

Audited Financial Statements

June 30, 2022

Saginaw Valley State University

University Center, Michigan

Members of the Board of Control and Business Affairs Administration

June 30, 2022

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Saginaw Valley State University

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Saginaw Valley State University Management's Discussion and Analysis

The following provides a discussion and analysis of the financial performance of Saginaw Valley State University (SVSU or University). This discussion, the financial statements, and related footnotes have been prepared by and are the responsibility of management.

Using the Annual Report

The annual report consists of a series of financial statements, which have been prepared in accordance with the Governmental Accounting Standards Board (GASB) for the University and the Financial Accounting Standards Board (FASB) for the Saginaw Valley State University Foundation (Foundation). These financial statements focus on the financial condition and results of the financial position of the University and its component unit, Saginaw Valley State University Foundation, and the cash flows of the University.

The fundamental objective of the University's financial statements is to provide an overview of the University's economic condition. The various statements and their primary purpose are discussed below.

- **Statement of Net Position.** This statement presents information on all University assets, deferred outflows, liabilities, deferred inflows and net position. It is prepared on an accrual basis - revenues and expenses are recognized when earned or incurred, respectively.
- **Statement of Revenues, Expenses, and Change in Net Position.** This statement presents a summary of revenues and expenses classified as either operating or nonoperating. The University's operating loss results from the classification of State appropriations, Federal HEERF and CARES Act funding, and Pell grants as nonoperating revenue. Also, this statement reflects a change in the University's net position based upon revenues in excess of expenses.
- **Statement of Cash Flows.** This statement classifies cash inflows and outflows into the following classifications: operating activities, noncapital financing activities, capital financing activities, and investing activities. This information is useful in assessing the University's ability to meet maturing financial obligations.

Reporting Entity

The University is considered a component unit of the State of Michigan because the Governor of the State of Michigan appoints its Board of Control. Accordingly, the University is included in the State's Annual Comprehensive Financial Report as a discretely presented component unit.

The financial statements report information about total University operations. In accordance with GASB standards, the Foundation is included in the financial statements of the University as a discretely presented component unit.

COVID-19 and HEERF

The University suspended in-person instruction in March 2020 in response to the COVID-19 pandemic. Instruction was transitioned to remote learning for the remainder of the winter semester 2020 as well as the spring and summer semesters. External events and activities held on campus were cancelled resulting in a loss of revenue related to events as well as related housing and catering components. Students and staff returned to campus for fall 2020 and winter 2021 semesters under reduced density guidelines. Instruction was moved online after the Thanksgiving holiday break for the remainder of the fall 2020 semester. The University refunded approximately \$1.2 million for housing and meal plans to students who chose not to return to housing during this time. Winter semester 2021 began with similar restrictions as fall regarding density limitations and limited external events. Virtually all restrictions were lifted in June 2021.

Saginaw Valley State University
Management's Discussion and Analysis - Continued

The University has been allocated approximately \$39.9 million of Higher Education Emergency Relief Funds (HEERF) under the Coronavirus Aid, Relief and Economic Security (CARES) Act (also known as HEERF I), the Coronavirus Response and Relief Supplemental Appropriations Act (HEERF II), and the American Rescue Plan (HEERF III). Collectively, the three grants are referred to as HEERF. The grants carry compliance requirements as to how funds are to be spent and recorded. Funds have been applied to the grants in the following categories for the years ended June 30:

	2022	2021	2020	Total
	(in thousands of dollars)			
Emergency grants to students	\$ 10,009	\$ 5,572	\$ 1,333	\$ 16,914
Refund reimbursements and other eligible expenses	2,232	2,087	3,040	7,359
Lost revenue	8,553	7,072		15,625
Total	<u>\$ 20,794</u>	<u>\$ 14,731</u>	<u>\$ 4,373</u>	<u>\$ 39,898</u>

Adoption of New Accounting Standard

The University adopted GASB Statement 87, Leases, (GASB 87) effective for the fiscal year ended June 30, 2022. The statement establishes new requirements for calculating and reporting the University's lease activities. The adoption of GASB 87 has been reflected as of July 1, 2020, resulting in an increase in leases receivable and deferred inflows of resources of \$1,475,000, and an increase in intangible right-to-use assets and leases payable of \$257,278 as of July 1, 2020. These balances were calculated using the facts and circumstances that existed as of July 1, 2020 as prescribed by GASB Statement 87. There was no impact to beginning net position as of July 1, 2020.

Financial Highlights

The University experienced sound financial performance as indicated by the following:

- Net position increased by 1.9% from June 30, 2021 to June 30, 2022; 6.0% from June 30, 2020 to June 30, 2021; and 5.8% from June 30, 2019 to June 30, 2020.
- In fiscal year 2022, operating revenue increased 0.4% due to an increase in sales, grants, and auxiliary enterprises. This was offset by a decrease in tuition and fees as a result of enrollment declines. In fiscal year 2021, operating revenue decreased by 10.2% due to decreased tuition and fees and auxiliary enterprises largely due to enrollment declines and decreased activities as a result of COVID-19 restrictions. The decrease in operating revenue was offset by non-operating CARES Act grant awards. In fiscal year 2020, operating revenue decreased by 6.4% due to auxiliary activities and sales and services.

Demand/economic factors underlying this level of performance were as follows:

- Applications decreased by 14.5% from Fall 2020 to Fall 2021; decreased by 6.2% from Fall 2019 to Fall 2020; and increased by 6.0% from Fall 2018 to Fall 2019.
- Headcount decreased in Fall 2021 to 7,523 from Fall 2020 of 8,030 and Fall 2019 of 8,265. Credit hours also decreased to 191,563 in 2022 from 202,723 in 2021 and 213,343 in 2020.

Saginaw Valley State University
Management's Discussion and Analysis - Continued

Financial Statement Summaries

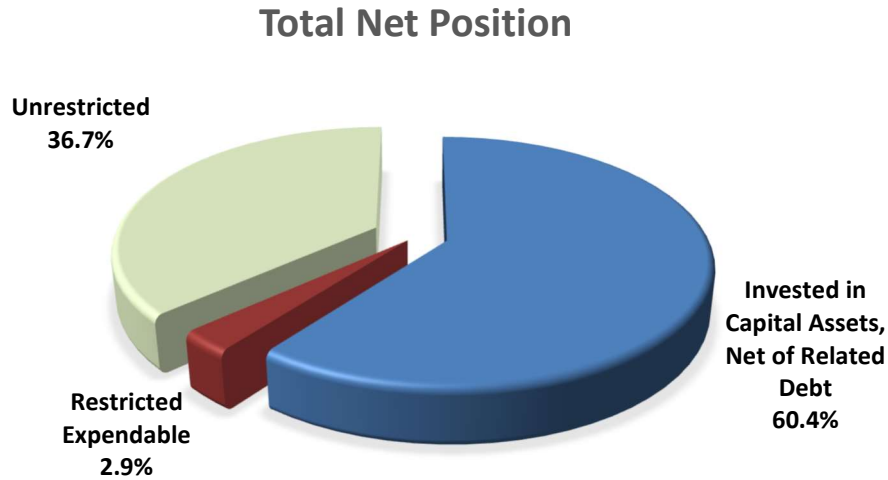
The net position of the University is summarized in the table below as of June 30:

	2022	2021	2020
	(in thousands of dollars)		
Assets			
Current Assets	\$ 85,340	\$101,386	\$111,402
Noncurrent Assets:			
Other	88,391	66,936	21,690
Capital	280,365	283,524	295,290
Total Assets	454,096	451,846	428,382
 Deferred Outflows	 3,265	 3,506	 3,748
 Liabilities			
Current Liabilities	37,867	34,060	30,735
Noncurrent Liabilities	88,155	95,717	95,353
Total Liabilities	126,022	129,777	126,088
 Deferred Inflows	 1,383	 1,674	 491
 Net Position			
Net Investment in Capital Assets	199,393	194,398	202,160
Restricted	9,530	8,524	5,279
Unrestricted	121,033	120,979	98,112
Total Net Position	\$329,956	\$323,901	\$305,551

The University's largest asset is its investment in capital assets, including land, land improvements and infrastructure, buildings, equipment, library acquisitions, construction in progress, works of fine art, and leases. Capital assets represent 62% of the University's total assets. Notes and bonds payable, which includes unamortized bond premiums, totaled \$83.5 million at June 30, 2022. This represents 66% of the University's total liabilities.

Saginaw Valley State University
Management's Discussion and Analysis - Continued

A graphic illustration of the University's net position at June 30, 2022 by classification and restriction is as follows:



The University's net position consists of the net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents assets whose use is restricted by a party independent of the University. This includes restrictions related to gifts and grants.

Unrestricted net position represents net position of the University that has not been restricted by parties independent of the University. This includes funds that the Board of Control and management have designated for specific purposes as well as amounts that have been contractually committed for goods and services that have not been received as of June 30, 2022.

