

Audited Financial Statements

June 30, 2023

Saginaw Valley State University

Members of the Board of Control and Business Affairs Administration

As of June 30, 2023

Board of Control

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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 operations 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 funding, Pell grants, and gifts 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 Flow.** 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

Prior to the June 30, 2023 fiscal year, the University was 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. The funds were fully expended by June 30, 2022 and were applied to the grants in the following categories for the fiscal years ended June 30:

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

	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	\$ 20,794	\$ 14,731	\$ 4,373	\$ 39,898

Adoption of New Accounting Standard

The University adopted GASB Statement 96, Subscription-Based Information Technology Arrangements, (GASB 96) effective for the fiscal year ended June 30, 2023. The statement establishes new requirements for calculating and reporting the University's subscription-based information technology arrangements. The adoption of GASB 96 has been reflected as of July 1, 2021, resulting in an increase in intangible right-to-use subscription assets and subscriptions payable of \$1,880,269 as of July 1, 2021. These balances were calculated using the facts and circumstances that existed as of July 1, 2021 as prescribed by GASB 96. There was no impact to beginning net position as of July 1, 2021.

Financial Highlights

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

- Net position increased by 0.3% from June 30, 2022 to June 30, 2023; 1.9% from June 30, 2021 to June 30, 2022; and 6.0% from June 30, 2020 to June 30, 2021.
- In fiscal year 2023, operating revenue increased 1.6% 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 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.

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

- Applications increased by 58.3% from Fall 2021 to Fall 2022 due primarily to the use of the Common App; decreased by 14.5% from Fall 2020 to Fall 2021; and decreased by 6.2% from Fall 2019 to Fall 2020.
- Headcount decreased in Fall 2022 to 7,147 from Fall 2021 of 7,523 and Fall 2020 of 8,030. Credit hours also decreased to 182,924 in 2023 from 191,563 in 2022 and 202,723 in 2021.

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

Financial Statement Summaries

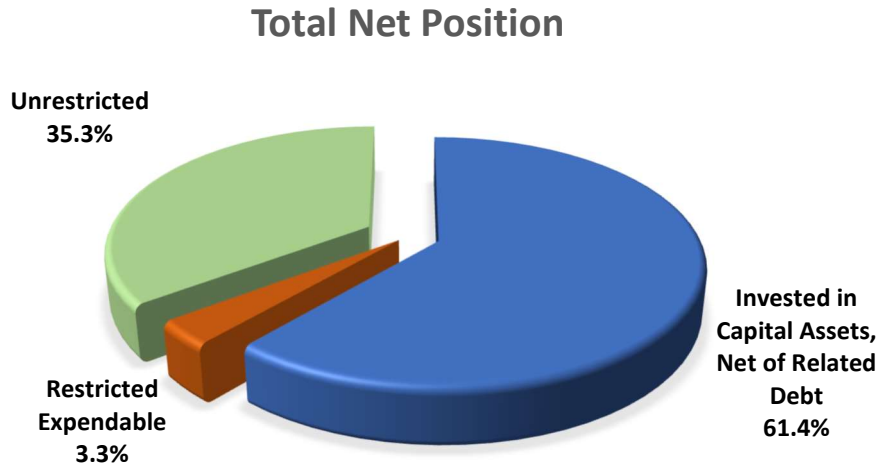
The net position of the University is summarized in the table below as of June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(in thousands of dollars)		
Assets			
Current Assets	\$ 71,318	\$ 85,340	\$101,386
Noncurrent Assets:			
Other	93,402	88,391	66,936
Capital	<u>279,043</u>	<u>282,627</u>	<u>283,524</u>
Total Assets	<u>443,763</u>	<u>456,358</u>	<u>451,846</u>
Deferred Outflows	<u>3,023</u>	<u>3,265</u>	<u>3,506</u>
Liabilities			
Current Liabilities	34,150	38,954	34,060
Noncurrent Liabilities	<u>80,295</u>	<u>89,241</u>	<u>95,717</u>
Total Liabilities	<u>114,445</u>	<u>128,195</u>	<u>129,777</u>
Deferred Inflows	<u>1,438</u>	<u>1,383</u>	<u>1,674</u>
Net Position			
Net Investment in Capital Assets	203,196	199,482	194,398
Restricted	10,906	9,530	8,524
Unrestricted	<u>116,801</u>	<u>121,033</u>	<u>120,979</u>
Total Net Position	<u>\$330,903</u>	<u>\$330,045</u>	<u>\$323,901</u>

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 right-to-use assets. Capital assets represent 63% of the University's total assets. Notes and bonds payable, which includes unamortized bond premiums, totaled \$76.7 million at June 30, 2023. This represents 67% 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, 2023 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, 2023.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(in thousands of dollars)		
Capital Projects, Debt Service, and Repair Reserve	\$ 95,402	\$ 98,684	\$ 96,271
Auxiliary Enterprises	1,362	1,362	1,362
Designated for Departmental Use	16,282	17,393	19,905
Amount Obligated by Contractual Commitments	150	161	172
Undesignated	3,605	3,433	3,269
Total Unrestricted Net Position	<u><u>\$116,801</u></u>	<u><u>\$121,033</u></u>	<u><u>\$120,979</u></u>

