LAKE SUPERIOR STATE UNIVERSITY

ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021

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, 2022, 2021 and 2020. 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 was awarded over $10.6 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. And, 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.

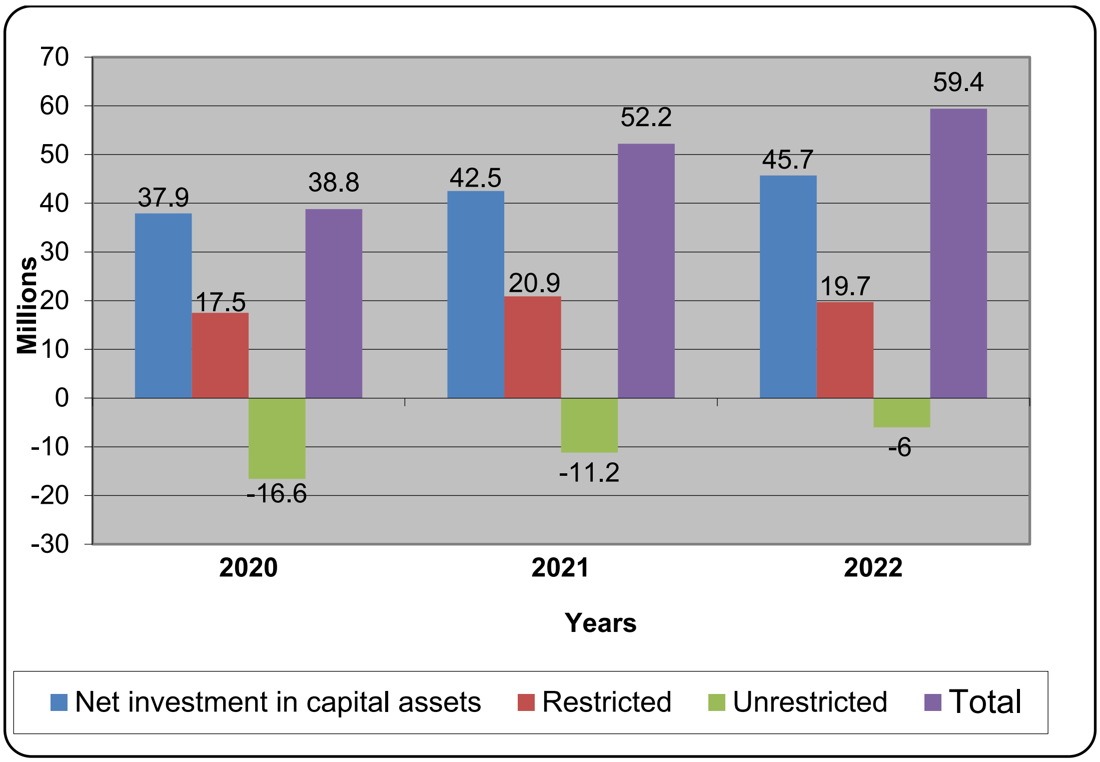
The COVID-19 monies passed through the State of Michigan and the greater portion of the HEERF awards were expended in the fiscal year ended June 30, 2021. Almost all the remaining HERRF awards were expended in the fiscal year ended June 30, 2022 in the form of student awards or recovery of lost revenues. For further details, refer to Note 20.

On July 22, 2020, the State of Michigan passed Senate Bill 373 which reduced State Aid funding to LSSU by $1,502,600 and awarded the University $1,502,600 of CARES Act funds.

Financial Highlights

The University's financial position was fairly stable as of June 30, 2022. Net position for the year ended June 30, 2022 of approximately $59.4 million increased by approximately $7.1 million; as compared to an increase of approximately $13.4 million for the year ended June 30, 2021. The deficit in the unrestricted net position of approximately $6.0 million decreased by approximately $5.2 million. The increase in total net position is due to increases in State appropriations, COVIUD-related funding, auxiliary activities and capital appropriations.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2022, 2021 and 2020:



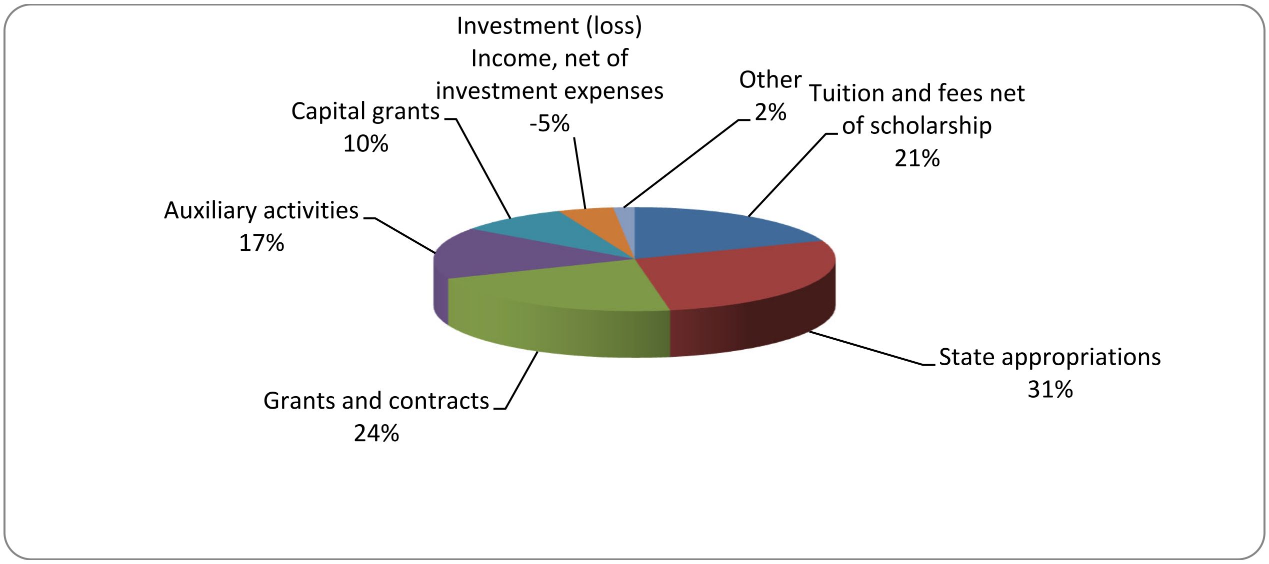
Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and other rental and sales activities. In addition, certain federal, state, and nongovernmental grants and contracts are considered operating if they are not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

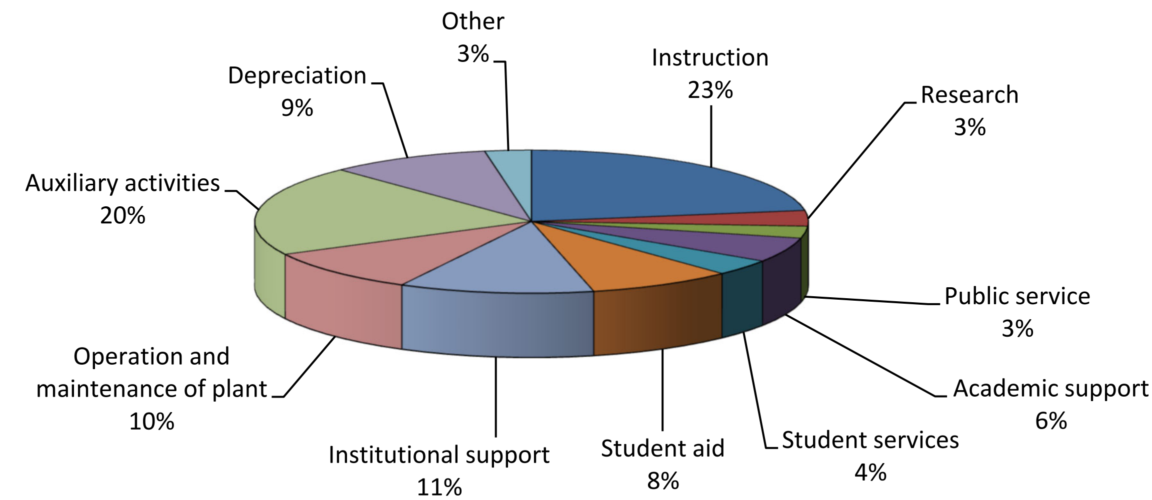
Tuition and fees, net of scholarship allowances, make up the largest contribution to the total revenue of the University. State appropriations are the next largest. Auxiliary activities consist of primarily housing, food services, and athletics. Other revenue includes investment income and gifts.

Revenues totaled approximately $58 million for the 2022 fiscal year. The following is a graphical illustration of revenues by source for the fiscal year ended June 30, 2022:



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 $49 million for the 2022 fiscal year. The following is a graphical illustration of the University's operating expenses by functional classification for the year ended June 30, 2022:



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 and the physical condition of facilities.

