GRAND VALLEY STATE UNIVERSITY

ANNUAL FINANCIAL REPORT 2019

GRAND VALLEY STATE UNIVERSITY

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Contents

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Plante & Moran, PLLC
Suite 400
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Grand Valley State University

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Valley State University (the "University"), a component unit of the State of Michigan, and its pension trust funds as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise Grand Valley State University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Grand Valley University Foundation, a blended component unit, were not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Valley State University and its pension trust funds as of June 30, 2019 and 2018 and the respective changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Trustees
Grand Valley State University

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Grand Valley State University's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019 on our consideration of Grand Valley State 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 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 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 Grand Valley State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 1, 2019

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Administrative Officers

As of June 30, 2019

Executive and Board Officers

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Maria C. Cimitile, Provost and Executive Vice President for Academic and Student Affairs

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Brian Copeland, Associate Vice President for Business & Finance and Assistant Treasurer, Board of Trustees

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Financial and Enrollment Highlights for the Year Ended June 30, 2019

- Enrollment remained steady overall with FYES (fiscal year equated students) slightly decreasing from 22,490 to 22,422. Fall semester headcount dropped from 25,049 to 24,677.

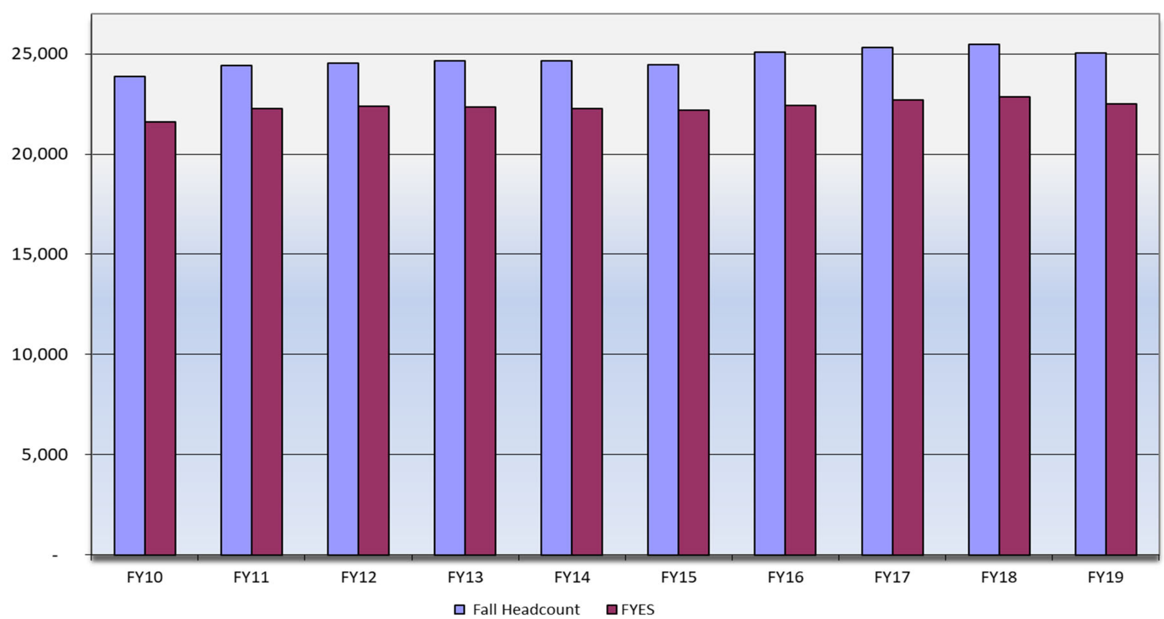
- Operating revenue increased by 1.6 percent or $6.1 million. An increase in tuition revenue of $10.9 million was substantially offset by higher scholarship allowances of $6.9 million.

- State appropriations increased by 2.8 percent from 2018 to 2019.

- Endowment cash and investments climbed to $133.2 million, setting a new university record. Donors generously provided $2.9 million in gifts, while the investment return of $5.5 million was offset by spending distributed for scholarships and academic programs. The Laker Effect comprehensive campaign was launched in 2017 to raise funds for scholarships, enhance resources for student success, and invest in academic programs and facilities.

- Construction continued on the Heath Campus on the Daniel and Pamella DeVos Center for Interprofessional Health and on the adjacent parking structure, which will be jointly owned with Spectrum Health Hospitals. Both projects are expected to be completed by 2021. In addition, the Jamie Hosford Football Center, a renovation and expansion of the existing football facility was completed in 2019.

Historical Enrollment



The purpose of the annual report is to provide readers with financial information about the activities and financial condition of Grand Valley State University (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 16 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.

Effective for the year ended June 30, 2019 the university adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The new statement requires additional note disclosure about certain types of debt arrangements, in particular to provide information about the events of default and the finance-related consequences. The university also implemented GASB Statement No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred.

Effective for the year ended June 30, 2018, the university adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* GASB Statement No. 75 requires the university to recognize, on the face of the financial statements, its full net Postemployment Benefits Other than Pensions (OPEB) liability. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The university recorded an OPEB liability of $19.3 million, which was offset by a $10.0 million liability recognized in prior years, resulting in a $9.3 million decrease to unrestricted net position.

The Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. Net position, 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. After the impact of GASB Statement No. 75, net position from 2017 to 2019 increased by 12.3 percent, from $776.2 million to $871.9 million.

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

	June 30		
	2019	2018	2017
		(in 000s)	
Current Assets			
Cash and short-term investments	$ 144,352	$ 89,998	$ 76,484
Receivables	93,642	93,737	83,353
Inventory, prepaid expenses, and other	6,299	6,675	6,618
Total current assets	244,293	190,410	166,455
Noncurrent Assets			
Restricted cash and investments	17,930	-	-
Endowment cash and investments	133,217	128,978	118,251
Other long-term investments	150,688	147,081	146,782
Long-term receivables	14,566	30,594	27,601
Capital assets - Net of depreciation	768,631	752,937	728,269
Other	2,398	2,499	2,436
Total assets	1,331,722	1,252,499	1,189,794
Deferred Outflows of Resources			
Accumulated changes in the fair value of hedging derivative instruments	4,920	3,370	5,247
Refunding of bonds payable	10,009	10,923	11,814
Retirement-related deferrals	7,008	7,405	11,396
Total deferred outflows	21,937	21,698	28,457
Current Liabilities			
Accounts payable and accrued liabilities	101,184	96,242	91,634
Unearned revenue	17,387	14,960	13,249
Long-term liabilities - Current portion	15,116	15,976	15,029
Total current liabilities	133,688	127,178	119,912
Noncurrent Liabilities			
Unearned revenue - Net of current portion	4,592	4,501	4,994
Federal student loan payable	9,097	8,929	10,214
Long-term liabilities - Net of current portion	282,320	272,747	265,713
Derivative instruments	4,920	3,398	5,365
Net retirement liabilities	43,135	40,867	32,724
Total liabilities	477,752	457,620	438,922
Deferred Inflows of Resources - Retirement related deferrals	3,974	3,319	3,104
Net Position			
Net investment in capital assets	497,865	476,730	461,580
Restricted	162,283	161,038	140,657
Unrestricted	211,787	175,490	173,988
Total net position	**$ 871,934**	**$ 813,258**	**$ 776,225**

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 an increase of $57.9 million in cash and investments from 2018 to 2019 and $13.8 million in cash and investments from 2017 to 2018. In addition, restricted cash and investments increased by $17.9 million from 2018 to 2019 from unspent bond proceeds held for the construction projects on the Health Campus. The Statement of Cash Flows on page 19 explains the sources and uses of cash.

Current receivables, which include grants, state appropriations, capital appropriations, pledges, student notes, and various operating receivables that are expected to be collected within a year, remained stable from 2018 to 2019, as increases in charter schools receivables offset decreases in pledge receivables. The increase of $10.4 million from 2017 to 2018 reflects growth of the charter school appropriation receivables and pledges receivables.

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, although balances remained steady from 2017 to 2019.

Endowment investments increased by $4.2 million from 2018 to 2019. Gifts and additions accounted for $3.8 million as the spending distribution to support scholarships and academic programs mostly offset investment income due to moderate returns from financial markets. From 2017 to 2018, endowment investments increased by $10.7 million, reflecting a combination of new gifts and strong investment returns. 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 pledges, student notes, and a third-party notes receivable decreased by $16.0 million from 2018 to 2019 mainly due to retirement of a note receivable from the unwinding of the New Market Tax Credits Program in October 2018. There was an increase of $3.0 million from 2017 to 2018 due to an increase in pledges with the start of the Laker Effect capital campaign. Long-term pledges are discounted to net present value for financial statement purposes.

Capital assets increased by $15.7 million from 2018 to 2019. The expansion and renovation of the Jamie Hosford Football Center was completed, and construction continued on the Daniel and Pamella DeVos Center for Interprofessional Health and the adjacent parking structure on the Health Campus. In total, capital additions were $45.3 million, offset by depreciation expense of $28.2 million and property disposals of $1.4 million.

Capital assets increased by $24.7 million from 2017 to 2018. The construction of Raleigh J. Finkelstein Hall was completed and construction began on a classroom building and parking structure on the Health Campus. In addition, property was purchased for future expansion of the Padnos College of Engineering. In total, capital additions were $52.3 million, offset by depreciation expense of $27.6 million and disposals of mostly fully depreciated equipment and library books.

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 footnotes to the financial statements:

1) Accumulated changes in the fair value of hedging derivative instruments – see Note 5, page 45
2) Refunding of bonds payable – see Note 4 on page 41 for Series 2014B and 2016A
3) Retirement-related deferrals – see Note 6 on page 48 for defined benefit plans and 55 for other post-employment benefits.

Accounts payable and accrued liabilities increased from 2017 to 2019 by $9.5 million. The increase was due to the timing of payroll, payables for construction projects, and additional Charter Schools payables.

Unearned revenue includes receipts from tuition, grants, and contracts that pertain to the upcoming fiscal year. From 2018 to 2019, unearned income increased by $2.4 million mainly due to State of Michigan advances for grant funded programs. From 2017 to 2018, unearned revenue increased by $1.7 million mainly due to tuition receipts from higher summer student enrollment.

Current maturities in long-term debt remained consistent from 2017 to 2019, reflecting the scheduled principal payments.

Noncurrent liabilities include unearned revenue, federal student loans payable, derivative instruments, net retirement liabilities, which pertain to both pension and OPEB plans, and the long-term portion of bonds payable. Federal student loans payable decreased by $1.3 million from 2017 to 2018 as a result of a principal payment to the US Department of Education in the first phase of elimination of the Perkins Loan program and remained stable from 2018 to 2019.

After scheduled principal payments were made, there was a net increase of $9.6 million in outstanding debt from 2018 to 2019. General revenue bonds of $41.0 million were issued at a premium in November 2018 to finance the construction projects on the Health Campus. In addition, the 38 Front loan payable was retired with the unwinding of the New Market Tax Credit program in October 2018. From 2017 to 2018, there was a $7.0 million net increase in outstanding debt. General revenue bonds of $30.3 million were issued in fall 2017. The proceeds were used to pay off $9.6 million of existing debt, and to fund $23.0 million of project costs for the construction of Raleigh J. Finkelstein Hall. In November 2018, the university received an A1 bond credit rating from Moody's Investors Service with a stable outlook and an A+ rating with a stable outlook from Standard & Poors. More detailed information about the university's long-term debt is presented in Note 4 to the financial statements.

As discussed previously, GASB Statement No. 75 requires that the liability resulting from the university's sponsored OPEB plan be recognized on the university's financial statements. As of July 1, 2017, there was a change in accounting principle adjustment to unrestricted net position of $9.2 million, which resulted from the initial recognition of the OPEB liability and related deferred outflows and inflows. Since that point, the net retirement liabilities increased by $1.2 million due to changes in assumptions, particularly impacted by updated mortality tables and 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 71.

The total net position of the university increased by $95.7 million from 2017 to 2019, which includes the negative impact of the $9.2 million change in accounting principle. The increase reflects investments in infrastructure to house expanding programs particularly in the health sciences, engineering, and computer science as well as generous support from donors to endowments and the Laker Effect comprehensive campaign. Further detail regarding the designation by the university of unrestricted net position for certain purposes is summarized in Note 1 to the financial statements.

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		
	2019	2018	2017
		(in 000s)	
Operating Revenue			
Student tuition and fees	$ 335,060	$ 324,114	$ 315,700
Less scholarship allowance	(63,797)	(56,887)	(52,923)
Auxiliary	74,171	73,036	72,517
Less scholarship allowance	(11,393)	(10,367)	(10,008)
Grants and contracts	23,450	22,898	23,163
Other	23,643	22,278	22,455
Total operating revenue	381,134	375,072	370,904
Operating Expenses	461,730	461,097	445,612
Net Operating Loss	(80,596)	(86,025)	(74,708)
Nonoperating Revenue (Expense)			
State appropriations	72,087	70,133	68,228
Government grants	28,703	30,690	27,376
Gifts (including endowment and capital)	24,185	26,023	21,734
Capital appropriations, grants, and other	6,815	1,015	3,590
Investment income - Net of fees	17,289	13,950	18,483
Other loss and expense	(9,807)	(9,514)	(10,511)
Net nonoperating revenue	139,272	132,297	128,900
Net Increase in Net Position	58,676	46,272	54,192
Net Position - Beginning of year	813,258	776,225	722,033
Adjustment for Change in Accounting Principle	-	(9,239)	-
Net Position - End of year	**$ 871,934**	**$ 813,258**	**$ 776,225**

Revenue generated by tuition and fees increased by 3.4 percent from 2018 to 2019 and by 2.7 percent from 2017 to 2018. The tuition rate increases of 3.8 percent in 2019 and 4.0 percent in 2018 were offset by a slight drop in enrollment in each year.

Scholarship allowances as a percentage of tuition and fees increased to 19.0 percent in 2019, compared to 17.6 percent in 2018, and 16.8 percent in 2017. 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.