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

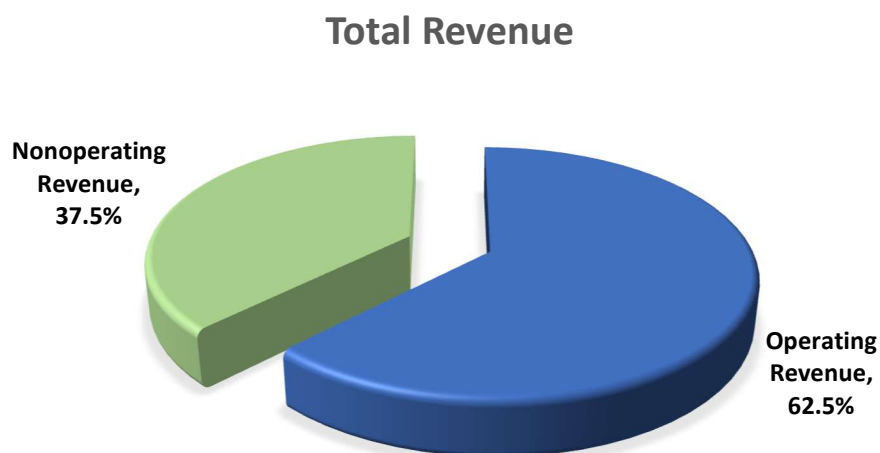
The following table summarizes the University's revenues, expenses, and change in net position for the fiscal years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(in thousands of dollars)		
Operating Revenues			
Student Tuition and Fees, net	\$ 57,324	\$ 58,225	\$ 63,074
Federal Grants and Contracts	3,878	4,261	3,772
State and Local Grants and Contracts	2,266	1,551	1,283
Sales and Services of Educational Departments	5,338	4,755	2,741
Auxiliary Enterprises, net	17,144	15,950	13,489
Other Operating Revenues	<u>3,761</u>	<u>3,541</u>	<u>3,581</u>
Total Operating Revenues	89,711	88,283	87,940
Operating Expenses	<u>139,966</u>	<u>149,003</u>	<u>137,636</u>
Operating Loss	(50,255)	(60,720)	(49,696)
Nonoperating Revenues (Expenses)			
State Appropriations	32,275	32,243	30,803
Federal Pell Grant Program	10,711	10,930	10,748
Federal HEERF Program		20,807	16,424
Federal CARES Act CRF Program			3,428
Gifts	6,746	5,718	5,535
Investment Income (Expense), net	3,796	(2,460)	384
Interest on Capital Asset-Related Debt	(2,794)	(2,981)	(3,180)
Other Nonoperating Revenue	<u>354</u>	<u>286</u>	<u>291</u>
Net Nonoperating Revenues	51,088	64,543	64,433
Income Before Other Revenues	833	3,823	14,737
Other Revenues			
Capital Grants and Gifts	25	2,321	3,084
Capital Appropriations			529
Total Other Revenues	<u>25</u>	<u>2,321</u>	<u>3,613</u>
Change in Net Position	858	6,144	18,350
Net Position - Beginning of Year	<u>330,045</u>	<u>323,901</u>	<u>305,551</u>
Net Position - End of Year	<u>\$ 330,903</u>	<u>\$ 330,045</u>	<u>\$ 323,901</u>

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

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

A graphic illustration of each University revenue source for the fiscal year ended June 30, 2023 follows:



Other revenue not included due to insignificant amount.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(in thousands of dollars)		
Cash Provided (Used) By:			
Operating Activities	\$(37,168)	\$(43,717)	\$(32,497)
Noncapital Financing Activities	49,239	69,981	66,991
Capital Financing Activities	(25,341)	(17,576)	(3,253)
Investing Activities	<u>(2,078)</u>	<u>(24,669)</u>	<u>(37,847)</u>
Net Change	(15,348)	(15,981)	(6,606)
Cash and Cash Equivalents - Beginning of Year	<u>65,394</u>	<u>81,375</u>	<u>87,981</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 50,046</u></u>	<u><u>\$ 65,394</u></u>	<u><u>\$ 81,375</u></u>

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

Operating Expenses

The University reports expenses on a functional basis. Operating expenses were \$139,965,710 in fiscal year 2023, a decrease of 6.1% from the prior year. The following summarizes the University's operating expenses for the fiscal years ended June 30:

	2023	2022	2021
	(in thousands of dollars)		
Educational and General:			
Instruction	\$ 41,927	\$ 42,086	\$ 41,369
Research	1,655	2,071	2,363
Public Service	5,723	5,427	3,782
Academic Support	12,429	11,373	11,359
Student Services	10,315	8,652	7,180
Institutional Support	14,600	15,807	13,134
Operations and Maintenance of Plant	11,639	13,252	14,103
Depreciation	16,363	16,070	15,112
Student Aid	8,423	18,420	14,789
Auxiliary Enterprises	16,892	15,845	14,445
 Total Operating Expenses	 \$ 139,966	 \$ 149,003	 \$ 137,636

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 \$12.5 million and \$11.5 million during fiscal years 2023 and 2022, respectively, and were funded with 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:

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

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

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 University personnel operating the Foundation provided by the University. These costs are reflected as institutional support in the University's financial statements. The University received \$864,412 from the Foundation for the management of endowments during fiscal year 2023. The University received endowment distributions and unrestricted and restricted gifts of \$5,814,275 from the Foundation in fiscal 2023 and recognized \$953,791 of previously deferred gifts.