	June 30		
	2022	**2021**	**2020**
Assets			
Current assets	$ 23,970,932	$ 21,507,765	$ 18,524,758
Capital assets, net	81,058,913	79,163,287	75,381,187
Other noncurrent assets	14,844,381	17,220,147	14,176,000
Total Assets	**$ 119,874,226**	**$ 117,894,199**	**$ 108,081,187**
Deferred outflows of resources	**$ 3,808,284**	**$ 1,134,871**	**$ 1,082,304**
Liabilities			
Current liabilities	$ 5,920,039	$ 5,538,123	$ 6,656,361
Noncurrent liabilities	38,193,105	39,009,031	40,105,923
Net pension obligation and OPEB	15,676,015	21,877,396	22,829,001
Total liabilities	**$ 59,789,159**	**$ 66,424,550**	**$ 69,591,285**
Deferred inflows of resources	**$ 4,442,541**	**$ 328,034**	**$ 747,495**

	June 30		
	2022	2021	2020
Net position			
Net investment in capital assets	$ 45,719,249	$ 42,576,409	$ 37,884,782
Restricted, nonexpendable	205,837	205,837	205,837
Restricted, expendable	19,543,095	20,769,710	17,320,124
Unrestricted	(6,017,371)	(11,275,470)	(16,585,274)
Total net position	$ 59,450,810	$ 52,276,486	$ 38,825,469
Total Liabilities and Net position	**$ 119,239,969**	**$ 118,701,036**	**$ 108,416,754**

Changes from 2021 to 2022:

Cash, cash equivalents and short-term investments, collectively, increased by approximately $1.3 million from $16.1 million to approximately $17.4 million. Accounts receivable decreased by approximately $341,000 from the prior year. Current assets increased approximately $2.5 million. Management attributes the majority of the increase in current assets to an increase in State appropriations of $1.3 million.

The University's Capital Assets additions of $6.5 million and the annual depreciation charge of $4.6 million resulted in the Net Capital Assets increasing by $1.9 million for fiscal year 2022.

Deferred outflows of resources reflects an increase of approximately $2.6 million from the prior year.

Total liabilities decreased by approximately $6.6 million, primarily due to a decrease in the net pension and other post-employment benefits liability of approximately $6.2 million.

Total net position increased by approximately $7.2 million. The University's net investment in capital assets increased approximately $3.1 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 $1.2 million. The deficit in the unrestricted net position decreased by approximately $5.2 million, primarily due to an increase in State appropriations and operating revenues. The June 30, 2022 deficit in the unrestricted net position of approximately $6.0 million consists of reserves in designated funds, auxiliary funds, insurance and benefit reserves, and the net pension deficit of approximately $12.5 million.

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.

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		
	2022	**2021**	**2020**
Total operating revenues	$ 30,188,187	$ 28,269,281	$ 28,108,617
Total operating expenses	49,697,859	44,697,917	48,084,880
Operating loss	(19,509,672)	(16,428,636)	(19,976,263)
Net nonoperating revenues	20,977,541	25,010,681	15,656,666
Income (loss) before other revenues	1,467,869	8,582,045	(4,319,597)
Total other revenues	5,706,455	4,868,972	3,281,068
Increase (decrease) in net position	**7,174,324**	**13,451,017**	**(1,038,529)**
Net position, beginning of year	52,276,486	38,825,469	39,863,998
Net position, end of year	**$ 59,450,810**	**$ 52,276,486**	**$ 38,825,469**

Changes from 2021 to 2022:

Operating revenues increased by approximately $1.9 million. Tuition and fees, net of scholarship allowances, decreased by approximately $619,000 or 4.8% after a tuition rate increase of 3.6% and a slight increase in total fall semester headcount. Scholarship allowances increased approximately $494,000 from the prior year. Auxiliary activities, net of scholarship allowances, increased by approximately $1.4 million or 15.95% after a 2.0% increase in room and board rate and a decrease in occupancy.

Operating expenses increased by approximately $5 million. Student Aid increased $2.0 million, Research increased $818,000 and Auxiliary Activities increased $759,000 over the prior year.

Net nonoperating revenues decreased by approximately $4.0 million. State appropriations increased by approximately $3.5 million. Investment income, net of investment expenses, decreased by approximately $6.8 million from 2021.

The net result of operations for the year was an increase in net position of approximately $7.1 million.

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.

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		
	2022	**2021**	**2020**
Cash from:			
Operating activities	$ (17,805,055)	$ (14,826,447)	$ (15,598,574)
Noncapital financing activities	22,938,796	21,456,576	17,849,658
Capital and related financing activities	(3,839,045)	(6,415,534)	(6,832,560)
Investing activities	(79,582)	796,779	4,451,314
Net change in cash and cash equivalents	1,215,114	1,011,374	(130,162)
Cash and cash equivalents, beginning of year	13,323,717	12,312,343	12,442,505
Cash and cash equivalents, end of year	**$ 14,538,831**	**$ 13,323,717**	**$ 12,312,343**

Changes from 2021 to 2022:

The most significant components of cash flows from operating activities are tuition and fees, auxiliary activities, and grants and contracts. . Net cash from operating activities for the year ended June 30, 2022 was approximately $17.8 million, increasing 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, Federal corona virus relief funds and Federal Pell grants, was approximately $22.9 million for the year ended June 30, 2022, up approximately $1.4 million from 2021. The University received approximately $2.2 million more in State appropriations, approximately $655,000 less in Federal corona virus relief funds and approximately $122,000 less in Federal Pell grants than in 2021.

Net cash from capital and related financing activities decreased by approximately $2.5 million from 2021, to approximately $3.8 million in 2022. The University spent approximately $6.3 million on capitalized improvements in 2022 and approximately $8.6 million in 2021.

Cash from investing activities decreased by approximately $876,000 totaling approximately ($80,000) for 2022. The decrease is mostly attributable to a decrease of approximately $6.7 million in the purchases of investments and a decrease of $6.0 million in proceeds from sales and maturities of investments as compared to 2021.

Overall, cash and cash equivalents increased by approximately $1.2 million for the year ended June 30, 2022.

Changes from 2020 to 2021:

The most significant components of cash flows from operating activities are tuition and fees, auxiliary activities, and grants and contracts. 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.

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 Senior Management Team 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.

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. Mary's River near downtown Sault Ste. Marie. Construction was approved by the State in June of 2019. The CFRE site is the former location of Union Carbide from 1900 until 1960, and was designated a Brownfield site. In partnership with the City of Sault Sainte Marie, LSSU 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 obtained about $1,000,000 of additional funds to enhance research facilities and mitigate the ecological impact of the center.

Despite COVID-19-caused delays such as State mandated construction shut downs and scarcity of materials, as well as emerging brownfield issues, construction was completed in fall of 2021. The facility is now open and fully operational.

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

Enrollment Initiatives

The Fall 2022 recruitment season was one of the most challenging we have encountered as the national landscape for higher education is experiencing several structural challenges:

- As a result of the drop in the national birth rate that began in 2007, the number of high school graduates has been in decline since 2011, along with the projection of a "Demographic Cliff" that will hit around 2025.
- This demographic declining trend has been intensified by the fact that only 70% of high school graduates pursue college education.
- A third factor that is conflating the enrollments situation is the current tight labor market that has reduced unemployment rate to one of the lowest levels in decades.
- The tight labor market conditions also caused a spike in wage rates, with delivery workers able to be paid over $20/hour, contributing to the high inflation rate that has driven up the prices of almost everything.
- High inflation rates cause most parents to struggle to keep up with basic family needs. Parents may encourage their recently graduated high school students to join the job market to support the family and take advantage of the higher wage levels.
- The currently seen higher wage level contributes negatively to the old argument regarding whether there is a premium for getting a university degree, and whether that premium is significant enough to justify the high cost of the university degree.

The conditions outlined above have had significant impact on both national and local enrollment trends.

- Undergraduate enrollment witnessed a downturn trend from 2011 that was accelerated by the COVID-19 pandemic. From Spring 2011 to Spring 2022, universities lost about 3.3 million students (around 17% of enrollment) (Bestcolleges.com, data from National Student Clearinghouse Research center (NSCRC)).

- The declining trend has accelerated due to the pandemic; college attendance among undergraduates has fallen almost 10% since COVID-19 started in 2020. Moreover, the NSCRC reported in May that spring 2022 enrollment was 4.7% below 2021, a decline of 1.4 million students nationally. These figures show the accelerating impact of the pandemic over the last couple of years.
- Data for Michigan indicated the drop was 5.8% overall (one of the highest in the nation) with the largest declines occurring at regional public universities and community colleges.

In both 2020 and 2021, Lake Superior State University managed to generate new student enrollment growth of 13.5% and 7.6 % respectively. The Fall 2022 recruitment cycle looked promising, and interest in Lake Superior State continued to be robust as we were experiencing a modest increase in Applications for First Time in Any College (FTIAC) students and the all variations of Admitted students. However, our yield was a decrease of 116 in New Student enrollment. This decrease was compounded by the closure of 2 regional centers (St. Helen and Hessel).

As we move into the Fall 2023 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. A review of current admission strategies and other ways to reverse the enrollment dip, including initiatives targeting, local students, Michigan students, non-traditional students, and international enrollment. More specifically initiatives will be undertaken to:

- Accelerate international recruiting efforts, especially from Asia.
- Re-enter the Canadian market after a two year absence dictated by COVID-19.
- Redeploy recruiters and expand recruiting efforts to geographical areas where greater yield could be expected.
- Design academic programs designed for non-traditional students (e.g. MBA program).
- Expand direct recruiting of Native American students.
- Create a Chippewa County dedicated scholarship to enhance local recruiting efforts.
- Evaluate expanding the guaranteed admissions strategy to include all counties in the Eastern Upper Peninsula to replicate our Charter School Guarantee.
- We transitioned 7 employees in the Admissions office and are in the process of enhancing their ability to represent and sell Lake Superior State University.
- Expand all pre-college and camp activity to build greater affinity among local students.

We will continue to enhance the institution's ability to develop brand awareness and affinity. These improvements continue to be honed in the 2023 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 a long term transformative impact on our future effectiveness.