The following summarizes the internal designations of the University's unrestricted net position at June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	(in thousands of dollars)		
Capital Projects, Debt Service, and Repair Reserve	\$ 98,684	\$ 96,271	\$ 77,187
Auxiliary Enterprises	1,362	1,362	1,362
Designated for Departmental Use	17,393	19,905	16,361
Amount Obligated by Contractual Commitments	161	172	89
Undesignated	3,433	3,269	3,113
Total Unrestricted Net Position	<u><u>\$121,033</u></u>	<u><u>\$120,979</u></u>	<u><u>\$ 98,112</u></u>

Saginaw Valley State University
Management's Discussion and Analysis - Continued

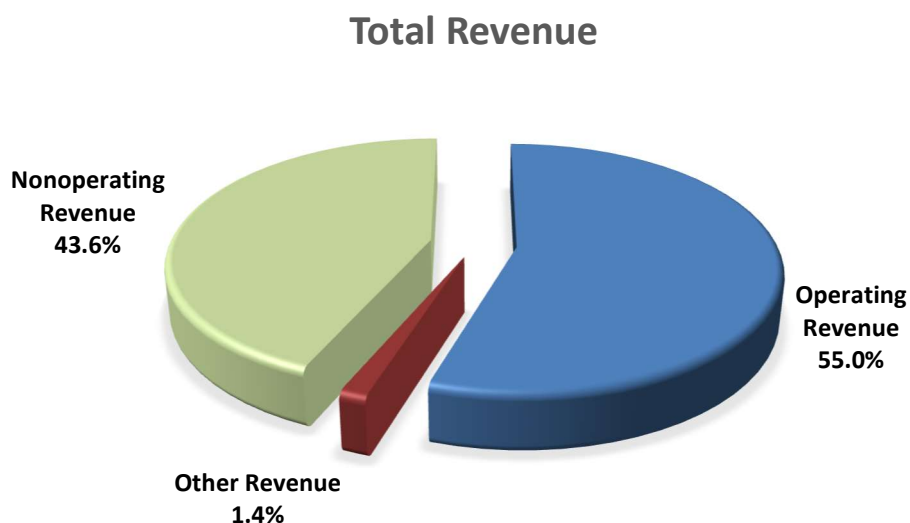
The following table summarizes the University's revenues, expenses, and change in net position for the fiscal years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	(in thousands of dollars)		
Operating Revenues			
Student Tuition and Fees, net	\$ 58,225	\$ 63,074	\$ 68,854
Federal Grants and Contracts	4,261	3,772	3,365
State and Local Grants and Contracts	1,551	1,283	1,686
Sales and Services of Educational Departments	4,755	2,741	4,278
Auxiliary Enterprises, net	15,950	13,489	16,337
Other Operating Revenues	<u>3,541</u>	<u>3,581</u>	<u>3,385</u>
Total Operating Revenues	88,283	87,940	97,905
Operating Expenses	<u>149,112</u>	<u>137,636</u>	<u>137,669</u>
Operating Loss	(60,829)	(49,696)	(39,764)
Nonoperating Revenues (Expenses)			
State Appropriations	32,243	30,803	27,380
Federal Pell Grant Program	10,930	10,748	11,930
Federal HEERF Program	20,807	16,424	2,667
Federal CARES Act CRF Program		3,428	
Gifts	5,718	5,535	4,791
Investment Income, net	(2,460)	384	2,462
Interest on Capital Asset-Related Debt	(2,961)	(3,180)	(3,717)
Other Nonoperating Revenue	<u>286</u>	<u>291</u>	<u></u>
Net Nonoperating Revenues	64,563	64,433	45,513
Income Before Other Revenues	3,734	14,737	5,749
Other Revenues			
Capital Grants and Gifts	2,321	3,084	3,108
Capital Appropriations		<u>529</u>	<u>8,028</u>
Total Other Revenues	<u>2,321</u>	<u>3,613</u>	<u>11,136</u>
Change in Net Position	6,055	18,350	16,885
Net Position - Beginning of Year	<u>323,901</u>	<u>305,551</u>	<u>288,666</u>
Net Position - End of Year	<u>\$ 329,956</u>	<u>\$ 323,901</u>	<u>\$ 305,551</u>

Saginaw Valley State University
Management's Discussion and Analysis - Continued

Capital appropriations during 2021 and 2020 represent the State of Michigan contribution to the construction of the Scott L. Carmona College of Business. Capital grants and gifts relate primarily to gifts received for the Scott L. Carmona College of Business construction in 2022, 2021 and 2020.

A graphic illustration of each University revenue source for the fiscal year ended June 30, 2022 follows:



The following table summarizes the University's cash flows for the fiscal years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	(in thousands of dollars)		
Cash Provided (Used) By:			
Operating Activities	\$(45,014)	\$(32,497)	\$(21,116)
Noncapital Financing Activities	69,981	66,991	51,461
Capital Financing Activities	(16,279)	(3,253)	(22,660)
Investing Activities	(24,669)	(37,847)	21,477
Net Change	<u>(15,981)</u>	<u>(6,606)</u>	<u>29,162</u>
Cash and Cash Equivalents - Beginning of Year	<u>81,375</u>	<u>87,981</u>	<u>58,819</u>
Cash and Cash Equivalents - End of Year	<u>\$ 65,394</u>	<u>\$ 81,375</u>	<u>\$ 87,981</u>

Saginaw Valley State University
Management's Discussion and Analysis - Continued

Operating Expenses

The University reports expenses on a functional basis. Operating expenses were \$149,111,669 in fiscal year 2022, an increase of 8.3% from the prior year. The following summarizes the University's operating expenses for the years ended June 30:

	2022	2021	2020
	(in thousands of dollars)		
Educational and General:			
Instruction	\$ 42,169	\$ 41,369	\$ 43,398
Research	2,097	2,363	2,029
Public Service	5,427	3,782	4,195
Academic Support	12,116	11,359	13,047
Student Services	8,770	7,180	8,390
Institutional Support	15,839	13,134	13,586
Operations and Maintenance of Plant	13,479	14,103	12,019
Capital Asset Loss			62
Depreciation	14,881	15,112	15,386
Student Aid	18,420	14,789	10,376
Auxiliary Enterprises	15,914	14,445	15,181
 Total Operating Expenses	 \$149,112	 \$137,636	 \$137,669

Capital Assets/Long-Term Debt

Capital Plan and Related Debt Financing

The University Board of Control has reviewed a long-term capital development and related financing plan. Expenditures for capital projects approximated \$11.5 million and \$3.1 million during fiscal years 2022 and 2021, respectively, and were funded with capital appropriations, capital gifts, and other available University resources.

University Rating

The University's most recent ratings through Moody's Investors Services, Inc. and Standard & Poor's Financial Services were 'A1' and 'A', respectively.

Factors or Conditions Impacting Future Periods

Financial and budget planning is directly related to and supportive of the University's mission and operational needs. The ability to plan effectively is influenced by an understanding of the following factors, which impact the University's finances:

- COVID-19
- Enrollment
- State Economy
- Inflationary Pressures
- Competition
- Program Growth and Development
- New Initiatives
- Technology
- Productivity Improvements

As more fully discussed in the section titled COVID-19 and HEERF, the COVID-19 pandemic has had an economic impact on the University as well as State, national, and international communities. The University is currently operating with students attending class in person as well as fully operational student housing and dining services.

Saginaw Valley State University Foundation

The Foundation is an independent corporation formed for the purpose of receiving funds predominantly for the benefit of the University. The Foundation pays the University a fee of up to one percent of the endowment annually towards the costs of operating the Foundation provided by the University. These costs are reflected as institutional support in the University's financial statements. The University received \$788,000 from the Foundation for the management of endowments during fiscal year 2022. The University received endowment distributions and unrestricted and restricted gifts of \$7,517,288 from the Foundation in fiscal 2022 and recognized \$521,516 previously deferred gifts.

As of June 30, 2022, the Foundation had 351 endowments, of which 28 were below their gift value. At June 30, 2021, the Foundation had 337 endowments, with none below their gift value. The Foundation's spending policy is to distribute 4% annually, with distributions made quarterly. Distributions are based on the average market value of the endowment for the preceding twelve calendar quarters, with the calculation made September 30 of each year. The September 30 per unit market value is utilized for distributions for the four quarterly distributions of the next fiscal year. However, the policy does not allow distribution if the individual endowment value is below historical gift value at each quarter end. As a result, some of the endowments did not distribute for one or more of the quarters during fiscal year 2022.

The net assets of the Foundation were as follows as of June 30:

	2022	2021	2020
	(in thousands of dollars)		
Without donor restrictions	\$ 10,438	\$ 12,684	\$ 9,931
With donor restrictions	84,885	98,995	82,868
	\$ 95,323	\$111,679	\$ 92,799

Report of Independent Auditors

Board of Control
Saginaw Valley State University

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of Saginaw Valley State University (University), a component unit of the State of Michigan, and Saginaw Valley State University Foundation (Foundation) a discretely presented component unit of the University, 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 financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saginaw Valley State University and its discretely presented component unit, Saginaw Valley State University Foundation as of June 30, 2022 and 2021, and the respective changes in financial position and Saginaw Valley State University's cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Saginaw Valley State University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that 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 Saginaw Valley State 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 Saginaw Valley State 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through viii be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2022, on our consideration of Saginaw Valley State 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.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
September 1, 2022

