue	9,350,693	9,354,436		
Federal Higher Education Emergency Relief Funds grant	13,319,801	15,391,288		
Federal Coronavirus Relief Funds grant		5,358,200		
Gifts (including 2022--$3,498,000 and 2021--$2,462,000 from the NMU Foundation)	3,497,607	2,462,368		
Payments to and on behalf of the University			(3,489,559)	(2,575,072)
Investment (loss) income (net of investment expense for the University 2022--$104,000 and 2021--$120,700; and for the NMU Foundation 2022--$109,400 and 2021--$102,100	(12,495,230)	9,638,646	(6,767,878)	11,826,001
Interest on capital asset-related debt	(3,484,878)	(3,289,596)		
Net nonoperating revenues (expenses)	62,933,742	87,805,700	(10,257,437)	9,250,929
Income (loss) before other (expenses) revenues	9,755,136	32,882,201	(5,495,965)	12,319,215
Gain on extinguishment of debt				110,000
Loss on asset disposal	(781,253)	(527,785)		
Total other (expenses) revenues	(781,253)	(527,785)		110,000
Increase (decrease) in net position	8,973,883	32,354,416	(5,495,965)	12,429,215
Net position - beginning of year	254,064,329	221,649,888	56,298,434	43,869,219
Cumulative effect of change in accounting principle (Note A)		60,025		
Adjusted net position - beginning of year	254,064,329	221,709,913		
Net position - end of year	$ 263,038,212	$ 254,064,329	$ 50,802,469	$ 56,298,434

The accompanying notes are an integral part of these financial statements.

NORTHERN MICHIGAN UNIVERSITY
Statements of Cash Flows

	Year Ended June 30 2022	Year Ended June 30 2021 as Restated
Cash Flows from Operating Activities		
Tuition and fees	$ 72,810,063	$ 68,233,255
Grants and contracts	17,212,431	10,082,147
Payments to suppliers	(45,046,065)	(41,019,543)
Payments to employees	(103,351,178)	(95,902,910)
Payments for scholarships and fellowships	(18,450,836)	(12,838,253)
Collection of loans to students and employees	484,804	1,343,322
Auxiliary enterprise		
Residential life	20,360,330	17,013,256
Other	2,946,440	2,973,686
Other receipts	13,864,506	14,157,409
Net cash used in operating activities	(39,169,505)	(35,957,631)
Cash Flows from Noncapital Financing Activities		
State appropriations	52,660,479	41,216,754
Federal Coronavirus Relief Funds grant		5,358,200
Pell grant revenue	9,350,693	9,354,436
Federal Higher Education Emergency Relief Funds	13,319,801	6,634,429
William D. Ford direct lending receipts	31,139,107	31,905,270
William D. Ford direct lending disbursements	(31,139,107)	(31,905,270)
Gifts and grants received for other than capital purposes	3,498,963	2,458,863
Other	(3,407,094)	(2,839,375)
Net cash provided by noncapital financing activities	75,422,842	62,183,307
Cash Flows from Capital and Related Financing Activities		
Capital financing	(126,603)	(143,906)
Net proceeds from sale of revenue bonds	40,891,848	
Purchases of capital assets	(13,662,021)	(8,473,923)
Proceeds from sale of capital assets		466,825
Principal paid on capital debt	(14,532,477)	(5,806,344)
Paycheck Protection Program grant proceeds		239,800
Interest paid on capital debt	(3,751,550)	(3,464,654)
Net cash provided by (used in) capital and related financing activities	8,819,197	(17,182,202)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	15,761,280	1,833,634
Interest on investments	2,253,113	2,789,426
Purchase of investments	(32,429,269)	(4,003,162)
Net cash (used in) provided by investing activities	(14,414,876)	619,898
Net increase in cash, cash equivalents and restricted cash	30,657,658	9,663,372
Cash, cash equivalents and restricted cash - beginning of the year	39,115,045	29,451,673
Cash,cash equivalents, and restricted cash - end of year	$ 69,772,703	$ 39,115,045
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (53,178,606)	$ (54,923,500)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	13,603,871	13,364,065
Change in operating assets and liabilities which provided (used) cash:		
Receivables, net	9,765,985	4,820,712
Inventories	60,323	(58,304)
Other assets	(270,365)	(297,044)
Accounts payable and accrued liabilities	1,127,719	(310,750)
Unearned revenue	(1,034,113)	2,181,253
Accrued payroll and benefits	583,656	1,728,070
Deferred inflows - pension amounts	15,216,901	1,752,133
Deferred inflows - OPEB amounts	2,210,401	(237,167)
Deferred outflows - pension amounts	(7,913,786)	(809,965)
Deferred outflows - OPEB amounts	129,683	29,318
Net pension liability	(11,456,804)	1,439,546
Net OPEB liabilities (assets)	(8,014,370)	(4,635,998)
Net cash used in operating activities	$ (39,169,505)	$ (35,957,631)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of Northern Michigan University (the "University") have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The University follows the "business-type" activities requirements of GASB Statement No. 35, rather than issuing fund-type financial statements and has the following components in the financial statements:

- Management's discussion and analysis
- Basic financial statements including 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 financial statements
- Other required supplementary information and related notes

CHANGE IN ACCOUNTING PRINCIPLE

GASB 87 Lease Accounting

This standard is effective for the University's fiscal year 2022 and establishes new requirements for universities to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognize inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of the change, the University restated its fiscal year 2021 statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows. Due to the restatement, the University recognized an increase in assets of $2,393,111; an increase in liabilities and deferred inflows of $2,324,267 and an increase to net position of $68,844. Also, as a result of the restatement, the University recognized lease revenues of $21,747 and lease expenses of $12,928 resulting in a cumulative change in accounting principle of $60,025. More detailed information can be found in Notes E and H.

REPORTING ENTITY

Northern Michigan University is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Trustees is appointed by the Governor of the State of Michigan. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various State agencies, payments to State retirement programs for University employees, and reimbursements for capital outlay projects.

The Northern Michigan University Foundation (the "Foundation") is a legally separate, tax-exempt organization supporting Northern Michigan University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. There are currently twenty members of the Board of Trustees of the Foundation.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The Foundation's financial statements are reported in a separate column to emphasize that a) it is legally separate from the University and b) its assets are not necessarily available to satisfy all liabilities of the University.

During the years ended June 30, 2022 and 2021, the Foundation made distributions of $3.5 million and $2.6 million, respectively, to or on behalf of, the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from their office at 603 Cohodas Administrative Center, Marquette, MI 49855.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—Northern Michigan University

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Operating revenues of the University consist of tuition and fees, grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues. These revenues represent revenue earned from exchange transactions and are reported net of discounts. Transactions related to capital and related financing activities, investing activities, State appropriations, Federal Pell Grants, and Federal Higher Education Emergency Relief Fund grant (HEERF) are components of nonoperating and other revenues. Restricted and unrestricted resources are spent and tracked at the University level within the guidelines of donor restrictions.

Basis of Accounting—Component Unit

The Foundation is a nonprofit organization that reports under the provisions of Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Cash Equivalents

Cash equivalents include all highly liquid investments with original maturity dates of 90 days or less.

Restricted Cash

Restricted cash includes unspent bond proceeds to be used to pay the costs of renovating several campus facilities.

Investments (including component unit)

All investments are stated at fair value. Investments in publicly traded securities are stated at fair value as established by major securities markets. Non-publicly traded investments are valued based on estimates considering market prices of similar investments. Investment income includes realized and unrealized gains and losses on investments, interest, and dividends, and is presented net of external investment expenses.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For further discussion of fair value measurement, refer to Notes B and C to the financial statements.

Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out method, or market.

Capital Assets

Capital assets are stated at cost when purchased and at appraised value for other acquisitions. At the time of disposal, capital assets are removed from the records and any gain or loss is recognized in the statements of revenues, expenses, and changes in net position.

Depreciation is provided for physical properties on a straight line basis over the estimated useful lives, 50 years for buildings, 5 to 50 years for building and land improvements, 10 to 30 years for infrastructure, 5 years for books, and 5 to 20 years for equipment. Depreciation expense for 2022 and 2021 was approximately $13,360,000 and $13,133,000, respectively. The University capitalizes assets with a cost of $5,000 and greater, and an estimated useful life in excess of one year.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The University reports deferred outflows of resources for certain pension and other postemployment benefit ("OPEB") related amounts, such as change in assumptions, net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and certain contributions made to the plan subsequent to the measurement date, as well as for the deferred charge on refunding. A deferred refunding charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. More detailed information for the pension and OPEB related amounts can be found in Note L.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources related to The Woods concessionaire's arrangement with Greystar discussed in Note P and deferred inflows of resources related to capital leases discussed in Note H. The University also reports deferred inflows of resources for differences between actual and expected experience, net difference between projected and actual earnings on plan investments provided in its pension and OPEB plans changes in proportion and differences between employer contributions and proportionate share of contributions, and State appropriations for pensions and OPEB received subsequent to the measurement dates. More detailed information for the pension and OPEB related amounts can be found in Note L.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) pension plan and additions to/deductions from the MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan MPSERS OPEB plan and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

State Appropriations

State appropriation revenue is recognized in the period for which it is appropriated.

