LAKE SUPERIOR STATE UNIVERSITY

ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED
JUNE 30, 2021 AND 2020

LAKE SUPERIOR
STATE UNIVERSITY

LAKE SUPERIOR STATE UNIVERSITY

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Lake Superior State University

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Lake Superior State University
Management's Discussion and Analysis

This discussion and analysis section of the Lake Superior State University (University) annual financial report provides an overview of our financial activities during the years ended June 30, 2021, 2020 and 2019. University management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis, which includes the Lake Superior State University Foundation (Foundation) whenever appropriate. This discussion should be read in conjunction with the accompanying financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with University management.

Reporting Entity

Lake Superior State University is an institution of higher education and is considered a component unit of the State of Michigan (State). The Governor of the State of Michigan appoints the University's Board of Trustees. The University is included in the State's financial statements as a discrete component unit. Transactions with the State of Michigan primarily relate to appropriations for operations, appropriations for Charter Schools, receipt of grants, payments to State retirement programs on behalf of certain University employees, and reimbursements for capital outlay projects.

The financial statements include not only the University itself, but also a legally separate entity, the Lake Superior State University Foundation, for which the University is financially accountable. Financial statement information for this component unit is reported separately from the financial information presented for the University.

Using the Annual Report

This annual report includes financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The accompanying financial statements, which focus on the financial condition, results of operations, and cash flows of the University as a whole, present financial information in a form similar to that used by commercial enterprises. The financial statements are prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

COVID-19 and Federal Relief Acts

The University has been awarded over $6 million in Higher Education Emergency Relief Funding to aid in dealing with the effects of the COVID-19 pandemic. The first awards were through the Coronavirus Aid, Relief and Economic Security (CARES) Act which was signed into law in the Spring of 2020. At the end of 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act was passed. Also, in March of 2021, the American Rescue Plan (ARP) was signed into law.

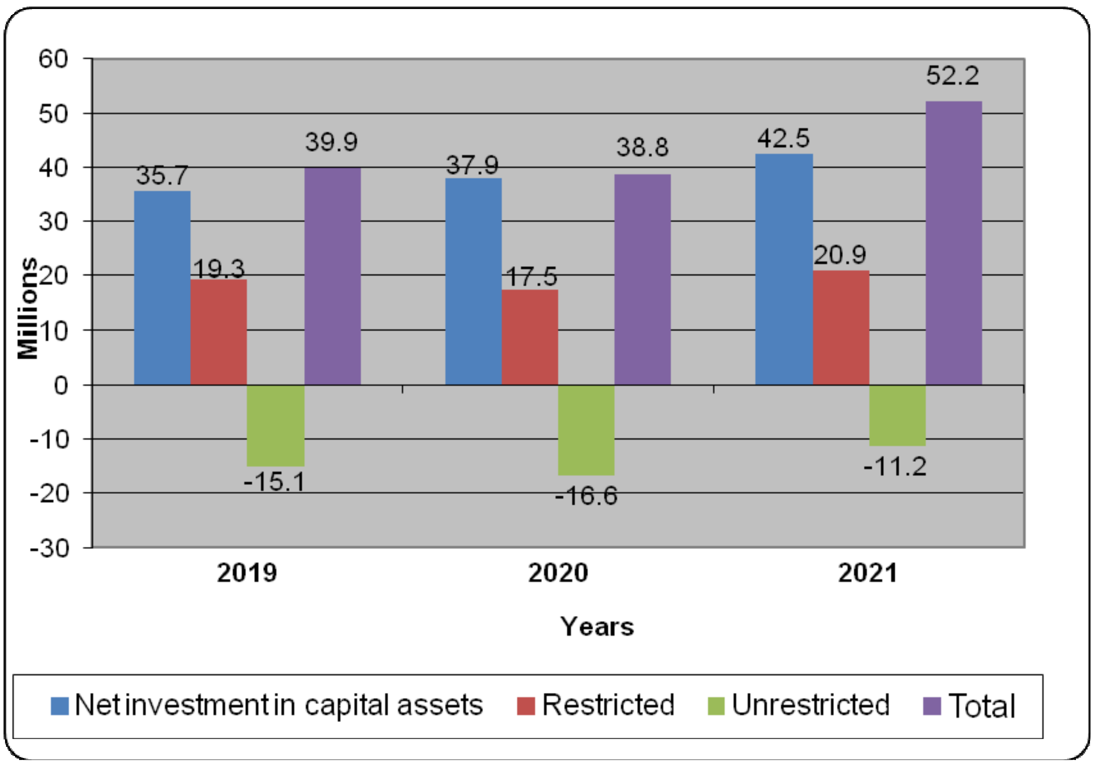
The awards from the three acts are now commonly referred to as HEERF I, HEERF II and HEERF III grants. The grants carried certain compliance requirements as to how funds were spent and recorded. The aid was directed towards covering COVID-19 expenditures, recovery for lost revenue and grants to students.

In addition, the State of Michigan passed Senate Bill 373 on July 22, 2020 which reduced State Aid funding to LSSU by $1,502,600 and awarded the University $1,502,600 of CARES Act funds. The University recognized revenue from the grant equal to allowable expenditures and foregone revenue incurred between March 1 and December 31, 2020 during the fiscal year ended June 30, 2021. For further grant details, refer to Note 19.

Financial Highlights

The University's financial position was fairly stable as of June 30, 2021. Net position for the year ended June 30, 2021 of approximately $52.2 million increased by approximately $13.4 million from the prior year as compared to a decrease of approximately $1.0 million for the year ended June 30, 2020. The deficit in the unrestricted net position of approximately $11.2 million decreased by approximately $5.3 million. The increase in total net position is largely due to a decrease in operating expenses and increase in Federal Corona Virus relief funds and investment market appreciation.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2021, 2020 and 2019:



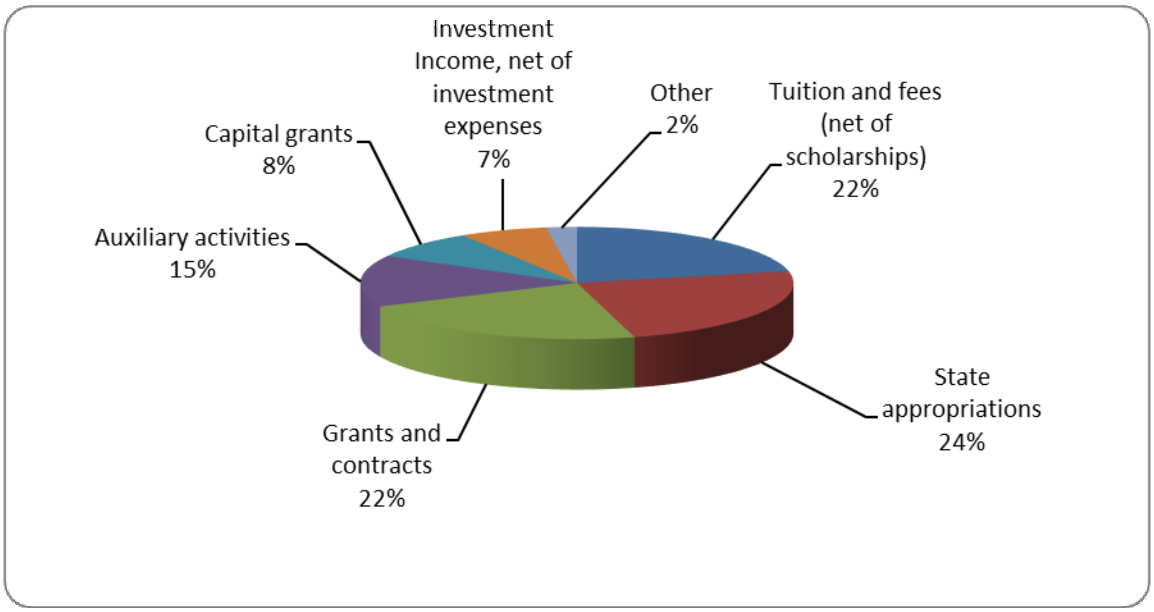
Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and other rental and sales activities. In addition, certain federal, state, and nongovernmental grants and contracts are considered operating if they are not for capital purposes and are considered a contract for services.

Nonoperating revenues consist primarily of State appropriations, investment income, and grants and contracts that do not require any services to be performed. Annual appropriations, while budgeted for operations, are considered nonoperating revenues according to U.S. generally accepted accounting principles.

Revenues of the University consist of four main categories: tuition, State appropriations, auxiliary activities, and other revenue.

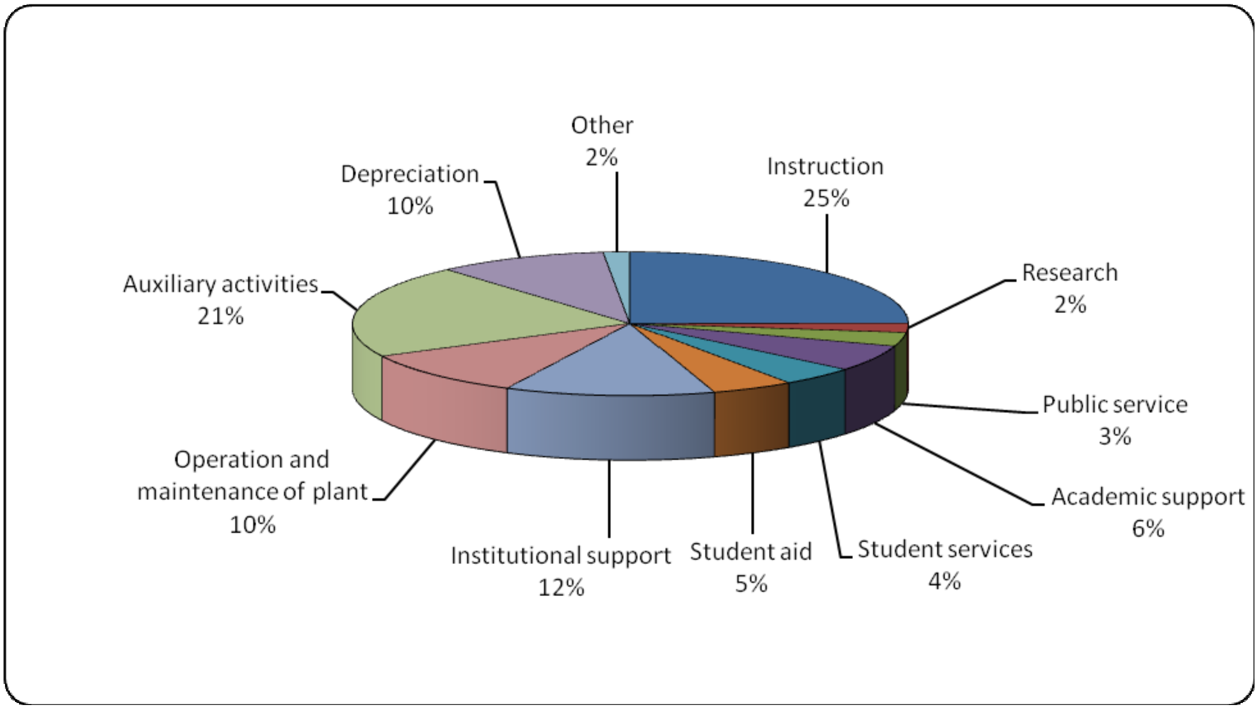
Tuition and fees, net of scholarship allowances, make up the largest contribution to the total revenue of the University. State appropriations are the next largest. Auxiliary activities consist of primarily housing, food services, and athletics. Other revenue includes investment income and gifts.

Revenues totaled approximately $59.8 million for the 2021 fiscal year. The following is a graphical illustration of revenues by source for the fiscal year ended June 30, 2021:



Operating expenses are all of the costs necessary to perform and conduct the programs and purposes of the University. Universities traditionally use functional classifications of expenses to represent the types of programs and services they provide.

Operating expenses totaled approximately $44.6 million for the 2021 fiscal year. The following is a graphical illustration of the University's operating expenses by functional classification for the year ended June 30, 2021:



The Statements of Net Position

The Statements of Net Position include all assets and liabilities. Over time, increases or decreases in net position (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with operating measures such as enrollment levels and the physical condition of facilities.

	June 30		
	2021	**2020**	**2019**
Assets			
Current assets	$ 21,507,765	$ 18,524,758	$ 23,842,320
Capital assets, net	79,163,287	75,381,187	71,671,880
Other noncurrent assets	17,223,147	14,176,000	14,752,517
Total Assets	**$ 117,894,199**	**$ 108,081,187**	**$ 110,266,717**
Deferred outflows of resources	**$ 1,134,871**	**$ 1,082,304**	**$ 1,411,161**
Liabilities			
Current liabilities	$ 5,448,611	$ 6,656,361	$ 7,473,978
Noncurrent liabilities	39,098,543	40,105,923	40,360,807
Net pension obligation and OPEB	21,877,396	22,829,001	22,704,023
Total liabilities	**$ 66,424,550**	**$ 69,591,285**	**$ 70,538,808**
Deferred inflows of resources	**$ 328,034**	**$ 747,495**	**$ 1,275,072**

Net position			
Net investment in capital assets	$ 42,576,409	$ 37,884,782	$ 35,665,383
Restricted, nonexpendable	205,837	205,837	205,837
Restricted, expendable	20,769,710	17,320,124	19,089,836
Unrestricted	(11,275,470)	(16,585,274)	(15,097,058)
Total net position	$ 52,276,486	$ 38,825,469	$ 39,863,998
Total Liabilities and Net position	**$ 118,701,036**	**$ 108,416,754**	**$ 110,402,806**

Changes from 2020 to 2021:

Cash, cash equivalents and short-term investments, collectively, increased by approximately $772,000 to approximately $16.1 million. Accounts receivable increased by approximately $703,000 from the prior year. Current assets increased approximately $2.9 million. Management attributes the majority of the increase in current assets to an increase in State appropriations of $1.4 million.

The University's Capital Assets additions of $8.2 million and the annual depreciation charge of $4.4 million resulted in the Net Capital Assets increasing by $3.8 million for fiscal year 2021.

Deferred outflows of resources reflects an increase of approximately $53,000 from the prior year.

Total liabilities decreased by approximately $3.1 million, primarily due to a decrease of accounts payable and long-term debt, net of current portion of approximately $1.1 million and $1.0 million, respectively.

Total net position increased by approximately $13.5 million. The University's net investment in capital assets increased approximately $4.7 million. This is the result of the capital asset acquisitions and payments on long-term debt being greater than the depreciation charge. Restricted expendable net position increased $3.4 million. The deficit in the unrestricted net position decreased by approximately $5.3 million, primarily due to operating expenditures decreasing by $3.3 million. The June 30, 2021 deficit in the unrestricted net position of approximately $11.3 million consists of reserves in designated funds, auxiliary funds, insurance and benefit reserves, and the net pension deficit of approximately $16.5 million.

Changes from 2019 to 2020:

Cash, cash equivalents and short-term investments, collectively, decreased by approximately $3.7 million to approximately $15.3 million. Accounts receivable decreased by approximately $258,000 from the prior year. Current assets decreased approximately $5.3 million. Management attributes the majority of the decrease in current assets to expended 2019 bond funds (scheduled to be expended in FY20) and reductions in State appropriations due to COVID-19.