Saginaw Valley State University
Statements of Net Position

	June 30,	
	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 59,915,948	\$ 75,374,807
Accounts receivable, net	4,718,203	6,429,557
State appropriations receivable - operations	5,644,270	5,600,598
State appropriations receivable - charter schools	13,448,807	13,090,618
Inventories and prepaid expenses	1,612,647	890,669
Total current assets	85,339,875	101,386,249
Noncurrent Assets		
Restricted cash and cash equivalents	5,478,484	6,000,639
Accounts receivable, net	783,406	1,014,507
Other long-term investments	82,129,311	59,920,462
Capital assets, net	280,365,423	283,523,883
Total noncurrent assets	368,756,624	350,459,491
Total assets	454,096,499	451,845,740
Deferred Outflows		
Refunding of debt	3,264,951	3,506,600
Total deferred outflows	3,264,951	3,506,600
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	11,914,200	7,044,647
Unearned revenues	5,023,736	4,736,717
Charter schools payable and deposits	13,967,515	13,593,099
Long-term liabilities - current portion	6,961,596	8,685,403
Total current liabilities	37,867,047	34,059,866
Noncurrent Liabilities		
Unearned revenues	6,194,120	6,735,088
Long-term liabilities, net of current portion	81,961,435	88,981,876
Total noncurrent liabilities	88,155,555	95,716,964
Total liabilities	126,022,602	129,776,830
Deferred Inflows		
Deferred inflow of resources	1,382,698	1,674,332
Total deferred inflows	1,382,698	1,674,332
Net Position		
Net investment in capital assets	199,392,915	194,398,381
Restricted for:		
Expendable Restricted		
Scholarships and fellowships	3,005,358	2,505,849
Research	624,339	621,839
Instructional department use	2,107,933	1,783,663
Other	3,793,036	3,612,017
Unrestricted	121,032,569	120,979,429
Total net position	\$ 329,956,150	\$ 323,901,178

Saginaw Valley State University Foundation
Statements of Financial Position

	June 30,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 4,599,968	\$ 3,341,614
Accounts receivable, net	121,953	151,199
Contributions receivable, net	2,050,664	4,186,875
Investments	84,852,563	100,361,960
Cash value of life insurance	238,348	218,849
Beneficial interest trusts	5,401,435	6,418,317
	\$ 97,264,931	\$ 114,678,814
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,753,833	\$ 2,801,017
Charitable gift annuities payable	188,582	199,084
	1,942,415	3,000,101
Net assets		
Without donor restrictions	10,438,014	12,684,185
With donor restrictions	84,884,502	98,994,528
	95,322,516	111,678,713
	\$ 97,264,931	\$ 114,678,814

Saginaw Valley State University
Statements of Revenues, Expenses, and Change in Net Position

	For the year ended June 30,	
	2022	2021
Revenues		
Operating revenues		
Student tuition and fees	\$ 85,969,502	\$ 88,972,205
Less: Scholarship allowances	<u>(27,744,519)</u>	<u>(25,898,332)</u>
	58,224,983	63,073,873
Federal grants and contracts	4,260,676	3,772,269
State and local grants and contracts	1,551,254	1,283,100
Sales and services of educational departments	4,754,501	2,740,609
Auxiliary enterprises	22,313,735	18,561,205
Less: Scholarship allowances	<u>(6,363,320)</u>	<u>(5,072,338)</u>
	15,950,415	13,488,867
Other operating revenues	<u>3,541,166</u>	<u>3,581,574</u>
	88,282,995	87,940,292
Total operating revenues	88,282,995	87,940,292
Expenses		
Operating expenses		
Educational and general		
Instruction	42,168,536	41,369,428
Research	2,096,425	2,362,622
Public service	5,427,220	3,781,605
Academic support	12,116,358	11,359,073
Student services	8,769,696	7,179,653
Institutional support	15,839,231	13,134,532
Operations and maintenance of plant	13,479,149	14,102,653
Depreciation	14,881,307	15,112,482
Student aid	18,420,003	14,788,914
Auxiliary enterprises	<u>15,913,744</u>	<u>14,444,898</u>
	149,111,669	137,635,860
Total operating expenses	<u>149,111,669</u>	<u>137,635,860</u>
Operating loss	(60,828,674)	(49,695,568)
Nonoperating Revenues (Expenses)		
State appropriations	32,243,200	30,803,300
Federal Pell Grant Program	10,929,512	10,747,946
Federal HEERF Program	20,807,306	16,423,913
Federal CARES Act CRF Program		3,427,700
Gifts	5,717,425	5,535,363
Investment income, net	(2,459,787)	384,135
Interest on capital asset-related debt	(2,961,175)	(3,180,163)
Other nonoperating revenue (expense)	<u>285,786</u>	<u>290,845</u>
Net nonoperating revenues	<u>64,562,267</u>	<u>64,433,039</u>
	3,733,593	14,737,471
Income before other revenues	3,733,593	14,737,471
Other Revenues		
Capital gifts	2,321,379	3,083,352
Capital appropriations		<u>529,318</u>
Total other revenues	<u>2,321,379</u>	<u>3,612,670</u>
	6,054,972	18,350,141
Change in net position	6,054,972	18,350,141
Net position - beginning of year	<u>323,901,178</u>	<u>305,551,037</u>
Net position - end of year	<u>\$ 329,956,150</u>	<u>\$ 323,901,178</u>

Saginaw Valley State University Foundation
Statements of Activities and Change in Net Assets

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Gifts and contributions	\$ 67,814	\$ 7,204,986	\$ 7,272,800
Change in beneficial interest trusts		(1,016,882)	(1,016,882)
Change in cash value of life insurance		19,499	19,499
Investment loss, net	(1,544,276)	(12,761,142)	(14,305,418)
Net assets released from restrictions	7,556,487	(7,556,487)	-
Total revenue, gains and other support	6,080,025	(14,110,026)	(8,030,001)
Expenses			
Program expenses:			
Disbursements to Saginaw Valley State University	7,517,288		7,517,288
Disbursements to student organizations	1,384		1,384
Supporting service expenses:			
Charitable gift annuity payments	33,562		33,562
Taxes and tax service	(14,038)		(14,038)
Fundraising	321,994		321,994
Management and general	466,006		466,006
Total expenses	8,326,196	-	8,326,196
Change in net assets	(2,246,171)	(14,110,026)	(16,356,197)
Net assets - beginning of year	12,684,185	98,994,528	111,678,713
Net assets - end of year	\$ 10,438,014	\$ 84,884,502	\$ 95,322,516

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Gifts and contributions	\$ 95,243	\$ 10,078,030	\$ 10,173,273
Change in beneficial interest trusts		1,150,894	1,150,894
Change in cash value of life insurance		17,295	17,295
Investment income, net	2,959,281	20,276,530	23,235,811
Net assets released from restrictions	15,395,904	(15,395,904)	-
Total revenue, gains and other support	18,450,428	16,126,845	34,577,273
Expenses			
Program expenses:			
Disbursements to Saginaw Valley State University	14,618,715		14,618,715
Disbursements to student organizations	2,295		2,295
Supporting service expenses:			
Charitable gift annuity payments	36,936		36,936
Taxes and tax service	100,984		100,984
Fundraising	296,805		296,805
Management and general	641,457		641,457
Total expenses	15,697,192	-	15,697,192
Change in net assets	2,753,236	16,126,845	18,880,081
Net assets - beginning of year	9,930,949	82,867,683	92,798,632
Net assets - end of year	\$ 12,684,185	\$ 98,994,528	\$ 111,678,713

Saginaw Valley State University
Statements of Cash Flow

	For the years ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Student tuition and fees	\$ 58,157,475	\$ 62,796,598
Grants and contracts	6,746,663	5,197,819
Payments to suppliers	(29,172,472)	(22,169,882)
Payments for utilities	(3,308,342)	(3,019,288)
Payments to employees	(61,373,138)	(59,869,883)
Payments for benefits	(22,484,951)	(20,251,476)
Payments for scholarships and fellowships	(18,118,332)	(14,509,143)
Auxiliary enterprises charges	16,525,805	13,010,883
Sales and services	4,472,257	2,736,017
Receipts for Charter Schools	72,002,917	73,644,677
Payments to Charter Schools	(72,002,917)	(71,067,413)
Other receipts	3,541,166	1,004,310
Net cash from operating activities	(45,013,869)	(32,496,781)
Cash Flows from Noncapital Financing Activities		
State appropriations	32,199,528	27,376,398
Federal Pell Grant Program	10,952,673	10,727,139
Federal HEERF and CARES Act CRF Programs	20,794,060	18,198,378
Federal Direct Lending receipts	31,939,770	36,366,034
Federal Direct Lending disbursements	(31,939,770)	(36,366,034)
Gifts	6,034,388	10,689,235
Net cash from noncapital financing activities	69,980,649	66,991,150
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	217,484	231,692
Capital appropriations		4,369,907
Capital grants and gifts received	2,321,379	3,083,352
Principal paid on capital debt	(8,087,540)	(3,942,806)
Interest paid on capital debt and related costs	(3,468,078)	(3,403,037)
Purchase of capital assets, net of disposals	(7,305,652)	(3,640,656)
Other receipts	43,249	48,308
Net cash from capital financing activities	(16,279,158)	(3,253,240)
Cash Flows from Investing Activities		
Investment income (loss), net	(2,459,787)	384,135
Purchases of investments	(22,208,849)	(38,230,877)
Net cash from investing activities	(24,668,636)	(37,846,742)
Net change in cash and cash equivalents	(15,981,014)	(6,605,613)
Cash and cash equivalents - beginning of year	81,375,446	87,981,059
Cash and cash equivalents - end of year	\$ 65,394,432	\$ 81,375,446

Saginaw Valley State University
Statements of Cash Flow - Continued

	For the years ended June 30,	
	2022	2021
Summary of Cash and cash equivalents		
Cash and cash equivalents	\$ 59,915,948	\$ 75,374,807
Restricted cash and cash equivalents	5,478,484	6,000,639
	\$ 65,394,432	\$ 81,375,446
 Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (60,828,674)	\$ (49,695,568)
 Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	14,881,307	15,112,482
Changes in assets and liabilities:		
Accounts receivable, net	505,142	(2,026,888)
Inventories and prepaid expenses	(721,978)	118,329
Accounts payable and accrued liabilities	893,807	1,597,810
Unearned revenues	280,813	(721,524)
Charter schools payable and deposits	374,416	2,131,012
Compensated absences	(398,702)	987,566
	\$ (45,013,869)	\$ (32,496,781)

Saginaw Valley State University
Notes to Financial Statements
June 30, 2022

Note A - Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared to incorporate all fund groups utilized internally by Saginaw Valley State University (University) and include Saginaw Valley State University Foundation (Foundation), a discretely presented component unit of the University. The University's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Foundation's financial information has been prepared on the accrual basis following accounting policies established by the Financial Accounting Standards Board (FASB).