Non-Exchange Transactions

In accordance with accounting principles generally accepted in the United States of America (GAAP), gifts and grants are recognized at the later of the date pledged or when the eligibility requirements of the gifts and grants are met.

Compensated Absences

University employees earn vacation benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation. Certain limitations have been placed on the hours of vacation that employees may accumulate. Unused hours exceeding these limitations are forfeited.

Unearned Revenue

Unearned revenue consists primarily of advance payment for sports camps, laptop sales, sales for athletic events, summer school tuition not earned during the current year, and contract and sponsored program advances.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the accounts receivable allowance for bad debts, the useful lives of depreciable capital assets, the assumptions used to estimate accrued employee compensated absences, the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and OPEB plans, the present value calculations for trash removal and insurance liabilities on the Greystar owned buildings, and the present value calculations for the leased assets and deferred inflows related to capital leases.

Income Taxes

The University is classified as a political subdivision of the State of Michigan under Internal Revenue Code Section 115(A) and is therefore exempt from Federal Income Taxes. Certain activities of the University, to the extent profitable, may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The Foundation is exempt from Federal Income Taxes under Internal Revenue Code Section 501(c) (3).

Reclassifications

Certain amounts as reported in the 2021 financial statements have been reclassified to conform with the 2022 presentation.

Risks and Uncertainties

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. While the pandemic introduced unprecedented challenges to higher education systems, such as different modes of teaching, unpredictable enrollment, and changing business operations, the University's financial condition remained stable. To offset revenue challenges, the University recognized and administered several higher education grants. First, the University accepted approximately $5,995,000 from the Education Stabilization Fund through the Federal CARES Act for the initial Higher Education Emergency Relief Fund (HEERF). The University awarded $2,997,000 of these HEERF funds directly to students as emergency financial aid. Second, in fiscal 2020, the State of Michigan cut higher education appropriations 11%. These funds, approximately $5,358,000, were replaced with CARES Act replacement funding and recognized as revenue in fiscal 2021. Ultimately, the University received two additional HEERF grants. The Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) (HEERF II), signed into law December 27, 2020, allocated approximately $9,891,000 to the University, of which $2,997,000 was required to be awarded to students as emergency financial aid grants. Then, through the March 11, 2021, American Rescue Plan (ARP) (HEERF III), the University was allocated approximately $17,395,000; again, $8,740,000 was required to be awarded directly to students as financial aid. In fiscal year 2022, the University recognized the remainder of the CRRSSA HEERF II of $524,409 and the remainder of ARP HEERF III of $12,795,392.

NOTE B—DEPOSITS AND INVESTMENTS—UNIVERSITY

Investment of Operating Funds

The operating portfolio is invested in accordance with the Investment Policy Statement for Operating Cash as established by the Board of Trustees. The Finance Committee, acting on behalf of the Board of Trustees, is responsible for implementing the Investment Policy Statement and has delegated the administration of the investment portfolio to the Vice President of Finance & Administration in consultation with the Committee/Board.

Investment pool accounts and objectives have been established to provide maximum financial resources for the University while balancing risk and return. The Short-Term investment Pool's assets are intended to cover the investment of University funds that are required for daily liquidity and expenditures of one year or less. They are invested in Government Money Market Fixed Income. The Intermediate Term Investment Pool's assets are intended for use in the next one to three years. They are invested in Short Term and Intermediate Term Fixed Income. The Long-Term Investment Pool's assets are those needed in three years or greater. These are invested in capital appreciation and capital preservation funds.

Investment of Endowed Funds

The endowment portfolio is invested in accordance with the Investment Policy Statement for Endowments as established by the Board of Trustees. The Finance Committee, acting on behalf of the Board of Trustees, is responsible for implementing the Investment Policy Statement and has delegated the administration of the endowment portfolio to the Vice President of Finance & Administration in consultation with the Committee/Board.

The performance objective is to maintain the purchasing power of the Endowment while minimizing, to the greatest extent possible, the possibility of a significant loss of principal. Asset allocation guidelines have been established to maintain a diversified portfolio and include equity, fixed income, and public real estate.

The University's cash and investments are included in the statements of net position under the following classifications at June 30:

	2022	2021
Cash and cash equivalents	$ 41,084,672	$ 39,115,045
Restricted cash	28,688,031	
Long-term investments	108,460,701	106,576,715
Other long-term investments	194,962	194,962
Total	$ 178,428,366	$ 145,886,722

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses resulting from rising interest rates, the University's investment policy limits the average weighted maturities and the maximum maturities of its investments. For investments in the short-term pool, the average weighted maturity generally will not exceed one year. For investments in the Intermediate pool, the average weighted duration of the portfolio is expected to be less than six years. For investments in the Long-term pool, the average weighted duration of fixed income holdings shall be no greater than 20% that of the Barclays Aggregate Bond Index.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. At June 30, 2022 and 2021, the carrying amounts of the University's deposits were $42,275,230 and $11,200,957 respectively. The bank balance of the University's deposits at June 30, 2022 and 2021 was $43,281,215 and $12,583,219, respectively. Of that amount, $2,001,032 and $2,000,408 was insured in 2022 and 2021, respectively. The remaining $41,280,185 and $10,582,811 at June 30, 2022 and 2021, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits. To limit its exposure to custodial credit risk for investments, the University intends to select and retain only pooled/mutual funds that will meet the requirements set forth in the investment policy.

Credit Risk – Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. To limit its exposure to credit risk, the University's investment policy limits the average credit rating of its portfolios. For investments within the Short-term pool, the weighted average credit quality must be AAA (or its equivalent rating by two national rating agencies) and the minimum acceptable credit quality at the time of purchase shall be AA. For Intermediate-Term investments, the weighted average credit quality must be BBB (or its equivalent rating by two national rating agencies) and the minimum acceptable credit quality at the time of purchase shall be BBB. For Long-Term investments, the weighted average credit quality in fixed income investments shall be no less than BBB (or its equivalent rating by two national rating agencies) and the minimum acceptable credit quality at the time of purchase shall be no less than B. At June 30, 2022 and 2021, the University's bond mutual funds, and money market mutual funds are not rated.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the investment. Under the University's Investment Policy Statement for Operating Cash, the majority of investments will be dollar denominated. The University holds investments in various global equity mutual funds. These funds are invested in various countries and therefore expose the University to foreign currency risk. Investments in these funds were $7,633,800 and $10,245,425 for the years ended June 30, 2022 and 2021, respectively.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's general policy shall be to diversify investments within both equity and fixed income securities to provide a balance between return and undue risk concentrations in any single issuer. As of June 30, 2022 and 2021, the University did not have investments in any one issuer that was greater than 5% of total investments.

At June 30, 2022, the University had the following investments and maturities:

	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Money Market Mutual Funds	$ 27,337,709	$ 27,337,709			
Bond Mutual Funds	88,161,767		$ 32,964,545	$ 52,982,020	$ 2,215,202
Equity Mutual Funds	19,644,309				19,644,309
Stock & ETFs	654,625				654,625
Real Estate	194,962				194,962
Total	135,993,372	$ 27,337,709	$ 32,964,545	$ 52,982,020	$ 22,709,098
Less Investments Reported as "Cash Equivalents" on Statement of Net Position	(27,337,709)				
Total Investments	$ 108,655,663				

At June 30, 2021, the University had the following investments and maturities:

	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Money Market Mutual Funds	$ 27,914,088	$ 27,914,088			
Bond Mutual Funds	82,957,294		$ 42,225,996	$ 39,145,025	$ 1,586,273
Equity Mutual Funds	22,577,163				22,577,163
Stock & ETFs	1,042,258				1,042,258
Real Estate	194,962				194,962
Total	134,685,765	$ 27,914,088	$ 42,225,996	$ 39,145,025	$ 25,400,656
Less Investments Reported as "Cash Equivalents" on Statement of Net Position	(27,914,088)				
Total Investments	$ 106,771,677				

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's own data.

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2022 or 2021.

Mutual funds: Shares held in mutual funds are valued at quoted market prices that represent the net asset value (NAV) of shares held by the University at year end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding.

Stocks & ETFs: Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

Real estate: Real estate investments includes a property that was purchased by the University and is carried at cost which approximates fair value and as a result is classified as Level 3 as the University has not obtained a recent appraisal.

