Annual Financial Report
2023-2024

LAKE SUPERIOR STATE UNIVERSITY

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Lake Superior State University

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INDEPENDENT AUDITORS' REPORT

December 13, 2024

Board of Trustees
Lake Superior State University
Sault Ste. Marie, Michigan

Report on the Audit of the 2024 Financial Statements

Opinions

We have audited the financial statements of the business-type activities, and the discretely presented component unit of ***Lake Superior State University*** (the "University"), a component unit of the State of Michigan, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions on the 2024 Financial Statements

We conducted our audit 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 *Independent Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors' Responsibilities for the Audit of the 2024 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that 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 the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 the pension and other postemployment benefits plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Predecessor Auditor

The financial statements of ***Lake Superior State University*** as of June 30, 2023 were audited by other auditors whose report dated January 4, 2024, expressed unmodified opinions on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated December 13, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Rehmann Robson LLC

Lake Superior State University
Management's Discussion and Analysis

This discussion and analysis section of the Lake Superior State University (the "University" or "LSSU") annual financial report provides an overview of our financial activities during the years ended June 30, 2024 and 2023. 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.

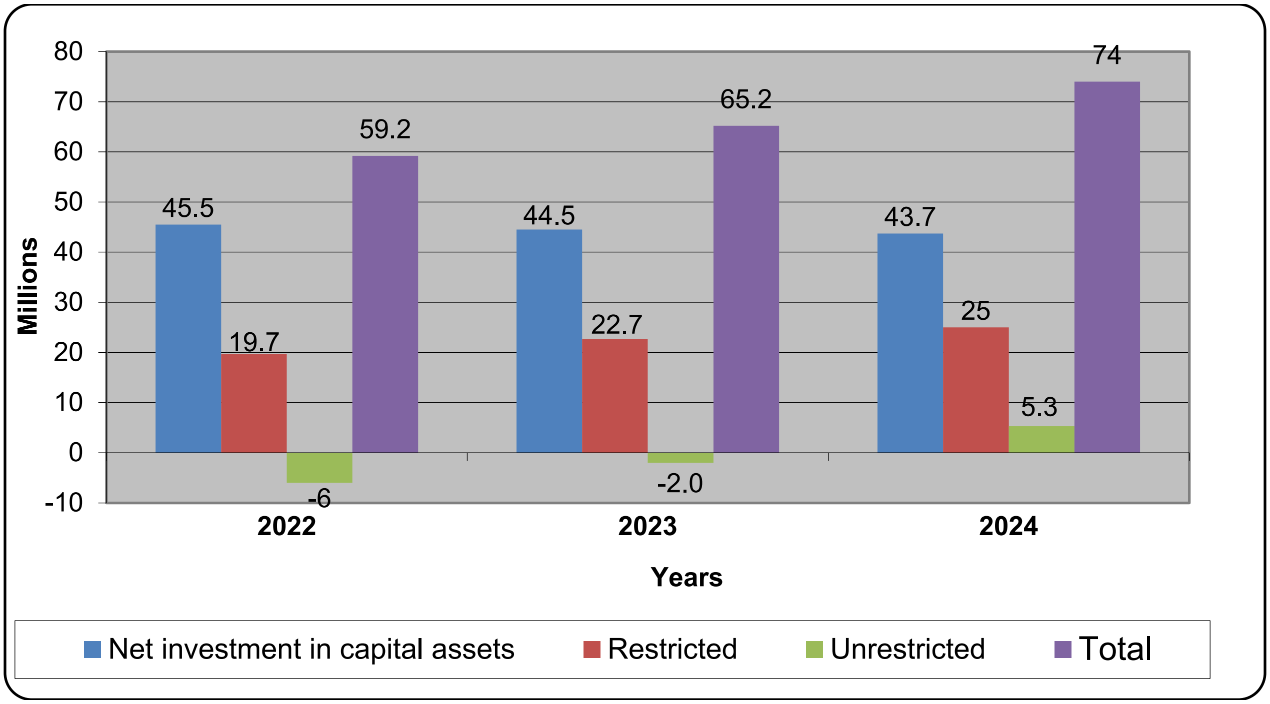
Using the Annual Report

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.

Financial Highlights

The University's financial position was fairly stable as of June 30, 2024. Net position for the year ended June 30, 2024 of approximately $74 million increased by approximately $8.7 million; as compared to an increase of approximately $6.0 million for the year ended June 30, 2023. The unrestricted net position prior year deficit changed by approximately $7.3 million, flipping to a $5.3 million surplus for the year ended June 30, 2024.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2024, 2023 and 2022:



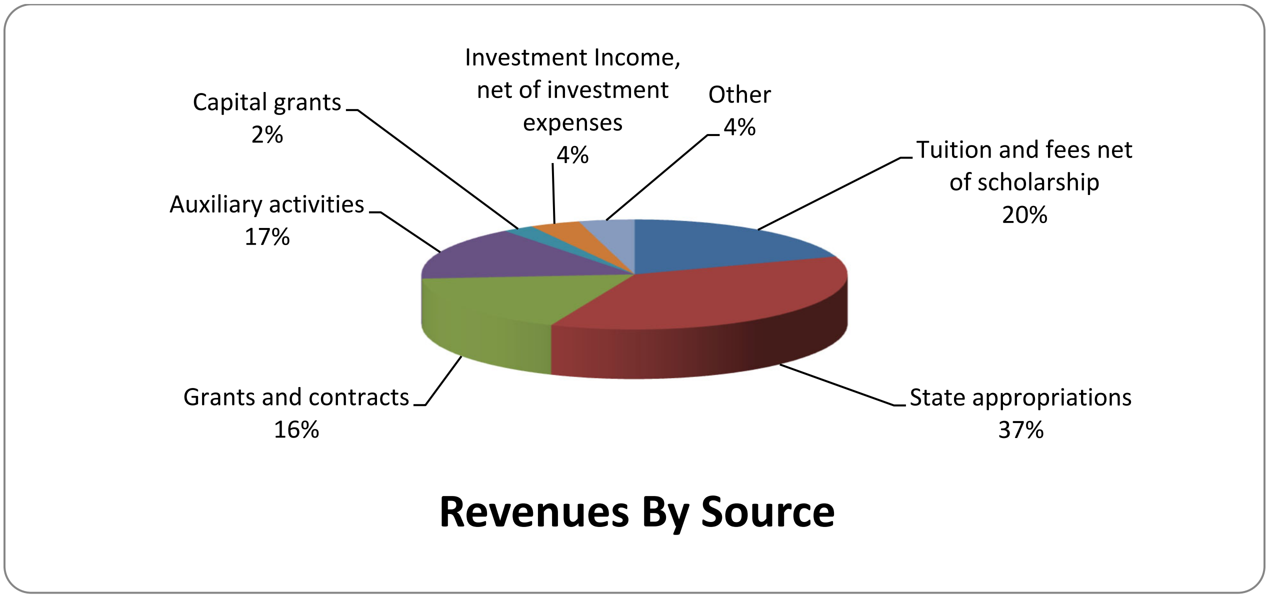
Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and other rental and sales activities. In addition, certain federal, state, and nongovernmental grants and contracts are considered operating if they are not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

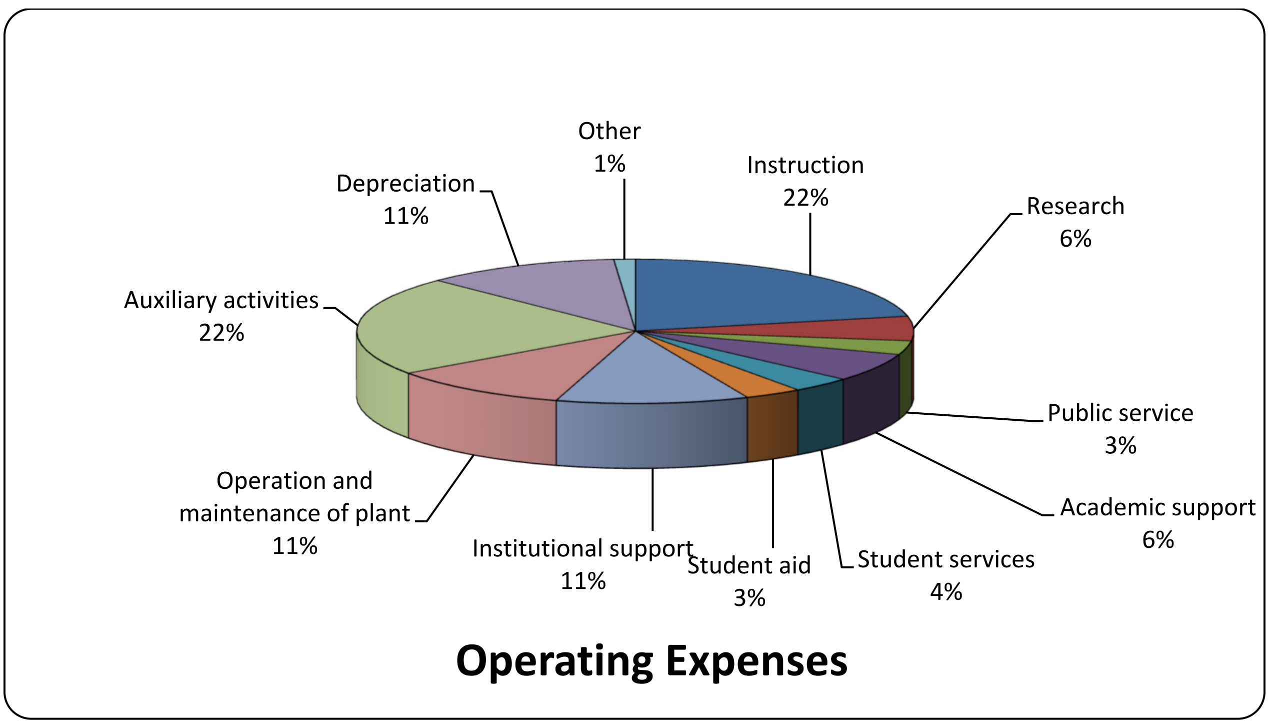
State appropriations, make up the largest contribution to the total revenue of the University. Tuition and fees, net of scholarship allowances are the next largest. Auxiliary activities consist of primarily housing, food services, and athletics. Other revenue includes investment income and gifts.