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 that will help us to address unmet educational needs. As we look to the future, the University is resolved to align scarce resources with areas of interest and need, and to fulfill its commitment to a mission that provides excellent educational value across all our programs and offerings.

College of Health and Behavior:

The School of Nursing leads the nation in developing innovative professional certifications that support current challenges in the field of healthcare. In fall 2023, the School offered a new Cannabis Health Certificate and a new Rural Nurse Residency Certificate. The Cannabis Health certificate is designed for health professionals, clinicians, and others with a professional interest in cannabis health issues with a goal to shape clinicians to disregard old assumptions, ask better questions, and improve clinical practice health outcomes related to cannabis treatments. The Rural Nurse Residency is designed to help resolve growing problems in rural healthcare, including high nurse turnover, poor nurse retention rates, current and predicted closures of almost 30% of rural hospitals across the nation, and funding crises faced by most rural healthcare organizations and clinics. This program allows underfunded rural healthcare organizations and clinics to outsource Transition and Practice services to LSSU's Rural Nurse Residencies program. The School of Nursing also continues to train its students for real-world work through its state-of-the-art Superior Simulation Center, equipping nursing students with real-life skills they will need to practice quality healthcare in the real world. The Center is currently integrating virtual reality learning into a Metaverse for students in the Nursing and Paramedicine programs; the first stage of this project is being funded by a $3,500 grant to purchase virtual reality goggles and other essential equipment to begin building the Metaverse.

College of Innovation and Solutions:

In connection with expansion initiatives at LSSU's regional centers, the College of Innovation and Solutions now offers completion programs in the two mathematics education degrees 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. The College also added two new programs in fall 2022: the Mechatronics BS meets a market need in a field combining mechanical, electrical, computer, and robotics engineering technologies. The Data Science BS offers 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:

In FY 2022, the School of Science and Medicine was awarded a multi-year grant of more than $2M from the Michigan Department of Health and Human Services for the surveillance of wastewater in the Eastern Upper Peninsula. The wastewater surveillance project is ongoing, with 16 sampling sites across Michigan's Upper Peninsula, including a site at LSSU. The expected completion date for this project is July 2023. Additionally, donations for the research and analysis labs of the College of Science and the Environment totaled more than $400,000 to support and purchase consumables for undergraduate research projects. Students working in LSSU's Superior Analytics analytical environmental laboratory and in the Cannabis Center for Excellence gain practical 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, with 25.64% enrollment growth from fall 2021 to fall 2022. The Cannabis Processing Laboratory and Cannabis Center for Excellence is funded in part through collaborations with industry partners, and a $200,000 donation from Lions Labs helped LSSU open its new Lions Labs Institute for Cannabis Processing in February 2022, providing expansive new opportunities for LSSU students to conduct cutting edge undergraduate research. Other growing programs in the College of Science and the Environment include Aquaponics Entrepreneurship AS, Geospatial Technology AS, a Geographic Information Science certificate, and a minor in Geographic Information Science. In addition, 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:

The School of Liberal Arts developed and offered two new courses: Ojibwe Language I, Anishinaabemowin, and Ojibwe Language II, Anishinaabemowin, which comprise the first year of study of the Native American traditional language in our region. LSSU's commitment to expand Native American instructional offerings is aligned with the University's strategic plan goal to "incorporate history, traditions, languages, and cultures of Indigenous peoples in all University service areas." The Ojibwe Language courses strive to achieve that goal in academics, while parallel efforts are underway outside the classroom as well. The Arts Center hosts programming to support this goal through performances by the Woodland Sky Native American Dance Company and by local artists, poets and musicians. The Native American Center sponsors multiple events each year, including Orange Shirt Day to recognize the legacy of Indigenous Peoples residential school experience; guest speakers and panels discussing important contemporary Native American issues; celebration of Indigenous People's Day with a formal presentation of LSSU's land acknowledgement statement; hosting Native American game events such as lacrosse, snow-snakes, shinny, and double-ball; inspirational talks presented to the campus community by groundbreaking Native Americans; regularly scheduled lunch and dinner menus featuring Indigenous foods in the University's Quarterdeck dining hall, as well as free 'Soup Tuesdays' in the Native American Center.

The School of Education completed a full review of all teacher education programs to restructure them in alignment with the new State of Michigan K-12 education standards. All elementary education programs are now fully aligned with those standards to ensure graduating students are fully prepared and qualified to teach in the state of Michigan. The School also created a Social Emotional Learning certificate program for current teachers; this is a professional development certificate program for practicing K-12 teachers, specifically designed to provide them with knowledge and skills to address a new teaching standard established by the Michigan Department of Education. In addition, the School has expanded its learning disabilities special education program, making it possible for students majoring in other programs to add special education as their minor. Articulation agreements are building enrollments in teacher education programs offered at LSSU's regional centers, and teacher education programs. The School of Education continues to see growth in enrollment.

College of Criminal Justice and Emergency Responders

A new Emergency Management BS program was approved for Fall 2021; building on that new program, the College of Criminal Justice and Emergency Responders also added an associate's degree, a minor, and a certificate in Emergency Management. The new programs can be paired with majors in fire science, criminal justice, or other majors and are designed to be offered online so that working professionals can earn the degree without having to come on campus to attend classes. 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. Plans are in place to expand course and program offerings at regional centers for LSSU's criminal justice and fire science programs.

Student Affairs Initiatives

Retention, persistence, and student success are continually critical factors to Lake Superior State University's planning for a successful future. Using intensive and invasive interventions through Laker Success (LSSU's peer mentor program) and a strong partnership with Academic Affairs, Student Affairs is reporting increased retention and persistence rates for FY23. Moreover, the continued emphasis on maintaining or increasing student residency in University Housing, combined with local environmental factors resulted in an increased number of students living on campus. 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 and persistence, Student Affairs has increased collaborations with Academic Affairs particularly in relation to early alerts and at registration times. Multiple functional areas consistently use text messaging to connect with students not yet registered and/or in need of support outside the classroom. The Title III grant for which LSSU applied was ultimately awarded and has led to increasing integration of efforts between the two areas. Through the Title III and KCP/4S grants, Student Affairs and Academic Affairs have enacted a workflow through a singular online solution to ensure shared information among interested parties. This coordinated approach has improved communication tracks among departments to get students the help they need more quickly.

A new Associate Dean of Student Affairs joined the university at the beginning of the 2022-2023 academic year. With a strong background in residential education programming and student engagement, Ms. Anya Alexander will be a critical contributor to the retention, persistence, and success efforts. Student Affairs expanded data collection in the past two years. Through the gathered data, the areas have been able to drive continuous improvement efforts and determine effectiveness of programs and interventions. The effort to track participation will continue through the use of the "Presence" platform, and through social media platforms such as Facebook and Instagram.

The year ahead will be defined by ongoing and increased efforts to boost retention rates of first-to-second-year students above its current 73% and maintain upward movement in persistence rates among all other returning students. Additionally, Student Affairs will focus attention on improving the housing inventory as an added tool for retention of first-year students and as a way to boost on-campus residency among upper class students and bring additional revenue to the university.

Looking Forward

Lake Superior State University recognizes that its high populations of first-generation, low-income, and academically underprepared students derive great benefits from strong support services and individualized attention. The University received a five-year $1.64 Million Title III Strengthening Institutions Program grant to primarily strengthen retention practices and implement new student support services. A major part of this grant program is a collaboration between Student Affairs and Academic Affairs to develop and grow LSSU's new Student Support Advising services; this unique program provides one-on-one support to incoming freshmen and all students identified through a campus-wide Early Alert system. The Early Alert system at LSSU is designed to identify students with issues or concerns ranging from academic underperformance to homesickness or depression. As the University looks ahead toward the future, this program is expected to expand and enhance the level of support we can provide to the many first-generation, low-income, and academically underprepared students at LSSU.

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. Deans and faculty look to their advisory boards, comprised of professionals and experts in their fields, to identify potential trends and innovations that might suggest the emergence of new career markets and fields of study.

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Report of Independent Auditors

Board of Trustees
Lake Superior State University

Report on the Financial Statements

Opinions

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lake Superior State University and its discretely presented component unit, Lake Superior State University Foundation, as of June 30, 2022 and 2021, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Superior State University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022 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 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 Lake Superior State 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 Lake Superior State University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Midland, Michigan
December 22, 2022

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF NET POSITION

	As of June 30	
Assets	**2022**	**2021**
Current assets		
Cash and cash equivalents	$ 14,538,831	$ 13,323,717
Short-term investments	2,874,395	2,785,674
Accounts receivable, net	1,586,456	1,927,609
State appropriations receivable	3,870,304	2,591,290
Current portion of leases receivable	266,403	-
Inventories	432,796	448,927
Other	401,747	430,548
Total current assets	**23,970,932**	**21,507,765**
Noncurrent assets		
Student loans receivable, net	1,362,238	1,474,988
Endowment investments	12,544,419	15,422,979
Leases receivable, net of current portion	689,308	-
Unamortized bond insurance costs	248,416	325,180
Land, construction in progress and art collection	3,910,569	13,454,840
Depreciable capital assets, net	77,148,344	65,708,447
Total noncurrent assets	**95,903,294**	**96,386,434**
Total assets	**$ 119,874,226**	**$ 117,894,199**
Deferred outflows of resources	**$ 3,808,284**	**$ 1,134,871**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 3,073,541	$ 3,091,576
Unearned revenue	826,201	564,567
Deposits	243,327	238,147
Current portion of long-term debt	1,582,371	1,463,833
Current portion of employee benefit programs	194,599	180,000
Total current liabilities	**5,920,039**	**5,538,123**
Long-term debt, net of current portion	37,488,430	38,275,338
Employee benefit programs, net of current portion	704,675	733,693
Net pension and other post employment benefits liability	15,676,015	21,877,396
Total liabilities	**$ 59,789,159**	**$ 66,424,550**
Deferred inflows of resources	**$ 4,442,541**	**$ 328,034**
Net position		
Net investment in capital assets	$ 45,719,249	$ 42,576,409
Restricted		
Nonexpendable		
Scholarships and research	205,837	205,837
Expendable		
Scholarships and research	14,311,656	17,890,379
Loans	2,155,258	2,484,786
Capital projects and debt service	3,076,181	394,545
Unrestricted	(6,017,371)	(11,275,470)
Total net position	**$ 59,450,810**	**$ 52,276,486**