The University's capital assets additions of $22.1 million and the annual depreciation charge of $4.6 million resulted in the net capital assets increasing by $3.7 million for fiscal year 2020. Deferred outflows of resources reflects a decrease of approximately $329,000 from the prior year.

Total liabilities decreased by approximately $947,000, primarily due to a decrease of accounts payable and long-term debt, net of current portion of approximately $952,000 and $261,000, respectively.

Total net position decreased by approximately $1.0 million. The University's net investment in capital assets increased approximately $2.2 million. This is the result of the capital asset acquisitions and payments on long-term debt being greater than the depreciation charge. Restricted, expendable net position decreased $1.8 million. The deficit in the unrestricted net position increased by approximately $1.5 million, primarily due to operating expenditures decreasing by $1.3 million. The June 30, 2020 deficit in the unrestricted net position of approximately $16.6 million consists of reserves in designated funds, auxiliary funds, insurance and benefit reserves, a general fund deficit of approximately $3.4 million and the net pension deficit of approximately $16.3 million.

The Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and expenses incurred each fiscal year. Activities are reported as either operating or nonoperating. A public university's dependency on State aid and grants will result in operating deficits because the financial reporting model classifies State appropriations as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

	Year Ended June 30		
	2021	**2020**	**2019**
Total operating revenues	$ 28,269,281	$ 28,108,617	$ 29,642,405
Total operating expenses	44,697,917	48,084,880	49,338,131
Operating loss	(16,428,636)	(19,976,263)	(19,695,726)
Net nonoperating revenues	25,010,681	15,656,666	17,615,406
Income (loss) before other revenues	8,582,045	(4,319,597)	(2,080,320)
Total other revenues	4,868,972	3,281,068	1,759,947
Increase (decrease) in net position	**13,451,017**	**(1,038,529)**	**(320,373)**
Net position, beginning of year	38,825,469	39,863,998	40,184,371
Net position, end of year	**$ 52,276,486**	**$ 38,825,469**	**$ 39,863,998**

Changes from 2020 to 2021:

Operating revenues increased by approximately $160,000. Tuition and fees, net of scholarship allowances, decreased by approximately $212,000 or 1.6% after a tuition rate increase of 3.8% and a slight decrease in total fall semester headcount. Scholarship allowances increased approximately $443,000 from the prior year. Auxiliary activities, net of scholarship allowances, decreased by approximately $132,000 or 1.5% after a 2.0% increase in room and board rate and a decrease in occupancy.

Operating expenses decreased by approximately $3.3 million. Operation and maintenance of plant decreased by approximately $305,000; research expenses increased by approximately $237,000; and auxiliary activities increased by approximately $68,000 over the prior year.

Net nonoperating revenues increased by approximately $9.3 million. State appropriations decreased by approximately $1.5 million. Investment income, net of investment expenses, increased by approximately $3.2 million from 2020.

The net result of operations for the year was an increase in net position of approximately $13.4 million.

Changes from 2019 to 2020:

Operating revenues decreased by approximately $1.5 million. Tuition and fees, net of scholarship allowances, decreased by approximately $622,000 or 4.5% after a tuition rate increase of 3.0% and a slight decrease in total fall semester headcount. Scholarship allowances decreased approximately $382,000 from the prior year. Auxiliary activities, net of scholarship allowances, decreased by approximately $103,000 or 1.1% after a 3.0% increase in room and board rate, a slight decrease in occupancy and board rate increase and lost revenue in various departments due to COVID-19.

Operating expenses decreased by approximately $1.2 million. Operation and maintenance of plant decreased by approximately $1.2 million; research expenses increased by approximately $37,000; and auxiliary activities decreased by approximately $927,000 over the prior year.

Net nonoperating revenues decreased by approximately $2.0 million. State appropriations decreased by approximately $1.3 million. Investment income, net of investment expenses, decreased by approximately $530,000 from 2019.

The net result of operations for the year was a decrease in net position of approximately $1.0 million.

The Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities, and help measure the University's ability to meet its financial obligations as they mature.

	Year Ended June 30		
	2021	**2020**	**2019**
Cash from:			
Operating activities	$ (14,826,447)	$ (15,598,574)	$ (12,888,486)
Noncapital financing activities	21,456,576	17,849,658	17,356,657
Capital and related financing activities	(6,415,534)	(6,832,560)	(441,462)
Investing activities	796,779	4,451,314	323,268
Net change in cash and cash equivalents	1,011,374	(130,162)	4,349,977
Cash and cash equivalents, beginning of year	12,312,343	12,442,505	8,092,528
Cash and cash equivalents, end of year	**$ 13,323,717**	**$ 12,312,343**	**$ 12,442,505**

Changes from 2020 to 2021:

The most significant components of cash flows from operating activities are tuition and fees, auxiliary activities, grants and contracts and the return of excess pension contributions. Net cash from operating activities for the year ended June 30, 2021 was approximately $14.8 million, decreasing significantly from the prior year. Uses of cash from operating activities include payments to employees, vendors, and students.

The net cash from noncapital financing activities, which consisted primarily of State appropriations and Federal Pell grants, was approximately $21.5 million for the year ended June 30, 2021, up approximately $3.6 million from 2020. The University received approximately $1.2 million less in State appropriations, approximately $4.9 million more in Federal CARES Act funds and approximately $87,000 less in Federal Pell grants than in 2020.

Net cash from capital and related financing activities increased by approximately $417,000 from 2020, to approximately $6.4 million in 2021. The University spent approximately $8.6 million on capitalized improvements in 2021 and approximately $8.2 million in 2020.

Cash from investing activities decreased by approximately $3.6 million totaling approximately $796,000 for 2021. The decrease is mostly attributable to an increase of approximately $3.3 million in the purchases of investments and a decrease of $152,000 in proceeds from sales and maturities of investments as compared to 2020.

Overall, cash and cash equivalents increased by approximately $1.0 million for the year ended June 30, 2021.

Changes from 2019 to 2020:

The most significant components of cash flows from operating activities are tuition and fees, auxiliary activities, grants and contracts and the return of excess pension contributions. Net cash from operating activities for the year ended June 30, 2020 was approximately $15.6 million, decreasing significantly from the prior year. Uses of cash from operating activities include payments to employees, vendors, and students.

The net cash from noncapital financing activities, which consisted primarily of State appropriations and Federal Pell grants, was approximately $17.8 million for the year ended June 30, 2020, up approximately $493,000 from 2019. The University received approximately $251,000 more cash from State appropriations and approximately $482,000 less in Federal Pell grants than in 2019.

Net cash from capital and related financing activities decreased by approximately $6.4 million from 2019, to approximately $6.8 million in 2020. The University spent approximately $8.2 million on capitalized improvements in 2020 and approximately $23.4 million in 2019.

Cash from investing activities increased by approximately $4.1 million totaling approximately $5.5 million for 2020. The increase is mostly attributable to an increase of approximately $20.8 million in the purchases of investments and a decrease of $16.7 million in proceeds from sales and maturities of investments as compared to 2019.

Overall, cash and cash equivalents decreased by approximately $130,000 for the year ended June 30, 2020.

Factors That Will Affect the Future
COVID 19-Continuing Impact

COVID-19 continues to affect educational institutions across Michigan. Since March 2020, Lake Superior State University has lost millions of dollars in revenue and provided student refunds. At the same time the University has spent millions of dollars seeking to keep students, employees and communities safe from the continued impact of COVID-19. It is unknown when education, business, industry, and communities may return to pre-COVID-19 conditions. Until this occurs, the economic impact on the University may continue to be significant.

Factors That Will Affect the Future
Senior Management Team Stability

The LSSU Senior Management Team (SMT) is comprised of the President; Provost and Vice President of Academic Affairs; Vice President for Finance & Operations; Vice President of Advancement; Dean of Admissions and Marketing; Dean of Student Affairs; Director of Athletics; Director of Human Resources, Title IX, Safety, & Risk; and the State Relations Officer.

The SMT works collaboratively and capably, combining their diverse and extensive experience and knowledge to accomplish the goals established in the University's 2020-2025 strategic plan.

The SMT remains stable with Dr. Nafez Alyan being hired July 15, 2021 as Vice President for Finance and Operations to replace Morrie Walworth who retired on July 30, 2021, and Dr. Dave Diles being hired August 10, 2021 as Director of Athletics to replace Dr. David Paitson who left July 27, 2021.

Factors That Will Affect the Future
Major Initiatives

Capital Outlay:
In July 2016, the State of Michigan approved LSSU's $13.2M capital outlay project to build a new Center for Freshwater Research and Education (CFRE) facility on the St. Marys River. Construction was approved by the State in June of 2019. The State is expected to issue bonds for the project in Fall 2021. Despite COVID-19 caused delays such as State mandated shut downs and scarcity of materials as well as emerging brownfield issues, construction is nearing completion. The facility is now scheduled to open in early 2022 near downtown Sault Ste. Marie.

The site was purchased from the City of Sault Ste. Marie for $500,000 in FY19. Previously the location of Union Carbide from 1900 until 1960, the CFRE location was designated a Brownfield site. In partnership with the City of Sault Sainte Marie, LSSU has secured a $1,000,000 grant and a $1,000,000 loan from the State of Michigan Department of Environment, Great Lakes & Energy (EGLE) for the project. Additionally, LSSU has obtained about $1,000,000 of additional funds to enhance research facilities and mitigate the ecological impact of the center.

The new facility will continue to support LSSU's hatchery, in addition to providing educational programming for the University and regional communities and serving as a base for world-class research into freshwater systems.

Factors That Will Affect the Future
Enrollment Initiatives

While COVID-19 continued to create a challenging environment for recruiting and matriculation, Lake Superior State University's response and planning established a very favorable foundation for future enrollment growth. The majority of the 2019-2020 cycle focused on central communication plans and territory management strategies that enhanced brand awareness and affinity based on the value propositions of access and social mobility. The Customer Relationship Management system Ellucian CRM Recruit was implemented in October 2019. Institutional leveraging of that system has progressed as the knowledge and capabilities of the CRM manager and admissions representatives have increased.

In addition, the environmental condition demanded we re-envision many of our processes and approaches that were barriers to enrollment. The institution deployed a Conditional Admissions program to remove or mitigate barriers to enrollment such as access to transcripts. Our recruitment and onboarding strategies have been revised with the orientation and campus visitation programs being re-envisioned to reinforce our commitment of face-to-face learning as the most effective form of instruction and engagement for our students.

These fundamental changes resulted in a 13.5% increase in new student enrollment from Fall 2019 to Fall 2020 and an increase in the enrolled to application ratio from an 18% to 20% across all territories. Enrollment for Fall 2021 currently is poised to result in another substantial increase.

As we move into the Fall 2022 recruitment cycle, several initiatives and strategies that are direct results of the institution's strategic planning processes will enhance our ability to replicate the progress of 2020 and 2021:

- LSSU joined the Common Application effective August 2020 to enhance our visibility outside our immediate region and thus complement our prospect pool. This platform enables students to apply to multiple institutions at the same time. During this first year, applications came from further afield and from a more diverse pool of applicants.
- Scholarship Universe, was adopted and fine-tuned to more efficiently and effectively package Financial Aid, also incorporating departmental aid into the platform.
- Some institutional aid was redirected into the region within 200 miles of the institution to reflect the national trend in regionalization of enrollment and reinforce our commitment of being an agent of transformational change in our immediate region.
- Engagement with LSSU's 13 Charter schools with high schools continues to be enhanced with campus visitation activities and programs prioritized. Charter school camps were restarted during Summer 2021 and all charter school seniors are now automatically admitted to Lake Superior State University.
- The new location at St Helen afforded us opportunities to serve increasing numbers of non-traditional students in the Northern Lower Peninsula by providing greater access and flexibility.
- The application and communication processes for Early Middle College students were redesigned and migrated to the admissions office to further cultivate these students and stimulate associate's degree completion and matriculation in baccalaureate programs.
- LSSU has recommitted to a Canadian enrollment initiative and we are evaluating opportunities to provide financial incentives to enhance our cross border enrollment.

The 2020 admissions cycle was a period of intense self-examination and change. We have greatly enhanced the institution's ability to develop brand awareness and affinity. These improvements continued to be honed in the 2021 cycle. The speed, empathy, and passion that is evident in our work to support our students and their families in a stressful environment is having long term transformative impact on our future effectiveness.

Factors That Will Affect the Future
Academic Initiatives/Successes

The University continues to work diligently to develop and market high demand and unique career-oriented degrees and certificates, as well as explore new partnerships and territories with unmet educational needs. As we look to the future is it imperative that the University align scarce resources with areas of interest and need. The University remains committed to providing an excellent value in education across all our offerings.

College of Health and Behavior:

The College of Health & Behavior continues to engage students in High Impact Practices that prepare LSSU students with essential skills for careers in Healthcare and Service. Students in the Behavioral Sciences design and conduct relevant research in their fields, and present that research in a public venue for their School or the University community. A large percentage of students in the College of Health & Behavior frequently earn Outstanding Undergraduate Research awards at the State and National levels. Kinesiology, Behavioral Sciences and Nursing students all participate in challenging and in-demand internships, gaining valuable hands-on experience and applying knowledge and skills acquired in their program studies.

The School of Nursing reaffirmed its accreditation with the Commission on Collegiate Nursing in late spring of 2020, which remains in effect through the next accreditation cycle review in 2030. The School has reestablished the BSN completion program as a fully online offering made available to students' nationwide beginning in fall 2021. Nursing faculty and students worked closely with the county health department and nearby Tribal communities to deliver COVID-19 vaccinations in multiple outreaches. The Superior Simulation Center has increased simulation learning sessions to meet the clinical learning needs and program hours of Nursing & Paramedic students. As healthcare concerns and issues escalated during the COVID-19 pandemic, the Center increased its offerings of Cardio Pulmonary Resuscitation (CPR) and other Certification courses to LSSU and the broader healthcare community. The Simulation Center continues to develop new programming to meet these community needs.

College of Innovation and Solutions:

The College of Innovation and Solutions (CoIS) is awaiting a response on its application seeking approval for Perkins funding for three programs: the Associate of Computer Science, the Associate of Computer Networking, and the Culinary Arts Chef Certificate program. If approved, these funds will offset some of the operational costs of running these programs. All three degrees prepare students for high-demand jobs in Michigan and focus on hands-on applications and job-readiness. The two associate degrees lead seamlessly to bachelor's degrees for students who want to further their studies.

In connection with expansion initiatives at LSSU's regional centers, CoIS now offers degrees in Cannabis Business, Business Administration-Management, Mathematics Elementary Teaching, and Mathematics Secondary Teaching at LSSU's new location in St. Helen, Michigan. Completion programs in the two mathematics education degrees are also being offered to students at the regional centers in Petoskey and Escanaba. LSSU students majoring in these two programs have maintained a 100% pass rate on the Michigan Test for Teacher Certification in mathematics since 2012.

Two new programs have been approved for fall 2022: the Mechatronics BS meets a market need in a field combining mechanical, electrical, computer, and robotics engineering technologies; the Data Science BS encompasses concentrations in bioinformatics, business analytics, chemistry informatics, geosystems modeling, health informatics, robotics, and spatial analysis, with potential to develop additional concentrations in the future. Two Cannabis Business courses are being offered online as part of the new Cannabis Production Certificate program. There are early plans to expand this effort to offer a Cannabis

Business completion program online. This will broaden the reach for the Cannabis Business program to other regions in the United States.