Auxiliary revenue consists of housing, dining, parking, bookstores, vending, golf course, health center, and conference fees from external customers. From 2017 to 2019, auxiliary revenue increased by 2.2 percent, which mostly reflects a slight increase in housing and dining revenue.

Grants and contracts revenue remained steady from 2017 to 2019, with new awards mostly offsetting those expiring.

Operating expenses remained steady from 2018 to 2019 after increasing by $15.5 million from 2017 to 2018. Further analysis of operating expenses by program function begins on page 12. Salaries, wages, and benefits comprise the largest operating expense, while instruction is the largest functional category.

State appropriations increased by 2.8 percent or $1.9 million from 2018 to 2019, which was consistent with the increase from 2017 to 2018 of $1.9 million. The performance funding that the university receives as a percentage of its base funding was among the highest in both 2019 and 2018. Performance funding is based on state metrics.

Nonoperating government grants consisting of Pell awards increased by $3.3 million from 2017 to 2018 mainly due to a timing difference in 2018. Consequently, grants decreased by $2.0 million from 2018 to 2019.

Gifts, including capital and endowment gifts, declined by $1.8 million from 2018 to 2019, after an increase of $4.3 million from 2017 to 2018. This was largely due to the Laker Effect comprehensive campaign achieving its initial goal. The campaign encompassed Raleigh J. Finkelstein Hall, the Daniel and Pamella DeVos Center for Interprofessional Health, The Innovation Design Center for Engineering, as well as endowed scholarships and student success programs.

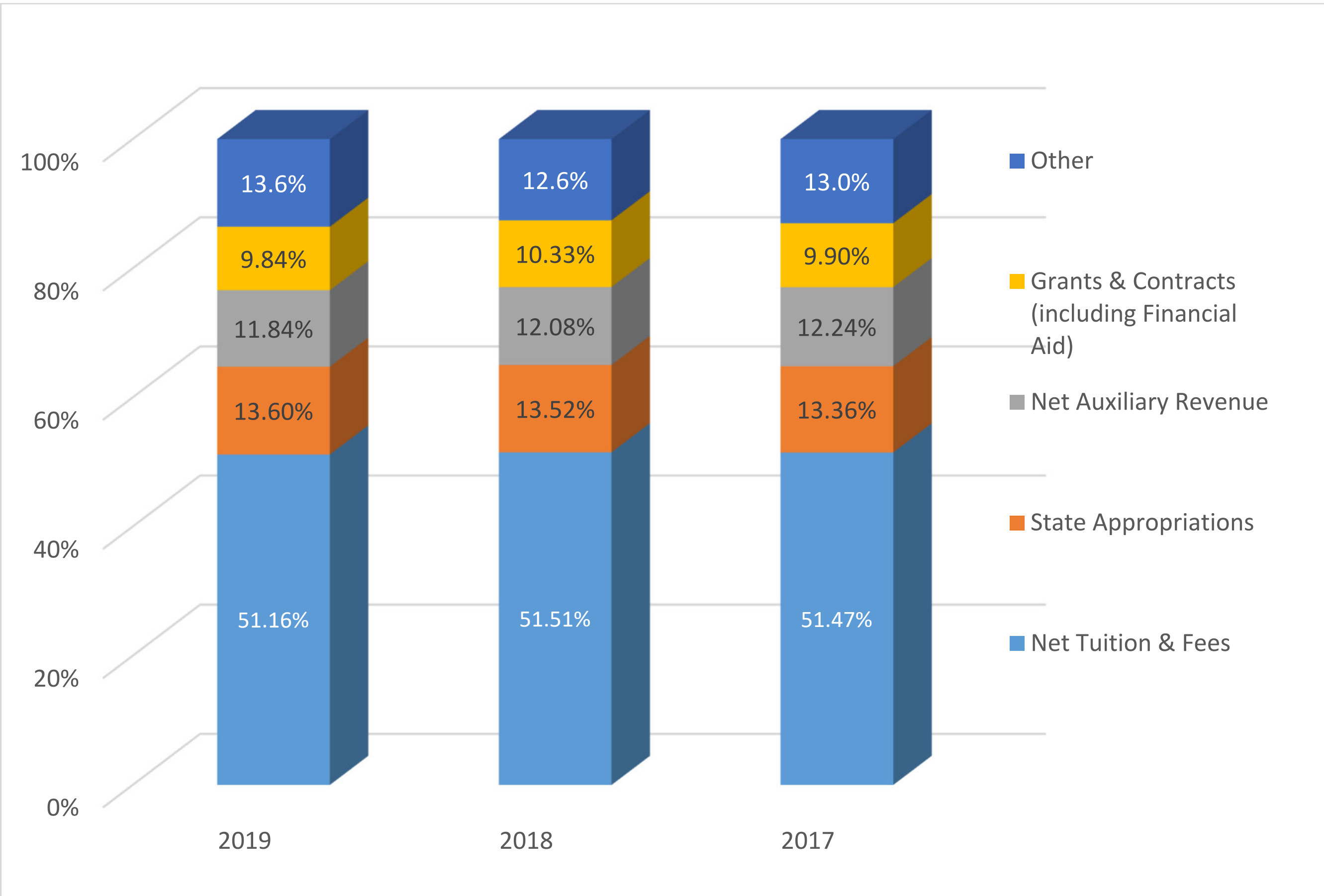
Capital appropriations, grants, and other include awards and other capital income received for special purpose capital projects. In 2019, income from the New Markets Tax Credit Program was recognized. In 2018, revenue declined with the conclusion of state funding for construction projects. In 2017, the State provided the remaining $2.3 million to complete the P. Douglas Kindschi Hall of Science on the Allendale campus.

Net investment income consists of realized income (interest, dividends, and realized gains on the sale of investments), unrealized gains/losses, and investment expenses (primarily bank fees). Returns on endowment investments generated a gain of 4.4 percent in 2019, a gain of 8.6 percent in 2018, and a 13.3 percent gain in 2017. Returns on operating investments in 2019 climbed to 4.1 percent due to higher income in the short-term pool due to rising short-term interest rates. Also, falling long-term interest rates in longer-term maturities resulted in gains on bond fund valuations in the intermediate and long-term pools. The operating investment return for 2018 and 2017 was .8 percent and 1.3 percent, respectively.

Other nonoperating expense, which includes interest expense, changes in the fair value of derivative instruments, and gains or losses from disposal of assets has remained consistent between 2017 and 2019.

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:

Total Revenue



Tuition and fees (net) make the largest contribution to the total revenue of the university. State appropriation is a distant second and is designated to cover financial aid, debt service, utilities, and capital repairs. Grants and contracts include both financial aid grants and grants for restricted purposes such as research and public service. Auxiliary activities are considered self-supporting enterprises. Other revenue includes investment income, gifts, additions to endowment, and capital grants and appropriations.

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.

	2019	2018	2017
		(in 000s)	
Instruction	$ 175,604	$ 170,635	$ 164,223
Research	7,199	6,912	6,668
Public service	27,745	26,396	26,324
Academic support	47,147	47,589	45,880
Student services	31,741	31,371	30,807
Institutional support	40,620	39,808	39,514
Operation and maintenance of facilities	45,122	50,527	47,061
Depreciation	28,255	27,635	27,464
Scholarships and related expenses	13,246	16,390	14,083
Auxiliary activities	44,825	43,568	43,322
Other expenditures	226	266	266
Total	**$ 461,730**	**$ 461,097**	**$ 445,612**

Instructional expenses increased by 2.9 percent from 2018 to 2019 and 3.9 percent from 2017 to 2018. In 2019, instruction grew with new majors added in fields of biomedical engineering and cybersecurity at both a bachelors' and masters' level, and a doctorate in occupational therapy. New programs added in 2018 include those at the masters' level: data science analytics and 8 new emphases of computer science, those at the bachelors' level: cardiovascular sonography and communication sciences and disorders, and a doctorate in audiology.

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). Expenses increased by 4.1 percent from 2018 to 2019 and 3.7 percent from 2017 to 2018. The 2019 increase was largely due to receipt of a National Institutes of Health award to the Kirkhof College of Nursing. In 2018, the Center for Scholarly and Creative Excellence expanded to support demands from sponsored activity and research compliance as well as general business operating increases.

Public service expenses include WGVU public broadcasting, the Michigan Small Business Development Center (SBDC), and the Charter School Office administration. Expenses increased by 5.1 percent due to ramp-up of several new initiatives, including those housed in the Padnos College of Engineering and Computing, Dorothy A Johnson Center for Philanthropy, and the Regional Math and Science Center. Expenses remained steady from 2017 to 2018.

Academic support expenses include continuing education, information technology, student advising, the libraries, academic resources, and administration expenses for the academic deans. Expenses declined by 1.0 percent from 2018 to 2019, after increasing by 3.7 percent from 2017 to 2018. In 2018, there were library purchases to enhance certain collections and technology outlays to mitigate cybersecurity risks.

Student services expenses represent student life programming, admissions, records, registration, financial aid, and intercollegiate athletics. Expenses remained steady between 2017 and 2019, reflecting general business operating increases.

Institutional support expenses include administration for the business operations, human resources, executive offices, marketing and communications, public safety, development, and alumni relations. Expenses slightly increased between 2018 and 2019 after remaining steady from 2017 to 2018.

Operation and maintenance of facilities declined by 10.7 percent from 2018 to 2019, after an increase of 7.4 percent from 2017 to 2018. In 2018, there were one-time purchases to outfit Raleigh J. Finkelstein Hall and the Thomas J. and Marcia J. Haas Performing Arts Center with furniture and instructional equipment.

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. 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 2018 to 2019, total scholarships awarded increased by 5.7 percent; after an increase of 8.6 percent from 2017 to 2018. The increase in 2019 mainly resulted from additional university funded awards of $5.6 million, and the increase in 2018 reflects additional university funded awards of $3.2 million and the expansion of the Pell award program of $3.3 million.

	2019	2018	2017
		(in 000s)	
Scholarship allowance - Tuition	$ 63,797	$ 56,886	$ 52,923
Scholarship allowance - Auxiliary	11,393	10,367	10,008
Scholarship and fellowship expense	13,246	16,390	14,083
Total	**$ 88,436**	**$ 83,643**	**$ 77,014**

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 by 2.9 percent from 2018 to 2019, after remaining steady from 2017 to 2018. The 2019 increase reflects general business operating increases and a return to full management staffing levels.

Operating Expenses by Natural Classification

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

	2019	2018	2017
		(in 000s)	
Salaries and benefits	$ 294,328	$ 286,140	$ 276,237
Scholarships and awards	13,259	16,275	14,275
Utilities	8,079	7,578	7,307
Supplies and other	117,809	123,469	120,329
Depreciation	28,255	27,635	27,464
Total	**$ 461,730**	**$ 461,097**	**$ 445,612**

Salaries and benefit expenses, which represent 63.7 percent of total operating expenses in 2019 and 62.1 percent of total operating expenses in 2018, increased by 2.9 percent from 2018 to 2019 and by 3.6 percent from 2017 to 2018. The increase from 2017 to 2019 mainly reflected the annual salary and benefit program and growth in certain programs.

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 by 6.6 percent from 2018 to 2019 mostly due to a full year utility cycle at Raleigh J. Finkelstein Hall, as well as extremely cold winter temperatures. Utilities increased by 3.7 percent from 2017 to 2018 due to higher number of heating days from colder winter temperatures, as well as added square footage from completed construction projects.

Supplies and other expenses increased by 2.6 percent from 2017 to 2018, mostly due to the renovating and reconfiguring of existing spaces at Allendale campus. From 2018 to 2019, outlays decreased by 4.6 percent as purchases returned to typical operating levels.

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

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.

	2019	2018	2017
		(in 000s)	
Net Cash (Used in) Provided by			
Operating activities	$ (42,075)	$ (49,997)	$ (38,809)
Noncapital financing activities	113,223	109,102	106,227
Capital and related financing activities	(8,490)	(48,594)	(67,212)
Investing activities	3,429	7,551	(18,371)
Net Increase (Decrease) in Cash and Cash Equivalents	66,087	18,062	(18,165)
Cash and Cash Equivalents - Beginning of year	52,646	34,584	52,749
Cash and Cash Equivalents - End of year	**$ 118,733**	**$ 52,646**	**$ 34,584**

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 2018 to 2019, net cash receipts from operating activities increased by $7.9 million mainly due to the increase in receipts from student tuition and grants, of which the university received advance funding for certain grant-funded initiatives. From 2017 to 2018, net cash receipts from operating activities declined as a result of higher payments to suppliers due to remodeling and significant building repairs, higher personnel costs, and an increase in student scholarships.

State appropriation is the primary source of noncapital financing. This source of revenue is categorized as nonoperating and accounts primarily for the higher level of receipts from 2017 to 2019. Other noncapital financing activity includes Pell grants, gifts, and non-exchange grants for other than capital purposes. Gift receipts increased during 2019 due to the first-year receipt of funding for the WK Kellogg Battle Creek Public School partnership, and in 2018 there was in increase in Pell grants receipts due to the return to year-round student eligibility.

Capital and related financing activities include debt proceeds to finance capital construction. In 2019, the university issued bonds at a significant premium to finance the 333 and 335 Michigan projects on the Health Campus, as well as pay off existing bonds. During 2017 and 2018, Raleigh J. Finkelstein Hall was erected in downtown Grand Rapids. In 2018, construction started on a classroom building and parking structure on the Health Campus and continued throughout 2019. In addition, in 2019 the university's cash position was improved with an increase in capital pledge receipts of $9.3 million as compared to 2018 receipts.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flows statement include both restricted and unrestricted short- and long-term investments.

Economic Factors that Will Affect the Future

The economic position of the university is closely tied to that of the State of Michigan. The State of Michigan has included a performance component to its funding allocations, which includes number of degree completions, level of graduation rates, and operational efficiencies. With the changes in leadership in Lansing, there is uncertainty as to the direction of state funding. It is expected that the university will continue to remain near the bottom in state funding per student.