As of June 30, 2023, the Foundation had 350 endowments, of which 15 were below their gift value. At June 30, 2022, the Foundation had 351 endowments, of which 28 were 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 2023.

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

	2023	2022	2021
	(in thousands of dollars)		
Without donor restrictions	\$ 11,267	\$ 10,438	\$ 12,684
With donor restrictions	90,694	84,885	98,995
	<u>\$101,961</u>	<u>\$ 95,323</u>	<u>\$111,679</u>

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, 2023 and 2022, 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, 2023 and 2022, 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 7, 2023, 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 7, 2023

**Saginaw Valley State University
Statements of Net Position**

	June 30,	
	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 45,521,797	\$ 59,915,948
Accounts receivable, net	3,793,576	4,718,203
State appropriations receivable - operations	5,868,106	5,644,270
State appropriations receivable - charter schools	14,811,589	13,448,807
Inventories and prepaid expenses	<u>1,323,382</u>	<u>1,612,647</u>
Total current assets	71,318,450	85,339,875
Noncurrent Assets		
Restricted cash and cash equivalents	4,524,693	5,478,484
Accounts receivable, net	872,610	783,406
Other long-term investments	88,003,756	82,129,311
Capital assets, net	<u>279,043,077</u>	<u>282,627,397</u>
Total noncurrent assets	<u>372,444,136</u>	<u>371,018,598</u>
Total assets	<u>443,762,586</u>	<u>456,358,473</u>
Deferred Outflows		
Refunding of debt	<u>3,023,302</u>	<u>3,264,951</u>
Total deferred outflows	<u>3,023,302</u>	<u>3,264,951</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	5,868,074	11,914,200
Unearned revenues	4,445,097	5,023,736
Charter schools payable and deposits	15,640,709	13,967,515
Long-term liabilities - current portion	<u>8,195,537</u>	<u>8,048,422</u>
Total current liabilities	34,149,417	38,953,873
Noncurrent Liabilities		
Unearned revenues	5,140,877	6,194,120
Long-term liabilities, net of current portion	<u>75,154,512</u>	<u>83,047,563</u>
Total noncurrent liabilities	<u>80,295,389</u>	<u>89,241,683</u>
Total liabilities	<u>114,444,806</u>	<u>128,195,556</u>
Deferred Inflows		
Deferred inflow of resources	<u>1,438,417</u>	<u>1,382,698</u>
Total deferred inflows	<u>1,438,417</u>	<u>1,382,698</u>
Net Position		
Net investment in capital assets	203,195,669	199,481,935
Restricted for:		
Expendable Restricted		
Scholarships and fellowships	3,322,528	3,005,358
Research	1,683,450	624,339
Instructional department use	1,361,392	2,107,933
Other	4,538,524	3,793,036
Unrestricted	<u>116,801,102</u>	<u>121,032,569</u>
Total net position	<u>\$ 330,902,665</u>	<u>\$ 330,045,170</u>

See notes to financial statements

Saginaw Valley State University Foundation
Statements of Financial Position

	June 30,	
	2023	2022
Assets		
Cash and cash equivalents	\$ 2,437,458	\$ 4,599,968
Accounts receivable, net	149,365	121,953
Contributions receivable, net	555,494	2,050,664
Investments	93,410,035	84,852,563
Cash value of life insurance	258,213	238,348
Beneficial interest trusts	5,614,365	5,401,435
Total assets	\$ 102,424,930	\$ 97,264,931
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 274,995	\$ 1,753,833
Charitable gift annuities payable	189,169	188,582
Total liabilities	464,164	1,942,415
Net assets		
Without donor restrictions	11,266,748	10,438,014
With donor restrictions	90,694,018	84,884,502
Total net assets	101,960,766	95,322,516
Total liabilities and net assets	\$ 102,424,930	\$ 97,264,931

