Grand Valley State University

State of Michigan Financial Schedules

June 30, 2017

Grand Valley State University

Contents

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

We have audited the financial statements of Grand Valley State University, a component of the State of Michigan (the "University") as of and for the year ended June 30, 2017, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 3, 2017, which contained unmodified opinions on the financial statements of the University. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements.

Emphasis of Matter

As discussed in Note 1 to the accompanying State of Michigan CAFR Financial Schedules, the University has a change in reporting entity for reporting a component unit. 38 Front Avenue is now presented as a blended component unit; in the prior year, it was discretely presented. Our opinion is not modified with respect to this matter.

In Relation to Opinion on Accompanying Financial Information

The accompanying State of Michigan CAFR Financial Schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are presented for the purpose of conforming the University's financial statements with the State of Michigan Comprehensive Annual Financial Report format. Such 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. The 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 State of Michigan CAFR Financial Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the University, the State of Michigan Department of Technology Management and Budget, the Office of Financial Management, and the State of Michigan Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 22, 2017

Grand Valley State University

Reclassified Statement of Net Position
June 30, 2017

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	$ 34,063,043
Amounts due from primary government	65,989,750
Amounts due from federal government	3,789,803
Inventories	2,108,803
Investments	42,421,208
Other current assets	18,081,949
Total current assets	166,454,556
Restricted Assets - Cash and cash equivalents	521,150
Mortgages and Loans Receivable	6,618,948
Investments	264,511,999
Capital Assets	
Land and other nondepreciable assets	71,838,024
Buildings, equipment, and other depreciable assets	969,136,414
Less accumulated depreciation	(342,973,584)
Construction in progress	30,268,439
Total capital assets	728,269,293
Other Noncurrent Assets	23,418,153
Total assets	1,189,794,099
Deferred Outflows of Resources	
Accumulated changes in fair value of hedging derivative instruments	5,247,000
Refunding of bonds payable	11,814,068
Pension-related deferrals	11,395,907
Total deferred outflows of resources	28,456,975

Reclassified Statement of Net Position (Continued)
June 30, 2017

Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts payable and other liabilities	$ 84,254,742
Amounts due to primary government	89,439
Bonds and notes payable	14,495,358
Interest payable	1,195,255
Unearned revenue	13,248,711
Current portion of other long-term obligations	6,628,617
Total current liabilities	119,912,122
Long-term Liabilities	
Unearned revenue	4,994,153
Bonds and notes payable	263,614,531
Net pension liability	23,750,183
Noncurrent portion of other long-term obligations	26,651,393
Total long-term liabilities	319,010,260
Total liabilities	438,922,382
Deferred Inflows of Resources - Pension-related deferrals	3,104,024
Net Position	
Net Investment in Capital Assets	461,579,649
Restricted For	
Education	15,525,246
Construction and debt service	17,872,725
Funds held as permanent investments:	
Expendable	41,708,009
Nonexpendable	65,551,049
Unrestricted	173,987,990
Total net position	**$ 776,224,668**

Grand Valley State University

Reclassified Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2017

		Program Revenue				General Revenue					
Functions/Programs	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net Expense	Interest and Investment Earnings	Payments from State of Michigan	Other	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
Grand Valley State University	**$ 456,307,757**	**$ 347,741,525**	**$ 34,987,135**	**$ 11,522,283**	**$ (62,056,814)**	**$ 6,119,573**	**$ 70,575,855**	**$ 39,553,755**	**$ 54,192,369**	**$ 722,032,299**	**$ 776,224,668**

See Notes to State of Michigan CAFR.

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 discrete 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, 2017 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

38 Front Avenue is a Michigan nonprofit corporation formed in 2011. It was formed for the purpose of advancing the expansion of the L. Seidman College of Business into a new facility. The University has operational responsibility for it, as it operates entirely on behalf of the University. Any outstanding debt will be repaid with resources generated by the University, including the $16 million receivable from Grand Valley Investment Fund. For the blended statements, the $9 million note between 38 Front Avenue and the University has been eliminated. In accordance with the provisions of GASB Statement No. 80, 38 Front Avenue 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 the University is the sole corporate member.

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 the business-type activities reporting requirements of GASB Statement No. 35, which provides a comprehensive one-line look at the University's financial activities.

Adoption of New Standard - As of June 30, 2017, the University retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. GASB Statement No. 80 enhances the comparability of financial statements among governments by clarifying the financial statement presentation requirements for certain component units. As a result of implementation of this standard, 38 Front Avenue has been blended into the University's financial statements for the year ended June 30, 2017; in prior years, it was discretely presented.

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.

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.

Cash and Cash Equivalents - The University considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The unspent bond proceeds and related interest are set aside for construction. These amounts have been classified as restricted cash and cash equivalents.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments - Investments are reported at fair value. Alternative investments are recorded at their most recent available valuation and updated for capital contributions and distributions. The net realized and unrealized appreciation (depreciation) in market value of investments is included in the accompanying reclassified 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.

Inventories - Inventories, consisting principally of bookstore merchandise and 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.

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

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. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Net capitalized interest included in construction in progress totaled $363,000 at June 30, 2017. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

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.

Unearned Tuition and Fee Revenue - Tuition and fee revenue received and related to the period after June 30 have been recorded as unearned revenue.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Pensions - For the purpose of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Grand Valley State 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.

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 so will not be recognized as an outflow of resources (expense) until then. The deferred outflows of resources related to interest rate swaps and the net pension liability are further described in Notes 5 and 6, respectively. The remaining deferred outflow relates to the advance refundings of $64,955,000 of Series 2008A bonds and $37,905,000 of Series 2009 bonds, which resulted in losses of $6,806,169 and $4,664,356, respectively. These losses, net of amortization expense of $378,121 and $666,336, respectively, are recorded as deferred outflows and are amortized over the lives of the original debt.

