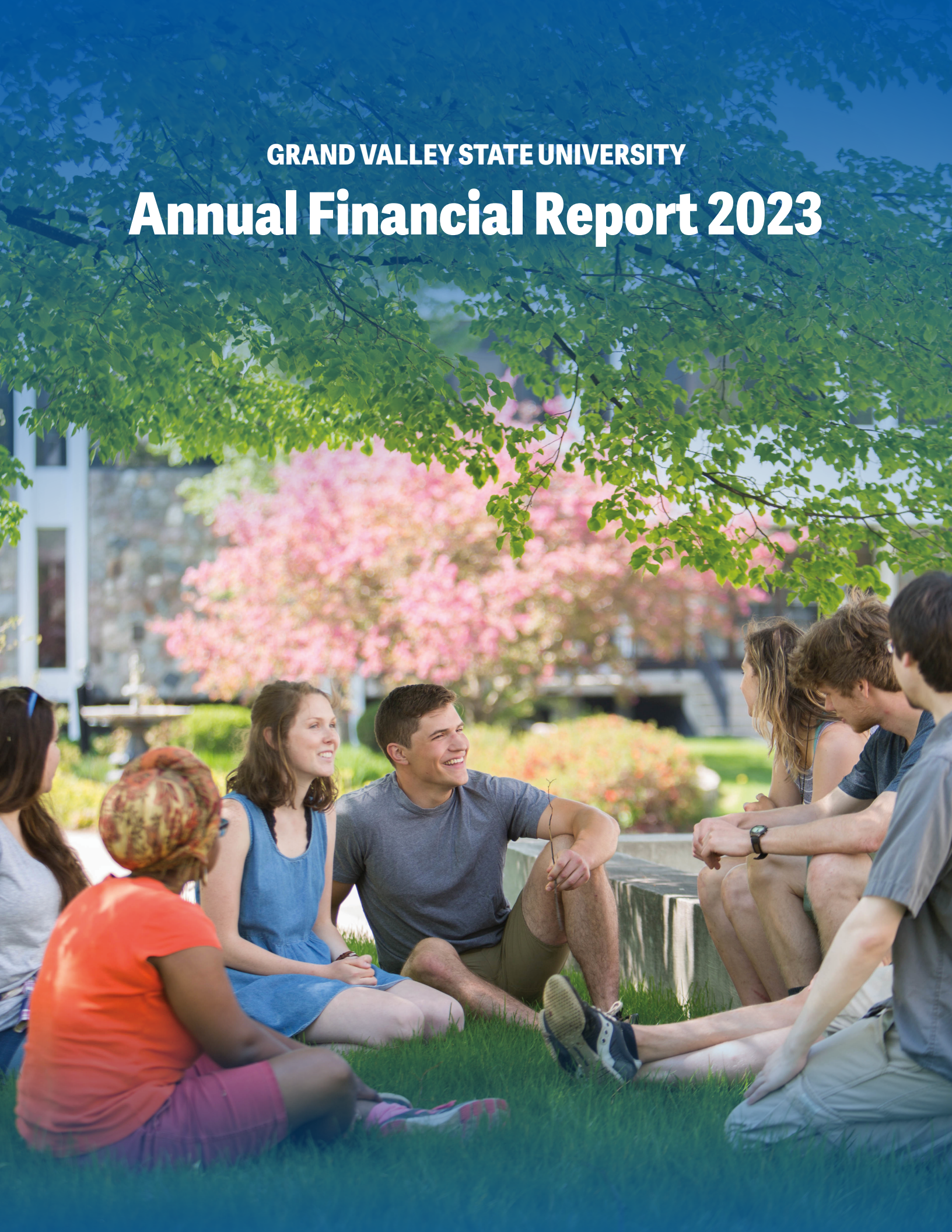


GRAND VALLEY STATE UNIVERSITY

Annual Financial Report 2023



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Grand Valley State University

**Financial Report
with Additional Information
June 30, 2023**

Report Letter	1-3
Administrative Officers	4
Management's Discussion and Analysis - Unaudited	5-19
Financial Statements	
Statement of Net Position	20
Statement of Revenue, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22-23
Statement of Fiduciary Net Position - Pension Trust Funds	24
Statement of Changes in Fiduciary Net Position - Pension Trust Funds	24
Notes to Financial Statements	25-71
Required Supplementary Information	72
Professional Support Staff Employees' Retirement Plan:	
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios	73
Schedule of Investment Returns	74
Schedule of Employer Contributions	74-75
Maintenance, Grounds, Service Employees' Retirement Plan:	
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios	76
Schedule of Investment Returns	77
Schedule of Employer Contributions	77-78
Other Postemployment Benefits:	
Schedule of Changes in the Plan's OPEB Liability and Related Ratios	79

Independent Auditor's Report

To the Board of Trustees
Grand Valley State University

Report on the Audits of the Financial Statements

Opinions

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

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

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 issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Grand Valley University Foundation, a blended component unit, was not audited under *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

To the Board of Trustees
Grand Valley State University

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises the list of administrative officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Board of Trustees
Grand Valley State University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 3, 2023

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As of June 30, 2023

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Elizabeth C. Emmitt, Vice Chair
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Randall S. Damstra
Ronald E. Hall
Noreen K. Myers
Shelley E. Padnos
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Cori M. Kahler, Assistant Secretary to the Board of Trustees and Project Specialist for Presidential Initiatives

Management's Discussion and Analysis – Unaudited

As management of Grand Valley State University (the “university”), we offer readers of the university’s annual report this narrative overview and analysis of the financial activities of the university for the fiscal year ended June 30, 2023.

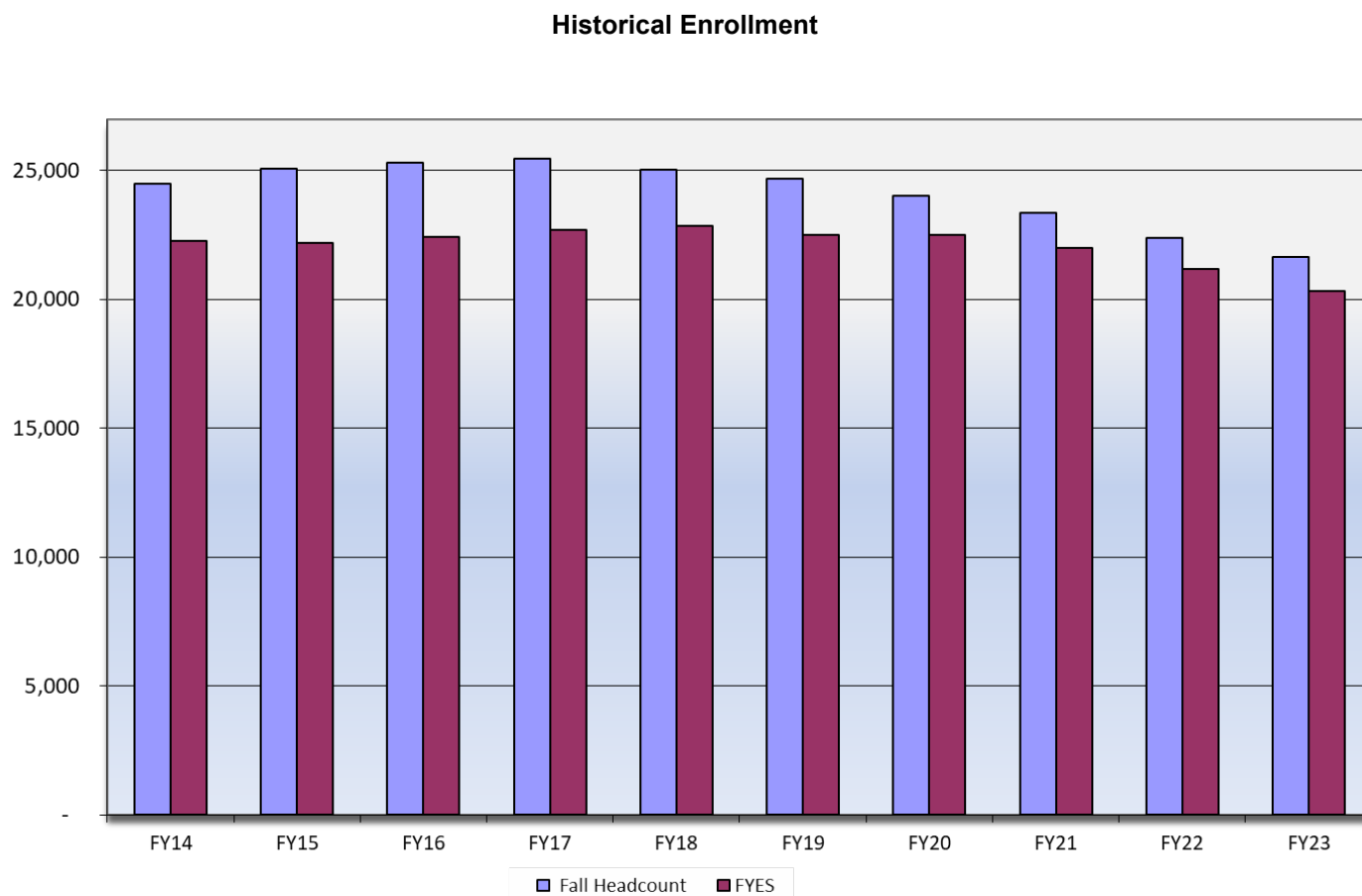
Financial and Enrollment Summary for the Year Ended June 30, 2023

The financial statements, which follow this Management’s Discussion and Analysis, include these significant changes during the 2023 fiscal year:

- Enrollment declined 2.9 percent with FYES (fiscal year equated students) decreasing from 20,341 to 19,757. Fall semester headcount dropped 3.38 percent from 22,406 to 21,648.
- Operating revenue increased 2.3 percent or \$8.2 million from 2022 to 2023. This was due to the increases in revenue from auxiliary operations and other educational activities as the university housing occupancy returned to near pre-COVID levels.
- State appropriations increased 5.5 percent from 2022 to 2023 due to a base appropriation funding increase of \$4.2 million in 2023.
- As disclosed in Note 1, a new accounting pronouncement, GASB Statement No. 96, Subscription-based Information Technology Arrangements (SBITAs), (“GASB 96”) was adopted retrospectively back to July 1, 2021 with the addition of \$0.9 million in capital assets offset by the liability to vendors. Consequently, reclassifications have been made to certain 2022 and 2021 balances to reflect this change.
- The university is currently undergoing a major Enterprise Resource Planning (“ERP”) conversion, which qualifies as a SBITA as outlined in GASB 96. Costs capitalized related to the ERP project include prepaid subscription costs of \$3.0 million and implementation costs of \$3.9 million related to configuration, data conversion, and reporting.
- Overall net position increased \$4.4 million, or 0.4 percent from 2022 to 2023.

Management's Discussion and Analysis – Unaudited (Continued)

The following chart depicts the historical enrollment activity over the last 10 years:



Overview of the Financial Statements

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of the university. The report consists of three basic financial statements that provide information on the university as a whole: the Statement of Net Position, the Statement of Revenue, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements begin on page 21 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. Net position, as determined by assets, and deferred outflows of resources offset by liabilities and deferred inflows of resources, is one way to measure the financial health of the university. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. Investments are stated at fair value, and capital assets are stated at historical cost less an allowance for depreciation. Net position from 2021 to 2023 increased 5.6 percent, from \$1.0 billion to \$1.06 billion.

Management's Discussion and Analysis – Unaudited (Continued)

A three-year summarized comparison of the university's statement of net position at June 30 follows:

	June 30		
	2023	2022	2021
	(in 000s)		
Current Assets			
Cash and short-term investments	\$ 107,885	\$ 159,432	\$ 112,591
Receivables	106,383	105,289	105,358
Inventory, prepaid expenses, and other	7,549	7,814	5,288
Total current assets	221,817	272,535	223,237
Noncurrent Assets			
Restricted cash and investments	14,273	17,394	19,003
Endowment cash and investments	184,464	169,725	176,987
Other long-term investments	258,159	215,401	224,998
Long-term receivables	12,120	14,033	15,192
Capital assets - Net of depreciation	776,483	787,483	798,853
Derivative Instruments - swap asset	3,237	2,199	-
Other	9,469	3,569	1,554
Total assets	1,480,022	1,482,339	1,459,824
Deferred Outflows of Resources	13,870	22,637	18,606
Current Liabilities			
Accounts payable and accrued liabilities	107,117	101,392	99,113
Unearned revenue	26,654	18,513	36,431
Long-term liabilities - Current portion	16,534	21,234	19,774
Total current liabilities	150,305	141,139	155,318
Noncurrent Liabilities			
Unearned revenue - Net of current portion	1,766	2,208	2,799
Federal student loan payable	2,049	3,003	4,664
Long-term liabilities - Net of current portion	222,307	240,329	258,184
Derivative instruments - swap liability	885	1,975	5,621
Net retirement liabilities	42,088	45,519	28,074
Total liabilities	419,400	434,173	454,660
Deferred Inflows of Resources	17,228	17,942	22,268
Net Position			
Net investment in capital assets	545,476	537,594	540,214
Restricted	210,390	209,550	191,031
Unrestricted	301,398	305,717	270,257
Total net position	<u>\$ 1,057,264</u>	<u>\$ 1,052,861</u>	<u>\$ 1,001,502</u>

Management's Discussion and Analysis – Unaudited (Continued)

Cash and short-term investments include unrestricted funds, which are used for operating expenditures and are managed within the parameters of the university's investment policy.

Other long-term investments should be looked at in conjunction with cash and short-term investments. This combination of funds comprises the overall pool of cash and investments. There was a decrease of \$8.8 million in cash and investments from 2022 to 2023 and a \$37.5 million increase of cash and investments from 2021 to 2022. Restricted cash and investments decreased \$3.1 million from 2022 to 2023 and decreased \$3.0 million from 2021 to 2022 due to the use of scholarship awards. The statement of cash flows on page 23 explains the sources and uses of cash.

Current receivables include grants, State appropriations, capital appropriations, pledges, student notes, financing lease receivables, and various operating receivables expected to be collected within a year. Current receivables increased \$1.1 million between 2022 and 2023 due to an increase in State appropriations and decreased slightly from 2021 to 2022.

Other current assets consist mainly of inventories and prepaid expenses. These assets may fluctuate based on timing of inventory purchases and payments of vendor service agreements. Balances remained consistent from 2022 to 2023 and increased from 2021 to 2022 due to the purchase of bonds with accrued interest. As disclosed in Note 1, certain reclassifications have been made in this category due to the implementation of GASB 96.

Endowment cash and investments increased \$14.7 million from 2022 to 2023 due to gifts and additions of \$4.7 million and an investment gain of \$17.0 million less the spending distribution for scholarships and academic programs of \$7.0 million. From 2021 to 2022, endowment assets decreased \$5.8 million due to an investment loss of \$3.7 million and the spending distribution for scholarships and academic programs of \$6.3 million. This decrease in 2022 was offset by gifts and additions of \$4.2 million. The university (along with its investment advisory committee and outside consultants) continues to closely monitor endowment investment strategy and asset allocations.

Long-term receivables, which include financing leases, pledges, and student notes receivable decreased \$1.9 million and \$1.2 million from 2022 to 2023 and 2021 to 2022, respectively. The on-going decline is due to collection of pledges and fewer student loans issued due to the wind-down of the Perkins loan program by the US Department of Education. Both financing lease arrangements and long-term pledges are discounted to net present value for financial statement purposes.

Capital assets decreased \$11.0 million from 2022 to 2023 and decreased \$11.3 million from 2021 to 2022. During 2023 there were capital additions of \$24.8 million, offset by depreciation expense of \$35.6 million and disposals of mostly fully depreciated equipment. During 2022 there were capital additions of \$23.2 million, offset by depreciation expense of \$33.9 million and disposals of mostly fully depreciated equipment. As disclosed in Note 1, certain reclassifications have been made in this category due to the implementation of GASB 96.

The most significant noncurrent other asset is prepaid subscription and implementation costs, which are reflected as prescribed by GASB 96. In 2023, prepaid subscription and implementation costs totaled \$3.1 million and \$4.1 million, respectively as a result of the major ERP project. In 2022, the university incurred prepaid subscription costs of \$1.4 million to begin the project. As disclosed in Note 1, certain reclassifications have been made in this category due to the implementation of GASB 96.

Management's Discussion and Analysis – Unaudited (Continued)

Deferred outflows of resources are funds expended by the university that are applicable to a future accounting period. There are three categories that are explained more fully in the notes to the financial statements:

- Accumulated changes in the fair value of hedging derivative instruments – see Note 5 on page 53
- Refunding of bonds payable – see Note 4 on page 49 for Series 2014B and 2016A
- Retirement-related deferrals – see Note 6 on page 57 for defined benefit plans and on page 66 for other post-employment benefit (“OPEB”) plans

Accounts payable and accrued liabilities increased \$5.7 million from 2022 to 2023 and increased \$2.3 million from 2021 to 2022 mainly due to the timing of payroll and other benefits due to year-end fluctuations.

Unearned revenue includes receipts from tuition, grants, and contracts that pertain to the upcoming fiscal year. In 2023, unearned income increased by \$8.1 million due to prefunded infrastructure costs and scholarships under a new consulting arrangement for additional nursing students to be employed by Corewell Heath. Between 2022 and 2021, unearned revenue fluctuated due to a new scholarship program of \$19.0 million that was prefunded by the Thompson Foundation in 2021 and recognized in 2022.

In 2022 and 2021, current liabilities included the deferral of the employer portion of the Social Security tax as allowed by the Coronavirus Aid, Relief, and Economic Security Act, which was paid off in 2023. Excluding the deferral of the employer portion of the Social Security tax, current maturities in long-term debt remained consistent from 2021 to 2023, reflecting the scheduled principal payments. As disclosed in Note 4, certain reclassifications have been made in this category due to the implementation of GASB 96.

Noncurrent liabilities include unearned revenue, federal student loans payable, derivative instruments, net retirement liabilities, which pertain to both pension and OPEB plans, right-to-use liabilities, and the long-term portion of bonds payable.

- Federal student loans payable decreased by \$2.6 million from 2021 to 2023 as a result of principal payments to the US Department of Education in the phased elimination of the Perkins Loan program.
- The net change in long-term debt (net of current portion) was a decrease of \$18.0 million and \$17.9 million from 2022 to 2023 and 2021 to 2022, respectively, primarily due to the scheduled principal payments and an early payoff of the 2013A bond of \$3.0 million. The university maintains an A1 bond credit rating from Moody's Investors Service with a stable outlook and an A+ rating with a stable outlook from S&P Global. Between 2021 and 2023, there was no new debt issued. As disclosed in Note 1, certain reclassifications have been made in this category due to the implementation of GASB 96.
- Variable interest rate swap agreements have been executed in previous years and the negative fair value of the derivative instruments (liabilities) represents the approximate cost of terminating the remaining swap agreements. It is mostly offset by deferred outflows of resources, with the difference resulting from an adjustment to market value of the embedded borrowing, which is reflected in long-term liabilities.
- The net retirement liabilities (including related deferred inflows of resources) decreased by \$4.4 million from 2022 to 2023 and increased by \$9.7 million from 2021 to 2022. The decrease in 2023 was due to an investment gain of 9.4 percent, which generated a higher investment balance to offset the liability and the discount rate increasing 4.0 percent. The increase in liability in 2022 was due to an assumption change lowering the discount rate. In addition to the detailed information provided in Note 6 concerning these benefits, there is also a comprehensive analysis provided in the required supplemental information beginning on page 73.