With the number of high school graduates in Michigan shrinking, student enrollment will continue to remain a challenge. Enrollment is expected to remain steady for upcoming years based on the university's strategic plan for controlled growth and retention. The university welcomed President Mantella, who plans to set a bold agenda to connect the university with new educational opportunities in the fast-changing world of education, with renewed focus on learner outcomes, relevance, and the lifetime value of higher education.

Statement of Net Position

	June 30 2019	June 30 2018
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 103,643,540	$ 50,420,268
Short-term investments (Note 2)	40,707,963	39,578,179
Accounts receivable - Net of allowance of $542,682 and $604,565 in 2019 and 2018, respectively	14,807,647	14,784,010
State appropriation receivable	69,092,636	65,150,379
Pledges receivable - Net	6,203,961	10,039,592
Inventories	1,918,211	1,845,237
Prepaid expenses and other	4,381,221	4,829,558
Student notes receivable - Current portion	3,537,989	3,762,621
Total current assets	244,293,168	190,409,844
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	15,089,092	2,226,111
Restricted investments (Note 2)	5,786,119	-
Endowment investments (Note 2)	130,271,348	126,755,650
Notes receivable (Note 1)	-	15,752,074
Other long-term investments (Note 2)	150,687,940	147,076,765
Pledges receivable - Net	10,239,288	9,091,266
Student notes receivable - Net of allowance of $230,767 and $267,423 in 2019 and 2018, respectively	4,326,247	5,751,694
Capital assets - Net (Note 3)	768,631,288	752,936,691
Other assets	2,397,935	2,499,113
Total noncurrent assets	1,087,429,257	1,062,089,364
Total assets	1,331,722,425	1,252,499,208
Deferred Outflows of Resources		
Accumulated changes in the fair value of hedging derivative instruments (Note 5)	4,920,000	3,370,000
Refunding of bonds payable (Note 4)	10,008,922	10,922,467
Retirement benefit related deferrals (Note 6)	7,008,467	7,405,452
Total deferred outflows	21,937,389	21,697,919
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	101,183,455	96,241,687
Unearned revenue	17,387,374	14,959,993
Long-term liabilities - Current portion (Note 4)	15,116,161	15,976,156
Total current liabilities	133,686,990	127,177,836
Noncurrent liabilities:		
Unearned revenue - Net of current portion	4,591,763	4,501,195
Federal student loan payable	9,097,265	8,929,287
Long-term liabilities - Net of current portion (Note 4)	282,320,280	272,747,171
Derivative instruments (Note 5)	4,920,000	3,398,000
Other post-employment benefits (Note 6)	19,867,654	19,396,127
Net pension liability (Note 6)	23,267,413	21,470,794
Total noncurrent liabilities	344,064,375	330,442,574
Total liabilities	477,751,365	457,620,410
Deferred Inflows of Resources - Retirement benefit related deferrals (Note 6)	3,974,204	3,319,004
Net Position		
Net investment in capital assets	497,864,609	476,730,070
Restricted:		
Nonexpendable - Scholarships and academic support	74,685,448	70,896,632
Expendable:		
Scholarships and academic support	66,782,171	61,779,017
Capital projects	19,202,324	26,780,413
Loans	1,613,137	1,581,485
Unrestricted	211,786,556	175,490,096
Total net position	**$ 871,934,245**	**$ 813,257,713**

See Notes to Financial Statements

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2019	2018
Operating Revenue		
Student tuition and fees	$ 335,060,440	$ 324,113,979
Scholarship allowances	(63,796,358)	(56,886,635)
Net student tuition and fees	271,264,082	267,227,344
Government grants and contracts	20,433,303	20,428,910
Nongovernmental grants	3,016,181	2,469,236
Sales and services of educational activities	16,777,774	15,397,777
Auxiliary activities	74,170,454	73,035,635
Scholarship allowances	(11,392,940)	(10,366,931)
Net auxiliary activities	62,777,514	62,668,704
Other operating revenue	6,865,481	6,880,236
Total operating revenue	381,134,335	375,072,207
Operating Expenses - Education and general		
Instruction	175,604,391	170,634,775
Research	7,198,456	6,912,462
Public service	27,745,241	26,395,883
Academic support	47,146,958	47,588,851
Student services	31,741,106	31,370,945
Institutional support	40,620,442	39,807,955
Operation and maintenance - Plant	45,122,318	50,527,148
Depreciation expense	28,254,702	27,635,277
Scholarships and related expenses	13,245,683	16,389,421
Auxiliary activities	44,824,819	43,567,767
Loan administrative fees and collection costs	225,991	266,444
Total operating expenses	461,730,107	461,096,928
Operating Loss	(80,595,772)	(86,024,721)
Nonoperating Revenue (Expense)		
State appropriations	72,086,500	70,133,300
Government grants	28,702,634	30,689,861
Gifts	11,420,817	6,796,529
Investment income:		
Interest, dividends, and gains on investments - Net of investment expense of $1,567,392 and $1,275,291 in 2019 and 2018, respectively	17,289,138	13,950,269
Change in fair value of derivatives	28,000	90,000
Interest on capital asset - Related debt	(10,949,285)	(9,787,247)
Gain on disposal of assets	1,114,368	182,850
Net nonoperating revenue	119,692,172	112,055,562
Income - Before other revenues, expenses, gains, or losses	39,096,400	26,030,841
Other		
Capital grants and gifts	10,018,076	14,875,225
Other capital income	6,617,960	1,014,621
Additions to permanent endowments	2,944,096	4,351,693
Total other	19,580,132	20,241,539
Increase in Net Position	58,676,532	46,272,380
Net Position		
Beginning of year	813,257,713	776,224,668
Adjustment for change in accounting principle (Note 1)	-	(9,239,335)
Net position - Beginning of year, as restated	813,257,713	766,985,333
End of year	**$ 871,934,245**	**$ 813,257,713**

See Notes to Financial Statements

Statement of Cash Flows

	Year Ended June 30	
	2019	2018
Cash Flows from Operating Activities		
Tuition and fees	$ 271,550,396	$ 268,677,599
Grants and contracts	27,457,167	23,808,940
Payments to suppliers	(116,701,889)	(122,336,049)
Payments for utilities	(7,690,200)	(7,522,317)
Payments to employees	(219,029,880)	(214,748,552)
Payments for benefits	(72,139,304)	(67,810,561)
Payments for scholarships and fellowships	(13,259,226)	(16,275,043)
Loans issued to students	(40,010,878)	(38,874,574)
Collection of loans from students	41,660,957	39,846,937
Auxiliary enterprise charges:		
Residence halls	44,534,691	45,136,293
Bookstore	9,883,241	9,406,691
Other	8,373,231	8,044,357
Sales and service of educational activities	16,828,345	16,571,513
Other receipts	6,467,880	6,078,162
Net cash used in operating activities	(42,075,469)	(49,996,604)
Cash Flows from Noncapital Financing Activities		
State appropriations	71,730,774	69,792,902
Government grants	27,640,607	30,167,264
Gifts and grants for other than capital purposes	10,652,578	7,352,153
Private gifts for endowment purposes	2,944,096	4,351,693
Charitable annuities payments - Net	(160,202)	(159,391)
Receipt (Return) of federal student Perkins loan principal	167,978	(1,284,661)
Federal direct loan receipts	162,045,220	162,335,031
Federal direct loan lending disbursements	(161,798,591)	(163,453,071)
Net cash provided by noncapital financing activities	113,222,460	109,101,920
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	46,068,057	32,882,294
Capital grants and gifts received	12,711,767	3,406,634
Other capital income	379,815	236,294
Proceeds from sale of capital assets	2,423,205	244,228
Purchases of capital assets and construction	(45,607,292)	(51,951,653)
Principal paid on capital debt	(13,295,000)	(22,900,000)
Interest paid on capital debt	(11,267,511)	(10,838,615)
Interest received from note receivable	97,165	326,356
Net cash used in capital and related financing activities	(8,489,794)	(48,594,462)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	24,960,465	34,633,969
Interest on investments	8,587,856	7,302,237
Purchase of investments	(30,119,265)	(34,384,874)
Net cash provided by investing activities	3,429,056	7,551,332
Net Increase in Cash and Cash Equivalents	66,086,253	18,062,186
Cash and Cash Equivalents - Beginning of year	52,646,379	34,584,193
Cash and Cash Equivalents - End of year	**$ 118,732,632**	**$ 52,646,379**

See Notes to Financial Statements

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2019	2018
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents (Note 2)	$ 103,643,540	$ 50,420,268
Restricted cash and cash equivalents (Note 2)	15,089,092	2,226,111
Total cash and cash equivalents	**$ 118,732,632**	**$ 52,646,379**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (80,595,772)	$ (86,024,721)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	28,254,702	27,635,277
Changes in assets and liabilities:		
Receivables - Net	3,074,567	2,229,019
Inventories	(72,974)	263,566
Other assets	(13,847)	(354,691)
Accounts payable and accrued liabilities	1,462,999	(7,647,595)
Retirement related deferrals and noncurrent liabilties	3,320,331	12,348,352
Deferred revenue	2,502,475	1,402,777
Deposits held for others	(7,950)	151,412
Net cash used in operating activities	**$ (42,075,469)**	**$ (49,996,604)**

See Notes to Financial Statements

Statement of Fiduciary Net Position
Employee Benefit Plans

	June 30	
	2019	2018
Assets		
Money market funds	$ 2,146,880	$ 1,068,216
Domestic equities	28,790,177	33,646,960
International equities	10,539,789	8,359,292
Domestic bonds	16,801,104	17,875,835
International bonds	1,083,608	1,257,594
Alternative strategies	10,282,892	4,450,895
Total cash and cash equivalents and investments	69,644,450	66,658,792
Accrued income	147,652	161,687
Net Position - Held in trust for pension benefits	**$ 69,792,102**	**$ 66,820,479**

See Notes to Financial Statements

Statement of Changes in Fiduciary Net Position
Employee Benefit Plans

	Year Ended June 30	
	2019	2018
Additions		
Investment income:		
Interest and dividend income	$ 2,090,345	$ 1,785,694
Net appreciation in fair value of investments	1,936,727	3,732,655
Total investment income	4,027,072	5,518,349
Employer contributions	2,675,746	2,984,388
Other income	459,769	428,437
Total additions	7,162,587	8,931,174
Deductions		
Benefit payments	3,942,178	3,590,047
Administrative expense	248,786	253,568
Total deductions	4,190,964	3,843,615
Net Increase	2,971,623	5,087,559
Net Position Held in Trust for Pension Benefits		
Beginning of year	66,820,479	61,732,920
End of year	**$ 69,792,102**	**$ 66,820,479**

See Notes to Financial Statements

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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 five affiliated organizations that were evaluated in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus,* which the university adopted 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, 2019 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.

38 Front Avenue is a Michigan nonprofit corporation formed in 2011. It was formed for the purpose of advancing the expansion of the L. William Seidman College of Business into a new facility. The university has operational responsibility for it as it operates entirely on behalf of the university. In October 2018, the university completed the unwinding of the New Market Tax Credit program and retired outstanding debt as well as the $16 million receivable from Grand Valley Investment Fund. As a result of this transaction, a gain of $5.9 million was recorded on the Statement of Revenue, Expenses, and Changes in Net Position as other capital income. The remaining assets, liabilities, and net position of 38 Front Avenue was transferred to the university in the amount of $10.4 million. For the blended statements, the $9 million note between 38 Front Avenue and the university was eliminated at June 30, 2018.

In accordance with GASB Statement No. 80, 38 Front Avenue is reported as a blended component unit because the university is the sole corporate member.

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		38 Front Avenue	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Assets										
Current assets	$ 250,753	$ 276,572	$ 173,339	$ 162,506	$ 62,657	$ 67,679	$ (769,593)	$ (614,555)	-	$ 835,636
Capital assets (net)	-	-	4,958	4,958	-	-	-	-	-	34,987,249
Other assets	2,283,874	1,837,587	-	-	792,258	892,688	-	-	-	7,146,525
Total assets	**$ 2,534,627**	**$ 2,114,159**	**$ 178,297**	**$ 167,464**	**$ 854,915**	**$ 960,367**	**$ (769,593)**	**$ (614,555)**	**$ -**	**$ 42,969,410**
Liabilities										
Current liabilities	$ 342.00	$ -	$ 1,400	$ -	$ -	$ -	$ 219,669	$ 175,522	$ -	$ 1,138,298
Noncurrent liabilities	-	-	-	-	120,177	110,406	-	-	-	30,487,441
Total liabilities	342	-	1,400	-	120,177	110,406	219,669	175,522	-	31,625,739
Net Position										
Net investment in capital assets	-	-	4,958	4,958	-	-	-	-	-	4,020,005
Restricted:										
Nonexpendable	1,748,873	1,371,114	-	-	-	-	-	-	-	-
Expendable	785,412	743,045	-	-			-	-	-	-
Unrestricted	-	-	171,939	162,506	734,738	849,961	(989,262)	(790,077)	-	7,323,666
Total net position	2,534,285	2,114,159	176,897	167,464	734,738	849,961	(989,262)	(790,077)	-	11,343,671
Total liabilities and net position	**$ 2,534,627**	**$ 2,114,159**	**$ 178,297**	**$ 167,464**	**$ 854,915**	**$ 960,367**	**$ (769,593)**	**$ (614,555)**	**$ -**	**$ 42,969,410**