Reporting Entity

The University's financial statements are presented discretely in the State of Michigan Annual Comprehensive Financial Report. Public universities with governing boards appointed by the Governor are considered component units of the State. Transactions with the State relate primarily to appropriations for operations and capital projects, appropriations for Charter Schools and grants from various state agencies.

The Foundation, a component unit of the University, is a not-for-profit corporation with a separate board of directors. Although the Foundation approves their own disbursements, their support is predominately for the objectives and purposes of the University.

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred.

The Foundation has applied the recognition principles of all applicable FASB codification sections. Certain disclosures conform more to the GASB presentation than what may be required by FASB.

Cash and Cash Equivalents

The University and its component unit define cash and cash equivalents as highly liquid, short-term investments that bear little or no market risk and are stated at fair value. Generally, these items have a maturity of three months or less when purchased except for certain certificates of deposit which may extend to longer periods if readily convertible to cash with no significant loss to principal.

Restricted cash and cash equivalents represent cash held related to private gifts to be used for scholarships. Both cash and cash equivalents and restricted cash and cash equivalents are included in cash and cash equivalents on the Statements of Cash Flow.

Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for the allowance for doubtful accounts.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note A - Significant Accounting Policies
(continued)

Accounts Receivable (continued)

The University determines the allowance for doubtful accounts based on an evaluation of accounts receivable, past and recent experience, current economic conditions, and other pertinent factors. The allowance for doubtful accounts is increased by the provision recorded net of revenue and reduced by the receipt of payment for items previously included in the allowance and delinquent receivables that have been charged off. The University considers receivables past due when they have not been paid within their contractual terms.

Inventories

Inventories are stated at lower of average cost or market.

Investments

Investments are reported at fair value. Investment income, net of related expenses, includes realized and unrealized gains and losses on investments, interest, and dividends.

Capital Assets

Capital assets are stated at cost or, when donated, at acquisition value at the date of gift. The University uses a \$5,000 threshold for capitalizing assets. Depreciation is computed using the straight-line method over the useful life of the property as follows:

<u>Classification</u>	<u>Life</u>
Land improvements and infrastructure	15 years
Buildings	20 - 50 years
Equipment	4 - 15 years
Library acquisitions	7 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The cost of maintenance and repairs are expensed as incurred; significant renewals and improvements are capitalized.

Leases

The University leases office space and office equipment from external parties. Right-to-use assets and lease liabilities are recorded based on the present value of expected payments over the term of the respective leases. The University leases office space and buildings to external parties. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments and receipts are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The University does not have any leases subject to a residual value guarantee. Right-to-use assets are amortized over the shorter of the lease term or the underlying assets useful life.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note A - Significant Accounting Policies
(continued)

Compensated Absences

Compensated absence costs, including vacation, compensatory time, personal leave and sick leave, are accrued when earned by employees. Faculty accrue additional compensation for teaching credit hours in excess of the limit identified in the contract. A probability factor is utilized to estimate the support staff sick leave accrual.

Deferred Outflows and Deferred Inflows

In addition to assets, the Statements of Financial Position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows, represents a consumption of net position that applies to a future period and as such, is not recognized as an outflow of resources (expense/expenditure) until that time. In addition to liabilities, the Statements of Financial Position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, represents an acquisition of net position that applies to a future period and as such, is not recognized as an inflow of resources (revenue) until that time. Deferred outflows and inflows relate to debt refunding and lease transactions.

Revenue Recognition

Operating revenues of the University consist of tuition and fees, grants and contracts, sales and services, and auxiliary enterprises revenue. These revenues represent revenue earned from exchange transactions and are reported net of discounts and allowances. The University's nonoperating revenues include State appropriations, Federal PELL Grant Program, Federal HEERF and CARES Act Programs, gifts, investment income, capital appropriations and capital grants and gifts. Direct lending is not reported as federal revenue and scholarship expenditures, but is treated as an agency transaction. When both restricted and unrestricted resources are available for expenses, the University applies the restricted and unrestricted resources at its discretion.

Funds are appropriated to the University for operations by the State of Michigan covering the State's fiscal year, October 1 through September 30. The sums appropriated are for the University's fiscal year ending June 30 and are generally paid in eleven monthly installments from October through August.

The Foundation recognizes a gift when the donor makes a pledge that is, in substance, unconditional. The Foundation uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises.

Bond Issuance Costs

Bond issuance costs are expensed when incurred.

Use of Estimates

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

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note A - Significant Accounting Policies
(continued)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Adoption of New Accounting Standard

The University adopted GASB Statement 87, Leases, (GASB 87) effective for the fiscal year ended June 30, 2022. The statement establishes new requirements for calculating and reporting the University's lease activities. The adoption of GASB 87 has been reflected as of July 1, 2020, resulting in an increase in leases receivable and deferred inflows of resources of \$1,475,000, and an increase in intangible right-to-use assets and leases payable of \$257,278 as of July 1, 2020. These balances were calculated using the facts and circumstances that existed as of July 1, 2020 as prescribed by GASB 87. There was no impact to beginning net position as of July 1, 2020.

Balances were restated as follows for the effects of the University's adoption of GASB 87:

	June 30, 2021		June 30, 2021
	As Originally Reported	GASB 87 Impact	As Restated
Current assets	\$ 101,157,448	\$ 228,801	\$ 101,386,249
Noncurrent assets	349,293,668	1,165,823	350,459,491
Total assets	450,451,116	1,394,624	451,845,740
Deferred outflows	3,506,600		3,506,600
Current liabilities	33,991,038	68,828	34,059,866
Noncurrent liabilities	95,631,320	85,644	95,716,964
Total liabilities	129,622,358	154,472	129,776,830
Deferred inflows	441,868	1,232,464	1,674,332
Net position	\$ 323,893,490	\$ 7,688	\$ 323,901,178

Note B - Cash and Cash Equivalents and Investments-University

The University utilizes the "pooled cash" method of accounting for substantially all of its cash and cash equivalents in order to maximize investment return. The investment policy for pooled cash, approved by the Board of Control, divides cash for purposes of investment into three asset groups: short-term pool, intermediate-term pool, and long-term pool. The University did not have funds in the long-term pool during the fiscal years ended June 30, 2022 or 2021.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note B - Cash and Cash Equivalents and Investments-University
(continued)

Credit Risk

The University's investment policy requires that investments shall be in marketable securities of the following types and with the noted credit ratings:

Short-term Pool

1. All investments must be convertible into cash at any time without any significant loss of principal.
2. Any instrument issued, guaranteed, or insured by the U.S. Government, agencies, or other full faith instruments of investment grade are permitted.
3. Commercial paper issued by domestic corporations rated both "P-1" and "A-1" by Moody's Investors Service, Inc. and by Standard & Poor's, respectively, may be included.
4. Also permitted are certificates of deposit, bankers acceptances, or other such irrevocable primary obligations from a list of approved banks.
5. Commingled funds and short-term cash reserve mutual funds may be used if they are in compliance with the above guidelines.

Intermediate-term Pool

1. Fixed-income investments may include U.S. and non-U.S. issues of Government and Agency obligations, marketable corporate bonds, mortgage or asset-backed bonds, and preferred stocks with sinking funds as deemed prudent by the investment managers.
2. Fixed-income investments shall be made primarily in those rated "BAA" (investment grade) or better by Moody's and "BBB" (investment grade) or better by Standard & Poor's with emphasis toward "A" or better issues. However, up to 20% of the fixed-income investments can be made in below investment grade debt (high yield).
3. Fixed-income investments may include U.S. and non-U.S. issues, including high yield, global fixed-income, and emerging market debt instruments.
4. Diversification must be maintained and, with the exception of securities guaranteed by the U.S. Government, the securities of a single issuer should not exceed 10% of the market value of the manager's portfolio responsibility.
5. No equity exposure is permitted within the intermediate-term pool.
6. The Investment Committee may also implement a laddered bond portfolio that is diversified by holdings and maturities that emphasizes higher quality. The intent of this structure would be to alleviate duration risk as the bonds would be held to maturity and then reinvested. If the Investment Committee implements this structure, the duration guideline above would not apply.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note B - Cash and Cash Equivalents and Investments-University
(continued)

Credit Risk (continued)

Investments in mutual fund-debt of the short-term pool have the following quality of investments at June 30, 2022:

- Vanguard Ultra Short-Term Bond: 19.3% AAA; 8.9% AA; 38.0% A; 33.3% BBB; 0.4% Below B; 0.1% not rated
- Lord Abbott Short Duration: 37.9% AAA; 4.8% AA; 11.6% A; 28.7% BBB; 8.3% BB; 3.9% B; 0.7% Below B; 4.1% not rated

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the University's investment policy limits the average weighted maturity for a short-term portfolio to between one day and one year and the average weighted maturity for the intermediate-term portfolio to between one year and five years.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Investment Policy of the University requires diversification of the intermediate-term pool and securities of a single issuer should not exceed 10% of the market value of the portfolio manager's responsibility.