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 so 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, which is covered in Note 6.

Note 2 - Investments and Deposits

Cash and investments are recorded on the reclassified statement of net position as follows:

Current investments	$ 42,421,208	Cash	$ 34,063,043
		Restricted cash	521,150
Noncurrent investments	264,511,999	Carrying amount of deposits	(34,584,193)
Total investments	$ 306,933,207	Less investments reported as cash	$ -

	Carrying Amount	Bank Balance	Insured	Uninsured, Uncollateralized	Uninsured, Collateralized: Securities Held by Pledging Financial Institution	Uninsured, Collateralized: Securities Held by Pledging Institution's Trust Department or Agent but Not in the University's Name
Grand Valley State University	$ 34,584,193	$ 38,399,619	$ 1,611,334	$ 36,788,285	$ -	$ -

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, managed equity mutual funds, and commercial paper. All investments must be held by financial institutions organized under federal or state law.

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 appropriate board committee. In accordance with policies set forth by the board of trustees, complete discretion in selecting individual investments of endowment assets is assigned to two or more money managers who are chosen at the discretion of the University's treasurer. The University's treasurer and the appropriate board committee monitor the money managers' performance.

The University has remaining commitments of $6,461,000 for alternative asset investments. As of June 30, 2017, the University had approximately $39.7 million invested in alternative asset investments.

Note 2 - Investments and Deposits (Continued)

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

	Fair Market Value	Investment Maturities (in Years) Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Deposits - Time deposits	$ 34,584,193	$ 34,584,193	$ -	$ -	$ -
Investments:					
Real estate	2,421,346	-	-	-	2,421,346
Venture capital and leveraged buyouts	9,766,045	-	-	-	9,766,045
Mutual bond/equity funds	262,819,446	-	138,962,576	48,169,183	75,687,687
Other investments	31,926,370	-	1,327,945	-	30,598,425
Total investments	341,517,400	$ 34,584,193	$ 140,290,521	$ 48,169,183	$ 118,473,503
Less investments reported as "cash" on statement of net position	(34,584,193)				
Total investments	$ 306,933,207				

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

Less than one year	0%-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 by which they are held to maturity; therefore, the interest rate risk is not considered in the University's decisions.

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.

Note 2 - Investments and Deposits (Continued)

The University held the following types of fixed-income investments and credit ratings at June 30, 2017:

	Market Value 2017	Rating*
PNC UltraShort	$ 12,267,362	3 star
PIMCO Short Term Fund	15,153,846	5 star
Ridgeworth SEIX US Government SEC Ultra Short Bond	15,000,000	3 star
Vanguard Short Term Investment Grade	29,040,472	4 star
Doubleline Low Duration	24,802,761	4 star
Western Asset Intermediate	30,068,335	4 star
Loomis Sayles Multisector Full Discretion	3,217,969	4 star
JPMorgan Core Bond	19,589,354	4 star
Vanguard TIPS Inflation Protected Security	6,142,241	4 star
Franklin Templeton	4,095,660	3 star
Doubleline Total Return	15,513,774	5 star
Dodge & Cox Income Fund	413,145	4 star
Doubleline Flexible Income	210,825	4 star
iShares Barclays Intermediate Government	1,541,772	2 star
Total	$ 177,057,516	

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 uninsured, unregistered, and held by the University's agent in the University's name.

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. Market risk 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 reclassified 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 maturities over one year, whereas the mutual bond funds as of June 30, 2017 have average maturities between 0.8 years and 8.6 years and 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.

Note 2 - Investments and Deposits (Continued)

Foreign Credit Risk - The University holds investments in some international mutual funds that invest in international equity and debt funds. These funds are invested in various countries throughout the world and therefore expose the University to foreign credit risk. These international investments represent approximately 18 percent of total cash and investments at June 30, 2017. Investments in these funds were approximately $60.3 million for the year ended June 30, 2017.

Alternative Assets - The other investments and venture capital are comprised of investments in alternative assets. As referenced above, alternative assets 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.

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 below.

In instances whereby 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 - Investments and Deposits (Continued)

The University has the following recurring fair value measurements as of June 30, 2017:

Assets Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2017	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	$ 188,013,668	$ 188,013,668	$ -	$ -
Equity securities:				
Preferred stock	78,233	78,233	-	-
Money market funds	9,569,090	9,569,090	-	-
Mutual equity funds	15,299,611	15,299,611	-	-
Mutual international security funds	9,802,482	9,802,482	-	-
Mutual diversification funds	911,795	911,795	-	-
Mutual balanced fund	5,706,195	5,706,195	-	-
Real estate funds	416,150	416,150	-	-
Total equity securities	41,783,556	41,783,556	-	-
Land	144,000	-	-	144,000
Guaranteed interest account	9,278	-	-	9,278
Beneficial interest	1,798,506	-	-	1,798,506
Total investments by fair value level	231,749,008	$ 229,797,224	$ -	$ 1,951,784
Investments Measured at the Net Asset Value (NAV)				
Hedge funds	58,716,556			
Pooled investment funds	14,891,096			
Private equity funds	8,280,055			
Real estate funds	2,277,346			
Venture capital fund	244,587			
Total investments measured at the NAV	84,409,640			
Total investments	$ 316,158,648			
Investment Derivative Instruments -				
Interest rate swaps	$ (5,365,000)		$ (5,365,000)	