Revenues totaled approximately $58.8 million for the 2024 fiscal year. The following is a graphical illustration of revenues by source for the fiscal year ended June 30, 2024:



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 $48.6 million for the 2024 fiscal year. The following is a graphical illustration of the University's operating expenses by functional classification for the year ended June 30, 2024:



The Statements of Net Position

The Statements of Net Position include all assets, deferred outflows of resources, liabilities and deferred inflows of resources. Over time, increases or decreases in net position (the difference between assets and deferred outflows and liabilities and deferred inflows) 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		
	2024	**2023**	**2022**
Assets			
Current assets	$ 21,090,727	$ 21,439,126	$ 23,970,932
Capital assets, net	78,132,050	80,591,876	82,521,038
Other noncurrent assets	20,496,497	16,742,944	14,844,381
Total Assets	**119,719,274**	**118,773,946**	**121,336,351**
Deferred outflows of resources	**115,119**	**987,740**	**3,808,284**
Liabilities			
Current liabilities	6,367,467	5,856,509	6,436,749
Noncurrent liabilities	36,137,280	38,056,308	39,354,101
Net pension obligation	694,452	9,751,506	15,676,015
Total liabilities	**43,199,199**	**53,664,323**	**61,466,865**
Deferred inflows of resources	**2,670,259**	**843,580**	**4,442,541**
Net position			
Net investment in capital assets	43,695,580	44,492,627	45,503,668
Restricted, nonexpendable	205,837	205,837	205,837
Restricted, expendable	24,771,201	22,515,458	19,543,095
Unrestricted	5,292,317	(1,960,139)	(6,017,371)
Total net position	**$ 73,964,935**	**$ 65,253,783**	**$ 59,235,229**

Changes from 2023 to 2024:

Cash, cash equivalents and short-term investments, collectively, decreased by approximately $797,000 from $15.1 million to approximately $14.3 million. Current assets decreased approximately $348,000. Management attributes the majority of the decrease in current assets due to a decrease in cash and cash equivalents.

The University's Capital Assets additions of $3.1 million and the annual depreciation charge of $5.5 million resulted in the Net Capital Assets decreasing by $2.4 million for fiscal year 2024.

Deferred outflows of resources reflect a decrease of approximately $873,000 from the prior year.

Total liabilities decreased by approximately $10.5 million, primarily due to a decrease in the net pension liability of approximately $9.1 million as well as a reduction in long term debt of approximately $1.9 million.

Total net position increased by approximately $8.7 million. The University's net investment in capital assets decreased approximately $797,000. This is the result of the capital asset acquisitions and payments on long-term debt being less than the depreciation charge. Restricted expendable net position increased $2.3 million. The deficit in the unrestricted net position decreased by approximately $7.3 million, primarily due to an increase in operating revenues. The June 30, 2024 surplus in the unrestricted net position of approximately $5.3 million consists of reserves in designated funds, auxiliary funds, insurance and benefit reserves, and the net pension surplus of approximately $2.8 million.

Changes from 2022 to 2023:

Cash, cash equivalents and short-term investments, collectively, decreased by approximately $2.3 million from $17.4 million to approximately $15.1 million. Accounts receivable increased by approximately $582,000 from the prior year. Current assets decreased approximately $2.5 million. Management attributes the majority of the decrease in current assets due to a decrease in cash as well as a decrease in State appropriations receivable of approximately $900,000.

The University's Capital Assets additions of $3.3 million and the annual depreciation charge of $5.2 million resulted in the Net Capital Assets decreasing by $1.9 million for fiscal year 2023.

Deferred outflows of resources reflect a decrease of approximately $2.8 million from the prior year.

Total liabilities decreased by approximately $8.9 million, primarily due to a decrease in the net pension liability of approximately $7.1 million as well as a reduction in long term debt of approximately $1.2 million.

Total net position increased by approximately $6.0 million. The University's net investment in capital assets decreased approximately $1.0 million. This is the result of the capital asset acquisitions and payments on long-term debt being less than the depreciation charge. Restricted expendable net position increased $1.8 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, 2023 deficit in the unrestricted net position of approximately $813,000 consists of reserves in designated funds, auxiliary funds, insurance and benefit reserves, and the net pension deficit of approximately $5.4 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		
	2024	**2023**	**2022**
Total operating revenues	$ 29,717,483	$ 29,111,786	$ 30,188,187
Total operating expenses	48,563,998	52,705,630	49,911,764
Operating loss	(18,846,515)	(23,593,844)	(19,723,577)
Net nonoperating revenues	26,243,823	28,216,606	20,954,054
Income before other revenues	7,397,308	4,622,762	1,230,477
Total net other revenues	1,313,844	1,395,792	5,728,263
Increase in net position	**8,711,152**	**6,018,554**	**6,958,743**
Net position, beginning of year	65,253,783	59,235,229	52,276,486
Net position, end of year	**$ 73,964,935**	**$ 65,253,783**	**$ 59,235,229**

Changes from 2023 to 2024:

Operating revenues increased by approximately $606,000, due to an increase in Private grants and contracts, as well as Federal grants and contracts. Tuition and fees, net of scholarship allowances, decreased by approximately $400,000 or 3.4%. Scholarship allowances increased approximately $400,000 from the prior year. Auxiliary activities, net of scholarship allowances, decreased by approximately $600,000 or 6.23% due to a decrease in occupancy.

Operating expenses decreased by approximately $4.1 million, resulting mainly from an Instruction decrease of $1.8 million, Institutional Support decrease of $1.1 million, Operation and maintenance of plant decrease of $874,000 and Auxiliary Activities decrease of $682,000 over the prior year. These decreases were largely due to MPSERS actuarial changes.

Net nonoperating revenues decreased by approximately $2.0 million. State appropriations decreased by approximately $2.5 million. Investment income, net of investment expenses, increased by approximately $300,000 from 2023.

The net result of operations for the year was an increase in net position of approximately $8.7 million.

Changes from 2022 to 2023:

Operating revenues decreased by approximately $1.1 million, due to a decrease in nongovernmental grants and contracts offset by an increase in Federal and State grants and contracts, as well as private grants and contracts. Tuition and fees, net of scholarship allowances, decreased by approximately $340,000 or 2.8%. Scholarship allowances decreased approximately $1.4 million from the prior year. Auxiliary activities, net of scholarship allowances, decreased by approximately $430,000 or 4.23% after a 1.0% increase in room and board rate and a decrease in occupancy.

Operating expenses increased by approximately $2.8 million, resulting mainly from a Student Aid decrease of $2.9 million, Institutional support increase of $1.0 million, Instruction increase of $1.1 million, Operation and maintenance of plant increase of $1.2 million and Auxiliary Activities increase of $1.3 million over the prior year.

Net nonoperating revenues increased by approximately $7.3 million. State appropriations increased by approximately $6.2 million. Investment income, net of investment expenses, increased by approximately $4.8 million from 2022, while Coronavirus Relief Funds decreased by $4.9 million.

The net result of operations for the year was an increase in net position of approximately $6.0 million.

The Statements of Cash Flows

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

	Year Ended June 30		
	2024	**2023**	**2022**
Cash from:			
Operating activities	$ (22,675,329)	$ (26,782,667)	$ (21,723,842)
Noncapital financing activities	25,329,644	27,819,135	26,943,277
Capital and related financing activities	(4,464,792)	(4,093,597)	(3,924,739)
Investing activities	(1,213,048)	874,201	(79,582)
Net change in cash and cash equivalents	(3,023,525)	(2,182,928)	1,215,114
Cash and cash equivalents, beginning of year	12,355,903	14,538,831	13,323,717
Cash and cash equivalents, end of year	**$ 9,332,378**	**$ 12,355,903**	**$ 14,538,831**

Changes from 2023 to 2024:

The most significant components of cash flows from operating activities are tuition and fees, grants and contracts, and auxiliary activities. Net cash used in operating activities for the year ended June 30, 2024 was approximately $22.7 million, decreasing approximately $4.1 million 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 $25.3 million for the year ended June 30, 2024, down approximately $2.5 million from 2023.

Net cash used in capital and related financing activities increased by approximately $371,000 from 2023, to approximately $4.5 million in 2024. The University spent approximately $3 million on capitalized improvements in 2024 and approximately $2.5 million in 2023.

Cash from investing activities decreased by approximately $2.1 million totaling approximately $1.2 million in outflows for 2024. The decrease is mostly attributable to an increase of approximately $11.4 million in the purchases of investments and an increase of $9.3 million in proceeds from sales and maturities of investments as compared to 2023.

Overall, cash and cash equivalents decreased by approximately $3 million for the year ended June 30, 2024.