Management's Discussion and Analysis – Unaudited (Continued)

The total net position of the university increased \$55.8 million from 2021 to 2023. The increase reflects high investment returns in 2023 and 2021, investments in infrastructure, as well as generous support from donors to facilities, endowments, and new initiatives that are underway. Unrestricted net position, a component of total net position includes funds that the Board of Trustees and university management have designated for specific purposes. The following summarizes the internal designations of unrestricted net position:

	2023	2022	2021
	(in 000s)		
Funds functioning as endowment	\$ 13,321	\$ 12,004	\$ 12,379
Capital projects in progress	16,586	27,543	15,765
Housing and auxiliary repair and maintenance	26,502	25,052	22,855
Debt service funds	42,225	42,490	40,147
Academic initiatives	44,988	41,573	33,931
Future capital projects	88,267	71,029	86,401
Operations and cash flow	<u>61,101</u>	<u>86,026</u>	<u>58,779</u>
	<u>\$ 292,990</u>	<u>\$ 305,717</u>	<u>\$ 270,257</u>

Management's Discussion and Analysis – Unaudited (Continued)

The Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Revenue, Expenses, and Changes in Net Position presents the operating results of the university, as well as the nonoperating revenue and expenses. Annual State appropriations, while budgeted for operations, are considered nonoperating revenue according to accounting principles generally accepted in the United States of America.

	Year Ended June 30		
	2023	2022	2021
	(in 000s)		
Operating Revenue			
Student tuition and fees	\$ 330,982	\$ 329,794	\$ 334,141
Less scholarship allowance	(79,352)	(73,954)	(75,394)
Auxiliary	69,765	63,291	48,190
Less scholarship allowance	(12,815)	(11,128)	(8,940)
Grants and contracts	33,301	30,011	28,211
Other	24,339	20,033	15,456
Total operating revenue	366,220	358,047	341,664
Operating Expenses	503,069	495,221	450,353
Net Operating Loss	(136,849)	(137,174)	(108,689)
Nonoperating Revenue (Expense) and Other			
State appropriations	81,254	77,050	73,491
Government grants	24,938	89,597	47,983
Gifts (including endowment and capital)	15,668	42,158	22,228
Capital appropriations, grants, and other	1,231	4,525	23,491
Investment (loss) income - Net of fees	26,276	(15,963)	51,144
Other	(8,115)	(8,834)	(9,011)
Net nonoperating revenue	141,252	188,533	209,326
Net Increase in Net Position	4,403	51,359	100,637
Net Position - Beginning of year	1,052,861	1,001,502	900,865
Net Position - End of year	<u>\$ 1,057,264</u>	<u>\$ 1,052,861</u>	<u>\$ 1,001,502</u>

Revenue generated by tuition and fees increased 0.4 percent from 2022 to 2023 and decreased 1.3 percent from 2021 to 2022. The tuition rate increase of 2.9 percent in 2023, along with the increases of 2.4 percent in 2022 and 3.0 percent in 2021 were offset by a decrease in enrollment in each year.

Scholarship allowances as a percentage of tuition and fees were 24.0 percent in 2023, as compared to 22.4 percent in 2022, and 22.6 percent in 2021. The university continues to provide significant levels of scholarship support to mitigate the financial impact of tuition rate increases. The method to calculate scholarship allowance is described in Note 1.

Management's Discussion and Analysis – Unaudited (Continued)

Auxiliary revenue consists of housing, dining, parking, bookstores, vending, golf course, health center, and conference fees from external customers. In 2023, the university's housing occupancy returned to near pre-COVID levels, which accounts for the increase of \$6.4 million, while in 2022, the University had only begun to generate that turnaround. In 2021 due to the ongoing pandemic, the university incurred decreases of \$10.8 million in housing and dining revenue, \$1.0 million in bookstore sales, \$1.0 million in parking revenue and \$0.7 million in conference events cancellations.

Grants and contracts revenue remained steady overall from 2021 to 2023, with new awards mostly offsetting those expiring.

Operating expenses continued to increase from 2021 to 2023, which was mainly related to the recovery from COVID-19. Further analysis of operating expenses by program function begins on page 15. Salaries, wages, and benefits comprise the largest operating expense, while instruction is the largest functional category.

State appropriations increased 5.5 percent from 2022 to 2023 due to the State approving a total base appropriation of \$81.3 million for fiscal year 2023. State appropriations increased 4.8 percent from 2021 to 2022 due to one-time supplemental funding of \$3.6 million.

From 2021 to 2023, nonoperating government grants decreased 48.0 percent or \$23.0 million. In 2022 and 2021, the university received Higher Education Emergency Relief Funds (HEERF) from the U.S. Department of Education under the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan. The HEERF funding increases in 2022 and 2021 were partially offset by Pell award decreases.

Gifts, including capital and endowment gifts decreased \$26.5 million from 2022 to 2023 and increased \$19.3 million from 2021 to 2022. The increase resulted from a new scholarship program of \$19.0 million that was prefunded by the Thompson Foundation in 2021 and recognized in 2022. In addition, other major one-time gifts were received in 2022 of \$4.9 million, which included support for the return of varsity wrestling.

Capital appropriations, grants, and other include awards and other capital income received for special purpose capital projects. In 2022 and 2021, the university accrued State funding of \$3.8 million and \$22.7 million, respectively, towards new construction on the Health Campus.

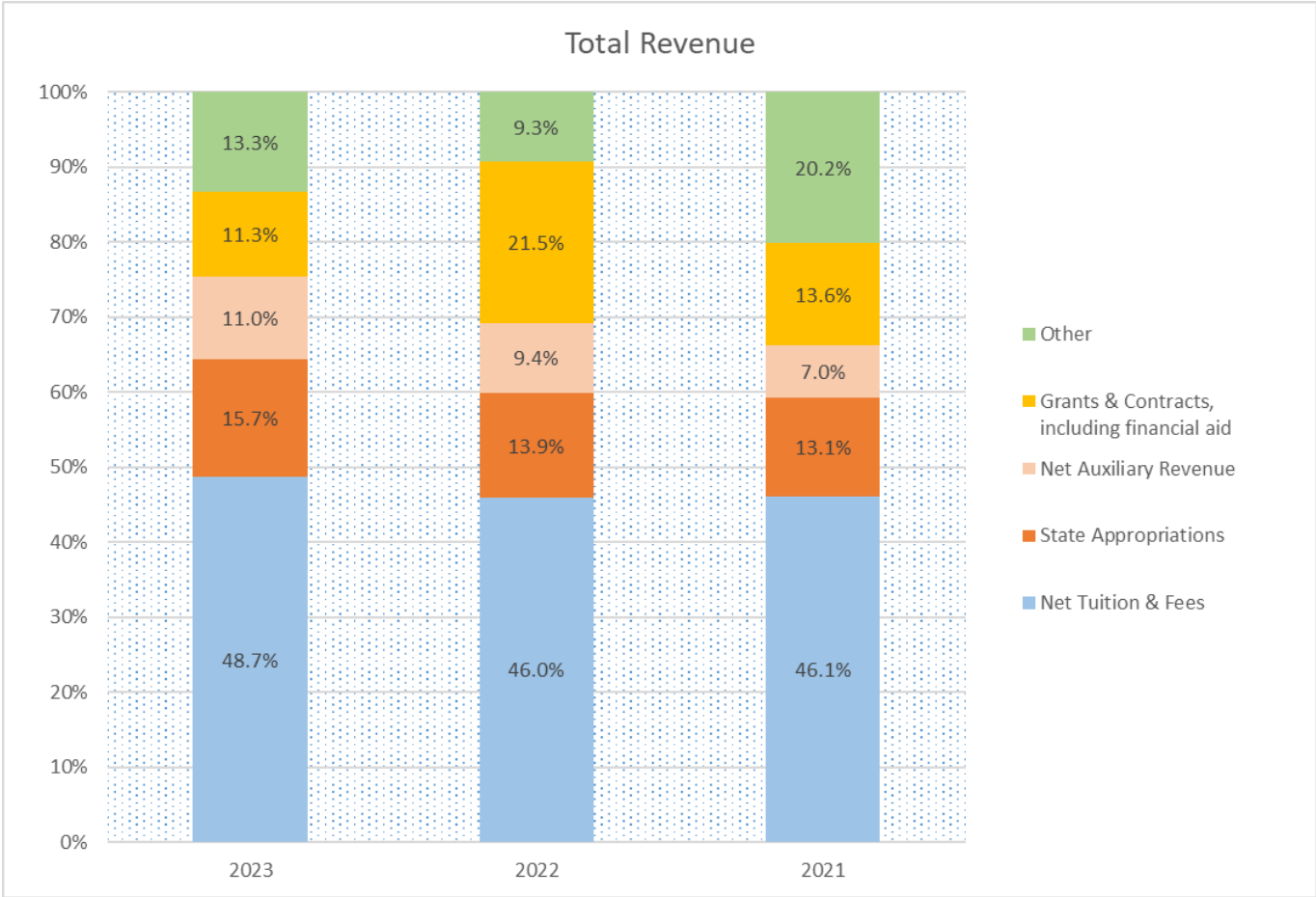
Net investment income consists of realized income (interest, dividends, and realized gains (losses) on the sale of investments), unrealized gains/losses, and investment expenses (primarily bank fees).

- Endowment investments generated an investment gain of 9.8 percent in 2023 and an investment loss of 4.9 percent in 2022.
- Operating investments generated an investment gain of 2.6 percent in 2023 and an investment loss of 3.1 percent in 2022.

Other nonoperating includes interest expense, financing lease revenue, and gains or losses from disposal of assets.

Management’s Discussion and Analysis – Unaudited
(Continued)

Revenue for the university consists of four main categories: tuition, State appropriation, auxiliary activities, and grants. The following table shows the breakdown of total revenue, net of scholarship allowances, for the university:



In 2023, tuition and fees (net) make the largest contribution to the total revenue of the university with State appropriations being the second largest. During 2021 and 2022, grants and contracts were the second largest contributor as a result of the HEERF awards, followed by State appropriations. Grants and contracts include both financial aid grants, such as Pell and grants for restricted purposes such as research and public service, and HEERF grant revenue. Auxiliary activities are considered self-supporting enterprises. In addition to sales and services of educational activities and other operating revenue, other revenue also includes investment income (loss), gifts, additions to endowment, financing lease revenue, and capital grants and appropriations.

Management's Discussion and Analysis – Unaudited (Continued)

Operating Expenses by Functional Classification

Functional classifications are the traditional categories that universities have used. They represent the types of programs and services that the university provides.

	2023	2022	2021
	(in 000s)		
Instruction	\$ 173,052	\$ 161,395	\$ 163,630
Research	7,351	6,804	6,774
Public service	38,059	34,695	31,949
Academic support	59,847	53,043	58,290
Student services	37,361	32,628	27,630
Institutional support	46,448	42,732	37,372
Operation and maintenance of facilities	45,213	42,632	34,923
Depreciation	35,580	33,898	30,750
Scholarships and related expenses	18,709	48,504	23,420
Auxiliary activities	41,354	38,628	35,497
Other expenditures	95	262	118
Total	<u>\$ 503,069</u>	<u>\$ 495,221</u>	<u>\$ 450,353</u>

Instructional expenses increased 7.2 percent from 2022 to 2023 mainly due to the annual salary program, major computer lab upgrades, and the return of pre-COVID programming, of which most significant is the return of international study abroad travel. Instructional expenses decreased 1.4 percent from 2021 to 2022 due to personnel expenses, primarily retirements and changes in overload assignments.

Research expenses include the continuing activities at the Annis Water Resources Institute, Johnson Center for Philanthropy, and the Center for Scholarly and Creative Excellence (CSCE), which increased by 8.0 percent from 2022 to 2023. After factoring in the annual salary program and student wages returning to pre-COVID levels, expenses remained consistent between 2021 and 2023.

Public service expenses include WGVU public broadcasting, the Michigan Small Business Development Center (SBDC), and the Charter Schools Office administration. Expenses increased 9.7 percent from 2022 to 2023 due to the annual salary program, expansion of a fee-based tutoring program, and a contribution towards the new township fire station. Expenses increased 8.6 percent from 2021 to 2022 mostly due to the return of summer camp activities and higher SBDC outreach levels due to MEDC funding carryover.

Academic support expenses include continuing education, information technology, student advising, the libraries, academic resources, and administration expenses for the academic deans. Expenses increased 12.8 percent from 2022 to 2023. In addition to the annual salary program, additional staff were added to enhance data security, pursue emerging information technology capabilities, and expand academic advising and coordination. Expenses decreased 9.0 percent from 2021 to 2022 due to the elimination of one-time costs that were incurred in 2021, which included outlays for a Voluntary Retirement Incentive Plan and for elevating campus safety and distance operations to manage the COVID-19 impact.

Management's Discussion and Analysis – Unaudited (Continued)

Student services expenses represent student life programming, admissions, records, registration, financial aid, and intercollegiate athletics. Expenses increased 14.5 percent from 2022 to 2023 due to the annual salary program and due to the return of most pre-COVID services and activities. Expenses increased 18.1 percent from 2021 to 2022 due to the annual salary program and from the start of the return of many student activities.

Institutional support expenses include administration for the business operations, human resources, executive offices, marketing and communications, public safety, development, and alumni relations. Expenses increased 8.7 percent from 2022 to 2023. In addition to the annual salary program, significant costs were incurred related to major IT-related projects. Expenses increased 14.3 percent from 2021 to 2022 due to the recovery from COVID-19, including full bus service, new technology initiatives, and the new salary program.

Operation and maintenance of facilities increased 6.1 percent from 2022 to 2023 due to the annual salary program. Operation and maintenance of facilities increased 22.1 percent from 2021 to 2022 mainly due to a larger number of renovation and maintenance projects required for building integrity and safety. In addition, fringe benefit expense increased in 2022 due to higher pension related costs.

Depreciation includes both academic and auxiliary buildings.

Scholarships and related expenses include work-study programs as well as the portion of financial aid that is not considered a scholarship allowance. To mitigate the impact of tuition increases on enrollment, the university has significantly increased need-based scholarships, including establishing The Grand Valley Pledge in 2021, which provides free tuition to qualifying students.

To look at the overall picture for scholarships and financial aid, it is important to also consider the scholarship allowance that is recorded net of tuition revenue and auxiliary revenue to identify the total amount of scholarships awarded. From 2022 to 2023 total scholarships awarded decreased 17.0 percent and from 2021 to 2022 total scholarships awarded increased 24.0 percent. The variance in 2022 results from awarding the remaining \$30.4 million of HEERF funding to students eligible to receive emergency financial grants.

	2023	2022	2021
	(in 000s)		
Scholarship allowance - Tuition	\$ 79,352	\$ 73,953	\$ 75,394
Scholarship allowance - Auxiliary	12,815	11,128	8,940
HEERF funded scholarship awards	-	30,370	4,421
Scholarship and fellowship expense	<u>18,709</u>	<u>18,134</u>	<u>18,999</u>
Total	<u>\$ 110,876</u>	<u>\$ 133,585</u>	<u>\$ 107,754</u>

Auxiliary activities include housing, dining, parking, bookstores, vending, golf course, health center, and conference services. Debt service, depreciation, and repairs related to housing are included in the other categories of expense. Auxiliary expenses increased 7.1 percent from 2022 to 2023 and 8.8 percent from 2021 to 2022 due to the return to pre-COVID levels. As a result of the higher sales volume, higher food and student labor costs were incurred.

Management's Discussion and Analysis – Unaudited (Continued)

Operating Expenses by Natural Classification

Operating expenses are summarized here by natural classification. Natural classifications show the type of expense regardless of program function.

	2023	2022	2021
	(in 000s)		
Salaries and benefits	\$ 313,332	\$ 293,577	\$ 293,117
Scholarships and awards	20,796	48,975	23,576
Utilities	8,575	8,179	6,963
Supplies and other	124,786	112,201	96,320
Depreciation	35,580	33,264	30,417
Total	<u><u>\$ 503,069</u></u>	<u><u>\$ 496,196</u></u>	<u><u>\$ 450,393</u></u>

Salaries and benefit expenses represent 62.3, 59.2, and 65.1 percent of total operating expenses in 2023, 2022, and 2021, respectively. In 2023, the salaries and benefits component increased mainly due to the annual salary program and due to the return of most pre-COVID staffing levels and programming. The dip in percentage in 2022 was a result of a higher percentage of scholarships and awards.

Scholarships and awards represent financial aid expense less scholarship allowances and work-study wages. In addition, this category includes awards for graduate assistants and corporate-sponsored programs. To obtain the overall financial aid picture, one must also consider the scholarship allowances.

Utilities increased 4.8 percent from 2022 to 2023 and 17.5 percent from 2021 to 2022. The large increase from 2021 to 2022 was due to occupying the previously vacant buildings that were impacted by COVID-19, whereas the increase from 2022 to 2023 was mainly due to higher energy prices.

Supplies and other expenses increased by 11.2 percent from 2022 to 2023 and 16.6 percent from 2021 to 2022 as a result of returning to normal business activities in 2023 and 2022 upon recovery from COVID-19 and the inflationary pressure.

Depreciation continues to rise as a result of the recent significant capital additions. Depreciation includes both academic and auxiliary buildings.

Management's Discussion and Analysis – Unaudited (Continued)

The Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and cash disbursements of the university during the year. This statement also helps users assess the university's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	2023	2022	2021
		(in 000s)	
Net Cash (Used in) Provided by			
Operating activities	\$ (91,617)	\$ (106,761)	\$ (76,806)
Noncapital financing activities	121,852	185,897	148,447
Capital and related financing activities	(55,365)	(31,695)	(33,133)
Investing activities	(9,278)	(26,499)	(96,580)
Net Increase (Decrease) in Cash and Cash Equivalents	(34,408)	20,942	(58,072)
Cash and Cash Equivalents - Beginning of year	100,536	79,594	137,666
Cash and Cash Equivalents - End of year	<u><u>\$ 66,128</u></u>	<u><u>\$ 100,536</u></u>	<u><u>\$ 79,594</u></u>

The primary cash receipts from operating activities consist of tuition and housing revenue. Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships. From 2022 to 2023, net cash receipts from operating activities increased \$15.1 million due to a decrease in scholarship outlays resulting from the end of HEERF funded scholarships in 2022, an increase in housing and dining receipts, and funding received in advance on behalf of educational consulting activities. These increases were partially offset by a decrease in tuition receipts and an increase in payments to employees and suppliers. From 2021 to 2022, net cash receipts from operating activities decreased \$30.0 million due to an increase in scholarships due to HEERF emergency awards, an increase in payments to suppliers, and a decrease in enrollment.

Noncapital financing activity is categorized as nonoperating and includes State appropriation, Pell grants, HEERF grants, gifts, and non-exchange grants for other than capital purposes. State appropriation is the primary source of noncapital financing and is categorized as nonoperating. State appropriation receipts increased 4.0 percent or \$3.1 million from 2022 to 2023 due to the State increasing the university's base appropriation to \$81.3 million. In 2022, governmental grants were the largest component in this category as HEERF and Pell grant receipts totaled \$92.9 million and State appropriation receipts totaled \$76.9 million. The decrease of \$64.0 million from 2022 to 2023 and increase of \$37.5 million from 2021 to 2022 was due to HEERF funding in 2022 and 2021.

From 2022 to 2023, cash flows from financing activities decreased \$23.7 million due to payoff of the 2013A bond (Note 4) and from the prepaid SBITA costs and related implementation costs as prescribed by GASB 96. Expenditures related to capital outlays and construction were \$31.3 million, \$23.0 million, and \$32.6 million in 2023, 2022 and 2021, respectively. The State capital appropriations received to support construction of the Daniel and Pamella DeVos Center for Interprofessional Health were \$10.8 million in 2022 and 17.3 million in 2021.

Investing activities reflect purchases, sales, and interest income earned on investments. From 2022 to 2023, there was significant improvement on investment returns and fewer investment purchases. In 2022, activity returned to typical levels, as the changes in the endowment investment strategy in 2021 that resulted in several liquidations of existing funds were mostly complete by the start of 2022. Investments identified in the cash flows statement include both restricted and unrestricted short- and long-term investments.

Management's Discussion and Analysis – Unaudited (Continued)

Economic Factors that Will Affect the Future

Student enrollment and retention remain a primary focus for the university as it seeks to overcome the projected declining demographics of the high-school aged population over the next decade in Michigan and throughout the country. Enrollment this past fiscal year dipped slightly compared to the previous fiscal year but is forecasted to grow slowly over the next few years. The university is actively advancing the initiatives as outlined in the Strategic Enrollment Management Plan ("SEMP") that focus on growth and retention. The university is pursuing a bold agenda through its Reach Higher 2025 Strategy to provide new learning opportunities in a dynamic and competitive higher education sector, with a significant emphasis on learner outcomes, relevancy in a rapidly changing employment environment, and the economic value and personal growth derived from lifetime learning.