The chart below lists the percentage of the investments in the intermediate-term pool by credit rating:

<u>Rating</u>	<u>% of Pool</u>
AAA	33
AA+	2
AA	8
AA-	3
A+	6
A	15
A-	15
BBB+	15
BBB	3

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note B - Cash and Cash Equivalents and Investments-University
(continued)

Concentration of Credit Risk (continued)

The following table summarizes the components of the University's cash and cash equivalents and investments at June 30:

<u>Investment Type</u>	<u>Fair Market Value</u>	
	<u>2022</u>	<u>2021</u>
Short-term Pool:		
Deposits:		
Huntington National Bank	\$ 239,197	\$ 239,171
PNC Bank	59,087,048	59,580,419
Huntington National Bank - Certificates of Deposits		15,294,083
Investments:		
U.S. Government Money Market	6,021,293	6,211,274
Mutual Fund - Debt	58,484,882	35,079,747
Total short-term pool	<u>123,832,420</u>	<u>116,404,694</u>
Intermediate-term Pool:		
Investments:		
U.S. Federal Agencies	2,929,039	3,847,165
U.S. Government Obligations	3,677,541	3,797,949
Corporate Bonds	13,540,987	12,191,603
Municipal Obligations	1,614,113	2,189,025
Mortgage Backed Securities	833,525	1,845,435
Certificates of Deposit	251,278	268,067
Foreign Bonds and Notes	797,946	701,471
Total intermediate-term pool	<u>23,644,429</u>	<u>24,840,715</u>
Less Investments reported as "Cash and Cash Equivalents" on Statements of Net Position	<u>(65,347,538)</u>	<u>(81,324,947)</u>
Total Investments	<u>\$82,129,311</u>	<u>\$59,920,462</u>
As reported on the Statements of Net Position		
Noncurrent Investments	<u>\$82,129,311</u>	<u>\$59,920,462</u>
Total Investments	<u>\$82,129,311</u>	<u>\$59,920,462</u>
Investments Reported as Cash and Cash Equivalents	\$65,347,538	\$81,324,947
Cash	46,894	50,499
Total Cash and Cash Equivalents	<u>\$65,394,432</u>	<u>\$81,375,446</u>

The yield on all University deposits and investments was (1.68%) for 2022 and 0.28% for 2021.

Foreign Currency Risk

The University had foreign investments included in the intermediate-term pool of approximately \$798,000 as of June 30, 2022 and \$701,000 as of June 30, 2021.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note B - Cash and Cash Equivalents and Investments-University
(continued)

Custodial Credit Risk

Deposits: Custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent in the University's name. Cash and cash equivalents, as reflected in the accounts of the investment institutions at June 30, 2022, were \$60,027,591. Of that balance, \$59,538,394 was uninsured and uncollateralized. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2021, were \$75,854,870. Of that balance, \$75,354,870 was uninsured and uncollateralized.

Investments: The University has engaged Comerica Bank to serve as custodian for the short-term and intermediate-term pools, other than the accounts and certificates of deposits with PNC Bank and Huntington National Bank included in the short-term pool. The custodian 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 University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University has no custodial credit risk in its investments as of June 30, 2022 or 2021.

Note C - Investments-Foundation

The primary objective of the Foundation's investment policy, approved by the Foundation Board, is to increase the purchasing power of the Foundation's assets after inflation while maintaining a distribution policy as established by the Foundation Board. The secondary objective is to consistently earn a high, long-term, total rate of return without undue risk exposure or volatility.

Credit Risk

The Foundation's investment policy requires that fixed-income investments emphasize high-quality and that on average, the portfolio should have a rating of "A" or better as defined by a majority of the major credit rating agencies.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the Foundation's investment policy limits the maximum maturity for any single security to 40 years; mortgage bonds will be on an average maturity basis with the weighted average maturity not to exceed ten years. Fixed income investment managers will maintain the duration of their portfolios between 80% and 120% of duration of the relevant market benchmark

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note C - Investments-Foundation
(continued)

Interest Rate Risk (continued)

The following table summarizes the components of the Foundation's investments at June 30:

<u>Investment Type</u>	<u>Fair Market Value</u>	
	<u>2022</u>	<u>2021</u>
Equities	\$ 33,215	\$ 170
Mutual Fund - Equities	20,634,399	41,267,442
Mutual Fund - International Equities	16,091,424	25,347,849
Mutual Fund - Global Equities	10,417,028	
Mutual Fund - Debt	17,326,567	17,764,898
Alternative Investments	20,349,930	15,981,601
Cash and Cash Equivalents	1,065,336	1,493,080
	<hr/> 85,917,899	<hr/> 101,855,040
Less Investments included in "Cash and Cash Equivalents" on Statements of Financial Position	(1,065,336)	(1,493,080)
Total Investments	<hr/> \$ 84,852,563	<hr/> \$ 100,361,960

As of June 30, 2022, the Foundation's remaining capital commitment for alternative investments was \$4,409,396.

Investments in mutual fund – debt have the following quality of investments at June 30, 2022:

- Dodge & Cox Income Fund: 51.3% AAA; 4.7% AA; 6.7% A; 27.2% BBB; 10.1% BB
- Vanguard Short-Term Bond Adm: 72.3% AAA; 2.8% AA; 12.5% A; 12.3% BBB; 0.1% below B
- PIMCO Diversified Income Instl: 16.6% AAA; 7.9% AA; 5.4% A; 30.4% BBB; 26.9% BB; 8.6% B; 4.2% below B
- Vanguard Total Bond Market Index Adm: 71.0% AAA; 3.0% AA; 11.7% A; 14.2% BBB; 0.1% below B
- Vanguard Short-Term Investment Grade Adm: 18.5% AAA; 2.2% AA; 29.3% A; 47.2% BBB; 1.9% below B; 0.9% not rated

Concentration of Credit Risk

The Foundation recognizes that, over the long term, equity investments provide the best opportunity to achieve the objectives and goals of the Endowment Fund. However, a degree of diversification in other forms of investments is prudent. To accomplish the endowment investment objectives, investment managers are authorized to utilize portfolios of equity securities, fixed-income securities, alternative investments, and short-term investments (cash and cash equivalents). The total portfolio shall be maintained within the following ranges:

	<u>Minimum</u>	<u>Maximum</u>
Domestic Equities	20%	30%
International Equities	10%	20%
Global Equities	15%	25%
Alternative Investments	0%	25%
Fixed Income and Cash/Short-term Investments	10%	30%

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note C - Investments-Foundation
(continued)

Concentration of Credit Risk (continued)

The investments shall be reviewed quarterly to ensure the endowment assets are within these ranges.

To ensure diversification in the investment equity portfolio, the Foundation's investment policy limits investment in an individual common stock to 10% of a given investment manager's portfolio based on market value. Additionally, within each separately managed account, economic sector allocations must be less than twice that of the same economic sector as defined by the market benchmark. For the fixed-income portfolio, with the exception of securities guaranteed by the U.S. Government, the securities of single issuers should not exceed 5% of the market value of the investment manager's portfolio.

At June 30, 2022, the Foundation's investments that exceeded 5% of the investment portfolio included the Dodge & Cox Income Fund (\$8,061,103), Vanguard 500 Index Fund (\$15,922,985), The Weatherlow Offshore Fund I (\$7,621,591), Vanguard Short-Term Investment (\$4,621,302), Ninety One North America (\$5,031,231), Mondrian Global (\$5,385,797), DFA International Core Fund (\$6,438,436), and Invesco Oppenheimer Developing Markets (\$5,444,753).

Foreign Currency Risk

The Foundation's holdings in foreign investments were made in mutual funds as noted above. Alternative investments include offshore investments. In addition, the Foundation had no foreign equities as of June 30, 2022 or 2021.

Custodial Credit Risk

The Foundation has engaged Comerica Bank 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.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note D - Accounts Receivable

The University's accounts receivable relate to several transactions including State appropriations, student tuition and fee billings, and auxiliary enterprise sales, such as food service and residence halls. In addition, receivables arise from grant awards, financial aid, leases and billings related to capital assets. The details of accounts receivable, excluding State appropriations, as of June 30 are listed below in the table:

	<u>2022</u>	<u>2021</u>
Current accounts receivable, net		
Tuition and fees	\$6,423,412	\$6,293,919
Auxiliary enterprises	2,071,671	1,597,056
Contracts and grants	1,986,043	2,993,245
Sales and services	906,891	1,091,617
Agency accounts	951,668	1,271,919
Leases	242,418	228,801
Less: Allowance for uncollectible accounts	<u>(7,863,900)</u>	<u>(7,047,000)</u>
Total current accounts receivable, net	<u>4,718,203</u>	<u>6,429,557</u>
Noncurrent accounts receivable, net		
Leases	<u>783,406</u>	<u>1,014,507</u>
Total noncurrent accounts receivable, net	<u>783,406</u>	<u>1,014,507</u>
Total accounts receivable, net	<u>\$5,501,609</u>	<u>\$7,444,064</u>

Based on Senate Bill 905, PA 273 of 1998, State appropriations are recorded principally on the accrual basis, when earned. As a result, the University recorded State appropriations receivable of \$5,644,270 at June 30, 2022 and \$5,600,598 at June 30, 2021. Charter school appropriations receivable were recorded at June 30, 2022 of \$13,448,807 and at June 30, 2021 of \$13,090,618. The University has recorded a corresponding amount due to the charter schools which is reported as charter schools payable and deposits. The University received direct State appropriations and other funds in the amount of \$74,683,778 to be forwarded to 20 charter schools for fiscal year 2022 and \$72,449,349 for fiscal year 2021.