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	
	2022	**2021**
Operating revenues		
Tuition and fees (net of scholarship allowances of $8,903,840 in 2022 and $8,409,807 in 2021)	$ 12,350,485	$ 12,969,743
Federal grants and contracts	1,813,439	795,954
State grants and contracts	361,947	347,147
Nongovernmental grants and contracts	4,254,422	3,911,383
Auxiliary activities (net of scholarship allowances of $455,420 in 2022 and $651,665 in 2021)	10,327,662	8,910,035
Other	1,080,232	1,335,019
Total operating revenues	**30,188,187**	**28,269,281**
Operating expenses		
Instruction	11,197,682	11,134,160
Research	1,754,985	936,301
Public service	1,340,779	1,380,805
Academic support	2,767,520	2,645,678
Student services	1,799,629	1,957,253
Student aid	4,196,756	2,125,513
Institutional support	5,635,637	5,417,679
Operation and maintenance of plant	4,804,430	4,572,331
Auxiliary activities	10,167,464	9,408,442
Depreciation	4,684,668	4,431,876
Other	1,348,309	687,879
Total operating expenses	**49,697,859**	**44,697,917**
Operating loss	**(19,509,672)**	**(16,428,636)**
Nonoperating revenues (expenses)		
State appropriations	17,924,880	14,397,144
Federal Pell grants	2,558,048	2,691,199
Federal corona virus relief funds	4,896,486	5,668,356
Interest on capital debt and leases	(1,485,739)	(1,571,843)
Amortization of prepaid bond insurance	(14,717)	(20,362)
Bond issue costs	(57,247)	(56,873)
Investment (loss) income, net of investment expenses	(2,869,421)	3,943,063
Gifts for endowments	21,808	35,150
Gain (Loss) on assets sold or retired	3,443	(75,153)
Net nonoperating revenues	**20,977,541**	**25,010,681**
Gain before other revenues	**1,467,869**	**8,582,045**
Other revenues		
Capital appropriations	5,053,169	3,285,366
Capital grants and gifts	653,286	1,583,606
Total other revenues	**5,706,455**	**4,868,972**
Increase in net position	**7,174,324**	**13,451,017**
Net position, beginning of year	**52,276,486**	**38,825,469**
Net position, end of year	**$ 59,450,810**	**$ 52,276,486**

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

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2022	**2021**
Cash flows from operating activities		
Tuition and fees	$ 12,409,625	$ 12,920,596
Grants and contracts	6,435,510	4,908,209
Payments to employees	(16,389,231)	(26,712,699)
Payments to vendors	(27,653,094)	(14,183,106)
Payments for financial aid	(4,196,756)	(2,125,513)
Loans issued to students	(288,746)	(193,949)
Collections of interest and principal on loans to students	401,496	512,286
Auxiliary activities	10,375,590	8,782,252
Other receipts	1,100,551	1,265,477
Net cash from operating activities	**(17,805,055)**	**(14,826,447)**
Cash flows from noncapital financing activities		
State appropriations	15,354,808	13,081,601
Federal Pell grants	2,561,840	2,684,134
Federal corona virus relief funds	5,000,340	5,655,691
Gifts for endowments	21,808	35,150
Federal Direct Lending receipts	6,537,191	7,423,409
Federal Direct Lending disbursements	(6,537,191)	(7,423,409)
Net cash from noncapital financing activities	**22,938,796**	**21,456,576**
Cash flows from capital and related financing activities		
Capital appropriations received	3,837,431	3,242,908
Capital grants and gifts received	985,563	1,275,667
Proceeds from refunding bond issue	13,282,745	-
Loan proceeds	42,168	328,704
Proceeds from line of credit	614,699	-
Payment of bond issuance costs	(88,370)	(25,750)
Purchase of bond insurance	(100,095)	-
Purchases and construction of capital assets	(6,366,342)	(8,624,309)
Proceeds from disposal of capital assets	3,443	359,060
Principal paid on debt and capital leases	(14,325,363)	(1,305,409)
Interest paid on debt and capital leases	(1,724,924)	(1,666,405)
Net cash from capital and related financing activities	**(3,839,045)**	**(6,415,534)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	1,210,713	7,736,548
Purchases of investments	(1,642,991)	(7,340,192)
Investment income, net	352,696	400,423
Net cash from investing activities	**(79,582)**	**796,779**
Net change in cash and cash equivalents	1,215,114	1,011,374
Cash and cash equivalents, beginning of year	13,323,717	12,312,343
Cash and cash equivalents, end of year	**$ 14,538,831**	**$ 13,323,717**

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	**2022**	**2021**
Operating loss	$ (19,509,672)	$ (16,428,636)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	4,684,668	4,431,876
Provision for uncollectible accounts and student loans receivables	(118,724)	36,919
Pension and OPEB expense adjustment	(3,277,754)	(1,590,892)
Change in assets and liabilities:		
Accounts receivable, net	(146,714)	(398,526)
Student loans receivable, net	244,463	400,671
Inventories	16,131	(19,392)
Other	28,801	(5,499)
Accounts payable and accrued expenses	21,351	(1,161,085)
Unearned revenue	261,634	(97,595)
Deposits	5,180	(15,879)
Employee benefit programs	(14,419)	21,591
Net cash from operating activities	**$ (17,805,055)**	**$ (14,826,447)**

Supplemental disclosures of non-cash financing and investing activities

Gifts in-kind received and recorded as capital assets	$ 7,745	$ 23,880
Entered into capital leases to purchase capital equipment	$ 206,207	$ -

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

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	As of June 30	
	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 278,373	$ 279,894
Short-term investments	1,482,283	2,008,283
Other current assets	5,976	7,015
Current portion of unconditional promises to give, net	175,211	122,819
Total current assets	**1,941,843**	**2,418,011**
Noncurrent assets		
Investments	19,932,835	22,629,548
Unconditional promises to give, net of current portion	581,829	287,460
Total noncurrent assets	**20,514,664**	**22,917,008**
Total assets	**$ 22,456,507**	**$ 25,335,019**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 1,994	$ 15,358
Employee benefit programs	-	16,720
Total current liabilities	**1,994**	**32,078**
Annuity obligations	10,908	16,665
Total liabilities	**12,902**	**48,743**
Net assets		
With donor restrictions	22,278,340	24,750,807
Without donor restrictions	165,265	535,469
Total net assets	**22,443,605**	**25,286,276**
Total liabilities and net assets	**$ 22,456,507**	**$ 25,335,019**

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

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30	
	2022	2021
Operating revenues		
Contributions of cash and other financial assets	$ 2,692,809	$ 2,037,141
Contributions of nonfinancial assets	136,848	19,500
Change in value of split interest agreements	(4,689)	12,759
Total operating revenues	**2,824,968**	**2,069,400**
Operating expenses	455,422	470,143
Operating income	**2,369,546**	**1,599,257**
Nonoperating revenues (expenses)		
Investment return, net	(3,655,190)	5,376,851
Distributions to Lake Superior State University	(1,557,027)	(2,229,235)
Net nonoperating revenues (expenses)	**(5,212,217)**	**3,147,616**
Change in net assets	**(2,842,671)**	**4,746,873**
Net assets, beginning of year	25,286,276	20,539,403
Net assets, end of year	**$ 22,443,605**	**$ 25,286,276**

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

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2022	**2021**
Cash flows from operating activities		
Change in net assets	$ (2,842,671)	$ 4,746,873
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net depreciation (appreciation) in fair value of investments	5,088,772	(2,995,894)
Non cash change in property held for sale or conveyance	-	131,880
Non cash change in beneficial interest in charitable remainder trust	-	337,970
Change in operating assets and liabilities:		
Other current assets	1,039	(1,000)
Unconditional promises to give	(346,761)	75,757
Accounts payable and accrued expenses	(13,364)	2,198
Employee benefits program	(16,720)	(3,555)
Annuity obligation	(5,757)	(5,435)
Net cash from operating activites	**1,864,538**	**2,288,794**
Cash flows from investing activities		
Purchase of investments	(2,427,059)	(3,502,190)
Sale of investments	561,000	671,820
Net cash from investing activities	**(1,866,059)**	**(2,830,370)**
Net change in cash and cash equivalents	**(1,521)**	**(541,576)**
Cash and cash equivalents, beginning of year	279,894	821,470
Cash and cash equivalents, end of year	**$ 278,373**	**$ 279,894**

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

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 flow of the Foundation.