Changes from 2022 to 2023:

The most significant components of cash flows from operating activities are tuition and fees, auxiliary activities, and grants and contracts. Net cash used in operating activities for the year ended June 30, 2023 was approximately $26.8 million, increasing 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 $27.8 million for the year ended June 30, 2023, up approximately $877,000 from 2022. The University received approximately $6.0 million more in State appropriations in 2023, approximately $4.9 million less in Federal coronavirus relief funds and approximately $223,000 less in Federal Pell grants than in 2022.

Net cash used in capital and related financing activities increased by approximately $169,000 from 2022, to approximately $4.1 million in 2023. The University spent approximately $2.5 million on capitalized improvements in 2023 and approximately $6.4 million in 2022.

Cash from investing activities increased by approximately $954,000 totaling approximately $874,000 for 2023. The increase is mostly attributable to a decrease of approximately $865,000 in the purchases of investments and a decrease of $177,000 in proceeds from sales and maturities of investments as compared to 2022.

Overall, cash and cash equivalents decreased by approximately $2.1 million for the year ended June 30, 2023.

Factors That Will Affect the Future

Senior Management Team Stability

The LSSU Senior Management Team (SMT) is comprised of the President; Interim Provost and Vice President of Academic Affairs; Interim Vice President for Finance & Operations; Vice President of Advancement, Legislative & Alumni Affairs; Dean of Enrollment Management & Communication; Dean of Student Affairs; Director of Athletics; and Director of Human Resources, Safety & Risk, and Title IX Coordinator.

The University experienced changes to the Senior Management Team during FY2023 with the resignations of President Dr. Rodney Hanley and VP of Finance and Operations, Dr. Nafez Alyan. In order to maintain stability during this time of transition Dr. Lynn Gillette was appointed to the Interim President role; Dr. Kimberly Muller assumed the role of Interim Provost and Vice President for Academics; and Maurice Walworth, retired VP of Finance and Operations returned as Interim VP of Finance and Operations. A national search for a new President was conducted and Dr. David Travis began his role at LSSU beginning June 2024.

In FY2024, Tory Lindley joined the SMT as the Director of Athletics, and Scott Smith expanded his role to include Legislative Affairs.

Major Initiatives

LSSU will continue to secure investment in the new Barch Center for Freshwater Research and Education (“CFRE”), which opened in 2021. LSSU recently secured over $1M in donations to the Barch CFRE, and is adding a $300,000 addition to the structure (completely funded by external dollars; above the $1M). A number of donors and businesses have strong interest in the facility. The Barch CFRE recently received $3.8M (Canadian) in grant funding. Academically, recent restructuring has placed a greater emphasis on programmatic activities that will result in new programs (undergraduate and graduate), thereby increasing enrollment. Major gifts are being cultivated for CFRE and we are optimistic verbal commitments will come to fruition this fiscal year. Additionally, a $600,000 grant has been approved by the U.S. Senate and is awaiting approval from the U.S. Congress and then the President's signature.

LSSU is in the silent phase fundraising for the Nursing Simulation Center. Currently, LSSU partners with the local MyMichigan Health Care facility. The fundraising goal will be in the $1.0M - $1.5M range and will provide upgrades to the facility. We have secured $530,000 to date with a $2M proposal being delivered before the end of calendar-year 2024.

LSSU is planning fundraising for the pool. This $1.5M venture would upgrade the only operational pool in the Eastern U.P. Plans include securing grants, collaborations with local K-12 schools, and a potential millage. The renovation would provide a facility for LSSU's new men's/women's swimming and diving team, local high school swim teams, and the community. It would also serve as an enrollment initiative - increasing our D-II footprint. Initial conversations with major donors have begun. Granting organizations have been identified. A proposed grant writing position is being reviewed and will impact our ability to deliver proposals.

LSSU has applied to the State of Michigan for Capital Outlay for FY2026. The project would expand the Robotics, Criminal Justice, Fire Science, and EMC program spaces. This $40M project would not begin until after FY2027 once it is approved by the State. This is only in the early stages of development.

Additional projects include the completion of the men's basketball team facility renovation. Over $250,000 was raised to improve the facility. Using the momentum of the successful men's basketball team renovation campaign, the women's basketball and volleyball teams will benefit from a similar campaign currently in the silent phase.

Enrollment Initiatives

Lake Superior State University experienced increases in new student enrollment in both 2020 and 2021, however the last three recruitment cycles were more complicated due to several exogenous factors inherent in the higher education ecosystem:

- 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 have full impact on the college going population in 2025.
- The declining demographic trend has been intensified by the fact that only 54% of high school graduates are currently pursing college education. In the LSSU immediate service region (the Eastern Upper Peninsula) the college going rate has declined from 60% to 46% of graduating students since 2015.
- A third factor complicating the trend is an ongoing tight labor market that has reduced the unemployment rate to one of the lowest levels in decades.
- These tight labor market conditions also caused a spike in wage rates, with entry level workers being paid over $20/hour, contributing to a high inflation rate that has driven up prices of almost everything.
- High inflation rates caused parents to struggle to keep up with basic family needs. Parents may encourage their recently graduated high school students to join the job market in support of the family and take advantage of the higher wage levels.
- Higher wage levels contribute negatively to the value proposition concerning a university degree.
- A 2023/2024 U.S. Department of Education revamp of the Free Application for Federal Student Aid (FAFSA) resulted in a delay in access, which was further complicated by reporting errors and ultimately resulted in colleges and universities not having access to student data for financial aid packaging until late April and early May rather than the November/December timeframe in previous cycles.
- Also, the State of Michigan expanded its free community college programs to include all associates degrees for all students attending community colleges in their residential districts.

The conditions outlined above have had significant impact on both national, state and local enrollment trends especially at regional public institutions.

- 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 accelerated due to the pandemic; college attendance among undergraduates fell 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.

The exogenous variables outlined above potentially have tended to have an outsized impact on our enrollment efforts as the majority of our student population is Pell-eligible (38%). Further analysis of the data reinforces this hypothesis as we experienced declines in enrollment from students from farther afield (southwest and southeast Michigan as well as out-of-state). On a positive note, local enrollments began to rebound in the Fall of 2023 and continued to increase in the Fall of 2024 including Canadian students from Sault Ste Marie, Ontario.

With the implementation of the strategic plan, LSSU shifted focus from a selective institution to open access by lowering the minimum grade point average (GPA) for admission from a 2.4 to a 2.0, and furthermore established a Conditional Admission (Anchor Advantage) program for students under a 2.0 GPA. Students admitted through this program are limited to 13 registered credit hours for two semesters and assigned an academic support specialist through Academic Services to provide enhanced guidance, support, and mentoring for two semesters. To bolster access, we removed all enrollment and housing deposits and migrated from a test optional institution to a test blind by removing all standardized test considerations from all institutional financial aid.

Staffing the Department of Admissions continues to be enhanced and territories regularly evaluated for maximum optimization of our recruiting resources. All staff compliment all pre-college university activities (GearUP, camps, charter school relations, and concurrent, dual, and early middle college enrollment) in an endeavor to optimize enrollment streams.

To address the reductions in enrollment and make progress toward total enrollment growth, Lake Superior State University is expanding its outreach in the immediate region through enhanced partnerships with regional schools, charter schools, and the dual/concurrent and early middle college enrollments as noted above. Furthermore, we evaluated our current admissions staff and territory assignments to optimize our effectiveness as well as exploring international recruiting efforts and expansion of our efforts with Native American students. We are making investments in applied programs (certificates, associates, bachelor's and master's degrees) with workforce applicability.

To enhance the likelihood of continued new student enrollment growth we are deploying the following strategies:

- Increasing development and utilization with our Customer Relationship Management system – Ellucian Recruit.
- Continued use of the Common Application to expand brand identity outside the immediate region and Michigan.
- Increased data analytics and reporting.
- Analyzed 2021-2023 applied, admitted and enrolled data to develop a model of prospective students and their propensity to enroll at LSSU. A predictive index was created to target name purchases through our prospective student vendor.
- Direct Admission letters sent to all Eastern Upper Peninsula Intermediate School District seniors prior to college application month (October).
- Continuing to add hosted Eastern Upper Peninsula Intermediate School District events.
- Outreach to Northern Lower Peninsula ISD's to explore and establish new pre-college partnerships.
- Direct outreach to the Northern Lower Peninsula by hosting an LSSU Hockey game in Traverse City, MI aimed to increase visibility and community engagement, showcasing the University's vibrant campus life and athletic excellence to prospective students and families.
- More aggressive outreach to promote on campus visitation experiences.
- Optimizing territory management and communication.

- Created new faculty based outreach and recruitment for Fall 2024.
    - Established School based welcome letters from School chairs that are being mailed monthly.
    - Established Admitted Student College based showcases in partnership with Academics & Athletics
    - Established Faculty "recruiters" to enhance Enrollment Management's activities through fairs and school visits.
- Launched program to intensely recruit students who stopped out with no credential in partnership with REUP Educational Services (4,000 prospects).
- Launch of two-year Master's in Business Administration program for Fall 2024 with a second cohort to launch 2025.
- Launch of two-year Prisoner Education program during the academic year 2023-2024 with a second cohort of 20 students to launch 2025.
- Launch of Swimming and Diving as NCAA sports effective Fall 2024.
- Leveraging of new programs, graduate and undergraduate, in the new College of the Great Lakes Ecology and Education.
- Creation of one year Master's of Fisheries and Wildlife to launch Fall 2025.

In addition to the intensification of our recruiting efforts, diversification of the student populations we serve is critical.