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

The fair value of land, the beneficial interest, and the guaranteed interest account at June 30, 2017 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.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Note 2 - Investments and Deposits (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The University holds shares or interests in investment companies whereby the fair values 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 June 30, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedge funds (A)	$ 58,716,556	$ -	See (A) below	See (A) below
Pooled investment funds (B)	14,891,096	-	See (B) below	See (B) below
Private equity funds (C)	8,280,055	5,188,840	Not redeemable	N/A
Real estate funds (D)	2,277,346	1,271,832	Not redeemable	N/A
Venture capital fund (E)	244,587	250,000	Not redeemable	N/A
Total	$ 84,409,640	$ 6,710,672		

(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. Nyes Ledge Capital Offshore Fund - Sub-Class A shares may be redeemed on the first December 31 that is at least one year after the date such shares were purchased and on each December 31 thereafter. Sub-Class B shares may be redeemed on the first December 31 that is at least two years after the date such shares were purchased and every two years thereafter.

b. Nyes Ledge Capital Horizon Fund - Sub-Class A shares may be redeemed on the first December 31 that is at least one year after the date such shares were purchased and on each December 31 thereafter. Sub-Class B shares may be redeemed on the first December 31 that is at least two years after the date such shares were purchased and every two years thereafter.

c. Adage Capital Partners - Quarterly redemptions with 60 days' advance notice

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

e. Brandywine Global Bond Manager - Redeemable without restrictions. This fund was liquidated in January 2017.

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

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

h. 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.

(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

Note 2 - Investments and Deposits (Continued)

b. Lombard International, formerly Philadelphia Harvest Fund - Monthly redemptions with 30 days' advance notice

c. Doddington Emerging Markets Fund - Redeemable on the first business day of each month, with five business days' advance 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 year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 63,681,614	$ 176,195	$ -	$ 63,857,809
Nondepreciable artw ork and historical treasures	6,203,282	54,113	-	6,257,395
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Total cost of nondepreciable capital assets	71,607,716	$ 230,308	$ -	71,838,024
Land improvements and infrastructure	103,542,459	$ 5,551,781	$ -	109,094,240
Buildings	727,263,757	48,311,631	1,393,875	774,181,513
Equipment	64,459,418	5,838,776	1,792,100	68,506,094
Library books	16,820,209	595,438	61,080	17,354,567
Total cost of depreciable capital assets	912,085,843	$ 60,297,626	$ 3,247,055	969,136,414
Less accumulated depreciation for:				
Land improvements and infrastructure	54,560,285	$ 5,060,579	$ -	59,620,864
Buildings	199,321,720	17,867,918	611,115	216,578,523
Equipment	50,928,724	3,704,417	1,684,707	52,948,434
Library books	13,055,722	831,120	61,079	13,825,763
Total accumulated depreciation	317,866,451	$ 27,464,034	$ 2,356,901	342,973,584
Construction in progress - Net	45,157,687	$ (14,889,248)	$ -	30,268,439
Capital assets - Net	$ 710,984,795			$ 728,269,293

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 - Bonds and Notes Payable

The changes in bonds and notes payable for the year ended June 30, 2017 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Bonds, Series 1998	$ 2,940,000	$ -	$ 1,430,000	$ 1,510,000	$ 1,510,000
General Revenue Bonds, Series 2007A	6,695,000	-	765,000	5,930,000	785,000
General Revenue Refunding Bonds, Series 2008A	14,360,000	-	3,365,000	10,995,000	3,660,000
General Revenue Refunding Variable Rate Demand Bonds, Series 2008B	33,395,000	-	1,760,000	31,635,000	1,815,000
General Revenue Bonds, Series 2009	5,895,000	-	5,895,000	-	-
General Revenue Bonds, Series 2011	13,060,000	-	2,375,000	10,685,000	2,490,000
General Revenue Refunding Bonds, Series 2013A	23,180,000	-	2,870,000	20,310,000	2,990,000
General Revenue Bonds, Series 2014A	32,120,000	-	-	32,120,000	-
General Revenue Refunding Bonds, Series 2014AB	36,940,000	-	-	36,940,000	-
General Revenue Bonds, Series 2015A	27,430,000	-	-	27,430,000	-
General Revenue Refunding Bonds, Series 2016A	61,010,000	-	-	61,010,000	-
Total bonds payable	257,025,000	-	18,460,000	238,565,000	13,250,000
Unamortized bond premiums	18,517,245	-	1,245,356	17,271,889	1,245,358
Note payable	22,273,000	-	-	22,273,000	-
Total	297,815,245	$ -	$ 19,705,356	278,109,889	$ 14,495,358
Due within one year	15,195,357			14,495,358	
Total long-term bonds and notes payable	$ 282,619,888			$263,614,531	

Payments on bonds and notes payable are as follows:

Fiscal year	Principal	Loans	Fixed Interest	Estimated Interest	Total
2018	$ 13,250,000	$ -	$ 7,469,970	$ 1,099,923	$ 21,819,893
2019	13,385,000	967,779	7,017,789	1,031,641	22,402,209
2020	13,550,000	827,730	6,613,887	961,259	21,952,876
2021	13,795,000	839,859	6,129,258	914,219	21,678,336
2022	11,130,000	852,164	5,655,517	850,555	18,488,236
Total next five years	65,110,000	3,487,532	32,886,421	4,857,597	106,341,550
2023-2027	63,865,000	4,451,789	22,953,791	3,191,519	94,462,099
2028-2032	68,520,000	4,787,875	11,066,702	1,779,212	86,153,789
2033-2037	34,525,000	5,148,767	2,000,815	739,793	42,414,375
2038-2042	6,545,000	4,397,037	140,413	118,549	11,200,999
Total for five-year increments	173,455,000	18,785,468	36,161,721	5,829,073	234,231,262
Total	$ 238,565,000	$ 22,273,000	$ 69,048,142	$10,686,670	$340,572,812

Included in the table above is $84,065,000 of demand bonds.