Contributions to the University by the Foundation have been made in the amount of $1,557,027 during 2022 and $2,229,235 during 2021. In addition to contributed nonfinancial support, the University provided support to the Foundation in the amount of $303,894 during 2022 and $415,254 during 2021.

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.

Adoption of New Accounting Standards

On July 1, 2021, the University adopted GASB Statement No. 87, Leases, and subsequent pronouncements (GASBS No. 87.) This standard applies to all state and local governments and establishes 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 records (in financial statements using the economic resources measurement focus) a lease liability and an intangible right-of-use asset. A lessor records a lease receivable and a corresponding 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." Implementation of the provisions of GASBS No. 87 are retroactive and requires a government to evaluate all leases in place as of the beginning of the period during which implementation is first applied. The University applied GASBS No. 87 for its lessor leases receivable as of July 1, 2021 with no cumulative effect on beginning net position. The standard was not applied to the University's lessee operating leases due to the insignificance of those amounts. For further discussion of the University's accounting for its lease receivables, refer to Note 8.

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.

Adoption of New Accounting Standard - Foundation

The Foundation adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update 2020-07, *Accounting for Contributed Nonfinancial Assets by Not-for-Profit Organizations*, effective July 1, 2021. This standard does not affect the Foundation's recognition or measurement of contributed nonfinancial assets (CNA), which are also referred to as in-kind contributions, but requires the presentation of CNA as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires additional disclosures such as the amounts of CNA by categories that depict the type of CNA, a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with the CNA, and a description of valuation techniques and inputs used to arrive at a fair value measure. The Foundation adopted the requirements of the new guidance utilizing the retrospective method of transition. Adoption of the new standard had no effect on overall amounts reported in the statement of activities for the years ended June 30, 2022 or 2021. Refer to Note 16.

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.

Leases Receivable

When the University is a lessor in a contract, it records a lease receivable at the commencement of the lease term equal to the present value of the payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. In addition to the lease receivable, the University also records a corresponding deferred inflow of resources at the commencement of the lease term. This is equal to the amount of the lease receivable plus any lease payments related to future periods (e.g., last month's rent), less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

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 $3,808,284 as of June 30, 2022 and $1,134,871 as of June 30, 2021. Deferred inflows of resources consist of inflows related to the University's multi-employer net pension obligation and OPEB totaling $3,375,820, inflows related to the 2021 refunding bonds totaling $111,010 as of June 30, 2022, $328,034 as of June 30, 2021 for pension and OPEB, and inflows related to leases totaling $955,711. Net pension obligation and OPEB amounts are amortized over the actuarial calculated expected remaining service life of the members. The deferred gain on the bond refunding is amortized over the life of the bond issue in accordance with GASB. Revenue from the deferred inflows for the University's lessor leases will be recognized over the term of the lease.

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 $81,382,921 during 2022 and $76,370,067 during 2021 (net of a 3.0% administrative fee retained by the University) of State appropriations which were forwarded to 21 charter schools. The State appropriation for Bay Mills Community College was changed to a one-time $1,000,000 for fiscal year 2021. When Bay Mills met certain requirements imposed by the State in July of 2021, the funds were received and transferred. No additional funds have been appropriated for Bay Mills Community College. 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. The University's pro shop (Superior Sports) activities resulted in unrelated business income tax due for fiscal year 2021. No such taxes were incurred for fiscal year 2022.

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 2022 or 2021.

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 2018 through 2022 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, 2022, the most recent statement of net assets presented herein, through December 22, 2022, the date these financial statements were available to be issued. See footnote 23 for a description of significant 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:

	2022	2021
Disbursement accounts	$ 8,850,741	$ 7,640,892
Money market funds	5,688,090	5,682,825
Total cash and cash equivalents	**$ 14,538,831**	**$ 13,323,717**

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

	2022	2021
University short-term investments		
Certificates of deposit	$ 540,990	$ 536,361
Mutual funds		
Bond/fixed income funds	2,333,405	2,249,313
Total University short-term investments	**$ 2,874,395**	**$ 2,785,674**

	2022	2021
University endowment investments		
Mutual funds		
Equity funds	$ 9,198,250	$ 11,646,047
Bond/fixed income funds	3,316,846	3,746,582
Money market funds	29,323	30,350
Total University endowment investments	**$ 12,544,419**	**$ 15,422,979**

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, 2022, the University had the following investments with related maturities:

	Fair Market Value	Maturities (in Years) Less Than 1	1-5	6-10
Money market funds	$ 5,717,413	$ 5,717,413	$ -	$ -
Bond/fixed income funds	5,650,251	2,333,405	-	3,316,846
Total investments	**$ 11,367,664**	**$ 8,050,818**	**$ -**	**$ 3,316,846**

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

	Fair Market Value	Maturities (in Years) 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**

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, 2022, $13,802,204 of the University's bank balance of $14,802,214 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, 2022, the University held 25,004 units of the EuroPacific Growth Fund Class F3 (Security identifier: FEUPX) with a fair value of $1,206,964 and 53,153 units of the Fidelity Advisor International Capital Appreciation fund (Security identifier: FCPIX) with a fair value of $1,193,818. 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. 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 $67,000 as of June 30, 2022 and $3,616,000 as of June 30, 2021. 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:

	2022	2021
Interest and dividends	1.7%	1.4%
Net realized and unrealized gains	(19.2)	26.6
Total investment gain	**(17.5)%**	**28.0%**

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:

	2022	2021
Mutual funds		
Index funds	$ 4,076,679	$ 4,698,332
Growth funds	6,557,000	6,904,338
Bond/fixed income funds	7,123,412	8,415,709
Value funds	2,589,887	2,886,672
Public natural resources funds	975,722	1,290,906
	2022	2021
Money market	42,173	70,923
Subtotal	21,364,873	24,266,880
Marketable securities	50,245	370,951
Total Foundation investments	**$ 21,415,118**	**$ 24,637,831**

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

	2022	2021
Mutual funds		
Index funds	$ (651,167)	$ 1,100,503
Growth funds	(2,973,215)	504,704
Bond/fixed income funds	(910,035)	15,418
Value funds	(601,141)	894,680
Public natural resources funds	65,515	472,508
Subtotal	(5,070,043)	2,987,815
Marketable securities	(18,729)	8,079
Total Foundation unrealized gains (losses)	**$ (5,088,772)**	**$ 2,995,894**

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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Index funds	$ 4,076,679	$ -	$ -	$ 4,076,679
Growth funds	6,557,000	-	-	6,557,000
Bond/fixed income funds	7,023,276	-	-	7,023,276
Municipal bonds	100,136	-	-	100,136
Value funds	2,589,887	-	-	2,589,887
Public natural resources funds	975,722	-	-	975,722
Money market	42,173	-	-	42,173
Marketable securities	50,245	-	-	50,245
Total investments at fair value	**$21,415,118**	**$ -**	**$ -**	**$ 21,415,118**

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**

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 $515,887 as of June 30, 2022 and $582,813 as of June 30, 2021.

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

	2022	2021
Tuition and fees	$ 331,295	$ 443,025
Governmental grants and contracts	894,006	1,021,116
Auxiliary activities	248,003	187,507
Private grants and contracts	4,725	178,465
Other	108,427	97,496
Accounts receivable, net	**$ 1,586,456**	**$ 1,927,609**

In addition, the University has student loans receivable in the amount of $1,362,238, net of an allowance for uncollectible loans of $247,158, as of June 30, 2022 and $1,474,988, net of an allowance for uncollectible loans of $454,075, as of June 30, 2021. Approximately 69% 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:

	2022	2021
Unconditional promises due in less than one year	$ 178,401	$ 125,962
Unconditional promises due in one to five years, net of discount to net present value at 1% of $7,908 and $8,014	486,706	280,831
Unconditional promises due in more than five years, net of discount to net present value at 1% and 8% of $25,261 and $12,372	95,123	6,628
Present value of promises to give	760,230	413,421
Less allowance for uncollectible amounts	3,190	3,143
Net unconditional promises to give	**757,040**	**410,278**
Less current portion	175,211	122,819
Unconditional promises to give, net of current portion	**$ 581,829**	**$ 287,459**

8. LEASES RECEIVABLE

The University, as a lessor, has the following receivables under operating lease arrangements:

Description of Lease	**Lease Receivable**
Lease of cell tower access by telecommunication company: The remaining noncancellable period under this lease is through July 31, 2038. The monthly lease amounts are $150 through July 31, 2023, then $1,183 through July 31, 2028, and $1,302 through July 31, 2038. After the initial term, the lease automatically renews for up to six 5-year periods with a 10% rate increase at the start of each renewal period unless the lessee gives notice of its intent not to renew at least 60 days prior to the next renewal period. The lease receivable reflects the expectation that it is likely that the lessee will not exercise its nonrenewal option.	$ 891,956
Lease of office space in the Center for Freshwater Research and Education by the U.S. Coast Guard: The remaining noncancellable period under this	175,747

Description of Lease	Lease Receivable
operating lease is through September 30, 2026. The monthly lease amounts start at $3,250 per month and increase 2.5% annually on October 1.	
Lease of building in Phoenix, Arizona to Summit High School: The remaining noncancellable period under this operating lease is through June 30, 2024. Monthly rent is $ 18,727 through June 30, 2023 and expected to be approximately $20,024 thereafter through June 30, 2024.	465,260
Subtotal	1,533,033
Less: discount to arrive at net present value	(577,294)
Net present value of leases receivable	**$ 955,711**

Present value of annual amounts from leases receivable are as follows:

Year Ending June 30,	Amount
2023	$ 266,403
2024	281,612
2025	51,230
2026	49,934
2027	20,931
2028-2032	56,272
2033-2037	46,142
2038-2042	39,858
2043-2047	35,182
2048-2052	31,056
2053-2057	27,412
2058-2062	24,198
2063-2067	21,359
Thereafter	4,122
	$ 955,711

9. CAPITAL ASSETS

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

	2022			
	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Capital assets not being depreciated				
Land - restricted	$ 838,684	$ -	$ -	$ 838,684
Land	2,110,634	295,569	-	2,406,203
Art collection	665,682	-	-	665,682
Construction in progress	9,839,840	4,869,294	14,709,134	-
Total capital assets not being depreciated	13,454,840	5,164,863	14,709,134	3,910,569
Capital assets being depreciated				
Land improvements	6,037,786	963,441	-	6,991,227
Infrastructure	4,638,914	369,542	-	5,008,456
Building and building improvements	156,187,588	13,622,455	-	169,810,043
Equipment and other	25,007,287	1,179,127	108,728	26,077,686
Total capital assets being depreciated	191,871,575	16,124,565	108,728	207,887,412
Accumulated depreciation	(126,163,128)	(4,684,668)	108,728	(130,739,068)
Total capital assets being depreciated, net	65,708,447	11,439,897	-	77,148,344
Total capital assets, net	**$ 79,163,287**	**$ 16,604,760**	**$ 14,709,134**	**$ 81,058,913**

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
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**

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 was expected to complete Fall 2021.

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.

Occupancy was permitted beginning in October 2021. The opening dedication and open-house events took place in December 2021. The Brownfield grant and loan expenses totaled 1,464,103 as of June 30, 2022, which is a reduction of about $500,000 in the amount budgeted at June 30, 2021. No more expenditures are expected for this funding source. Although the project was substantially complete at June 30, 2022 and capitalized, some of the grants and gifts related to the project are not fully expended and expenditures of about $520,000 for equipment and landscaping are expected in the fiscal year 2023.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2022	2021
Accounts payable to vendors	$ 915,437	$ 1,145,500
Payroll and payroll taxes	1,606,532	1,382,741
Interest	545,572	553,835
Health insurance claims	6,000	9,500
Total accounts payable and accrued expenses	**$ 3,073,541**	**$ 3,091,576**

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, 2022 or June 30, 2021.

11. LONG-TERM DEBT

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

			2022				
			Outstanding Principal				
	Interest Rate	Maturity	July 1 2021	Additions	Reductions	June 30 2022	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%	2022-2031	13,865,000	-	13,865,000	-	-
Bonds, Series 2021							
Series bonds	4.0%	2022-2031	-	11,565,000	-	11,565,000	1,015,000
Net premium on bond issuance			2,098,844	1,717,746	504,074	3,312,516	219,829
Total bonds payable			**37,873,844**	**13,282,746**	**14,369,074**	**36,787,516**	**1,234,829**
Capital leases	up to 4.50%	2021-2025	511,446	206,207	266,292	451,361	191,346
Loans payable	1.85%-4.15%	2021-2034	1,353,881	672,115	194,072	1,831,924	156,196
Total long-term debt			**$ 39,739,171**	**$ 14,161,068**	**$14,829,438**	**39,070,801**	**$1,582,371**
Less current portion						1,582,371	
Long-term debt, net of current portion						**$ 37,488,430**	

			2021				
			Outstanding Principal				
	Interest Rate	Maturity	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	89,512
Total bonds payable			**38,973,356**	**-**	**1,099,512**	**37,873,844**	**1,134,512**
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**	**$1,463,833**
Less current portion						1,463,833	
Long-term debt, net of current portion						**$ 38,275,338**	

Bonded Debt

General Revenue Bonds, Series 2021

In August 2021, the University issued fixed rate General Revenue Bonds in the amount of $11,565,000. As of June 30, 2022, serial bonds payable in the amount of $11,565,000 are payable from general revenues, maturing in varying amounts through November 2031, with interest charged at annual fixed rate of 4.0%.

In 2021, the University used the proceeds from above mentioned bond issue to refund $12,820,000 in outstanding fixed rate General Revenue Bonds, Series 2012. As of June 30, 2022, 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 $1,717,545 and a net present value savings of $1,575,210. The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is reflected as a deferred inflow which is being amortized over the life of the bond as a component of interest expense.

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, 2022, 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 were payable from general revenues, maturing in varying amounts through November 2031, with interest charged at annual rates ranging from 3.0% to 4.0%. As of June 30, 2022 the certificates were considered defeased and the liability has been removed from the statement of net position.

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
2023	$ 1,015,000	$ 1,505,150	$ 2,520,150
2024	1,050,000	1,463,850	2,513,850
2025	1,095,000	1,420,950	2,515,950
2026	1,195,000	1,376,350	2,571,350
2027	1,285,000	1,327,650	2,612,650
2028-2032	7,490,000	5,802,050	13,292,050
2033-2037	3,285,000	4,766,850	8,051,850
2038-2042	5,315,000	3,759,750	9,074,750
2043-2047	6,795,000	2,290,000	9,085,000
2048-2051	4,950,000	503,000	5,453,000
Total – bonds payable	**$ 33,475,000**	**$ 24,215,600**	**$ 57,690,600**

Lease Obligations

Lease Obligations for Capitalized Right-of-Use Assets

The University leases certain equipment with a net book value of $611,538 as of June 30, 2022, 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 these lease obligations as of June 30, 2022:

Year Ending June 30	Amount
2023	$ 206,337
2024	176,450
2025	65,244
2026	32,501
Total minimum payments due	480,532
Less amounts representing interest, imputed at annual rates ranging up to 4.10%	29,171
Present value of net minimum lease payments	**$ 451,361**

Other Lease Obligations

During the fiscal year ended June 30, 2019, the University entered into a 5-year operating lease for copier equipment. Two additional copiers were added to the lease during fiscal year 2022. Due to the immaterial nature of these agreements, right-of-use assets or lease liabilities have not been recorded. This does not affect the University's net position. The following is a schedule of annual future minimum lease payments required under these leasing arrangements (that were considered operating lease obligations prior to the adoption of GASB No. 87) as of June 30, 2022:

Year Ending June 30	Amount
2023	$ 31,986
2024	5,331
Total minimum payments due	**$ 37,317**

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, 2022, and June 30, 2021, 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, 2022, the loan was paid in full.

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, 2022, the principal remaining on the loan was $832,096.

The following is a schedule of annual future payments for the loan as of June 30, 2022:

Year Ending June 30	Principal	Interest	Total
2023	$ 54,265	$ 33,510	$ 87,775
2024	56,513	31,262	87,775
2024	58,996	28,779	87,775
2026	61,446	26,329	87,775
2027	64,045	23,730	87,775
2028-2032	363,210	75,667	438,877
2033-2035	173,621	7,853	181,474
Total – loan payable	**$ 832,096**	**$ 227,130**	**$ 1,059,226**

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. During fiscal year 2022, the initial draw on the line of credit was paid off and additional draws totaling $544,599 were made for the purchase of various equipment. A payment of $3,000 was made in May 2022 and a $100 processing fee was added in June for the final draw made subsequent to the May deadline. Thus, a total of $541,699 was converted to a five-year term loan with the first payment due in June 2022. As of June 30, 2022, the principal remaining on the loan was $535,725.

The following is a schedule of annual future payments for the five-year term loan as of June 30, 2022:

Year Ending June 30	Principal	Interest	Total
2023	$ 101,931	$ 15,904	$ 117,835
2024	105,276	12,559	117,835
2024	108,781	9,054	117,835
2026	112,355	5,480	117,835
2027	107,382	1,773	109,155
Total – loan payable	**$ 535,725**	**$ 44,770**	**$ 580,495**

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, 2022, the principal drawn on the loan was $464,103.

The following is a schedule of annual future payments for the loan as of June 30, 2022:

Year Ending June 30	Principal	Interest	Total
2025	$ 45,402	$ -	$ 45,402
2026	39,121	6,281	45,402
2027	39,708	5,694	45,402
2028-2032	207,654	19,354	227,008
2033-2037	132,218	3,986	136,204
Total – loan payable	**$ 464,103**	**$ 35,315**	**$ 499,418**

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 $1,698,000 for the year ended June 30, 2022 and $1,647,000 for the year ended June 30, 2021. 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 member rates from October 1 to September 30 are as follows:

Fiscal Year Ended	Funded Portion	Unfunded Portion
June 30, 2022	6.52%	19.86%
June 30, 2021	6.52%	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 $1,746,589. Its actual and actuarially determined contributions to the plan for the year ended June 30, 2022 were $4,462,075. Contributions include $515,034 of revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate and $2,594,341 of revenue received from the State of Michigan under Section 236(h) Special Allocation 2021 for the year ended June 30, 2022. The University's required and actual contributions to the plan for the year ended June 30, 2021 were $1,611,372. Contributions included $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.

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, 2021

Total pension liability	$ 1,176,949,367
Plan fiduciary net position	(615,094,553)
Net pension liability	$ 561,854,814
Plan fiduciary net position as a percentage of total pension liability	52.26%
Net pension liability as a percentage of covered payroll	253.66%

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%

Net Pension Obligation, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense: At June 30, 2022, the University reported a liability of $16,987,951 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020. 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, 2021, the University's proportionate share was 3.02354%. The University reported a liability of $20,590,273 as of June 30, 2021, and the University's proportionate share was 3.01459% as of the September 30, 2020 measurement date.