The university continues to support efforts through the SEMP, such as the Lifelong Educational Attainment for Determined Students (LEADS) program and online certificate programs. These programs directly support Michigan's Sixty by 30 campaign goal to increase the number of working-age adults with a skill certificate or college degree from 50.5 percent today to 60 percent by 2030. To expand the reach and modes of instruction, the university is starting two initiatives, Grand Path and Laker Learning Futures. The former is focused on designing learning opportunities in XR (mixed reality) to create high-impact, immersive learning environments, while the latter is designed to identify new opportunities for innovation in learning and teaching and then rapidly deploy and assess their viability. The university is being aggressive to meet learners at each level of existing knowledge and providing the highest value and relevance for their educational pursuits. Further, the university is building on its partnership with local and regional businesses to become a talent pipeline for their organizations. Following the expanded nursing program with Corewell Health last year, the university established an educational partnership with the Pine Rest Academy to increase behavioral health nurse capacity. The university also launched the Laker Accelerated Talent Link, a work and learning opportunity that partners with West Michigan-based employers Acrisure, Amway, Cascade Engineering, Corewell Health, and Michigan Software Labs. The initiative provides enhanced learning experiences during college and links Grand Valley talent to these companies post-graduation. Moreover, the university expanded its current partnership with the Shape Corp. at the Padnos College of Engineering and Computing, creating additional project-based and experiential learning opportunities to fill a critical workforce need of STEM-educated employees.

In a growth mindset, the university is expanding its enrollment base beyond the Midwest region through expanded marketing and enhanced partnerships like the Historically Black College and Universities/Hispanic Serving Institutions pipeline consortium. These partnerships offer graduate degree opportunities and targeted relationships with businesses focusing on the skills necessary to succeed in the knowledge and digital economy of the future. The university signed two new partnerships this past year with Savannah State University and Johnson C. Smith University, bringing the total participating institutions to six total since inception in late 2020.

The State of Michigan approved a base appropriation amount of \$97.4 million for fiscal year 2024. The increase in the university's State appropriation was significant compared to historical adjustments for the university and represents a 19.9 percent increase over fiscal year 2023. The final legislation signed by the Governor approved targeted increases for select institutions, including Grand Valley, to bring all Michigan public universities to a minimum funding level of at least \$4,500 per FYES in fiscal year 2024, accelerating a phased implementation plan anticipated over three years that was fully funded in two years this fiscal year. After years of State underfunding per FYES relative to State peers, this funding increase was an important step towards rebalancing State support amongst public universities. Given the significant increase in the university's base appropriation over the last two fiscal years, it is not anticipated there will be further legislative action to increase base appropriations to the average funding per FYES for Michigan public universities, currently at \$6,867. Grand Valley still lags significantly below the average funding per FYES by over \$2,000, a significant funding difference given the university's total fall 2023 enrollment of over 20,000 FYES.

Management's Discussion and Analysis – Unaudited (Continued)

A separate legislative initiative, a \$250 million postsecondary scholarship fund, was passed into law in fiscal year 2023 and became active for the 2023-2024 academic year. After initial passage, the state legislature approved a supplemental spending bill that the Governor signed into law that expands this scholarship fund, making \$560 million in aid available. This scholarship program makes up to \$5,500 available per student per year for five years to attend a Michigan public university. This scholarship program did have a positive impact on enrollment at Grand Valley for the 2023 fall semester, contributing in part to a First Time in Any College ("FTIAC") class that was 24 percent larger than the 2022 fall FTIAC cohort. These additional resources, combined with Grand Valley's low total cost of attendance relative to peers, outstanding facilities, and positive student experience, saw the university grow total enrollment by over three percent at the start of the 2023-2024 academic year.

The overall macroeconomic environment remains challenging. Inflation, while retreating significantly from 40-year highs over the last year, has remained stubbornly persistent and above the Federal Reserve's two percent target inflation rate. Prices, and prevailing interest rates, remain elevated and inflationary factors across all sectors of the economy have impacted portions of university operations, such as energy prices, construction, services, wages, and food cost. Both fiscal and monetary policy will influence how long inflationary conditions exist. Relatedly, the university's debt profile consists of fixed-rate or synthetically fixed-rate debt instruments so there is minimal to no interest rate risk with rising rates at current debt levels unless new debt is issued.

The university continues to be a leader in providing a high-quality education at relatively low cost. Tuition has and continues to be much lower than the State average for Michigan public universities. The university ranks 10th in tuition cost among Michigan public institutions – a significant point despite the university's state appropriation per FYES that is below the state average. The university keeps higher education affordable with the lowest room and board costs amongst Michigan public universities. The total cost of attendance (tuition, room and board) remains near the bottom in comparison to other Michigan public universities, ranking 12th out of 14.

Meanwhile, the university continues to be recognized as an outstanding choice for learners. Grand Valley State University is consistently named as one of the best colleges for value and one of America's best colleges by multiple assessments, including Money © Magazine and U.S. News and World Report ©. Grand Valley was also named to The Wall Street Journal's © top 400 universities in the U.S. list, from over 2,800 U.S. four-year institutions.

Statement of Net Position

	June 30	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 64,937,685	\$ 97,736,573
Short-term investments (Note 2)	42,947,759	61,695,908
Accounts receivable - Net of allowance of \$1,164,773 and \$666,658 in 2023 and 2022, respectively	21,215,745	24,862,018
State appropriation receivable	80,332,790	72,671,531
Pledges receivable - Net	3,551,645	6,131,006
Inventories	1,576,405	1,757,402
Prepaid expenses and other	5,972,798	6,055,542
Student notes receivable - Current portion	1,282,734	1,624,716
Total current assets	221,817,561	272,534,696
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	1,190,329	2,799,849
Restricted investments (Note 2)	14,272,976	17,394,381
Endowment investments (Note 2)	183,274,094	166,924,916
Other long-term investments (Note 2)	258,159,037	215,401,485
Accounts and Interest Receivable	6,499,894	7,049,254
Pledges receivable - Net	4,033,004	4,868,032
Student notes receivable - Net of allowance of \$129,150 and \$78,150 in 2023 and 2022, respectively	1,586,572	2,116,439
Capital assets - Net (Note 3)	776,482,584	787,482,493
Derivative instrument (Note 5)	3,237,000	2,199,000
Other assets	9,469,028	3,568,658
Total noncurrent assets	1,258,204,518	1,209,804,507
Total assets	1,480,022,079	1,482,339,203
Deferred Outflows of Resources		
Accumulated changes in the fair value of hedging derivative instruments (Note 5)	885,000	1,975,000
Refunding of bonds payable (Note 4)	6,880,739	7,644,285
Retirement benefit related deferrals (Note 6)	6,104,468	13,017,838
Total deferred outflows	13,870,207	22,637,123
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	107,116,331	101,392,370
Unearned revenue	26,653,908	18,512,474
Long-term liabilities - Current portion (Note 4)	16,534,306	21,233,948
Total current liabilities	150,304,545	141,138,792
Noncurrent liabilities:		
Unearned revenue - Net of current portion	1,766,237	2,207,795
Federal student loan payable	2,049,259	3,003,192
Long-term liabilities - Net of current portion (Note 4)	222,307,433	240,329,201
Derivative instruments (Note 5)	885,000	1,975,000
Other post-employment benefits (Note 6)	18,430,610	17,645,611
Net pension liability (Note 6)	23,656,673	27,873,257
Total noncurrent liabilities	269,095,212	293,034,056
Total liabilities	419,399,757	434,172,848
Deferred Inflows of Resources		
Accumulated changes in the fair value of hedging derivative instruments (Note 5)	3,237,000	2,199,000
Retirement benefit related deferrals (Note 6)	6,376,195	7,307,806
Leases	7,615,348	8,435,592
Total deferred inflows	17,228,543	17,942,398
Net Position		
Net investment in capital assets	545,476,341	537,593,815
Restricted:		
Nonexpendable - Scholarships and academic support	90,903,252	87,414,219
Expendable:		
Scholarships and academic support	125,501,485	119,778,262
Capital projects	1,854,102	2,154,085
Loans	539,088	203,419
Unrestricted	292,989,718	305,717,280
Total net position	<u>\$ 1,057,263,986</u>	<u>\$ 1,052,861,080</u>

See Notes to Financial Statements

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2023	2022
Operating Revenue		
Student tuition and fees	\$ 330,981,886	\$ 329,793,453
Scholarship allowances	(79,352,429)	(73,953,409)
Net student tuition and fees	251,629,457	255,840,044
Government grants and contracts	31,033,872	28,945,000
Nongovernmental grants	2,266,767	1,065,515
Sales and services of educational activities	18,354,174	13,789,826
Auxiliary activities	69,765,141	63,291,170
Scholarship allowances	(12,814,743)	(11,127,601)
Net auxiliary activities	56,950,398	52,163,569
Other operating revenue	5,985,131	6,242,978
Total operating revenue	366,219,799	358,046,932
Operating Expenses - Education and general		
Instruction	173,052,121	161,394,886
Research	7,351,468	6,803,860
Public service	38,058,522	34,695,233
Academic support	59,846,511	53,042,650
Student services	37,361,023	32,627,990
Institutional support	46,448,324	42,732,449
Operation and maintenance - Plant	45,213,398	42,632,339
Depreciation expense	35,580,164	33,897,713
Scholarships and related expenses	18,708,483	48,504,424
Auxiliary activities	41,354,156	38,628,157
Loan administrative fees and collection costs	95,140	261,473
Total operating expenses	503,069,310	495,221,174
Operating Loss	(136,849,511)	(137,174,242)
Nonoperating Revenue (Expense)		
State appropriations	81,253,800	77,050,400
Government grants	24,938,079	89,597,155
Gifts	11,563,584	38,462,727
Investment income:		
Interest, dividends, and (losses) on investments - Net of investment expense of \$1,433,642 and \$1,603,689 in 2023 and 2022, respectively	26,276,040	(15,962,718)
Interest on capital asset - Related debt	(9,211,879)	(9,731,203)
Loss on disposal of assets	(117,137)	(125,811)
Other nonoperating revenues	1,214,480	1,023,597
Net nonoperating revenue	135,916,967	180,314,147
Income (Loss) - Before other revenues, expenses, gains, or losses	(932,544)	43,139,905
Other		
Capital appropriations	-	3,814,297
Capital grants and gifts	324,646	679,740
Other capital income	906,271	710,182
Additions to permanent endowments	4,104,533	3,015,252
Total other	5,335,450	8,219,471
Increase in Net Position	4,402,906	51,359,376
Net Position		
Beginning of year	1,052,861,080	1,001,501,704
End of year	<u>\$ 1,057,263,986</u>	<u>\$ 1,052,861,080</u>

See Notes to Financial Statements

Statement of Cash Flows

	Year Ended June 30	
	2023	2022
Cash Flows from Operating Activities		
Tuition and fees	250,739,689	256,484,381
Grants and contracts	36,101,809	27,789,039
Payments to suppliers	(126,873,403)	(110,586,127)
Payments for utilities	(8,525,658)	(8,129,964)
Payments to employees	(231,997,392)	(219,850,245)
Payments for benefits	(82,225,661)	(75,819,147)
Payments for scholarships and fellowships	(20,795,934)	(48,975,263)
Loans issued to students	(43,517,124)	(45,368,371)
Collection of loans from students	44,388,973	46,170,500
Auxiliary enterprise charges:		
Residence halls	41,011,133	36,714,408
Bookstore	8,113,999	7,989,381
Other	8,187,082	7,471,455
Sales and service of educational activities	27,978,071	13,712,409
Other receipts	5,679,703	6,622,405
Federal direct loan receipts	127,236,277	128,470,519
Federal direct loan lending disbursements	(127,145,500)	(129,501,944)
Public school academy funding receipts	433,855,293	323,564,033
Public school academy funding disbursements	(433,828,353)	(323,518,336)
Net cash used in operating activities	(91,616,996)	(106,760,867)
Cash Flows from Noncapital Financing Activities		
State appropriations	79,973,800	76,918,928
Government grants	25,296,481	92,897,354
Gifts and grants for other than capital purposes	13,520,826	14,865,172
Private gifts for endowment purposes	4,104,533	3,015,252
Charitable annuities payments - Net	(90,094)	(138,481)
Return of federal student Perkins loan principal	(953,933)	(1,660,873)
Net cash provided by noncapital financing activities	121,851,613	185,897,352
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	-	10,783,131
Capital grants and gifts received	1,478,453	2,379,935
Other receipts	1,152,599	1,551,573
Proceeds from sale of capital assets	84,011	483,832
Purchases of capital assets and construction	(31,284,090)	(22,992,387)
Principal paid on capital debt	(16,928,766)	(13,638,587)
Interest paid on capital debt	(9,867,130)	(10,262,428)
Net cash used in capital and related financing activities	(55,364,923)	(31,694,931)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	8,548,553	23,074,425
Interest on investments	14,657,755	3,882,410
Purchase of investments	(32,484,410)	(53,455,528)
Net cash used in investing activities	(9,278,102)	(26,498,693)
Net Increase (Decrease) in Cash and Cash Equivalents	(34,408,408)	20,942,861
Cash and Cash Equivalents - Beginning of year	100,536,422	79,593,561
Cash and Cash Equivalents - End of year	\$ 66,128,014	\$ 100,536,422

See Notes to Financial Statements

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2023	2022
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents (Note 2)	\$ 64,937,685	\$ 97,736,573
Restricted cash and cash equivalents (Note 2)	1,190,329	2,799,849
Total cash and cash equivalents	<u><u>\$ 66,128,014</u></u>	<u><u>\$ 100,536,422</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (136,849,511)	\$ (137,174,242)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense	35,580,164	33,897,713
Changes in assets and liabilities:		
Receivables - Net	(1,956,589)	(3,135,586)
Inventories	180,997	(132,533)
Other assets	(606,855)	(104,242)
Accounts payable, accrued liabilities, and deposits	5,713,620	1,348,913
Retirement related deferrals and noncurrent liabilities	(1,936,962)	(2,949,690)
Unearned revenue	8,258,140	1,488,800
Net cash used in operating activities	<u><u>\$ (91,616,996)</u></u>	<u><u>\$ (106,760,867)</u></u>
Significant Noncash Disclosures		
Property acquired under lease and subscription-based information technology arrangements	<u><u>\$ 2,778,426</u></u>	<u><u>\$ 4,044,410</u></u>

See Notes to Financial Statements

Statement of Fiduciary Net Position

Pension Trust Funds

	June 30	
	2023	2022
Assets		
Money market funds	\$ 1,631,089	\$ 2,006,152
Time deposits	129,989	-
Domestic equities	31,859,496	28,620,635
International equities	12,538,644	11,767,587
Domestic bonds	19,887,299	20,693,223
International bonds	876,877	1,365,969
Alternative strategies	8,357,387	8,982,091
Total cash and cash equivalents and investments	75,280,781	73,435,657
Accrued income	151,583	140,175
Net Position - Restricted for Pensions	\$ 75,432,364	\$ 73,575,832

Statement of Changes in Fiduciary Net Position

Pension Trust Funds

	Year Ended June 30	
	2023	2022
Additions		
Investment income (loss):		
Interest and dividend income	\$ 1,779,987	\$ 2,661,752
Net appreciation (depreciation) in fair value of investments	2,731,808	(16,530,320)
Income on sale of investments	1,548,275	4,482,238
Total investment income (loss)	6,060,070	(9,386,330)
Employer contributions	1,310,772	1,810,097
Other income	352,485	384,113
Total additions - Net	7,723,327	(7,192,120)
Deductions		
Benefit payments	5,713,995	5,391,809
Administrative expense	152,800	175,118
Total deductions	5,866,795	5,566,927
Net Increase (Decrease)	1,856,532	(12,759,047)
Net Position - Restricted for Pensions		
Beginning of year	73,575,832	86,334,879
End of year	\$ 75,432,364	\$ 73,575,832

Note 1 – Summary of Significant Accounting Policies

Reporting Entity - Grand Valley State University (the “university”) is an institution of higher education created by the Michigan Constitution of 1963 and is considered to be a component unit of the State of Michigan (the “State”). Its Board of Trustees is appointed by the Governor of the State. Accordingly, the university is included in the State’s financial statements as a discretely presented component unit. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various State agencies.

The university has four affiliated organizations that were evaluated in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus*, which the university adopted on July 1, 2011, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, which the university adopted on July 1, 2016. Each organization is described below, with additional information provided regarding the impact to the university’s financial statements and accompanying condensed financial statements.

Grand Valley University Foundation (“GVUF”) is a Michigan nonprofit corporation established to solicit, collect, receive, and administer funds to advance the mission and goals of the university. In accordance with the provisions of GASB Statement No. 61, GVUF is blended into the university’s financial statements because the university has operational responsibility for GVUF and GVUF provides services entirely for the benefit of the university. GVUF obtains an annual financial audit as required by the Michigan Department of Attorney General. The June 30, 2023 audited financial statements for GVUF are located at the university’s Business and Finance Office.

University Properties, Inc. (“UPI”) is a Michigan nonprofit corporation established for the purpose of holding, administering, and further improving real property held by the university. In accordance with the provisions of GASB Statement No. 61, UPI is blended into the university’s financial statements because the university has operational responsibility for UPI and services are provided entirely for the benefit of the university.

Grand Valley Research Corporation (“GVRC”) is a Michigan nonprofit corporation established for educational and scientific purposes to provide support solely to the university. In accordance with the provisions of GASB Statement No. 61, GVRC is considered to be a component unit of the university and the blending method is the appropriate method for inclusion in the university’s financial statements because a financial benefit and burden relationship exists with the university.

Lafayette-Hastings, LLC is a Michigan limited liability company that was formed in 2011 for the purpose of real estate management on behalf of the university. In accordance with the provisions of GASB Statement No. 61, Lafayette-Hastings, LLC is blended into the university’s financial statements because the university has operational responsibility for Lafayette Hastings, LLC and services are provided entirely for the benefit of the university.

The Board of Trustees has fiduciary responsibility for employee benefit plans, which includes two defined benefit plans that are further described in Note 6 on page 56. As a result, the plans’ fiduciary net position and changes in plans’ fiduciary net position are shown as a fiduciary fund in the university’s financial statements.