Moreover, the State of Michigan approved and implemented the Michigan Achievement Scholarship state funded program which provides residents enrolling in public colleges with up to $5,500 in tuition and fees for up to five years for students with and Student Aid Index of $30,000 or less. Fifty-five percent of the incoming Michigan students received the Michigan Achievement Scholarship (MAS), while the state projected 75%. In addition to expanding the income threshold from $25,000 to $30,000 the state also moved the award from a first dollar/last dollar split to the entire award being eligible for application to cost of attendance for the 2025 recruitment cycle. This ongoing investment will have the greatest impact on students that are deciding between attending college or not attending college, which represents a substantial portion of the students we serve and subsequently will have a positive impact on our ability to increase student enrollments.

Academic Initiatives/Successes

Academic Affairs continues to evaluate existing programs to ensure that they meet market needs and attract new demographics. One of the biggest initiatives this year was the addition of a location at the Chippewa Correctional Facility. The initial program attracted a full cohort of twenty students with another twenty students on the waiting list. Programs like this look promising. LSSU is pursing approval from the Michigan Department of Corrections and the Higher Learning Commission to offer other programs in the prison education program.

Academic Affairs is also piloting an outreach and recruitment program this year. One faculty in each school was identified as an Outreach and Recruitment Coordinator. Each coordinator has been charged with:

- The development of outreach programming, including a minimum of one Charter School visit per semester,
- The development of transfer pathways,
- The enhancement of marketing and communication in the School,
- The development of web content and recruitment materials in collaboration with LSSU's Marketing Department,

- Collaboration with Admissions on ways to enhance the campus visit experiences of prospective students who are interested in your fields, and
- Participation in meetings 1-2 times per semester with the Dean of Enrollment Management to discuss strategies and provide updates.

The goal of this program is to recruit students, build academic collaborations with Admissions, and serve as an incubator for new ideas.

The LSSU Marketing department continues to work closely with academics to promote academic programs. An updated website was launched this fall. A production project began in September that will result in new videos and images for the new website for each of the academic areas on campus.

LSSU received a Sixty by 30 quick-start grant through the State of Michigan to assess programming related to student success. Nationally normed surveys were administered to faculty, staff, and new students. LSSU also contracted with a consultant to assess the needs of Indigenous students. The results will be analyzed and used to write a comprehensive Sixty by 30 Student Success grant.

Academic Affairs continues to strengthen relationships with the Indigenous and First Nations populations in the region and offer a wide range of opportunities for Indigenous students to develop a sense of belonging at LSSU and for all students to learn more about Indigenous cultures and current topics. The University continues its recruitment and retention efforts by providing supports and a welcoming environment for Native students and their families.

College of Arts and Sciences

LSSU continues to work toward rebuilding programs in the arts. This year marks the return of the concert band and choir, as well as a new certificate program in Acting. LSSU has broadened programming in celebration of the Arts Center's 20th Anniversary. Work also began and progressed throughout the year on the development of an Indigenous Studies certificate program, made possible by a grant from the National Endowment for Humanities.

Other programs were developed or revised to attract students such as a minor in Integrative Environmental Studies, which includes a new course in environmental literature. The Michigan Department of Education approved a revised program in Social Science 5-12 education to adhere to the state standards for grade-band based curriculum.

In the sciences, faculty continue to build research initiatives that attract students by providing them with high impact learning opportunities and state-of-the art equipment at the undergraduate level. Faculty were awarded a renewal to their SEWER grant, which now totals $4.5 MM dollars. The SEWER Network is a statewide network that monitors communicable diseases including Covid-19, Norovirus, and Respiratory Syncytial Virus (RSV). Additionally, the Micro Analysis Spectroscopic Characterization Lab was founded and has received two consecutive National Science Foundation Major Research Instrumentation grants valued at approximately $600,000 total. The resulting acquisition of a scanning electron microscope and micro x-ray fluorescence spectrometer has expanded research efforts varying from bioremediation to heavy metal detection of pigments in books. Other research includes funding to reduce predation at fish farms and conservation of the Great Lakes Piping Plovers.

Faculty have also participated in a series of agricultural outreach events to attract new students. Some examples include hosting the Chippewa County 4-H Aqua Tankers camp and serving in the leadership of the North Central Regional Aquaculture Center (NCRAC) of the United States Department of Agriculture to promote aquaculture as an agricultural field.

College of Business, Engineering, Computer Science and Mathematics

LSSU launched its prison education program, ‘STEP UP’ (Success Through Educational Pathways in the UP), the first program of its kind in Michigan’s Upper Peninsula. The STEP UP program is designed to extend a high-quality educational experience to an underserved population. In fall 2024, 20 incarcerated students at the Chippewa Correctional Facility embarked on a transformative educational journey and began taking classes with the goal of earning an Associate Degree in Small Business Administration. These students will develop essential skills for personal and professional development while gaining valuable knowledge in business, finance, management, and entrepreneurship.

In fall 2024, LSSU also launched its Master of Business Administration (MBA) program. The inaugural cohort of 16 students stands out for its diverse perspectives, ensuring a rich array of viewpoints in every classroom discussion. The participants represent professionals from 10 different industries, all of whom are actively working in their respective fields, enriching the learning experience with real-world insights. Students in LSSU’s MBA program take classes one at a time in an asynchronous online format. This design offers working professionals the flexibility and support they need to thrive in both their professional and personal lives.

College of Great Lakes Ecology and Education:

In 2024, the School of Natural Resources revised all of their B.S. degrees to incorporate the associates in Natural Resources Technology. This revision will increase access to additional financial aid for students, additional Perkins funding to support the programs, and will give students additional pathways from associates to bachelor’s degrees. The Parks and Recreation degree was also revised and renamed as the Bachelor of Science in Outdoor Recreation and Leadership with three concentrations that align with growth in the outdoor recreation industry. In addition, the School of Natural Resources developed LSSU’s first accelerated Master’s degree program, which will be in Fisheries and Wildlife Management, pending board and The Higher Learning Commission approval. This is the first program of its kind in this discipline and will offer undergraduates a novel opportunity to obtain a graduate degree. It will also leverage the research funding that the CFRE obtains.

The School of Education has also revised their B.S. degrees in Teacher Education to increase efficiencies in course offerings and offer a streamlined pathway for students to obtain in-class experiences (i.e., field work) through lab apprenticeships each year. The lab apprenticeships are being offered at 8 Eastern UP k-12 schools, which also is enhancing relationships with our local school district. Additionally, the School of Education started its second year with Talent Together, a statewide program to certify more teachers. LSSU currently has over 30 Talent Together students and has resulted in a large increase in enrollment in this program.

College of Health and Emergency Responders:

The School of Nursing continues to build on their simulation capabilities, with a major fundraising campaign that has reached 89% of their $600,000 goal. Additionally, the School of Nursing created a Healthcare Pathways Consortium with Bay Mills Community College, MyMichigan Healthcare Sault (our regional hospital), and the Sault Area High School and Career Center. The goal of this partnership is to streamline educational pathways and enhance access to healthcare programs, addressing the increasing demand for skilled professionals in the region.

A Bachelor's of Science in Cybersecurity degree was created; this a unique and specialized degree combining the fields of Criminal Justice and Computer Science. The curriculum underscores the systematic administration and design of systems, aiming to shield against cyberattacks, facilitate data recovery, and provide essential information crucial for the investigation and prosecution of cybercrime offenders.

Student Affairs Initiatives

Student success and engagement are at the heart of the effort in the Division of Student Affairs to promote belonging, retention, and persistence. From the first point of contact during Open House or Orientation, students hear about the importance of finding their place at Lake Superior State University – and that becoming engaged is a good way to find one's place. Two key departments in Student Affairs that drive success and engagement are Laker Success and Housing & Residence Life. Strength in these two areas remains important to the future success of Lake Superior State University. New initiatives in Student Affairs discussed below will keep engagement and success at the core, but create movement through a greater focus on belonging.

In academic year 2024-2025, Student Affairs will plan and launch a Pride Center to spur a greater sense of belonging among students who identify in the LGBTQIA+ community. The Pride Center goes hand-in-hand with the continued success of gender-inclusive housing and a growth in participation in the student organization, SAGE, or Sexuality and Gender Equality.

Also in 2024-2025, the Veterans Lounge will also receive a significant makeover as part of LSSU's continued commitment to Veterans and military-connected students. The makeover is supported in partnership with – and financial support from – the Michigan Army National Guard, the American Legion, and US Coast Guard. The makeover also comes as LSSU continues its designation as Gold Level status as a Veteran-Friendly institution, as recognized by the Michigan Veterans Affairs Agency.

Finally, 2024-2025 marks a return of Greek letter student organizations to campus housing. This effort comes at a time of added emphasis to grow Greek life at the University. Similarly, in recognition of interest by co-curricular and extracurricular groups to live in community, the Department of Housing & Residence Life will develop a process through which students in affinity groups or campus organizations can "compete" for a Row House, one of seven learning community residence facilities on the campus. Both of these two initiatives are part of a broader push to increase occupancy in on-campus housing, which is critical to the broader success of the University.

Laker Success remains at the leading edge of the University's retention and persistence efforts. Laker Success employs a peer mentoring model and is combined with early and frequent check-ins with instructors and staff. Laker Success continually collaborates with colleagues in the Academic Support Center, sponsored in part by a Title III grant. A joint effort led by the Dean of Student Affairs and Interim Provost is embodied by consistent meetings and strong collaboration among interested parties. This coordinated approach has improved communication tracks among departments to get students the help they need more quickly. Among outcomes of the ongoing joint efforts is an improvement in the first-to-second-year retention rate of 79.1%, more than 10% change.