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

	For the year ended June 30,	
	2023	2022
Revenues		
Operating revenues		
Student tuition and fees	\$ 85,349,410	\$ 85,969,502
Less: Scholarship allowances	(28,025,422)	(27,744,519)
	57,323,988	58,224,983
Federal grants and contracts	3,878,373	4,260,676
State and local grants and contracts	2,265,639	1,551,254
Sales and services of educational departments	5,337,664	4,754,501
Auxiliary enterprises	23,962,907	22,313,735
Less: Scholarship allowances	(6,818,869)	(6,363,320)
	17,144,038	15,950,415
Other operating revenues	3,760,699	3,541,166
	89,710,401	88,282,995
Expenses		
Operating expenses		
Educational and general		
Instruction	41,927,108	42,085,835
Research	1,654,866	2,070,599
Public service	5,723,064	5,427,220
Academic support	12,429,308	11,372,741
Student services	10,315,596	8,651,743
Institutional support	14,599,686	15,807,231
Operations and maintenance of plant	11,638,582	13,252,450
Depreciation and amortization	16,362,884	16,069,597
Student aid	8,422,796	18,420,003
Auxiliary enterprises	16,891,820	15,845,340
	139,965,710	149,002,759
Operating loss	(50,255,309)	(60,719,764)
Nonoperating Revenues (Expenses)		
State appropriations	32,274,600	32,243,200
Federal Pell Grant Program	10,711,256	10,929,512
Federal HEERF Program		20,807,306
Gifts	6,745,528	5,717,425
Investment income (expense), net	3,796,455	(2,459,787)
Interest expense	(2,793,701)	(2,981,065)
Other nonoperating revenue	354,166	285,786
Net nonoperating revenues	51,088,304	64,542,377
Income before other revenues	832,995	3,822,613
Other Revenues		
Capital gifts	24,500	2,321,379
Total other revenues	24,500	2,321,379
Change in net position	857,495	6,143,992
Net position - beginning of year	330,045,170	323,901,178
Net position - end of year	\$ 330,902,665	\$ 330,045,170

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

For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Gifts and contributions	\$ 91,484	\$ 3,695,686	\$ 3,787,170
Change in beneficial interest trusts		212,930	212,930
Change in cash value of life insurance		19,865	19,865
Investment income, net	628,766	8,744,130	9,372,896
Net assets released from restrictions	6,863,095	(6,863,095)	-
Total revenue, gains and other support	<u>7,583,345</u>	<u>5,809,516</u>	<u>13,392,861</u>
Expenses			
Program expenses:			
Disbursements to Saginaw Valley State University	5,814,275		5,814,275
Disbursements to student organizations	1,937		1,937
Supporting service expenses:			
Charitable gift annuity payments	33,634		33,634
Taxes and tax service	40,353		40,353
Fundraising	276,435		276,435
Management and general	587,977		587,977
Total expenses	<u>6,754,611</u>	<u>-</u>	<u>6,754,611</u>
Change in net assets	828,734	5,809,516	6,638,250
Net assets - beginning of year	10,438,014	84,884,502	95,322,516
Net assets - end of year	<u>\$ 11,266,748</u>	<u>\$ 90,694,018</u>	<u>\$ 101,960,766</u>

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	<u>6,080,025</u>	<u>(14,110,026)</u>	<u>(8,030,001)</u>
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	<u>8,326,196</u>	<u>-</u>	<u>8,326,196</u>
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	<u>\$ 10,438,014</u>	<u>\$ 84,884,502</u>	<u>\$ 95,322,516</u>

Saginaw Valley State University
Statements of Cash Flow

	For the years ended June 30,	
	2023	2022
Cash Flows from Operating Activities		
Student tuition and fees	\$ 57,314,886	\$ 58,157,475
Grants and contracts	5,002,867	6,746,663
Payments to suppliers	(31,155,594)	(27,875,272)
Payments for utilities	(3,528,379)	(3,308,342)
Payments to employees	(61,879,759)	(61,373,138)
Payments for benefits	(22,045,323)	(22,484,951)
Payments for scholarships and fellowships	(8,163,792)	(18,118,332)
Auxiliary enterprises charges	18,925,362	16,525,805
Sales and services	4,600,651	4,472,257
Receipts for Charter Schools	76,687,114	72,002,917
Payments to Charter Schools	(76,687,114)	(72,002,917)
Other receipts	3,760,699	3,541,166
Net cash from operating activities	(37,168,382)	(43,716,669)
Cash Flows from Noncapital Financing Activities		
State appropriations	32,050,764	32,199,528
Federal Pell Grant Program	10,707,043	10,952,673
Federal HEERF Program		20,794,060
Federal Direct Lending receipts	31,420,576	31,939,770
Federal Direct Lending disbursements	(31,420,576)	(31,939,770)
Gifts	6,481,262	6,034,388
Net cash from noncapital financing activities	49,239,069	69,980,649
Cash Flows from Capital Financing Activities		
Capital grants and gifts received	24,500	2,321,379
Principal paid on capital debt, leases and subscriptions	(7,598,484)	(9,294,028)
Interest paid on capital debt and related costs, leases and subscriptions	(3,112,723)	(3,487,968)
Purchase of capital assets, net of disposals	(15,313,258)	(7,376,474)
Proceeds from sale of capital assets	374,326	
Other receipts - leases	285,000	260,733
Net cash from capital financing activities	(25,340,639)	(17,576,358)
Cash Flows from Investing Activities		
Investment income (loss), net	3,796,455	(2,459,787)
Purchases of investments	(5,874,445)	(22,208,849)
Net cash from investing activities	(2,077,990)	(24,668,636)
Net change in cash and cash equivalents	(15,347,942)	(15,981,014)
Cash and cash equivalents - beginning of year	65,394,432	81,375,446
Cash and cash equivalents - end of year	\$ 50,046,490	\$ 65,394,432