College of Science and the Environment:

The School of Science and Medicine was awarded a multi-year grant of more than $2,000,000 from the Michigan Department of Health and Human Services for the surveillance of wastewater in the Eastern Upper Peninsula. Donations for the research and analysis labs of the College totaled more than $400,000.

Students working in LSSU's analytical environmental laboratory, Superior Analytics, and in the Cannabis Center for Excellence gain experience working in those state-of-the-art facilities while providing analysis services to external constituencies that include state, federal, and local environmental monitoring programs as well as private companies.

Enrollment is increasing annually in the Cannabis Chemistry Program, and the first cohort graduated in spring 2021 from the Cannabis Production Certificate program; the online certificate program requires 12 credits and an accelerated on-campus residency. The Cannabis Processing Laboratory and Cannabis Center for Excellence, uses state-of-the-art equipment funded in part through collaborations with industry partners, and all required funds have been pledged to develop and retrofit a new Cannabis Growth Laboratory. Courses for these programs are available in a hybrid model at LSSU's newest off-campus location.

The School of Natural Resources & Environment launched an Associate of Applied Science program in Aquaponics Entrepreneurship, with minors in Sustainability or Natural Resources. New programs in Geographic Information Science include an associate's degree in Geospatial Technology, a certificate in Geographic Information Science, and a minor in Geographic Information Science. The School of Natural Resources & Environment continues to collaborate closely with the Center for Freshwater Research and Education, with multiple members having affiliate faculty status and the opportunity to utilize equipment and instrumentation, and collaborate on research.

College of Education and Liberal Arts:

Enrollments for Early College, dual enrollment, and concurrent enrollment programs remained steady despite COVID impacts in 2020-2021. The University continues to increase partnerships with regional K-12 schools, including our charter schools, to expand those enrollments. The Early College program boosted enrollments at LSSU's mid-Michigan location in St. Helen. First-year experience courses have been developed specifically for the Early College Program, and will be offered in fall 2021. The Early College Program and Career Services have integrated career readiness curriculum and internship/job shadowing hours into its sequence. Early College students interested in a Bachelor's degree are now paired with faculty advisors, connecting students early on with faculty in their discipline and building connections that encourage them to stay at LSSU through degree completion.

College of Criminal Justice and Emergency Responders

A new Emergency Management BS program was approved for Fall 2021. Emphasizing an all-hazards curriculum and emergency management principles across multiple disciplines, industries, and types of emergencies, this program has been designed to train future pandemic and catastrophic event planners and responders.

Articulation agreements are building enrollments in teacher education programs offered at LSSU's regional centers, and the newest location in St. Helen location offers both early childhood and teacher education programs. The School of Education continues to see growth in enrollment. Plans are in place to expand course and program offerings at regional centers for creative writing, criminal justice, and fire science.

Factors That Will Affect the Future
Student Affairs Initiatives

Retention remains a key factor in planning for a successful future at Lake Superior State University. Student Affairs has focused on maintaining or increasing student residency in University Housing, and on overall year-to-year retention. Current initiatives target retention of first-to-second year students and among rising seniors. Residential Life staff have established an early check-in process to identify students' plans for their spring semester housing. Through this early identification process, issues are being addressed with interventions appropriate to the students' individual needs.

To support overall retention, Student Affairs has increased collaborations with Academic Affairs to provide more sophisticated methods of outreach, particularly following Census Day and around semester registration time. Student Affairs staff use text messages and the campus CRM to support and track those communications. This coordinated approach is improving communication tracks across departments, including communication directly with faculty and advisors, to get students the help they need more quickly.

Student Engagement is an important component of retention. With the distancing required by the COVID-19 pandemic, Student Affairs realized that hybridized programing also maximizes reach and participation. In 2021-2022, staff will continue to develop hybridized programming options using virtual platforms to increase participation beyond the students residing on campus. Student Affairs is also expanding data collection and assessment to drive continuous improvement efforts, and tracking students' participation will be an increasingly important part of Student Affairs work in the coming year. To facilitate those efforts, app-based technologies are being used both to promote events and to track levels of student involvement. Social media platforms such as Facebook and Instagram, along with the Involvio app, are among the tools being used to increase virtual presence and "curb appeal" to students.

Campus Collaboration: Student Affairs collaborated with Academic Affairs to develop and submit a Title III Strengthening Institutions Program grant proposal in summer of 2021, and are awaiting the results. The grant proposal focused on connecting and coordinating student success services between Academic Affairs and Student Affairs, and on expanding student support services and campus experiences to encourage student success.

Factors That Will Affect the Future
Looking Forward

LSSU's Fall 2020 and Fall 2021 semesters began the second week of August with mostly face-to-face instruction. LSSU recognizes that its high populations of first-generation, low-income, and academically underprepared students benefit most from in-person instruction and support services. LSSU's back-to-campus plan is based on safe practices to protect the safety and health of staff and students. The University established four "Pillars of Safety" in compliance with CDC and State requirements, which included social distancing and masks, safe water access and signage and marketing safe practices such as handwashing and taking personal responsibility for health protection. This earlier (three weeks) start to the semester reflects a "get here - stay here" motto, that included canceling holiday breaks and encouraging students to attend LSSU for a dedicated 15 week period before leaving campus at the end of the Fall semester.

In FY21, a fully-online winter term was added during the extended two-month break between the close of Fall semester and the start of Spring semester, Course offerings for the winter term focused on general education, internships, and junior/senior guided research seminars that enabled students to earn course credits over the extended break. This practice will continue in winter 2021-2022, carrying forward the theme for students to "Catch Up and Get Ahead." Although summer semester programming for 2021 was minimal due to COVID restrictions, LSSU plans to intensify marketing and program offerings to students in summer 2022. Deans are currently working on proposals for innovative online, hybrid, and face-to-face course offerings that include a possible nursing course for the use of CBD in treating health ailments, and additional cannabis certification programming.

Academic Affairs will continue to develop and propose new programs that meet student and current market needs. The emphasis is on developing new programs that are low in cost and leverage existing faculty and equipment

Enrollment is key to LSSU's future financial viability. FY21 saw substantial data-driven changes to the admissions process. The new CRM system, has proven effective and will be instrumental in driving improvements in FY22. The messaging and outreach processes were also restructured in FY21, and staff are gaining proficiency with the new tools and information. LSSU has also established a substantial academic focus for retention initiatives.

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Report of Independent Auditors

Board of Trustees
Lake Superior State University

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Superior State University (University), a component unit of the State of Michigan, and Lake Superior State University Foundation (Foundation), a discretely presented component unit of the University, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 respective financial position of Lake Superior State University and its discretely presented component unit, Lake Superior State University Foundation, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 15 and the Required Supplementary Information on pages 75 - 78 (related to pension and postemployment benefits and Notes to Required Supplementary Information) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021 on our consideration of Lake Superior State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Midland, Michigan
December 14, 2021

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF NET POSITION

	As of June 30	
Assets	**2021**	**2020**
Current assets		
Cash and cash equivalents	$ 13,323,717	$ 12,312,343
Short-term investments	2,785,674	3,025,236
Accounts receivable, net	1,927,609	1,224,107
State appropriations receivable	2,591,290	1,108,488
Inventories	448,927	429,535
Other	430,548	425,049
Total current assets	**21,507,765**	**18,524,758**
Noncurrent assets		
Student loans receivable, net	1,474,988	1,793,325
Endowment investments	15,422,979	12,037,133
Unamortized bond insurance costs	325,180	345,542
Land, construction in progress and art collection	13,454,840	6,364,081
Depreciable capital assets, net	65,708,447	69,017,106
Total noncurrent assets	**96,386,434**	**89,557,187**
Total assets	**$ 117,894,199**	**$ 108,081,945**
Deferred outflows of resources	**$ 1,134,871**	**$ 1,082,304**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 3,091,576	$ 4,226,588
Unearned revenue	564,567	662,162
Deposits	238,147	254,026
Current portion of long-term debt	1,374,321	1,305,410
Current portion of employee benefit programs	180,000	208,175
Total current liabilities	**5,448,611**	**6,656,361**
Long-term debt, net of current portion	38,364,850	39,421,996
Employee benefit programs, net of current portion	733,693	683,927
Net pension and other post employment benefits liability	21,877,396	22,829,001
Total liabilities	**$ 66,424,550**	**$ 69,591,285**
Deferred inflows of resources	**$ 328,034**	**$ 747,495**
Net position		
Net investment in capital assets	$ 42,576,409	$ 37,884,782
Restricted		
Nonexpendable		
Scholarships and research	205,837	205,837
Expendable		
Scholarships and research	17,890,379	14,115,013
Loans	2,484,786	2,782,478
Capital projects and debt service	394,545	422,633
Unrestricted	(11,275,470)	(16,585,274)
Total net position	**$ 52,276,486**	**$ 38,825,469**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30	
	2021	**2020**
Operating revenues		
Tuition and fees (net of scholarship allowances of $8,409,807 in 2021 and $7,966,673 in 2020)	$ 12,969,743	$ 13,182,309
Federal grants and contracts	795,954	550,770
State grants and contracts	347,147	448,948
Nongovernmental grants and contracts	3,911,383	3,907,431
Auxiliary activities (net of scholarship allowances of $651,665 in 2020 and $987,175 in 2020)	8,910,035	9,042,735
Other	1,335,019	976,424
Total operating revenues	**28,269,281**	**28,108,617**
Operating expenses		
Instruction	11,134,160	12,335,969
Research	936,301	699,364
Public service	1,380,805	1,551,310
Academic support	2,645,678	2,891,308
Student services	1,957,253	2,231,370
Student aid	2,125,513	1,954,677
Institutional support	5,417,679	5,381,731
Operation and maintenance of plant	4,572,331	4,878,097
Auxiliary activities	9,408,442	9,340,071
Depreciation	4,431,876	4,669,904
Other	687,879	2,151,079
Total operating expenses	**44,697,917**	**48,084,880**
Operating loss	**(16,428,636)**	**(19,976,263)**
Nonoperating revenues (expenses)		
State appropriations	14,397,144	12,884,253
Federal Pell grants	2,691,199	2,772,040
Federal corona virus relief funds	5,668,356	888,558
Interest on capital debt and leases	(1,571,843)	(1,610,132)
Amortization of prepaid bond insurance	(20,362)	(21,931)
Bond issue costs	(56,873)	-
Investment income, net of investment expenses	3,943,063	732,065
Gifts for endowments	35,150	23,325
Loss on assets sold or retired	(75,153)	(11,512)
Net nonoperating revenues	**25,010,681**	**15,656,666**
Gain (loss) before other revenues	**8,582,045**	**(4,319,597)**
Other revenues		
Capital appropriations	3,285,366	-
Capital grants and gifts	1,583,606	3,281,068
Total other revenues	**4,868,972**	**3,281,068**
Increase (decrease) in net position	**13,451,017**	**(1,038,529)**
Net position, beginning of year	**38,825,469**	**39,863,998**
Net position, end of year	**$ 52,276,486**	**$ 38,825,469**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	Year Ended June 30 2021	2020
Cash flows from operating activities		
Tuition and fees	$ 12,920,596	$ 13,281,608
Grants and contracts	4,908,209	5,077,046
Payments to employees	(26,712,699)	(27,259,262)
Payments to vendors	(14,183,106)	(15,294,262)
Payments for financial aid	(2,125,513)	(1,954,677)
Loans issued to students	(193,949)	(134,766)
Collections of interest and principal on loans to students	512,286	494,135
Auxiliary activities	8,782,252	9,079,409
Other receipts	1,265,477	1,112,195
Net cash from operating activities	**(14,826,447)**	**(15,598,574)**
Cash flows from noncapital financing activities		
State appropriations	13,081,601	14,326,978
Federal Pell grants	2,684,134	2,771,855
Federal corona virus relief funds	5,655,691	727,500
Gifts for endowments	35,150	23,325
Federal Direct Lending receipts	7,423,409	8,402,040
Federal Direct Lending disbursements	(7,423,409)	(8,402,040)
Net cash from noncapital financing activities	**21,456,576**	**17,849,658**
Cash flows from capital and related financing activities		
Capital appropriations received	3,242,908	-
Capital grants and gifts received	1,275,667	3,322,953
Loan proceeds	328,704	977,842
Proceeds from letter of credit	-	50,000
Payment of bond issuance costs	(25,750)	-
Purchase of bond insurance	-	-
Purchases and construction of capital assets	(8,624,309)	(8,203,325)
Proceeds from disposal of capital assets	359,060	9,015
Principal paid on debt and capital leases	(1,305,409)	(1,284,526)
Interest paid on debt and capital leases	(1,666,405)	(1,704,519)
Net cash from capital and related financing activities	**(6,415,534)**	**(6,832,560)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	7,736,548	7,888,451
Purchases of investments	(7,340,192)	(4,009,805)
Investment income, net	400,423	572,668
Net cash from investing activities	**796,779**	**4,451,314**
Net change in cash and cash equivalents	1,011,374	(130,162)
Cash and cash equivalents, beginning of year	12,312,343	12,442,505
Cash and cash equivalents, end of year	**$ 13,323,717**	**$ 12,312,343**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
Reconciliation of operating loss to net cash from operating activities	**2021**	**2020**
Operating loss	$ (16,428,636)	$ (19,976,263)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	4,431,876	4,669,904
Provision for uncollectible accounts and student loans receivables	36,919	76,497
Pension and OPEB expense adjustment	(1,590,892)	(81,867)
Change in assets and liabilities:		
Accounts receivable, net	(398,526)	281,746
Student loans receivable, net	400,671	332,415
Inventories	(19,392)	208
Other	(5,499)	(29,833)
Accounts payable and accrued expenses	(1,161,085)	(947,656)
Unearned revenue	(97,595)	38,989
Deposits	(15,879)	71,364
Employee benefit programs	21,591	(34,078)
Net cash from operating activities	**$ (14,826,447)**	**$ (15,598,574)**
Supplemental disclosures of non-cash financing and investing activities		
Gifts in-kind received and recorded as capital assets	$ 23,880	$ 365,341
Entered into capital leases to purchase capital equipment	$ -	$ 266,037
Accrued interest payable included in purchase of capital assets	$ -	$ 337,454

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	As of June 30	
	2021	**2020**
Assets		
Current assets		
Cash and cash equivalents	$ 279,894	$ 821,470
Short-term investments	2,008,283	1,946,280
Other current assets	7,015	6,015
Current portion of unconditional promises to give, net	122,819	376,880
Total current assets	**2,418,011**	**3,150,645**
Noncurrent assets		
Investments	22,629,548	16,739,667
Unconditional promises to give, net of current portion	287,460	109,156
Property held for sale or conveyance	-	257,500
Beneficial interest in charitable remainder trust	-	337,970
Total noncurrent assets	**22,917,008**	**17,444,293**
Total assets	**$ 25,335,019**	**$ 20,594,938**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 15,358	$ 13,160
Employee benefit programs	16,720	20,275
Total current liabilities	**32,078**	**33,435**
Annuity obligations	16,665	22,100
Total liabilities	**48,743**	**55,535**
Net assets		
With donor restrictions	24,750,807	19,013,770
Without donor restrictions	535,469	1,525,633
Total net assets	**25,286,276**	**20,539,403**
Total liabilities and net assets	**$ 25,335,019**	**$ 20,594,938**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30 2021	Year Ended June 30 2020
Operating revenues		
Contributions	$ 2,037,141	$ 1,692,759
Change in value of split interest agreements	12,759	(5,416)
Total operating revenues	**2,049,900**	**1,687,343**
Operating expenses	450,643	507,041
Operating income	**1,599,257**	**1,180,302**
Nonoperating revenues (expenses)		
Investment return, net	5,376,851	424,612
Distributions to Lake Superior State University	(2,229,235)	(2,866,778)
Net nonoperating revenues (expenses)	**3,147,616**	**(2,442,166)**
Change in net assets	**4,746,873**	**(1,261,864)**
Net assets, beginning of year	20,539,403	21,801,267
Net assets, end of year	**$ 25,286,276**	**$ 20,539,403**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2021	**2020**
Cash flows from operating activities		
Change in net assets	$ 4,746,873	$ (1,261,864)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net depreciation (appreciation) in fair value of investments	(2,995,894)	1,403,055
Non cash change in property held for sale or conveyance	131,880	-
Non cash change in beneficial interest in charitable remainder trust	337,970	9,224
Change in operating assets and liabilities:		
Other current assets	(1,000)	-
Unconditional promises to give	75,757	214,314
Accounts payable and accrued expenses	2,198	(8,431)
Employee benefits program	(3,555)	1,233
Annuity obligation	(5,435)	(5,131)
Net cash from operating activites	**2,288,794**	**352,400**
Cash flows from investing activities		
Purchase of investments	(3,502,190)	(1,760,983)
Sale of investments	671,820	1,421,000
Net cash from investing activities	**(2,830,370)**	**(339,983)**
Net change in cash and cash equivalents	**(541,576)**	**12,417**
Cash and cash equivalents, beginning of year	821,470	809,053
Cash and cash equivalents, end of year	**$ 279,894**	**$ 821,470**

The accompanying notes are an integral part of these financial statements.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lake Superior State University (University) is an institution of higher education and is considered a discrete component unit of the State of Michigan (State) because its Board of Trustees is appointed by the Governor. Accordingly, the University's financial statements are included in those of the State. Transactions with the State relate primarily to appropriations for operations, appropriations for charter schools, grants from various State agencies, State Building Authority (SBA) revenues, and payments to the State retirement program on behalf of certain University employees.