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. During the last year, a new program for incarcerated individuals enrolled 20 new students, and a new MBA program enrolled 16 students. LSSU is also planning to launch a new Masters degree in the Fisheries area.

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF NET POSITION

	As of June 30	
	2024	**2023**
Assets		
Current assets		
Cash and cash equivalents	$ 9,332,378	$ 12,355,903
Short-term investments	5,001,373	2,775,180
Accounts receivable, net	2,947,887	2,168,114
State appropriations receivable	2,761,870	2,970,595
Current portion of leases receivable	305,225	303,285
Inventories	392,584	437,020
Other	349,410	429,029
Total current assets	**21,090,727**	**21,439,126**
Noncurrent assets		
Student loans receivable, net	1,064,038	1,208,295
Endowment investments	14,951,834	13,715,577
Leases receivable, net of current portion	2,219,805	438,775
Net other post employment benefit asset	2,041,848	1,146,603
Unamortized bond insurance costs	218,972	233,694
Capital assets not being depreciated/amortized	3,964,614	3,928,906
Capital assets being depreciated/amortized	74,167,436	76,662,970
Total noncurrent assets	**98,628,547**	**97,334,820**
Total assets	**119,719,274**	**118,773,946**
Deferred outflows of resources		
Deferred pension	109,506	888,994
Deferred other post employment benefits	5,613	98,746
Total deferred outflows of resources	**115,119**	**987,740**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	3,177,979	2,683,771
Unearned revenue	765,812	793,028
Deposits	271,400	269,005
Current portion of long-term debt	1,985,576	1,930,301
Current portion of employee benefit programs	166,700	180,404
Total current liabilities	**6,367,467**	**5,856,509**
Long-term debt, net of current portion	35,465,702	37,403,583
Employee benefit programs, net of current portion	671,578	652,725
Net pension liability	694,452	9,751,506
Total liabilities	**43,199,199**	**53,664,323**

Continued…

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

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF NET POSITION

	As of June 30	
	2024	**2023**
Deferred inflows of resources		
Deferred pension	54,644	1,611
Deferred other post employment benefits	1,777	-
Deferred bond	88,808	99,909
Deferred leases	2,525,030	742,060
Total deferred inflows of resources	**2,670,259**	**843,580**
Net position		
Net investment in capital assets	43,695,580	44,492,627
Restricted		
Nonexpendable		
Scholarships and research	205,837	205,837
Expendable		
Scholarships and research	17,524,588	15,859,913
Loans	1,787,542	1,891,236
Other post employment benefits	2,041,848	1,146,603
Capital projects and debt service	3,417,223	3,617,706
Unrestricted	5,292,317	(1,960,139)
Total net position	**$ 73,964,935**	**$ 65,253,783**

Concluded

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	
	2024	**2023**
Operating revenues		
Tuition and fees (net of scholarship allowances of $7,855,196 in 2024 and $7,489,294 in 2023)	$ 11,602,322	$ 12,006,113
Federal grants and contracts	2,928,612	2,237,742
State grants and contracts	534,233	624,280
Nongovernmental grants and contracts	4,409,369	3,207,246
Auxiliary activities (net of scholarship allowances of $257,775 in 2024 and $246,537 in 2023)	9,274,327	9,890,395
Other	968,620	1,146,010
Total operating revenues	**29,717,483**	**29,111,786**
Operating expenses		
Instruction	10,544,864	12,324,008
Research	2,663,705	2,125,602
Public service	1,504,724	1,956,639
Academic support	3,094,283	3,082,767
Student services	1,698,854	2,165,983
Student aid	1,581,669	1,307,568
Institutional support	5,420,397	6,479,602
Operation and maintenance of plant	5,116,188	5,990,346
Auxiliary activities	10,847,300	11,529,113
Depreciation	5,485,155	5,219,909
Other	606,859	524,093
Total operating expenses	**48,563,998**	**52,705,630**
Operating loss	**(18,846,515)**	**(23,593,844)**
Nonoperating revenues (expenses)		
State appropriations	21,571,345	24,077,465
Federal Pell grants	2,352,266	2,353,178
Federal coronavirus relief funds	-	17,838
Interest on capital debt and leases	(1,426,112)	(1,447,367)
Amortization of prepaid bond insurance	(14,722)	(14,722)
Investment income, net of investment expenses	2,249,396	1,946,144
Gifts from the LSSU Foundation	1,515,733	1,292,140
Loss on assets sold or retired	(4,083)	(8,070)
Net nonoperating revenues	**26,243,823**	**28,216,606**
Income before other revenues	**7,397,308**	**4,622,762**

Continued…

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	
	2024	**2023**
Other revenues (expenses)		
Extraordinary item (Note 21)	(108,853)	-
Gifts for endowments	20,500	22,524
Capital State appropriations	763,141	509,235
Capital grants and gifts	639,056	864,033
Total other revenues	**1,313,844**	**1,395,792**
Increase in net position	**8,711,152**	**6,018,554**
Net position, beginning of year	**65,253,783**	**59,235,229**
Net position, end of year	**$ 73,964,935**	**$ 65,253,783**

Concluded

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

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2024	2023
Cash flows from operating activities		
Tuition and fees	$ 11,357,845	$ 12,063,590
Grants and contracts	7,279,285	5,570,516
Payments to employees	(33,792,273)	(39,101,542)
Payments to vendors	(16,101,107)	(15,183,734)
Payments for financial aid	(1,581,669)	(1,307,568)
Loans issued to students	(161,800)	(213,031)
Collections of interest and principal on loans to students	306,057	366,974
Auxiliary activities	9,147,681	9,763,884
Other receipts	870,652	1,258,244
Net cash from operating activities	**(22,675,329)**	**(26,782,667)**
Cash flows from noncapital financing activities		
State appropriations	21,420,723	24,078,321
Federal Pell grants	2,372,688	2,338,443
Federal coronavirus relief funds	-	87,707
Contributions from the LSSU Foundation	1,515,733	1,292,140
Gifts for endowments	20,500	22,524
Federal Direct Lending receipts	4,929,814	6,008,120
Federal Direct Lending disbursements	(4,929,814)	(6,008,120)
Net cash from noncapital financing activities	**25,329,644**	**27,819,135**
Cash flows from capital and related financing activities		
Capital appropriations received	1,122,484	1,408,088
Capital grants and gifts received	845,161	659,197
Insurance claim, net	(2,768)	6,230
Purchases and construction of capital assets	(3,041,946)	(2,468,004)
Proceeds from disposal of capital assets	284	10,283
Principal paid on debt	(1,725,715)	(2,026,019)
Interest paid on debt	(1,662,292)	(1,683,372)
Net cash from capital and related financing activities	**(4,464,792)**	**(4,093,597)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	10,322,043	1,032,718
Purchases of investments	(12,192,912)	(777,961)
Investment income, net	657,821	619,444
Net cash from investing activities	**(1,213,048)**	**874,201**
Net change in cash and cash equivalents	(3,023,525)	(2,182,928)
Cash and cash equivalents, beginning of year	12,355,903	14,538,831
Cash and cash equivalents, end of year	**$ 9,332,378**	**$ 12,355,903**

Continued…

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
Reconciliation of operating loss to net cash from operating activities	**2024**	**2023**
Operating loss	$ (18,846,515)	$ (23,593,844)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	5,485,155	5,219,909
(Recovery of) provision for uncollectible accounts and student loans receivables	(11,333)	99,063
Change in assets and liabilities:		
Accounts receivable	(1,002,300)	(542,658)
Student loans receivable	120,691	149,481
Inventories	44,436	(4,224)
Other	79,619	(27,282)
Accounts payable and accrued expenses	499,458	(384,695)
Unearned revenue	(27,216)	(33,173)
Deposits	2,395	25,678
Employee benefit programs	5,149	(66,145)
Change in pension deferred outflows	779,488	2,724,464
Change in OPEB deferred outflows	93,133	96,080
Change in net pension liability	(9,057,054)	(7,236,445)
Change in net OPEB asset	(895,245)	165,333
Change in pension deferred inflows	53,033	(2,623,683)
Change in OPEB deferred inflows	1,777	(750,526)
Net cash from operating activities	**$ (22,675,329)**	**$ (26,782,667)**
Supplemental disclosures of non-cash financing and investing activities		
Gifts in-kind received and recorded as capital assets	$ 30,900	$ 16,101
Entered into financing agreements to purchase capital equipment	$ 62,938	$ 220,462
Subscription asset additions	$ -	$ 693,104

Concluded

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

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	As of June 30	
	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 402,268	$ 304,221
Short-term investments	2,570,205	1,595,283
Current portion of unconditional promises to give, net	283,997	1,140,305
Total current assets	**3,256,470**	**3,039,809**
Noncurrent assets		
Investments	24,830,329	22,362,708
Unconditional promises to give, net of current portion	522,402	381,918
Total noncurrent assets	**25,352,731**	**22,744,626**
Total assets	**$ 28,609,201**	**$ 25,784,435**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 36,710	$ 14,860
Employee benefit programs	12,075	-
Total current liabilities	**48,785**	**14,860**
Annuity obligations	-	30,890
Total liabilities	**48,785**	**45,750**
Net assets		
With donor restrictions	28,149,216	25,273,562
Without donor restrictions	411,200	465,123
Total net assets	**28,560,416**	**25,738,685**
Total liabilities and net assets	**$ 28,609,201**	**$ 25,784,435**