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

	Grand Valley University Foundation		University Properties, Inc.		Grand Valley Research Corporation		Lafayette Hastings, LLC		38 Front Avenue	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating Revenue										
Sales and services of educational activities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Auxiliary enterprises	-	-	95,784	88,033	-	-	-	-	-	-
Other	57,635	61,764	-	-	-	-	946,477	984,973	425,321	-
Total operating revenue	57,635	61,764	95,784	88,033	-	-	946,477	984,973	425,321	-
Operating Expense										
Personnel costs	32,266	36,362	-	-	-	-	-	-	-	-
Supplies and other	1,253,802	1,176,840	84,119	81,537	1,284	1,249	1,145,662	948,672	867,534	238,427
Depreciation	-	-	-	-	-	-	-	-	524,761	1,049,522
Total operating expense	1,286,068	1,213,202	84,119	81,537	1,284	1,249	1,145,662	948,672	1,392,295	1,287,949
Nonoperating Revenue (Expense)										
Gifts and additions to endowments	1,266,792	1,068,635	-	-	-	-	-	-	-	-
Grants	82,289	77,670	-	-	-	-	-	-	-	-
Investment income (loss)	99,349	141,210	-	-	(113,939)	214,793	-	-	(18)	(510,030)
Other	200,129	-	(2,232)	(832)	-	-	-	-	(10,376,679)	1,738,775
Total nonoperating revenue (expense)	1,648,559	1,287,515	(2,232)	(832)	(113,939)	214,793	-	-	(10,376,697)	1,228,745
Increase (Decrease) in Net Position	420,126	136,077	9,433	5,664	(115,223)	213,544	(199,185)	36,301	(11,343,671)	(59,204)
Net Position - Beginning of year	2,114,159	1,978,082	167,464	161,800	849,961	636,417	(790,077)	(826,378)	11,343,671	11,402,875
Net Position - End of year	**$ 2,534,285**	**$ 2,114,159**	**$ 176,897**	**$ 167,464**	**$ 734,738**	**$ 849,961**	**$ (989,262)**	**$ (790,077)**	**$ -**	**$ 11,343,671**

Condensed Statement of Cash Flows

	Grand Valley University Foundation		University Properties, Inc.		Grand Valley Research Corporation		Lafayette Hastings, LLC		38 Front Avenue	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net cash provided by (used in) operating activities	$ 60,226	$ (78,881)	$ 10,946	$ 8,196	$ 1,491	$ 1,151	$ (143,435)	$ (45,405)	$ (755,703)	$ 224,416
Net cash (used in) provided by investing activities	(356,680)	(52,245)	-	-	-	-	-	6,381	-	-
Net cash provided by financing activities	270,635	96,191	-	-	-	-	-	-	-	-
Net (decrease) increase in cash and cash equivalents	(25,819)	(34,935)	10,946	8,196	1,491	1,151	(143,435)	(39,024)	(755,703)	224,416
Cash and Cash Equivalents - Beginning of year	276,572	311,507	155,582	147,386	61,166	60,015	(654,836)	(615,812)	755,703	531,287
Cash and Cash Equivalents - End of year	**$ 250,753**	**$ 276,572**	**$ 166,528**	**$ 155,582**	**$ 62,657**	**$ 61,166**	**$ (798,271)**	**$ (654,836)**	**$ -**	**$ 755,703**

Note 1 – Summary of Significant Accounting Policies (Continued)

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). The university follows all applicable GASB pronouncements, and 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, global real estate, and global inflation-linked bonds. 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.

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, 2019 and 2018, there was an allowance of $542,682 and $604,565, respectively.

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 4.44 percent and 4.43 percent for the years ended June 30, 2019 and 2018, respectively. Included in pledges receivable are an unamortized discount of $1,303,694 and $1,045,656 at June 30, 2019 and 2018, respectively, and an allowance of $243,272 and $47,874 at June 30, 2019 and 2018, respectively.

Note Receivable - During the year ended June 30, 2012, a leveraged loan of $16,317,780 was provided to Grand Valley Investment Fund, an unrelated entity, for the purpose of financing the construction of the L. William Seidman Center. Interest accrued at 2 percent per annum. The note was retired in October 2018 as part of the unwinding of the New Market Tax Credit Program.

During the year ended June 30, 2013, a loan of $9,182,220 was provided by the university to 38 Front Avenue for the purpose of financing the construction of the L. William Seidman Center. Interest accrued at 2 percent per annum. The note was retired in October 2018 as part of the unwinding of the New Market Tax Credit Program. Since 38 Front Avenue is blended with university, this note as of June 30, 2018 has been eliminated in the financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

Physical Properties - Capital assets with a unit cost of over $5,000 and all library books are recorded at cost at the date of acquisition or, if donated, at fair market 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. With the implementation of GASB 89, interest expense relating to construction was expensed in 2019, whereas net capitalized interest of approximately $600,000 was recorded at June 30, 2018. Certain maintenance and replacement reserves have been established to fund expenses 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 Tuition and Fee Revenue - Tuition and fee revenue received and related to the period after June 30 has been deferred.

Provision for Unemployment Compensation - The university has elected to establish a provision for unemployment compensation under the terms of the Michigan Employment Security Act. Under this provision, the State of Michigan is reimbursed by the university for claims paid to former employees.

Compensated Absences - Compensated absence costs are accrued when earned by employees.

Operating Revenue - All revenue from programmatic sources is considered to be operating revenue. Included in nonoperating revenue are state appropriations, investment income, Pell Grant revenue, and gifts. 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. 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 2019 and 2018, the university distributed $161,798,591 and $163,453,071, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

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 $83,193,800 which represents the estimated amount of expenses ultimately to result if unperformed contracts in progress at June 30, 2019 are completed. Approximately $77,031,300 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 Fund - The Fiduciary Fund consists of funds held in a trust and accounts for the activities of the Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

Net Position - Net position is classified according to external donor restrictions or availability of assets for satisfaction of university obligations. Nonexpendable restricted net position is 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.

The unrestricted net position balance at June 30, 2019 includes $9,910,881 of funds functioning as endowment, $18,490,650 of capital projects in progress, $27,985,510 of housing and auxiliary repair and maintenance funds, $36,368,173 of debt service funds, $30,973,097 for academic initiatives and technology, $71,401,362 for future capital projects and debt service, and $16,656,953 for reserves for operations and cash flow.

The unrestricted net position balance at June 30, 2018 includes $9,894,800 of funds functioning as endowment, $3,009,974 of capital projects in progress, $25,130,930 of housing and auxiliary repair and maintenance funds, $31,844,676 of debt service funds, $29,019,653 for academic initiatives and technology, $50,165,592 for future capital projects and debt service, and $26,424,471 for reserves for operations and cash flow.

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, 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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. See Note 6 for more information.

Adoption of New Standards - For the year ended June 30, 2019, the university implemented GASB Statement No.88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The result of adoption of GASB 88 was to add disclosures to the university's reporting of debt that was issued in a direct purchase agreement, and GASB 89 resulted in the recognition of interest expense incurred during the construction period. GASB 88 was applied retrospectively and GASB 89 was applied prospectively.

For the year ended June 30, 2018, the university implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires governments providing postemployment benefits (OPEB) other than pensions to recognize their unfunded benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of these benefits. The statement also enhances accountability and transparency through revised note disclosures and Required Supplemental Information (RSI). In accordance with the statement, the university has reported an OPEB liability of $19,377,472, which was offset by net deferred inflows of $109,316 and a long-term liability of $10,028,821 recognized in prior years. Therefore, the decrease to net position as of July 1, 2017 was $9,239,335 as a result of the change in accounting principle.

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.

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 asset 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. Additionally, for endowment investments, the foremost objective is to maintain a spending rate that provides a proper balance between preservation of corpus and enhancement of the purchasing power of investment earnings. For the years ended June 30, 2019 and 2018, the endowed spending rate was 4.50 percent.

As of June 30, 2019, the university has remaining commitments of $22,189,550 in alternative asset investments. As of June 30, 2019 and 2018, the university had approximately $58.0 million and $44.8 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:

	2019	2018
Cash and cash equivalents	$ 103,643,540	$ 50,420,268
Short-term investments	40,707,963	39,578,179
Restricted cash and cash equivalents	15,089,092	2,226,111
Restricted Investments	5,786,119	-
Endowment investments	130,271,348	126,755,650
Other long-term investments	150,687,940	147,076,765
Total cash and investments	$ 446,186,002	$ 366,056,973

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

	2019	2018
Money markets	$ 118,732,634	$ 52,646,379
Time deposits	-	4,063,055
Fixed-income securities	5,786,119	-
Equity security investments	67,874,039	83,148,644
Mutual bond funds	184,860,497	176,269,716
Other	68,932,713	49,929,179
Total cash and investments	$ 446,186,002	$ 366,056,973

Note 2 - Cash and Investments (Continued)

As of June 30, 2019, 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	$ 118,732,634	$ 118,732,634	$ -	$ -	$ -
Fixed income securities	5,786,119	5,786,119	-	-	-
Mutual bond funds	184,860,497	-	129,011,796	47,698,820	8,149,881
Mutual equity funds	40,602,854	-	7,965,271	-	32,637,583
Mutual international equity funds	22,946,556	-	3,046,167	-	19,900,389
Global equity funds	10,858,507	-	-	-	10,858,507
Real estate	2,413,463	-	-	-	2,413,463
Venture capital	7,409,985	-	-	-	7,409,985
Other investments	52,575,387	-	2,824,148	-	49,751,239
Total investments and maturities	$ 446,186,002	$ 124,518,753	$ 142,847,382	$ 47,698,820	$ 131,121,047

As of June 30, 2018, 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	$ 52,646,379	$ 52,646,379	$ -	$ -	$ -
Time deposits	4,063,055	4,063,055	-	-	-
Mutual bond funds	176,269,716	-	121,271,732	48,074,729	6,923,255
Mutual equity funds	47,714,010	-	9,257,671	-	38,456,339
Mutual international equity funds	27,339,217	-	1,604,098	-	25,735,119
Global equity funds	8,095,416	-	-	-	8,095,416
Real estate	3,096,835	-	-	-	3,096,835
Venture capital	8,483,218	-	-	-	8,483,218
Other investments	38,349,127	-	1,433,529	-	36,915,598
Total investments and maturities	$366,056,973	$ 56,709,434	$133,567,030	$ 48,074,729	$127,705,780

As of June 30, 2019, 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	$ 2,146,880	$ 2,146,880	$ -	$ -	$ -
Fixed-income funds	$ 17,884,712	4,135,151	7,266,694	5,075,611	1,407,256
Equities	$ 39,329,966		-	-	39,329,966
Infrastructure funds	$ 3,022,034	-	-	-	3,022,034
Real estate investment funds	$ 2,960,063	-	-	-	2,960,063
Other alternative funds	$ 4,178,147	-	-	-	4,178,147
Pooled investment funds	$ 122,354	-	-	-	122,354
Common stock	$ 294	-	-	-	294
Total investments and maturities	$ 69,644,450	$ 6,282,031	$ 7,266,694	$ 5,075,611	$ 51,020,114

Note 2 - Cash and Investments (Continued)

As of June 30, 2018, 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	$ 1,068,216	$ 1,068,216	$ -	$ -	$ -
Fixed-income funds	19,133,429	3,939,496	9,544,963	4,342,099	1,306,871
Equities	42,006,252	-	-	-	42,006,252
Commodity funds	1,015,205	-	-	-	1,015,205
Real estate investment funds	1,940,057	-	-	-	1,940,057
Precious metals funds	1,364,831	-	-	-	1,364,831
Pooled investment funds	115,793	-	-	-	115,793
Common stock	15,009	-	-	-	15,009
Total investments and maturities	$ 66,658,792	$ 5,007,712	$ 9,544,963	$ 4,342,099	$ 47,764,018

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, 2019 have average maturities between 1.04 years and 8.7 years. At June 30, 2018, mutual bond funds have average maturities between 0.2 years and 8.4 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 resulting 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. At June 30, 2019 and 2018, the carrying amount of the university's deposits was $124,518,751 and $52,646,379, respectively. Cash balances in the bank were $126,153,376 and $56,421,583, respectively. Of the cash balances in the bank, $1,320,786 and $1,264,769, respectively, was insured.

Note 2 - Cash and Investments (Continued)

The remaining cash balances in the bank of $124,832,590 and $55,156,814 at June 30, 2019 and 2018, 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.

Credit Risk - The university's operating investment policy limits its short-term operating investments to .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 university held the following types of mutual fixed-income funds and credit ratings in pooled operating cash and investments at June 30, 2019 and 2018:

	Market Value 2019	Rating*	Market Value 2018	Rating*
PNC UltraShort	$ 12,741,349	2 star	$ 12,354,438	2 star
PIMCO Short Term Fund	19,990,542	5 star	15,184,615	5 star
Virtus (Ridgew orth) SEIX US Government SEC Ultra Short Bond	7,976,072	3 star	7,976,072	3 star
Vanguard Short Term Investment Grade	30,678,149	4 star	29,093,024	4 star
Doubleline Low Duration	24,753,452	5 star	24,506,903	4 star
Western Asset Intermediate	30,563,513	4 star	29,353,077	4 star
Loomis Sayles Multisector Full Discretion	-		3,091,406	4 star
JPMorgan Core Bond	21,170,036	4 star	19,586,405	3 star
Vanguard TIPS Inflation Protected Security	6,189,263	3 star	6,065,831	3 star
Franklin Templeton Emerging Market Debt Opps	4,067,316	4 star	4,038,973	4 star
Doubleline Total Return	17,356,969	4 star	15,523,304	5 star
Dodge & Cox Income Fund	645,488	4 star	530,671	5 star
Doubleline Flexible Income	-		380,325	4 star
iShares Barclays Intermediate Government	578,467	2 star	1,501,097	2 star
Goldman Sachs L/S Strategy	-		160,320	2 star
Total	$ 176,710,616		$ 169,346,461	

* Star ratings obtained from Morningstar; AA+ obtained from S&P.

Note 2 - Cash and Investments (Continued)

The university's Fiduciary Fund held the following types of mutual equity investments and credit ratings in pooled operating cash and investments at June 30, 2019 and 2018. The Fiduciary Fund had no holdings of mutual fixed-income funds.