The following table sets forth by level, within the fair value hierarchy, the University's investments measured at fair value on a recurring basis as of June 30, 2022:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total 2022
Money Market Mutual Funds	$ 27,337,709			$ 27,337,709
Bond Mutual Funds	88,161,767			88,161,767
Equity Mutual Funds	19,644,309			19,644,309
Stock & ETFs	654,625			654,625
Real Estate			$ 194,962	194,962
Leveled investment total	$ 135,798,410		$ 194,962	$ 135,993,372

The following table sets forth by level, within the fair value hierarchy, the University's investments measured at fair value on a recurring basis as of June 30, 2021:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total 2021
Money Market Mutual Funds	$ 27,914,088			$ 27,914,088
Bond Mutual Funds	82,957,294			82,957,294
Equity Mutual Funds	22,577,163			22,577,163
Stock & ETFs	1,042,258			1,042,258
Real Estate			$ 194,962	194,962
Leveled investment total	$ 134,490,803		$ 194,962	$ 134,685,765

NOTE C—INVESTMENTS—FOUNDATION

The Foundation, a legally separate, tax exempt organization, manages its investments under an investment policy separate from the University. The primary objective of the Foundation investments for endowed funds is to provide for long-term growth of principal without undue exposure risk, through capital appreciation, income, donor development and gifts.

The purpose of this policy is to provide a disciplined approach to moving money from the endowment to fulfill donor intentions on a timely, predictable, and consistent basis while preserving intergenerational equity.

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at quoted fair value. Both realized and unrealized gains and losses are included in net increase in fair value of investments in the statement of revenues, expenses and changes in net position. Investments acquired by gift or bequest are recorded at the market value on the date of donation and thereafter carried in accordance with the above provision.

Investment (loss) income for the Foundation for the years ended June 30 consists of:

	2022	2021
Realized gain on sale of investments	$ 556,986	$ 1,398,636
Unrealized (loss) gain on investments	(9,110,924)	9,488,780
Interest and dividends	1,895,458	1,040,688
Investment fee	(109,398)	(102,103)
Total	$ (6,767,878)	$ 11,826,001

Investments are not insured by the Federal Deposit Insurance Corporation (FDIC).

Resources from the net assets with and without donor restrictions have been pooled and invested through a national financial institution. Investment guidelines are established for each manager, consistent with their investment style, and Foundation's return, risk, and liquidity objectives. Performance standards are developed as a means of independently determining whether or not investment objectives are being achieved. Each manager has specific performance standards based on their investment style, which incorporate return, risk, and time horizon. Conformance to these standards and policies is closely monitored and evaluated in an unbiased analysis each quarter.

The primary objective of the investments for the Unendowment Fund will be to provide stability of principal along with a total return that maintains the purchasing power of the assets. The funds need to be available on demand while focusing on a total return that keeps pace with inflation.

The primary objective of the investments for the Endowment Fund will be to provide for long-term growth of principal without undue exposure risk, through capital appreciation, income, donor development, and gifts.

The purpose of this policy is to provide a disciplined approach to moving money from the endowment to fulfill donor intentions on a timely, predictable, and consistent basis while preserving intergenerational equity.

The Foundation is committed to administering and investing endowment funds in compliance with all relevant Foundation bylaws, organizational concerns, industry standards, and federal and state laws and regulations, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Gains and losses, as well as investment interest earned on endowment funds, have been allocated based on the net asset balance percentage participation less an operating fee. The net asset balance percentage participation is recalculated on a monthly basis with investment earnings, gains, and losses allocated to the respective endowment funds.

The Foundation will calculate funds available for spending on funds that reach endowed status as of June 30 of the previous year. Endowed status is defined as $25,000 for discretionary accounts and $50,000 for scholarship accounts.

The annual distribution is currently 3.85 percent of a 20 quarter rolling average of the endowment's market value (MV), but only to the extent that such distribution does not cause the value of the endowment fund to fall below 95 percent of the historic gift value (HGV) of the fund on the annual valuation date. No distributions will be made from an endowment whose MV on the annual valuation date is less than 85 percent of the HGV.

Credit Risk

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Foundation investment policy does not limit exposure to credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit exposure to fair value loss by limiting investments by maturity.

Fair Value Hierarchy

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, the Foundation groups its investments, contributions receivable from remainder trusts, annuity payment liabilities and split interest agreements at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1:

Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

Level 2:

Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3:

Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2022:

	Balance at June 30, 2022 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Mutual and ETF funds:				
Index funds	$ 10,401,754	$ 10,401,754		
Balanced funds	5,147,018	5,147,018		
Growth funds	15,633,996	15,633,996		
Fixed income funds	7,838,086	7,838,086		
Total mutual and ETF funds	39,020,854	39,020,854		
Alternative investments measured at net asset value				
Private equity funds (a)	2,881,797			
Hedge funds (b)	1,115,214			
Total alternative investments measured at net asset value	3,997,011			
Cash equivalents	1,269,570	1,269,570		
Held by third party	3,072,407			3,072,407
Total assets	$ 47,359,842	$ 40,290,424		$ 3,072,407
Liabilities				
Liabilities on annuity contracts and trusts	$ 367,099			$ 367,099

(a) Private equity funds - The purpose is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The partnerships may also invest in operating companies as direct investments or co-investment opportunities.

(b) Hedge funds - This category includes investments in hedge funds that invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using net asset value per share of the investments. These investments can be redeemed, and currently, there are no restrictions.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2021:

	Balance at June 30, 2021 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Mutual and ETF funds:				
Index funds	$ 12,361,134	$ 12,361,134		
Balanced funds	5,861,324	5,861,324		
Growth funds	20,601,584	20,601,584		
Fixed income funds	8,400,458	8,400,458		
Total mutual and ETF funds	47,224,500	47,224,500		
Alternative investments measured at net asset value				
Private equity funds (a)	920,398			
Hedge funds (b)	3,068,604			
Total alternative investments measured at net asset value	3,989,002			
Cash equivalents	307,856	307,856		
Held by third party	1,627,591			1,627,591
Total assets	$ 53,148,949	$ 47,532,356		$ 1,627,591
Liabilities				
Liabilities on annuity contracts and trusts	$ 413,375			$ 413,375

(a) Private equity funds - The purpose is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The partnerships may also invest in operating companies as direct investments or co-investment opportunities.

(b) Hedge funds - This category includes investments in hedge funds that invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using net asset value per share of the investments. These investments can be redeemed, and currently, there are no restrictions.

Held by third party assets categorized as Level 3 consists of a perpetual trust, in which the Foundation is the 100 percent beneficiary of future distributions, and two irrevocable charitable remainder trusts in which the Foundation will receive a remainder portion of the trust assets once there are no longer any individual beneficiaries and the trusts are liquidated. As of June 30, 2022, the Foundation estimates the value of the perpetual trust to be $1,301,060 and the irrevocable chartiable remainder trusts to be $1,771,347.

Liabilities on annuity contracts and trusts characterized as Level 3 liabilities consist primarily of charitable gift annuity agreements. The agreements require payments during the life of the annuitant at various rates up to 8.8 percent of the principal amounts. The Foundation estimates the fair value of these contributions based on estimated rate of return, anticipated future payments to be made to donors during the donors' lives, the donors' life expectancies, and an assumed discount rate between .6 percent and 7.8 percent. Changes in the value of annuity obligations payable are reported in the Statement of Revenues, Expenses, and Changes in Net Position.

Investments in Entities that Calculate Net Asset Value Per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At year end, the fair value and unfunded commitments totaled $3,997,011 and $625,538, respectively. At June 30, 2021, the fair value and unfunded commitments totaled $3,989,002 and $957,772, respectively. The funds are ineligible for redemption resulting in no redemption notice period being required.

The following table sets forth a summary of the changes in the fair value of the Foundation's Level 3 investment assets and liabilities for the year ended June 30, 2022:

	Balance at June 30, 2021	Total realized (losses) included in change in net position	Gross additions, deletions and purchases	Gross sales and maturities	Balance at June 30, 2022
Assets					
Investments:					
Irrevocable trust receivable	$ 1,627,591	$ (270,379)	$ 1,715,195		$ 3,072,407
Liabilities					
Liabilities on annuity contracts and trusts	$ 413,375		$ (46,276)		$ 367,099

The following table sets forth a summary of the changes in the fair value of the Foundation's Level 3 investment assets and liabilities for the year ended June 30, 2021:

	Balance at June 30, 2020	Total realized gains included in change in net position	Gross additions, deletions and purchases	Gross sales and maturities	Balance at June 30, 2021
Assets					
Investments:					
Irrevocable trust receivable	$ 1,323,553	$ 304,038			$ 1,627,591
Liabilities					
Liabilities on annuity contracts and trusts	$ 310,090		$ 103,285		$ 413,375

Concentration of Credit Risk

The current asset allocation policy was established to meet the Foundation's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward and risk characteristics, correlation with other asset classes, manager roles, and fulfillment of the Foundation's long-term financial needs. Conformance with statutory investment guidelines is also considered.