As required by the Governmental Accounting Standards Board (GASB), the University's financial statements include the financial statements of both the University and its legally separate tax-exempt component unit, the ***Lake Superior State University Foundation*** (Foundation). As a result of a) the Foundation's Board of Trustees being drawn primarily from community representatives, independent from the governance of the University's Board of Trustees and b) restricted resources held by the Foundation being used only by, or for the benefit of, the University, the Foundation is considered a component unit of the University. The Internal Revenue Service, an agency of the Department of the Treasury of the United States, determined on August 9, 1985, that the Foundation was a tax-exempt organization under section 501(c)(3) of the tax code. The Foundation exclusively benefits the University; however, its Board of Directors is not substantively the same as that of the University. The Foundation is discretely presented in the University's financial statements in accordance with the provisions of GASB 61. See pages 22 through 24 of this report for the statements of net position, statements of activities, and statements of cash flows of the Foundation.

Contributions to the University by the Foundation have been made in the amount of $2,229,235 during 2021 and $2,866,778 during 2020. Support from the University provided to the Foundation amounted to $415,254 during 2021 and $437,560 during 2020.

Basis of Presentation - University

The accompanying University financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting with the exception that certain investment income and interest earned on the Federal Perkins student loan program are recorded only when received.

In accordance with U.S. generally accepted accounting principles, the University follows all applicable GASB pronouncements. In applying these accounting pronouncements, the University follows the guidance for special purpose governments engaged only in "business-type" activities rather than issuing financial statements that focus on accountability of individual funds.

Basis of Presentation - Foundation

The Foundation is a not-for-profit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the accounts receivable allowance, pension and OPEB liability, and insurance reserves.

Cash and Cash Equivalents

Cash and cash equivalents at the University and the Foundation consist of demand deposits and highly liquid investments, excluding noncurrent investments, with an original maturity when purchased of three months or less.

Short-Term Investments

Short-term investments consist of certificates of deposit with maturities of less than one year and liquid bond/fixed income funds.

Investments and Endowment Investments

University and Foundation investments and endowment investments consist primarily of mutual funds and are stated at fair value. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position (activities). The Foundation maintains investment accounts for its expendable and nonexpendable endowments.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories

Inventories, consisting primarily of supplies and petroleum products, are valued at cost (using the specific identification method) not in excess of market.

Capital Assets

Capital assets, consisting of institutional physical properties used in University operations, are stated at cost when purchased or, if acquired by gift, at acquired value at the date of acquisition. Building additions and improvements with a cost in excess of $10,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of $2,500 with a useful life of three or more years is capitalized. Certain maintenance and replacement reserves have been established to provide for significant repair and maintenance costs to residence halls and certain other facilities.

Depreciation is provided on a straight-line basis over the estimated useful life of the related capital assets as follows:

Classification	Life
Buildings and building improvements	20 to 60 years
Land improvements	20 years
Infrastructure	20 years
Equipment	3-10 years
Library books	7 years
Vehicles	7 years

Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of outflows related to the University's multi-employer net pension obligation and OPEB and totaled $1,134,871 as of June 30, 2021and $1,082,304 as of June 30, 2020. Deferred inflows of resources consist of inflows related to the University's multi-employer net pension obligation and OPEB and totaled $328,034 as of June 30, 2021 and $747,495 as of June 30, 2020. Net pension obligation and OPEB amounts are amortized over the actuarial calculated expected remaining service life of the members.

Net Pension Obligation

The calculations for the purpose of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, pension expense, the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net 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 Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenue Recognition

Revenues are recognized when earned and expenses are recognized when the service is provided or when materials are received. Restricted grant revenue is recognized only to the extent expended. Operating revenues of the University consist of tuition and fees, grants and contracts, auxiliary enterprise revenues, and other revenue. Transactions related to capital and financing activities, noncapital financing activities, investing activities, State appropriations, Federal corona virus relief grants, and Federal Pell grant revenue are components of nonoperating revenue. Restricted and unrestricted resources are allocated to the appropriate departments within the University which are responsible for adhering to any donor restrictions.

State appropriation revenue is recognized in the period for which it is appropriated.

The University received $76,370,067 during 2021 and $71,378,495 during 2020 (net of a 3.0% administrative fee retained by the University) of State appropriations which were forwarded to 21 charter schools. The University also received $100,000 in State appropriations for Bay Mills Community College during fiscal year 2020, which was forwarded to Bay Mills Community College on a monthly basis when received. The State appropriation for Bay Mills Community College was changed to a one-time $1,000,000 for fiscal year 2021 but due to certain requirements imposed by the State, the funds were not received nor transferred until July of 2021. Appropriations received and related disbursements passed on to the charter schools and Bay Mills Community College are considered agency transactions and, accordingly, are not reported in the accompanying financial statements.

Contributions, including unconditional promises to give, are recognized by the Foundation as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation records donations of non-cash assets at their appraised or fair value as of the date of the gift.

Unearned Revenue

Unearned revenue consists primarily of advance payment for sports camps, room and board, sales for athletic events, and summer tuition not earned during the current year.

Income Taxes

The University is classified as a State instrumentality under Internal Revenue Code Section 115 and is also classified as a charitable organization under Internal Revenue Code section 501(c)(1). Therefore the University is exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514. No such taxes were incurred for either fiscal year 2021 or 2020.

The Foundation is also exempt from federal income taxes under Section 501(c)(3) and qualifies as an organization operated for the benefit of a college or university owned or operated by a governmental unit described in Section 170(b)(1)(A)(iv). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Certain activities of the Foundation may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514. No such taxes were incurred for either fiscal year 2021 or 2020.

ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, prescribes the recognition threshold and measurement attribute for disclosures of tax positions previously taken or expected to be taken on an income tax return. The Foundation analyzes its filing positions in the state jurisdictions where it is required to file income tax returns, including tax years 2017 through 2021 in these jurisdictions. The Foundation also treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of operating expenses. The continued application of ASC Topic 740 has had no significant impact on the Foundation's financial statements.

Split-Interest Agreements

Beneficial Interest in Charitable Remainder Trust

The Foundation is a beneficiary of certain irrevocable charitable remainder trusts. Contribution revenue was recognized at the date the trust was established based on the expected present value of the Foundation's interest in the trust assets. Changes in the value of the assets and other changes in the estimates of future receipts are reported in the statements of activities of the Foundation.

Annuity Obligations

The Foundation's annuity and life income agreements require payments during the life of the annuitant at various rates up to 7.0% of the principal amounts. The annuity obligations payable is reported at the present value of the future payments based on life expectancy tables and an implied discount rate of 5.8%. Changes in the value of annuity obligations payable are reported in the statements of activities of the Foundation.

Fair Value Measurements

As required by ASC Topic 820, *Fair Value Measurements*, the Foundation has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the nature of the inputs used in determining fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). For a further discussion of ASC Topic 820, refer to Note 5.

Foundation Net Assets

The net assets and revenues, gains, and losses of the Foundation are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation have been grouped into the following two classes:

Net assets without donor restrictions - Generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses, and dividends and interest from investing in income-producing assets, less the expenses incurred in providing services, raising contributions, and performing administrative functions.

Net assets with donor restrictions - Generally result from contributions, unrealized and realized gains and losses, and dividends and interest from investing in income-producing assets, and other inflows of assets, which are held for specific purposes as stipulated by the donor. Some of the restrictions are temporary in nature and are released from restrictions by the passage of time or by actions of the Foundation, pursuant to the donors' stipulations. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Subsequent Events

In preparing these financial statements, management has evaluated, for the potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2021, the most recent statement of net assets presented herein, through December 14, 2021, the date these financial statements were available to be issued. See footnote 22 for a description of subsequent events.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS - UNIVERSITY

Cash and short-term investments - The University utilizes the "pooled cash" method of accounting for substantially all of its 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, with limitations, in commercial paper of companies with a rating within the two highest classifications of prime as established by at least one of the standard rating services. Investments may also be made in securities of the U.S. Treasury and federal agencies and in time savings accounts. Short-term investments are stated at fair value.

Investments - The Board of Trustees has authorized certain University administrators to invest in short, intermediate, and long-term pools of investments, depending on the nature and need of funds. An established Board policy is followed for the investment of University funds. The primary investment objective for the investment pools is as follows:

Short-term investment pool - to provide for the preservation of capital. Funds needed for expenditures in less than one year will be considered short-term.

Intermediate investment pool - to provide for preservation of capital and maximization of income without undue exposure to risk. Funds needed for expenditures within one to five years will be considered intermediate-term.

Long-term investment pool - to provide for long-term growth of principal and income without undo exposure to risk. Funds not needed for expenditures within five years will be considered long-term. The University's general policy toward the long-term investment pool shall be to diversify investments within both equity and fixed income securities so as to provide a balance that will enhance total return. The University invests with selected money managers as part of an institutional mutual fund or in segregated accounts.

Performance objectives for each pool of investments have been established to measure the total return of a manager against a comparable index, as well as the amount of risk the manager is taking. The University uses the service of outside investment counsel in providing performance measurements and asset allocation recommendations. Reports are submitted to the Board of Trustees on an annual basis to ensure compliance with the prescribed policy.

Investment income and realized gains or losses are allocated using an average balance method on accounts designated to receive investment earnings. Unrealized gains or losses are allocated based on investment balances on June 30.

University cash and cash equivalents consist of the following amounts as of June 30:

	2021	2020
Disbursement accounts	$ 7,640,892	$ 2,948,771
Money market funds	5,682,825	9,363,572
Total cash and cash equivalents	**$ 13,323,717**	**$ 12,312,343**

The University utilizes the "pooled" method of accounting for substantially all investments, which consist of the following amounts as of June 30:

	2021	2020
University short-term investments		
Certificates of deposit	$ 536,361	$ 791,721
Mutual funds		
Bond/fixed income funds	2,249,313	2,233,515
Total University short-term investments	**$ 2,785,674**	**$ 3,025,236**

	2021	2020
University endowment investments		
Mutual funds		
Equity funds	$ 11,646,047	$ 8,909,209
Bond/fixed income funds	3,746,582	3,093,819
Money market funds	30,350	34,105
Total University endowment investments	**$ 15,422,979**	**$ 12,037,133**

Interest Rate Risk – The University's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment type (including investment types classified as cash and cash equivalents) susceptible to interest rate risk are identified below for investments held as of year-end.

As of June 30, 2021, the University had the following investments with related maturities:

		Maturities (in Years)		
	Fair Market Value	Less Than 1	1-5	6-10
Money market funds	$ 5,713,175	$ 5,713,175	$ -	$ -
Bond/fixed income funds	5,995,895	2,249,313	-	3,746,582
Total investments	**$ 11,709,070**	**$ 7,962,488**	**$ -**	**$ 3,746,582**

As of June 30, 2020, the University had the following investments with related maturities:

		Maturities (in Years)		
	Fair Market Value	Less Than 1	1-5	6-10
Money market funds	$ 9,397,677	$ 9,397,677	$ -	$ -
Bond/fixed income funds	5,327,334	2,233,515	-	3,093,819
Total investments	**$ 14,725,011**	**$11,631,192**	**$ -**	**$ 3,093,819**

Credit Risk - State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, and qualified mutual funds. The University's investment policy does not have specific limits in excess of state law on investment credit risk.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned. State law does not require a policy for deposit custodial credit risk. The University believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, management evaluates each financial institution in which it deposits University funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of June 30, 2021, $9,580,163 of the University's bank balance of $13,581,222 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require the University to have a policy for investment custodial credit risk. Custodial credit risk for the University's mutual fund investments cannot be determined as these investments are not evidenced by specifically identifiable securities.

Concentration of Credit Risk - State law limits allowable investments but does not limit concentration of credit risk. The University's investment policy does not have specific limits in excess of state law on concentration of credit risk.

Foreign Currency Risk - The University's exposure to foreign currency risk is derived from its positions in international investments consisting solely of foreign currency denominated mutual fund equity investments. The University's investment policy permits investments in these asset types. As of June 30, 2021, the University held 21,651 units of the EuroPacific Growth Fund Class F3 (Security identifier: FEUPX) with a fair value of $1,533,133 and 46,978 units of the Fidelity Advisor International Capital Appreciation fund (Security identifier: FCPIX) with a fair value of $3,210,329. As of June 30, 2020, the University held 45,725 units of the EuroPacific Growth Fund Class F3 (Security identifier: FEUPX) with a fair value of $2,420,701. The University holds no other assets which may be subject to the risks of foreign currency.

No foreign currency risk exists with respect to any holdings under the caption "cash and cash equivalents" in the accompanying statements of net position, and all international investments are equity investments held through mutual funds.

Policies regarding marketable securities in the University endowment investments, as set forth by the Board of Trustees, authorize the investment manager to invest in high-grade equities, bonds, or other marketable securities. The University endowment income spending policy is 4.5% of the 20-quarter rolling average of the market value of the endowment pool. The annual spending income allocation cannot reduce the original gift principal. The spending policy is reviewed periodically by the Finance Committee, which recommends changes to the Board of Trustees. The net appreciation on University investments of donor-restricted endowments approximated

$3,616,000 as of June 30, 2021 and $1,491,000 as of June 30, 2020. Net appreciation is a component of restricted, expendable net position.