	Market Value 2019	Rating*	Market Value 2018	Rating*
Harbor Capital Appreciation Fund	$ 1,465,928	4 star	$ 2,909,284	5 star
Harding Loevner International Equity Fund	2,503,972	4 star	3,364,215	4 star
iShares Core S&P 500 ETF	16,161,143	5 star	6,878,676	4 star
iShares Core S&P Mid-Cap ETF	-		5,650,178	4 star
iShares Core S&P Small-Cap ETF	-		2,463,322	5 star
MFS Value Fund	-		3,515,812	4 star
Primecap Odyssey Fund	-		2,685,153	5 star
Dana Large Cap Equity Institutional Fund	-		3,912,638	3 star
Principal Midcap Blend Fund	239,034	5 star	1,263,256	4 star
T Rowe Price US Small-Cap Growth Fund	-		1,319,718	4 star
Victory Sycamore Established Value Fund	-		1,425,311	5 star
Wells Fargo Special Small Cap Value Fund	1,057,595	5 star	1,623,612	5 star
iShares MSCI EAFE ETF	4,309,605	4 star	2,215,795	3 star
Seafarer Overseas Growth and Income Fund	1,243,319	3 star	822,263	3 star
iShares Core MSCI Emerging Markets ETF	1,219,694	3 star	992,491	3 star
PIMCO Commodity Real Return Fund	-		1,015,205	3 star
SPDR Gold Trust ETF	-		1,364,831	
Vanguard REIT ETF	2,960,063	4 star	1,940,058	3 star
Invesco Oppenheimer Developing Markets Fund	1,263,200	4 star	964,527	4 star
iShares Edge MSCI Min Vol USA ETF	1,393,431	5 star	-	
iShares Edge MSCI USA Momentum Fctr ETF	2,110,131	5 star	-	
iShares Edge MSCI USA Quality Factor ETF	2,116,524	4 star	-	
iShares S&P Global Infrastructure ETF	3,022,034	3 star	-	
Goldman Sachs Absolute Return Tracker Instl	4,178,146	4 star	-	
Vanguard Dividend Appreciation ETF	2,113,531	5 star	-	
Nicholas Limited Edition	1,044,119	4 star	-	
Nuance Mid Cap Value Institutional	1,088,740	5 star	-	
Total	$ 49,490,209		$ 46,326,345	

* Star ratings obtained from Morningstar; AA+ obtained from S&P.

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk - Custodial risk is the risk that, in the event of failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university does not have a policy for custodial credit risk. The university's investments are held by a custody agent.

Foreign Credit Risk - The university holds investments in some international mutual funds that invest in international equity funds and debt. 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 13 percent and 19 percent of total cash and investments at June 30, 2019 and 2018, respectively. Investments in these funds were approximately $59.4 million and $69.8 million for the years ended June 30, 2019 and 2018, respectively.

Alternative Assets - The other investments 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.

Note 2 - Cash and Investments (Continued)

The university has the following recurring fair value measurements as of June 30, 2019:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities - Mutual bond funds	$ 185,199,449	$ 185,199,449	$ -	$ -
Equity securities:				
Preferred stock	$ 279,508	279,508	-	-
Money market funds	38,017,412	38,017,412	-	-
Mutual equity funds	13,808,416	13,808,416	-	-
Mutual international security funds	3,046,167	3,046,167	-	-
Mutual diversification funds	1,083,585	1,083,585	-	-
Mutual balanced fund	6,293,526	6,293,526	-	-
Real estate funds	1,740,564	1,740,564	-	-
Total equity securities	64,269,178	64,269,178	-	-
U.S. Governmental agencies	5,786,119	-	5,786,119	-
Land	452,900	-	-	452,900
Beneficial interest	1,792,452	-	-	1,792,452
Total investments by fair value level		$ 249,468,627	$ 5,786,119	$ 2,245,352
Investments Measured at Net Asset Value (NAV)				
Hedge funds	61,746,226			
Pooled investment funds	24,566,856			
Private equity funds	19,209,309			
Real estate funds	1,960,563			
Venture capital fund	323,671			
Total investments measured at NAV	107,806,625			
Total investments measured at fair value	$ 365,306,723			
Investment Derivative Instruments - Interest rate swaps	$ (4,920,000)		$ (4,920,000)	

Note 2 - Cash and Investments (Continued)

The university has the following recurring fair value measurements as of June 30, 2018:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities - Mutual bond funds	$ 176,269,716	$ 176,269,716	$ -	$ -
Total debt securities	$ 176,269,716	176,269,716	-	-
Equity securities:				
Preferred stock	279,508	279,508	-	-
Money market funds	26,273,591	26,273,591	-	-
Mutual equity funds	16,506,612	16,506,612	-	-
Mutual international security funds	1,604,098	1,604,098	-	-
Mutual diversification funds	1,026,279	1,026,279	-	-
Mutual opportunistic fund	-	-	-	-
Mutual balanced fund	6,364,509	6,364,509	-	-
Real estate funds	407,250	407,250	-	-
Total equity securities	52,461,847	52,461,847	-	-
Land	452,900	-	-	452,900
Beneficial interest	1,830,090	-	-	1,830,090
Total investments by fair value level		$ 228,731,563	$ -	$ 2,282,990
Investments Measured at Net Asset Value (NAV)				
Hedge funds	61,694,628			
Pooled investment funds	29,958,290			
Private equity funds	9,748,550			
Real estate funds	2,643,934			
Venture capital fund	251,404			
Total investments measured at NAV	104,296,806			
Total investments measured at fair value	$ 335,311,359			
Investment Derivative Instruments - Interest rate swaps	$ (3,398,000)		$ (3,398,000)	

Note 2 - Cash and Investments (Continued)

The university's Fiduciary Funds have the following recurring fair value measurements as of June 30, 2019:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity securities:				
Money market mutual funds	$ 2,146,880	$ 2,146,880	$ -	$ -
Developed international equity funds	$ 6,813,576	6,813,576	-	-
Emerging markets equity funds	$ 3,726,213	3,726,213	-	-
Large-cap domestic equity funds	$ 25,360,689	25,360,689	-	-
Real estate investment funds	$ 2,960,063	2,960,063	-	-
Small- and mid-cap domestic equity funds	$ 3,429,488	3,429,488	-	-
Infrastructure funds	$ 3,022,034	3,022,034	-	-
Alternative strategies funds	$ 4,178,147	4,178,147		
Common stock	$ 294	294	-	-
Total equity securities	51,637,384	51,637,384	-	-
Fixed-income securities:				
Domestic fixed-income funds	$ 15,682,971	-	15,682,971	-
International fixed-income funds	$ 1,083,608	-	1,083,608	-
Inflation indexed fixed-income funds	$ 1,118,133	-	1,118,133	-
Total fixed-income securities	17,884,712	-	17,884,712	-
Total investments by fair value level		$ 51,637,384	$ 17,884,712	$ -
Investments Measured at Net Asset Value (NAV)				
Pooled investment funds	122,354			
Total investments measured at fair value	$ 69,644,450			

Note 2 - Cash and Investments (Continued)

The university's Fiduciary Funds have the following recurring fair value measurements as of June 30, 2018:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity securities:				
Money market mutual funds	$ 1,056,962	$ 1,056,962	$ -	$ -
Developed international equity funds	5,580,010	5,580,010	-	-
Emerging markets equity funds	2,779,281	2,779,281	-	-
Large-cap domestic equity funds	19,901,562	19,901,562	-	-
Real estate investment funds	1,940,058	1,940,058	-	-
Small- and mid-cap domestic equity funds	13,745,398	13,745,398	-	-
Commodity funds	2,380,036	2,380,036	-	-
Common stock	15,009	15,009	-	-
Total equity securities	47,398,316	47,398,316	-	-
Fixed-income securities:				
Domestic fixed-income funds	16,518,354	-	16,518,354	-
International fixed-income funds	1,257,594	-	1,257,594	-
Inflation indexed fixed-income funds	1,357,481	-	1,357,481	-
Total fixed-income securities	19,133,429	-	19,133,429	-
Total investments by fair value level		$ 47,398,316	$ 19,133,429	$ -
Investments Measured at Net Asset Value (NAV) - Pooled investment funds	115,793			
Total investments measured at fair value	$ 66,647,538			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of fixed-income securities and U.S. governmental agency securities at June 30, 2019 and 2018 was 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 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

The fair value of land and the beneficial interest account held at Grand Rapids Community Foundation at June 30, 2019 and 2018 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, taking into account the characteristics of the asset.

Note 2 - Cash and Investments (Continued)

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, 2019	June 30, 2018	June 30, 2019		
	Fair Value	Fair Value	Unfunded Commitments	Frequency, if Eligible	Redemption Notice Period
Hedge funds (A)	$ 61,746,226	$ 61,694,628	$ -	See (A) below	See (A) below
Pooled investment funds (B)	24,566,856	29,958,290	-	See (B) below	See (B) below
Private equity funds (C)	19,209,309	9,748,550	22,003,190	Not redeemable	N/A
Real estate funds (D)	1,960,563	2,643,934	619,960	Not redeemable	N/A
Venture capital fund (E)	323,671	251,404	1,566,400	Not redeemable	N/A
Total	$ 107,806,625	$ 104,296,806	$ 24,189,550		

(A) This category includes investments in hedge funds that invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using 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 60 days' advance notice.

b. Varde Investment Partners - Redeemable on anniversary date of admission to the fund with 90 days' advance written notice.

c. Acadian EM II Fund - Daily redemptions with 30 days' advance notice.

d. Barings, formerly Babson Capital Management - Redeemable on last business day of calendar month with 30 days' advance written notice.

e. Varadero Capital - Fund is not redeemable for the first three years it is held. After that, it is redeemable on the last calendar day of each calendar quarter with 90 days' prior written notice.

f. Pelham Long/Short Fund - Fund is not redeemable for the first twelve months it is held. After that it is redeemable on a monthly basis with 180 days prior written notice.

g. Davidson Kempner Institutional Partners - Quarterly redemptions with 65 days' advance notice.

h. SRS Partners - Quarterly redemptions with 60 days' prior written notice.

i. Indaba Capital Partners - Redeemable quarterly upon 90 days' notice, beginning on the last day of the quarter falling one year after the date of capital contribution.

j. Nitorum Capital - Class B shares are subject to a three year soft lock-up. During the lock-up period, interests may be withdrawn on the last business day immediately preceding each one year anniversary of the date the investment was established with 60 days' notice, and subject to an early withdrawal fee.

k. Hitchwood Capital Fund - Redeemable each calendar quarter with 75 days' advance notice.

l. Senator Global Offshore Fund - Redeemable at any calendar quarter-end upon at least 60 days' prior written notice. Shareholders may only redeem 25% of their shares at each redemption date.

m. Himilaya Capital Investors LP- Redeemable annually, last calendar day of the year with 60 days' notice.

Note 2 - Cash and Investments (Continued)

(B) This category includes investments in a common trust fund, commingled pool that invests in commodity-related and fixed-income investments. The fair values of the investments in this category have been estimated using the net asset value of the university's ownership interest in the fund. These investments can be redeemed as follows, with the following restrictions:

a. Sanderson International Value Fund - Redeemable on the first business day of each month with 10 business days' advance notice.

b. Philadelphia Harvest - Redeemable monthly with 30 days' notice.

c. Doddington Emerging Markets Fund - Redeemable on the first business day of each month with five business days' advance notice.

d. WMQS Global Equity Active Extension Fund - Redeemable monthly with 30 days' written notice.

e. Global Alpha EAFE - Redeemable monthly with 15 days' advance notice.

f. Hardman Johnston International Equity Fund - Redeemable on the first business day of each month with 30 days' written notice.

(C) 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. These investments can never be redeemed with the funds. Instead, 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.

(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.

(E) This category includes one venture capital fund 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.

Note 3 - Capital Assets

Capital asset activity for the university for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Land	$ 69,629,167	$ 4,509,953	$ 1,007,219	$ -	$ 73,131,901
Nondepreciable artw ork and historical treasures	6,296,708	30,514	-	-	6,327,222
Nondepreciable land improvements	1,722,820	-	-	-	1,722,820
Construction in progress	7,855,241	35,509,922	5,608,326	-	37,756,837
Total cost of nondepreciable capital assets	85,503,936	40,050,389	6,615,545	-	118,938,780
Land improvements and infrastructure	115,927,936	1,528,164	290,129	1,746,000	118,911,971
Buildings	791,004,512	4,080,163	437,808	38,488,857	833,135,724
Equipment	71,809,200	4,785,684	193,469	-	76,401,415
Library books	17,678,016	423,564	295,533	-	17,806,047
Total cost of depreciable capital assets	996,419,664	10,817,575	1,216,939	40,234,857	1,046,255,157
Total cost of capital assets	1,081,923,600	$ 50,867,964	$ 7,832,484	$ 40,234,857	1,165,193,937
Less accumulated depreciation for:					
Land improvements and infrastructure	64,398,818	$ 5,064,591	$ 261,116	$ 480,150	69,682,443
Buildings	229,876,969	18,620,989	188,246	5,292,218	253,601,930
Equipment	55,416,449	3,290,441	168,926	-	58,537,964
Library books	14,281,923	753,922	295,533	-	14,740,312
Total accumulated depreciation	363,974,159	$ 27,729,943	$ 913,821	$ 5,772,368	396,562,649
University capital assets - Net	$ 717,949,441				$ 768,631,288

38 Front Avenue Capital Assets	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Land improvements and infrastructure	$ 1,746,000	$ -	$ -	$ (1,746,000)	$ -
Buildings	38,488,857	-	-	(38,488,857)	-
Total cost of capital assets	40,234,857	$ -	$ -	$ (40,234,857)	-
Less accumulated depreciation for:					
Land improvements and infrastructure	436,500	$ 43,650	$ -	$ (480,150)	-
Buildings	4,811,107	481,111	-	(5,292,218)	-
Total accumulated depreciation	5,247,607	$ 524,761	$ -	$ (5,772,368)	-
38 Front Avenue Capital assets-Net	$ 34,987,250				$ -