The NMU Foundation Finance Committee (the "Committee") established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions. The Committee selected the target allocation for each asset class based on the Foundation's current investments and present market conditions.

The Committee intends to review these allocation targets at least annually, focusing on changes in the Fund's financial needs, investment objectives and asset class performance.

Short Term Unendowed Pool Asset Allocation Targets

Asset Class	Manager Role	Allocation Range	Target
U.S. Equities	All Cap	+/- 20%	9%
Non-U.S. Equities	All Cap Developed and Emerging Markets	+/- 15%	11%
Equity sub-total		0-50%	20%
U.S. Income	U.S. Income	+/-15%	59%
Non U.S. Income	Developed and Emerging Markets	+/-15%	2%
Income sub-total		50-100%	61%
Cash Equivalents		0-50%	19%
Total Funds			100%

Intermediate Term Unendowed Pool Asset Allocation Targets

Asset Class	Manager Role	Allocation Range	Target
U.S. Equities	All Cap	+/- 20%	26%
Non-U.S. Equities	All Cap Developed and Emerging Markets	+/- 15%	26%
Equity sub-total		40-80%	52%
U.S. Income	U.S. Income	+/- 5%	18%
Non U.S. Income	Developed and Emerging Markets	+/- 3%	1%
Income sub-total		5-35%	19%
Liquid Alternative Investments (a)	Various	10-40%	24%
Cash Equivalents		0-10%	5%
Total Funds			100%

(a) Includes but not limited to: Global/Flexible Managers, Real Estate, Commodities, Managed Futures, etc. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merit of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class, and intends to periodically evaluate this decision as well as the active versus passive manager decision.

Endowment Pool Asset Allocation Targets

Asset Class	Manager Role	Allocation Range	Target
U.S. Equities	All Cap	+/- 40%	24%
Non-U.S. Equities	All Cap Developed and Emerging Markets	+/- 40%	24%
Equity sub-total		40-80%	48%
U.S. Income	U.S. Income	+/- 10%	14%
Non U.S. Income	Developed and Emerging Markets	+/- 5%	1%
Income sub-total		5-30%	15%
Alternative Investments (b)	Various	10-40%	33%
Cash Equivalents		0-10%	4%
Total Funds			100%

(b) Includes but not limited to: Hedge Funds, Global/Flexible Managers, Real Estate, Commodities, Managed Futures, Private Equity, etc. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

The investments shall be reviewed quarterly to ensure the endowment assets are within these ranges. The manager may not invest in more than 5 percent of the outstanding securities of one issuer nor invest more than 5 percent of the portfolio in the outstanding securities of one issuer.

Custodial Credit Risk

The Foundation has engaged Morgan Stanley to serve as custodian of the endowment investments. The custodian maintains physical possession of securities owned by the Foundation, collects dividend and interest payments, redeems maturing securities, and affects receipt and delivery following purchases and sales. The custodian also performs regular accounting of all assets owned, purchased or sold.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At June 30, 2022, the Foundation's assets are held in combination of mutual funds and exchange traded funds (ETF's), hedge funds, and private equity programs.

Foreign Currency Risk

The Foundation's investment policy also allows up to ten percent of its portfolio to be invested in foreign-denominated securities; all other investments must be denominated in U.S. dollars. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at quoted fair value. Both realized and unrealized gains and losses are included in net increase (decrease) in fair value of investments in the statement of revenues, expenses, and changes in net position. Investments acquired by gift or bequest are recorded at the market value on the date of donation and thereafter carried in accordance with the above provision.

NOTE D—RECEIVABLES

Receivables of the University include the following at June 30:

	2022	2021 (as restated)
State appropriations - net	$ 8,961,577	$ 8,876,307
Student notes receivable - net	3,144,027	3,628,831
Interest receivable	4,119	4,026
Lease receivable	1,571,328	1,666,751
Charter schools	7,539,376	7,488,436
NMU Foundation	115,389	112,888
State, federal and private grants	792,839	10,367,275
Students, employees and vendors - net	2,849,872	2,663,598
Total	$ 24,978,527	$ 34,808,112

For the years ended June 30, 2022 and 2021, the University received approximately $41,198,000 and $42,256,000, respectively, for charter schools which was forwarded, net of an administrative fee, to nine charter schools.

NOTE E—CAPITAL ASSETS

The following table summarizes, by major class of asset, the recorded costs and accumulated depreciation of capital assets as of June 30, 2022:

	Beginning Balance	Additions and Transfers	Retirements	Ending Balance
Depreciable assets:				
Land improvements	$ 11,160,617	$ 21,789		$ 11,182,406
Buildings and improvements	342,094,970	860,164	$ 1,668,756	341,286,378
Infrastructure	16,855,580			16,855,580
Equipment	92,128,664	5,193,447	2,478,202	94,843,909
Leased buildings	130,510	396,995		527,505
Leased equipment	1,029,793			1,029,793
Books	6,532,542	266,658	427,619	6,371,581
Subtotal depreciable assets	469,932,676	6,739,053	4,574,577	472,097,152
Nondepreciable assets:				
Land	6,207,480	425,044		6,632,524
Building (see Note P)	75,748,937			75,748,937
Construction in progress	1,317,979	9,596,207		10,914,186
Subtotal nondepreciable assets	83,274,396	10,021,251		93,295,647
Total depreciable and nondepreciable assets	553,207,072	16,760,304	4,574,577	565,392,799
Less accumulated depreciation/amortization for:				
Land improvements	8,406,093	242,374		8,648,467
Buildings and improvements	149,294,788	7,013,666	1,668,756	154,639,698
Infrastructure	13,565,441	301,330		13,866,771
Equipment	49,048,993	5,720,348	1,724,292	53,045,049
Leased buildings	71,188	45,518		116,706
Leased equipment	366,781	198,426		565,207
Books	5,766,778	82,209	384,857	5,464,130
Total accumulated depreciation/amortization	226,520,062	13,603,871	3,777,905	236,346,028
Capital assets, net	$ 326,687,010	$ 3,156,433	$ 796,672	$ 329,046,771

The following table summarizes, by major class of asset, the recorded costs and accumulated depreciation of capital assets as of June 30, 2021:

	Beginning Balance*	Additions and Transfers	Retirements	Ending Balance*
Depreciable assets:				
Land improvements	$ 10,911,424	$ 249,193		$ 11,160,617
Buildings and improvements	340,519,562	1,842,978	$ 267,570	342,094,970
Infrastructure	16,855,580			16,855,580
Equipment	90,542,402	6,029,998	4,443,736	92,128,664
Leased buildings	130,510			130,510
Leased equipment	1,001,362	28,431		1,029,793
Books	6,789,610	14,573	271,641	6,532,542
Subtotal depreciable assets	466,750,450	8,165,173	4,982,947	469,932,676
Nondepreciable assets:				
Land	6,162,268	45,212		6,207,480
Building (see Note P)	75,748,937			75,748,937
Construction in progress	2,378,558	(1,060,579)		1,317,979
Subtotal nondepreciable assets	84,289,763	(1,015,367)		83,274,396
Total depreciable and nondepreciable assets	551,040,213	7,149,806	4,982,947	553,207,072
Less accumulated depreciation for:				
Land improvements	8,082,024	324,069		8,406,093
Buildings and improvements	142,448,055	6,992,384	145,651	149,294,788
Infrastructure	13,188,148	377,293		13,565,441
Equipment	47,237,534	5,356,142	3,544,683	49,048,993
Leased buildings	35,594	35,594		71,188
Leased equipment	170,859	195,922		366,781
Books	5,925,179	82,661	241,062	5,766,778
Total accumulated depreciation	217,087,393	13,364,065	3,931,396	226,520,062
Capital assets, net	$ 333,952,820	$ (6,214,259)	$ 1,051,551	$ 326,687,010

* The University implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases payable have been added to the beginning balances shown above and a corresponding lease asset has been recorded.

Capital assets are capitalized at cost including ancillary charges necessary to place the asset into use. The University is in the process of renovating various campus buildings. Contractual commitments relating to renovations were approximately $3,838,000 and $2,490,000 at June 30, 2022 and 2021, respectively. The University is currently in the construction phase of a new health and wellness center on campus. Contractual commitments relating to this new construction were approximately $7,500,000 as of June 30, 2022.