The University recognized pension expense of $457,718 for the year ended June 30, 2022 and $1,694,306 for the year ended June 30, 2021.

At June 30, 2022, 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	-	2,287,266
Changes in proportionate and differences between University contributions and proportionate share of contributions	-	-
University contributions subsequent to the measurement date	3,613,458	338,028
	$ 3,613,458	$ 2,625,294

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

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	$ (610,714)
2023	(500,326)
2024	(561,774)
2025	(614,452)
	$ (2,287,266)

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, 2021 is based on the results of an actuarial valuation date of September 30, 2020, 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. 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, 2020

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, 2018 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	2021 Long-term Expected Real Rate of Return	2020 Long-term Expected Real Rate of Return
Domestic Equity Pools	25.0%	5.4%	5.6%
Private Equity Pools	16.0	9.1	9.3
International Equity Pools	15.0	7.5	7.4
Fixed Income Pools	10.5	(0.7)	0.5
Real Estate & Infrastructure Pools	10.0	5.4	4.9
Absolute Return Pools	9.0	2.6	3.2
Real Return/Opportunistic Pools	12.5	6.1	6.6
Short Term Investment Pools	2.0	(1.3)	0.1
Total	**100.0%**		

Rate of Return: For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. For the fiscal year ended September 30, 2020, the rate was 5.37%. 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 (6.00% 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% (6.00% 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, 2022:

1.0% decrease (5.80%)	Current Discount Rate (6.80%)	1.0 % increase (7.80%)
$ 20,411,072	$ 16,987,951	$ 14,065,600

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

Payable to the Pension Plan: The University reported a payable of $ -0- as of June 30, 2022 and 2021 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.

MPSERS Fiduciary Net Position-OPEB

MPSERS Net OPEB Liability – Seven Universities as of September 30, 2021

Total OPEB liability	$ 179,304,062
Plan fiduciary net position	(222,182,156)
Net OPEB liability	$ (42,878,094)
Plan fiduciary net position as a percentage of total OPEB liability	123.91%
Net OPEB liability as a percentage of covered payroll	(19.36)%

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

Total OPEB liability	$ 211,644,907
Plan fiduciary net position	(169,390,633)
Net OPEB liability	$ 42,254,274
Plan fiduciary net position as a percentage of total OPEB liability	80.04%
Net OPEB liability as a percentage of covered payroll	19.45%

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 2021 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2022.

OPEB Contribution Rates

Benefit Structure	Member	Employer
		University
Premium subsidy	3.00%	6.79%
Personal Health-care Fund (PHF)	0.00%	5.87%

Required contributions to the OPEB plan from LSSU were $417,370 for the year ended September 30, 2021 and $403,865 for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, LSSU reported a liability of $(1,311,936) for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the University's proportionate share was 3.05969%. The University reported a liability of $1,287,123 as of June 30, 2021, and the University's proportionate share was 3.04614% as of the September 30, 2020 measurement date.

The University recognized OPEB expense of $(1,433,176) for the year ended June 30, 2022 and $(1,291,472) for the year ended June 30, 2021.

At June 30, 2022, 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	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual OPEB plan investment earnings	-	750,526
Changes in proportionate and differences between University contributions and proportionate share of contributions	-	-
University contributions subsequent to the measurement date	194,826	-
	$ 194,826	$ 750,526

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

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, 2022. 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	$ (194,838)
2023	(169,616)
2024	(184,558)
2025	(201,514)
	$ (750,526)

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, 2020

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: .... Pre-65 7.75% Year 1 and Post-65 5.25% Year 1 both 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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 2021 MPSERS Annual Comprehensive 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:

		2021	2020
Investment Category	**Target Allocation**	**Long-term Expected Real Rate of Return**	**Long-term Expected Real Rate of Return**
Domestic Equity Pools	25.0%	5.4%	5.6%
Private Equity Pools	16.0	9.1	9.3
International Equity Pools	15.0	7.5	7.4
Fixed Income Pools	10.5	(0.7)	0.5
Real Estate & Infrastructure Pools	10.0	5.4	4.9
Absolute Return Pools	9.0	2.6	3.2
Real Return/Opportunistic Pools	12.5	6.1	6.6
Short Term Investment Pools	2.0	(1.3)	(0.1)
Total	**100.0%**		

*Long-term rates of return are net of administrative expenses and 2.0% inflation.

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14% and for the fiscal year ended September 30, 2020 was 5.24%. 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 2021. 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 2020, 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, 2022:

1.0% decrease (5.95%)	Current Discount Rate (6.95%)	1.0% increase (7.95%)
$ (802,793)	$ (1,311,936)	$ (1,747,753)

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

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, 2022:

1.0% decrease (5.95%)	Current Health-care Cost Trend Rate (6.95%)	1.0% increase (7.95%)
$(1,780,480)	$(1,311,936)	$(777,542)

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

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS ACFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan: As of June 30, 2022, 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:

	2022				
	July 1 2021	Additions	Payments	June 30 2022	Current Portion
Compensated absences	$ 731,656	$ 165,141	$ 150,858	$ 745,939	$ 130,000
Accumulated sick leave benefits	182,037	10,000	38,702	153,335	64,599
Total employee benefit programs	**$ 913,693**	**$ 175,141**	**$ 189,560**	**$ 899,274**	**$ 194,599**

	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**

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 17 retirees participating in this health coverage as of June 30, 2022 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 $1,822,467 as of June 30, 2022 and $4,351,842 as of June 30, 2021. The workers' compensation claims liability of $ -0- for the years ending as of June 30, 2022 and 2021, 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, 2022 were $6,000 and $9,500 as of June 30, 2021, 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:

	2022	2021
Subject to expenditure for a specified purpose:		
University programs	$ 2,853,554	$ 2,551,369
Subject to the endowment spending policy and appropriation for donor specified purpose:		
Permanent endowment funds	13,753,796	12,368,239
Investment appreciation and income	5,602,638	9,766,000
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	68,352	65,199
Total with donor restriction	**22,278,340**	**24,750,807**

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

	2022	2021
Board designated for:		
Fund for LSSU grant program	84,659	133,782
University athletic programs	57,486	42,362
University Investment Club	51,245	56,361
Total board designated	193,390	232,505
Undesignated	229,727	302,964
Underwater endowment funds	(257,852)	-
Total without donor restriction	**165,265**	**535,469**
Total net assets	**$ 22,443,605**	**$ 25,286,276**

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

	2022		
	Without donor restriction	With donor restriction	Totals
Revenue, gains, and other support			
Contributions	$ 317,192	$ 2,375,617	$ 2,692,809
Contributions of nonfinancial assets	136,848		136,848
Change in value of split interest agreements	-	(4,689)	(4,689)
Investment return, net	8,920	(3,664,110)	(3,655,190)
Net assets released from restrictions	1,179,285	(1,179,285)	-
Total revenue, losses, and other support	1,642,245	(2,472,467)	(830,222)
Expenses			
Operating expenses	(455,422)	-	(455,422)
Distributions to Lake Superior State University	(1,557,027)	-	(1,557,027)
Changes in net assets	**(370,204)**	**(2,472,467)**	**(2,842,671)**
Net assets, beginning of year	535,469	24,750,807	25,286,276
Net assets, end of year	**$ 165,265**	**$ 22,278,340**	**$ 22,443,605**

	2021		
	Without donor restriction	With donor restriction	Totals
Revenue, gains, and other support			
Contributions	$ 393,303	$ 1,643,838	$ 2,037,141
Contributions of nonfinancial assets	19,500	-	19,500
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	(470,143)	-	(470,173)
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**

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:

2022

	Program Services	Management and General	Fund Raising	Totals
Operating expenses				
Salaries, wages and benefits	$ -	$ 310,465	$ 2,101	$ 312,566
Services and professional fees	-	76,906	890	77,796
Meals, travel and entertainment	-	10,824	8,029	18,853
Office expenses	-	18,579	333	18,912
Rent	-	20,100	-	20,100
Charitable annuity payments	-	5,201	-	5,201
Other expenses	-	1,664	330	1,994
Total	-	443,739	11,683	455,422
Distributions to Lake Superior State University	1,557,027	-	-	1,557,027
Totals	**$ 1,557,027**	**$ 443,739**	**$ 11,683**	**$ 2,012,449**

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
Rent	-	19,500	-	19,500
Charitable annuity payments	-	5,523	-	5,523
Other expenses	-	2,629	4,176	6,805
Total	-	459,572	10,571	470,143
Distributions to Lake Superior State University	2,229,235	-	-	2,229,235
Totals	**$ 2,229,235**	**$ 459,572**	**$ 10,571**	**$ 2,699,378**

16. CONTRIBUTED NONFINANCIAL ASSETS (IN-KIND CONTRIBUTIONS) – FOUNDATION

The Foundation received contributed personnel services and rent from the University. Payroll and related expenses are valued and reported at their estimated fair value in the financial statements based on the costs incurred by the University. The Foundation uses these services in its advancement activities and would have to be purchased if they were not provided as contributions. Contributed rent is valued and reported at its estimated fair value based on the square footage of the spaced used by the Foundation at a rate comparable to a prevailing rental rate. The amounts of contributed services consisted of the following.

	2022	2021
Personnel services	$ 116,748	$ -
Rent	20,100	19,500
	$ 136,848	**$ 19,500**

These amounts are included in revenue and program expenses in the statement of activities and functional expenses. There are no associated donor restrictions on the contributed services.