The detail of the Foundation's contributions and accounts receivable for June 30 are listed below in the table:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$2,491,375	\$5,222,144
Less: allowance for uncollectible pledges	(236,192)	(356,332)
Less: discount to reflect promise to give at fair value	<u>(204,519)</u>	<u>(678,937)</u>
	2,050,664	4,186,875
Other	<u>121,953</u>	<u>151,199</u>
Total receivables	<u>\$2,172,617</u>	<u>\$4,338,074</u>

As of June 30, 2022, approximately 70% of the Foundation's pledges receivable were from eight donors and at June 30, 2021, approximately 74% of the Foundation's pledges receivable were from five donors.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note E - Capital Assets

The following table presents the changes in the various capital asset categories:

<u>Asset Classification</u>	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Retirements and Write-downs</u>	<u>Balance at June 30, 2022</u>
Land	\$ 1,469,512	\$ -	\$ -	\$ 1,469,512
Land improvements and infrastructure	33,925,768	1,326,773	(1,081,779)	34,170,762
Buildings	425,182,177	2,559,497	(505,583)	427,236,091
Equipment	25,827,138	2,097,370	(2,921,318)	25,003,190
Library acquisitions	8,572,500	441,698	(820,959)	8,193,239
Construction in progress	12,745	5,114,285		5,127,030
Works of fine art	607,085			607,085
Leases	257,278	219,817	(109,778)	367,317
Accumulated depreciation:				
Land improvements and infrastructure	(20,326,857)	(1,816,586)	1,081,779	(21,061,664)
Buildings	(167,274,030)	(10,608,710)	505,583	(177,377,157)
Equipment	(18,075,576)	(1,907,087)	2,921,318	(17,061,345)
Library acquisitions	(6,547,895)	(475,846)	820,959	(6,202,782)
Leases	(105,962)	(73,078)	73,185	(105,855)
Total capital assets, net	<u>\$ 283,523,883</u>	<u>\$ (3,121,867)</u>	<u>\$ (36,593)</u>	<u>\$ 280,365,423</u>

Note F - Leases

Lessee Arrangements

The amount of lease right-to-use assets by major classes of underlying assets as of June 30 are as follows:

	<u>Right-to-Use Asset</u>	
	<u>2022</u>	<u>2021</u>
Building	\$ 147,500	\$ 147,500
Equipment	219,817	109,778
Total lease right-to-use assets	<u>\$ 367,317</u>	<u>\$ 257,278</u>

As of June 30, 2022, the scheduled fiscal year maturities of lease liabilities and related interest expense are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 90,021	\$ 6,396
2024	92,805	4,232
2025	77,121	2,112
2026	60,462	759
2027	5,093	8
	<u>\$ 325,502</u>	<u>\$ 13,507</u>

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note F - Leases
(continued)

Lessee Arrangements (continued)

The University paid variable lease payments not previously included in the measurement of the related lease liabilities in the approximate amounts of \$141,000 during the year ended June 30, 2022 and \$198,000 during the year ended June 30, 2021. Termination penalties in the amount of \$54,958 were paid during the year ended June 30, 2022.

Lessor Arrangements

The University leases office space and buildings to external parties. The University recognized revenues related to lease agreements in the amount of \$285,786 for the year ended June 30, 2022 and \$290,845 for the year ended June 30, 2021.

The net deferred amount on lease transactions is reported on the Statements of Net Position as a deferred inflow at June 30, 2022 in the amount of \$989,927 and as of June 30, 2021 was \$1,232,464.

Note G - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year. Listed below is a breakdown of those liabilities at June 30:

	<u>2022</u>	<u>2021</u>
Compensation and benefits	\$ 2,469,248	\$2,344,809
Supplies and construction related expenditures	9,444,952	4,699,838
Total accounts payable and accrued liabilities	<u>\$ 11,914,200</u>	<u>\$ 7,044,647</u>

Note H - Notes and Bonds Payable

The University issued General Revenue and Refunding Bonds, Series 2020A, in the amount of \$17,340,000 in April 2020. The proceeds were used to establish an irrevocable escrow fund to refund the outstanding balance on General Revenue and Refund Bond, Series 2010A. The refunded bonds were called for redemption on July 1, 2020. The refunding resulted in a deferred amount on refunding of \$502,935. The deferred amount on refunding is being amortized over the remaining life of the 2010A bonds and is reported as a deferred inflow.

The University issued General Revenue and Refunding Bonds, Series 2016A, in the amount of \$62,280,000 in April 2016. A portion of the proceeds from the bonds were used to establish an irrevocable escrow fund to refund a portion of the remaining outstanding General Revenue and Refunding Bonds, Series 2007 (\$20,565,000), 2008 (\$24,875,000) and 2008B (\$10,245,000). The refunding resulted in a deferred amount on refunding of \$3,552,809. The deferred amount on refunding is being amortized over the remaining life of the oldest bonds and is reported as a deferred outflow. The remaining proceeds from the Series 2016A bonds were used, together with other available resources, to renovate Zahnaw Library. The bonds were issued at a premium of \$8,712,909.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note H - Notes and Bonds Payable
(continued)

The University issued General Revenue and Refunding Bonds, Series 2015A, in the amount of \$18,525,000, in April 2015. The proceeds were used to retire the general revenue and refunding 2005 bonds. Since the 2005 bonds refunded a previous bond, the deferred amount on refunding from the 2005 bonds was carried forward to the new bonds. The deferred amount on refunding is being amortized over the remaining life of the old bonds and is reported as a deferred outflow.

The University issued General Revenue and Refunding Bonds, Series 2013A, in the amount of \$19,250,000, in June 2013. A portion of the proceeds from the bonds were used to establish an irrevocable escrow fund that refunded a portion of the remaining Series 2004 Bonds and the Series 2004B Bonds. The refunded bonds were called for redemption on July 1, 2014. The bonds were refunded in order to reduce the University's debt service. The refunding resulted in a deferred amount on refunding of \$434,768. The deferred amount on refunding is being amortized over the remaining life of the old bonds and is reported as a deferred outflow. The remaining proceeds from the Series 2013A bonds were used, together with other available resources, to renovate and expand the Ryder Center. The bonds were issued at a premium of \$2,618,113.

Notes and bonds payable outstanding as of June 30 consist of the following:

	<u>Interest Rates</u>	<u>Maturity</u>	<u>2022</u>	<u>2021</u>
General Revenue & Refunding Bonds, Series 2020A	2.167%	2023-2030	\$ 13,375,000	\$ 17,340,000
General Revenue & Refunding Bonds, Series 2016A	3.25% to 5.00%	2023-2038	45,965,000	47,745,000
General Revenue & Refunding Bonds, Series 2015A	2.79%	2023-2035	7,480,000	8,220,000
General Revenue & Refunding Bonds, Series 2013A	3.125% to 5.00%	2023-2034	8,990,000	10,510,000
Unamortized premiums			7,709,186	8,220,762
Total			<u>\$83,519,186</u>	<u>\$92,035,762</u>

The principal and interest on the notes and bonds are payable only from certain general revenues. The following table summarizes debt service requirements:

Fiscal Year	<u>All Other Debt</u>		<u>Direct Placement Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 3,585,000	\$ 2,544,906	\$ 2,675,000	\$ 498,528	\$ 9,303,434
2024	3,765,000	2,365,656	2,730,000	435,826	9,296,482
2025	3,945,000	2,177,406	2,790,000	371,808	9,284,214
2026	2,820,000	1,980,156	2,835,000	306,364	7,941,520
2027	2,950,000	1,848,718	2,900,000	239,821	7,938,539
Total five years	<u>17,065,000</u>	<u>10,916,842</u>	<u>13,930,000</u>	<u>1,852,347</u>	<u>43,764,189</u>
2028-2032	23,005,000	6,248,468	5,835,000	446,580	35,535,048
2033-2037	14,150,000	1,842,037	1,090,000	61,243	17,143,280
2038	735,000	25,725			760,725
Total	<u>\$4,955,000</u>	<u>\$ 19,033,072</u>	<u>\$20,855,000</u>	<u>\$2,360,170</u>	<u>\$ 97,203,242</u>
Unamortized premium		<u>7,709,186</u>			<u>\$62,664,186</u>
Current portion of unamortized premium		<u>\$ 511,575</u>			

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note H - Notes and Bonds Payable
(continued)

The net deferred amount on refunding from the Series 2016A, Series 2015A and Series 2013A bonds is reported on the Statements of Net Position as a deferred outflow at June 30, 2022 in the amount of \$3,264,951. The deferred outflow for Series 2016A, 2015A and Series 2013A at June 30, 2021 was \$3,506,600. The net deferred amount on refunding from the Series 2020A bonds is reported on the Statements of Net Position as a deferred inflow at June 30, 2022 in the amount of \$392,771 and as of June 30, 2021 was \$441,868.