See notes to financial statements

Saginaw Valley State University
Statements of Cash Flow - Continued

	For the years ended June 30,	
	2023	2022
Summary of Cash and cash equivalents		
Cash and cash equivalents	\$ 45,521,797	\$ 59,915,948
Restricted cash and cash equivalents	4,524,693	5,478,484
	\$ 50,046,490	\$ 65,394,432
 Reconciliation of operating loss to net cash from operating activities		
 Operating loss	 \$ (50,255,309)	 \$ (60,719,764)
 Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	16,362,884	16,069,597
Changes in assets and liabilities:		
Accounts receivable, net	(1,101,039)	505,142
Inventories and prepaid expenses	289,265	(721,978)
Accounts payable and accrued liabilities	(3,203,956)	893,807
Unearned revenues	(678,091)	280,813
Charter schools payable and deposits	1,673,194	374,416
Compensated absences	(255,330)	(398,702)
	\$ (37,168,382)	\$ (43,716,669)
 Net cash from operating activities		

See notes to financial statements

Saginaw Valley State University
Notes to Financial Statements
June 30, 2023

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 and Subscriptions

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 University leases office space and office equipment from external parties. The University utilizes subscription-based IT arrangements (SBITAs) for various software licenses and remote hosting arrangements. Right-to-use assets and liabilities are recorded based on the present value of expected payments over the term of the respective leases, licenses or hosting arrangements. The expected payments and receipts are discounted using the interest rate charged on the contract, if available, or are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For contracts 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 contract 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 Program, gifts, investment income, 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)

Adoption of New Accounting Standard

The University adopted GASB Statement 96, Subscription-Based Information Technology Arrangements, (GASB 96) effective for the fiscal year ended June 30, 2023. The statement establishes new requirements for calculating and reporting the University's subscription-based information technology arrangements. The adoption of GASB 96 has been reflected as of July 1, 2021, resulting in an increase in intangible right-to-use subscription assets and subscriptions payable of \$1,880,269 as of July 1, 2021. These balances were calculated using the facts and circumstances that existed as of July 1, 2021 as prescribed by GASB 96. There was no impact to beginning net position as of July 1, 2021.

Balances were restated as follows for the effects of the University's adoption of GASB 96:

	June 30, 2022		June 30, 2022
	As Originally Reported	GASB 96 Impact	As Restated
Current assets	\$ 85,339,875	\$ -	\$ 85,339,875
Noncurrent assets	368,756,624	2,261,974	371,018,598
Total assets	454,096,499	2,261,974	456,358,473
Deferred outflows	3,264,951		3,264,951
Current liabilities	37,867,047	1,086,826	38,953,873
Noncurrent liabilities	88,155,555	1,086,128	89,241,683
Total liabilities	126,022,602	2,172,954	128,195,556
Deferred inflows	1,382,698		1,382,698
Net position	\$ 329,956,150	\$ 89,020	\$ 330,045,170

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, 2023 or 2022.

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, 2023:

- Lord Abbott Short Duration: 34.0% AAA; 3.7% AA; 19.1% A; 33.7% BBB; 6.3% <BBB; 3.2% 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	71
AA+	5
AA	2
AA-	1
A+	2
A	4
A-	8
BBB+	6
BBB	1

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>2023</u>	<u>2022</u>
Short-term Pool:		
Deposits:		
Huntington National Bank	\$ 242,237	\$ 239,197
PNC Bank	39,101,174	59,087,048
Investments:		
U.S. Government Money Market	10,651,110	6,021,293
Mutual Fund - Debt	24,341,490	58,484,882
Total short-term pool	<u>74,336,011</u>	<u>123,832,420</u>
Intermediate-term Pool:		
Investments:		
U.S. Federal Agencies	2,892,185	2,929,039
U.S. Government Obligations	44,221,570	3,677,541
Corporate Bonds	13,558,688	13,540,987
Municipal Obligations	1,404,064	1,614,113
Mortgage Backed Securities	550,681	833,525
Certificates of Deposit	250,304	251,278
Foreign Bonds and Notes	784,774	797,946
Total intermediate-term pool	<u>63,662,266</u>	<u>23,644,429</u>
Less Investments reported as "Cash and Cash Equivalents" on Statements of Net Position	<u>(49,994,521)</u>	<u>(65,347,538)</u>
Total Investments	<u>\$ 88,003,756</u>	<u>\$ 82,129,311</u>
As reported on the Statements of Net Position		
Noncurrent Investments	<u>\$ 88,003,756</u>	<u>\$ 82,129,311</u>
Total Investments	<u>\$ 88,003,756</u>	<u>\$ 82,129,311</u>
Investments Reported as Cash and Cash Equivalents	\$ 49,994,521	\$ 65,347,538
Cash	51,969	46,894
Total Cash and Cash Equivalents	<u>\$ 50,046,490</u>	<u>\$ 65,394,432</u>

The yield on all University deposits and investments was 2.47% for 2023 and (1.68%) for 2022.

Foreign Currency Risk

The University had foreign investments included in the intermediate-term pool of approximately \$785,000 as of June 30, 2023 and \$798,000 as of June 30, 2022.

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 financial institutions at June 30, 2023, were \$41,404,702. Of that balance, \$40,912,466 was uninsured and uncollateralized. Cash and cash equivalents, as reflected in the accounts of the financial institutions at June 30, 2022, were \$60,027,591. Of that balance, \$59,538,394 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 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, 2023 or 2022.