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial statements for each entity blended in the university's financial reporting follow:

Condensed Statement of Net Position

	Grand Valley University Foundation		University Properties, Inc.		Grand Valley Research Corporation		Lafayette Hastings, LLC	
	2023	2022	2023	2022	2023	2022	2023	2022
Assets								
Current assets	\$ 334,274	\$ 221,752	\$ 204,723	\$ 170,891	\$ 688,911	\$ 621,600	\$ (847,914)	\$ (768,849)
Capital assets (net)	-	-	4,958	4,958	-	-	-	-
Other assets	3,723,800	3,295,845	-	-	968,752	793,549	-	-
Total assets	<u>\$ 4,058,074</u>	<u>\$ 3,517,597</u>	<u>\$ 209,681</u>	<u>\$ 175,849</u>	<u>\$ 1,657,663</u>	<u>\$ 1,415,149</u>	<u>\$ (847,914)</u>	<u>\$ (768,849)</u>
Liabilities								
Current liabilities	\$ -	\$ -	\$ 7,172	\$ 264	\$ -	\$ -	\$ 158,191	\$ 145,943
Noncurrent liabilities	-	-	-	-	-	-	-	-
Total liabilities	-	-	7,172	264	-	-	158,191	145,943
Net Position								
Net investment in capital assets	-	-	4,958	4,958	-	-	-	-
Restricted:								
Nonexpendable	2,401,338	2,252,494	-	-	-	-	-	-
Expendable	1,656,736	1,265,103	-	-	-	-	-	-
Unrestricted	-	-	197,551	170,627	1,657,663	1,415,149	(1,006,105)	(914,792)
Total net position	<u>4,058,074</u>	<u>3,517,597</u>	<u>202,509</u>	<u>175,585</u>	<u>1,657,663</u>	<u>1,415,149</u>	<u>(1,006,105)</u>	<u>(914,792)</u>
Total liabilities and net position	<u>\$ 4,058,074</u>	<u>\$ 3,517,597</u>	<u>\$ 209,681</u>	<u>\$ 175,849</u>	<u>\$ 1,657,663</u>	<u>\$ 1,415,149</u>	<u>\$ (847,914)</u>	<u>\$ (768,849)</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	Grand Valley University Foundation		University Properties, Inc.		Grand Valley Research Corporation		Lafayette Hastings, LLC	
	2023	2022	2023	2022	2023	2022	2023	2022
Operating Revenue								
Auxiliary enterprises	-	-	178,333	147,715	-	-	-	-
Other	72,076	49,174	-	30	10,000	17,794	849,035	905,083
Total operating revenue	72,076	49,174	178,333	147,745	10,000	17,794	849,035	905,083
Operating Expense								
Personnel costs	42,179	37,549	-	-	-	-	-	-
Supplies and other	585,117	1,053,905	151,409	137,886	9,213	16,835	940,348	841,292
Total operating expense	627,296	1,091,454	151,409	137,886	9,213	16,835	940,348	841,292
Nonoperating Revenue (Expense)								
Gifts and additions to endowments	639,270	1,183,867	-	-	-	-	-	-
Grants	142,619	18,381	-	-	-	-	-	-
Investment (loss) income	337,410	(86,508)	-	-	6,018	231,285	-	-
Other	(23,602)	189,259	-	-	235,709	-	-	-
Total nonoperating revenue	1,095,697	1,304,999	-	-	241,727	231,285	-	-
Increase in Net Position	540,477	262,719	26,924	9,859	242,514	232,244	(91,313)	63,791
Net Position - Beginning of year	<u>3,517,597</u>	<u>3,254,878</u>	<u>175,585</u>	<u>165,726</u>	<u>1,415,149</u>	<u>1,182,905</u>	<u>(914,792)</u>	<u>(978,583)</u>
Net Position - End of year	<u>\$ 4,058,074</u>	<u>\$ 3,517,597</u>	<u>\$ 202,509</u>	<u>\$ 175,585</u>	<u>\$ 1,657,663</u>	<u>\$ 1,415,149</u>	<u>\$ (1,006,105)</u>	<u>\$ (914,792)</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Condensed Statement of Cash Flows

	Grand Valley University Foundation		University Properties, Inc.		Grand Valley Research Corporation		Lafayette Hastings, LLC	
	2023	2022	2023	2022	2023	2022	2023	2022
Net cash (used in) provided by operating activities	\$ (56,243)	\$ 79,626	\$ 32,973	\$ 10,474	\$ 67,311	\$ 100,391	\$ (57,731)	\$ 16,934
Net cash used in investing activities	(42,404)	(359,492)	-	-	-	-	-	-
Net cash provided by financing activities	176,669	282,450	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	78,022	2,584	32,973	10,474	67,311	100,391	(57,731)	16,934
Cash and Cash Equivalents - Beginning of year	187,252	184,668	164,745	154,271	621,600	521,209	(812,389)	(829,323)
Cash and Cash Equivalents - End of year	<u>\$ 265,274</u>	<u>\$ 187,252</u>	<u>\$ 197,718</u>	<u>\$ 164,745</u>	<u>\$ 688,911</u>	<u>\$ 621,600</u>	<u>\$ (870,120)</u>	<u>\$ (812,389)</u>

In addition to the four component units described earlier, a new affiliated organization, K12C Solutions, Inc. was formed in 2023 as a Michigan nonprofit corporation to further the university's mission by providing training, personnel, and services to schools, community groups, and families in support of academic, social-emotional, and career achievement. In accordance with the provisions of GASB Statement No. 61, K12C Solutions, Inc. is blended into the university's financial statements because the university has operational responsibility for K12C Solutions, Inc. and services are provided entirely for the benefit of the university. It started operations in June 2023, and at June 30, 2023, held current assets of \$203,124, current liabilities of \$15,619 and unrestricted net position of \$187,505.

Basis of Presentation - The financial statements have been prepared in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB) using the economic resource measurement focus. The university follows all applicable GASB pronouncements. The university follows the "business-type activities" reporting requirements of GASB Statement No. 35, which provides a comprehensive one-line look at the university's financial activities.

Basis of Accounting - The financial statements of the university have been prepared on the accrual basis, whereby all revenue is recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Cash and Cash Equivalents - The university considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - Investments are reported at fair value. Alternative investments are recorded at their most recent available valuation and updated for capital contributions and distributions. Alternative investments consist of investments that seek absolute-based return in hedge markets, investments in the private equity class investing in various ventures, or investments in a pool of assets invested in the following subclasses: global natural resources, commodities, and global real estate. The net realized and unrealized appreciation (depreciation) in market value of investments is included in the accompanying Statement of Revenue, Expenses, and Changes in Net Position. Gains, losses, and investment income are reported as increases or decreases in unrestricted net position unless their use is restricted by explicit donor stipulations or law.

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable are stated at net invoice amounts. An allowance for bad debts is established on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All trade amounts deemed uncollectible are charged against bad debt expense in the period that determination is made. At June 30, 2023 and 2022, there was an allowance of \$1,164,773 and \$666,658, respectively.

In addition, the university leases space on buildings to cellular companies and office space to external parties. In accordance with GASB 87, the university recorded lease receivables of \$7,400,744 and \$8,025,167 at June 30, 2023 and 2022, respectively. Of the total balance, noncurrent accounts receivable was \$6,499,894 and \$7,049,254 at June 30, 2023 and 2022, respectively. The expected receipts over the term of the respective leases are discounted to present value, using the interest rate stated on the lease, if available or otherwise discounted using the university's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2023 and 2022, the university recognized revenues related to these lease agreements totaling \$1,214,480 and \$1,023,597, respectively, which are reflected as nonoperating revenue.

Inventories - Inventories, consisting principally of bookstore merchandise, golf equipment, and apparel, are determined on the first-in, first-out (FIFO) method and stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Pledges Receivable - The carrying amount of pledges receivable represents recorded promises to contribute, measured at fair value when received, net of estimated uncollectible promises. Pledges receivable are recorded at their net present value using a discount rate of 4.31 percent and 4.30 percent for the years ended June 30, 2023 and 2022, respectively. Included in pledges receivable are an unamortized discount of \$511,217 and \$660,123 at June 30, 2023 and 2022, respectively, and an allowance of \$38,249 and \$84,918 at June 30, 2023 and 2022, respectively.

Capital Assets - Capital assets with a unit cost of over \$5,000 and all library books are recorded at cost at the date of acquisition or at acquisition value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred.

Right-to-use assets established by financing leases and subscriptions to vendor's information technology software are recorded at present value at the date that use begins and amortized over the shorter of the contract term or the useful life of the underlying asset. In addition, the university's policy establishes a threshold of \$250,000 for capitalizing vendor's information technology software, whereas activity under this threshold will be expensed as incurred. Right-to-use assets totaled \$9,304,774 and \$6,590,076 at June 30, 2023 and 2022, respectively. Accumulated amortization totaled \$3,678,883 and \$1,323,682 at June 30, 2023 and 2022, respectively.

Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

Derivative Instruments - Derivative instruments consist primarily of interest rate swap agreements associated with the university's outstanding long-term debt obligations. Derivative instruments are stated at fair value as established by major securities markets.

Unearned Revenue - Tuition and fee revenue and certain exchange grants received and related to the period after June 30 has been deferred.

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences - University employees accrue compensated absences on a per pay period basis. Vacation pay is fully vested when accrued. Upon separation from service, employees are paid accumulated vacation based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation that employees may accumulate and carry over for payment at death, retirement, or termination. Unused hours exceeding these limitations are forfeited. As a result, compensated absences are recorded as a current accrued liability.

Operating Revenue - All revenue from programmatic sources is considered operating revenue.

Nonoperating Revenue - Included in nonoperating revenue are State appropriations, investment income, Pell Grant revenue, HEERF subsidies, financing lease revenue, and gifts. Financing lease arrangements and gifts (pledges) that are received on an installment basis are recorded at net present value.

Scholarship Allowances and Student Aid - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal direct lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenue. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash and includes the HEERF scholarships awarded. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Federal Financial Assistance Programs - The university participates in Federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and Perkins Loans programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and the compliance supplement.

During 2023 and 2022, the university distributed \$127,145,500 and \$129,501,944 respectively, for direct lending through the U.S. Department of Education, which is a fiduciary activity. However, it meets the business-type activities exception and therefore is not included as revenue and expenditures on the accompanying financial statements.

Encumbrances - The university maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances totaled approximately \$22,521,000, which represents the estimated amount of expenses ultimately to result if unperformed contracts in progress at June 30, 2023 are completed. Approximately \$13,331,200 of the total is committed for capital projects.

Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in the financial statements.

Fiduciary Activity - The university establishes fiduciary funds to manage amounts held in a fiduciary capacity for others. These amounts are not used to operate the university's programs.

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position - Net position is classified according to external donor restrictions or availability of assets for satisfaction of university obligations. Nonexpendable restricted net position consists of gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in Federal loan programs. Unrestricted net position represents assets of the university that have not been restricted by parties independent of the university.

It is the university's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, right-to-use assets, net of accumulated amortization, unspent bond proceeds, components of debt structuring, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Use of Estimates - The preparation of financial statements in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain estimates are more susceptible to change based on the potential changes in estimates and assumptions, including estimates such as the allowance for doubtful accounts and self-insurance healthcare claims.

Pensions - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the university defined benefit plans was calculated by a certified actuary. Contribution revenue is recorded as contributions are made by the university to the plan. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the university defined benefit plan was calculated by a certified actuary. Contribution revenue is recorded as contributions are made by the university to the plan. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The deferred outflows of resources relate to the net pension liability, other post-retirement liabilities, and components of long-term obligations, including a debt refunding. See Notes 4 through 6 for more information.

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources - In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources relate to the calculation of the net pension liability and other post-retirement liabilities, derivative instruments, and leases. Detailed information is provided in Note 5 regarding the derivative instrument and Note 6 regarding retirement related benefit deferrals. The deferred inflow related to leases results from future inflows resulting from the university's lessor arrangements, as referenced in the Accounts Receivable accounting policy.

Adoption of New Standards - Effective for the year ended, June 30, 2023, the university adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). As a result, the statement of net position of the university includes a liability for the present value of payments expected to be made and right-to-use subscription-based assets. The adoption of GASB 96 has been reflected as of July 1, 2021 and upon adoption the university recognized a right-to-use asset and liability of \$895,087. Consequently, there was no impact to net position. The adoption resulted in restating the Statement of Net Position as of June 30, 2022, by increasing assets, liabilities, and net position by \$3,870,687, \$2,979,723, and \$890,964, respectively. The Statement of Activities was restated by decreasing total operating expenses and non-operating income by \$975,497 and \$84,533, respectively and increasing cash flows from operations by \$1,608,898 and decreasing cash from financing activities by \$1,608,898. Additional information regarding this adoption is presented in Note 3 and Note 4.

Note 2 - Cash and Investments

The operating portfolio is invested in accordance with university policy.

Cash and Short-term Investments - Investment policies for cash and short-term investments, as set forth by the Board of Trustees, authorize the university to invest in interest-bearing time deposits, short-term cash funds, money market funds, intermediate cash funds, U.S. government-backed obligations, and commercial paper. All investments must be held by financial institutions organized under federal or state law.

Restricted Cash and Restricted Short-term Investments - The restricted endowment cash from gift receipts to be invested totaled \$1,190,329 and \$2,799,849 at June 30, 2023 and 2022, respectively. Restricted short-term investments received for a scholarship program were \$14,272,976 and \$17,394,381 at June 30, 2023 and 2022, respectively.

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

Investments - Investment policies, as set forth by the Board of Trustees, also authorize the university to invest in equity securities, bonds, or similar securities and real estate investments for production of rental income. The Board of Trustees has authorized the Treasurer or Assistant Treasurer of the Board of Trustees to make the university's investment decisions, subject to review with the members of the Advisory Committee. In accordance with policies set forth by the Board of Trustees, complete discretion in selecting individual investments of endowment assets is assigned to two or more money managers who are chosen at the discretion of the university's Treasurer. The university's Treasurer and the appropriate Board committee monitor the asset managers' performance.

The Board of Trustees has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 ("UPMIFA"), the Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the university and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. Annually, the Board of Trustees approves an endowment spending rate consistent with these objectives. For the years ended June 30, 2023 and 2022, the endowment spending rate was 4.5 percent.

As of June 30, 2023, the university has remaining commitments of \$36,072,390 in alternative asset investments. As of June 30, 2023 and 2022, the university had approximately \$105.2 million and \$98.6 million respectively, invested in alternative asset investments.

The university's cash and investments are included in the Statement of Net Position under the following classifications:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 64,937,685	\$ 97,736,573
Short-term investments	42,947,759	61,695,908
Restricted cash and cash equivalents	1,190,329	2,799,849
Restricted Investments	14,272,976	17,394,381
Endowment investments	183,274,094	166,924,916
Other long-term investments	<u>258,159,037</u>	<u>215,401,485</u>
Total cash and investments	<u>\$ 564,781,880</u>	<u>\$ 561,953,112</u>

The university's cash and investments consist of the following:

	<u>2023</u>	<u>2022</u>
Money markets	\$ 72,846,430	\$ 102,886,069
Time deposits	7,554,561	15,044,734
Fixed-income securities	266,595,112	250,726,525
Equity security investments	101,203,317	81,539,769
Mutual bond funds	11,421,079	13,176,249
Alternative investments	<u>105,161,381</u>	<u>98,579,766</u>
Total cash and investments	<u>\$ 564,781,880</u>	<u>\$ 561,953,112</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

As of June 30, 2023, the university had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 72,846,430	\$ 72,846,430	\$ -	\$ -	\$ -
Time deposits	7,554,561	7,554,561	-	-	-
Fixed income securities	266,595,112	42,947,759	223,647,353	-	-
Mutual bond funds	11,421,079	-	-	11,421,079	-
Mutual equity funds	64,685,843	-	9,623,764	55,062,079	-
Mutual international equity funds	31,767,712	-	5,554,160	26,213,552	-
U.S. equities	4,749,762	-	-	4,156,296	593,466
Real estate	1,263,961	-	-	-	1,263,961
Venture capital and private equity	51,653,764	-	-	-	51,653,764
Private debt	4,804,499	-	-	-	4,804,499
Hedge funds	37,485,576	-	-	-	37,485,576
Other investments	9,953,581	-	4,604,340	-	5,349,241
Total investments and maturities	<u>\$ 564,781,880</u>	<u>\$ 123,348,750</u>	<u>\$ 243,429,617</u>	<u>\$ 96,853,006</u>	<u>\$ 101,150,507</u>

As of June 30, 2022, the university had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 102,886,069	\$ 102,886,069	\$ -	\$ -	\$ -
Time deposits	15,044,734	15,044,734	-	-	-
Fixed income securities	250,726,525	61,695,908	189,030,617	-	-
Mutual bond funds	13,176,249	-	142,900	12,876,171	157,178
Mutual equity funds	51,291,202	-	8,021,432	43,161,951	107,819
Mutual international equity funds	23,174,050	-	4,079,557	19,094,493	-
U.S. equities	7,074,517	-	-	6,622,558	451,959
Real estate	1,493,063	-	-	-	1,493,063
Venture capital and private equity	51,047,931	-	-	-	51,047,931
Private debt	2,855,790	-	-	-	2,855,790
Hedge funds	32,869,074	-	-	-	32,869,074
Other investments	10,313,908	-	680,022	5,297,704	4,336,182
Total investments and maturities	<u>\$ 561,953,112</u>	<u>\$ 179,626,711</u>	<u>\$ 201,954,528</u>	<u>\$ 87,052,877</u>	<u>\$ 93,318,996</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

As of June 30, 2023, the university's fiduciary fund had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 1,631,089	\$ 1,631,089	\$ -	\$ -	\$ -
Time deposits	129,989	129,989	-	-	-
Fixed-income funds	20,764,176	1,695,705	10,555,355	4,899,617	3,613,499
Equities	44,398,140	-	-	-	44,398,140
Infrastructure funds	1,982,793	-	-	-	1,982,793
Real estate investment funds	4,421,065	-	-	-	4,421,065
Other alternative funds	1,880,566	-	-	-	1,880,566
Pooled investment funds	72,963	-	-	-	72,963
Total investments and maturities	<u>\$ 75,280,781</u>	<u>\$ 3,456,783</u>	<u>\$ 10,555,355</u>	<u>\$ 4,899,617</u>	<u>\$ 56,369,026</u>

As of June 30, 2022, the university's fiduciary fund had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 2,006,152	\$ 2,006,152	\$ -	\$ -	\$ -
Fixed-income funds	22,059,192	2,270,012	11,250,145	5,033,251	3,505,784
Equities	40,388,222	-	-	-	40,388,222
Real estate investment funds	4,537,239	-	-	-	4,537,239
Commodities funds	2,415,896	-	-	-	2,415,896
Other alternative funds	1,950,813	-	-	-	1,950,813
Pooled investment funds	78,143	-	-	-	78,143
Total investments and maturities	<u>\$ 73,435,657</u>	<u>\$ 4,276,164</u>	<u>\$ 11,250,145</u>	<u>\$ 5,033,251</u>	<u>\$ 52,876,097</u>

Note 2 - Cash and Investments (Continued)

Concentration of Credit Risk - The university's investment strategy, like that of most other institutions, incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk. Market risk is the potential for changes in the value of financial instruments due to market changes, and is directly impacted by the volatility and liquidity of the markets in which the underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. Risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the Statement of Revenue, Expenses, and Changes in Net Position.

Investments are presented above based on the segmented time distribution maturity. Mutual equity funds are considered to be long-term funds and therefore are presented as investments with a maturity over one year, whereas the mutual bond funds as of June 30, 2023 have average maturities between 4.9 years and 13.12 years. At June 30, 2022, mutual bond funds have average maturities between 1.92 years and 12.5 years. Both are presented as an investment with a maturity over one year. Market risks (including interest rate risk and liquidity risk) and credit risks are managed by Board policies.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the university's operating investment policy limits the amount of the university's operating portfolio that can be invested in securities with maturities of more than one year. Operating investment maturities are limited as follows:

Less than one year	10%-100%
One to five years	0%-90%
More than five years	0%-30%

Investments held by the endowment funds are invested based on the policy that they are held to maturity; therefore, the interest rate risk is not considered in the university's decisions.

Custodial Credit Risk - Custodial Credit Risk is the risk that in the event of a bank failure, the university's deposits may not be available or returned. The university does not have a deposit policy for Custodial Credit Risk. The university's investments are held by a custody agent. At June 30, 2023 and 2022, the carrying amount of the university's deposits was \$66,128,014 and \$100,536,422, respectively. Cash balances in the bank were \$68,060,951 and \$99,632,129 at June 30, 2023 and 2022, respectively. Of the cash balances in the bank, \$1,484,585 and \$1,112,182 respectively, was insured.

The remaining cash balances in the bank of \$66,576,366 and \$98,519,947 at June 30, 2023 and 2022, respectively, were uninsured and uncollateralized. The university does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits.

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

Credit Risk - The university's operating investment policy limits its short-term operating investments to 0.5 percent of total bank assets or to investment vehicles that possess the highest ratings available by two national services. The university's operating investment policy limits its longer-term investments to investment grade or better securities.

The endowment funds are invested based on the policy that they are held permanently. Therefore, it is possible to invest in alternative investments that have a higher credit risk, but over the long term have the opportunity to yield higher rates of return.