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

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30	
	2024	**2023**
Revenue, support, and gains		
Contributions of cash and other financial assets	$ 2,077,540	$ 2,413,692
Investment return, net	3,050,087	2,737,359
Total revenue, support and gains	**5,127,627**	**5,151,051**
Expenses		
Distributions to Lake Superior State University	1,822,322	1,467,285
Management and general	515,362	683,335
Fundraising	18,972	15,945
Total expenses	**2,356,656**	**2,166,565**
Revenue, support, and gains in excess of expenses	**2,770,971**	**2,984,486**
Changes in value of split interest agreements	29,240	(17,616)
Equity transfer from Lake Superior State University	21,520	328,210
Change in net assets	**2,821,731**	**3,295,080**
Net assets, beginning of year	25,738,685	22,443,605
Net assets, end of year	**$ 28,560,416**	**$ 25,738,685**

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

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2024	**2023**
Cash flows from operating activities		
Change in net assets	$ 2,821,731	$ 3,295,080
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net appreciation in fair value of investments	(2,164,737)	(1,823,663)
Change in operating assets and liabilities:		
Other current assets	-	5,976
Unconditional promises to give	715,824	(765,183)
Accounts payable and accrued expenses	21,850	12,866
Employee benefits program	12,075	-
Annuity obligation	(30,890)	19,982
Net cash from operating activities	**1,375,853**	**745,058**
Cash flows from investing activities		
Purchase of investments	(4,131,938)	(1,000,210)
Sale of investments	2,854,132	281,000
Net cash from investing activities	**(1,277,806)**	**(719,210)**
Net change in cash and cash equivalents	**98,047**	**25,848**
Cash and cash equivalents, beginning of year	304,221	278,373
Cash and cash equivalents, end of year	**$ 402,268**	**$ 304,221**

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

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lake Superior State University (University) is an institution of higher education and is considered a discretely presented 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, ***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 discretely presented 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 27 through 29 of this report for the statements of financial position, statements of activities, and statements of cash flows of the Foundation.

Contributions to the University by the Foundation have been made in the amount of $1,822,322 during 2024 and $1,467,285 during 2023. For 2024, this amount is recorded as $1,515,733 from gifts from the LSSU Foundation, $286,089 from capital grants and gifts and $20,500 from gifts for endowments. For 2023, this amount is recorded as $1,292,140 from gifts from the LSSU Foundation, $152,621 from capital grants and gifts and $22,524 from gifts for endowments. The University provided support to the Foundation in the amount of $511,240 during 2024 and $211,924 during 2023, which are included in contributions of cash and other financial assets on the Foundation statements of activities.

Basis of Presentation - University

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

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

Basis of Presentation - Foundation

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

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and other postemployment benefits plans ("OPEB").

Cash and Cash Equivalents

Cash and cash equivalents at the University and the Foundation consist of demand deposits in banks 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 the lower of cost (using the specific identification method) or 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.

Key estimates and judgments include how the University determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The University uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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	20-60 years
Land improvements	20 years
Infrastructure	20 years
Equipment	3-10 years
Library books	7 years
Vehicles	7 years

Subscription-Based Information Technology Arrangements (SBITA)

The University engages in long-term noncancellable subscription-based information technology agreements. The University recognizes a subscription liability and an intangible right-of-use subscription asset in the financial statements.

At the commencement of a subscription contract, the University measures the subscription liability at the present value of the future minimum payments expected to be made during the subscription term. The subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured at the initial subscription liability amount, adjusted for the subscription payments made at or before the start of the subscription term, plus any other direct initial costs. Subsequently, the subscription asset is amortized on a straight line basis over its useful life.

Key estimates and judgements related to subscriptions include how the University determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term. Future subscription payments are discounted at the inception of the subscription term using the interest rates charged by the vendor, or estimated incremental borrowing rates when no interest rates are provided. The subscription term includes the noncancellable period of the subscription.

Subscriptions are monitored for any changes in circumstances that would require a remeasurement of the subscription. The University remeasures the subscription asset and liability if the change would significantly affect the amount of subscription liability.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of outflows related to the University's multi-employer net pension and OPEB plans totaling $115,119 and $987,740 as of June 30, 2024 and 2023, respectively. Deferred inflows of resources consist of inflows related to the University's multi-employer net pension obligation and OPEB plans totaling $56,421 and $1,611 as of June 30, 2024 and 2023, respectively, inflows related to the 2021 refunding bonds totaling $88,808 and $99,909 as of June 30, 2024 and 2023, respectively, and inflows related to leases totaling $2,525,030 and $742,060 as of June 30, 2024 and 2023, respectively. Net pension 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 Liability

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 asset, 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 coronavirus 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 $94,671,144 during 2024 and $86,350,159 during 2023 (net of a 3.0% administrative fee retained by the University and included in nongovernmental grants and contracts within operating revenues) of State appropriations which were forwarded to 19 charter schools. Appropriations received and related disbursements passed on to the charter schools 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 have been 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 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.

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 2021 through 2024 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. These assets are included within noncurrent unconditional promises to give in the statements of financial position of the Foundation.

Annuity Obligations

The Foundation's annuity and life income agreements required payments during the life of the annuitant at various rates up to 7.0% of the principal amounts. The annuity obligations payable was 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 were 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. Refer to Note 3 for the University's accounting policy for fair value measurements of its investments.

Net Investment in Capital Assets

The following is a summary of the net investment in capital assets as of June 30:

	2024	2023
Capital assets, net	$ 78,132,050	$ 80,591,876
Bonds payable	(31,294,737)	(32,344,737)
Loans payable	(1,875,906)	(2,139,974)
Subscription liabilities	(1,265,827)	(1,614,538)
Total net investment in capital assets	**$ 43,695,580**	**$ 44,492,627**

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.

Reclassification

Certain amounts as reported in the 2023 financial statements have been reclassified to conform with the 2024 presentation.

Subsequent Events

In preparing these financial statements, Foundation management has evaluated, for the potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2024, the most recent statement of net assets presented herein, through December 13, 2024, the date these financial statements were available to be issued. No such significant events or transactions were identified by the Foundation.

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 undue 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:

	2024	2023
Disbursement accounts	$ 3,752,257	$ 6,461,513
Money market funds	5,580,121	5,894,390
Total cash and cash equivalents	**$ 9,332,378**	**$ 12,355,903**

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

	2024	2023
University short-term investments		
Certificates of deposit	$ 560,322	$ 548,906
Mutual funds		
Bond/fixed income funds	4,441,051	2,226,274
Total University short-term investments	**$ 5,001,373**	**$ 2,775,180**

	2024	2023
University endowment investments		
Mutual funds		
Equity funds	$ 11,449,949	$ 10,364,032
Bond/fixed income funds	3,472,212	3,322,146
Money market funds	29,673	29,399
Total University endowment investments	**$ 14,951,834**	**$ 13,715,577**

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, 2024, the University had the following investments with related maturities:

		Maturities (in Years)		
	Fair Market Value	Less Than 1	1-5	6-10
Equity Funds	$ 11,449,949	$ -	$ -	$ -
Bond/fixed income funds	7,913,263	4,441,051	-	3,472,212
Certificates of deposit	560,322	-	560,322	-
Money market funds	29,673	29,673	-	-
Total investments	**$ 19,953,207**	**$ 4,470,724**	**$ 560,322**	**$ 3,472,212**

As of June 30, 2023, the University had the following investments with related maturities:

		Maturities (in Years)		
	Fair Market Value	Less Than 1	1-5	6-10
Equity funds	$ 10,364,032	$ -	$ -	$ -
Bond/fixed income funds	5,548,420	2,226,274	-	3,322,146
Certificates of deposit	548,906	-	548,906	-
Money market funds	29,399	29,399	-	-
Total investments	**$ 16,490,757**	**$ 2,255,673**	**$ 548,906**	**$ 3,322,146**

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, 2024, $8,471,596 of the University's bank balance of $9,721,606 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, 2024, the University held 26,158 units of the EuroPacific Growth Fund Class F3 (Security identifier: FEUPX) with a fair value of $1,499,666 and 46,663 units of the Fidelity Advisor International Capital Appreciation fund (Security identifier: FCPIX) with a fair value of $1,499,287. As of June 30, 2023, the University held 24,651 units of the EuroPacific Growth Fund Class F3 (Security identifier: FEUPX) with a fair value of $1,352,895 and 49,816 units of the Fidelity Advisor International Capital Appreciation fund (Security identifier: FCPIX) with a fair value of $1,381,399. 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 $2,241,000 as of June 30, 2024 and $1,197,000 as of June 30, 2023. 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:

	2024	2023
Interest and dividends	2.1%	2.1%
Net realized and unrealized gains	10.3	10.9
Total investment gain	**12.4%**	**13.0%**

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:

	2024	2023
Mutual funds		
Index funds	$ 5,955,305	$ 4,582,190
Growth funds	7,984,856	7,777,051
Bond/fixed income funds	8,547,306	7,268,417
Value funds	3,236,993	2,991,558
Public natural resources funds	1,471,211	1,133,157
Money market	132,979	143,626
Subtotal	27,328,650	23,895,999
Marketable securities	71,884	61,992
Total Foundation investments	**$ 27,400,534**	**$ 23,957,991**

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, 2024:

	Level 1	Level 2	Level 3	Total
Investments at fair value				
Mutual funds				
Index funds	$ 5,955,305	$ -	$ -	$ 5,955,305
Growth funds	7,984,856	-	-	7,984,856
Bond/fixed income funds	8,547,306	-	-	8,547,306
Value funds	3,236,993	-	-	3,236,993
Public natural resources funds	1,471,211	-	-	1,471,211
Money market	132,979	-	-	132,979
Marketable securities	71,884	-	-	71,884
Total investments at fair value	**$27,400,534**	**$ -**	**$ -**	**$ 27,400,534**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments at fair value				
Mutual funds				
Index funds	$ 4,582,190	$ -	$ -	$ 4,582,190
Growth funds	7,777,051	-	-	7,777,051
Bond/fixed income funds	7,268,417	-	-	7,268,417
Value funds	2,991,558	-	-	2,991,558
Public natural resources funds	1,133,157	-	-	1,133,157
Money market	143,626	-	-	143,626
Marketable securities	61,992	-	-	61,992
Total investments at fair value	**$23,957,991**	**$ -**	**$ -**	**$ 23,957,991**
Liabilities				
Liabilities on annuity contracts and trusts	**$ -**	**$ -**	**$ 30,890**	**$ 30,890**

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 $414,105 as of June 30, 2024 and $511,110 as of June 30, 2023.