Renovations began on the career tech and engineering technology facility. The project is scheduled to be financed by $20,000,000 in State Building Authority (SBA) bonds which will be secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements between the SBA, the State of Michigan, and the University. The remaining $8,600,000 will be paid from University funds. During the lease term, the SBA will hold title to the building and the University will pay all operating and maintenance costs. Construction costs to June 30, 2022 totaled $4,100,000 and are recorded in construction in progress.

Facilities financed in whole or in part by the SBA are the John X. Jamrich Hall, the Seaborg Center Complex, the Art and Design addition, the Hedgcock Building, and the Thomas Fine Arts Building. At the expirations of the individual leases, the SBA has agreed to sell each building to the University for one dollar. The cost and accumulated depreciation for these facilities are recorded in the statements of net position.

NOTE F—COLLECTIONS

The University has the Moses Coit Tyler Collection that has not been capitalized. This collection is maintained for public exhibition and education.

NOTE G—PAYABLES

Payables of the University include the following at June 30:

	2022	2021
Accrued payroll and benefits	$ 8,240,825	$ 7,547,401
Construction contractors	4,844,132	1,098,661
Charter schools	7,313,195	7,263,783
Vendors	4,026,832	2,806,217
Interest payable	735,116	516,925
Total	$ 25,160,100	$ 19,232,987

NOTE H—LEASES

Lessee - The University is involved in 29 agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not financed purchases, as the University will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year. The present values are discounted using an interest rate of 2.46 percent based on the University's 2022 and 2021 borrowing rate.

	Remaining Term of Agreements
Asset Type	
Buildings	1 to 10 years
Equipment	1 to 8 years

The assets acquired through leases are summarized as follows at June 30:

	2022	2021
Buildings, and equipment	$ 1,557,298	1,160,303
Less accumulated amortization	(681,913)	(437,969)
Net book value	$ 875,385	$ 722,334

The net present value of future minimum payments as of June 30, 2022, were as follows:

Year Ended June 30	Principal	Interest
2023	$ 271,462	$ 19,646
2024	191,600	13,654
2025	68,184	10,510
2026	60,010	8,973
2027	60,515	7,511
2028-2032	269,947	15,153
Total	$ 921,718	$ 75,447

Lease liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Leases payable	$ 774,266	$ 396,995	$ (249,543)	$ 921,718	$ 271,462

Lease liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Leases payable	$ 964,460	$ 28,431	$ (218,625)	$ 774,266	$ 240,896

* The University implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases payable have been added to the beginning balances shown above and a corresponding lease asset has been recorded.

Lessor - The University is involved in 12 agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the lessor will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the years ended June 30, 2022 and 2021 was $135,300 and $131,525 respectively. The present values are discounted using an interest rate of 2.46 percent based on the University's 2022 and 2021 borrowing rate.

Asset Type	Remaining Term of Agreements
Buildings and Infrastructure	1 to 24 years

Lease receivable activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leases receivable	$ 1,666,751	$ 22,666	$ (118,089)	$ 1,571,328

Lease receivable activity for the year ended June 30, 2021, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance
Leases receivable	$ 1,713,050	$ 63,278	$ (109,577)	$ 1,666,751

* The University implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases receivable have been added to the beginning balances shown above and a corresponding deferred inflow has been recorded.

NOTE I—LONG-TERM LIABILITIES

In December 2021, the University issued fixed rate General Revenue Bonds, tax-exempt Series 2021 Bonds in the amount of $34,410,000. A portion of the proceeds of the Series 2021 Bonds, were used to defease in substance $10,230,000 of the 2012 outstanding bonds by depositing funds in an irrevocable trust with an escrow agent. The refunding resulted in an economic gain of $1,032,000 and a net present value savings of approximately $1,081,000 due to the reduction of the interest rate. As of June 30, 2022, the General Revenue Bonds Series 2012 bonds are considered defeased and the liability has been removed from the statement of net position. A portion of the proceeds of the Series 2021 bonds is expected to be used to pay a portion of the costs of certain capital improvement projects on the main campus of the University including: (i) construction of a new enterprise center for the College of Business and other academic programs, which will include faculty offices, lab space, classrooms and an auditorium; (ii) construction of a new student health and wellness center; (iii) renovation of the library facilities at Harden Hall to modernize the facilities, co-locate student resources and improve energy efficiency; and (iv) various other capital improvements to University facilities, including classroom upgrades, improvements to athletic facilities, and campus parking and other infrastructure enhancements (collectively, the "Projects"). Approximately $31,150,000 of the total cost of the Projects will be financed with the proceeds of the Bonds. The balance of the cost of the Projects will be paid from other available funds of the Board. The University received a reoffering premium of $7.3 million in the issuance of the 2021 Bonds that bear interest at 4.00% to 5.00% and mature in varying amounts through 2046.

The refunding was undertaken to reduce future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by approximately $0.4 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued.

In March of 2021, the University's TV and FM stations entered into a loan agreement in the amount of $239,800 under the Paycheck Protection Program (PPP). The loan had an interest rate of 1% with deferred payments for 10 months and a scheduled maturity date of March 25, 2026. The terms of the loan were subject to the U.S. Small Business Administration (SBA) Paycheck Protection Program. The note was subject to loan forgiveness as determinable by the sole approval of the SBA upon submission of the Loan Forgiveness application and supporting documents. The University received notification from the SBA of forgiveness of the entire loan November 2, 2021. Accordingly, the University has recognized $239,800, received under the PPP loan program as grant revenue.

In June 2018, the University issued fixed rate General Revenue Bonds, tax-exempt Series 2018A Bonds in the amount of $49,325,000 and taxable Series 2018B Bonds in the amount of $22,655,000. The proceeds of the Series 2018A Bonds, together with a portion of the proceeds from the 2018B Bonds were used to defease in substance $64,325,000 of the 2008A outstanding bonds by depositing funds in an irrevocable trust with an escrow agent. The balance of the 2008A defeased bonds at June 30 was $64,325,000. A portion of the proceeds of the Series 2018B bonds were used to pay the costs of the demolition, reconstruction, furnishing, and equipping of the south and east wings of the Don H. Bottom University Center located on the main campus of the University (the "Project"). The estimated cost of the Project was approximately $22.0 million. Approximately $14 million of the cost of the Project was paid from the proceeds of the Series 2018B Bonds, and the balance of the cost of the Project was paid from available reserves of the Board. The University received a reoffering premium of $6.7 million in the issuance of the 2018A Bonds that bear interest at 5% and mature in varying amounts through 2038. The series 2018B Bonds bear interest rates from 3.08% to 4.5% and mature in varying amounts through 2044.

The refunding was undertaken to reduce future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $2.2 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued.

In October 2017, the University entered into an investment agreement with the Michigan Strategic Fund (the "MSF") that will provide $6.5 million to reimburse the University for fees, costs and expenses incurred to build out the NMU Educational Access Network ("EAN"), a high-speed broadband service, across Michigan's Upper Peninsula. The University provided matching cost-share funds of thirty-three percent of total project costs, or approximately $9.8 million. The EAN project is expected to be a self-liquidating operation. Revenue is generated from subscription fees, equipment sales and rentals, tower rental, and other sources. As of June 30, 2021, the build-out has been completed and the EAN provides service to 113 Upper Peninsula communities and two Lower Peninsula communities. As of June 30, 2020, the University had received $6.5 million in reimbursements from the MSF. As of June 30, 2022, there is currently no future maturity or payment schedule related to these borrowings.Structured repayment of the investment award will be made in annual installments equal to thirty-five percent (35%) of positive net revenue of the EAN project in each fiscal year, beginning with operations for fiscal year 2030, and continuing each year thereafter until the MSF has been repaid in full plus interest at the rate of two percent (2%) per annum. Any amount remaining outstanding, together with accrued and unpaid interest, is required to be paid by the University in full no later than December 31, 2047.

In February 2012, the University issued fixed rate General Revenue Bonds, Series 2012, in the amount of $18,190,000 for construction of a new solid biomass fuel combined heat and power plant as an addition to the existing Ripley Heating Plant to generate steam and electricity for the University's campus, an energy efficiency steam optimization project, steam tunnel improvements, and various building and renovation projects. During 2021, the University refunded the Series 2012 bonds as described above.