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>2023</u>	<u>2022</u>
Equities	\$ 36,041	\$ 33,215
Mutual Fund - Equities	25,232,972	20,634,399
Mutual Fund - International Equities	19,104,371	16,091,424
Mutual Fund - Global Equities	11,957,003	10,417,028
Mutual Fund - Debt	17,339,200	17,326,567
Alternative Investments	19,740,448	20,349,930
Cash and Cash Equivalents	1,144,812	1,065,336
	94,554,847	85,917,899
Less Investments included in "Cash and Cash Equivalents" on Statements of Financial Position	(1,144,812)	(1,065,336)
Total Investments	<u>\$ 93,410,035</u>	<u>\$ 84,852,563</u>

As of June 30, 2023, the Foundation's remaining capital commitment for alternative investments was \$4,619,042.

Investments in mutual fund – debt have the following quality of investments at June 30, 2023:

- Dodge & Cox Income Fund: 50.6% AAA; 4.5% AA; 7.8% A; 27.2% BBB; 7.9% BB; 2.0% B
- Vanguard Total Bond Market Index Adm: 71.2% AAA; 2.8% AA; 12.0% A; 14.0% BBB
- Vanguard Short-Term Investment Grade Adm: 13.2% AAA; 3.3% AA; 34.4% A; 47.8% BBB; 1.3% below B

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, 2023, the Foundation's investments that exceeded 5% of the investment portfolio included the Dodge & Cox Income Fund (\$8,539,814), Vanguard 500 Index Fund (\$19,864,526), The Weatherlow Offshore Fund I (\$6,536,811), Ninety One North America (\$5,831,549), Mondrian Global (\$6,125,454), DFA International Core Fund (\$7,440,881), Invesco Oppenheimer Developing Markets (\$5,982,739), and Baillie Gifford Long Term Global Fund (\$5,791,700).

Foreign Currency Risk

The Foundation's holdings in foreign investments were made in mutual funds as noted above. Alternative investments include offshore investments. The Foundation had no other foreign equities as of June 30, 2023 or 2022.

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>2023</u>	<u>2022</u>
Current accounts receivable, net		
Tuition and fees	\$ 6,997,686	\$ 6,423,412
Auxiliary enterprises	2,278,818	2,071,671
Contracts and grants	1,662,063	1,986,043
Sales and services	153,429	906,891
Agency accounts	790,434	951,668
Leases	264,846	242,418
Less: Allowance for uncollectible accounts	<u>(8,353,700)</u>	<u>(7,863,900)</u>
Total current accounts receivable, net	<u>3,793,576</u>	<u>4,718,203</u>
Noncurrent accounts receivable, net		
Leases	<u>872,610</u>	<u>783,406</u>
Total noncurrent accounts receivable, net	<u>872,610</u>	<u>783,406</u>
Total accounts receivable, net	<u>\$ 4,666,186</u>	<u>\$ 5,501,609</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 \$5,868,106 at June 30, 2023 and \$5,644,270 at June 30, 2022. Charter school appropriations receivable were recorded at June 30, 2023 of \$14,811,589 and at June 30, 2022 of \$13,448,807. The University has recorded a corresponding amount due to the charter schools which is reported as charter schools payable and deposits.

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

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 720,903	\$ 2,491,375
Less: allowance for uncollectible pledges	(149,328)	(236,192)
Less: discount to reflect promise to give at fair value	<u>(16,081)</u>	<u>(204,519)</u>
	555,494	2,050,664
Other	<u>149,365</u>	<u>121,953</u>
Total receivables	<u>\$ 704,859</u>	<u>\$ 2,172,617</u>

As of June 30, 2023, approximately 69% of the Foundation's pledges receivable were from ten donors and at June 30, 2022, approximately 70% of the Foundation's pledges receivable were from eight 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, 2022</u>	<u>Additions</u>	<u>Retirements and Write-downs</u>	<u>Balance at June 30, 2023</u>
Land	\$ 1,469,512	\$ -	\$ (36,743)	\$ 1,432,769
Land improvements and infrastructure	34,170,762	3,022,371	(2,160,416)	35,032,717
Buildings	427,236,091	8,605,381	(1,911,033)	433,930,439
Equipment	25,003,190	1,954,717	(2,019,036)	24,938,871
Library acquisitions	8,193,239	383,372	(440,854)	8,135,757
Construction in progress	5,127,030	(1,494,752)		3,632,278
Works of fine art	607,085			607,085
Leases	367,317			367,317
Subscription	3,378,692	619,452	(475,496)	3,522,648
Accumulated depreciation and amortization:				
Land improvements and infrastructure	(21,061,664)	(1,853,485)	2,160,416	(20,754,733)
Buildings	(177,377,157)	(10,777,230)	1,674,196	(186,480,191)
Equipment	(17,061,345)	(1,891,570)	1,980,639	(16,972,276)
Library acquisitions	(6,202,782)	(462,242)	440,854	(6,224,170)
Leases	(105,855)	(76,741)		(182,596)
Subscription	(1,116,718)	(1,301,616)	475,496	(1,942,838)
Total capital assets, net	<u>\$ 282,627,397</u>	<u>\$ (3,272,343)</u>	<u>\$ (311,977)</u>	<u>\$ 279,043,077</u>