University and 38 Front Avenue Combined	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Total cost of nondepreciable capital ass	$ 85,503,936	$ 40,050,389	$ 6,615,545	$ -	$ 118,938,780
Total cost of depreciable capital assets	1,036,654,521	10,817,575	1,216,939	-	1,046,255,157
Total cost of capital assets	1,122,158,457	50,867,964	7,832,484	-	1,165,193,937
Total accumulated depreciation	369,221,766	$ 28,254,704	$ 913,821	$ -	396,562,649
Total capital assets - Net	$ 752,936,691				$ 768,631,288

Note 3 - Capital Assets (Continued)

Capital asset activity for the university for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 63,857,809	$ 5,771,358	$ -	$ 69,629,167
Nondepreciable artw ork and historical treasures	6,257,395	39,313	-	6,296,708
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress	30,268,439	38,752,275	61,165,473	7,855,241
Total cost of nondepreciable capital assets	102,106,463	44,562,946	61,165,473	85,503,936
Land improvements and infrastructure	107,348,240	8,579,696	-	115,927,936
Buildings	735,692,656	55,450,741	138,885	791,004,512
Equipment	68,506,094	4,283,661	980,555	71,809,200
Library books	17,354,567	676,918	353,469	17,678,016
Total cost of depreciable capital assets	928,901,557	68,991,016	1,472,909	996,419,664
Total cost of capital assets	1,031,008,020	$ 113,553,962	$ 62,638,382	1,081,923,600
Less accumulated depreciation for:				
Land improvements and infrastructure	59,271,664	$ 5,127,154	$ -	64,398,818
Buildings	212,729,638	17,247,329	99,998	229,876,969
Equipment	52,948,434	3,401,643	933,628	55,416,449
Library books	13,825,763	809,629	353,469	14,281,923
Total accumulated depreciation	338,775,499	$ 26,585,755	$ 1,387,095	363,974,159
University capital assets - Net	$ 692,232,521			$ 717,949,441

38 Front Avenue Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land improvements and infrastructure	$ 1,746,000	$ -	$ -	$ 1,746,000
Buildings	38,488,857	-	-	38,488,857
Total cost of capital assets	40,234,857	$ -	$ -	40,234,857
Less accumulated depreciation for:				
Land improvements and infrastructure	349,200	$ 87,300	$ -	436,500
Buildings	3,848,885	962,222	-	4,811,107
Total accumulated depreciation	4,198,085	$ 1,049,522	$ -	5,247,607
38 Front Avenue Capital assets-Net	$ 36,036,772			$ 34,987,250

University and 38 Front Avenue Combined	Beginning Balance	Additions	Reductions	Ending Balance
Total cost of nondepreciable capital assets	$ 102,106,463	$ 44,562,946	$ 61,165,473	$ 85,503,936
Total cost of depreciable capital assets	969,136,414	68,991,016	1,472,909	1,036,654,521
Total cost of capital assets	1,071,242,877	113,553,962	62,638,382	1,122,158,457
Total accumulated depreciation	342,973,584	$ 27,635,277	$ 1,387,095	369,221,766
Total capital assets - Net	$ 728,269,293			$ 752,936,691

Note 3 - Capital Assets (Continued)

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

Note 4 - Long-term Liabilities

Long-term liabilities of the university consist of bonds payable, charitable gift annuities payable, and notes payable.

The changes in long-term liabilities for the year ended June 30, 2019 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Refunding Bonds, Series 2008A	$ 2,830,000	$ -	$ 2,830,000	$ -	$ -
General Revenue Refunding Variable Rate Bonds, Series 2008B	29,820,000	-	1,880,000	27,940,000	-
General Revenue Bonds, Series 2011	8,195,000	-	2,615,000	5,580,000	2,720,000
General Revenue Refunding Bonds, Series 2014B	36,940,000	-	-	36,940,000	-
General Revenue Bonds, Series 2015A	27,430,000	-	980,000	26,450,000	1,020,000
General Revenue Refunding Bonds, Series 2016A	61,010,000	-	-	61,010,000	-
General Revenue Bonds, Series 2017	30,320,000	-	1,540,000	28,780,000	5,930,000
General Revenue Bonds, Series 2018	-	41,125,000	-	41,125,000	-
Subtotal	196,545,000	41,125,000	9,845,000	227,825,000	9,670,000
General Revenue Refunding, Series 2013A Direct Purchase Bonds	17,320,000	-	3,100,000	14,220,000	3,225,000
General Revenue, Series 2014A Direct Purchase Bonds	32,120,000	-	350,000	31,770,000	365,000
Subtotal	49,440,000	-	3,450,000	45,990,000	3,590,000
Total bonds payable	245,985,000	41,125,000	13,295,000	273,815,000	13,260,000
Unamortized bond premiums	18,314,812	4,943,057	1,447,661	21,810,208	1,447,661
Charitable gift annuities payable	839,728	133,075	160,203	812,600	160,203
Ground lease payable	291,787	-	3,154	288,633	3,297
Interest rate swap contract (see Note 5)	1,019,000	-	309,000	710,000	245,000
Total	266,450,327	$ 46,201,132	$15,215,018	297,436,441	15,116,161
38 Front QLICI loans payable (offset by note receivable)	22,273,000	-	22,273,000	-	-
Combined total	288,723,327	46,201,132	37,488,018	297,436,441	$ 15,116,161
Due within one year	15,976,156			15,116,161	
Combined long-term liabilities	$ 272,747,171			$282,320,280	

Note 4 - Long-term Liabilities (Continued)

The changes in long-term liabilities for the year ended June 30, 2018 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Bonds, Series 1998	$ 1,510,000	$ -	$ 1,510,000	$ -	$ -
General Revenue Bonds, Series 2007A	5,930,000	-	5,930,000	-	-
General Revenue Refunding Bonds, Series 2008A	10,995,000	-	8,165,000	2,830,000	2,830,000
General Revenue Refunding Variable Rate Bonds, Series 2008B	31,635,000	-	1,815,000	29,820,000	1,880,000
General Revenue Bonds, Series 2011	10,685,000	-	2,490,000	8,195,000	2,615,000
General Revenue Refunding Bonds, Series 2014B	36,940,000	-	-	36,940,000	-
General Revenue Bonds, Series 2015A	27,430,000	-	-	27,430,000	980,000
General Revenue Refunding Bonds, 2016A	61,010,000	-	-	61,010,000	-
General Revenue Bonds, Series 2017	-	30,320,000	-	30,320,000	1,540,000
Subtotal	186,135,000	30,320,000	19,910,000	196,545,000	9,845,000
General Revenue Refunding, Series 2013A Direct Purchase Bonds	20,310,000	-	2,990,000	17,320,000	3,100,000
General Revenue, Series 2014A Direct Purchase Bonds	32,120,000	-	-	32,120,000	350,000
Subtotal	52,430,000	-	2,990,000	49,440,000	3,450,000
Total bonds payable	238,565,000	30,320,000	22,900,000	245,985,000	13,295,000
Unamortized bond premiums	17,271,889	2,562,294	1,519,371	18,314,812	1,241,700
Charitable gift annuities payable	949,568	50,363	160,203	839,728	160,203
Ground lease payable	294,804	-	3,017	291,787	3,154
Interest rate swap contract (see Note 5)	1,388,000	-	369,000	1,019,000	308,320
Total	258,469,261	$32,932,657	$ 24,951,591	266,450,327	15,008,377
38 Front QLICI loans payable (offset by note receivable)	22,273,000			22,273,000	967,779
Combined total	280,742,261			288,723,327	$ 15,976,156
Due within one year	15,029,106			15,976,156	
Combined long-term liabilities	$ 265,713,155			$ 272,747,171	

Note 4 - Long-term Liabilities (Continued)

The General Revenue Bonds, Series 1998, were issued in January 1998 by the Board of Trustees to provide funds for construction of additional residential facilities. The interest rate on Series 1998 bonds is 5.50 percent. The bonds matured in 2018.

The General Revenue Bonds, Series 2007A, were issued in September 2007 by the Board of Trustees to provide funds for construction of a residential living and learning center, construction of a movement science and indoor recreational facility, and additions to an academic building and student activity center, as well as a portion of the construction period interest expense. In addition to the scheduled payment of $785,000, $5,145,000 of the bonds were defeased through a refunding in 2017. The defeased bonds will be held in trust until callable on December 1 of the years 2018 to 2020. The interest rates on the Series 2007A bonds range from 4.00 percent to 5.00 percent. The remaining bonds matured in 2018.

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 (1.89 percent and 1.50 percent at June 30, 2019 and 2018, 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 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 seven days' 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 General Revenue Bonds, Series 2011, were issued in May 2011 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip the Mary Idema Pew Library Learning and Information Commons. The interest rates on these bonds range from 4.00 percent to 5.00 percent, and they mature in 2021.

The General Revenue Refunding Bonds, Series 2013A, were issued in June 2013 by the Board of Trustees for the current refunding of $29,180,000 of Series 2005 bonds.

The Series 2013A bonds bear interest of 2.40 percent and 1.94 percent at June 30, 2019 and 2018, respectively, based on a reset rate calculated as a factor of LIBOR 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 2025.

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, 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.

Note 4 - Long-term Liabilities (Continued)

The Series 2014A bonds bear interest of 2.40 percent and 1.91 percent at June 30, 2019 and 2018, respectively, based on a reset rate calculated as a factor of LIBOR 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 Standard & Poor's drops below BBB, or (3) the university fails to pay when due any amount of principal or interest.

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, and they 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, and they 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, and they 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 will be 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, and they 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 December 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, and they mature in 2044.

Loans payable of $22,273,000 were issued in 2012 to provide partial funding for construction for the L. William Seidman Center as required by New Market Tax Credits. The interest rate on these loans ranged from 1.43 percent to 1.50 percent. The loans were scheduled to mature in 2041. The loans were partially offset with a note receivable from the Grand Valley Investment Fund (unrelated entity) to the university of $16,317,780. In October 2018, the university completed the unwinding of the New Markets Tax Credits used to finance 38 Front Avenue, retiring the outstanding liability of $22,273,000 and corresponding note receivable of $16,317,780.

Note 4 - Long-term Liabilities (Continued)

Scheduled maturities of long-term liabilities are as follows:

	Revenue Bonds		Direct Purchase Bonds		Annuities
Fiscal Year	Principal	Interest	Principal	Interest	Payable
2020	$ 9,670,000	$ 9,965,839	$ 3,590,000	$ 1,054,594	$ 160,203
2021	9,975,000	9,483,314	3,725,000	966,479	160,203
2022	9,670,000	8,942,700	3,555,000	879,376	160,203
2023	10,130,000	8,500,795	3,700,000	791,962	160,203
2024	11,705,000	8,010,232	2,775,000	715,993	160,203
2025-2029	73,470,000	30,806,468	7,990,000	2,824,493	11,585
2030-2034	71,380,000	14,212,778	7,600,000	2,118,702	-
2035-2039	25,525,000	3,950,135	10,795,000	886,219	-
2040-2044	6,300,000	784,000	2,260,000	22,755	-
University maturities	$ 227,825,000	$ 94,656,262	$ 45,990,000	$ 10,260,575	$ 812,600

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, 2019 and 2018. 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, 2019, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the 2019 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2019		
Type	Classification	Amount	Classification	Amount	Notional
Hedging Derivatives					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow of resources	$ 1,380,000	Liability	$ (95,000)	$ 14,220,000
Pay-fixed interest rate swap	Deferred outflow of resources	335,000	Liability	(4,825,000)	27,940,000
	Total	$ 1,715,000	Total	(4,920,000)	
Investment Derivative					
Pay-fixed interest rate swap	Change in fair value of derivative instruments	$ 118,000	N/A	N/A	-
			Total	$ (4,920,000)	

Note 5 - Derivative Instruments (Continued)

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2018, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the 2018 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2018		
Type	Classification	Amount	Classification	Amount	Notional
Hedging Derivatives					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow of resources	$ 1,720,000	Asset	$ 245,000	$ 17,320,000
Pay-fixed interest rate swap	Deferred outflow of resources	1,545,000	Liability	(3,615,000)	27,940,000
	Total	$ 3,265,000	Total	(3,370,000)	
Investment Derivative					
Pay-fixed interest rate swap	Change in fair value of derivative instruments	$ 90,000	Liability	(28,000)	1,880,000
			Total	$(3,398,000)	

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
9/24/2003	Pay fixed, Receive variable	Cash flow hedge for Series 2008B bonds	$ -	3.299% Fixed	month LIBOR	6/1/2019	A1/A+
3/3/2005	Pay fixed, Receive variable	Cash flow hedge for Series 2013A bonds	$14,220,000	3.501% Fixed	month LIBOR	12/1/2025	A1/A+
9/6/2007	Pay fixed, Receive variable	Cash flow hedge for Series 2008B bonds	$27,940,000	3.691% Fixed	month LIBOR	12/1/2031	A1/A+

At June 30, 2019, the university holds two derivative instruments that are pay-fixed, receive-variable interest rate swaps. At June 30, 2018, the university held a third pay-fixed, receive-variable interest rate swap that matured on June 1, 2019. 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 The two remaining swap agreements are effective cash flow hedges. The swap that matured during the year was not considered effective and was classified as an investment derivative.

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 is now 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 is designated as a hedging instrument with a current mark-to-market value of $95,000 and ($245,000) at June 30, 2019 and 2018, respectively. The above-market amount, which equals $710,000 and $1,019,000 at June 30, 2019 and 2018, respectively, is considered a borrowing and is included in long-term debt as an interest rate swap contract.

Note 5 - Derivative Instruments (Continued)

The fair values of the interest rate swaps were calculated by an independent consultant as of June 30, 2019 and 2018. 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 nondefaulting 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 nondefaulting party.

The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2019 was $0 and $245,000 at June 30, 2019 and 2018, respectively. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by $0 of collateral held and $4,920,000 and $3,643,000 at June 30, 2019 and 2018, respectively, of liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of $0.

All of the contracts are held with one counterparty. That counterparty is rated A1/A+ at June 30, 2019.