The mutual fixed income funds held by the university had the following credit ratings at June 30, 2023 and 2022:

	Market Value 2023	Morningstar Rating	Market Value 2022	Morningstar Rating
Pacific Funds Floating Rate Income I	-	n/a	2,575,013	5 star
Eaton Vance Income Fund of Boston I	5,407,339	4 star	3,633,536	4 star
Federated Hermes Instl High Yield Bd IS	5,405,049	3 star	3,600,193	4 star
AQR Diversified Arbitrage I	177,290	n/a	-	n/a
Cohen & Steers Preferred Sec & Inc I	212,826	4 star	157,179	4 star
Virtus-AllianzGI Convertible Inst	218,575	5 star	359,345	5 star
Dodge & Cox Income Fund	-	n/a	1,228,916	4 star
Doubleline Total Return Bond	-	n/a	1,479,167	4 star
ALPS Smith Short Duration	-	n/a	142,900	5 star
Total	<u>\$ 11,421,079</u>		<u>\$ 13,176,249</u>	

At June 30, 2023, the university held fixed-income securities of \$266,595,112 of which \$124,736,746 were invested in US Governmental agencies. The remaining \$141,858,366 was invested in securities that were rated by S&P Global as follows:

	A	A-	A+	AA	AA-	AA+	AAA	BBB	BBB-	BBB+
Local government bond	-	-	-	-	-	-	26,329	-	-	-
Non U.S. corporate bonds	133,202	11,177,073	1,031,675	-	-	-	5,540,220	5,716,394	4,648,140	6,123,098
U.S. corporate bonds	<u>7,730,571</u>	<u>32,574,827</u>	<u>7,669,038</u>	<u>151,618</u>	<u>7,235,511</u>	<u>5,678,698</u>	<u>928,802</u>	<u>23,451,489</u>	<u>6,384,614</u>	<u>15,657,064</u>
	<u>\$ 7,863,773</u>	<u>\$43,751,900</u>	<u>\$ 8,700,713</u>	<u>\$ 151,618</u>	<u>\$ 7,235,511</u>	<u>\$ 5,678,698</u>	<u>\$ 6,495,351</u>	<u>\$ 29,167,883</u>	<u>\$ 11,032,754</u>	<u>\$ 21,780,162</u>

At June 30, 2022, the university held fixed-income securities of \$250,726,525 of which \$110,874,309 were invested in US Governmental agencies. The remaining \$139,852,216 was invested in securities that were rated by S&P Global as follows:

	A	A-	A+	AA	AA-	AA+	AAA	BBB	BBB-	BBB+
Non U.S. corporate bonds	3,553,679	11,163,985	1,205,810	-	-	5,596,671	1,731,023	7,505,194	2,892,847	2,999,145
U.S. corporate bonds	8,410,880	28,194,476	3,941,709	7,478,447	9,755,946	-	99,752	25,561,044	6,232,878	11,396,883
Foreign government bond	-	-	-	-	-	-	2,131,847	-	-	-
	<u>\$ 11,964,559</u>	<u>\$39,358,461</u>	<u>\$ 5,147,519</u>	<u>\$ 7,478,447</u>	<u>\$ 9,755,946</u>	<u>\$ 5,596,671</u>	<u>\$ 3,962,622</u>	<u>\$ 33,066,238</u>	<u>\$ 9,125,725</u>	<u>\$ 14,396,028</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

The university's fiduciary fund held the following types of mutual fixed-income funds at June 30, 2023 and 2022:

	Market Value 2023	Morningstar Rating	Market Value 2022	Morningstar Rating
AQR Diversified Arbitrage I	562,225	n/a	654,839	n/a
Cohen & Steers Preferred Sec & Inc I	674,916	4 star	558,286	4 star
Virtus-AllianzGI Convertible Inst	693,145	5 star	621,451	5 star
	<u>\$ 1,930,286</u>		<u>\$ 1,834,576</u>	

At June 30, 2023, the university's fiduciary fund held fixed-income securities of \$18,833,890 of which \$3,669,926 were invested in US Governmental agencies. The remaining \$15,163,964 was invested in securities that were rated by S&P Global as follows:

	<u>A</u>	<u>A-</u>	<u>A+</u>	<u>AA</u>	<u>AA-</u>	<u>AA+</u>	<u>AAA</u>	<u>BBB</u>	<u>BBB+</u>	<u>Not available</u>
Non U.S.corporate bonds	-	-	341,551	-	129,697	45,762	-	-	-	359,867
U.S. corporate bonds	1,710,291	936,236	1,561,880	328,401	1,081,676	1,794,436	131,536	1,226,878	650,580	4,326,255
Inflation-indexed bonds	-	-	-	-	-	-	-	-	-	538,918
	<u>\$ 1,710,291</u>	<u>\$ 936,236</u>	<u>\$ 1,903,431</u>	<u>\$ 328,401</u>	<u>\$ 1,211,373</u>	<u>\$ 1,840,198</u>	<u>\$ 131,536</u>	<u>\$ 1,226,878</u>	<u>\$ 650,580</u>	<u>\$ 5,225,040</u>

At June 30, 2022, the university's fiduciary fund held fixed-income securities of \$20,224,616 of which \$5,011,925 were invested in US Governmental agencies. The remaining \$15,212,691 was invested in securities that were rated by S&P Global as follows:

	<u>A</u>	<u>A-</u>	<u>A+</u>	<u>AA</u>	<u>AA-</u>	<u>AA+</u>	<u>AAA</u>	<u>BBB</u>	<u>BBB+</u>	<u>Not available</u>
Non U.S.corporate bonds	-	-	346,451	-	203,764	46,361	-	125,019	-	644,374
U.S.corporate bonds	2,639,422	850,790	1,678,584	554,864	1,274,127	1,029,783	135,761	1,295,184	1,115,572	2,609,253
Inflation-indexed bonds	-	-	-	-	-	-	-	-	-	663,381
	<u>\$ 2,639,422</u>	<u>\$ 850,790</u>	<u>\$ 2,025,035</u>	<u>\$ 554,864</u>	<u>\$ 1,477,891</u>	<u>\$ 1,076,144</u>	<u>\$ 135,761</u>	<u>\$ 1,420,203</u>	<u>\$ 1,115,572</u>	<u>\$ 3,917,008</u>

Note 2 - Cash and Investments (Continued)

Foreign Credit Risk - The university holds investments in some international mutual funds that invest in international equity funds and investments in non-US corporate and government bonds. These funds are invested in various countries throughout the world and therefore expose the university to foreign credit risk. The international equity and debt investments represent approximately 11 percent at June 30, 2023 and June 30, 2022. Investments in these funds were approximately \$63.9 million and \$62.2 million for the ended June 30, 2023 and 2022, respectively.

Alternative Assets - The other investments, private equities, and venture capital are comprised of investments in alternative assets.

Fair Value Measurements - The university categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy on the following page.

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

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

The university has the following recurring fair value measurements as of June 30, 2023:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
		Quoted Prices		
		in Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
	Balance at	Assets	Inputs	Inputs
	June 30, 2023	(Level 1)	(Level 2)	(Level 3)
Investments by Fair Value Level				
Debt securities - Mutual bond funds	\$ 11,421,079	\$ 11,421,079	\$ -	\$ -
Equity securities:				
Preferred stock	571,507	-	-	571,507
Common stock	120,000	-	-	120,000
U.S. equities	4,749,762	4,749,762	-	-
Money market funds	35,748,484	35,748,484	-	-
Mutual equity funds	64,685,844	64,685,844	-	-
Mutual international security funds	30,593,148	30,593,148	-	-
Mutual alternative strategies	8,175,336	8,175,336	-	-
Total equity securities	144,644,081	143,952,574	-	691,507
U.S. governmental agencies	124,736,746	89,449,341	35,287,405	-
Local government bond	26,329	-	26,329	-
Non-U.S. corporate bonds	33,338,127	-	33,338,127	-
Corporate bonds	108,493,908	-	108,493,908	-
Land	543,480	-	-	543,480
Beneficial interest	1,717,823	-	-	1,717,823
Total investments by fair value level		<u>\$244,822,994</u>	<u>\$177,145,769</u>	<u>\$ 2,952,810</u>
Investments Measured at Net Asset Value (NAV)				
Hedge funds	37,485,576			
Private equity/venture capital	51,653,764			
Private debt	4,804,499			
Real estate funds	1,263,961			
Total investments measured at NAV	95,207,800			
Total investments measured at fair value	<u>\$ 520,129,373</u>			
Bank deposits	44,652,507			
Total Cash and Investments	<u>\$ 564,781,880</u>			
Investment Derivative Instruments - Interest rate swaps				
	\$ (885,000)		\$ (885,000)	

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
		Quoted Prices		
		in Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
	Balance at	Assets	Inputs	Inputs
	June 30, 2022	(Level 1)	(Level 2)	(Level 3)
Investments by Fair Value Level				
Debt securities - Mutual bond funds	\$ 13,176,249	\$ 13,176,249	\$ -	\$ -
Equity securities:				
Preferred stock	571,507	-	-	571,507
U.S. equities	7,074,517	7,074,517	-	-
Money market funds	17,394,381	17,394,381	-	-
Mutual equity funds	51,291,202	51,291,202	-	-
Mutual international security funds	23,174,050	23,174,050	-	-
Mutual asset allocation fund	5,297,704	5,297,704	-	-
Mutual alternative strategies	680,022	680,022	-	-
Real asset funds	1,827,467	1,827,467	-	-
Total equity securities	107,310,850	106,739,343	-	571,507
U.S. Governmental agencies	110,874,309	82,430,380	28,443,929	-
Foreign Government bond	2,131,847	-	2,131,847	-
Corporate Bonds	137,720,369	-	137,720,369	-
Land	543,480	-	-	543,480
Beneficial interest	1,937,208	-	-	1,937,208
Total investments by fair value level		<u>\$202,345,972</u>	<u>\$168,296,145</u>	<u>\$ 3,052,195</u>
Investments Measured at Net Asset Value (NAV)				
Hedge funds	32,869,074			
Private equity/venture capital	50,686,991			
Private debt	2,855,790			
Real estate funds	1,310,523			
Total investments measured at NAV	<u>87,722,378</u>			
Total investments measured at fair value	<u>\$ 461,416,690</u>			
Bank deposits	100,536,422			
Total Cash and Investments	<u>\$ 561,953,112</u>			
Investment Derivative Instruments - Interest				
rate swaps	\$ 224,000		\$ 224,000	

Amounts included in the tables on page 40 and 41 include brokerage funds of \$21,475,508 and \$45,448,819 as of June 30, 2023 and 2022, respectively that are included in cash and cash equivalents on the Statement of Net Position.

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

The university's fiduciary funds have the following recurring fair value measurements as of June 30, 2023:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Balance at June 30, 2023			
Investments by Fair Value Level				
Equity securities:				
Money market mutual funds	\$ 1,631,089	\$ 1,631,089	\$ -	\$ -
Developed international equity funds	8,379,957	8,379,957	-	-
Emerging markets equity funds	4,158,687	4,158,687	-	-
Large-cap domestic equity funds	26,216,792	26,216,792	-	-
Real estate investment funds	4,421,065	4,421,065	-	-
Small- and mid-cap domestic equity funds	4,878,711	4,878,711	-	-
Equity-related strategy funds	763,993	763,993	-	-
Infrastructure funds	1,982,793	1,982,793	-	-
Alternative strategies funds	1,880,566	1,880,566	-	-
Total equity securities	54,313,653	54,313,653	-	-
Fixed-income securities:				
Domestic fixed-income	18,786,156	1,368,061	17,418,095	-
International developed market fixed-income	876,877	-	876,877	-
Inflation indexed fixed-income	538,918	-	538,918	-
Fixed income-related strategy	562,225	562,225	-	-
Total fixed-income securities	20,764,176	1,930,286	18,833,890	-
Total investments by fair value level		<u>\$ 56,243,939</u>	<u>\$ 18,833,890</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Pooled investment funds	72,963			
Total investments measured at fair value	<u>\$ 75,150,792</u>			

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

The university's fiduciary funds have the following recurring fair value measurements as of June 30, 2022:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Balance at June 30, 2022			
Investments by Fair Value Level				
Equity securities:				
Money market mutual funds	\$ 2,006,152	\$ 2,006,152	\$ -	\$ -
Developed international equity funds	7,772,613	7,772,613	-	-
Emerging markets equity funds	3,994,974	3,994,974	-	-
Large-cap domestic equity funds	23,726,294	23,726,294	-	-
Real estate investment funds	4,537,239	4,537,239	-	-
Small- and mid-cap domestic equity funds	4,213,012	4,213,012	-	-
Equity-related strategy funds	681,329	681,329	-	-
Alternative strategies funds	2,415,896	2,415,896	-	-
Commodities funds	1,950,813	1,950,813	-	-
Total equity securities	51,298,322	51,298,322	-	-
Fixed-income securities:				
Domestic fixed-income	19,375,002	1,179,737	18,195,265	-
International developed market fixed-income	1,115,769	-	1,115,769	-
International emerging market fixed-income	250,200	-	250,200	-
Inflation indexed fixed-income	663,382	-	663,382	-
Fixed income-related strategy	654,839	654,839	-	-
Total fixed-income securities	22,059,192	1,834,576	20,224,616	-
Total investments by fair value level		<u>\$ 53,132,898</u>	<u>\$ 20,224,616</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Pooled investment funds	78,143			
Total investments measured at fair value	<u>\$ 73,435,657</u>			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. Governmental agency securities purchased at first issue (on-the-run) are also classified in Level 1.

The fair value of fixed-income securities, corporate bonds, and foreign and U.S. Governmental agency securities that were purchased after first issue (off-the-run) were determined primarily based on Level 2 inputs. The university estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Derivative instruments classified in Level 2 reflect the fair values of the interest rate swaps estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future settlement on the swap.

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and Investments (Continued)

The fair value of land, preferred stock holdings, and the beneficial interest account held at Grand Rapids Community Foundation at June 30, 2023 and 2022 was determined primarily based on Level 3 inputs. The university estimates the fair value of these investments using the university's own estimates using pricing models, discounted cash flow methodologies, or similar techniques, after considering the characteristics of the asset.

Investments in Entities that Calculate Net Asset Value per Share

The university holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year-end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	June 30, 2023	June 30, 2022		June 30, 2023	
				Redemption	
	Fair Value	Fair Value	Unfunded	Frequency, if	Redemption
			Commitments	Eligible	Notice Period
Hedge funds (A)	\$ 37,485,576	\$ 32,869,074	\$ -	See (A) below	See (A) below
Private equity/venture capital (B)	51,653,764	50,686,991	29,417,506	Not redeemable	N/A
Private debt (C)	4,804,499	2,855,790	6,249,591	Not redeemable	N/A
Real estate funds (D)	1,263,961	1,310,523	405,293	Not redeemable	N/A
Total	<u>\$ 95,207,800</u>	<u>\$ 87,722,378</u>	<u>\$ 36,072,390</u>		

(A) This category includes investments in hedge funds that invest primarily in limited partnerships and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. These investments can be redeemed as follows, with the following restrictions:

- a. Adage Capital Partners - Quarterly redemptions with a 60 day advance notice.
- b. Varde Investment Partners - Redeemable on anniversary date of admission to the fund with a 90 day advance written notice.
- c. SRS Partners - Quarterly redemptions with a 60 day prior written notice.
- d. Senator Global Offshore Fund - Redeemable at any calendar quarter-end upon at least a 60 day prior written notice. Shareholders may only redeem 25% of their shares at each redemption date.
- e. Himalaya Capital Investors LP - Redeemable annually, last calendar day of the year with a 60 day notice.

Note 2 - Cash and Investments (Continued)

- (B) This category includes several private equity funds that invest in early stage, high-growth private companies, growth equity financing, leverage buyouts, securities, and other obligations of distressed businesses and financially troubled companies. The nature of the investments in this category is that distributions are received through the liquidation for the underlying assets of the funds. These investments are planned to be held for a various number of years depending on the individual fund contract. In addition, this category includes venture capital funds that will invest in three to five companies, primarily from within the Michigan Accelerator Fund portfolio. The fair value of the investment in this class has been estimated using the net asset value of the university's ownership interest in partners' capital.
- (C) This category consists of two funds that provide financing to companies and primarily generates income through investments in cash paying, floating rate senior secured debt, complemented by capital appreciation-focused credit strategies. The nature of these investments in this category is that distributions are received through the periodic repayment of debt obligations. The fair value of the investment in this class has been estimated using the next asset value of the university's ownership interest in the partners' capital.
- (D) This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the university's ownership interest in partners' capital.

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 - Capital Assets

Capital asset activity for the university for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 71,908,027	\$ 69,963	\$ -	\$ 71,977,990
Nondepreciable artwork and historical treasures	6,406,629	26,057	-	6,432,686
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress	<u>5,764,645</u>	<u>18,714,083</u>	<u>8,606,436</u>	<u>15,872,292</u>
Total cost of nondepreciable capital assets	85,802,121	18,810,103	8,606,436	96,005,788
Land improvements & infrastructure	159,321,732	2,818,092	-	162,139,824
Buildings	916,271,301	6,108,855	126,649	922,253,507
Equipment	76,929,942	2,695,964	645,013	78,980,893
Library books	<u>17,749,479</u>	<u>179,899</u>	<u>288,505</u>	<u>17,640,873</u>
Total cost of depreciable capital assets	<u>1,170,272,454</u>	<u>11,802,810</u>	<u>1,060,167</u>	<u>1,181,015,097</u>
Right-to-Use Buildings	616,796	537,498	474	1,153,820
Right-to-Use Equipment	820,233	-	31,556	788,677
Right-to-Use Vehicles	341,828	188,551	31,698	498,681
Right-to-Use Subscription IT Arrangements	<u>4,811,219</u>	<u>2,052,377</u>	<u>-</u>	<u>6,863,596</u>
Total cost of Right-to-Use capital assets	<u>6,590,076</u>	<u>2,778,426</u>	<u>63,728</u>	<u>9,304,774</u>
Total cost of capital assets	1,262,664,651	<u>\$ 33,391,339</u>	<u>\$ 9,730,331</u>	1,286,325,659
Less accumulated depreciation for:				
Land improvements & infrastructure	85,948,113	6,452,694	-	92,400,807
Buildings	314,174,946	21,608,945	36,492	335,747,399
Equipment	57,787,759	4,630,901	557,621	61,861,039
Library books	<u>15,947,658</u>	<u>495,794</u>	<u>288,505</u>	<u>16,154,947</u>
Total accumulated depreciation	<u>473,858,476</u>	<u>33,188,334</u>	<u>882,618</u>	<u>506,164,192</u>
Less accumulated amortization for:				
Right-to-Use Buildings	342,728	364,520	344	706,904
Right-to-Use Equipment	174,009	84,695	7,886	250,818
Right-to-Use Vehicles	173,544	148,287	28,399	293,432
Right-to-Use Subscription IT Arrangements	<u>633,401</u>	<u>1,794,328</u>	<u>-</u>	<u>2,427,729</u>
Total accumulated amortization	<u>1,323,682</u>	<u>2,391,830</u>	<u>36,629</u>	<u>3,678,883</u>
Total accumulated depreciation and amortization	<u>475,182,158</u>	<u>\$ 35,580,164</u>	<u>\$ 919,247</u>	<u>509,843,075</u>
University capital assets - Net	<u>\$ 787,482,493</u>			<u>\$ 776,482,584</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 - Capital Assets (Continued)

Capital asset activity for the university for the year ended June 30, 2022 was as follows:

	Beginning	Additions	Reductions	Ending
Land	\$ 71,960,752	\$ 25,000	\$ 77,725	\$ 71,908,027
Nondepreciable artwork and historical treasures	6,365,389	41,240	-	6,406,629
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress	14,745,411	13,983,482	22,964,248	5,764,645
Total cost of nondepreciable capital assets	94,794,372	14,049,722	23,041,973	85,802,121
Land improvements & infrastructure	150,015,138	9,386,594	80,000	159,321,732
Buildings	903,030,164	13,532,532	291,395	916,271,301
Equipment	86,363,549	4,971,443	14,405,050	76,929,942
Library books	17,601,730	147,749	-	17,749,479
Total cost of depreciable capital assets	1,157,010,581	28,038,318	14,776,445	1,170,272,454
Right-to-Use Buildings	617,509	-	713	616,796
Right-to-Use Equipment	820,233	-	-	820,233
Right-to-Use Vehicles	259,429	128,278	45,879	341,828
Right-to-Use Subscription IT Arrangements	895,087	3,916,132	-	4,811,219
Total cost of Right-to-Use capital assets	2,592,258	4,044,410	46,592	6,590,076
Total cost of capital assets	1,254,397,211	\$ 46,132,450	\$ 37,865,010	1,262,664,651
Less accumulated depreciation for:				
Land improvements & infrastructure	79,819,398	6,208,715	80,000	85,948,113
Buildings	292,934,772	21,341,973	101,799	314,174,946
Equipment	67,061,694	4,761,521	14,035,456	57,787,759
Library books	15,394,745	552,913	-	15,947,658
Total accumulated depreciation	455,210,609	32,865,122	14,217,255	473,858,476
Less accumulated amortization for:				
Right-to-Use Buildings	144,856	197,872	-	342,728
Right-to-Use Equipment	85,370	88,639	-	174,009
Right-to-Use Vehicles	103,403	112,679	42,538	173,544
Right-to-Use Subscription IT Arrangements	-	633,401	-	633,401
Total accumulated amortization	333,629	1,032,591	42,538	1,323,682
Total accumulated depreciation and amortization	455,544,238	\$ 33,897,713	\$ 14,259,793	475,182,158
University capital assets - Net	\$ 798,852,973			\$ 787,482,493

Notes to Financial Statements

June 30, 2023 and 2022

The following estimated useful lives are used to compute depreciation:

Land improvements and infrastructure	20 years
Buildings	40-50 years
Equipment	3-25 years
Library books	10 years

Notes to Financial Statements

June 30, 2023 and 2022

Note 4 - Long-term Liabilities

Long-term liabilities of the university consist of bonds payable, charitable gift annuities payable, and other noncurrent liabilities, including liabilities resulting from right-to-use assets.