Note 5 - Derivative Instruments

The University is party to derivative financial instruments (interest rate swaps) that are reported at fair value on the reclassified statement of net position at June 30, 2017. 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, 2017, classified by type, and the change in fair value of such derivative instruments for the year then ended, as reported in the 2017 financial statements, are as follows:

	Changes in Fair Value		Fair Value at June 30, 2017		
Type	Classification	Amount	Classification	Amount	Notional
Hedging Derivatives					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow of resources/interest rate swap contract	$ 635,000	Liability	$ (87,000)	$ 20,310,000
Pay-fixed interest rate swap	Deferred outflow of resources	2,363,000	Liability	(5,160,000)	27,940,000
	Total	2,998,000	Total	(5,247,000)	
Investment Derivative					
Pay-fixed interest rate swap	Change in fair value of derivative instruments	185,000	Liability	(118,000)	3,695,000
			Total	$ (5,365,000)	

As of the balance sheet 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	$ 3,695,000	3.299% fixed	70% of one-month LIBOR	6/1/2019	A3/BBB+
3/3/2005	Pay-fixed, receive-variable	Cash flow hedge for Series 20013A bonds	20,310,000	3.501% fixed	70% of one-month LIBOR	12/1/2025	A3/BBB+
9/6/2007	Pay-fixed, receive-variable	Cash flow hedge for Series 2008B bonds	27,940,000	3.691% fixed	70% of one-month LIBOR	12/1/2031	A3/BBB+

The University currently holds three derivative instruments that are pay-fixed, receive-variable interest rate swaps. 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. Two of the swap agreements are effective cash flow hedges and one is not. The one not considered effective is classified as an investment derivative.

Note 5 - Derivative Instruments (Continued)

In 2014, one of the University's hedging relationships was designated into a new relationship due to a refunding of the original debt. In accordance with GASB Statement No. 53, the 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 $87,000 at June 30, 2017. The above-market amount, which equals $1,388,000 at June 30, 2017, is considered a borrowing and is included in long-term debt as an interest rate swap contract with an offsetting deferred outflow.

The fair values of the interest rate swaps were calculated by an independent consultant as of June 30, 2017. 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, 2017 was $0. 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 $5,365,000 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. The counterparty is rated A3/BBB+ at June 30, 2017.

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 or the Securities Industry and Financial Markets Association (SIFMA) swap decreases, the University's net payment on the swap increases.

Note 5 - Derivative Instruments (Continued)

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, 2017, the weighted average interest rate on the University's hedged variable-rate debt is 1.04 percent, while 70 percent of LIBOR is 0.86 percent.

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, 2017, aggregate debt service requirements of the University's debt (fixed rate and variable rate) and net receipts/payments on associated hedging derivative instruments are as follows. 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.

	Swap Agreement			
Fiscal Year	Principal	Interest	Interest Rate Swaps - Net	Total
2018	$ 2,990,000	$ 487,398	$ 1,281,943	$ 4,759,341
2019	3,100,000	448,145	1,201,261	4,749,406
2020	3,225,000	407,366	1,117,443	4,749,809
2021	3,345,000	365,018	1,030,399	4,740,417
2022	4,285,000	319,713	925,339	5,530,052
2023-2027	17,030,000	997,072	3,056,374	21,083,446
2028-2032	14,275,000	317,808	1,011,253	15,604,061
Total	$ 48,250,000	$ 3,342,520	$ 9,624,012	$ 61,216,532

Note 6 - Retirement Plans

Defined Contribution Plan

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 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.

Note 6 - Retirement Plans (Continued)

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. Effective January 1, 2015, the University will also match the employee's 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 $1,102,100 in 2017. Total payroll covered under this plan was approximately $12,107,200 in 2017.

The expense and payroll covered under these plans specifically allocated to TIAA-CREF were as follows:

	Contributions	Covered Payroll	Percentage
Grand Valley State University	$ 10,641,426	$ 90,641,593	8 - 12%

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. The financial statements of the Plan are included in the University's financial statements as an employee benefit plan trust fund (a fiduciary fund).

At July 1, 2016, retirement plan membership consisted of the following in each plan:

	PSSE	MGSE
Inactive plan members receiving benefits	171	70
Inactive members entitled to, not yet receiving benefits	90	8
Active plan members	219	75
Total participants	480	153

Note 6 - Retirement Plans (Continued)

Benefits provided. The plan provides 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.

For the PSSE plan, the active member's contribution rate was 3.0 percent for the year ended June 30, 2017. The University's contribution rate of annual payroll was 20.9 percent for the year ended June 30, 2017.

For the MGSE plan, the active member's contribution rate was 4.25 percent for the year ended June 30, 2017. The University's contribution rate of annual payroll was 26.4 percent for the year ended June 30, 2017.

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. The following was the asset allocation policy for the plans as of June 30, 2017:

Asset Class	Target Allocation
Domestic equities	57%
International equities	15%
Fixed income	20%
Cash	0%
Real estate	3%
Commodities	5%

Rate of return. The annual money-weighted rate of return on retirement plan investments, net of retirement plan investment expense, was 12.8 percent for the year ended June 30, 2017 for both plans. The money-weighted rate of return expresses investment performance, net of investment expense.

Note 6 - Retirement Plans (Continued)

Net Pension Liability of the University

The University's net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which used updated procedures to roll forward the estimated liability to June 30, 2017.