Interest Rate Risk - The university is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swap, as LIBOR rates decrease, the university's net payment on the swap increases.

Basis Risk - The university is exposed to basis risk on its 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, 2019 and 2018, the weighted average interest rate on the university's hedged variable-rate debt is 2.06 percent and 1.66 percent, respectively, while 70 percent of LIBOR is 1.71 percent and 1.46 percent, 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, 2019, 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)

	Associated with Swap Agreements			
Fiscal Year	Principal	Interest	Interest Rate Swaps - Net	Total
2020	$ 3,225,000	$ 824,637	$ 775,429	$ 4,825,066
2021	3,345,000	745,499	716,355	4,806,854
2022	4,285,000	658,134	644,328	5,587,462
2023	4,455,000	563,585	561,739	5,580,324
2024	3,555,000	480,331	487,077	4,522,408
2024-2028	14,380,000	1,478,302	1,539,119	17,397,421
2029-2032	8,915,000	243,753	255,747	9,414,500
Total	$ 42,160,000	$ 4,994,241	$ 4,979,794	$ 52,134,035

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 $17,997,200 and $17,723,700 for the years ended June 30, 2019 and 2018, respectively. Total payroll covered under this plan was approximately $149,929,000 in 2019 and $144,334,200 in 2018.

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 2.0 percent of wages. Participants become fully vested upon completion of two years of employment. Total expenses under this plan were approximately $1,378,560 in 2019 and $1,256,200 in 2018. Total payroll covered under this plan was approximately $14,641,450 in 2019 and $14,045,600 in 2018.

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. Benefit terms have been established by contractual agreements between the university and the various employee union representation; amendments are subject to the same process.

Note 6 - Retirement Plans (Continued)

The financial statements of the plans are included in these financial statements as an employee benefit plan trust fund (a Fiduciary Fund).

At July 1, 2018 and 2017, retirement plan membership consisted of the following:

	Professional Support Staff Employees' Plan		Maintenance, Grounds, Service Employees' Plan	
	2018	2017	2018	2017
Inactive plan members receiving benefits	211	196	77	74
Inactive members entitled to, not yet receiving benefits	88	88	8	7
Active plan members	172	194	64	69
Total participants	471	478	149	150

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. The university's contribution rate of annual payroll was 23.1 percent and 19.2 percent for the years ended June 30, 2019 and 2018, respectively.

For the MGSE plan, the active members' contribution rate is 4.25 percent. The university's contribution rate of annual payroll was 27.8 percent and 24.3 percent for the years ended June 30, 2019 and 2018, 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 in consultation with the GVSU Pension Plans Investment Committee. It is the policy of the Treasurer of the Board to 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.

Note 6 - Retirement Plans (Continued)

The following was the asset allocation policy for the plans as of June 30, 2019 and 2018:

	Target Allocation	
Asset Class	2019	2018
Domestic equities	44%	57%
International equities	19%	15%
Fixed income	17%	20%
Cash	3%	0%
Real estate	10%	3%
Commodities	7%	5%

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 5.8 percent and 9.7 percent for the years ended June 30, 2019 and 2018, respectively, for the PSSE plan. The annual money-weighted rate of return on retirement plan investments, net of retirement plan investment expense, was 5.8 percent and 9.6 percent for the years ended June 30, 2019 and 2018, respectively, for the MGSE plan. The money-weighted rate of return expresses investment performance, net of investment expense.

Net Pension Liability of the University

The university's net pension liability was measured as of June 30, 2019 and 2018. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2018 and 2017, which used updated procedures to roll forward the estimated liability to June 30, 2019 and 2018, respectively.

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, 2017	$ 61,641,189	$ 45,402,405	$ 16,238,784
Changes for the Year			
Service cost - Beginning of year	797,818	-	797,818
Interest on average adjusted total pension liabillity	3,976,774	-	3,976,774
Differences betw een expected and actual experience	209,400	-	209,400
Changes in assumptions	(312,926)	-	(312,926)
Benefits payments, including refunds of member contributions	(2,515,721)	-	(2,515,721)
Contributions - Employer	-	2,080,143	(2,080,143)
Contributions - Member	-	305,305	(305,305)
Net investment income	-	4,032,968	(4,032,968)
Administrative expenses	-	(200,506)	200,506
Benefit payments, including refunds of member contributions	-	(2,515,721)	2,515,721
Net Changes	2,155,345	3,702,189	(1,546,844)
Balance at June 30, 2018	**$ 63,796,534**	**$ 49,104,594**	**$ 14,691,940**
Changes for the Year			
Service cost - Beginning of year	718,850		718,850
Interest on average adjusted total pension liability	4,103,753		4,103,753
Differences betw een expected and actual experience	(787,903)		(787,903)
Changes in assumptions	1,935,559		1,935,559
Contributions - Employer		1,846,741	(1,846,741)
Contributions - Member		347,440	(347,440)
Net investment income		2,961,581	(2,961,581)
Administrative expenses		(197,614)	197,614
Benefit payments, including refunds of member contributions	(2,761,440)	(2,761,440)	-
Net Changes	3,208,819	2,196,708	1,012,111
Balance at June 30, 2019	**$ 67,005,353**	**$ 51,301,302**	**$ 15,704,051**

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, 2017	$ 23,841,914	$ 16,330,315	$ 7,511,599
Changes for the Year			
Service cost - Beginning of year	318,061	-	318,061
Interest on average adjusted total pension liability	1,535,483	-	1,535,483
Differences betw een expected and actual experience	5,766	-	5,766
Changes in assumptions	(132,170)	-	(132,170)
Benefits payments, including refunds of member contributions	(1,074,315)	-	(1,074,315)
Contributions - Employer	-	904,245	(904,245)
Contributions - Member	-	123,132	(123,132)
Net investment income	-	1,485,570	(1,485,570)
Administrative expenses	-	(53,062)	53,062
Benefit payments, including refunds of member contributions	-	(1,074,315)	1,074,315
Net Changes	652,825	1,385,570	(732,745)
Balance at June 30, 2018	**$ 24,494,739**	**$ 17,715,885**	**$ 6,778,854**
Changes for the Year			
Service cost - Beginning of year	265,172	-	265,172
Interest on average adjusted total pension liability	1,571,020	-	1,571,020
Differences betw een expected and actual experience	252,845	-	252,845
Changes in assumptions	651,124	-	651,124
Contributions - Employer	-	829,005	(829,005)
Contributions - Member	-	112,328	(112,328)
Net investment income	-	1,065,492	(1,065,492)
Administrative expenses	-	(51,172)	51,172
Benefit payments, including refunds of member contributions	(1,180,738)	(1,180,738)	-
Net Changes	1,559,423	774,915	784,508
Balance at June 30, 2019	**$ 26,054,162**	**$ 18,490,800**	**$ 7,563,362**

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, 2019 and 2018, the university recognized pension expense of $3,866,899 and $3,695,165, respectively, for the PPSE plan and $1,536,044 and $1,314,692, respectively, for the MSGE Plan.

At June 30, 2019, 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	$ 582,117	$ 544,723	$ 369,485	$ 165,943
Changes in assumptions	3,990,686	1,289,163	1,729,482	899,898
Net difference between projected and actual earnings on plan investments	-	498,508	-	217,288
Total	$ 4,572,803	$ 2,332,394	$ 2,098,967	$ 1,283,129

At June 30, 2018, 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	$ 768,839	$ -	$ 245,529	$ 216,687
Changes in assumptions	4,215,338	1,590,549	1,974,789	1,144,826
Net difference between projected and actual earnings on plan investments	-	145,172	-	120,436
Total	$ 4,984,177	$ 1,735,721	$ 2,220,318	$ 1,481,949

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	MSGE Amount
2020	1,943,390	694,752
2021	20,325	76,941
2022	(1,994)	(65,193)
2023	131,509	11,323
2024	90,437	98,015
Thereafter	56,742	-

Note 6 - Retirement Plans (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2019 and 2018 for both plans was determined by an actuarial valuation as of July 1, 2018 and 2017, 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	6.23% as of July 1, 2019 and 6.50% as of July 1, 2018, net of pension plan investment expense

Based on Mortality Table MP-2018, as appropriate.

Discount Rate - The discount rate used to measure the total pension liability of the PPSE plan was 6.23 percent and 6.50 percent for years ended June 30, 2019 and 2018. The discount rate used to measure the total pension liability of the MSGE plan was 6.23 percent and 6.5 percent for the years ended June 30, 2019 and 2018. 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.

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, 2019 and 2018 (see discussion of the retirement plans’ investment policy) are summarized in the table below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities	44%	6.73%
International equities	19%	8.67%
Fixed income	17%	6.27%
Cash	3%	0.00%
Real estate	10%	5.04%
Commodities	7%	0.80%

The sum of the target allocations times the long-term expected rates is 6.23 percent and 6.50 percent for years ended June 30, 2019 and 2018, respectively.

Note 6 - Retirement Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability (NPL) 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 1 percentage point lower or 1 percentage point higher than the current rate for each plan.

For the year ended June 30, 2019:

Plan	1% Decrease	Current Discount Rate	1% Increase
Professional Support Staff Employees' Plan	$ 24,672,195	$ 15,704,051	$ 8,333,857
Maintenance, Grounds, Service Employees' Plan	$ 10,521,005	$ 7,563,362	$ 5,050,646

For the year ended June 30, 2018:

Plan	1% Decrease	Current Discount Rate	1% Increase
Professional Support Staff Employees' Plan	$ 23,268,681	$ 14,691,940	$ 7,641,518
Maintenance, Grounds, Service Employees' Plan	$ 9,576,091	$ 6,778,854	$ 4,404,575

The mortality improvement projection scale was updated from MP-2017 to MP-2018 since the prior measurement date. The discount rate was lowered from 6.5 percent to 6.23 percent based on updated long-term projections by the money manager. There were no changes in the benefit terms.

Other Postemployment Benefit Plan (OPEB)

The university has a single-employer defined benefit plan that provides certain healthcare benefits for retired faculty and staff. The plan covers 2,283 members, which includes 1,466 active members, 584 inactive members receiving benefits and 233 covered spouses of retirees as of July 1, 2018 and currently 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 Statement 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 $16,078,973 and $15,078,781 at June 30, 2019 and 2018, respectively. However, because the funds are not held in an irrevocable trust, these assets are excluded for GASB Statement No. 75 purposes.

Note 6 - Retirement Plans (Continued)

Total OPEB Liability - The June 30, 2019 total OPEB liability was measured as of June 30, 2019 based on an actuarial valuation performed June 30, 2019 in compliance with GASB Statement No. 75. The June 30, 2018 OPEB liability was measured as of June 30, 2018 based on an actuarial valuation performed June 30, 2018 in compliance with GASB Statement No. 75. Changes in the total OPEB liability during the measurement year were as follows:

	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	$ 19,377,472	$ -	$ 19,377,472
Changes for the Year			
Service cost - Beginning of year	725,755	-	725,755
Interest	612,140	-	612,140
Changes in benefit terms		-	-
Differences between expected and actual experience	(111,193)	-	(111,193)
Changes in assumptions	220,509	-	220,509
Benefits payments, including refunds of member contributions	(713,556)	(713,556)	-
Contributions - Employer	-	713,556	(713,556)
Net investment income	-	-	-
Net Changes	733,655	-	733,655
Balance at June 30, 2018	**$ 20,111,127**	**$ -**	**$ 20,111,127**
Balance at June 30, 2018	$ 20,111,127		$ 20,111,127
Changes for the Year			
Service cost - Beginning of year	719,962	-	719,962
Interest on average adjusted TPL	614,057	-	614,057
Differences between expected and actual experience	175,403	-	175,403
Changes in assumptions	(301,810)	-	(301,810)
Benefits payments, including refunds of member contributions	(725,085)	(725,085)	-
Contributions - Employer	-	725,085	(725,085)
Net Changes	482,527	-	482,527
Balance at June 30, 2019	**$ 20,593,654**	**$ -**	**$ 20,593,654**
Current	**$ 726,000**		**$ 726,000**
Noncurrent	**$ 19,867,654**		**$ 19,867,654**
	$ 20,593,654		**$ 20,593,654**

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, 2019 and 2018, the university recognized OPEB expense of $1,329,219 and $1,347,588, respectively

At June 30, 2019, 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	$ 155,292	$ 91,475
Changes in assumptions	181,405	267,206
Total	$ 336,697	$ 358,681

At June 30, 2018, 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	$ -	$ 101,334
Changes in assumptions	200,957	-
Total	$ 200,957	$ 101,334

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
2020	$ (4,800)
2021	(4,800)
2022	(4,800)
2023	(4,800)
2024	(4,800)
Thereafter	2,016

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.0 percent; assumed salary increases (including inflation) of 2.5 percent; an investment rate of 0% as assets held are not allowable for inclusion under GASB 75 requirements; a healthcare cost trend rate of 8.0 percent in 2018, decreasing .5 percent per year to an ultimate rate of 5.0 percent; and using the RP-2014 mortality tables with the MP-2018 improvement scale.

There were no changes in benefit terms during 2018 or 2019.

Note 6 - Retirement Plans (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 3.36 percent at June 30, 2019 and 3.0 percent at June 30, 2018. 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, 2019	1% Decrease	Current Discount Rate 3.36%	1% Increase
Total OPEB Liability	$ 23,168,032	$ 20,593,654	$ 18,424,950
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	**$ 23,168,032**	**$ 20,593,654**	**$ 18,424,950**

June 30, 2018	1% Decrease	Current Discount Rate 3%	1% Increase
Total OPEB Liability	$ 27,200,477	$ 20,111,127	$ 15,781,501
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	**$ 27,200,477**	**$ 20,111,127**	**$ 15,781,501**

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, 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, 2019	1% Decrease	Current Healthcare Trend Rate 7.5%	1% Increase
Total OPEB Liability	$ 20,429,106	$ 20,593,654	$ 20,782,754
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	**$ 20,429,106**	**$ 20,593,654**	**$ 20,782,754**

June 30, 2018	1% Decrease	Current Healthcare Trend Rate 8.0%	1% Increase
Total OPEB Liability	$ 19,863,102	$ 20,111,127	$ 20,404,596
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	**$ 19,863,102**	**$ 20,111,127**	**$ 20,404,596**

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 Padnos College of Engineering and Computing, the Graduate School of Business and Graduate Library Building located on the Pew Campus in downtown Grand Rapids, and the P. Douglas Kindschi Hall of Science located on the Allendale campus. The arrangement is based upon a lease agreement that is signed by the university. It stipulates that the SBA will hold title to the buildings and the State will make all lease payments to the SBA on behalf of the university, and the university will pay all operating and maintenance costs. At the expiration of the lease, the SBA has agreed to sell each building to the university for $1.