Note F - Leases and Subscriptions

As of June 30, 2023, the scheduled fiscal year maturities of lease and subscription liabilities and related interest expense are as follows:

	<u>Lease Liability</u>		<u>Subscription Liability</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 92,805	\$ 4,232	\$ 996,157	\$ 40,167
2025	77,121	2,112	369,935	17,254
2026	60,462	759	177,852	4,335
2027	5,093	8		
	<u>\$ 235,481</u>	<u>\$ 7,111</u>	<u>\$ 1,543,944</u>	<u>\$ 61,756</u>

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>2023</u>	<u>2022</u>
Building	\$ 147,500	\$ 147,500
Equipment	219,817	219,817
Total lease right-to-use assets	<u>\$ 367,317</u>	<u>\$ 367,317</u>

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note F - Leases and Subscriptions
(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 \$142,000 during the year ended June 30, 2023 and \$141,000 during the year ended June 30, 2022. 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 \$291,817 for the year ended June 30, 2023 and \$285,786 for the year ended June 30, 2022.

The net deferred amount on lease transactions is reported on the Statements of Net Position as a deferred inflow at June 30, 2023 in the amount of \$1,094,742 and as of June 30, 2022 was \$989,927.

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>2023</u>	<u>2022</u>
Compensation and benefits	\$ 2,190,877	\$ 2,469,248
Supplies and construction related expenditures	3,677,197	9,444,952
Total accounts payable and accrued liabilities	<u>\$ 5,868,074</u>	<u>\$ 11,914,200</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>2023</u>	<u>2022</u>
General Revenue & Refunding Bonds, Series 2020A	2.167%	2024-2030	\$ 11,460,000	\$ 13,375,000
General Revenue & Refunding Bonds, Series 2016A	3.25% to 5.00%	2024-2038	43,975,000	45,965,000
General Revenue & Refunding Bonds, Series 2015A	2.79%	2024-2035	6,720,000	7,480,000
General Revenue & Refunding Bonds, Series 2013A	3.125% to 5.00%	2024-2034	7,395,000	8,990,000
Unamortized premiums			7,197,611	7,709,186
Total			<u>\$76,747,611</u>	<u>\$83,519,186</u>

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

	<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>	
Fiscal Year					
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
2028	3,520,000	1,710,406	2,600,000	171,715	8,002,121
Total five years	<u>17,000,000</u>	<u>10,082,342</u>	<u>13,855,000</u>	<u>1,525,534</u>	<u>42,462,876</u>
2029-2033	21,830,000	5,119,468	3,590,000	305,277	30,844,745
2034-2038	12,540,000	1,286,356	735,000	30,831	14,592,187
Total	<u>\$ 51,370,000</u>	<u>\$ 16,488,166</u>	<u>\$ 18,180,000</u>	<u>\$ 1,861,642</u>	<u>\$ 87,899,808</u>
Unamortized premium		7,197,611			
		<u>\$ 58,567,611</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, 2023 in the amount of \$3,023,302. The deferred outflow for Series 2016A, 2015A and Series 2013A at June 30, 2022 was \$3,264,951. 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, 2023 in the amount of \$343,675 and as of June 30, 2022 was \$392,771.

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, 2023 or 2022. 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, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>	<u>Current Portion</u>
Notes and bonds payable:					
General revenue bonds	\$ 75,810,000	\$ -	\$ 6,260,000	\$ 69,550,000	\$ 6,495,000
Unamortized premiums	7,709,186		511,575	7,197,611	511,575
Total notes and bonds payable	83,519,186		6,771,575	76,747,611	7,006,575
Other long-term liabilities:					
Compensated absences	5,078,343		255,330	4,823,013	100,000
Leases and subscriptions	2,498,456	619,452	1,338,483	1,779,425	1,088,962
Total long-term liabilities	<u>\$ 91,095,985</u>	<u>\$ 619,452</u>	<u>\$ 8,365,388</u>	<u>\$ 83,350,049</u>	<u>\$ 8,195,537</u>

As of June 30, 2023 and 2022, employees had earned but not taken annual compensatory time, personal, and vacation leave of approximately \$3,715,000, and \$4,197,000, respectively. The University had a commitment for accumulated sick leave of approximately \$1,108,000 as of June 30, 2023 and \$881,000 as of June 30, 2022. 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>2023</u>	<u>2022</u>
Capital projects, debt service, and repair reserves	\$ 95,402,232	\$ 98,684,158
Auxiliary enterprises	1,361,890	1,361,890
Designated for departmental use	16,281,916	17,393,211
Amount obligated by contractual commitments	149,708	160,745
Undesignated	3,605,356	3,432,565
Total unrestricted net position	<u>\$ 116,801,102</u>	<u>\$ 121,032,569</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, 2023 the University has recorded a liability of approximately \$784,000 which includes approximately \$247,000 of incurred but not reported claims, \$69,000 for claims invoiced but not paid as of June 30, 2023, and approximately \$468,000 of a reserve for claims exceeding the employee contributions.