As of June 30, 2022, debt service requirements of the bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2023	$ 5,355,000	$ 4,235,875	$ 9,590,875
2024	5,615,000	3,977,907	9,592,907
2025	5,785,000	3,707,237	9,492,237
2026	5,450,000	3,438,590	8,888,590
2027	5,280,000	3,181,990	8,461,990
Total Five Years	27,485,000	18,541,599	46,026,599
Thereafter			
2028-2032	28,345,000	11,802,075	40,147,075
2033-2037	17,865,000	6,023,965	23,888,965
2038-2042	10,575,000	2,933,655	13,508,655
2043-2046	8,115,000	728,450	8,843,450
Total	92,385,000	$ 40,029,744	$ 132,414,744
Deferred re-offering premium	12,492,090		
Total	$ 104,877,090		

Long-term liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Bonds payable	$ 72,955,000	$ 34,410,000	$ 14,980,000	$ 92,385,000	$ 5,355,000
Premium on bond issuance	6,252,203	7,341,230	1,101,343	12,492,090	737,506
Total bonds payable	79,207,203	41,751,230	16,081,343	104,877,090	6,092,506
Other Liabilities:					
Severance benefits (Note M)	3,044,239	37,034	3,036,613	44,660	44,660
WNMU-TV & WNMU-FM PPP loan (direct borrowing)	239,800		239,800		
Michigan Strategic Fund loan (direct borrowing)	6,500,000			6,500,000	
The Woods commitments (Note P)	4,508,625		46,498	4,462,127	46,871
Finance leases (direct borrowing)	75,795		75,795		
Compensated absences	2,850,872	2,206,853	2,231,293	2,826,432	242,664
Federal capital contribution of Perkins Loan Program	3,352,351		661,606	2,690,745	
Total other liabilities	20,571,682	2,243,887	6,291,605	16,523,964	334,195
Total long-term liabilities	$ 99,778,885	$ 43,995,117	$ 22,372,948	$ 121,401,054	$ 6,426,701

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Bonds payable	$ 78,385,000		$ 5,430,000	$ 72,955,000	$ 4,820,000
Premium on bond issuance	6,638,919		386,716	6,252,203	386,716
Total bonds payable	85,023,919		5,816,716	79,207,203	5,206,716
Other Liabilities:					
Severance benefits (Note M)	4,362,338	140,575	1,458,674	3,044,239	2,398,875
WNMU-TV & WNMU-FM PPP loan (direct borrowing)		239,800		239,800	239,800
Michigan Strategic Fund loan (direct borrowing)	6,500,000			6,500,000	
The Woods commitments (Note P)	4,554,752		46,127	4,508,625	46,498
Finance leases (direct borrowing)	452,139		376,344	75,795	75,795
Compensated absences	2,969,183	2,009,997	2,128,308	2,850,872	226,468
Federal capital contribution of Perkins Loan Program	4,736,348		1,383,997	3,352,351	
Total other liabilities	23,574,760	2,390,372	5,393,450	20,571,682	2,987,436
Total long-term liabilities	$ 108,598,679	$ 2,390,372	$ 11,210,166	$ 99,778,885	$ 8,194,152

NOTE J—NET INVESTMENTS IN CAPITAL ASSETS

Following is a summary of the net investment in capital assets as of June 30:

	2022	2021 (as restated)
Capital assets, net	$ 329,046,771	$ 326,687,010
Bonds payable	(92,385,000)	(72,955,000)
Restricted cash - unspent bond proceeds	28,688,031	
Finance lease-laptops		(75,795)
Deferred reoffering premium	(12,492,090)	(6,252,203)
Deferred charge on refunding	1,344,557	1,846,588
Lease liabilities	(921,718)	(774,266)
Concessions arrangement	(63,381,363)	(64,274,058)
Michigan Strategic Fund loan	(6,500,000)	(6,500,000)
Woods commitments	(4,462,127)	(4,508,625)
Total	$ 178,937,061	$ 173,193,651

NOTE K—OPERATING EXPENSES

Operating expenses by natural classification for the years ended June 30 were as follows:

	2022	2021 (as restated)
Salaries, wages and benefits	$ 94,102,458	$ 95,168,847
Supplies and support services	38,889,653	34,591,663
Utilities	7,071,438	5,761,547
Depreciation and amortization expense	13,603,871	13,364,065
Scholarships	18,450,837	12,838,253
Total	$ 172,118,257	$ 161,724,375

NOTE L—RETIREMENT PLANS

The University has two retirement plans: Teachers Insurance and Annuities Association (TIAA) and the Michigan Public School Employees' Retirement System (System or MPSERS). New University employees hired after January 1, 1996 can only participate in TIAA based on changes in state legislation during 1995.

The University does not provide health care benefits to retirees under the TIAA plan. Group medical, prescription, drug, dental and vision are provided to retirees as part of the University's participation in MPSERS.

Teachers Insurance and Annuities Association (TIAA)

The TIAA plan is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA plan. Employee benefits vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract, and has no liability beyond its own contribution. As of June 30, 2022, 2021, and 2020 the plan had 843, 820, and 677 participants, respectively.

The University's contributions to the TIAA plans are as follows for the years ended June 30:

	2022	2021	2020
University contributions	$ 7,740,915	$ 7,613,855	$ 7,603,777
Covered payroll	57,895,761	55,826,813	55,240,627

Michigan Public School Employees' Retirement System (MPSERS)

Plan Description

The University contributes to the MPSERS, a cost-sharing multi-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the system.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the options of receiving health, prescription drug, dental and vision coverage under the Michigan Public Schools Employees Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	**Plan Type**	**Plan Status**
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The Member Investment Plan (MIP) includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7%* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in *MIP* were provided the option to convert to a defined contribution plan (*Basic* 4%). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution plan*. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.5%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her membership contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate the service through repayment of the refund upon satisfaction of certain requirements.

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of OPEB, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the MPSERS, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, 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 subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the system are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year 2022, which includes supplemental MPSERS UAAL employer stabilization contributions that are passed through the University to MPSERS:

Pension Contribution Rates		
Benefit Structure	**Members**	**Employer**
Basic	0.0 - 4.0%	26.26%
Member Investment Plan	3.0 - 7.0%	26.26%
Pension Plus	3.0 - 6.4%	N/A
Defined Contribution	0.0	19.74%

The University's required contributions to MPSERS under all pension plans as described above for the years ended June 30, 2022, 2021, and 2020 were $5,460,575, $4,788,721, and $4,712,064 respectively. The schedule below summarizes OPEB contribution rates in effect for fiscal year 2022, which includes supplemental MPSERS UAAL employer stabilization contributions that are passed through the University to MPSERS:

OPEB Contribution Rates		
Benefit Structure	**Members**	**Employer**
Premium Subsidy	3.00%	6.91%
Personal Healthcare Fund (PHF)	0.00%	5.99%

The University required contributions to the OPEB plan for the years ended June 30, 2022, 2021, and 2020 were $1,286,655, $1,245,672, and $1,216,972 respectively.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The University reported a liability of $53,111,511 and $64,568,315 as of June 30, 2022 and 2021, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021 and 2020 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020 and 2019 respectively. The University's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the University's proportion (as calculated by MPSERS) was 9.45289%, which was a decrease of .00047% points from its proportion measured as of September 30, 2020 of 9.45336%.

For the year ended June 30, 2022, the University recognized pension expense of $1,236,836 from changes in MPSERS related net pension liability, deferred inflows, and deferred outflows. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments		$ 7,150,960	$ (7,150,960)
		7,150,960	(7,150,960)
State appropriations for MPSERS		10,063,338	(10,063,338)
University contributions subsequent to the measurement date	$ 12,349,253		12,349,253
Total	$ 12,349,253	$ 17,214,298	$ (4,865,045)

The amount of deferred outflows of resources related to University contributions, subsequent to the measurement date, of $12,349,253 will be recognized as a reduction in net pension liability for the year ending June 30, 2023. Deferred inflows of resources resulting from the pension portion of State aid payments received pursuant to UAAL stabilization payments of $10,063,338 will be recognized as State appropriations revenue for the year ending June 30, 2023. Other amounts reported as deferred outflows/inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30	Amount
2023	$ (1,909,351)
2024	(1,564,229)
2025	(1,756,342)
2026	(1,921,038)
Total	$ (7,150,960)

For the year ended June 30, 2021, the University recognized pension expense of $5,005,904 from changes in MPSERS related net pension liability, deferred inflows, and deferred outflows. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	$ 82,107		$ 82,107
	82,107		82,107
State appropriations for MPSERS		$ 1,997,397	(1,997,397)
University contributions subsequent to the measurement date	4,353,360		4,353,360
Total	$ 4,435,467	$ 1,997,397	$ 2,438,070

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The University reported a net OPEB asset of $4,044,395 and a net OPEB liability of $3,969,975 as of June 30, 2022 and 2021, respectively for its proportionate share of the MPSERS net OPEB asset/liability. The net OPEB asset/liability was measured as of September 30, 2021 and 2020, respectively and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation rolled forward from September 30, 2020 and 2019, respectively. The University's proportion of the net OPEB asset/liability was determined by dividing each employers statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the University's proportion (as calculated by MPSERS) was 9.43231% which was an increase of .03687% points from its proportion measured as of September 30, 2020 of 9.39544%.