Previously, the university agreed to lease the Muskegon Innovation Hub from the City of Muskegon, Michigan at no cost through June 30, 2025. Ownership of the building will revert to the university at lease termination for $1.

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 FY19 and FY18, 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 $2,256,429 and $3,159,884 as of June 30, 2019 and 2018, respectively.

	2019	2018	2017
Balance - Beginning of year	$ 3,159,884	$ 3,159,043	$ 2,631,599
Claims incurred and changes in estimates	29,894,439	29,399,488	28,513,236
Claim payments	(30,797,894)	(29,398,647)	(27,985,792)
Balance - End of year	$ 2,256,429	$ 3,159,884	$ 3,159,043

To secure payment for a utility agreement, the university requested a $450,000 letter of credit during August 2007, which has been extended through March 31, 2020.

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 2019, there are 11 universities that participate 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.

Note 8 – Contingencies (Continued)

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 $309,221,249 and $288,429,246 was appropriated by the State in 2019 and 2018, respectively, to be allocated to the public school academies, net of approximately a 3 percent administrative fee retained by the university. At June 30, 2019, $55,991,438 was outstanding as a receivable from the State, of which $54,454,356 was subsequently forwarded to support the public school academies. At June 30, 2018, $52,404,907 was outstanding as a receivable from the State, of which $50,970,246 was subsequently forwarded to support the public school academies. This activity is treated as an agency transaction.

The L. William Seidman Center opened on May 1, 2013, and an operating lease between the university and 38 Front Avenue commenced. It is a 30-year triple net operating lease paid by the university for exclusive use of the building. Rental payments are due annually, in advance. In addition, the university entered into a 99-year triple-net ground lease with 38 Front Avenue for the land upon which the building is constructed for lease payments of $1, due annually, in advance. Upon the dissolution of 38 Front Avenue, both lease agreements were terminated.

38 Front Avenue was financed in part by proceeds from loans received from investors participating in the New Markets Tax Credit program administered by the Community Development Financial Institutions Fund of the U.S. Department of Treasury.

Under the program as part of the loan agreement, 38 Front Avenue has committed to maintaining its status as a Qualified Active Low-Income Community Business (QALICB) as defined in IRC Section 45D. The QALICB is a Michigan nonprofit corporation with Grand Valley State University as the only member. The purpose of the QALICB is to acquire, own, and construct a new, multi-story 124,000 square foot LEED Silver building for the expansion of the Seidman College of Business and various community and business outreach services. 38 Front Avenue was dissolved in December 2018.

Note 9 - Subsequent Events

The State of Michigan has approved the appropriation amount of $73,388,500 for FY2019-2020.

Note 10 - Upcoming Pronouncements

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities,* which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The university is currently evaluating the impact of this standard, specifically related to holding assets for other organizations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2018.

Note 10 - Upcoming Pronouncements (Continued)

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard is expected to have a significant effect on the university's financial statements as a result of the leases for real property and equipment classified as operating leases. The effect of applying the new lease guidance on the financial statements has not yet been determined. The provisions of this statement are effective for the university's financial statements for the year ending June 30, 2021.

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Required Supplemental Information

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Required Supplemental Information
Professional Support Staff Employee's Retirement Plan
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios

	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	$ 718,850	$ 797,818	$ 718,706	$ 785,499	$ 869,998	$ 884,731
Interest on average adjusted TPL	4,103,753	3,976,774	3,918,820	3,718,896	3,170,993	3,026,543
Difference betw een expected & actual experience	(787,903)	209,400	197,571	154,810	-	-
Changes in assumptions	1,935,559	(312,926)	5,444,091	(2,009,843)	3,014,969	-
Benefits payments, including refunds of member contributions	(2,761,440)	(2,515,721)	(2,183,758)	(1,987,377)	(1,683,752)	(1,554,355)
Net change in total pension liability	3,208,819	2,155,345	8,095,430	661,985	5,372,208	2,356,919
Total pension liability - Beginning of year	63,796,534	61,641,189	53,545,759	52,883,774	47,511,566	45,154,647
Total pension liability - End of year	**$ 67,005,353**	**$ 63,796,534**	**$ 61,641,189**	**$ 53,545,759**	**$ 52,883,774**	**$ 47,511,566**
Plan Fiduciary Net Position						
Contributions - Employer	$ 1,846,741	$ 2,080,143	$ 2,078,728	$ 1,600,653	$ 1,645,094	$ 1,681,351
Contributions - Member	347,440	305,305	286,728	304,178	280,975	161,147
Net investment income	2,961,581	4,032,968	4,633,461	(311,149)	610,806	6,959,448
Administrative expenses	(197,614)	(200,506)	(186,466)	(178,037)	-	(76,160)
Benefit payments, including refunds of member contributions	(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	2,196,708	3,702,189	4,628,693	(571,732)	853,123	7,171,431
Plan fiduciary net position-Beginning of year	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	**$ 51,301,302**	**$ 49,104,594**	**$ 45,402,405**	**$ 40,773,712**	**$ 41,345,444**	**$ 40,492,321**
Net pension liability - End of year	**$ 15,704,051**	**$ 14,691,940**	**$ 16,238,784**	**$ 12,772,047**	**$ 11,538,330**	**$ 7,019,245**
Plan fiduciary net position as a percentage of total pension liability	76.6%	77.0%	73.7%	76.1%	78.2%	85.2%
Covered employee payroll	$ 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 employee payroll	196.3%	135.3%	162.9%	121.8%	106.3%	60.8%

Schedule of Investment Returns

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Annual money-w eighted rate of return, net of investment expense	5.8%	9.7%	12.8%	-1.9%	2.9%	20.2%

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

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarially determined contribution offset by employee contributions	$ 1,754,781	$ 1,913,108	$ 2,101,207	$ 1,816,300	$ 1,504,978	$ 1,741,333
Actual contributions by the University	1,846,741	2,080,143	2,078,728	1,600,653	1,645,094	1,681,352
Contribution deficiency (excess)	(91,960)	(167,035)	22,479	215,647	(140,116)	59,981
Covered employee payroll	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 employee payroll	23.1%	19.2%	20.9%	15.3%	15.1%	14.6%

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

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	July 1, 2018
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
Investment rate of return:	
Total pension liability	6.23%/year
Funding	6.23%/year
Mortality	RP-2014 with Projection Table MP-2018
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.
Changes Since Prior Valuation	The mortality improvement projection scale was updated from MP-2017 to MP-2018. There were no changes to benefit terms during 2019. Investment rate of return was lowered from 6.50% to 6.23%

Required Supplemental Information
Maintenance, Grounds, Service Employees' Retirement Plan
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios

	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	$ 265,172	$ 318,061	$ 284,832	$ 360,568	$ 373,413	$ 400,689
Interest on average adjusted TPL	1,571,020	1,535,483	1,547,098	1,321,895	1,227,012	1,170,114
Differences between expected and actual experience	252,845	5,766	(50,039)	(305,849)	-	-
Changes in assumptions	651,124	(132,170)	1,865,214	(1,669,232)	2,280,678	-
Benefits payments, including refunds of member contributions	(1,180,738)	(1,074,315)	(1,024,385)	(1,065,199)	(778,615)	(644,712)
Net change in total pension liability	1,559,423	652,825	2,622,720	(1,357,817)	3,102,488	926,091
Total pension liability - Beginning of year	24,494,739	23,841,914	21,219,194	22,577,011	19,474,523	18,548,432
Total pension liability - End of year	**$ 26,054,162**	**$ 24,494,739**	**$ 23,841,914**	**$ 21,219,194**	**$ 22,577,011**	**$ 19,474,523**
Plan Fiduciary Net Position						
Contributions - Employer	$ 829,005	$ 904,245	$ 908,222	$ 580,156	$ 611,534	$ 617,498
Contributions - Member	112,328	123,132	134,960	137,686	165,723	181,075
Net investment income	1,065,492	1,485,370	1,741,566	(162,055)	289,491	2,564,971
Administrative expenses	(51,172)	(53,062)	(50,013)	(48,255)	(49,671)	(42,023)
Benefit payments, including refunds of member contributions	(1,180,738)	(1,074,315)	(1,024,385)	(1,065,199)	(778,615)	(644,712)
Other	-	-	-	-	(1,830)	1,062
Net change in plan fiduciary net position	774,915	1,385,370	1,710,350	(557,667)	236,632	2,677,871
Plan fiduciary net position - Beginning of year	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	**$ 18,490,800**	**$ 17,715,885**	**$ 16,330,515**	**$ 14,620,165**	**$ 15,177,832**	**$ 14,941,200**
Net pension liability - End of year	**$ 7,563,362**	**$ 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	70.97%	72.33%	68.49%	68.90%	67.23%	76.72%
Covered employee payroll	$ 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 employee payroll	253.46%	182.39%	218.61%	185.59%	198.83%	108.41%

Schedule of Investment Returns

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Annual money-weighted rate of return, net of investment expense	5.8%	9.6%	12.8%	-1.7%	2.9%	20.2%

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

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarially determined contribution offset by employee contributions	$ 857,482	$ 867,707	$ 905,259	$ 812,813	$ 618,150	$ 612,391
Actual contributions by University	829,005	904,245	908,222	580,156	611,534	617,498
Contribution deficiency (excess)	28,477	(36,538)	(2,963)	232,657	6,616	(5,107)
Covered employee payroll	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 employee payroll	27.78%	24.33%	26.43%	16.42%	16.43%	14.77%

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

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	July 1, 2018
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
Investment rate of return:	
Total pension liability	6.23%/year
Funding	6.23%/year
Mortality	RP-2014 with Projection Table MP-2018
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.
Changes Since Prior Valuation	The mortality improvement projection scale was updated from MP-2017 to MP-2018. There were no changes to benefit terms during 2019. Investment rate of return was lowered from 6.50% to 6.23%

Required Supplemental Information
Other Postemployment Benefits

Ratios and required supplemental information from the implementation of GASB 75:

Changes in Net OPEB Liability and Related Ratios

	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service cost	$ 719,962	$ 725,755
Interest	614,057	612,140
Difference between expected and actual experience	175,403	(111,193)
Changes in assumptions	(301,810)	220,509
Benefits payments, including refunds of member contributions	(725,085)	(713,556)
Net change in total OPEB liability	482,527	733,655
Total OPEB liability - Beginning of year	20,111,127	19,377,472
Total OPEB liability - End of year	20,593,654	20,111,127
Plan Fiduciary Net Position		
Contributions/benefit payments made from general operating funds	725,085	713,556
Benefit payments, including refunds of member contributions	(725,085)	(713,556)
Net change in plan fiduciary net position	-	-
Net OPEB liability - End of year	$ 20,593,654	$ 20,111,127
Covered employee payroll	128,421,700	132,267,000
Net OPEB liability as a percentage of covered employee payroll	16.0%	15.2%

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

Changes in benefit terms. There were no changes to benefit terms during 2019.

Changes in assumptions. Changes of assumptions and other inputs reflect the changes in the discount rate for each period. The following are the discount rates used to calculate the liability at the end of the period 2018 and 2019 respectively.

2019	3.36%
2018	3.00%

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Other Supplemental Information

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Schedule of Changes in Fiduciary Net Position by Employee Retirement Plan

Activity for the Maintenance, Grounds, and Service Employees' Retirement Plan and the Professional Support Staff Employees' Retirement Plan, formerly the Clerical, Office, and Technical Employees' Retirement Plan, for the years ended June 30, 2019, 2018, and 2017 is as follows:

	Maintenance, Grounds, and Service Employees' Retirement Plan			Professional Support Staff Employees' Retirement Plan		
	Year Ended June 30			Year Ended June 30		
	2019	2018	2017	2019	2018	2017
Additions						
Investment income (loss):						
Interest and dividends	$ 555,162	$ 472,142	$ 397,486	$ 1,535,183	$ 1,313,552	$ 1,121,057
Net (depreciation) appreciation in fair value of investments	292,598	(894,550)	10,937	779,327	(2,413,995)	190,376
Income on sale of investments	217,731	1,907,778	1,333,142	647,071	5,133,422	3,322,027
Total investment income	1,065,491	1,485,370	1,741,565	2,961,581	4,032,979	4,633,460
Employer contributions	829,005	904,245	908,222	1,846,741	2,080,143	2,078,728
Other income	112,329	123,132	134,961	347,440	305,305	286,728
Total additions - Net	2,006,825	2,512,747	2,784,748	5,155,762	6,418,427	6,998,916
Deductions						
Benefit payments	1,180,738	1,074,315	1,024,385	2,761,440	2,515,732	2,183,757
Administrative expense	51,172	53,062	50,013	197,614	200,506	186,466
Total deductions	1,231,910	1,127,377	1,074,398	2,959,054	2,716,238	2,370,223
Net Increase	774,915	1,385,370	1,710,350	2,196,708	3,702,189	4,628,693
Net Assets Held in Trust for Pension Benefits						
Beginning of year	17,715,885	16,330,515	14,620,165	49,104,594	45,402,405	40,773,712
End of year	**$ 18,490,800**	**$ 17,715,885**	**$ 16,330,515**	**$ 51,301,302**	**$ 49,104,594**	**$ 45,402,405**

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