Changes in the net pension liability for the PSSE plan during the measurement year were as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2016	$ 53,545,759	$ 40,773,712	$ 12,772,047
Changes for the year:			
Service cost - Beginning of year	718,706	-	718,706
Interest on average adjusted TPL	3,918,820	-	3,918,820
Differences between expected and actual experience	197,571	-	197,571
Changes in assumptions	5,444,091	-	5,444,091
Benefit payments, including refunds of member contributions	(2,183,758)	-	(2,183,758)
Contributions - Employer	-	2,078,728	(2,078,728)
Contributions - Member	-	286,728	(286,728)
Net investment income	-	4,633,461	(4,633,461)
Administrative expenses	-	(186,466)	186,466
Benefit payments, including refunds of member contributions	-	(2,183,758)	2,183,758
Net changes	8,095,430	4,628,693	3,466,737
Balance at June 30, 2017	$ 61,641,189	$ 45,402,405	$ 16,238,784

Changes in the net pension liability for the MGSE plan during the measurement year were as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2016	$ 21,219,194	$ 14,620,165	$ 6,599,029
Service cost - Beginning of year	284,832	-	284,832
Interest on average adjusted TPL	1,547,098	-	1,547,098
Differences between expected and actual experience	(50,039)	-	(50,039)
Changes in assumptions	1,865,214	-	1,865,214
Benefit payments, including refunds of member contributions	(1,024,385)	-	(1,024,385)
Contributions - Employer	-	908,222	(908,222)
Contributions - Member	-	134,960	(134,960)
Net investment income	-	1,741,566	(1,741,566)
Administrative expenses	-	(50,013)	50,013
Benefit payments, including refunds of member contributions	-	(1,024,385)	1,024,385
Net changes	2,622,720	1,710,350	912,370
Balance at June 30, 2017	$ 23,841,914	$ 16,330,515	$ 7,511,399

Note 6 - Retirement Plans (Continued)

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

For the year ended June 30, 2017, the University recognized pension expense of $3,745,148 for the PSSE plan and $1,382,934 for the MSGE plan.

At June 30, 2017, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	PSSE Plan		MSGE Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 746,161	$ -	$ 285,205	$ 267,431
Changes in assumptions	5,778,154	1,579,009	2,656,328	1,257,584
Net difference between projected and actual earnings on plan investments	1,465,016	-	465,043	-
Total	$ 7,989,331	$ 1,579,009	$ 3,406,576	$ 1,525,015

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

Amortization of Deferred Outflows (Inflows) Years Ending June 30	PSSE Amount	MSGE Amount
2018	$ 2,212,732	$ 712,306
2019	2,212,730	712,307
2020	1,795,057	503,961
2021	(138,250)	(137,038)
2022	90,437	(3,995)
Thereafter	237,616	94,020
	$ 6,410,322	$ 1,881,561

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2016, using updating procedures and the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases Including inflation	2.50%
Investment rate of return	6.5%, net of pension plan investment expense

Based on Mortality Table RP-2014 with Projection Table MP-2014, as appropriate

Note 6 - Retirement Plans (Continued)

Discount rate. The discount rate used to measure the total pension liability for both plans at June 30, 2017 was 6.5 percent. 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 pension plan investments was determined using a 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. The target allocation and best estimates of arithmetic real rates of return as of June 30, 2017, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities	57%	7.10%
International equities	15%	6.90%
Fixed income	20%	4.92%
Cash	0%	0.00%
Real estate	3%	7.91%
Commodities	5%	4.01%

The sum of the target allocations times the long-term expected rates is 6.50 percent.

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 discount rate of 6.50 percent, as well as what the University's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

Plan	1% Decrease	Current Discount Rate	1% Increase
PSSE Plan Net Pension Liability	$ 24,702,169	$ 16,238,784	$ 9,292,898
MSGE Plan Net Pension Liability	$ 10,327,829	$ 7,511,399	$ 5,125,506

Note 6 - Retirement Plans (Continued)

Other Postemployment Benefits

The University has a single-employer defined benefit plan that provides certain healthcare benefits for retired faculty and staff. The plan covers 2,448 members as of July 1, 2017 and currently does not require active members to contribute to the plan. At January 1, 2014, the plan was closed to new participants.

Plan Description - 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 requirements are established and may be amended by the University's board of trustees.

Annual OPEB Cost and Net OPEB Obligation - The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 15 years. The required supplemental information shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's OPEB obligation.

Funded Status and Funding Progress - As of July 1, 2017, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was $14,210,649, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $14,210,649. An investment fund was established for the purpose of prefunding retiree benefits, with a market value of $13,866,109 at June 30, 2017. However, because the funds are not irrevocable, these contributions do not constitute contributions for GASB Statement No. 45 purposes. The covered payroll (annual payroll of active employees covered by the plan) was $134,888,100 for 2017 and the ratio of all UAAL to covered payroll was 10.5 percent for 2017.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Note 6 - Retirement Plans (Continued)

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2017 actuarial valuation, the projected unit cost actuarial method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses) based on the expected long-term investment returns on plan assets. There was a change in assumptions to update the mortality to the RP-2014 table. The UAAL is being amortized as a projected unit credit level dollar, closed on a 15-year basis. The remaining amortization period at June 30, 2017 was five years. Benefits valued are fixed dollar amounts.

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 and the Graduate School of Business and Graduate Library Building located on the Pew Campus in downtown Grand Rapids. 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.

Beginning on January 1, 2011, the University leased lab space to a private company for a five-year term. The tenant has the option of extending the lease for five additional periods of five years each. At June 30, 2017, the base rent is $138,597 per year.