The University has a \$300,000 letter of credit for the Wolverine Power Marketing Cooperative electricity contract at a per annum fee of 1.25%. In addition, amounts drawn against the letter of credit include interest at the bank prime rate plus one percent per annum. No amounts were drawn against the letter of credit at June 30, 2022 or 2021. The letter of credit is secured by general revenues.

Note I - Long-Term Liabilities

The information listed below shows the components of the University's long-term liabilities:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>	<u>Current Portion</u>
Notes and bonds payable:					
General revenue bonds	\$ 83,815,000	\$ -	\$ 8,005,000	\$ 75,810,000	\$ 6,260,000
Unamortized premiums	<u>8,220,762</u>		<u>511,576</u>	<u>7,709,186</u>	<u>511,575</u>
Total notes and bonds payable	92,035,762		8,516,576	83,519,186	6,771,575
Other long-term liabilities:					
Compensated absences	5,477,045		398,702	5,078,343	100,000
Leases payable	<u>154,472</u>	<u>290,896</u>	<u>119,866</u>	<u>325,502</u>	<u>90,021</u>
Total long-term liabilities	<u>\$ 97,667,279</u>	<u>\$ 290,896</u>	<u>\$ 9,035,144</u>	<u>\$ 88,923,031</u>	<u>\$ 6,961,596</u>

As of June 30, 2022 and 2021, employees had earned but not taken annual compensatory time, personal, and vacation leave of approximately \$4,197,000, and \$4,414,000, respectively. The University had a commitment for accumulated sick leave of approximately \$881,000 as of June 30, 2022 and \$1,063,000 as of June 30, 2021. These amounts are reflected above as liabilities for compensated absences.

Note J - Unrestricted Net Position

The following summarizes the internal designations of the University's unrestricted net position at June 30:

	<u>2022</u>	<u>2021</u>
Capital projects, debt service, and repair reserves	\$ 98,684,158	\$ 96,270,607
Auxiliary enterprises	1,361,890	1,361,891
Designated for departmental use	17,393,211	19,905,573
Amount obligated by contractual commitments	160,745	172,250
Undesignated	<u>3,432,565</u>	<u>3,269,108</u>
Total unrestricted net position	<u>\$ 121,032,569</u>	<u>\$ 120,979,429</u>

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note K - Commitments and Contingencies

The University is self-insured for health insurance for individual contracts up to \$175,000. The University purchases coverage for amounts exceeding \$175,000 for individual contracts. At June 30, 2022 the University has recorded a liability of approximately \$528,000 which includes approximately \$258,000 of incurred but not reported claims, \$104,000 for claims invoiced but not paid as of June 30, 2022, and approximately \$166,000 of a reserve for claims exceeding the employee contributions.

The costs to complete significant construction in progress at June 30, 2022 approximate \$6,500,000. The amount of funding required to complete construction in progress will come from institutional resources and gifts.

In prior fiscal years, the University entered into lease agreements with the State Building Authority (SBA) and State of Michigan for the Scott L. Carmona College of Business building, Wickes Hall renovations, the Science East and West Buildings, Zahnnow Library, the Regional Education Center, Pioneer Hall renovations, and the Health and Human Services building. The projects were financed with SBA Revenue Bonds, State appropriations and University resources. The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements between the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to each of the facilities; the State of Michigan will make all annual lease payments to the SBA from general fund appropriations; and the University will pay all operating and maintenance costs of the facilities. At the expiration of each lease, the SBA has agreed to sell the facilities to the University for the sum of one dollar each. The cost and accumulated depreciation for these facilities is reflected in the accompanying Statements of Net Position.

In the normal course of its activities, the University is party to various legal actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on the financial condition of the University.

Note L - Support Organizations

The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. The Internal Revenue Service has ruled that the Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code (Code) and is, therefore, not subject to tax under present federal income tax laws, and also is not a private foundation within the meaning of Section 509(a)(3) of the Code. Foundation Board of Director membership includes the following individuals: members of the Saginaw Valley State University Board of Control as appointed by the Board of Control, certain officers of the University as set forth in the Foundation bylaws, and other community representatives elected by the Foundation Board.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note L - Support Organizations
(continued)

The Foundation pays the University a fee of up to one percent of the endowment annually towards the costs of operating the Foundation which are provided by the University. Gifts and contributions and management and general expenses for the year ended June 30, 2021 were reclassified to conform with fiscal year 2022 presentation. The University received \$788,000 for the management of endowments during fiscal 2022 and \$938,262 during fiscal 2021. The University also received \$7,517,288 from the Foundation during fiscal 2022 and recognized \$521,516 of previously deferred gifts. The University received \$14,618,715, of which \$6,000,000 was deferred, during fiscal 2021. These amounts include endowment distributions and restricted and unrestricted gifts. Under the spending policy established by the Board, 4.0% of the moving average market value of endowment investments for the twelve quarters through September prior to the beginning of the fiscal year has been authorized for expenditure. During 2009, the State of Michigan adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). According to UPMIFA, the Foundation may appropriate for spending as much of the endowment as the institution deems prudent for the uses, benefits, purposes, and duration for which the particular endowment fund was established, subject to the evaluation of several specific factors including general economic conditions and the fund's purpose. Although UPMIFA allows spending of the original gift, the Foundation's board policy does not allow for distribution if the individual endowment fund value is below historical gift value at the end of a quarter.

As of June 30, 2022, of the Foundation's 351 endowments, 28 were below their gift value. Of the Foundation's 337 endowments at June 30, 2021, none were below their gift value. However, there were endowments that did not distribute for one or more of the quarters during fiscal 2022 and 2021 as the market values were below gift values.

The Foundation classifies the original value of any gifts donated to a permanent endowment as net assets with donor restrictions and any subsequent investment returns, realized or unrealized, as with donor restrictions or without donor restrictions. Net assets with and without donor restrictions as of June 30, 2021 were reclassified to conform with current year presentation.

In accordance with GASB standards, the Foundation is included in the financial statements of the University as a discretely presented component unit.

Note M - Retirement Plan

The University has a defined contribution retirement program for all qualified employees. Qualified employees include nearly all full-time employees. University contributions are made to the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and are based on a percentage of qualified employee payroll. Employees maintain individual annuity contracts with TIAA-CREF and are fully vested. TIAA-CREF is a defined contribution plan whereby the University generally contributes 12% of the employees' pay to the plan with no liability beyond that contribution. University contributions for the years ended June 30, 2022 and 2021 approximated \$6,305,000 and \$6,202,000, respectively, with annual covered payroll for participants of the plan approximating \$52,541,000 in 2022 and \$51,690,000 in 2021. The University has no liability for past service or post-employment benefit costs.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note N - Liability and Property Insurance

The University participates with ten other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC). This corporation's purpose is to provide insurance coverage for errors and omissions liability, comprehensive general liability, and property loss. The University has a retention amount from which it would pay losses related to errors and omissions, comprehensive general liability claims, and property claims. The second layer of coverage for losses exceeding the retention level is the responsibility of MUSIC. MUSIC has purchased excess insurance coverage for comprehensive general liability and property loss claims that exceed its level of responsibility. The payments made to MUSIC and premiums to excess carriers reflect the claims experience of each university.

Note O - Fair Market Measurement

The following tables present information about the University and Foundations assets measured at fair value on a recurring basis at June 30, 2022 and 2021 and the valuation techniques used to determine fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the University or Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related assets.

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

The University and Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2022 and 2021, there were no transfers between levels of the fair value hierarchy.

Saginaw Valley State University
Notes to Financial Statements
(continued)

**Note O - Fair Market Measurement
(continued)**

Assets measured at fair value on a recurring basis as of June 30, 2022 included the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
University				
U.S. Federal Agencies	\$ 2,929,039	\$ -	\$ -	\$ 2,929,039
U.S. Government Obligations	3,677,541			3,677,541
Corporate Bonds	13,540,987			13,540,987
Municipal Obligations	1,614,113			1,614,113
Mortgage Backed Securities	833,525			833,525
Certificates of Deposit	251,278			251,278
Mutual Fund - Debt	58,484,882			58,484,882
Foreign Bonds & Notes	797,946			797,946
	<u>\$ 82,129,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,129,311</u>
Foundation				
Equities	\$ 33,215	\$ -	\$ -	\$ 33,215
Mutual Fund - Equities	20,634,399			20,634,399
Mutual Fund - Int'l Equities	16,091,424			16,091,424
Mutual Fund - Global Equities	10,417,028			10,417,028
Mutual Fund - Debt	17,326,567			17,326,567
Beneficial Interest Trusts	3,564,456	1,836,979		5,401,435
Contributions receivable			2,050,664	2,050,664
	<u>\$ 68,067,089</u>	<u>\$ 1,836,979</u>	<u>\$ 2,050,664</u>	<u>71,954,732</u>
Alternative Investments that calculate net asset value per share				<u>20,349,930</u>
				<u>\$ 92,304,662</u>

Assets measured at fair value on a recurring basis as of June 30, 2021 included the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
University				
U.S. Federal Agencies	\$ 3,847,165	\$ -	\$ -	\$ 3,847,165
U.S. Government Obligations	3,797,949			3,797,949
Corporate Bonds	12,191,603			12,191,603
Municipal Obligations	2,189,025			2,189,025
Mortgage Backed Securities	1,845,435			1,845,435
Certificates of Deposit	268,067			268,067
Mutual Fund - Debt	35,079,747			35,079,747
Foreign Bonds & Notes	701,471			701,471
	<u>\$ 59,920,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,920,462</u>
Foundation				
Equities	\$ 170	\$ -	\$ -	\$ 170
Mutual Fund - Equities	41,267,442			41,267,442
Mutual Fund - Int'l Equities	25,347,849			25,347,849
Mutual Fund - Debt	17,764,898			17,764,898
Beneficial Interest Trusts	4,316,623	2,101,694		6,418,317
Contributions receivable			4,186,875	4,186,875
	<u>\$ 88,696,982</u>	<u>\$ 2,101,694</u>	<u>\$ 4,186,875</u>	<u>94,985,551</u>
Alternative Investments that calculate net asset value per share				<u>15,981,601</u>
				<u>\$ 110,967,152</u>

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note O - Fair Market Measurement
(continued)

U.S. Federal Agencies, U.S. Government Obligations, Corporate Bonds, Foreign Bonds and Notes, Municipal Obligations, Mortgage Backed Securities, Certificates of Deposit, Equities, Mutual Fund-Equities, Mutual Fund-International Equities, Mutual Fund-Debt and Beneficial Interest Trusts classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Beneficial Interest Trusts classified in Level 2 of the fair value hierarchy are valued based on the fair value of the investments adjusted for the annuity payment out, estimated earnings, and present value based on IRS mortality tables. Contributions receivable classified in Level 3 consist of contributions receivable balances discounted at the Foundation's borrowing rate each fiscal year end and adjusted for amounts not deemed collectible.