The yields of the University endowment investments were as follows for the years ended June 30:

	2021	2020
Interest and dividends	1.4%	1.9%
Net realized and unrealized gains	26.6	0.2
Total investment gain	**28.0%**	**2.1%**

According to the law of the State of Michigan, the Board of Trustees may appropriate for expenditure for the uses and purposes for which an endowment is established an allocation of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

3. FAIR VALUE MEASUREMENTS – UNIVERSITY INVESTMENTS

The GASB issued GASB Statement No. 72, *Fair Value Measurement and Application,* which provides governments with guidance for determining fair value measurement and applying fair value to certain investments and disclosures related to all fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University performs a detailed analysis of assets and liabilities subject to authoritative guidance and uses valuation techniques that maximize the use of observable, market corroborated inputs (Level 1) and minimizes the use of unobservable inputs (Level 3). Financial assets and liabilities recorded at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for an asset or liability.

The fair value of the following financial instruments was determined using the methods and assumptions described:

Investments excluding endowment fund investments - These investments are comprised of government notes, commercial paper, and certificates of deposit. The fair value of similar investments can be obtained in the market classifying them as a Level 2 valuation.

Endowment investments - These investments are comprised of corporate bonds, corporate convertible bonds, government and agency bonds, bond funds, preferred stock, equities, international equities, and exchange traded funds. The fair value of corporate bonds, corporate convertible bonds, government and agency bonds, and bond funds (collectively bond/fixed income funds and exchange traded funds) are derived from quoted prices for identical assets in active markets classifying them as Level 1 valuation. The fair value of preferred stock and equities and international equities (collectively equity funds) are obtained from similar investments obtained in the market classifying them as a Level 2 valuation.

4. INVESTMENTS - FOUNDATION

The Foundation also utilizes the "pooled" method of accounting for substantially all investments, which consist of the following amounts as of June 30:

	2021	2020
Mutual funds		
Index funds	$ 4,698,332	$ 3,674,114
Growth funds	6,904,338	5,983,097
Bond/fixed income funds	8,415,709	6,167,662
Value funds	2,886,672	2,240,805
Public natural resources funds	1,290,906	567,006
Money market	70,923	13,510
Subtotal	24,266,880	18,646,194
Marketable securities	370,951	39,753
Total Foundation investments	**$ 24,637,831**	**$ 18,685,947**

The following is a summary of unrealized gains and losses for the Foundation for the years ended June 30:

	2021	2020
Mutual funds		
Index funds	$ 1,100,503	$ 35,723
Growth funds	504,704	(218,545)
Bond/fixed income funds	15,419	47,083
Exchange traded funds	-	(530,545)
Value funds	894,681	(404,187)
Public natural resources funds	472,508	(334,767)
Subtotal	2,987,815	(1,405,238)
Marketable securities	8,079	2,183
Total Foundation unrealized gains (losses)	**$ 2,995,894**	**$ (1,403,055)**

5. FAIR VALUE MEASUREMENTS – FOUNDATION INVESTMENTS

The Foundation utilizes fair value measurements to record fair value adjustments to investments and the beneficial interest in charitable remainder trust and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy: Under ASC Topic 820, the Foundation groups its assets at fair value into three levels based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for assets recorded at fair value:

Investments: Fair value measurement is based upon quoted prices, if available. Level 1 investments include mutual funds and marketable securities. Level 3 investments include bond/fixed income funds where fair value is based on a value provided by a third-party investment manager. The value is quoted on a private market that is not active.

Beneficial Interest in Charitable Remainder Trust: Fair value measurement is based upon the fair value of the underlying investments in the trusts, an estimated rate of return, anticipated future payments to be made to beneficiaries, living beneficiaries' life expectancies, and an assumed discount rate as discussed further in Note 8.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Index funds	$ 4,698,332	$ -	$ -	$ 4,698,332
Growth funds	6,904,338	-	-	6,904,338
Bond/fixed income funds	8,263,244	-	-	8,263,244
Municipal bonds	152,465	-	-	152,465
Value funds	2,886,672	-	-	2,886,672
Public natural resources funds	1,290,906	-	-	1,290,906
Money market	70,923	-	-	70,923
Marketable securities	370,951	-	-	370,951
Total investments at fair value	**$24,637,831**	**$ -**	**$ -**	**$ 24,637,831**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Index funds	$ 3,674,114	$ -	$ -	$ 3,674,114
Growth funds	5,983,097	-	-	5,983,097
Bond/fixed income funds	6,167,662	-	-	6,167,662
Value funds	2,240,805	-	-	2,240,805
Public natural resources funds	567,006	-	-	567,006
Money market	13,510	-	-	13,510
Marketable securities	39,753	-	-	39,753
Total investments at fair value	**$18,685,947**	**$ -**	**$ -**	**$ 18,685,947**
Beneficial Interest in Charitable Remainder Trust	**$ -**	**$ -**	**$ 337,970**	**$ 337,970**

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30:

Beneficial Interest in Charitable Remainder Trust	2021	2020
Balance, beginning of year	$ 337,970	$ 347,194
Termination of trust agreement	(337,970)	-
Change in value	-	(9,224)
Balance, end of year	**$ -**	**$ 337,970**

6. ACCOUNTS AND STUDENT LOAN RECEIVABLES

Accounts receivable result primarily from student tuition and fee billings and auxiliary enterprise sales, such as food service and student residence. In addition, receivables arise from grant awards and financial aid. These receivables are reported net of an allowance for collection losses in the amount of $582,813 as of June 30, 2021 and $543,269 as of June 30, 2020.

University accounts receivable consists of the following net amounts as of June 30:

	2021	2020
Tuition and fees	$ 443,025	$ 466,291
Governmental grants and contracts	1,021,116	588,658
Auxiliary activities	187,507	111,437
Private grants and contracts	178,465	16,524
Other	97,496	41,197
Accounts receivable, net	**$ 1,927,609**	**$ 1,224,107**

In addition, the University has student loans receivable in the amount of $1,474,988, net of an allowance for uncollectible loans of $454,075, as of June 30, 2021 and $1,793,325, net of an allowance for uncollectible loans of $537,729, as of June 30, 2020. Approximately 64% of student loans receivable are expected to be collected in periods beyond one year.

7. UNCONDITIONAL PROMISES TO GIVE

The following is a summary of unconditional promises to give for the Foundation as of June 30:

	2021	2020
Unconditional promises due in less than one year	$ 125,962	$ 378,790
Unconditional promises due in one to five years, net of discount to net present value at 1% of $8,014 and $1,859	280,832	108,641
Unconditional promises due in more than five years, net of discount to net present value at 8% of $12,372 and $23,485	6,628	515
Present value of promises to give	413,422	487,946
Less allowance for uncollectible amounts	3,143	1,910
Net unconditional promises to give	**410,279**	**486,036**
Less current portion	122,819	376,880
Unconditional promises to give, net of current portion	**$ 287,460**	**$ 109,156**

8. CHARITABLE REMAINDER TRUST

A donor having a charitable remainder unitrust managed by a third-party named the Foundation as the remainder beneficiary. Under the terms of the split-interest agreement, the third-party trustee must pay to the donor in each taxable year of the trust during the donor's life the lesser of the trust income for the taxable year or five percent (5%) of the net fair market value of the assets of the trust valued as of the first day of each taxable year of the trust. At the time of the donor's death, the trust is to terminate and the remaining trust assets are to be distributed to the Foundation.

In August, 2020, the charitable remainder unitrust agreement was terminated by the donor and the assets were transferred to the Foundation endowment investments. As of June 30, 2020, based on the donor's life expectancy and an assumed 5.8% discount rate, the present value of the future benefits expected to be received by the Foundation were estimated to be $337,970.

9. CAPITAL ASSETS

Changes in the components of capital assets are as follows for the year ended June 30:

	2021			
	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Capital assets not being depreciated				
Land - restricted	$ 838,684	$ -	$ -	$ 838,684
Land	2,173,525	222,140	285,031	2,110,634
Art collection	665,682	-	-	665,682
Construction in progress	2,686,190	7,153,650	-	9,839,840
Total capital assets not being depreciated	6,364,081	7,375,790	285,031	13,454,840
Capital assets being depreciated				
Land improvements	6,037,786	-	-	6,037,786
Infrastructure	4,482,855	157,590	1,531	4,638,914
Building and building improvements	155,745,429	576,331	134,172	156,187,588
Equipment and other	24,852,088	538,478	383,279	25,007,287
Total capital assets being depreciated	191,118,158	1,272,399	518,982	191,871,575
Accumulated depreciation	(122,101,052)	(4,431,876)	369,800	(126,163,128)
Total capital assets being depreciated, net	69,017,106	(3,159,477)	149,182	65,708,447
Total capital assets, net	**$ 75,381,187**	**$ 4,216,313**	**$ 434,213**	**$ 79,163,287**

Changes in the components of capital assets are as follows for the year ended June 30:

	2020			
	Balance July 1, 2019	**Additions**	**Reductions**	**Balance June 30, 2020**
Capital assets not being depreciated				
Land - restricted	$ 838,684	$ -	$ -	$ 838,684
Land	1,914,778	258,747	-	2,173,525
Art collection	665,682	-	-	665,682
Construction in progress	16,685,650	2,675,879	16,675,339	2,686,190
Total capital assets not being depreciated	20,104,794	2,934,626	16,675,339	6,364,081
Capital assets being depreciated				
Land improvements	6,037,786	-	-	6,037,786
Infrastructure	4,117,073	365,782	-	4,482,855
Building and building improvements	135,655,399	20,090,030	-	155,745,429
Equipment and other	23,563,733	1,684,639	396,284	24,852,088
Total capital assets being depreciated	169,373,991	22,140,451	396,284	191,118,158
Accumulated depreciation	(117,806,905)	(4,669,904)	375,757	(122,101,052)
Total capital assets being depreciated, net	51,567,086	17,470,547	20,527	69,017,106
Total capital assets, net	**$ 71,671,880**	**$ 20,405,173**	**$ 16,695,866**	**$ 75,381,187**

On June 29, 2016, the State of Michigan passed Enrolled House Bill No. 5294 in which the State authorized the planning for the Center for Freshwater Research and Education with an estimated total cost of $11,800,000 and the State's share of the capital outlay at 75% or $8,850,000. The project has evolved and the new facility will be located to the east of the Cloverland Hydroelectric Building as approved by the State of Michigan on June 22, 2018. In the process, the estimated total cost increased to $13,800,000. The ground breaking ceremony was held on July 20, 2018.

Site contamination from the former Union Carbide plant prompted the University to enter into various agreements that would allow up to $1,541,000 of Brownfield grant/loan funds from the Michigan Department of Environment, Great Lakes and Energy to be used to respond to environmental issues at the project site. Project cost increased to $15,341,000. Bid packaging was nearing completion and estimated completion moved from Spring 2020 to Fall 2020.

In fiscal year 2020, bids were awarded and construction began. More contamination issues were identified late Fall 2019 and the Brownfield monies were increased in February 2020 to

$2,000,000 ($1,000,000 each of grant and loan) for site cleanup. The road component was identified and the estimated cost was added to the project. The project suffered various delays related to COVID-19. As a result, the project is expected to be completed in early 2022.

Despite various Covid delays, construction forged ahead during fiscal year 2021. The City of Sault Ste Marie took ownership of the road project. Various fund raising efforts were successful and items cut from the $14.2 million budget will be added back to the project. Opening dedication and open-house events are scheduled for December 2021.

Construction in progress

	CFRE
Estimated cost of construction	**$ 18,412,826**
Project costs incurred:	
Costs incurred through June 30, 2020	$ 3,520,022
Additions to construction in progress	7,153,650
Expenditures not capitalized	245,783
Assets capitalized	278,699
Total project costs incurred through June 30, 2021	**11,198,154**
Estimated cost to complete	**$ 7,689,672**
Expected sources of financing:	
State of Michigan funds	$ 8,850,000
University funds and other sources	9,562,826
Total sources of financing	**$ 18,412,826**

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

University accounts payable and accrued expenses consist of the following liabilities as of June 30:

	2021	2020
Accounts payable to vendors	$ 1,145,500	$ 2,458,228
Payroll and payroll taxes	1,382,741	1,205,675
Interest	553,835	558,885
Health insurance claims	9,500	3,800
Total accounts payable and accrued expenses	**$ 3,091,576**	**$ 4,226,588**

During the year ended June 30, 2019, the University changed to premium-based workers' compensation insurance and no claims were unpaid as of June 30, 2021 or June 30, 2020.

11. LONG-TERM DEBT

Changes in the components of long-term debt are as follows for the years ended June 30:

2021

	Interest Rate	Maturity	Outstanding Principal July 1 2020	Additions	Reductions	June 30 2021	Current Portion
Bonds payable							
General Revenue							
Bonds, Series 2018							
Series bonds	4.0%	2026-2035	$ 3,265,000	$ -	$ -	$ 3,265,000	$ -
Term bonds	5.0%	2038-2050	18,645,000	-	-	18,645,000	-
Bonds, Series 2012							
Series bonds	3.0%-4.0%	2021-2031	14,875,000	-	1,010,000	13,865,000	1,045,000
Net premium on bond issuance			2,188,356	-	89,512	2,098,844	-
Total bonds payable			**38,973,356**	**-**	**1,099,512**	**37,873,844**	**1,045,000**
Capital leases	up to 4.10%	2021-2025	725,969	-	214,523	511,446	214,223
Loans payable	1.85%-4.15%	2021-2034	1,028,081	406,687	80,887	1,353,881	115,098
Total long-term debt			**$ 40,727,406**	**$ 406,687**	**$ 1,394,922**	**39,739,171**	**$1,374,321**
Less current portion						1,374,321	
Long-term debt, net of current portion						**$ 38,364,850**	

2020

	Interest Rate	Maturity	Outstanding Principal July 1 2019	Additions	Reductions	June 30 2020	Current Portion
Bonds payable							
General Revenue							
Bonds, Series 2018							
Series bonds	4.0%	2026-2035	$ 3,265,000	$ -	$ -	$ 3,265,000	$ -
Term bonds	5.0%	2038-2050	18,645,000	-	-	18,645,000	-
Bonds, Series 2012							
Series bonds	3.0%-4.0%	2020-2031	15,850,000	-	975,000	14,875,000	1,010,000
Net premium on bond issuance			2,277,868	-	89,512	2,188,356	-
Total bonds payable			**40,037,868**	**-**	**1,064,512**	**38,973,356**	**1,010,000**
Capital leases	up to 4.10%	2020-2025	811,556	149,951	235,538	725,969	214,523
Loan payable	1.85%-4.15%	2020-2034	74,228	1,027,842	73,989	1,028,081	80,887
Total long-term debt			**$ 40,923,652**	**$ 1,177,793**	**$ 1,374,039**	**40,727,406**	**$1,305,410**
Less current portion						1,305,410	
Long-term debt, net of current portion						**$ 39,421,996**	

Bonded Debt

General Revenue Bonds, Series 2018

In August 2018, the University issued fixed rate General Revenue Bonds in the amount of $21,910,000 payable from General Revenues. As of June 30, 2021, bonds payable are comprised of serial bonds payable in the amount of $3,265,000 maturing in varying amounts beginning in January 2026 through January 2035, with interest charged at 4% and 4 term bonds in the amounts of $2,545,000, $5,585,000, $7,135,000 and $3,380,000 with interest charged at 5%. The term bonds mature in January 2038, 2043, 2048, and 2050 respectively. All of the bonds are callable after January 15, 2029.