The University has agreed to lease the Michigan Alternative and Renewable Energy Facility 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 two HMO plans 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 $275,000 per individual, with no lifetime limit. The workers' compensation stop-loss insurance limits its liability for claims paid per individual to $500,000 in 2017. Liabilities for estimated claims retained by the University under self-insurance programs have been established at $3,159,043 as of June 30, 2017.

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 2017, 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.

Pursuant to State of Michigan Public Act 362 of 1993, the University has previously authorized 69 public school academies. All 69 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 $271,240,363 was appropriated by the State in 2017 to be allocated to the public school academies, net of approximately a 3 percent administrative fee retained by the University. At June 30, 2017, $49,247,407 was outstanding as a receivable from the State, of which $47,877,884 will be subsequently forwarded to the public school academies. This activity is treated as an agency transaction.

Note 8 - Contingencies (Continued)

The L. William Seidman Center (the "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 Center. 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 Center is constructed. Lease payments of $1 are due annually, in advance. The fair market value of the ground lease has been recognized as a capital-related expense by the University.

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.

Note 9 - Subsequent Event

In July 2017, the University purchased a facility near its downtown Grand Rapids campus for $6.5 million that will become Padnos College of Engineering and Computing's Design and Innovation Center.

Supplemental Schedules

Grand Valley State University

Supplemental Schedules
June 30, 2017

.

	University Financial Report	Reclassifications Debit	Reclassifications Credit		SOMCAFR Format
University Current Assets					
Cash and cash equivalents	$ 34,063,043	$ -	$ 34,063,043	A	$ -
Short-term investments	42,421,208	-	42,421,208	D	-
Accounts receivable	13,165,924	-	13,165,924	B	-
State appropriation receivable	61,652,481	-	61,652,481	B	-
Pledges receivable	4,666,435	-	4,666,435	B	-
Inventory	2,108,803	-	2,108,803	C	-
Prepaid expenses and other	4,508,932	-	4,508,932	B	-
Student notes receivable - Current portion	3,867,730	-	3,867,730	B	-
Total current assets	166,454,556	-	166,454,556		-
Noncurrent Assets					
Restricted cash and cash equivalents	521,150	-	521,150	A	-
Endowment investments	117,730,301	-	117,730,301	F	-
Other long-term investments	146,781,698	-	146,781,698	F	-
Pledges receivable	4,663,924	-	4,663,924	H	-
Notes recevable	16,317,780	-	16,317,780	H	-
Student notes receivable - Net of allowance	6,618,948	-	6,618,948	E	-
Capital assets - Net	728,269,293	-	728,269,293	G	-
Other assets	2,436,449	-	2,436,449	H	-
Total noncurrent assets	1,023,339,543	-	1,023,339,543		-
Total assets	**$ 1,189,794,099**	**$ -**	**$ 1,189,794,099**		**$ -**
Deferred Outflows					
Accumulated changes in the fair value of hedging derivative instruments	$ 5,247,000	$ -	$ 5,247,000	I	$ -
Refunding of bonds payable	11,814,068	-	11,814,068	I	-
Pension	11,395,907	-	11,395,907	I	-
Total deferred outflows	**$ 28,456,975**	**$ -**	**$ 28,456,975**		**$ -**

SOMCAFR Current Assets	University Financial Report	Reclassifications Debit		Reclassifications Credit	SOMCAFR Format
Cash	$ -	$ 34,063,043	A	$ -	$ 34,063,043
Amounts due from primary government	-	65,989,750	B	-	65,989,750
Amounts due from federal government	-	3,789,803	B	-	3,789,803
Inventories	-	2,108,803	C	-	2,108,803
Investments	-	42,421,208	D	-	42,421,208
Other current assets	-	18,081,949	B	-	18,081,949
Total current assets	-	166,454,556		-	166,454,556
Restricted Assets -					
Cash and cash equivalents	-	521,150	A	-	521,150
Mortgages and Loans Receivable	-	6,618,948	E	-	6,618,948
Investments	-	264,511,999	F	-	264,511,999
Capital Assets					
Land and other nondepreciable assets	-	71,838,024		-	71,838,024
Buildings, equipment, and other depreciable assets	-	969,136,414		-	969,136,414
Less accumulated depreciation	-	(342,973,584)		-	(342,973,584)
Construction in progress	-	30,268,439		-	30,268,439
Total capital assets	-	728,269,293	G	-	728,269,293
Other Noncurrent Assets	-	23,418,153	H	-	23,418,153
Total assets	**$ -**	**$ 1,189,794,099**		**$ -**	**$ 1,189,794,099**
Deferred Outflows					
Accumulated changes in the fair value of hedging derivative instruments	$ -	$ 5,247,000	I	$ -	$ 5,247,000
Refunding of bonds payable	-	11,814,068	I	-	11,814,068
Pension	-	11,395,907	I	-	11,395,907
Total deferred outflows	**$ -**	**$ 28,456,975**		**$ -**	**$ 28,456,975**