Note P - Expenditures by Natural Classification

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2022:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 29,631,787	\$ 10,315,919	\$ -	\$ -	\$ 2,220,830	\$ -	\$ 42,168,536
Research	956,442	291,191			848,792		2,096,425
Public service	2,233,459	690,133			2,503,628		5,427,220
Academic support	6,598,340	2,276,972			3,241,046		12,116,358
Student services	4,475,465	1,671,855		16,305	2,606,071		8,769,696
Institutional support	7,719,423	2,799,320			5,320,488		15,839,231
Operations and maintenance of plant	4,188,759	2,047,219		2,245,068	4,998,103		13,479,149
Depreciation						14,881,307	14,881,307
Student aid	256,334		18,118,332		45,337		18,420,003
Auxiliary enterprises	5,574,361	1,856,847		1,046,969	7,435,567		15,913,744
Total	<u>\$ 61,634,370</u>	<u>\$ 21,949,456</u>	<u>\$ 18,118,332</u>	<u>\$ 3,308,342</u>	<u>\$ 29,219,862</u>	<u>\$ 14,881,307</u>	<u>\$ 149,111,669</u>

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2021:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 29,373,600	\$ 10,176,675	\$ -	\$ -	\$ 1,819,153	\$ -	\$ 41,369,428
Research	1,048,470	312,087			1,002,065		2,362,622
Public service	1,829,400	593,363			1,358,842		3,781,605
Academic support	6,507,369	2,287,680			2,564,024		11,359,073
Student services	4,439,917	1,566,021		16,602	1,157,113		7,179,653
Institutional support	7,345,874	2,712,587			3,076,071		13,134,532
Operations and maintenance of plant	4,211,849	1,996,583		2,010,595	5,883,626		14,102,653
Depreciation						15,112,482	15,112,482
Student aid	258,139		14,509,143		21,632		14,788,914
Auxiliary enterprises	4,947,882	1,834,009		992,091	6,670,916		14,444,898
Total	<u>\$ 59,962,500</u>	<u>\$ 21,479,005</u>	<u>\$ 14,509,143</u>	<u>\$ 3,019,288</u>	<u>\$ 23,553,442</u>	<u>\$ 15,112,482</u>	<u>\$ 137,635,860</u>

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note Q - Impact of COVID-19

Impact of COVID 19

In March 2020, the President of the United States issued a proclamation, “Declaring a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak” and the governor of the State of Michigan issued executive orders declaring a state of emergency and issued a statewide stay-at-home order to fight the outbreak of COVID-19. In response to the emergency orders, the University suspended in-person instruction for the balance of Winter semester 2020 and conducted Spring and Summer semester instruction online. Faculty and staff adopted a hybrid schedule between remote and on campus work in accordance with the State of Michigan guidelines. Various external events including athletic and academic camps, Osher Life Long Learning and professional development courses and international programs were cancelled. Students and staff returned to campus for Fall 2020 and Winter 2021 semesters under reduced density guidelines. Instruction was moved online after the Thanksgiving holiday break for the remainder of the Fall 2020 semester. Winter semester 2021 began with similar restrictions as Fall semester 2020 regarding density limitations and limited external events. The State of Michigan began easing capacity restrictions in February 2021 with virtually all restrictions lifted in June 2021. All staff returned to on campus work at that time.

The following represent some of the impacts of COVID-19 on University operations and the financial statements:

Auxiliary Operations – Housing and Meal Plan Refunds

As mentioned above, the University transitioned to online instruction for the remainder of Fall semester 2020 following the Thanksgiving holiday break. University housing and dining operations remained open for students who wished to remain living on campus. Students who chose to leave University housing at that time were issued prorated refunds for housing and meal plans. The University refunded approximately \$1.2 million in housing and meal plans related to Fall semester 2020. There were no disruptions in service that warranted housing or meal plan refunds during the fiscal year ended June 30, 2022.

Higher Education Emergency Relief Funds (HEERF)

The Coronavirus Aid, Relief and Economic Security (CARES) Act (also known as HEERF I) was passed by Congress on March 27, 2020 and signed into law. The Higher Education Emergency Relief Fund II (HEERF II) was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) and signed into law on December 27, 2020. The Higher Education Emergency Relief Fund III (HEERF III) was authorized by the American Rescue Plan (ARP) which was signed into law on March 11, 2021. Collectively referred to as HEERF, funds from these various acts were made available to institutions of higher education to support students and ensure learning continues during the COVID-19 pandemic.

The University received the following direct grants:

	<u>HEERF I</u>	<u>HEERF II</u>	<u>HEERF III</u>	<u>Total</u>
Higher Education Emergency Relief Funding	\$ 3,455,532	\$ 3,455,532	\$ 9,980,353	\$ 16,891,417
Institutional Relief Funding	3,455,532	7,916,582	9,925,708	21,297,822
Title III Strengthening the Institutions Relief Funding	342,446	484,355	882,217	1,709,018
	<u>\$ 7,253,510</u>	<u>\$ 11,856,469</u>	<u>\$ 20,788,278</u>	<u>\$ 39,898,257</u>

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note Q - Impact of COVID-19
(continued)

Higher Education Emergency Relief Funds (HEERF) (continued)

The Higher Education Emergency Relief Funding provided funding to universities to use for emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. The University awarded grants to students in the amount of \$9,986,135 during the year ended June 30, 2022 and \$5,571,763 during the year ended June 30, 2021. The grants to students are included in student aid expense and nonoperating federal HEERF Act program revenue on the Statements of Revenues, Expenses, and Change in Net Position.

The Institutional Relief Funding allows the University to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. Guidance provided by the US Department of Education specifically allow the University to reimburse itself for refunds to students for room and board, tuition and other fees as a result of significant changes to the delivery of instruction. For the year ended June 30, 2022, the University reimbursed itself for \$332,913 housing and meal plan refunds provided to students in the prior year, applied \$1,898,635 to direct expenses related to COVID-19 and indirect cost recovery, applied \$23,284 to direct student aid, and applied \$7,670,876 towards revenue loss due to cancellation of campus events and activities, reduced housing density, and tuition and fees. For the year ended June 30, 2021, the University reimbursed itself for \$416,035 of housing and meal plan refunds, applied \$1,671,098 to expenses directly related to COVID-19, and applied \$6,245,537 towards revenue loss due to cancellation of campus events and activities, reduced housing density, and tuition and fees.

The Title III Strengthening the Institutions Relief funding allows the University to cover costs associated with significant changes to the delivery of instruction including lost revenues. The University applied \$882,217 during the year ended June 30, 2022 and \$826,801 during the year ended June 30, 2021 towards revenue loss due to cancellation of campus events and activities and reduced housing density.

HEERF funding contained requirements that limited the amount of Institutional Relief funding that could be recognized as revenue based on the amount of emergency grants to students made under the Higher Education Emergency Relief Funding. Accordingly, the University recorded deferred revenue in the amount of \$13,246 as of June 30, 2021.

CARES Act

In addition, the State of Michigan allocated \$3,427,700 from the federal funding awarded to the State under the CARES Act to the University. The federal pass through funding had the same restrictions as noted in the CARES Act for the funds awarded to the State. The University was able to recognize revenue from the pass-through funds equal to allowable expenditures and foregone revenue incurred between March 1 and December 31, 2020. The University reimbursed itself for \$474,558 of housing and meal plan refunds and applied \$2,953,142 towards eligible expenses during the year ended June 30, 2021.

A provision of the CARES Act allowed the University to defer payment of the employer portion of Social Security taxes through December 31, 2020. The University has deferred taxes in the amount of \$1,169,500 as of June 30, 2022 and \$2,339,000 as of June 30, 2021 which is reported in accounts payable and accrued liabilities on the Statements of Net Position. The University paid \$1,169,500 in December 2021 and will be required to pay the remaining deferred amount by December 31, 2022.

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note Q - Impact of COVID-19
(continued)

Current Status

The University has returned to in person instruction with campus housing and dining services. Should COVID-19 events occur that result in the University suspending in person instruction and campus operations, the economic impact on the University would be potentially material. Management has been reviewing budget options to minimize the financial impact should this occur.