General Revenue Bonds, Series 2012

In March 2012, the University issued fixed rate General Revenue Bonds in the amount of $23,355,000. As of June 30, 2021, serial bonds payable in the amount of $13,865,000 are payable from general revenues, maturing in varying amounts through November 2031, with interest charged at annual rates ranging from 3.0% to 4.0%. All of the bonds are callable after November 15, 2021.

In 2012, the University used the proceeds from above mentioned bond issue to refund $4,670,000 and $18,685,000 in outstanding fixed rate General Revenue Bonds, Series 1997 and 2001, respectively. As of June 30, 2018, the certificates were considered defeased and the liability has been removed from the statements of net position. The refunding resulted in an interest savings of $3,540,834 and a net present value savings of $2,821,221.

Debt Service Requirements

Principal and interest on the bonds are payable only from certain general revenues. The following table summarizes debt service requirements by years of scheduled maturity:

Year Ending June 30	Principal	Interest	Total
2022	$ 1,045,000	$ 1,575,875	$ 2,620,875
2023	1,080,000	1,543,325	2,623,325
2024	1,115,000	1,504,150	2,619,150
2025	1,160,000	1,458,650	2,618,650
2026	1,260,000	1,414,450	2,674,450
2027-2031	7,840,000	6,237,950	14,077,950
2032-2036	4,370,000	4,918,650	9,288,650
2037-2041	4,990,000	4,009,250	8,999,250
2042-2046	6,470,000	2,613,500	9,083,500
2047-2050	6,445,000	825,250	7,270,250
Total – bonds payable	**$ 35,775,000**	**$ 26,101,050**	**$ 61,876,050**

Lease Obligations

Obligations Under Capital Leases

The University leases certain equipment with a net book value of $628,988 as of June 30, 2021, under lease agreements which meet the capitalization criteria specified by U.S. generally accepted accounting principles.

The following is a schedule of annual future minimum lease payments required under capitalized lease obligations as of June 30, 2021:

Year Ending June 30	Amount
2022	$ 229,233
2023	154,268
2024	124,382
2025	32,743
Total minimum payments due	540,626
Less amounts representing interest, imputed at annual rates ranging up to 4.10%	29,180
Present value of net minimum lease payments	**$ 511,446**

Obligations Under Operating Leases

During the fiscal year ended June 30, 2019, the University entered into a 5-year operating lease for copier equipment. Another copier was added to the lease during 2021.

The following is a schedule of annual future minimum lease payments required under the operating lease obligations as of June 30, 2021:

Year Ending June 30	Amount
2022	$ 29,958
2023	29,958
2024	4,993
Total minimum payments due	**$ 64,909**

Commitments and related rental expenses under operating leases with initial or remaining non-cancelable lease terms in excess of one year for the years ended June 30, 2021, and June 30, 2020, are included in operating expenses.

Equipment Loans

On November 15, 2016, the University entered into a Loan Agreement with Central Savings Bank for cash to purchase exercise equipment for the Student Activity Center. The loan was for the amount of $150,000 with a fixed interest rate of 1.850%. Repayment comprises 60 monthly payments in the amount of $2,619 beginning January 1, 2017 and ending November 14, 2021. As of June 30, 2021, the principal remaining on the loan was $13,035.

The following is a schedule of annual future payments for the loan as of June 30, 2021:

Year Ending June 30	Principal	Interest	Total
2022	$ 13,035	$ 61	$ 13,096
Total – loan payable	**$ 13,035**	**$ 61**	**$ 13,096**

On June 14, 2019, the University entered into a Loan Agreement with Central Savings Bank for cash to purchase Cannabis equipment for the new Cannabis chemistry academic program. The loan was for the amount of $977,842 with a fixed interest rate of 4.150%. Repayment comprises 180 monthly payments in the amount of $7,315 beginning August 14, 2019 and ending July 14, 2034. As of June 30, 2021, the principal remaining on the loan was $884,159.

The following is a schedule of annual future payments for the loan as of June 30, 2021:

Year Ending June 30	Principal	Interest	Total
2022	$ 52,063	$ 35,713	$ 87,776
2023	54,265	33,510	87,775
2024	56,513	31,262	87,775
2025	58,996	28,779	87,775
2026	61,446	26,329	87,775
2027-2031	348,483	90,394	438,877
2032-2035	252,393	16,855	269,248
Total – loan payable	**$ 884,159**	**$ 262,842**	**$ 1,147,001**

Line of Credit

On May 28, 2020, the University entered into a promissory note (tax-exempt non-revolving Line of Credit) with Central Savings Bank to meet cash flow needs related to capital expenditures. The note allows for up to $3,000,000 to be borrowed over the course of two years after which time the note coverts to a five-year term loan. The interest rate is fixed at 3.250% and began as soon as the first dollars were drawn. As of June 30, 2021, the principal drawn on the line of credit was $50,000.

The following is a schedule of annual future payments for the line of credit as of June 30, 2021:

Year Ending June 30	Principal	Interest	Total
2022	$ 50,000	$ 1,490	$ 51,490
Total – line of credit payable	**$ 50,000**	**$ 1,490**	**$ 51,490**

Sault Ste. Marie Brownfield Redevelopment Authority Loan

On July 1, 2019, the City of Sault Sainte Marie entity, Sault Ste. Marie Brownfield Redevelopment Authority, in conjunction with the University were awarded $541,000 in Brownfield Loan monies (together with a $1,000,000 Brownfield Grant) for the redevelopment of the former Union Carbide property into the Center for Freshwater Research and Education. On July 23, 2019, the Brownfield loan amount was increased by $459,000 to $1,000,000 to handle additional issues with the site contamination and underground discarded structures. According to the agreement between the University and the City of Sault Ste. Marie, the University is responsible for the loan repayment even though some of the expenditures will be made directly by the City. The fixed interest rate of 1.50% begins with repayment in 2025. As of June 30, 2021, the principal drawn on the loan was $406,687.

The following is a schedule of annual future payments for the loan as of June 30, 2021, assuming the full $1,000,000 is drawn:

Year Ending June 30	Principal	Interest	Total
2025	$ 97,826	$ -	$ 97,826
2026	84,294	13,533	97,827
2027-2031	440,819	48,313	489,132
2032-2036	377,061	14,245	391,306
Total – loan payable	**$ 1,000,000**	**$ 76,091**	**$ 1,076,091**

12. EMPLOYEE RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Retirement Plans

Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF)

Support personnel represented by the Michigan Education Association/National Education Association (MEA) hired after January 1, 1996, and faculty and administrative employees are eligible for the TIAA-CREF plan. TIAA-CREF is a defined contribution plan where the University contributes an amount equal to 10.0 percent of administrative and faculty group employees' pay (12.0 percent for those hired before January 1, 2010), and 10.0 percent of MEA employees' pay. Beginning July 8, 2021, the University contribution will decrease from 10.0 percent to 8.0 percent of MEA employees' pay and a three-year vesting requirement will be imposed. The University contributed approximately $1,647,000 for the year ended June 30, 2021 and $1,666,000 for the year ended June 30, 2020. Plan participants maintain individual annuity contracts with TIAA-CREF, the plan administrator, which are fully vested.

Plan provisions and contribution requirements of the TIAA-CREF plan are established and may be amended by the University's Board of Trustees.

Michigan Public School Employees' Retirement System

Plan Description: The University participates in the Michigan Public School Employees' Retirement System (MPSERS or System), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all hourly employees and some salary employees hired prior to January 1, 1996. Employees hired on or after January 1, 1996 cannot participate in MPSERS, unless they previously were enrolled in the plan at the University, or one of the other six universities that are part of MPSERS. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health-care benefits to retirees and beneficiaries who elect to receive those benefits. MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health-care plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909. Separate pension information related to the University's employees included in this plan is not available. The seven participating public universities have a net pension obligation that is separated out from the system-wide MPSERS plan. The net pension obligation information included in this Note relates to the seven public universities that participate in MPSERS and not the plan as a whole.

Contributions: Public Act 300 of 1980, as amended, requires the University to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each university's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

University contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. The University contributes to MPSERS a percentage of member and non-member payrolls, determined by the plan's actuaries, for the unfunded portion of future pensions. Contribution rates are adjusted annually by the ORS. The rates from October 1 to September 30 are as follows:

Year Beginning	Funded Portion	Unfunded Portion
October 1, 2020	6.52%	19.74%
October 1, 2019	6.29%	19.74%
October 1, 2018	5.29%	19.74%

Depending on the plan selected, plan member contributions range from 0.0 percent to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The University's statutorily required contribution was $1,527,081. Its actual and actuarially determined contributions to the plan for the year ended June 30, 2021 were $1,611,372. Contributions include $348,699 of revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2021. The University's required and actual contributions to the plan for the year ended June 30, 2020 were $1,430,168. Contributions included $181,081 of revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2020.

Benefits Provided: Benefit provisions of the defined benefit pension plan are established by State statue, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 years with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100.0 percent of the participant's final average compensation with an increase of 2.0 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3.0 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Measurement of the MPSERS Net Pension Liability: The plan's net pension liability for the seven universities participating in MPSERS is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the University's contribution requirement).

MPSERS Net Pension Liability – Seven Universities as of September 30, 2020

Total pension liability	$	1,199,752,611
Plan fiduciary net position		(516,732,549)
Net pension liability	$	683,020,062
Plan fiduciary net position as a percentage of total pension liability		43.07%
Net pension liability as a percentage of covered payroll		314.54%

MPSERS Net Pension Liability – Seven Universities as of September 30, 2019

Total pension liability	$	1,200,891,617
Plan fiduciary net position		(531,300,707)
Net pension liability	$	669,590,910
Plan fiduciary net position as a percentage of total pension liability		44.24%
Net pension liability as a percentage of covered payroll		314.52%

Net Pension Obligation, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense: At June 30, 2021, the University reported a liability of $20,590,273 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2019. The University's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. As of September 30, 2020, the University's proportionate share was 3.01459%. The University reported a liability of $20,034,283 as of June 30, 2020, and the University's proportionate share was 2.99202% as of the September 30, 2019 measurement date.

The University recognized pension expense of $1,694,306 for the year ended June 30, 2021 and $2,298,268 for the year ended June 30, 2020.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual plan investment earnings	26,183	-

Changes in proportionate and differences between University contributions and proportionate share of contributions	-	-
University contributions subsequent to the measurement date	898,032	292,941
	$ 924,215	$ 292,941

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual plan investment earnings	-	362,582
Changes in proportionate and differences between University contributions and proportionate share of contributions	-	-
University contributions subsequent to the measurement date	814,007	125,682
	$ 814,007	$ 488,264

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

Year Ending June 30	Amount
2022	$ 3,727
2023	113,789
2024	52,522
2025	-
	$ 170,038

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Timing of the Valuation: An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2020 is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions: Actuarial valuations for the pension 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, mortality, and the health-care cost trend rate. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date: ....September 30, 2019

Actuarial Cost Method:..Entry Age, Normal

Wage Inflation Rate:..2.75%

Investment Rate of Return:
- MIP and Basic Plans (Non-Hybrid): 6.80%
- Pension Plus Plan (Hybrid):..........................6.80%

Projected Salary Increases:..................................2.75 - 11.55%, including wage inflation at 2.75%

Cost-of-Living Pension Adjustments:.................3% Annual Non-Compounded for MIP Members

Mortality: RP-2014 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. This assumption was first used for the September 30, 2017 valuation of the System. For retirees, 82% of the table rates were used for males and 78% of the table rates were used for females. For active members, 100% of the table rates were used.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation.

Long-term Expected Return on Plan Assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 for each major asset class included in the pension plan's target asset allocation are summarized in the following table as of September 30:

Investment Category	Target Allocation	2020 Long-term Expected Real Rate of Return	2019 Long-term Expected Real Rate of Return
Domestic Equity Pools	25.0%	5.6%	5.5%
Private Equity Pools	16.0	9.3	8.6
International Equity Pools	15.0	7.4	7.3
Fixed Income Pools	10.5	0.5	1.2
Real Estate & Infrastructure Pools	10.0	4.9	4.2
Absolute Return Pools	9.0	3.2	5.4
Real Return/Opportunistic Pools	12.5	6.6	0.0
Short Term Investment Pools	2.0	0.1	0.8
Total	**100.0%**		

Rate of Return: For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. For the fiscal year ended September 30, 2019, the rate was 5.14%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Single Discount Rate: Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.80% and the resulting single discount rate is 6.80%.

Discount Rate: A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus Plan). This discount rate was based on the long term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus Plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Obligation to Changes in the Discount Rate: The following presents Lake Superior State University's proportionate share of the net pension liability calculated using the discount rate of 6.80% for the current fiscal year, as well as what Lake Superior State University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

At June 30, 2021:

1.0% decrease (5.80%)	Current Discount Rate (6.80%)	1.0 % increase (7.80%)
$24,130,547	$20,590,273	$17,571,142

At June 30, 2020:

1.0% decrease (5.80%)	Current Discount Rate (6.80%)	1.0 % increase (7.80%)
$23,583,167	$20,034,283	$17,005,711

Payable to the Pension Plan: The University reported a payable of $ -0- as of June 30, 2021 and 2020 for the outstanding amount of contributions to the pension plan required for the year then ended for the statutorily required pension contributions related to accrued labor expense.

MPSERS – Postemployment Benefits Other Than Pensions (OPEB)

Plan Description: The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members—eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental, and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided: Benefit provisions of the postemployment health-care plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health-care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for health-care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement health-care. Any changes to a member's health-care benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree health-care and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Health-care Fund (PHF), a portable, tax-deferred fund that can be used to pay health-care expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree health-care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions: Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 20-year period for the 2020 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2021.

OPEB Contribution Rates

Benefit Structure	Member	Employer
		University
Premium subsidy	3.00%	6.91%
Personal Health-care Fund (PHF)	0.00%	5.99%

Required contributions to the OPEB plan from LSSU were $403,865 for the year ended September 30, 2020 and $395,202 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, LSSU reported a liability of $1,287,123 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. LSSU's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. As of September 30, 2020, the University's proportionate share was 3.04614%. The University reported a liability of $2,794,718 as of June 30, 2020, and the University's proportionate share was 3.04502% as of the September 30, 2019 measurement date.

The University recognized OPEB expense of $(1,291,472) for the year ended June 30, 2021 and $(576,071) for the year ended June 30, 2020.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 35,060
Changes of assumptions	6,280	-
Net difference between projected and actual OPEB plan investment earnings	26,777	-
Changes in proportionate and differences between University contributions and proportionate share of contributions	23	33
University contributions subsequent to the measurement date	177,576	-
	$ 210,656	$ 35,093

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 172,595
Changes of assumptions	69,380	-
Net difference between projected and actual OPEB plan investment earnings	-	86,109
Changes in proportionate and differences between University contributions and proportionate share of contributions	95	527
University contributions subsequent to the measurement date	198,822	-
	$ 268,297	$ 259,231

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2022	$ 6,647
2023	31,757
2024	16,882
2025	-
	$ 55,286

Actuarial Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

Valuation Date: ....September 30, 2019

Actuarial Cost Method:................................Entry Age, Normal

Wage Inflation Rate:...................................2.75%

Investment Rate of Return:..........................6.95%

Projected Salary Increases:..........................2.75 – 11.55%, including wage inflation at 2.75%

Health-care Cost Trend Rate: ....7.00% Year 1 graded to 3.50% Year 15; 3.00% Year 120

Mortality: RP-2014 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. This assumption was first used for the September 30, 2017 valuation of the System. For retirees, 82% of the table rates were used for males and 78% of the table rates were used for females. For active members, 100% of the table rates were used.