The changes in long-term liabilities for the year ended June 30, 2023 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Refunding Variable Rate Bonds, Series 2008B	\$ 25,890,000	-	2,135,000	\$ 23,755,000	2,225,000
General Revenue Refunding Bonds, Series 2014B	33,760,000	-	1,530,000	32,230,000	2,470,000
General Revenue Bonds, Series 2015A	23,235,000	-	1,180,000	22,055,000	1,240,000
General Revenue Refunding Bonds, Series 2016A	55,450,000	-	3,085,000	52,365,000	3,455,000
General Revenue Bonds, Series 2017	20,315,000	-	870,000	19,445,000	915,000
General Revenue Bonds, Series 2018	39,860,000	-	1,330,000	38,530,000	1,400,000
Subtotal	198,510,000	-	10,130,000	188,380,000	11,705,000
General Revenue Refunding, Series 2013A Direct Purchase Bonds	5,415,000	-	5,415,000	-	-
General Revenue, Series 2014A Direct Purchase Bonds	29,705,000	-	1,380,000	28,325,000	1,445,000
Subtotal	35,120,000	-	6,795,000	28,325,000	1,445,000
Total bonds payable	233,630,000	-	16,925,000	216,705,000	13,150,000
Noncurrent accrued liabilities	4,338,798	209,238	4,338,798	209,238	-
Unamortized bond premiums	17,728,413	-	1,273,534	16,454,879	1,273,535
Charitable gift annuities payable	511,529	49,563	90,093	470,999	90,093
Construction loan payable	278,287	-	3,766	274,521	3,936
Interest rate swap contract (see Note 5)	159,000	-	159,000	-	-
Right-to-Use lease liability	1,119,798	726,049	622,095	1,223,752	526,817
Right-to-Use subscription IT liability	3,797,324	1,838,478	2,132,452	3,503,350	1,489,925
Total	261,563,149	2,823,328	25,544,738	238,841,739	16,534,306
Due within one year	21,233,948			16,534,306	
Total long-term liabilities	<u>\$ 240,329,201</u>			<u>\$ 222,307,433</u>	

Notes to Financial Statements

June 30, 2023 and 2022

Note 4 - Long-term Liabilities (Continued)

The changes in long-term liabilities for the year ended June 30, 2022 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Refunding Variable Rate Bonds, Series 2008B	\$ 27,940,000	-	2,050,000	\$ 25,890,000	2,135,000
General Revenue Refunding Bonds, Series 2014B	35,255,000	-	1,495,000	33,760,000	1,530,000
General Revenue Bonds, Series 2015A	24,360,000	-	1,125,000	23,235,000	1,180,000
General Revenue Refunding Bonds, Series 2016A	58,355,000	-	2,905,000	55,450,000	3,085,000
General Revenue Bonds, Series 2017	21,145,000	-	830,000	20,315,000	870,000
General Revenue Bonds, Series 2018	41,125,000	-	1,265,000	39,860,000	1,330,000
Subtotal	208,180,000	-	9,670,000	198,510,000	10,130,000
General Revenue Refunding, Series 2013A Direct Purchase Bonds	7,650,000	-	2,235,000	5,415,000	2,320,000
General Revenue, Series 2014A Direct Purchase Bonds	31,025,000	-	1,320,000	29,705,000	1,380,000
Subtotal	38,675,000	-	3,555,000	35,120,000	3,700,000
Total bonds payable	246,855,000	-	13,225,000	233,630,000	13,830,000
Noncurrent accrued liabilities	8,633,726	-	4,294,928	4,338,798	4,338,798
Unamortized bond premiums	19,001,948	-	1,273,535	17,728,413	1,273,535
Charitable gift annuities payable	604,152	-	92,623	511,529	90,093
Construction loan payable	281,890	-	3,603	278,287	3,766
Interest rate swap contract (see Note 5)	285,000	-	126,000	159,000	80,000
Right to use lease liability	1,401,504	128,278	409,984	1,119,798	330,047
Right to use subscription IT liability	895,087	3,916,131	1,013,894	3,797,324	1,287,709
Total	277,958,307	4,044,409	20,439,567	261,563,149	21,233,948
Due within one year	19,773,940			21,233,948	
Total long-term liabilities	\$ 258,184,367			\$ 240,329,201	

Note 4 - Long-term Liabilities (Continued)

The General Revenue Refunding Bonds, Series 2008A, and the General Revenue Refunding Variable Rate Bonds, Series 2008B, were issued in April 2008 by the Board of Trustees for the refunding and extinguishment of \$20,730,000 of Series 2001B bonds, \$14,775,000 of Series 2002A bonds, \$25,445,000 of Series 2003 bonds, \$22,660,000 of Series 2004 bonds, and \$61,535,000 of Series 2007B bonds and to provide funds for the termination of a prior swap agreement. In addition to the scheduled payments of \$3,090,000 in 2016 and \$3,660,000 in 2017, \$64,955,000 was defeased through a refunding in 2016 and \$4,505,000 was defeased through a refunding in 2017. The defeased bonds from 2016 were held in trust until callable on June 1, 2018 and the defeased bonds from 2017 were held in trust until callable on December 1, 2018. The interest rate on the Series 2008A bonds ranges from 4.13 percent to 5.00 percent. The Series 2008A bonds matured in 2019 and the Series 2008B bonds mature in 2032.

The Series 2008B bonds bear interest based on a weekly rate determined by the remarketing agent (4.20 percent and 0.98 percent at June 30, 2023 and 2022, respectively). The bonds may be converted and subject to a different interest rate mode, provided certain conditions are met. The interest rate modes to which the bonds could potentially be converted to include a daily-rate mode, a commercial paper-rate mode, a term-rate mode, and a fixed-rate mode. The bonds are subject to purchase on demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon a seven day notice and delivery to the remarketing agent. Liquidity for the payment of the purchase price of the bonds on any mandatory or optional tender will be provided by an irrevocable direct pay letter of credit. The letter of credit will terminate at the final bond maturity date of December 1, 2031, unless the university initiates an early termination, which requires a 30 day prior written notice to the bank. In addition, the letter of credit contains a stated expiration date that will require extension or replacement after July 18, 2024.

The General Revenue Refunding Bonds, Series 2013A, were issued in June 2013 by the Board of Trustees for the refunding of \$29,180,000 of Series 2005 bonds. Originally scheduled to mature in 2025, these bonds were paid off in full as of December 1, 2022. At June 30, 2022 the bonds bore interest of 1.30 percent that was based on a reset rate calculated as a factor of LIBOR plus an applicable spread.

The General Revenue Bonds, Series 2014A, were issued in February 2014 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip a classroom and laboratory building, a building for the relocation of the university's bookstore and printing activities, as well as an addition to Au Sable Hall, which are all located on the Allendale campus. This is a draw-down bond in which a portion was drawn during fiscal year 2014 and the remainder in fiscal year 2015.

The Series 2014A bonds bear interest of 4.47 percent and 1.30 percent at June 30, 2023 and 2022, respectively, based on a reset rate calculated as a factor of SOFR at June 30, 2023 and LIBOR at June 30, 2022, respectively, plus an applicable spread. The bonds may be converted and subject to a different interest rate mode, provided certain conditions are met. The interest rate modes to which the bonds could potentially be converted include a daily-rate mode, a weekly-rate mode, a term-rate mode, a bank-rate mode, and a fixed-rate mode. The bonds mature in 2040.

Both the Series 2013A and 2014A bonds were issued using direct purchase agreements that identify events of default requiring immediate payment of the outstanding debt if they are not cured within the allowable cure period. The primary events of default consist of (1) general revenues collected do not equal at least 200% of amounts required for debt service (principal, interest, and other related costs) during the preceding twelve months (2) the university's credit rating issued by S&P Global drops below BBB, or (3) the university fails to pay when due any amount of principal or interest.

Note 4 - Long-term Liabilities (Continued)

The General Revenue Refunding Bonds, Series 2014B, were issued in September 2014 by the Board of Trustees for the advance refunding of \$37,905,000 of Series 2009 bonds. The interest rates on these bonds range from 3.50 percent to 5.00 percent. The bonds mature in 2035. The advance refunding resulted in a deferred outflow of \$4,664,356, which is amortized over the life of the original debt.

The General Revenue Bonds, Series 2015A, were issued in June 2015 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip a student housing and academic building on the Allendale campus. The interest rates on these bonds range from 4.00 percent to 5.00 percent. The bonds mature in 2036.

The General Revenue Refunding Bonds, Series 2016A, were issued in May 2016 by the Board of Trustees for the advance refunding of \$64,955,000 of Series 2008A bonds. The interest rates on these bonds range from 3.00 percent to 5.00 percent. The bonds mature in 2034. The advance refunding resulted in a deferred outflow of \$6,806,169, which is amortized over the life of the original debt.

The General Revenue Bonds, Series 2017, were issued in December 2017 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip Raleigh J. Finkelstein Hall on the Health Campus. In addition, \$5,145,000 and \$4,505,000 was used for the advance refunding of Series 2007A and Series 2008A bonds, respectively. The interest rates on the Series 2017 bonds range from 3.00 percent to 5.00 percent. The bonds mature in 2037. The advance refunding resulted in a deferred outflow of \$81,945, which is amortized over the life of the original debt.

The General Revenue Bonds, Series 2018, were issued in November 2018 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip a building and related facilities and improvements on the university's Health Campus. The interest rate on these bonds is 5.00 percent. The bonds mature in 2044.

The university leases building space, laundry equipment, cell tower equipment and vehicles from external parties. In accordance with GASB 87, the university records right-to-use assets and lease liabilities based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the university's incremental borrowing rate. The university did not have any significant leases with variable payments, and these are excluded from the valuations. For leases, including 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.

The University obtains the right to use vendors' information technology software through various long-term contracts. Payments are generally fixed annually, with variable payments excluded from the valuations. In accordance with GASB 96, the university records right-to-use assets and subscription liabilities based on the present value of expected payments over the term of the respective contract. The expected payments are discounted using the interest rate charged on the subscription contract, if available and are otherwise discounted using the university's incremental borrowing rate.

Notes to Financial Statements

June 30, 2023 and 2022

Note 4 - Long-term Liabilities (Continued)

Scheduled maturities of long-term liabilities are as follows:

Fiscal Year	Revenue Bonds		Direct Purchase Bonds		Annuities Payable	Lease Liability		SBITA Liability	
	Principal	Interest	Principal	Interest		Principal	Interest	Principal	Interest
2024	11,705,000	8,529,120	1,445,000	1,245,597	90,093	526,817	36,681	1,489,925	94,537
2025	12,800,000	7,921,480	1,510,000	1,179,318	90,093	234,960	24,400	1,325,622	36,025
2026	13,415,000	7,271,313	1,590,000	1,109,744	90,093	112,154	17,144	687,803	85
2027	15,005,000	6,566,218	1,670,000	1,036,594	90,093	107,552	12,515	-	-
2028	15,740,000	5,803,246	685,000	987,519	90,093	93,038	8,327	-	-
2029-2033	75,295,000	17,797,037	5,945,000	4,336,437	20,534	21,578	30,042	-	-
2034-2038	35,220,000	5,279,179	11,040,000	2,221,265	-	35,905	23,900	-	-
2039-2043	7,810,000	1,171,500	4,440,000	218,187	-	55,129	14,155	-	-
2044-2046	1,390,000	-	-	-	-	36,619	1,978	-	-
University maturities	<u>\$188,380,000</u>	<u>\$ 60,339,092</u>	<u>\$ 28,325,000</u>	<u>\$ 12,334,662</u>	<u>\$ 470,999</u>	<u>\$ 1,223,752</u>	<u>\$ 169,142</u>	<u>\$ 3,503,350</u>	<u>\$ 130,647</u>

Note 5 - Derivative Instruments

The university is party to derivative financial instruments (interest rate swaps) that are reported at fair value on the statement of net position at June 30, 2023 and 2022. The fair value is calculated by the counterparty to the transactions and approximates the termination value of the interest rate swaps.

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2023, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the 2023 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2023		Notional
	Classification	Amount	Classification	Amount	
Hedging Derivatives					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred inflow of resources	\$ (53,000)	Asset	\$ -	\$ -
Pay-fixed interest rate swap	Deferred inflow of resources	1,091,000	Asset	3,237,000	28,325,000
	Total	<u>\$ 1,038,000</u>	Total	<u>\$ 3,237,000</u>	
Pay-fixed interest rate swap	Deferred outflow of resources	<u>\$ 1,090,000</u>	Liability	<u>\$ (885,000)</u>	23,755,000

Notes to Financial Statements

June 30, 2023 and 2022

Note 5 - Derivative Instruments (Continued)

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2022, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the 2022 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2022		Notional
	Classification	Amount	Classification	Amount	
Hedging Derivatives					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred inflow of resources	\$ 220,000	Asset	\$ 53,000	\$ 5,415,000
Pay-fixed interest rate swap	Deferred inflow of resources	3,036,000	Asset	2,146,000	29,705,000
	Total	<u>\$ 3,256,000</u>	Total	<u>\$ 2,199,000</u>	
Pay-fixed interest rate swap	Deferred outflow of resources	<u>\$ 2,589,000</u>	Liability	<u>\$(1,975,000)</u>	25,890,000

As of the Statement of Net Position date, the swap agreements can be summarized as follows:

Effective Date	Type	Objective	Notional Amount	Pay Terms	Receive Terms	Maturity Date	Counterparty Credit Rating
9/6/2007	Pay-fixed, Receive variable	Cash flow hedge for Series 2008B bonds	\$ 23,755,000	3.616% Fixed	70% of one-month SOFR	12/1/2031	Aa3/A+
11/20/2019	Pay-fixed, Receive variable	Cash flow hedge for Series 2014A bonds	\$ 28,325,000	1.388% Fixed	80% of one-month SOFR	12/1/2038	Aa3/A+

At June 30, 2023, the university holds two derivative instruments that are pay fixed, receivable-variable interest rate swaps. At June 30, 2022, the university held three derivative instruments that are pay-fixed, receivable-variable interest rate swaps. The swap associated with the 2013A Bonds was terminated when the bonds were paid in full on December 1, 2022. The notional amounts of the swaps match the principal amount of the associated debt and the swap agreements contain scheduled reductions to outstanding notional amounts that follow scheduled reductions in the associated "bonds payable" category; the intent of entering into these swap agreements was to create a synthetic fixed-rate debt at an interest rate that is lower than if fixed-rate debt were to have been issued directly. Both outstanding swap agreements are effective cash flow hedges.

Note 5 - Derivative Instruments (Continued)

In 2014, one of the university's hedging relationships was designated into a new relationship due to a refunding of the original debt. In accordance with GASB Statement No. 53, this swap was considered a hybrid instrument consisting of a financing element and an embedded derivative. The at-market amount of the swap at the time of the new hedging relationship was designated as a hedging instrument with a current mark-to-market value of \$0 and (\$53,000) at June 30, 2023 and 2022, respectively. The above-market amount, which equals \$0 and \$159,000 at June 30, 2023 and 2022, respectively, is considered a borrowing and is included in long-term debt as an interest rate swap contract. This contract was terminated on December 1, 2022.

The fair values of the interest rate swaps were calculated by an independent consultant as of June 30, 2023 and 2022. The fair values represent the future net settlement payments or receipts required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates.

The interest rate swaps are subject to the following risks:

Credit Risk - The university is exposed to credit risk on hedging derivative instruments that are in asset positions. The terms of the swap agreement require collateralization of the fair value of hedging derivative instruments in asset positions based on a scale that evaluates both the market value of the swap and the counterparty's credit rating. The university has never needed to access collateral from the counterparty.

It is the university's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

All of the contracts are held with one counterparty. That counterparty is rated Aa3/A+ at June 30, 2023.

Interest Rate Risk – The university is exposed to interest rate risk on its interest rate swaps. The university adopted the use of SOFR as a LIBOR replacement as of November 1, 2022. On its pay-fixed, receive-variable interest rate swap, as SOFR/LIBOR rates decrease, the university's net payment on the swap increases.

Basis Risk - The university is exposed to basis risk on its SOFR/LIBOR-based interest rate swaps due to variable-rate payments received by the university on these instruments based on a rate or index other than interest rates the university pays on its variable-rate debt, which is remarketed every seven days. As of June 30, 2023 and 2022, the weighted average interest rate on the university's hedged variable-rate debt is 4.35 percent and 1.16 percent, respectively, while 70 percent of SOFR is 3.54 percent and 70 percent of LIBOR is 1.14 percent, respectively. The 80 percent of SOFR, used in the 2019 swap calculation is 4.05 percent and 80 percent of LIBOR is 1.37 percent as of June 30, 2023 and 2022, respectively.

Termination Risk - The university or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract.

Hedging Derivative Instrument Payments and Hedged Debt - As of June 30, 2023, aggregate debt service requirements of the university's debt (fixed rate and variable rate) and net receipts/payments on associated hedging derivative instruments follow. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Note 5 - Derivative Instruments (Continued)

Fiscal Year	<u>Associated with Swap Agreements</u>			
	Principal	Interest	Interest Rate Swaps - Net	Total
2024	3,670,000	2,172,044	(713,106)	5,128,938
2025	3,830,000	2,009,997	(675,448)	5,164,549
2026	4,005,000	1,840,665	(635,903)	5,209,762
2027	4,190,000	1,663,524	(594,312)	5,259,212
2028	3,310,000	1,506,047	(567,108)	4,248,939
2029-2032	17,595,000	5,215,761	(2,509,270)	20,301,491
2033-2037	11,040,000	2,136,335	(1,269,649)	11,906,686
2038-2040	4,440,000	184,215	(109,481)	4,514,734
Total	<u>\$ 52,080,000</u>	<u>\$ 16,728,588</u>	<u>\$ (7,074,277)</u>	<u>\$ 61,734,311</u>

Note 6 - Retirement Plans**Defined Contribution Plans**

The Executive, Administrative, and Professional Staff and Faculty are covered under a defined contribution retirement plan through TIAA-CREF (Teachers Insurance and Annuity Association of America - College Retirement Equities Fund) or Fidelity Investments. Employees may contribute an amount not to exceed the Internal Revenue Service's designated maximum. Participants become fully vested upon completion of two years of employment. Discretionary university contributions equal to 12 percent of participants' base salaries were made in each year.

The total expense under this discretionary plan was approximately \$18,961,800 and \$18,202,300 for the years ended June 30, 2023 and 2022, respectively. Total payroll covered under this plan was approximately \$158,194,700 in 2023 and \$151,771,700 in 2022.

Maintenance, Grounds, and Service staff hired after October 8, 2004 and Professional Support Staff hired on or after February 2, 2006 participate in a defined contribution plan with university contributions equal to 8 percent of wages. The university will also match the employees' contribution up to an additional 2 percent of wages. Participants become fully vested upon completion of two years of employment. Total expenses under this plan were approximately \$1,687,000 in 2023 and \$1,517,400 in 2022. Total payroll covered under this plan was approximately \$18,194,400 in 2023 and \$16,235,700 in 2022.