Supplemental Schedules (Continued)
June 30, 2017

	University Financial Report	Reclassifications Debit		Reclassifications Credit		SOMCAFR Format
University Current Liabilities						
Accounts payable and accrued liabilities	$ 90,579,305	$ 90,579,305	J	$ -		$ -
Unearned revenue	13,248,711	13,248,711	K	-		-
Long-term liabilities - Current portion	16,084,106	16,084,106	J	-		-
Total current liabilities	119,912,122	119,912,122		-		-
Long-term Liabilities						
Unearned revenue - Net of current portion	4,994,153	4,994,153	K	-		-
Derivative instruments	5,365,000	5,365,000	L	-		-
Federal student loan payable	10,213,948	10,213,948	L	-		-
Net pension liability	23,750,183	23,750,183	K	-		-
Long-term liabilities - Net of current portion	274,686,976	274,686,976	L	-		-
Total noncurrent liabilities	319,010,260	319,010,260		-		-
Total liabilities	**$ 438,922,382**	**$ 438,922,382**		**$ -**		**$ -**
Deferred Inflows - Pension	**$ 3,104,024**	**$ 3,104,024**	M	**$ -**		**$ -**
SOMCAFR Current Liabilities						
Accounts payable and other liabilities	$ -	$ -		$ 84,254,742	J	$ 84,254,742
Amounts due to primary government	-	-		89,439	J	89,439
Bonds and notes payable	-	-		14,495,358	J	14,495,358
Interest payable	-	-		1,195,255	J	1,195,255
Unearned revenue	-	-		13,248,711	K	13,248,711
Current portion of other long-term liabilities	-	-		6,628,617	J	6,628,617
Total current liabilities	-	-		119,912,122		119,912,122
Long-term Liabilities						
Unearned revenue	-	-		4,994,153	K	4,994,153
Bonds and notes payable	-	-		263,614,531	L	263,614,531
Net pension liability	-	-		23,750,183	K	23,750,183
Noncurrent portion of other long-term liabilities	-	-		26,651,393	L	26,651,393
Total noncurrent liabilities	-	-		319,010,260		319,010,260
Total liabilities	**$ -**	**$ -**		**$ 438,922,382**		**$ 438,922,382**
Deferred Inflows - Pension	**$ -**	**$ -**		**$ 3,104,024**	M	**$ 3,104,024**

University Net Position	University Financial Report	Reclassifications Debit		Reclassifications Credit		SOMCAFR Format
Net investment in capital assets	$ 461,579,649	$ 461,579,649	N	$ -		$ -
Restricted for:						
Nonexpendable - Scholarships and academic support	65,551,049	65,551,049	Q	-		-
Expendable:						
Scholarships and academic support	55,424,637	55,424,637	O	-		-
Capital projects	17,872,725	17,872,725	P	-		-
Loans	1,808,618	1,808,618	O	-		-
Temporarily restricted	-	-		-		-
Unrestricted	173,987,990	173,987,990	R	-		-
Total net position	**$ 776,224,668**	**$ 776,224,668**		**$ -**		**$ -**
SOMCAFR Net Position						
Net investment in capital assets	$ -	$ -		$ 461,579,649	N	$ 461,579,649
Restricted for:						
Education	-	-		15,525,246	O	15,525,246
Construction and debt service	-	-		17,872,725	P	17,872,725
Funds held as permanent investments:						
Expendable	-	-		41,708,009	O	41,708,009
Nonexpendable	-	-		65,551,049	Q	65,551,049
Unrestricted	-	-		173,987,990	R	173,987,990
Total net position	**$ -**	**$ -**		**$ 776,224,668**		**$ 776,224,668**

Supplemental Schedules (Continued)
June 30, 2017

		SOMCAFR Format						
			Program Revenue			Grant Revenue		
	University Format	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Interest and Investment Earnings	Payments from State of Michigan	Other
Revenue - Operating revenue								
Student tuition and fees	$ 315,700,270	$ -	$ 315,700,270	$ -	$ -	$ -	$ -	$ -
Scholarship allowances	(52,922,765)	-	(52,922,765)	-	-	-	-	-
Net student tuition and fees	262,777,505	-	262,777,505	-	-	-	-	-
Government grants and contracts	20,361,820	-	-	20,361,820	-	-	-	-
Nongovernmental grants	2,801,041	-	-	2,801,041	-	-	-	-
Sales and services of educational activities	15,164,132	-	15,164,132	-	-	-	-	-
Auxiliary activities	72,517,054	-	72,517,054	-	-	-	-	-
Scholarship allowances	(10,007,826)	-	(10,007,826)	-	-	-	-	-
Net auxiliary activities	62,509,228	-	62,509,228	-	-	-	-	-
Other operating revenue	7,290,660	-	7,290,660	-	-	-	-	-
Total operating revenue	370,904,386	-	347,741,525	23,162,861	-	-	-	-
Expenses - Operating expenses	445,612,287	445,612,287	-	-	-	-	-	-
Operating (Loss) Income	(74,707,901)	445,612,287	347,741,525	23,162,861	-	-	-	-
Nonoperating Revenue (Expenses)								
State appropriations	68,227,900	-	-	-	-	-	68,227,900	-
Government grants (Pell)	27,376,242	-	-	-	-	-	-	27,376,242
Gifts	7,488,362	-	-	-	-	-	-	7,488,362
Investment income (net of investment expense)	18,482,693	-	-	11,824,274	723,846	5,934,573	-	-
Interest on capital asset - Related debt	(9,990,952)	9,990,952	-	-	-	-	-	-
Change in fair value of derivatives	185,000	-	-	-	-	185,000	-	-
Loss on disposal of assets	(704,518)	704,518	-	-	-	-	-	-
Net nonoperating revenue	111,064,727	10,695,470	-	11,824,274	723,846	6,119,573	68,227,900	34,864,604
Income Before Other Revenue, Expenses, Gains, or Losses	36,356,826	456,307,757	347,741,525	34,987,135	723,846	6,119,573	68,227,900	34,864,604
Other Revenue, Expenses, Gains, or Losses								
Capital appropriations	2,347,955	-	-	-	-	-	2,347,955	-
Capital grants and gifts	9,556,918	-	-	-	9,556,918	-	-	-
Other capital income	1,241,519	-	-	-	1,241,519	-	-	-
Additions to permanent endowments	4,689,151	-	-	-	-	-	-	4,689,151
Total other revenue, expenses, gains, or losses	17,835,543	-	-	-	10,798,437	-	2,347,955	4,689,151
Increase in Net Position	**$ 54,192,369**	**$ 456,307,757**	**$ 347,741,525**	**$ 34,987,135**	**$ 11,522,283**	**$ 6,119,573**	**$ 70,575,855**	**$ 39,553,755**