17. 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:

	2022	2021
Endowment net assets, beginning of year	$ 22,134,240	$ 16,367,012
Investment return, net	(3,663,313)	5,453,878
Contributions	1,400,198	984,602
Appropriation of endowment assets for expenditure	(767,854)	(684,011)
Change in value	(4,689)	12,759
Endowment net assets, end of year	**$ 19,098,582**	**$ 22,134,240**

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. Underwater endowment funds totaled $257,852 at June 30, 2022. There were no underwater endowment funds as of June 30, 2021.

18. 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:

	2022	2021
Cash	$ 278,373	$ 279,894
Short-term investments	1,482,283	2,008,283
Other current assets	5,976	7,015
Current portion of unconditional promises to give, net	175,211	122,819
Total financial assets	1,941,843	2,418,011
Less amounts not available to be used within one year:		
Assets whose use is limited	1,715,054	1,743,952
Financial assets available to meet general expenditures over the next twelve months	**$ 226,789**	**$ 674,059**

19. 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 July 15, 2022. 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	June 30, 2027
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 three buildings: the Center for Freshwater Research and Education (August, 2022), the R. W. Considine Business Building (formerly South Hall) (September, 2017), and the Arts Classroom Building (January, 2005). The buildings were financed with SBA revenue bonds, State appropriations, University general revenue bonds, gifts and grants.

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 most recently terminated lease was for the Crawford Hall Addition and Remodel which was conveyed to the University in 2006.

The cost and accumulated depreciation for these facilities is included in the accompanying statements of net position.

20. 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 table below shows when HEERF funds were expended and the following verbiage further explains some of the impacts of COVID-19 on University operations and the financial statements.

	CARES Act or HEERF I			CRRSA Act or HEERF II			ARP Act or HEERF III			
	Student Emergency Relief	Institution Relief	Strengthen Institutions	Student Emergency Relief	Institution Relief	Strengthen Institutions	Student Emergency Relief	Institution Relief	Strengthen Institutions	Grand Total
Awarded:	$ 801,132	$ 801,131	$ 79,508	$ 801,132	$ 2,044,474	$ 120,601	$ 2,555,521	$ 2,540,008	$ 225,131	$ 9,968,638
Spent and Recognized as Non-operating Revenue:										
Fiscal Year										
2020	$ 527,500	$ 282,471	$ 78,587	$	$	$	$	$	$	$ 888,558
2021	273,632	518,660	921	582,000	2,004,446	120,601		665,496		4,165,756
2022				219,132	40,028		2,554,921	1,857,575	224,830	4,896,486
Total	$ 801,132	$ 801,131	$ 79,508	$ 801,132	$ 2,044,474	$ 120,601	$ 2,554,921	$ 2,523,071	$ 224,830	$ 9,950,800

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.

The CARES or HEERF I funds were fully expended and drawn as of June 30, 2021 and thus there were no funds spent or drawn in the fiscal year ended June 30, 2022.

<u>CRRSA Act or HEERF II</u>

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, 2022, the University had drawn down and awarded grants totaling $801,132 to students. The University expended $582,000 in the fiscal year ended June 30, 2021 and $219,132 in the fiscal year ended June 30, 2022. These amounts were included in nonoperating Federal corona virus relief funds revenue on the statement of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2021 and June 30, 2022 respectively.

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, 2022, the University had expended $2,044,474 and drawn $2,022,119 related to the Institutional Relief Funding. The University expended $2,004,446 in the fiscal year ended June 30, 2021 and $40,028 in the fiscal year ended June 30, 2022. The amounts of $2,044,474 and $40,028 were included in nonoperating Federal corona virus relief funds revenue on the statement of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2021 and June 30, 2022 respectively. The University also recognized accounts receivable of $28,227 in the fiscal year ended June 30, 2021 and $22,355 in the fiscal year ended June 30, 2022.

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 in the fiscal year ended June 30, 2021.

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. The University did not expend any of these funds in the fiscal year ended June 30, 2021. As of June 30, 2022, the University had expended $2,554,921 and drawn $2,554,306 of these Federal corona virus relief funds. The amount of $2,554,921 was included in nonoperating Federal corona virus relief funds revenue on the statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2022. The University also recognized accounts receivable of $615 in the fiscal year ended June 30, 2022.

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, 2022, the University had expended $2,523,071 and drawn $2,517,003 related to the Institutional Relief Funding. The University expended $665,496 in the fiscal year ended June 30, 2021 and $1,857,575 in the fiscal year ended June 30, 2022. The amounts of $665,496 and $1,857,575 were included in nonoperating Federal corona virus relief funds revenue on the statement of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2021 and June 30, 2022 respectively. The University also recognized accounts receivable of $145,596 in the fiscal year ended June 30, 2021 and $6,071 in the fiscal year ended June 30, 2022.

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. As of June 30, 2022, the University had expended $224,830 and drawn $184,002 of these Federal corona virus relief funds. The amount of $224,830 was included in nonoperating Federal corona virus relief funds revenue on the statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2022. The University also recognized accounts receivable of $40,828 in the fiscal year ended June 30, 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.

21. NATURAL CLASSIFICATION OF EXPENSES

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

2022

	Salaries, Wages and Benefits	Supplies and Equipment	Utilities	Scholarship Expenses	Depreciation	Other	Total
Instruction	$ 9,812,329	$ 1,385,353	$ -	$ -	$ -	$ -	$ 11,197,682
Research	1,052,150	702,835	-	-	-	-	1,754,985
Public service	737,709	603,070	-	-	-	-	1,340,779
Academic support	1,822,592	944,928	-	-	-	-	2,767,520
Student services	1,469,006	330,623	-	-	-	-	1,799,629
Student aid	-	-	-	4,196,756	-	-	4,196,756
Institutional support	3,539,170	2,096,467	-	-	-	-	5,635,637
Operations and maintenance of plant	1,846,476	1,080,963	1,876,991	-	-	-	4,804,430
Auxiliary activities	4,305,280	4,889,084	973,100	-	-	-	10,167,464
Depreciation	-	-	-	-	4,684,668	-	4,684,668
Other	-	-	-	-	-	1,348,309	1,348,309
Total operating expenses	**$ 24,584,712**	**$ 12,033,323**	**$ 2,850,091**	**$ 4,196,756**	**$ 4,684,668**	**$ 1,348,309**	**$ 49,697,859**

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**

22. ISSUED BUT NOT ADOPTED ACCOUNTING PRONOUNCEMENTS

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

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 be the University's June 30, 2023 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 be the University's June 30, 2023 year-end.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, will enhance accounting and financial reporting requirements for accounting changes and error corrections by providing more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The standard is effective for fiscal years beginning after June 15, 2023, which will be the University's June 30, 2024 year-end.

GASB Statement No. 101, *Compensated Absences*, updates current guidance for recognizing and measuring compensated absences. It requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid. Liabilities for certain types of compensated absences—including parental leave, military leave, and jury duty leave—will not be recognized until the leave commences. Generally, the liability will be measured using an employee's pay rate as of the date of the financial statements. This standard is effective for fiscal years beginning after December 15, 2023 which will be the University's June 30, 2025 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 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.

23. 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.

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022

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

	2022	2021	2020	2019	2018	2017	2016	2015
University's proportionate share of the net pension liability								
As a percentage	3.02355%	3.01459%	2.99202%	2.98699%	3.03438%	3.04194%	3.13198%	2.89703%
As an amount	$ 16,987,951	$ 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	$ 6,648,000	$ 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	250.52%	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	52.26%	43.07%	44.24%	45.87%	47.42%	46.77%	47.45%	63.00%

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022

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

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required pension contribution	$ 1,746,589	$ 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	4,462,075	1,694,306	1,430,168	1,487,609	1,480,554	1,550,979	1,888,294	1,720,135
Pension contribution excess	$ 2,715,486	$ 167,225	$ (65,233)	$ (22,753)	$ 57,348	$ 229,645	$ 813,602	$ 783,252
University's covered payroll	$ 6,882,715	$ 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	64.83%	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, 2021. The assumed discount rate remained at 6.80 percent for the September 30, 2021 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, 2022

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

	2022	2021	2020	2019	2018
University's proportionate share of the net OPEB liability					
As a percentage	3.05969%	3.04614%	3.04502%	3.04790%	3.06216%
As an amount	$ (1,311,936)	$ 1,287,123	$ 2,794,718	$ 3,616,044	$ 4,357,498
University's covered payroll	$ 6,781,000	$ 6,648,000	$ 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	(19.35)%	19.36%	42.88%	56.59%	67.20%
MPSERS fiduciary net position as a percentage of the total OPEB liability	123.91%	80.04%	61.07%	51.90%	44.11%

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022

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

	2022	2021	2020	2019	2018
Statutorily required OPEB contribution	$ 417,370	$ 403,865	$ 395,202	$ 395,574	$ 509,244
OPEB contributions in relation to the actuarially determined contractually required contribution	(1,433,176)	(1,291,472)	(576,071)	(180,673)	227,460
OPEB contribution deficiency	$ 1,850,546	$ 1,695,337	$ 971,273	$ 576,247	$ 281,784
University's covered payroll	$ 6,882,715	$ 6,747,720	$ 6,615,770	$ 6,485,982	$ 6,413,500
OPEB contributions as a percentage of covered payroll	(20.82)%	(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, 2021. The assumed discount rate remained at 6.95 percent for the September 30, 2021 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.