The costs to complete significant construction in progress at June 30, 2023 approximates \$7,300,000. The amount of funding required to complete construction in progress will come from institutional resources.

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, Zahnow 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. The University received \$864,412 for the management of endowments during fiscal 2023 and \$788,000 during fiscal 2022. The University also received \$5,814,275 from the Foundation during fiscal 2023 and recognized \$953,791 of previously deferred gifts. The University received \$7,517,288 and recognized \$521,516 of previously deferred gifts during fiscal 2022. 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, 2023, of the Foundation's 350 endowments, 15 were below their gift value. Of the Foundation's 351 endowments at June 30, 2022, 28 were below their gift value. However, there were endowments that did not distribute for one or more of the quarters during fiscal 2023 and 2022 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.

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, 2023 and 2022 approximated \$6,249,000 and \$6,305,000, respectively, with annual covered payroll for participants of the plan approximating \$52,074,000 in 2023 and \$52,541,000 in 2022. 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, 2023 and 2022 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, 2023 and 2022, 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, 2023 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, 2023
University				
U.S. Federal Agencies	\$ 2,892,185	\$ -	\$ -	\$ 2,892,185
U.S. Government Obligations	44,221,570			44,221,570
Corporate Bonds	13,558,688			13,558,688
Municipal Obligations	1,404,064			1,404,064
Mortgage Backed Securities	550,681			550,681
Certificates of Deposit	250,304			250,304
Mutual Fund - Debt	24,341,490			24,341,490
Foreign Bonds & Notes	784,774			784,774
	<u>\$ 88,003,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,003,756</u>
Foundation				
Equities	\$ 36,041	\$ -	\$ -	\$ 36,041
Mutual Fund - Equities	25,232,972			25,232,972
Mutual Fund - Int'l Equities	19,104,371			19,104,371
Mutual Fund - Global Equities	11,957,003			11,957,003
Mutual Fund - Debt	17,339,200			17,339,200
Beneficial Interest Trusts	3,623,035	1,991,330		5,614,365
Contributions receivable			555,494	555,494
	<u>\$ 77,292,622</u>	<u>\$ 1,991,330</u>	<u>\$ 555,494</u>	<u>79,839,446</u>
Alternative Investments that calculate net asset value per share				<u>19,740,448</u>
				<u>\$ 99,579,894</u>

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>

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-Global 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, 2023:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 29,438,969	\$ 10,319,323	\$ -	\$ -	\$ 2,168,816	\$ -	\$ 41,927,108
Research	782,289	212,902			659,675		1,654,866
Public service	2,228,201	662,985			2,831,878		5,723,064
Academic support	6,621,486	2,235,043			3,572,779		12,429,308
Student services	4,794,687	1,743,449		19,983	3,757,477		10,315,596
Institutional support	7,687,930	2,628,660			4,283,096		14,599,686
Operations and maintenance of plant	4,146,986	2,042,476		2,410,024	3,039,096		11,638,582
Depreciation						16,362,884	16,362,884
Student aid	231,421		8,163,792		27,583		8,422,796
Auxiliary enterprises	5,760,902	1,853,353		1,098,692	8,178,873		16,891,820
Total	\$ 61,692,871	\$ 21,698,191	\$ 8,163,792	\$ 3,528,699	\$ 28,519,273	\$ 16,362,884	\$ 139,965,710

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	\$ -	\$ -	\$ 2,138,129	\$ -	\$ 42,085,835
Research	956,442	291,191			822,966		2,070,599
Public service	2,233,459	690,133			2,503,628		5,427,220
Academic support	6,598,340	2,276,972			2,497,429		11,372,741
Student services	4,475,465	1,671,855		16,305	2,488,118		8,651,743
Institutional support	7,719,423	2,799,320			5,288,488		15,807,231
Operations and maintenance of plant	4,188,759	2,047,219		2,245,068	4,771,404		13,252,450
Depreciation						16,069,597	16,069,597
Student aid	256,334		18,118,332		45,337		18,420,003
Auxiliary enterprises	5,574,361	1,856,847		1,046,969	7,367,163		15,845,340
Total	\$ 61,634,370	\$ 21,949,456	\$ 18,118,332	\$ 3,308,342	\$ 27,922,662	\$ 16,069,597	\$ 149,002,759

Saginaw Valley State University
Notes to Financial Statements
(continued)

Note Q – Impact of COVID-19

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 continued during the COVID-19 pandemic.

The University received the following direct grants:

	HEERF I	HEERF II	HEERF III	Total
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
	\$ 7,253,510	\$ 11,856,469	\$ 20,788,278	\$ 39,898,257

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. 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 of housing and meal plan refunds provided to the students in the prior year, applied \$1,898,635 to expenses directly 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.

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 towards revenue loss due to cancellation of campus events and activities and reduced housing density.

All grant funding provided by HEERF was used as of June 30, 2022.

CARES Act

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 had deferred taxes in the amount of \$1,169,500 as of June 30, 2022 which is reported in accounts payable and accrued liabilities on the Statements of Net Position. The University paid the deferred amount in December 2022.