Other assumptions:

Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for OPEB liabilities is the average of the expected remaining service lives of all employees which in years is 1.0217.
- Recognition period for OPEB assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table as of September 30:

Investment Category	Target Allocation	2020 Long-term Expected Real Rate of Return	2019 Long-term Expected Real Rate of Return
Domestic Equity Pools	25.0%	5.6%	5.5%
Private Equity Pools	16.0	9.3	8.6
International Equity Pools	15.0	7.4	7.3
Fixed Income Pools	10.5	0.5	1.2
Real Estate & Infrastructure Pools	10.0	4.9	4.2
Absolute Return Pools	9.0	3.2	5.4
Real Return/Opportunistic Pools	12.5	6.6	4.2
Short Term Investment Pools	2.0	0.1	0.8
Total	**100.0%**		

*Long-term rates of return are net of administrative expenses and 2.1% inflation.

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24% and for the fiscal year ended September 30, 2019 was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate: A discount rate of 6.95% was used to measure the total OPEB liability for fiscal year 2020. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. In fiscal year 2019, the single discount rate used to measure the total OPEB liability was 6.95%.

Sensitivity of LSSU's proportionate share of the net OPEB liability to changes in the discount rate: The following presents LSSU's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what LSSU's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage higher:

At June 30, 2021:

1.0% decrease (5.95%)	Current Discount Rate (6.95%)	1.0% increase (7.95%)
$1,924,216	$1,287,123	$744,143

At June 30, 2020:

1.0% decrease (5.95%)	Current Discount Rate (6.95%)	1.0% increase (7.95%)
$3,511,923	$2,794,718	$2,184,192

Sensitivity of LSSU's proportionate share of the net OPEB liability to Health-care Cost Trend Rate: The following presents LSSU's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what LSSU's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher:

At June 30, 2021:

1.0% decrease (5.95%)	Current Health-care Cost Trend Rate (6.95%)	1.0% increase (7.95%)
$708,327	$1,287,123	$1,949,544

At June 30, 2020:

1.0% decrease (5.95%)	Current Health-care Cost Trend Rate (6.95%)	1.0% increase (7.95%)
$2,143,026	$2,794,718	$3,541,471

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan: As of June 30, 2021, the University reported a payable of $-0- for the outstanding amount of contributions to the defined benefit OPEB plan required for the year then ended for the statutorily required OPEB contributions related to accrued labor expense.

Compensated Absences

The University pays eligible employees for their unused accumulated vacation under various contracts, up to a maximum of 288 hours, upon termination of employment with the University.

Accumulated Sick Leave Benefits

The University pays eligible employees for their unused accumulated sick leave under various contracts, up to a maximum of 800 hours, at retirement from the University, if the employee has met certain vesting and age requirements at that date. Employees in the Faculty and Administrative and

Professional groups hired after June 30, 1987, and employees in the Support Staff group hired after December 31, 1989, are not eligible for participation in the program.

Activity in University employee benefit programs is summarized below for the years ended June 30:

	2021				
	July 1 2020	Additions	Payments	June 30 2021	Current Portion
Compensated absences	$ 670,001	$ 175,584	$ 113,929	$ 731,656	$ 100,000
Accumulated sick leave benefits	222,101	10,000	50,064	182,037	80,000
Total employee benefit programs	**$ 892,102**	**$ 185,584**	**$ 163,993**	**$ 913,693**	**$ 180,000**

	2020				
	July 1 2019	Additions	Payments	June 30 2020	Current Portion
Compensated absences	$ 632,831	$ 120,026	$ 82,856	$ 670,001	$ 94,000
Accumulated sick leave benefits	293,349	20,000	91,248	222,101	114,175
Total employee benefit programs	**$ 926,180**	**$ 140,026**	**$ 174,104**	**$ 892,102**	**$ 208,175**

Other Postemployment Health Benefits

The University allows retirees who are not covered by the MPSERS health-care plan to purchase health-care benefits at cost and has 16 retirees participating in this health coverage as of June 30, 2021 and 16 retirees in the prior year. The University segregates these retiree payments and health-care expenses separately from current employee costs. Premium rates are adjusted on January 1 each year to cover projected health-care increases for the next year and any funding deficits. Rates are set by the University from a cost analysis through the University's third-party health-care administrators. Since retirees are required to pay all monthly premiums, there is no liability to the University; accordingly, no postemployment health-care liability has been recorded in the accompanying statements of net position.

13. SELF INSURANCE

Liability and Property

The University participates with 10 other Michigan universities in the Michigan Universities Self-Insurance Corporation (MUSIC). MUSIC's purpose is to provide indemnity to members against auto, comprehensive general liability, errors and omissions, and property losses commonly covered by insurance. MUSIC also provides risk management and loss control services and programs.

Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer of losses, and commercial carriers covering the third layer. Comprehensive general liability coverage is provided on an occurrence basis; errors and omissions coverage is provided on a claims-made basis.

Premiums are assessed annually for (1) insurance risks retained by MUSIC, (2) costs related to excess coverage, and (3) general and administrative expenses. The amount assessed reflects the claims experience of each University.

Insurance Reserves

Effective September 1, 2018, the University changed from self-insured to commercial insurance for workers' compensation coverage. Beginning January 1, 2019, the University changed from self-insured to a hybrid plan for health insurance coverage. The University purchases commercial insurance for workers' compensation and health insurance claims in excess of coverage provided by the self insurance reserves. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The University reserves an amount within unrestricted net position for health and maintenance reserves and records a liability for workers' compensation insurance. These reserves are determined by MUSIC for losses relating to catastrophes and amounted to $4,351,842 as of June 30, 2021 and $4,084,975 as of June 30, 2020. The workers' compensation claims liability of $ -0- for the years ending as of June 30, 2021 and 2020, which is included in accounts payable and accrued expenses, is based on the requirements of generally accepted accounting principles, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Health insurance claims incurred but not reported as of June 30, 2021 were $9,500 and $3,800 as of June 30, 2020, and, accordingly, a related liability has been recorded in the accompanying statements of net position.

14. NET ASSETS CATEGORIES - FOUNDATION

Net assets with donor restrictions as of June 30 consist of the following:

	2021	2020
Subject to expenditure for a specified purpose:		
University programs	$ 2,551,369	$ 2,592,068
Subject to the endowment spending policy and appropriation for donor specified purpose:		
Permanent endowment funds	12,368,239	11,033,958
Quasi endowment funds	9,766,000	4,995,084
The corpus of the endowment funds are held in perpetuity; the spendable income from which supports scholarships, athletics and other University programs		
Subject to appropriation and expenditure when a specified event occurs (death of the donor):		
Charitable remainder agreements-scholarships	65,199	54,690
Beneficial interest in charitable remainder trust	-	337,970
Total with donor restriction	**24,750,807**	**19,013,770**

Net assets without donor restrictions as of June 30 consist of the following:

	2021	2020
Board designated for:		
Fund for LSSU grant program	133,782	144,959
University athletic programs	42,362	44,381
University Investment Club	56,361	40,753
Total board designated	232,505	230,093
Undesignated	302,964	1,295,540
Total without donor restriction	**535,469**	**1,525,633**
Total net assets	**$ 25,286,276**	**$ 20,539,403**

Following is a summary of the changes in the Foundation's net assets for the years ended June 30:

	2021		
	Without donor restriction	**With donor restriction**	**Totals**
Revenue, gains, and other support			
Contributions	$ 393,303	$ 1,643,838	$ 2,037,141
Change in value of split interest agreements	-	12,759)	12,759
Investment return, net	(77,034)	5,453,885	5,376,851
Net assets released from restrictions	1,373,445	(1,373,445)	-
Total revenue, gains, and other support	1,689,714	5,737,037	7,426,751
Expenses			
Operating expenses	(450,643)	-	(450,643)
Distributions to Lake Superior State University	(2,229,235)	-	(2,229,235)
Changes in net assets	**(990,164)**	**5,737,037**	**4,746,873**
Net assets, beginning of year	1,525,633	19,013,770	20,539,403
Net assets, end of year	**$ 535,469**	**$ 24,750,807**	**$ 25,286,276**

	2020		
	Without donor restriction	**With donor restriction**	**Totals**
Revenue, gains, and other support			
Contributions	$ 405,105	$ 1,287,654	$ 1,692,759
Change in value of split interest agreements	-	(5,416)	(5,416)
Investment return, net	71,821	352,791	424,612
Net assets released from restrictions	2,849,885	(2,849,885)	-
Total revenue, gains, and other support	3,326,811	(1,214,856)	2,111,955
Expenses			
Operating expenses	(507,041)	-	(507,041)
Distributions to Lake Superior State University	(2,866,778)	-	(2,866,778)
Changes in net assets	**(47,008)**	**(1,214,856)**	**(1,261,864)**
Net assets, beginning of year	1,572,641	20,228,626	21,801,267
Net assets, end of year	**$ 1,525,633**	**$ 19,013,770**	**$ 20,539,403**

15. FUNCTIONAL EXPENSES - FOUNDATION

Fund raising expenditures are directly charged to the functional areas. Salaries and benefits for administrative staff are all charged to management and general.

Following is a summary of the Foundation's functional expenses for the years ended June 30:

2021

	Program Services	Management and General	Fund Raising	Totals
Operating expenses				
Salaries, wages and benefits	$ -	$ 347,065	$ -	$ 347,065
Services and professional fees	-	68,847	172	69,019
Meals, travel and entertainment	-	2,052	1,635	3,687
Office expenses	-	13,956	4,588	18,544
Charitable annuity payments	-	5,523	-	5,523
Other expenses	-	2,629	4,176	6,805
Total	-	440,072	10,571	450,643
Distributions to Lake Superior State University	2,229,235	-	-	2,229,235
Totals	**$ 2,229,235**	**$ 440,072**	**$ 10,571**	**$ 2,679,878**

2020

	Program Services	Management and General	Fund Raising	Totals
Operating expenses				
Salaries, wages and benefits	$ -	$ 378,291	$ 4,476	$ 382,767
Services and professional fees	-	65,737	2,281	68,018
Meals, travel and entertainment	-	9,802	10,267	20,069
Office expenses	-	20,137	7,314	27,451
Charitable annuity payments	-	6,627	-	6,627
Other expenses	-	2,193	(84)	2,109
Total	-	482,787	24,254	507,041
Distributions to Lake Superior State University	2,866,778	-	-	2,866,778
Totals	**$ 2,866,778**	**$ 482,787**	**$ 24,254**	**$ 3,373,819**

16. FOUNDATION ENDOWMENT

The Foundation's endowment consists of individual funds, all except one of which are donor restricted, that have been established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation interprets the State of Michigan Prudent Management of Institutional Funds Act (SMPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SMPMIFA.

In accordance with SMPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Following is a summary of the changes in the endowment net assets with donor restrictions for the years ended June 30:

	2021	2020
Endowment net assets, beginning of year	$ 16,367,012	$ 16,524,054
Investment return, net	5,453,878	349,517
Contributions	984,602	131,334
Appropriation of endowment assets for expenditure	(684,011)	(632,477)
Change in value	12,759	(5,416)
Endowment net assets, end of year	**$ 22,134,240**	**$ 16,367,012**

Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, will provide an average rate of return of 8.0% annually. Actual returns in any given year may vary from this range.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has an annual spending policy of 4.5% of its endowment funds' average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return of its endowment. Accordingly, over the long-term, the Foundation expects its current spending policy to allow its endowment to grow at an average of 3.0% to 3.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions. There were no underwater endowment funds as of June 30, 2021 and 2020.

17. FOUNDATION LIQUIDITY AND AVAILABIITY

The Foundation has financial assets available within one year of the balance sheet date to meet cash needs for general expenditures as shown in the table below. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets as of June 30 include the following:

	2021	2020
Cash	$ 279,894	$ 821,470
Short-term investments	2,008,283	1,946,280
Other current assets	7,015	6,015
Current portion of unconditional promises to give, net	122,819	376,880
Total financial assets	2,418,011	3,150,645
Less amounts not available to be used within one year:		
Assets whose use is limited	1,743,952	2,085,430
Financial assets available to meet general expenditures over the next twelve months	**$ 674,059**	**$ 1,065,215**

18. OTHER CONTINGENCIES AND COMMITMENTS

Legal Matters

In the normal course of its activities, the University is a party to various legal and administrative actions. Although some actions have been brought for substantial amounts, the University has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, University management is of the opinion that the outcome thereof will not have a material effect on the financial statements.

Union Contracts

The University has three groups of employees, two of which are covered under union collective bargaining agreements. The collective bargaining agreement covering the Support Personnel under the Michigan Education Association/National Education Association (MEA) was ratified effective July 8, 2021. The Faculty Association contract was ratified effective November 27, 2019. The employee groups covered and the expiration of the contracts are as follows:

Employee Group	Union Name	Contract Expired/Expires
Support Personnel	Michigan Education Association/ National Education Association	September 30, 2025
Faculty	Michigan Education Association/ National Education Association	August 31, 2022
Administrative and Professional	N/A	N/A

State Building Authority

The University has lease agreements with the State Building Authority (SBA) and the State of Michigan for the Arts Classroom Building and the Crawford Hall Addition and Remodeling. The buildings were financed with SBA revenue bonds, State appropriations, and University general revenue bonds. The SBA bonding process and creation of the lease with the State of Michigan for the newly renovated R. W. Considine Hall was completed in fall 2017.

The SBA bond issues are collateralized by a pledge of rentals to be received from the State pursuant to the lease agreements between the SBA, the State, and the University. During the lease terms, the SBA will hold title to the facilities; the State will make all annual lease payments to the SBA; and the University will pay all operating and maintenance costs of the facilities.

At the expiration of the leases, the SBA has agreed to sell each facility to the University for one dollar. The cost and accumulated depreciation for these facilities is included in the accompanying statements of net position.

19. IMPACT OF COVID-19 AND CORONA VIRUS RELIEF ACTS

On March 13, 2020, the President of the United States of America issued a proclamation, "Declaring a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak." On March 10, 2020, the Governor of the State of Michigan issued executive order 2020-04 declaring a state of emergency due to COVID-19 and on March 23 issued a statewide stay-at-home order to fight the outbreak of COVID-19. Effective Monday, March 16, LSSU suspended face-to-face instruction for lecture and discussion classes and moved to online or remote instruction for the balance of spring semester 2020. Summer semester instruction was also online or remote. Effective March 18, many faculty and staff began working from home and then on March 23, all but essential workers moved to working from home. The following represent some of the impacts of COVID-19 on University operations and the financial statements.

CARES Act or HEERF I

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress and signed into law March 27, 2020, to provide economic relief from COVID-19. The University received the following grants under the CARES Act through the US Department of Education:

- $801,132 Higher Education Emergency Relief Funding;
- $801,131 Institutional Relief Funding; and
- $ 79,508 Title III Strengthening the Institutions Relief Funding

The Higher Education Emergency Relief Funding provided funding to universities to use for emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. As of June 30, 2021, the University had awarded grants totaling $801,132 to students. This is included in nonoperating Federal corona virus relief funds revenue on the statements of revenues, expenses, and changes in net position.