Note 6 - Retirement Plans (Continued)**Defined Benefit Plans**

The university has two defined benefit retirement plans - the GVSU Professional Support Staff Employees' Retirement Plan and the GVSU Maintenance, Grounds, Service Employees' Retirement Plan.

Plan Administration - Grand Valley State University (GVSU) administers the GVSU Professional Support Staff Employees' Retirement Plan (PSSE), a single-employer defined benefit pension plan that provides pensions for all Professional Support Staff of the university hired before February 2, 2006, and the GVSU Maintenance, Grounds, Service Employees' Retirement Plan (MGSE), a single-employer defined benefit pension plan that provides pensions for all permanent full-time Maintenance, Grounds, and Service employees of the university hired before October 9, 2004. The management of the plans is vested in the Treasurer of the Board of Trustees. Benefit terms have been established by contractual agreements between the university and the various employee union representation; amendments are subject to the same process.

The financial statements of the plans are included in these financial statements as a pension trust fund (a fiduciary fund).

At July 1, 2022 and 2021, retirement plan membership consisted of the following:

	Professional Support Staff Employees' Plan		Maintenance, Grounds, Service Employees' Plan	
	2022	2021	2022	2021
Inactive plan members receiving benefits	270	266	83	82
Inactive members entitled to, not yet receiving benefits	87	84	8	8
Active plan members	95	111	41	46
Total participants	<u>452</u>	<u>461</u>	<u>132</u>	<u>136</u>

Benefits Provided - The plans provide retirement and death benefits. Retirement benefits for plan members are calculated as 1.9 percent of the member's calendar year salary for the highest five years out of the last 10 years multiplied by the member's years of service. Plan members with 10 years of continuous service are eligible to retire at age 65, or with reduced benefits, as early as age 55. Death benefits are equal to the present value of accrued benefits. A plan member who leaves the university with less than 10 years of continuous service may withdraw his or her contributions. The plan does not provide cost-of-living adjustments.

Contributions - Article 9, Section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. The university retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. In addition, active members also contribute to the plan.

For the PSSE plan, through December 31, 2018, the active members' contribution rate was 4.5 percent, and 5.0 percent beginning January 1, 2019 and continues at 5.0 percent. The university's contribution rate of annual payroll was 16.5 percent and 21.9 percent for the years ended June 30, 2023 and 2022, respectively.

Note 6 - Retirement Plans (Continued)

For the MGSE plan, the active members' contribution rate is 4.25 percent. The university's contribution rate of annual payroll was 19.7 percent and 23.1 percent for the years ended June 30, 2023 and 2022, respectively.

Investments

Investment Policy - The retirement plan's policy in regard to the allocation of invested assets is established and may be amended by the Treasurer of the Board of Trustees in consultation with the GVSU Pension Plans Investment Committee. It is the policy of the Board of Trustees that the Treasurer pursue an investment strategy that is long term and primarily equity based. The retirement plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the asset allocation policy for the plans as of June 30, 2023 and 2022:

Asset Class	Target Allocation	
	2023	2022
Global equities	62%	62%
Fixed income	18%	18%
Cash	3%	3%
Real estate	10%	10%
Commodities	7%	7%

Concentrations - The retirement plans held no investment in any one organization that represents 5 percent or more of the retirement plan's fiduciary net position.

Rate of Return - The annual money-weighted rate of return on retirement plan investments, net of retirement plan investment expense, was a gain of 9.4 percent and a loss of 11.6 percent for the years ended June 30, 2023 and 2022, respectively, for the PSSE plan. The annual money-weighted rate of return on retirement plan investments, net of retirement plan investment expense, was a gain of 9.4 percent and a loss of 11.6 percent for the years ended June 30, 2023 and 2022, respectively, for the MGSE plan. The money-weighted rate of return expresses investment performance, net of investment expense.

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

The financial statements of the trust funds held for each retirement plan follow:

Schedule of Fiduciary Net Position by Pension Trust Fund

	Professional Support Staff Employees' Retirement Plan		Maintenance, Grounds, and Service Employees' Retirement Plan	
	Year Ended June 30		Year Ended June 30	
	2023	2022	2023	2022
Assets				
Money market funds	\$ 1,270,776	\$ 1,514,155	\$ 360,313	\$ 491,997
Time deposits	89,991	-	39,998	-
Domestic equities	23,017,699	20,737,048	8,841,797	7,883,587
International equities	9,112,429	8,526,114	3,426,215	3,241,473
Domestic bonds	14,932,012	15,580,663	4,955,287	5,112,560
International bonds	610,244	974,044	266,633	391,925
Alternative strategies	<u>6,054,661</u>	<u>6,523,413</u>	<u>2,302,726</u>	<u>2,458,678</u>
Total cash and cash equivalents and investments	55,087,812	53,855,437	20,192,969	19,580,220
Accrued income	<u>117,196</u>	<u>106,677</u>	<u>34,387</u>	<u>33,498</u>
Net Position - Restricted for Pensions	<u>\$ 55,205,008</u>	<u>\$ 53,962,114</u>	<u>\$ 20,227,356</u>	<u>\$ 19,613,718</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

Schedule of Changes in Fiduciary Net Position by Pension Trust Fund

	Professional Support Staff Employees' Retirement Plan		Maintenance, Grounds, and Service Employees' Retirement Plan	
	Year Ended June 30		Year Ended June 30	
	2023	2022	2023	2022
Additions				
Investment income (loss):				
Interest and dividends	\$ 1,308,594	\$ 1,952,334	\$ 471,393	\$ 709,418
(Depreciation) appreciation in fair value of investments	1,987,419	(12,083,155)	744,389	(4,447,165)
Income on sale of investments	1,083,016	3,265,554	465,259	1,216,684
Total investment (loss) income	4,379,029	(6,865,267)	1,681,041	(2,521,063)
Employer contributions	809,389	1,195,438	501,383	614,659
Other income	258,775	281,925	93,710	102,188
Total (deductions) additions - Net	5,447,193	(5,387,904)	2,276,134	(1,804,216)
Deductions				
Benefit payments	4,105,628	3,918,551	1,608,367	1,473,258
Administrative expense	98,671	114,440	54,129	60,678
Total deductions	4,204,299	4,032,991	1,662,496	1,533,936
Net (Decrease) Increase	1,242,894	(9,420,895)	613,638	(3,338,152)
Net Position - Restricted for Pensions				
Beginning of year	53,962,114	63,383,009	19,613,718	22,951,870
End of year	<u>\$ 55,205,008</u>	<u>\$ 53,962,114</u>	<u>\$ 20,227,356</u>	<u>\$ 19,613,718</u>

Net Pension Liability of the University

The university's net pension liability was measured as of June 30, 2023 and 2022. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2022 and 2021, which used updated procedures to roll forward the estimated liability to June 30, 2023 and 2022, respectively.

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

Changes in the net pension liability for the PSSE plan during the measurement years are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2021	\$ 66,644,290	\$63,383,009	\$ 3,261,281
Changes for the Year			
Service cost - Beginning of year	527,546	-	527,546
Interest on average adjusted total pension liability	4,284,466	-	4,284,466
Differences between expected and actual experience	(469,744)	-	(469,744)
Changes in assumptions	6,705,695	-	6,705,695
Benefit payments, including refunds of member contributions	(3,918,551)	(3,918,551)	-
Contributions - Employer	-	1,195,438	(1,195,438)
Contributions - Member	-	281,682	(281,682)
Net investment loss	-	(6,865,266)	6,865,266
Administrative expenses	-	(114,441)	114,441
Other	-	243	(243)
Net Changes	7,129,412	(9,420,895)	16,550,307
Balance at June 30, 2022	<u>\$ 73,773,702</u>	<u>\$53,962,114</u>	<u>\$19,811,588</u>
Changes for the Year			
Service cost - Beginning of year	532,262	-	532,262
Interest on average adjusted total pension liability	4,125,654	-	4,125,654
Differences between expected and actual experience	(771,419)	-	(771,419)
Changes in assumptions	(1,880,873)	-	(1,880,873)
Benefit payments, including refunds of member contributions	(4,105,628)	(4,105,628)	-
Contributions - Employer	-	809,389	(809,389)
Contributions - Member	-	258,661	(258,661)
Net investment income	-	4,379,029	(4,379,029)
Administrative expenses	-	(98,671)	98,671
Other	-	114	(114)
Net Changes	(2,100,004)	1,242,894	(3,342,898)
Balance at June 30, 2023	<u>\$ 71,673,698</u>	<u>\$55,205,008</u>	<u>\$16,468,690</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

Changes in the net pension liability for the MGSE plan during the measurement years are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2021	\$25,493,734	\$22,951,870	\$ 2,541,864
Changes for the Year			
Service cost - Beginning of year	197,176	-	197,176
Interest on average adjusted total pension liability	1,639,495	-	1,639,495
Differences between expected and actual experience	(449,977)	-	(449,977)
Changes in assumptions	2,268,217	-	2,268,217
Benefit payments, including refunds of member contributions	(1,473,258)	(1,473,258)	-
Contributions - Employer	-	614,659	(614,659)
Contributions - Member	-	102,109	(102,109)
Net investment loss	-	(2,521,062)	2,521,062
Administrative expenses	-	(60,678)	60,678
Other	-	78	(78)
Net Changes	2,181,653	(3,338,152)	5,519,805
Balance at June 30, 2022	<u>\$27,675,387</u>	<u>\$19,613,718</u>	<u>\$ 8,061,669</u>
Changes for the Year			
Service cost - Beginning of year	233,183	-	233,183
Interest on average adjusted total pension liability	1,547,661	-	1,547,661
Differences between expected and actual experience	221,686	-	221,686
Changes in assumptions	(654,211)	-	(654,211)
Benefit payments, including refunds of member contributions	(1,608,367)	(1,608,367)	-
Contributions - Employer	-	501,383	(501,383)
Contributions - Member	-	93,675	(93,675)
Net investment income	-	1,681,041	(1,681,041)
Administrative expenses	-	(54,129)	54,129
Other	-	35	(35)
Net Changes	(260,048)	613,638	(873,686)
Balance at June 30, 2023	<u>\$27,415,339</u>	<u>\$20,227,356</u>	<u>\$ 7,187,983</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2023 and 2022, the university recognized pension expense of \$2,903,460 and \$2,886,920, respectively, for the PPSE plan and \$1,122,979 and \$669,163, respectively, for the MSGE Plan.

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

	Professional Support Staff Employees' Plan		Maintenance, Grounds, Service Employees' Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 113,221	\$ 373,583	\$ 130,790	\$ 55,912
Changes in assumptions	759,156	1,122,451	362,956	341,358
Net difference between projected and actual earnings on plan investments	<u>1,919,489</u>	<u>-</u>	<u>593,297</u>	<u>-</u>
Total	<u>\$ 2,791,866</u>	<u>\$ 1,496,034</u>	<u>\$ 1,087,043</u>	<u>\$ 397,270</u>

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

	Professional Support Staff Employees' Plan		Maintenance, Grounds, Service Employees' Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 318,455	\$ 250,237	\$ 66,525	\$ 306,379
Changes in assumptions	4,117,860	1,060,679	1,562,398	404,206
Net difference between projected and actual earnings on plan investments	<u>3,607,402</u>	<u>-</u>	<u>1,266,717</u>	<u>-</u>
Total	<u>\$ 8,043,717</u>	<u>\$ 1,310,916</u>	<u>\$ 2,895,640</u>	<u>\$ 710,585</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

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

Amortization of Deferred Outflows/Inflows Years Ended June 30	PPSE Amount Recognized	MSGE Amount Recognized
2024	\$ (420,885)	\$ 163,007
2025	82,534	(37,036)
2026	1,911,648	682,115
2027	(277,465)	(118,313)

Actuarial Assumptions - The total pension liability as of June 30, 2023 and 2022 for both plans was determined by an actuarial valuation as of July 1, 2022 and 2021, respectively, using updated procedures and the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases including inflation	2.50%
Investment rate of return	5.95% as of July 1, 2023 and 5.71% as of July 1, 2022, net of pension plan investment expense

For the July 1, 2022 actuarial valuation, the mortality improvement projection scale was updated from MP-2020 to MP-2021, since the prior measurement date. For the July 1, 2021, actuarial valuation, the mortality improvement projection scale was updated from MP-2019 to MP-2020. There were no changes in benefit terms during either period.

Discount Rate - The discount rate used to measure the total pension liability of the PPSE plan was 5.95 percent and 5.71 percent for years ended June 30, 2023 and 2022, respectively. The discount rate used to measure the total pension liability of the MSGE plan was 5.95 percent and 5.71 percent for the years ended June 30, 2023 and 2022, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that university contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the retirement plan's fiduciary net position is projected to be available to make all projected future benefit payments of active and inactive plan members.

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

The long-term expected rate of return on retirement plan investments for both plans was determined using a building-block model in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2023 and 2022 (see discussion of the retirement plans' investment policy) are summarized in the table below:

Asset Class	Target Allocation	2023	2022
		Long-term Expected Real Rate of Return	Long-term Expected Real Rate of Return
Global equities	62%	6.89%	6.45%
Fixed income	18%	3.96%	3.65%
Cash	3%	2.04%	1.66%
Real estate	10%	6.32%	7.32%
Alternatives	7%	3.89%	3.98%

The sum of the target allocations times the long-term expected rates is 5.95 percent and 5.71 percent for years ended June 30, 2023 and 2022, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the university, calculated using the current discount rates, as well as what the university's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for each plan.

For the year ended June 30, 2023:

Plan	1% Decrease	Current Discount		1% Increase
		Rate		
Professional Support Staff Employees' Plan	\$ 24,851,982	\$ 16,468,690	\$	9,406,696
Maintenance, Grounds, Service Employees' Plan	\$ 10,087,035	\$ 7,187,983	\$	4,710,243

For the year ended June 30, 2022:

Plan	1% Decrease	Current Discount		1% Increase
		Rate		
Professional Support Staff Employees' Plan	\$ 28,819,091	\$ 19,811,588	\$	12,254,774
Maintenance, Grounds, Service Employees' Plan	\$ 11,062,559	\$ 8,061,669	\$	5,501,019

Note 6 - Retirement Plans (Continued)

Other Postemployment Benefit Plan (OPEB)

The university has a single-employer defined benefit plan that provides certain healthcare benefits for retired faculty and staff. As of June 30, 2023, the most recent valuation date, the plan covered 2,354 members, which includes 1,076 active members, 864 inactive members receiving benefits and 414 covered spouses of retirees and does not require active members to contribute to the plan. At January 1, 2014, the plan was closed to new participants. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Description - The plan requirements are established and may be amended by the university's Board of Trustees. Substantially all of the university's employees hired prior to January 1, 2014 may become eligible for certain healthcare benefits if they reach retirement age while working for the university, are vested in a university-sponsored retirement plan, and their years of university service and age total a minimum of 75.

Funding Policy - The plan's policy is that the employer will fund the plan on a pay-as-you-go basis. An investment fund has been established for the purpose of prefunding retiree benefits, with a market value of \$20,457,103 and \$18,736,986 at June 30, 2023 and 2022, respectively. However, because the funds are not held in an irrevocable trust, these assets are excluded for GASB Statement No. 75 purposes.

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

Total OPEB Liability - The June 30, 2023 total OPEB liability was measured as of June 30, 2023 based on an actuarial valuation performed June 30, 2023, in compliance with GASB Statement No. 75. The June 30, 2022 total OPEB liability was measured as of June 30, 2022 based on an actuarial valuation performed June 30, 2021 which used update procedures to roll forward the estimated liability to June 30, 2022. Changes in the total OPEB liability during the measurement year were as follows:

	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 23,106,875	\$ -	\$ 23,106,875
Changes for the Year			
Service cost - Beginning of year	745,442	-	745,442
Interest on average adjusted total OPEB liability	509,000	-	509,000
Differences between expected and actual experience	(143,511)	-	(143,511)
Changes in assumptions	(4,557,776)	-	(4,557,776)
Benefits payments, including refunds of member contributions	(1,007,419)	(1,007,419)	-
Contributions - Employer	-	1,007,419	(1,007,419)
Net Changes	<u>(4,454,264)</u>	<u>-</u>	<u>(4,454,264)</u>
Balance at June 30, 2022	<u>\$ 18,652,611</u>	<u>\$ -</u>	<u>\$ 18,652,611</u>
Changes for the Year			
Service cost - Beginning of year	359,712	-	359,712
Interest on average adjusted total OPEB liability	758,192	-	758,192
Differences between expected and actual experience	629,059	-	629,059
Changes in assumptions	(70,745)	-	(70,745)
Benefits payments, including refunds of member contributions	(949,219)	(949,219)	-
Contributions - Employer	-	949,219	(949,219)
Net Changes	<u>726,999</u>	<u>-</u>	<u>726,999</u>
Balance at June 30, 2023	<u>\$ 19,379,610</u>	<u>\$ -</u>	<u>\$ 19,379,610</u>
Current	\$ 949,000		\$ 949,000
Noncurrent	18,430,610		18,430,610
	<u>\$ 19,379,610</u>		<u>\$ 19,379,610</u>

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the years ended June 30, 2023 and 2022, the university recognized OPEB expense of \$725,726 and \$777,671, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 608,595	\$ 983,297
Changes in assumptions	1,616,964	3,499,594
Total	<u>\$ 2,225,559</u>	<u>\$ 4,482,891</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 94,959	\$ 1,188,634
Changes in assumptions	1,983,522	4,097,671
Total	<u>\$ 2,078,481</u>	<u>\$ 5,286,305</u>

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

Amortization of Deferred Outflows/Inflows Years Ended June 30	Amount Recognized
2024	\$ (392,178)
2025	(392,178)
2026	(392,178)
2027	(388,148)
2028	(546,729)
Thereafter	(145,921)

Actuarial Assumptions - The total OPEB liability in the June 30, 2023 actuarial valuation was determined using an inflation assumption of 0 percent as assets held are not allowable for inclusion under GASB 75 requirements; assumed salary increases (including inflation) of 2.5 percent; an investment rate of 0 percent as assets held are not allowable for inclusion under GASB 75 requirements; a healthcare cost trend rate of 7.25 percent and 6.0 percent in 2023 and 2022, respectively, decreasing .25 percent per year to an ultimate rate of 4.5 percent; and using the RP-2014 mortality tables with the MP-2021 improvement scale in 2023 and 2022.

There were no changes in benefit terms during 2023 or 2022.

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Retirement Plans (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent at June 30, 2023 and 4.09 percent at June 30, 2022. The impact of this change is presented as a change in assumption. Because the plan does not have an irrevocable OPEB trust, there are not assets projected to be sufficient to make projected future benefit payment to current plan members, and therefore the discount rate reflects the S & P Municipal Bond 20 Year High Grade Rate Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the university, as well as what the university's total liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

June 30, 2023	1% Decrease	Current Discount Rate 4.13%	1% Increase
Total OPEB Liability	\$ 21,691,999	\$ 19,379,610	\$ 17,425,530
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 21,691,999</u>	<u>\$ 19,379,610</u>	<u>\$ 17,425,530</u>

June 30, 2022	1% Decrease	Current Discount Rate 4.09%	1% Increase
Total OPEB Liability	\$ 20,883,699	\$ 18,652,611	\$ 16,765,973
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 20,883,699</u>	<u>\$ 18,652,611</u>	<u>\$ 16,765,973</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the university, calculated using the pertinent healthcare cost trend rate of 7.25 percent and 6.0 percent for 2023 and 2022, respectively, as well as what the university's total liability would be if it were calculated using a healthcare cost trend that is 1 percentage point lower or 1 percentage point higher than the current rate:

June 30, 2023	1% Decrease	Current Healthcare Trend Rate 7.25%	1% Increase
Total OPEB Liability	\$ 19,362,720	\$ 19,379,610	\$ 19,398,933
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 19,362,720</u>	<u>\$ 19,379,610</u>	<u>\$ 19,398,933</u>

June 30, 2022	1% Decrease	Current Healthcare Trend Rate 6.0%	1% Increase
Total OPEB Liability	\$ 18,643,287	\$ 18,652,611	\$ 18,663,366
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 18,643,287</u>	<u>\$ 18,652,611</u>	<u>\$ 18,663,366</u>

Note 7 - Commitments

The university has an arrangement with the State of Michigan and State Building Authority (the "SBA") to finance a large portion of the following buildings:

- Padnos College of Engineering and Computing (Pew Campus in downtown Grand Rapids)
- Graduate School of Business and Graduate Library Building (Pew Campus)
- P. Douglas Kindschi Hall of Science (Allendale Campus)
- Daniel and Pamella DeVos Center for Interprofessional Health (Health Campus in downtown Grand Rapids)

The projects were financed in part by SBA bond issuances, which are secured by a pledge of rentals to be received by the State of Michigan pursuant to an arrangement between the SBA, the State of Michigan, and the university. While the SBA bonds are outstanding, the SBA will hold title to the respective building, although the university has capitalized the building and pays all operating and maintenance costs. Once the SBA bonds are fully paid, the SBA will transfer title of the building to the university.