For the year ended June 30, 2022, the University recognized a reduction in OPEB expense of $4,419,892. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on OPEB plan investments		$ 2,313,698	$ (2,313,698)
		2,313,698	(2,313,698)
State appropriations for MPSERS		339,191	(339,191)
University contributions subsequent to the measurement date	$ 987,259		987,259
Total	$ 987,259	$ 2,652,889	$ (1,665,630)

The $987,259 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ending June 30, 2023. Deferred inflows of resources resulting from the OPEB portion of State aid payments received pursuant to UAAL stabilization payments of $339,191 will be recognized as State appropriations revenue for the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2023	$ (600,640)
2024	(522,887)
2025	(568,948)
2026	(621,223)
Total	$ (2,313,698)

For the year ended June 30, 2021, the University recognized a reduction in OPEB expense of $3,965,121. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between actual and expected experience		$ 108,140	$ (108,140)
Changes in assumptions	$ 19,369		19,369
Net difference between projected and actual earnings on OPEB plan investments	82,591		82,591
Changes in proportion and differences between employer contributions and proportionate share of contributions	389	86	303
	102,349	108,226	(5,877)
State appropriations for MPSERS		334,262	(334,262)
University contributions subsequent to the measurement date	1,014,593		1,014,593
Total	$ 1,116,942	$ 442,488	$ 674,454

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liability in the September 30, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Additional information as of the latest actuarial valuation follows:

Valuation Date	September 30, 2020 and 2019
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return Pension	
MIP and Basic Plans (Non-Hybrid	6.80% net of investment expenses
Pension Plus Plan (Hybrid)	6.80% net of investment expenses
Pension Plus 2 Plan (Hybrid)	6.00%
OPEB Plans	6.95%
Projected Salary Increases	2.75-11.55%, including wage inflation at 2.75%
Investment Rate of Return OPEB	6.95% net of investment expenses
Cost-of-living Pension adjustments	3% annual Non-Compounded for MIP Members
Healthcare cost trend rate	Pre 65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
	Post 65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those 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 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension and OPEB liabilities is 1.0000 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years. Full actuarial assumptions are available in the 2021 and 2020 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/orsschools).

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 1.0000 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 1.3472 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years. Full actuarial assumptions are available in the 2020 and 2019 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/orsschools).

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021 are summarized in the following table:

Pension
As of September 30, 2021

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-weighted Rate of Return
Domestic equity pools	25.0%	5.40%	1.35%
Alternative investment pools	16.0%	9.10%	1.46%
International equity pools	15.0%	7.50%	1.13%
Fixed income pools	10.5%	-0.70%	-0.07%
Real estate and infrastructure pools	10.0%	5.40%	0.54%
Absolute return pools	9.0%	2.60%	0.23%
Real return/opportunistic pools	12.5%	6.10%	0.76%
Short-term investment pools	2.0%	-1.30%	-0.03%
Total	100.0%		5.37%
Inflation			2.00%
Risk adjustment			-0.57%
Investment rate of return			6.80%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Pension
As of September 30, 2020

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-weighted Rate of Return
Domestic equity pools	25.0%	5.60%	1.40%
Alternative investment pools	16.0%	9.30%	1.49%
International equity pools	15.0%	7.40%	1.11%
Fixed income pools	10.5%	0.50%	0.05%
Real estate and infrastructure pools	10.0%	4.90%	0.49%
Absolute return pools	9.0%	3.20%	0.29%
Real return/opportunistic pools	12.5%	6.60%	0.83%
Short-term investment pools	2.0%	-0.01%	0.00%
Total	100.0%		5.66%
Inflation			2.30%
Risk adjustment			-1.16%
Investment rate of return			6.80%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021 are summarized in the following table:

OPEB
As of September 30, 2021

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-weighted Rate of Return
Domestic equity pools	25.0%	5.40%	1.35%
Alternative investment pools	16.0%	9.10%	1.46%
International equity pools	15.0%	7.50%	1.13%
Fixed income pools	10.5%	-0.70%	-0.07%
Real estate and infrastructure pools	10.0%	5.40%	0.54%
Absolute return pools	9.0%	2.60%	0.23%
Real return/opportunistic pools	12.5%	6.10%	0.76%
Short-term investment pools	2.0%	-1.30%	-0.03%
Total	100.0%		5.38%
Inflation			2.00%
Risk adjustment			-0.43%
Investment rate of return			6.95%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020 are summarized in the following table:

OPEB
As of September 30, 2020

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-weighted Rate of Return
Domestic equity pools	25.0%	5.60%	1.40%
Alternative investment pools	16.0%	9.30%	1.49%
International equity pools	15.0%	7.40%	1.11%
Fixed income pools	10.5%	0.50%	0.05%
Real estate and infrastructure pools	10.0%	4.90%	0.49%
Absolute return pools	9.0%	3.20%	0.29%
Real return/opportunistic pools	12.5%	6.60%	0.83%
Short-term investment pools	2.0%	-0.10%	0.00%
Total	100.0%		5.66%
Inflation			2.10%
Risk adjustment			-0.81%
Investment rate of return			6.95%

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus Plan, a hybrid plan provided through non-university employers only). A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% and 6.95% on OPEB plan investments. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the University's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportional share of net pension liability calculated using the discount rate of 6.80%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.80%) or 1% higher (7.80%) than the current rate as of June 30, 2022:

	1% Decrease (5.80%)	Current Single Discount Rate Assumption (6.80%)	1% Increase (7.80%)
University's proportionate share of net pension liability	$ 63,813,630	$ 53,111,511	$ 43,975,007

The following presents the University's proportional share of net pension liability calculated using the discount rate of 6.80%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.80%) or 1% higher (7.80%) than the current rate as of June 30, 2021:

	1% Decrease (5.80%)	Current Single Discount Rate Assumption (6.80%)	1% Increase (7.80%)
University's proportionate share of net pension liability	$ 75,670,139	$ 64,568,315	$ 55,100,728

Sensitivity of the University's Proportionate Share of OPEB Asset/Liability to Changes in the Discount Rate

The following presents the University's proportional share of net OPEB asset/liability calculated using the discount rate of 6.95%, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.95%) or 1% higher (7.95%) than the current rate as of June 30, 2022:

	1% Decrease (5.95%)	Current Single Discount Rate Assumption (6.95%)	1% Increase (7.95%)
University's proportionate share of net OPEB asset	$ (2,474,826)	$ (4,044,395)	$ (5,387,918)

The following presents the University's proportional share of net OPEB liability calculated using the discount rate of 6.95%, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.95%) or 1% higher (7.95%) than the current rate as of June 30, 2021:

	1% Decrease (5.95%)	Current Single Discount Rate Assumption (6.95%)	1% Increase (7.95%)
University's proportionate share of net OPEB liability	$ 5,935,011	$ 3,969,975	$ 2,296,219

Sensitivity of the University's Proportional Share of Net OPEB Asset/Liability to Healthcare Cost Trend Rate

The following presents the University's proportional share of net OPEB asset calculated using assumed trend rates, as well as what the University's net OPEB asset would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2022:

	1% Decrease (6.75%)	Current Healthcare Cost Trend Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of net OPEB asset	$ (5,488,809)	$ (4,044,395)	$ (2,396,981)

The following presents the University's proportional share of net OPEB liability calculated using assumed trend rate of 7.00%, as well as what the University's net OPEB liability would be if it were calculated using a trend rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate as of June 30, 2021:

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of net OPEB liability	$ 2,184,748	$ 3,969,975	$ 6,013,131

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

NOTE M—EARLY RETIREMENT INCENTIVE PLAN

During fiscal year 2020, the University established an Early Retirement Incentive Plan (ERIP) available to all current full-time employees who completed ten years of service by August 31, 2020. Employees had to apply for the ERIP no later than June 19, 2020. Approved employees were eligible for post-separation cash severance benefits. Employees could elect Cobra health coverage benefits at the employee's expense for a period not to exceed 36 months. The ERIP is expected to be paid over a three-year period beginning in fiscal year 2021. The ERIP liability as of June 30, 2022 and 2021 was approximately $45,000 and $3,044,000, respectively, of which approximately $45,000 is payable in fiscal year 2023.

NOTE N—LIABILITY INSURANCE

The University participates in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.), which provides indemnity to members against comprehensive general liability, property and casualty, and errors and omissions losses, commonly covered by insurance and provides risk management and loss control services and programs. M.U.S.I.C. provides coverage for claims in excess of agreed upon deductibles.