A - To reclassify cash in accordance with the State's balance sheet presentation

B - To reclassify accounts receivable, state appropriation receivable, pledges receivable, prepaid expenses and other, and student notes receivable - current portion in accordance with the State's balance sheet presentation

	Other Current Assets	Amounts Due from Primary Government	Federal
Accounts receivable	$ 13,165,924	$ -	$ -
State appropriation receivable	61,652,481	-	-
Pledges receivable	4,666,435	-	-
Prepaid expenses and other	4,508,932	-	-
Student notes receivable (current)	3,867,730	-	-
State appropriation	(61,652,481)	61,652,481	-
State competitive	(462,245)	462,245	-
Other from primary government	(3,532,654)	3,532,654	-
Federal pass-through to State	(342,370)	342,370	-
Other federal grants	(3,789,803)	-	3,789,803
	$ 18,081,949	**$ 65,989,750**	**$ 3,789,803**

C - To reclassify inventory in accordance with the State's balance sheet presentation

D - To reclassify investments in accordance with the State's balance sheet presentation

E - To reclassify student notes receivable in accordance with the State's balance sheet presentation

F - To reclassify investments in accordance with the State's balance sheet presentation

University statements:	
Endowment investments	$ 117,730,301
Other long-term investments	146,781,698
Total investments (noncurrent) - SOMCAFR	**$ 264,511,999**

G - To reclassify capital assets, net in accordance with the State's balance sheet presentation

H - To reclassify other assets in accordance with the State's balance sheet presentation

University statements:	
Pledges receivable	$ 4,663,924
Notes receivable	16,317,780
Other assets	2,436,449
Total other assets (noncurrent) - SOMCAFR	**$ 23,418,153**

I - To reclassify deferred outflow of resources in accordance with the State's balance sheet presentation

Deferred outflows of resources:	
Accumulated changes in fair value of hedging derivative instruments	$ 5,247,000
Refunding of bonds payable	11,814,068
Pension related:	
Differences between expected and actual experience	1,031,366
Changes of assumptions	8,434,482
Net difference between projected and actual earnings on pension plan investments	1,930,059
Changes in proportion and differences between contributions and proportional share of contributions	-
Contributions subsequent to the measurement date	-
Total deferred outflows of resources	**$ 28,456,975**

J - To reclassify accounts payable and accrued liabilities and long-term liabilities, current portion in accordance with the State's balance sheet presentation

	Accounts Payable and Other Liabilities	Primary Government	Bonds and Notes Payable	Interest	Current Portion of Other Long-term Obligations
Accounts payable and accrued liabilities	$ 90,579,305	$ -	$ -	$ -	$ -
Long-term liabilities - Current portion	16,084,106	-	-	-	-
Sales tax	(32,574)	32,574	-	-	-
State income tax withholding	(56,865)	56,865	-	-	-
Accrued interest expense	(1,195,255)	-	-	1,195,255	-
Accrued compensated absences	(5,411,886)	-	-	-	5,411,886
Net other postemployment benefits	(1,055,000)	-	-	-	1,055,000
Gift annuities	(161,731)	-	-	-	161,731
Bonds and notes payable - Current	(14,495,358)	-	14,495,358	-	-
Total	**$ 84,254,742**	**$ 89,439**	**$ 14,495,358**	**$ 1,195,255**	**$ 6,628,617**

K - To reclassify unearned revenue and net pension liability in accordance with the State's balance sheet presentation

L - To reclassify long-term liabilities in accordance with the State's balance sheet presentation

	Long-term Liabilities	Bonds and Notes Payable	Noncurrent Portion of Other Long-term Obligations
University statements:			
Derivative instruments	$ 5,365,000	$ -	$ 5,365,000
Federal student loan payable	10,213,948	-	10,213,948
Long-term liabilities	274,686,976	263,614,531	11,072,445
Total	**$ 290,265,924**	**$ 263,614,531**	**$ 26,651,393**

M - To reclassify deferred inflow of resources in accordance with the State's balance sheet presentation

Deferred inflows of resources:		
Accumulated increase in fair value of hedging derivatives	$	-
Loan origination fees		-
Refunding of debt		-
Pension related:		
Differences between expected and actual experience		267,431
Changes of assumptions		2,836,593
Net difference between projected and actual earnings on pension plan investments		-
Changes in proportion and differences between contributions and proportional share of contributions		-
Contributions subsequent to the measurement date		-
Total deferred outflows of resources	**$**	**3,104,024**

N - To reclassify net position, invested in capital assets, net of related debt in accordance with the State's balance sheet presentation

O - To reclassify net position, restricted for scholarships and academic support, in accordance with the State's balance sheet presentation

University statements:		
Expendable - Scholarships/Academic support	$	55,424,637
Loans		1,808,618
		57,233,255
Total net position restricted for education - SOMCAFR		(15,525,246)
Total net position restricted - Funds held as permanent investments (expendable)	**$**	**41,708,009**

P - To reclassify net position restricted for capital projects in accordance with the State's balance sheet presentation

Q - To reclassify net position restricted - nonexpendable for scholarships and academic support in accordance with the State's balance sheet presentation