Note 8 - Contingencies

The university is self-funded for coverage under portions of its hospital/medical benefits and for all unemployment compensation and workers' compensation. The university also offers one HMO plan to employees. Stop-loss coverage has been purchased by the university for the self-funded hospital/medical benefits and workers' compensation claims. The stop-loss insurance limits the claims for hospital/medical benefits to \$300,000 per individual in FY23 and FY22, with no lifetime limit. The workers' compensation stop-loss insurance continues to limit its liability for claims paid per individual to \$500,000. Current liabilities for estimated claims retained by the university under self-insurance programs have been established at \$2,145,075 and 1,950,362, as of June 30, 2023 and 2022, respectively.

	2023	2022	2021
Balance - Beginning of year	\$ 1,950,362	\$ 1,759,763	\$ 2,039,836
Claims incurred and changes in estimates	34,353,646	31,034,965	31,834,040
Claim payments	<u>(34,158,933)</u>	<u>(30,844,366)</u>	<u>(32,114,113)</u>
Balance - End of year	<u>\$ 2,145,075</u>	<u>\$ 1,950,362</u>	<u>\$ 1,759,763</u>

The university established a line of credit as required by a particular utility agreement. To secure payment for this agreement, the university requested a \$450,000 letter of credit during August 2007, which has been extended through March 31, 2026. As of June 30, 2023, there were no funds drawn.

Note 8 – Contingencies (Continued)

The university is a participant in the Michigan Universities Self-Insurance Corporation (MUSIC). This organization provides insurance coverage for errors and omissions liability, comprehensive general liability, and all risk property insurance. In fiscal year 2023 and 2022, there are 11 universities participating in MUSIC. Each participating university is responsible for a first tier of losses up to a level that has been actuarially determined. MUSIC is financially responsible for a second tier of losses. For comprehensive general liability errors and omissions and all risk property insurance, MUSIC has purchased excess insurance coverage with commercial insurance carriers to cover a third tier of losses. However, in the event the insurance reserves established by MUSIC are insufficient to meet its second-tier obligations, each of the participating universities share this obligation by agreements with MUSIC.

In the normal course of its activities, the university has been a party in various legal actions. Historically, the university has not experienced significant losses from such 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 its financial statements.

Pursuant to State of Michigan Public Act 362 of 1993, as amended, the university has previously authorized 62 public school academies. All 62 of these public school academies can operate schools funded by the State School Aid Act. The university, as fiscal agent, provides guidance in and review of compliance with State requirements and forwards the State payment to the public school academies. Public funding is provided by the State of Michigan on a per-pupil basis. Funding of \$360,413,376 and \$326,698,730 was appropriated by the State in 2023 and 2022, respectively, to be allocated to the public school academies, net of approximately a 3.0 percent administrative fee retained by the university. At June 30, 2023, \$65,559,372 was outstanding as a receivable from the State, of which \$63,812,870 was subsequently forwarded to support the public school academies. At June 30, 2022, \$59,178,113 was outstanding as a receivable from the State, of which \$57,556,862 was subsequently forwarded to support the public school academies. This activity is treated as a fiduciary custodial transaction. However, it meets the business-type activities exception and therefore is not included as revenue and expenditures on the accompanying financial statements.

Note 9 - Upcoming Pronouncements

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

Required Supplementary Information

Required Supplementary Information

Professional Support Staff Employee's Retirement Plan

Schedule of Changes in the Plan's Net Pension Liability and Related Ratios

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability (TPL)										
Service cost - Beginning of year	\$ 532,262	\$ 527,546	\$ 610,659	\$ 701,687	\$ 718,850	\$ 797,818	\$ 718,706	\$ 785,499	\$ 869,998	\$ 884,731
Interest on average adjusted TPL	4,125,654	4,284,466	4,153,358	4,120,388	4,103,753	3,976,774	3,918,820	3,718,896	3,170,993	3,026,543
Difference between expected and actual experience	(771,419)	(469,744)	561,716	(780,109)	(787,903)	209,400	197,571	154,810	-	-
Changes in assumptions	(1,880,873)	6,705,695	(2,519,297)	(484,636)	1,935,559	(312,926)	5,444,091	(2,009,843)	3,014,969	-
Benefits payments, including refunds of member contributions	(4,105,628)	(3,918,551)	(3,586,482)	(3,138,347)	(2,761,440)	(2,515,721)	(2,183,758)	(1,987,377)	(1,683,752)	(1,554,355)
Net change in total pension liability	(2,100,004)	7,129,412	(780,046)	418,983	3,208,819	2,155,345	8,095,430	661,985	5,372,208	2,356,919
Total pension liability - Beginning of year	73,773,702	66,644,290	67,424,336	67,005,353	63,796,534	61,641,189	53,545,759	52,883,774	47,511,566	45,154,647
Total pension liability - End of year	<u>\$ 71,673,698</u>	<u>\$ 73,773,702</u>	<u>\$ 66,644,290</u>	<u>\$ 67,424,336</u>	<u>\$ 67,005,353</u>	<u>\$ 63,796,534</u>	<u>\$ 61,641,189</u>	<u>\$ 53,545,759</u>	<u>\$ 52,883,774</u>	<u>\$ 47,511,566</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 809,389	\$ 1,195,438	\$ 1,464,957	\$ 1,680,087	\$ 1,846,741	\$ 2,080,143	\$ 2,078,728	\$ 1,600,653	\$ 1,645,094	\$ 1,681,351
Contributions - Member	258,661	281,682	342,492	330,806	347,440	305,305	286,728	304,178	280,975	161,147
Net investment income (loss)	4,379,029	(6,865,266)	12,668,293	2,005,546	2,961,581	4,032,968	4,633,461	(311,149)	610,806	6,959,448
Administrative expenses	(98,671)	(114,441)	(109,160)	(155,623)	(197,614)	(200,506)	(186,466)	(178,037)	-	(76,160)
Other	114	243	-	579,138	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(4,105,628)	(3,918,551)	(3,586,482)	(3,138,347)	(2,761,440)	(2,515,721)	(2,183,758)	(1,987,377)	(1,683,752)	(1,554,355)
Net change in plan fiduciary net position	1,242,894	(9,420,895)	10,780,100	1,301,607	2,196,708	3,702,189	4,628,693	(571,732)	853,123	7,171,431
Plan fiduciary net position - Beginning of year	53,962,114	63,383,009	52,602,909	51,301,302	49,104,594	45,402,405	40,773,712	41,345,444	40,492,321	33,320,890
Plan fiduciary net position - End of year	<u>\$ 55,205,008</u>	<u>\$ 53,962,114</u>	<u>\$ 63,383,009</u>	<u>\$ 52,602,909</u>	<u>\$ 51,301,302</u>	<u>\$ 49,104,594</u>	<u>\$ 45,402,405</u>	<u>\$ 40,773,712</u>	<u>\$ 41,345,444</u>	<u>\$ 40,492,321</u>
Net pension liability - End of year	<u>\$ 16,468,690</u>	<u>\$ 19,811,588</u>	<u>\$ 3,261,281</u>	<u>\$ 14,821,427</u>	<u>\$ 15,704,051</u>	<u>\$ 14,691,940</u>	<u>\$ 16,238,784</u>	<u>\$ 12,772,047</u>	<u>\$ 11,538,330</u>	<u>\$ 7,019,245</u>
Plan fiduciary net position as a percentage of total pension liability	77.0%	73.1%	95.1%	78.0%	76.6%	77.0%	73.7%	76.1%	78.2%	85.2%
Covered payroll	\$ 4,910,942	\$ 5,455,790	\$ 7,428,812	\$ 7,515,171	\$ 8,001,192	\$ 10,857,657	\$ 9,966,093	\$ 10,482,326	\$ 10,858,867	\$ 11,544,380
Net pension liability as a percentage of covered payroll	335.3%	363.1%	43.9%	197.2%	196.3%	135.3%	162.9%	121.8%	106.3%	60.8%

Schedule of Investment Returns

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual money-weighted rate of return, net of investment expense	9.4%	-11.6%	27.9%	2.7%	5.8%	9.7%	12.8%	-1.9%	2.9%	0.6%

Required Supplementary Information Professional Support Staff Employee's Retirement Plan Schedule of Employer Contributions

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution offset by employee contributions	\$ 1,061,381	\$ 1,115,729	\$ 1,529,466	\$ 1,609,192	\$ 1,754,781	\$ 1,913,108	\$ 2,101,207	\$ 1,816,300	\$ 1,504,978	\$ -
Actual contributions by the University	809,389	1,195,438	1,464,957	1,680,087	1,846,741	2,080,143	2,078,728	1,600,653	1,645,094	1,681,351
Contribution deficiency (excess)	251,992	(79,709)	64,509	(70,895)	(91,960)	(167,035)	22,479	215,647	(140,116)	(1,681,351)
Covered payroll	4,910,942	5,455,790	7,428,812	7,515,171	8,001,192	10,857,657	9,966,093	10,482,326	10,858,867	11,544,380
Actual contributions as a percentage of covered payroll	16.5%	21.9%	19.7%	22.4%	23.1%	19.2%	20.9%	15.3%	15.1%	14.6%

Actuarial Valuation information relative to the determination of contributions:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability	5.95%/year	5.71%/year	6.57%/year	6.27%/year	6.23%/year	6.50%/year	6.50%/year	7.37%/year	7.06%/year	6.82%/year
Funding	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	7.00%/year	7.00%/year	7.00%/year
Mortality	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2020	RP-2014 with Projection Table MP-2019	RP-2014 with Projection Table MP-2018	RP-2014 with Projection Table MP-2017	RP-2014 with Projection Table MP-2016	RP-2014 with Projection Table MP-2014	RP-2014 with Projection Table MP-2014	RP-2014 with Projection Table MP-2014	1983 GAM
Changes in Benefit Terms	None	None	None	None	None	None	None	None	None	None

Required Supplementary Information
Professional Support Staff Employee’s Retirement Plan
Schedule of Employer Contributions

Notes to Schedule of Contributions

Actuarial valuation information relevant to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial Methods	
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount, closed
Remaining amortization period	20 years, declining based on average future service
Asset valuation method	Four-year moving market value average recognizing 25% of gains and losses per year
Actuarial Assumptions	
Retirement age	65 with 10 years of vesting service
Salary increases	2.50%/year
Data Collection	
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit.

Required Supplementary Information

Maintenance, Grounds, Service Employees' Retirement Plan

Schedule of Changes in the Plan's Net Pension Liability and Related Ratios

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total Pension Liability (TPL)										
Service cost - Beginning of year	\$ 233,183	\$ 197,176	\$ 236,543	\$ 279,560	\$ 265,172	\$ 318,061	\$ 284,832	\$ 360,568	\$ 373,413	\$ 400,689
Interest on average adjusted TPL	1,547,661	1,639,495	1,600,115	1,602,853	1,571,020	1,535,483	1,547,098	1,321,895	1,227,012	1,170,114
Differences between expected and actual experience	221,686	(449,977)	(67,173)	(568,836)	252,845	5,766	(50,039)	(305,849)	-	-
Changes in assumptions	(654,211)	2,268,217	(864,928)	(178,142)	651,124	(132,170)	1,865,214	(1,669,232)	2,280,678	-
Benefits payments, including refunds of member contributions	(1,608,367)	(1,473,258)	(1,388,918)	(1,211,502)	(1,180,738)	(1,074,315)	(1,024,385)	(1,065,199)	(778,615)	(644,712)
Net change in total pension liability	(260,048)	2,181,653	(484,361)	(76,067)	1,559,423	652,825	2,622,720	(1,357,817)	3,102,488	926,091
Total pension liability - Beginning of year	27,675,387	25,493,734	25,978,095	26,054,162	24,494,739	23,841,914	21,219,194	22,577,011	19,474,523	18,548,432
Total pension liability - End of year	\$ 27,415,339	\$ 27,675,387	\$ 25,493,734	\$ 25,978,095	\$ 26,054,162	\$ 24,494,739	\$ 23,841,914	\$ 21,219,194	\$ 22,577,011	\$ 19,474,523
Plan Fiduciary Net Position										
Contributions - Employer	\$ 501,383	\$ 614,659	\$ 730,977	\$ 846,413	\$ 829,005	\$ 904,245	\$ 908,222	\$ 580,156	\$ 611,534	\$ 617,498
Contributions - Member	93,675	102,109	102,842	113,610	112,328	123,132	134,960	137,686	165,723	181,075
Net investment income (loss)	1,681,041	(2,521,062)	4,755,886	624,612	1,065,492	1,485,370	1,741,566	(162,055)	289,491	2,564,971
Administrative expenses	(54,129)	(60,678)	(58,280)	(54,590)	(51,172)	(53,062)	(50,013)	(48,255)	(49,671)	(42,023)
Other	35	78	-	20	-	-	-	-	(1,830)	1,062
Benefit payments, including refunds of member contributions	(1,608,367)	(1,473,258)	(1,388,918)	(1,211,502)	(1,180,738)	(1,074,315)	(1,024,385)	(1,065,199)	(778,615)	(644,712)
Net change in plan fiduciary net position	613,638	(3,338,152)	4,142,507	318,563	774,915	1,385,370	1,710,350	(557,667)	236,632	2,677,871
Plan fiduciary net position - Beginning of year	19,613,718	22,951,870	18,809,363	18,490,800	17,715,885	16,330,515	14,620,165	15,177,832	14,941,200	12,263,329
Plan fiduciary net position - End of year	\$ 20,227,356	\$ 19,613,718	\$ 22,951,870	\$ 18,809,363	\$ 18,490,800	\$ 17,715,885	\$ 16,330,515	\$ 14,620,165	\$ 15,177,832	\$ 14,941,200
Net pension liability - End of year	\$ 7,187,983	\$ 8,061,669	\$ 2,541,864	\$ 7,168,732	\$ 7,563,362	\$ 6,778,854	\$ 7,511,399	\$ 6,559,029	\$ 7,399,179	\$ 4,533,323
Plan fiduciary net position as a percentage of total pension liability	73.8%	70.9%	90.0%	72.4%	71.0%	72.3%	68.5%	68.9%	67.2%	76.72%
Covered payroll	\$ 2,545,503	\$ 2,662,649	\$ 3,093,181	\$ 2,971,700	\$ 2,984,013	\$ 3,716,780	\$ 3,435,936	\$ 3,534,057	\$ 3,721,412	\$ 4,181,815
Net pension liability as a percentage of covered payroll	282.4%	302.8%	82.2%	241.2%	253.5%	182.4%	218.6%	185.6%	198.8%	108.4%

Schedule of Investment Returns

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual money-weighted rate of return, net of investment expense	9.4%	-11.6%	27.7%	2.5%	5.8%	9.6%	12.8%	-1.7%	2.9%	20.2%

Required Supplementary Information Maintenance, Grounds, Service Employees' Retirement Plan Schedule of Employer Contributions

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution offset by employee contributions	\$ 591,049	\$ 568,847	\$ 720,913	\$ 777,954	\$ 857,482	\$ 867,707	\$ 905,259	\$ 812,813	\$ 618,150	\$ 612,391
Actual contributions by University	501,383	614,659	730,977	846,413	829,005	904,245	908,222	580,156	611,534	617,498
Contribution deficiency (excess)	89,666	(45,812)	(10,064)	(68,459)	28,477	(36,538)	(2,963)	232,657	6,616	(5,107)
Covered payroll	2,545,503	2,662,649	3,093,181	2,971,700	2,984,013	3,716,780	3,435,936	3,534,057	3,721,412	4,181,815
Actual contributions as a percentage of covered payroll	19.7%	23.1%	23.6%	28.5%	27.8%	24.3%	26.4%	16.4%	16.4%	14.77%

Actuarial Valuation information relative to the determination of contributions:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability	5.95%/year	5.71%/year	6.57%/year	6.27%/year	6.23%/year	6.50%/year	6.50%/year	7.37%/year	7.06%/year	6.82%/year
Funding	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	7.00%/year	7.00%/year	7.00%/year
Mortality	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2020	RP-2014 with Projection Table MP-2019	RP-2014 with Projection Table MP-2018	RP-2014 with Projection Table MP-2017	RP-2014 with Projection Table MP-2016	RP-2014 with Projection Table MP-2014	RP-2014 with Projection Table MP-2014	RP-2014 with Projection Table MP-2014	1983 GAM
Changes in Benefit Terms	None	None	None	None	None	None	None	None	None	None

Required Supplementary Information
Maintenance, Grounds, Service Employees' Retirement Plan
Schedule of Employer Contributions

Notes to Schedule of Contributions

Actuarial valuation information relevant to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial Methods	
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount, closed
Remaining amortization period	20 years, declining based on average future service
Asset valuation method	Four-year moving market value average recognizing 25% of gains and losses per year
Actuarial Assumptions	
Retirement age	65 with 10 years of vesting service
Salary increases	2.50%/year
Data Collection	
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit.

Required Supplementary Information

Other Postemployment Benefits

Schedule of Changes in OPEB Liability and Related Ratios

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Total OPEB Liability</u>						
Service cost	\$ 359,712	\$ 745,442	\$ 622,951	\$ 622,951	\$ 719,962	725,755
Interest	758,192	509,000	609,325	703,145	614,057	612,140
Difference between expected and actual experience	629,059	(143,511)	(1,079,291)	(314,544)	175,403	(111,193)
Changes in assumptions	(70,745)	(4,557,776)	1,087,927	1,676,212	(301,810)	220,509
Benefits payments, including refunds of member contributions	<u>(949,219)</u>	<u>(1,007,419)</u>	<u>(836,133)</u>	<u>(579,322)</u>	<u>(725,085)</u>	<u>(713,556)</u>
Net change in total OPEB liability	726,999	(4,454,264)	404,779	2,108,442	482,527	733,655
Total OPEB liability - Beginning of year	<u>18,652,611</u>	<u>23,106,875</u>	<u>22,702,096</u>	<u>20,593,654</u>	<u>20,111,127</u>	<u>19,377,472</u>
Total OPEB liability - End of year	19,379,610	18,652,611	23,106,875	22,702,096	20,593,654	20,111,127
<u>Plan Fiduciary Net Position</u>						
Contributions/benefit payments made from general operating funds	949,219	1,007,419	836,133	579,322	725,085	713,556
Benefit payments, including refunds of member contributions	<u>(949,219)</u>	<u>(1,007,419)</u>	<u>(836,133)</u>	<u>(579,322)</u>	<u>(725,085)</u>	<u>(713,556)</u>
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability - End of year	<u>\$ 19,379,610</u>	<u>\$ 18,652,611</u>	<u>\$ 23,106,875</u>	<u>\$ 22,702,096</u>	<u>\$ 20,593,654</u>	<u>\$ 20,111,127</u>
Covered payroll	100,255,000	106,292,000	120,567,500	125,070,500	128,421,700	132,267,000
Net OPEB liability as a percentage of covered payroll	19.3%	17.5%	19.2%	18.2%	16.0%	15.2%
Discount rate	4.13%	4.09%	2.18%	2.66%	3.36%	3.00%
Mortality	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2020	RP-2014 with Projection Table MP-2019	RP-2014 with Projection Table MP-2018	RP-2014 with Projection Table MP-2017
Changes in Benefit Terms	None	None	None	None	None	None

No assets are accumulated in an irrevocable trust to pay related other postemployment benefits.

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