Loss coverages are structured on a three layer basis with each member retaining a portion of its losses; M.U.S.I.C. covering the second layer and commercial carriers covering the third layer. Comprehensive general liability coverage is provided on an occurrence basis; errors and omissions coverage are provided on a claim made basis.

M.U.S.I.C. was established on May 28, 1987 pursuant to the State of Michigan Constitution of 1963, Article 8, Sections 5 and 6, and subsequently they incorporated as a Michigan nonprofit corporation pursuant to the provisions of Act 162 Public Acts of 1982. Eleven Michigan Public universities participate in M.U.S.I.C. All members have signed a participation agreement. Participant contributions are assessed on an annual basis to cover insurance risks retained as a group, costs related to excess coverage, and general and administrative expenses. Members' equity totaled $5,583,999 at June 30, 2022, based on the last published financial statements.

Self-insurance

The University is self-insured for health, dental, vision, workers' compensation, and short-term disability for all employees. Liabilities for estimates of losses retained by the University under self-insurance programs have been established.

Stop-loss coverage has been purchased by the University for the self-funded hospital/medical benefits, including prescription drugs, and workers' compensation claims. The medical stop-loss insurance limits the claims for medical/prescription benefits to $525,000 and $500,000 per covered individual for fiscal years ended June 30, 2022 and 2021, respectively. The workers' compensation stop-loss insurance limits the University's liability for claims paid per individual to $500,000 and $450,000 for fiscal years ended June 30, 2022 and 2021, respectively, the aggregate excess insured maximum liability is $5,000,000. Changes in the estimated liability for the fiscal years ended June 30, 2022 for health benefits, including dental and vision, were as follows:

Claims activity for the year ended June 30, 2022:

	Liability - Beginning of Year	Claims incurred, including changes in estimates	Claims Payments	Liability - End of Year
Medical claims	$ 3,003,225	$ 12,684,363	$ (12,317,775)	$ 3,369,813
Workers' compensation	23,881	138,406	(96,369)	65,918
Total	$ 3,027,106	$ 12,822,769	$ (12,414,144)	$ 3,435,731

Claims activity for the year ended June 30, 2021:

	Liability - Beginning of Year	Claims incurred, including changes in estimates	Claims Payments	Liability - End of Year
Medical claims	$ 1,719,547	$ 13,631,048	$ (12,347,370)	$ 3,003,225
Workers' compensation	41,033	175,143	(192,295)	23,881
Total	$ 1,760,580	$ 13,806,191	$ (12,539,665)	$ 3,027,106

NOTE O—CONTINGENCIES

The University receives significant financial assistance from State and Federal agencies in the form of grants and awards. The use of these funds generally requires compliance with grantor terms and conditions and is subject to audit by the grantor agency.

Disallowed expenditures resulting from grantor audits could become a liability of the University, however, management believes that any future disallowances, if any, would not have a material effect on the University's financial statements.

In the normal course of its activities, the University is a party in various legal actions. The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

NOTE P—STUDENT HOUSING PARTNERSHIP

The University entered into an agreement on July 22, 2016 with a third party developer, Education Realty Trust (EdR), to construct and manage the premises of six resident living-learning community buildings with connectors, housing 1,229 beds, multipurpose meeting spaces, tutoring center, and classrooms. On September 20, 2018, EdR was acquired by Greystar. The project, known as the Woods, has a cost of $79.6 million and is built on land owned by the University and leased to Greystar for a 75-year term. Under the terms of the Lease Agreement and the Operating Agreement, Greystar will control, manage, maintain and operate the project and will receive the Gross Revenue of the project, which consists of substantially all of the revenues and other income received from the operation of the project. Greystar is currently making rental payments to the University for the duration of the lease term based on a percentage of the Gross Revenue of the project. The University accounts for the Lease Agreement as a concession arrangement in accordance with GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. As a result, the University will begin depreciating the building at the end of the lease term.

Under the phase-in approach, Phase I consisted of two buildings that opened in August 2017 and two buildings that opened in January 2018. Phase II consisted of two buildings that opened in August 2018. The residence halls are reported as a capital asset with a carrying value of $75.9 million at June 30, 2022 and 2021, and deferred inflows of resources in the amount of $63.4 million and $64.3 million at June 30, 2022 and 2021, respectively, pursuant to the service concession agreement. The University is responsible for the trash removal and insurance coverage for the term of the contract. As such, the University recorded a liability at present value at June 30, 2022 and 2021 for trash removal and insurance in the amount of approximately $4.46 million and $4.51 million, respectively. The 75-year term lease with Greystar includes maintenance standards for the facilities and parameters for the room rental rates for the contract duration. The University will receive a percentage of the total revenues and a share of the net income, after Greystar achieves a minimum internal rate of return.

NOTE Q—SUBSEQUENT EVENT

In accordance with Michigan Public Act 144 of 2022, Section 236(h), the State of Michigan allocated funding to the participating MPSERS universities. The purpose of the funding is for payments toward pension and OPEB UAAL liabilities associated with university member and pension recipients. The University's proportionate share of this allocation was $28,086,864. This funding was received from the State and transferred back to the Office of Retirement Services in September of 2022.

NORTHERN MICHIGAN UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

Schedule of Northern Michigan University's Proportionate Share of the Net Pension Liability
(Amounts determined as of September 30 of each Fiscal Year)

	2022	2021	2020	2019	2018	2017	2016	2015
A. University's proportionate share of net pension liability as a percentage	9.45289%	9.45336%	9.42796%	9.35723%	9.36203%	9.40606%	9.91719%	9.80724%
B. University's proportionate share of net pension liability	$ 53,111,511	$ 64,568,315	$ 63,128,769	$ 59,796,196	$ 53,856,163	$ 52,696,531	$ 54,405,703	$ 36,787,546
C. University's covered payroll	$ 20,737,000	$ 20,331,000	$ 19,932,000	$ 19,541,488	$ 19,829,000	$ 7,004,463	$ 7,585,630	$ 8,338,570
D. University's proportionate share of net pension liability as a percentage of its covered payroll (%)	256.12%	317.59%	316.72%	306.00%	271.60%	752.33%	717.22%	441.17%
E. Plan fiduciary net position as a percentage of total pension liability	52.26%	43.07%	44.24%	45.87%	47.42%	46.77%	47.45%	63.00%

Schedule of Northern Michigan University's Pension Contributions
(Amounts determined as of June 30 of each Fiscal Year)

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 5,460,575	$ 4,788,721	$ 4,712,064	$ 4,731,455	$ 4,391,052	$ 4,085,736	$ 3,402,937	$ 3,315,213
Contributions in relation to the statutorily required contribution	(5,460,575)	(4,788,721)	(4,712,064)	(4,731,455)	(4,391,052)	(4,085,736)	(3,402,937)	(3,315,213)
Contribution deficiency (excess)								
University's covered payroll	$ 21,048,055	$ 20,635,965	$ 20,230,980	$ 19,834,372	$ 19,613,000	$ 6,484,390	$ 7,382,355	$ 7,750,117
Contributions as a percentage of covered payroll	25.94%	23.21%	23.29%	23.85%	22.39%	63.01%	46.10%	42.78%

Schedule of Northern Michigan University's Proportionate Share of the Net OPEB Liability (Asset)
(Amounts determined as of September 30 of each Fiscal Year)

	2022	2021	2020	2019	2018
A. University's proportionate share of net OPEB liability (asset) as a percentage	9.43231%	9.39544%	9.37673%	9.36784%	9.37099%
B. University's proportionate share of net OPEB liability (asset)	$ (4,044,395)	$ 3,969,975	$ 8,605,973	$ 11,114,061	$ 13,335,045
C. University's covered payroll	$ 20,737,000	$ 20,331,000	$ 19,932,000	$ 19,541,488	$ 19,829,000
D. University's proportionate share of net OPEB liability (asset) as a percentage of its covered payroll (%)	-19.50%	19.53%	43.18%	56.87%	67.25%
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	123.91%	80.04%	61.07%	51.90%	44.11%

Schedule of Northern Michigan University's OPEB Contributions
(Amounts determined as of June 30 of each Fiscal Year)

	2022	2021	2020	2019	2018
Statutorily required contributions	$ 1,286,655	$ 1,245,672	$ 1,216,972	$ 1,215,813	$ 1,558,414
Contributions in relation to the statutorily required contribution	(1,286,655)	(1,245,672)	(1,216,972)	(1,215,813)	(1,558,414)
Contribution deficiency (excess)					
University's covered payroll	$ 21,048,055	$ 20,635,965	$ 20,230,980	$ 19,834,372	$ 19,613,000
Contributions as a percentage of covered payroll	6.11%	6.04%	6.02%	6.13%	7.95%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the University's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the University's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year). The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year
- 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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