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

	2024	2023
Tuition and fees	$ 576,671	$ 370,754
Governmental grants and contracts	1,544,136	1,400,752
Auxiliary activities	471,531	356,084
Private grants and contracts	223,223	21,703
Sales and services	74,325	7,686
Other	58,001	11,135
Accounts receivable, net	**$ 2,947,887**	**$ 2,168,114**

In addition, the University has student loans receivable in the amount of $1,064,038, net of an allowance for uncollectible loans of $141,909, as of June 30, 2024 and $1,208,295, net of an allowance for uncollectible loans of $123,450, as of June 30, 2023. Approximately 64% of student loans receivable are expected to be collected in periods beyond one year.

7. UNCONDITIONAL PROMISES TO GIVE

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

	2024	2023
Unconditional promises due in less than one year	$ 292,717	$ 1,175,895
Unconditional promises due in one to five years, net of discount to net present value at 4% and 1% of $44,515 and $11,932	521,902	366,034
Unconditional promises due in more than five years, net of discount to net present value at 1% and 8% of $3,710 and $14,616	500	15,884
Present value of promises to give	815,119	1,557,813
Less allowance for uncollectible amounts	8,720	35,590
Net unconditional promises to give	**806,399**	**1,522,223**
Less current portion	283,997	1,140,305
Unconditional promises to give, net of current portion	**$ 522,402**	**$ 381,918**

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.	$ 877,028
Lease of office space in the Center for Freshwater Research and Education by the U.S. Coast Guard: The remaining noncancellable period under this operating lease is through September 30, 2026. The monthly lease amounts start at $3,331 per month and increase 2.5% annually on October 1.	95,289
Lease of building in Phoenix, Arizona to Summit High School: The remaining noncancellable period under this operating lease was through June 30, 2033; Monthly rent was $19,944 during fiscal 2024 and is expected to increase annually thereafter based on the average monthly CPI.	2,471,984
Lease of Cisler Center by Limestone Credit Union. The remaining noncancellable period under this operating lease is through December 31, 2025. The monthly lease amount is $750 for the entire lease period.	13,500
Subtotal	3,457,801
Less: discount to arrive at net present value	(932,771)
Net present value of leases receivable	**$ 2,525,030**

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

Year Ending June 30	Amount
2025	$ 305,225
2026	296,377
2027	257,692
2028	244,601
2029	242,511
2030-2034	949,686
2035-2039	46,916
2040-2044	41,411
2045-2049	36,553
2050-2054	32,267
2055-2059	28,481
2060-2064	25,141
2065-2069	18,169
	$ 2,525,030

9. CAPITAL ASSETS AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Changes in the components of capital assets are as follows for the year ended June 30, 2024:

	2024			
	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
Capital assets not being depreciated/amortized				
Land - restricted	$ 838,684	$ -	$ -	$ 838,684
Land	2,412,890	-	-	2,412,890
Art collection	677,332	-	-	677,332
Construction in progress	-	35,708	-	35,708
Total capital assets not being Depreciated/amortized	3,928,906	35,708	-	3,964,614
Capital assets being depreciated/amortized				
Land improvements	7,141,670	17,946	-	7,159,616
Infrastructure	5,045,170	6,402	-	5,051,572
Building and building improvements	170,237,202	1,171,501	-	171,408,703
Equipment and other	27,179,500	1,904,225	295,606	28,788,119
SBITA	2,211,672	-	-	2,211,672
Total capital assets being depreciated/amortized	211,815,214	3,100,074	295,606	214,619,682
Accumulated depreciation/ amortization	(135,152,244)	(5,485,155)	185,153	(140,452,246)
Total capital assets being Depreciated/amortized, net	76,662,970	(2,385,081)	110,453	74,167,436
Total capital assets, net	**$ 80,591,876**	**$ (2,349,373)**	**$ 110,453**	**$ 78,132,050**

Changes in the components of capital assets are as follows for the year ended June 30, 2023:

	2023			
	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Capital assets not being Depreciated/amortized				
Land - restricted	$ 838,684	$ -	$ -	$ 838,684
Land	2,406,203	6,687	-	2,412,890
Art collection	665,682	11,650	-	677,332
Total capital assets not being Depreciated/amortized	3,910,569	18,337	-	3,928,906
Capital assets being depreciated/amortized				
Land improvements	6,991,227	150,443	-	7,141,670
Infrastructure	5,008,456	36,714	-	5,045,170
Building and building improvements	169,810,043	427,159	-	170,237,202
Equipment and other	26,077,686	2,421,512	1,319,698	27,179,500
SBITA	1,761,725	693,104	243,157	2,211,672
Total capital assets being depreciated/amortized	209,649,137	3,728,932	1,562,855	211,815,214
Accumulated depreciation/ amortization	(131,038,668)	(5,219,909)	1,106,333	(135,152,244)
Total capital assets being depreciated, net	78,610,469	(1,490,977)	106,924	76,662,970
Total capital assets, net	**$ 82,521,038**	**$ (1,472,640)**	**$ 456,522**	**$ 80,591,876**

On June 29, 2016, the State of Michigan passed Enrolled House Bill No. 5294 which started the project to build the Center for Freshwater Research and Education. Over the course of the next several years planning and construction were completed at a total cost of approximately $17 million. The building opened in fall of 2021 although due to various delays related to COVID-19 expenditures continued thru fiscal year 2023.

The University has SBITAs that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by U.S. generally accepted accounting principles. Therefore, the SBITAs have been recorded at the present value of the future minimum payments as of the inception date using internal borrowing rates ranging from 5.00% to 7.00%. The asset cost, accumulated amortization, and payable under the SBITAs totaled approximately $2.2 million, $979,000, and $1.3 million, respectively, as of June 30, 2024. The asset cost, accumulated amortization, and payable under the SBITAs totaled approximately $2.2 million, $540,000, and $1.6 million, respectively, as of June 30, 2023.

Payments on the SBITAs for years succeeding June 30, 2024 are summarized as follows:

Year Ended June 30		Amount
2025	$	466,466
2026		474,049
2027		478,568
2028		31,218
Total minimum payments		1,450,301
Less amount representing interest		(184,474)
Present value as of June 30, 2024	**$**	**1,265,827**

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2024	2023
Accounts payable to vendors	$ 1,818,340	$ 1,225,999
Payroll and payroll taxes	822,855	917,275
Interest	535,247	540,497
Health insurance claims	1,537	-
Total accounts payable and accrued expenses	**$ 3,177,979**	**$ 2,683,771**

11. LONG-TERM DEBT

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

2024

	Interest Rate	Maturity	July 1 2023	Additions	Reductions	June 30 2024	Current Portion
			Outstanding Principal				
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	-	-	-	-	-
Bonds, Series 2021							
Series bonds	4.0%	2022-2031	10,550,000	-	1,050,000	9,500,000	1,095,000
Net premium on bond issuance			3,092,687	-	219,829	2,872,858	219.829
Total bonds payable			**35,552,687**	**-**	**1,269,829**	**34,282,858**	**1,314,829**
Loans payable	1.50%-9.59%	2021-2034	2,166,659	62,938	327,004	1,902,593	289,781
SBITA	5.00%-7.00%	2021-2028	1,614,538	-	348,711	1,265,827	380,966
Total long-term debt			**$ 39,333,884**	**$ 62,938**	**$ 1,945,544**	**$ 37,451,278**	**$1,985,576**
Less current portion						1,985,576	
Long-term debt, net of current portion						**$ 35,465,702**	

2023

	Interest Rate	Maturity	July 1 2022	Additions	Reductions	June 30 2023	Current Portion
			Outstanding Principal				
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	-	-	-	-	-
Bonds, Series 2021							
Series bonds	4.0%	2022-2031	11,565,000	-	1,015,000	10,550,000	1,050,000
Net premium on bond issuance			3,312,516	-	219,829	3,092,687	219,829
Total bonds payable			**36,787,516**	**-**	**1,234,829**	**35,552,687**	**1,269,829**
Loans payable	1.50%-9.59%	2021-2034	2,283,285	226,692	343,318	2,166,659	311,761
SBITA	5.00%-7.00%	2021-2028	1,677,706	693,104	756,272	1,614,538	348,711
Total long-term debt			**$ 40,748,507**	**$ 919,796**	**$ 2,334,419**	**$ 39,333,884**	**$1,930,301**
Less current portion						1,930,301	
Long-term debt, net of current portion						**$ 37,403,583**	

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, 2024, serial bonds payable in the amount of $9,500,000 are payable from general revenues, maturing in varying amounts through November 2031, with interest charged at an 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 new 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, 2024, 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.