The Higher Education Emergency Relief Funding and the Institutional Relief Funding are awarded under Section 18004(a)(1) of the CARES Act. There is a requirement that of the combined funds, at the end of the grant period, at least 50 percent must be used for emergency financial aid grants to students. The Institutional Relief Funding allows the University to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. As of June 30, 2021, the University had drawn down and expended $801,131 related to the Institutional Relief Funding and accordingly, recognized $801,131 of revenue which is included in nonoperating Federal corona virus relief funds revenue on the statements of revenues, expenses, and changes in net position.

The Title III Strengthening the Institutions Relief Funding allows a university to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. Guidance issued by the US Department of Education specifically allow institutions to use this funding to cover the cost of technology associated with a transition to distance education, grants to cover the costs of attendance for eligible students, and faculty and staff trainings. Additionally, funds may be used to cover operational costs, such as lost revenue, reimbursements for prior expenses, and payroll. As a result, the University recovered $79,508 of lost revenue.

A provision of the CARES Act would have allowed the University to defer payment of the employer portion of Social Security taxes through December 31, 2020. The University decided not to participate in this option.

CRRSA Act or HEERF II

The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act was passed by Congress and signed into law December 27, 2020, to provide additional economic relief from COVID-19. The University received the following grants under the CRRSA Act through the US Department of Education:

- $ 801,132 Higher Education Emergency Relief Funding;
- $2,044,474 Institutional Relief Funding; and
- $ 120,601 Title III Strengthening the Institutions Relief Funding

The Higher Education Emergency Relief Funding provided funding to universities to use for emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. As of June 30, 2021, the University had drawn down and awarded grants totaling $582,000 to students. This is included in nonoperating Federal corona virus relief funds revenue on the statement of revenues, expenses, and changes in net position.

The Higher Education Emergency Relief Funding and the Institutional Relief Funding are awarded under Section 314(a)(1) of the CRRSA Act. The Institutional Relief Funding allows the University to cover costs associated with significant changes to the delivery of instruction due to the coronavirus as well as recover lost revenue. As of June 30, 2021, the University had expended $2,004,446 and drawn $1,976,219 related to the Institutional Relief Funding and accordingly, recognized $2,004,446 of revenue which is included in nonoperating Federal corona virus relief funds revenue on the statement of revenues, expenses, and changes in net position and recognized $28,227 of accounts receivable.

The Title III Strengthening the Institutions Relief Funding allows a university to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. Guidance issued by the US Department of Education specifically allow institutions to use this funding to cover the cost of technology associated with a transition to distance education, grants to cover the costs of attendance for eligible students, and faculty and staff trainings. Additionally, funds may be used to cover operational costs, such as lost revenue, reimbursements for prior expenses, and payroll. As a result, the University recovered $120,601 of lost revenue.

ARP Act or HEERF III

The American Rescue Plan (ARP), Public Law 117-2, signed into law on March 11, 2021, provided additional economic relief from COVID-19. The University received the following grants under the ARP through the US Department of Education:

- $2,555,521 Higher Education Emergency Relief Funding;
- $2,540,008 Institutional Relief Funding; and
- $ 225,131 Title III Strengthening the Institutions Relief Funding

The Higher Education Emergency Relief Funding provided funding to universities to use for emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. As of June 30, 2021, the University had not drawn nor expended these Federal corona virus relief funds.

The Higher Education Emergency Relief Funding and the Institutional Relief Funding are awarded under Section 2003(a)(1) of the ARP Act. The Institutional Relief Funding allows the University to cover costs associated with significant changes to the delivery of instruction due to the coronavirus as well as recover lost revenue. As of June 30, 2021, the University had expended $665,496 and drawn $520,000 related to the Institutional Relief Funding and accordingly, recognized $665,496 of revenue which is included in nonoperating Federal corona virus relief funds revenue on the statement of revenues, expenses, and changes in net position and recognized $145,496 of accounts receivable.

The Title III Strengthening the Institutions Relief Funding awarded under Section 2003(a)(2) of the ARP Act allows a university to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. Guidance issued by the US Department of Education specifically allow institutions to use this funding to cover the cost of technology associated with a transition to distance education, grants to cover the costs of attendance for eligible students, and faculty and staff trainings. Additionally, funds may be used to cover operational costs, such as lost revenue, reimbursements for prior expenses, and payroll. As of June 30, 2021 these funds had not been awarded. The University expects to recover lost revenue in fiscal year 2022.

State Appropriations - CARES Act Pass Through Funds

On July 22, 2020, the State of Michigan passed Senate Bill 373 which reduced the State appropriations funding for the University for the fiscal year ended June 30, 2020 by $1,502,600. Accordingly, the accounts receivable, net on the statement of net position and the State appropriations nonoperating revenue on the statement of revenues, expenses, and changes in net position, have been reduced to reflect that subsequent reduction.

Also under Senate Bill 373, the State allocated $1,502,600 from the federal funding awarded to the State under the CARES Act to the University. Since that award was made after June 30, 2020, no revenue from that allocation was reflected in the University's financial statements as of and for the fiscal year ended June 30, 2020. The federal pass through funding has the same restrictions as noted in the CARES Act for the funds awarded to the State. During the fiscal year ended June 30, 2021, the University recognized revenue from the pass-through funds equal to allowable expenditures incurred between March 1 and December 30, 2020.

Accounting Standards Delayed

The Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) each delayed the effective implementation dates of select accounting and financial reporting standards that would have been effective initially for the fiscal year ended June 30, 2020 for the University and Foundation. The University and Foundation elected to delay implementation of those standards.

20. NATURAL CLASSIFICATION OF EXPENSES

Operating expenses by natural classification for the University are summarized as follows for the years ended June 30:

2021

	Salaries, Wages and Benefits	Supplies and Equipment	Utilities	Scholarship Expenses	Depreciation	Other	Total
Instruction	$ 10,395,434	$ 738,726	$ -	$ -	$ -	$ -	$ 11,134,160
Research	733,452	202,849	-	-	-	-	936,301
Public service	815,056	565,749	-	-	-	-	1,380,805
Academic support	1,901,590	744,088	-	-	-	-	2,645,678
Student services	1,636,893	320,360	-	-	-	-	1,957,253
Student aid	-	-	-	2,125,513	-	-	2,125,513
Institutional support	3,306,181	2,111,498	-	-	-	-	5,417,679
Operations and maintenance of plant	2,133,951	1,008,453	1,429,927	-	-	-	4,572,331
Auxiliary activities	4,397,907	4,243,314	767,221	-	-	-	9,408,442
Depreciation	-	-	-	-	4,431,876	-	4,431,876
Other	-	-	-	-	-	687,879	687,879
Total operating expenses	**$ 25,320,464**	**$ 9,935,037**	**$ 2,197,148**	**$ 2,125,513**	**$ 4,431,876**	**$ 687,879**	**$ 44,697,917**

2020

	Salaries, Wages and Benefits	Supplies and Equipment	Utilities	Scholarship Expenses	Depreciation	Other	Total
Instruction	$ 11,278,306	$ 1,057,663	$ -	$ -	$ -	$ -	$ 12,335,969
Research	605,423	93,941	-	-	-	-	699,364
Public service	877,278	674,032	-	-	-	-	1,551,310
Academic support	2,251,325	639,983	-	-	-	-	2,891,308
Student services	1,820,548	410,822	-	-	-	-	2,231,370
Student aid	-	-	-	1,954,677	-	-	1,954,677
Institutional support	3,296,203	2,085,528	-	-	-	-	5,381,731
Operations and maintenance of plant	2,513,399	955,854	1,408,844	-	-	-	4,878,097
Auxiliary activities	4,608,899	3,974,838	756,334	-	-	-	9,340,071
Depreciation	-	-	-	-	4,669,904	-	4,669,904
Other	-	-	-	-	-	2,151,079	2,151,079
Total operating expenses	**$ 27,251,381**	**$ 9,892,661**	**$ 2,165,178**	**$ 1,954,677**	**$ 4,669,904**	**$ 2,151,079**	**$ 48,084,880**

21. ISSUED BUT NOT ADOPTED ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements for future implementation.

GASB Statement No. 87, *Leases*, will apply to all state and local governments and establish a single model for all lease accounting. The concept within this model is that a lease is a financing arrangement that permits the use on an underlying asset for a period of time. As such, a lessee would record a lease liability and an intangible right-of-use asset. A lessor would record a lease receivable and a deferred inflow of resources. An exception is granted for short-term leases, which are defined as "a lease that, at the beginning of the lease, has a maximum possible term under the contract of 12 months or less, including any options to extend, regardless of its probability of being exercised." The requirements of this standard will be effective for the University's fiscal year ending June 30, 2022.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which will apply for the University's June 30, 2022 year-end. This statement will impact the University for construction projects subsequent to adoption.

GASB Statement No. 91, *Conduit Debt Obligations*, clarifies the existing definition of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer. Additionally, this Statement establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations along with improving the required note disclosures for conduit debt obligations. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, which will apply for the University's June 30, 2023 year-end. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). The standard removes LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap. The standard will apply for the University's June 30, 2022 year-end.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will supersede the current guidance for service concession arrangements and will interact with GASB Statement 87, *Leases*. The standard is intended to better address accounting and financial reporting for concession service arrangements and to cover arrangements not within the scope of current guidance. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, which will apply for the University's June 30, 2023 year-end.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, addresses the accounting for arrangements such as those that convey control of the right to use a vendor's IT assets, and commonly include provisions such as remote access to software applications or cloud data storage for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, which will apply for the University's June 30, 2023 year-end.

The Foundation's financial statements are affected by Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB).

ASU 2016-02, *Leases*, parallels GASB Statement No. 87, *Leases,* and is currently not expected to affect the Foundation. Under this standard, a lessee would differentiate whether a lease is a finance lease or an operating lease. A lessee would account for most existing capital/finance leases as financing leases (that is, recognizing amortization of the right-of-use (ROU) asset separately from interest on the lease liability.) Most existing operating leases will continue to be considered operating leases. Both types of leases will result in the lessee recognizing a ROU asset and a lease liability. When measuring lease liabilities, payments related to optional periods are only included if it is reasonably certain that the lessee will extend the lease (or not exercise an option to terminate the lease.) Purchase options are also evaluated against the "reasonably certain" criteria. If applicable, the standard will become effective for the Foundation's fiscal year ending June 30, 2023.

ASU 2020-07, *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*, will require not-for-profit organizations to present contributed nonfinancial assets (CAN) as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also will require a not-for-profit to disclose additional information about those contributions. The standard will first become effective for the Foundation's fiscal year ending June 30, 2022.

22. SUBSEQUENT EVENTS

The University returned to in person instruction with operational campus housing and dining services in Fall 2020. Should COVID-19 events occur that result in the University suspending in person instruction and campus operations, the economic impact on the University would be material. Management continues to review budget options to minimize the financial impact should this occur.

In August 2021, the University authorized the issuance of its $11,565,000 General Revenue Refunding Bonds, Series 2021. Interest at 4.0% on the bonds are payable on each November 15 and May 15 beginning May 15, 2022. Principal payments on the bonds begin in 2022 with a final maturity in 2031. The purpose of the bonds is to refund the 2012 General Revenue Bonds for a net present value savings of $1,573,922.

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

Schedule of the University's Proportionate Share of the Net Pension Liability (amounts determined as of 9/30 of the fiscal year)

	2021	2020	2019	2018	2017	2016	2015
University's proportionate share of the net pension liability							
As a percentage	3.01459%	2.99202%	2.98699%	3.03438%	3.04194%	3.13198%	2.89703%
As an amount	$ 20,590.273	$ 20,034,283	$ 19,087,979	$ 17,455,598	$ 17,042,144	$ 17,182,038	$ 10,866,926
University's covered payroll	$ 6,781,000	$ 6,518,000	$ 6,389,927	$ 6,484,275	$ 6,265,000	$ 2,025,982	$ 2,259,143
University's proportionate share of the net pension liability, as a percentage of the University's covered payroll	303.65%	307.37%	298.72%	269.20%	272.02%	848.08%	481.02%
MPSERS fiduciary net position as a percentage of the total pension liability	43.07%	44.24%	45.87%	47.42%	46.77%	47.45%	63.00%

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

Schedule of University's Pension Contributions (amounts determined as of 6/30 of the fiscal year)

	2021	2020	2019	2018	2017	2016	2015
Statutorily required pension contribution	$ 1,527,081	$ 1,495,401	$ 1,510,362	$ 1,423,206	$ 1,321,334	$ 1,074,692	$ 936,883
Pension contributions in relation to the actuarially determined contractually required contribution	1,694,306	1,430,168	1,487,609	1,480,554	1,550,979	1,888,294	1,720,135
Pension contribution excess	$ 167,225	$ (65,233)	$ (22,753)	$ 57,348	$ 229,645	$ 813,602	$ 783,252
University's covered payroll	$ 6,747,720	$ 6,615,770	$ 6,485,982	$ 6,413,500	$ 6,265,000	$ 2,025,982	$ 2,259,143
Pension contributions as a percentage of covered payroll	25.11%	21.62%	22.94%	23.08%	24.76%	93.20%	76.14%

Notes to Required Pension Supplementary Information

There were no changes of benefit terms from October 1, 2014 through September 30, 2020. The assumed discount rate remained at 6.80 percent for the September 30, 2020 valuation. The discount rate was reduced to 6.80 percent for the September 30, 2019 valuation from the 7.05 percent at September 30, 2018. In addition, the September 30, 2017 discount rate of 7.50 percent was reduced from 8.00 percent which was the discount rate for the years ended September 30, 2016, 2015, and 2014.

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

Schedule of the University's Proportionate Share of the Net OPEB Liability (amounts determined as of 9/30 of the fiscal year)

	2021	2020	2019	2018
University's proportionate share of the net OPEB liability				
As a percentage	3.04614%	3.04502%	3.04790%	3.06216%
As an amount	$ 1,287,123	$ 2,794,718	$ 3,616,044	$ 4,357,498
University's covered payroll	$ 6,781,000	$ 6,518,000	$ 6,389,927	$ 6,484,275
University's proportionate share of the net OPEB liability, as a percentage of the University's covered payroll	18.98%	42.88%	56.59%	67.20%
MPSERS fiduciary net position as a percentage of the total OPEB liability	80.04%	61.07%	51.90%	44.11%

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

Schedule of University's OPEB Contributions (amounts determined as of 6/30 of the fiscal year)

	2021	2020	2019	2018
Statutorily required OPEB contribution	$ 403,865	$ 395,202	$ 395,574	$ 509,244
OPEB contributions in relation to the actuarially determined contractually required contribution	(1,291,472)	(576,071)	(180,673)	227,460
OPEB contribution deficiency	$ 1,695,337	$ 971,273	$ 576,247	$ 281,784
University's covered payroll	$ 6,747,720	$ 6,615,770	$ 6,485,982	$ 6,413,500
OPEB contributions as a percentage of covered payroll	(19.14)%	(8.71)%	(2.79)%	3.55%

Notes to Required OPEB Supplementary Information

There were no changes of benefit terms from October 1, 2017 through September 30, 2020. The assumed discount rate remained at 6.95 percent for the September 30, 2020 valuation. The discount rate was reduced to 6.95 percent for the September 30, 2019 valuation from the 7.15 percent at September 30, 2018. In addition, the September 30, 2017 discount rate was 7.50 percent.