In conjunction with the General Revenue Bonds issued in 2018 and 2021, the University is party to certain covenants which require the University to ensure that annual revenues, including fees, rates, rentals, and other charges, are sufficient to cover at least 200% of the principal and interest on the Bonds and any Parity Bonds, plus 100% of the debt service on all Outstanding Additional

Subordinate Obligations, and to provide necessary funds for the University's operations and maintenance.

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
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	1,380,000	1,275,450	2,655,450
2029	1,440,000	1,220,150	2,660,150
2030-2034	5,720,000	5,287,550	11,007,550
2035-2039	4,205,000	4,443,750	8,648,750
2040-2044	5,865,000	3,214,750	9,079,750
2045-2050	9,225,000	1,680,000	10,905,000
Total – bonds payable	**$ 31,410,000**	**$ 21,246,600**	**$ 52,656,600**

Equipment Loans

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 4.15%. Original repayment comprises 180 monthly payments in the amount of $7,315 beginning August 14, 2019 and ending July 14, 2034. The loan was refinanced as of August 14, 2023, with new monthly payments in the amount of $8,565 ending June 14, 2034. As of June 30, 2024, the principal remaining on the loan was $740,972.

The University has finance purchase agreements for equipment remaining principal of $362,771 at of June 30, 2024.

The following is a schedule of annual future payments for the loans as of June 30, 2024:

Year Ending June 30	Principal	Interest	Total
2025	$ 181,000	$ 68,954	$ 249,954
2026	158,990	58,221	217,211
2027	136,553	48,157	184,710
2028	94,844	38,756	133,600
2029	85,835	32,523	118,358
Thereafter	446,521	80,346	526,867
Total – loans payable	**$ 1,103,743**	**$ 326,957**	**$ 1,430,700**

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 converts to a five-year term loan. The interest rate is fixed at 3.25% 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, 2024, the principal remaining on the loan was $328,517.

The following is a schedule of annual future payments for the five-year term loan as of June 30, 2024:

Year Ending June 30	Principal	Interest	Total
2025	$ 108,781	$ 9,054	$ 117,835
2026	112,355	5,480	117,835
2027	107,381	1,774	109,155
Total – loan payable	**$ 328,517**	**$ 16,308**	**$ 344,825**

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 2026. As of June 30, 2024, the principal drawn on the loan was $470,333.

The following is a schedule of annual future payments for the loan as of June 30, 2024:

Year Ending June 30	Principal	Interest	Total
2026	$ 46,011	$ -	$ 46,011
2027	39,646	6,365	46,011
2028	40,241	5,770	46,011
2029-2033	210,442	19,613	230,055
2034-2036	133,993	4,040	138,033
Total – loan payable	**$ 470,333**	**$ 35,788**	**$ 506,121**

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 $1,758,000 for the year ended June 30, 2024 and $1,720,000 for the year ended June 30, 2023. 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 (MPSERS)

Plan Description

The University contributes to the MPSERS, a cost-sharing multi-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, re-codified 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 pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the options of receiving health, prescription drug, dental and vision coverage under the Michigan Public Schools Employees Retirement Act (1980 PA 300 as amended).

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.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The Member Investment Plan (MIP) includes additional subgroups based on hire date. The MIP Fixed plan includes members hired prior to January 1, 1990. The MIP Graded plan includes members first hired from January 1, 1990 through June 30, 2008. The MIP Plus plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the MIP 7% plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the Pension Plus plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (Basic 4%). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, 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 determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her membership contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate the service through repayment of the refund upon satisfaction of certain requirements.

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare 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 healthcare 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 OPEB, 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 healthcare 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 MPSERS, 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 healthcare. Any changes to a member's healthcare 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 healthcare 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 Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare 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 healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer contributions to the system are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employer 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, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year 2024, which includes supplemental MPSERS UAAL employer stabilization contributions that are passed through the University to MPSERS:

Pension Contribution Rates

Benefit Structure	Members	Employer
Basic	0.0 - 4.0%	16.52%
Member Investment Plan	3.0 - 7.0%	16.52%
Pension Plus	3.0 - 6.4%	N/A
Pension Plus 2	6.2%	N/A
Defined Contribution	0.0%	10.00%

The University's required contributions to MPSERS under all pension plans as described above for the years ended June 30, 2024, 2023, and 2022 were $751,502, $1,841,966, and $1,746,589 respectively.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2024, which includes supplemental MPSERS UAAL employer stabilization contributions that are passed through the University to MPSERS:

OPEB Contribution Rates

Benefit Structure	Members	Employer
Premium Subsidy	3.00%	0.92%
Personal Healthcare Fund (PHF)	0.00%	0.00%

The University required contributions to the OPEB plan for the years ended June 30, 2024, 2023, and 2022 were $5,955, $413,816, and $417,370 respectively.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The University reported a liability of $694,452 and $9,751,506 as of June 30, 2024 and 2023, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023 and 2022 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2022 and 2021 respectively. 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. At September 30, 2023, the University's proportion (as calculated by MPSERS) was 3.01062%, which was a decrease of 0.03957% points from its proportion measured as of September 30, 2022 of 3.05019%.

For the year ended June 30, 2024, the University recognized a reduction in pension expense of $2,099,628 from changes in MPSERS related net pension liability, deferred inflows, and deferred outflows. At June 30, 2024, 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	Net Deferred (Inflows) Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 54,644	$ (54,644)
	-	54,644	(54,644)
University contributions subsequent to the measurement date	109,506	-	109,506
Total	**$ 109,506**	**$ 54,644**	**$ 54,862**

The amount of deferred outflows of resources related to University contributions, subsequent to the measurement date, of $109,506 will be recognized as a reduction in net pension liability for the year ending June 30, 2025. Other amounts reported as deferred outflows/inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30	Amount
2025	$ (143,714)
2026	(196,167)
2027	415,657
2028	(130,420)
Total	**$ (54,644)**

For the year ended June 30, 2023, the University recognized a pension expense of $2,385,159 from changes in MPSERS related net pension liability, deferred inflows, and deferred outflows. At June 30, 2023, 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	Net Deferred (Inflows) Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,611	$ (1,611)
	-	1,611	(1,611)
University contributions subsequent to the measurement date	888,994	-	888,994
Total	**$ 888,994**	**$ 1,611**	**$ 887,383**

OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The University reported a net OPEB asset of $2,041,848 and $1,146,603 as of June 30, 2024 and 2023, respectively for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023 and 2022, respectively and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2022 and 2021, respectively. The University's proportion of the net OPEB asset was determined by dividing each employers 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. At September 30, 2023, the University's proportion (as calculated by MPSERS) was 2.41480% which was a decrease of 0.64776% points from its proportion measured as of September 30, 2022 of 3.06256%.

For the year ended June 30, 2024, the University recognized a reduction in OPEB expense of $800,335. At June 30, 2024, 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	Net Deferred (Inflows) Outflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 1,777	$ (1,777)
	-	1,777	(1,777)
University contributions subsequent to the measurement date	5,613	-	5,613
Total	**$ 5,613**	**$ 1,777**	**$ 3,836**

The $5,613 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ending June 30, 2025. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2025	$ (37,885)
2026	(51,268)
2027	107,773
2028	(20,397)
Total	**$ (1,777)**

For the year ended June 30, 2023, the University recognized a reduction in OPEB expense of $489,113. At June 30, 2023, 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	Net Deferred (Inflows) Outflows of Resources
University contributions subsequent to the measurement date	$98,746	$ -	98,746
Total	**$98,746**	**$ -**	**$ 98,746**

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. The total pension and OPEB liability in the September 30, 2022 and 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Additional information as of the latest actuarial valuation follows:

Valuation Date	September 30, 2022 and 2021
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return Pension	
MIP and Basic Plans (Non-Hybrid	6.00% net of investment expenses
Pension Plus Plan (Hybrid)	6.00% net of investment expenses
Pension Plus 2 Plan (Hybrid)	6.00% net of investment expenses
Projected Salary Increases	2.75-11.55%, including wage inflation at 2.75%
Investment Rate of Return OPEB	6.00% net of investment expenses
Cost-of-living Pension Adjustments	3% annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate	Pre 65: 7.5% (7.75% for 2021) Year 1 graded to 3.5% Year 15; 3.0% Year 120
	Post 65: 6.25% (5.25% for 2021) Year 1 graded to 3.5% Year 15; 3.0% Year 120

Mortality	2024 - PubT-2010 Male and Female Employee Retiree Mortality Tables, adjusted for mortality improvements using projection scale MP-2021 from 2010. For retirees, the tables were scaled by 116% for both males and females. For active members, 100% of the table rates were used for both males and females.
	2023 - RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB 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 coverages 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.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension liability and OPEB asset as of September 30, 2023, are based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 1.0000 year which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years. Full actuarial assumptions are available in the 2023 and 2022 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/orsschools).

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 and OPEB valuations beginning with the September 30, 2018 valuation. The total pension liability and OPEB asset as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 1.0000 year which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years. Full actuarial assumptions are available in the 2022 and 2021 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/orsschools).

Long-term Expected Return on Pension 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 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 as of September 30, 2023 and 2022 are summarized in the following tables:

Pension

As of September 30, 2023

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Domestic equity pools	25.0%	5.80%
Alternative investment pools	16.0%	9.60%
International equity pools	15.0%	6.80%
Fixed income pools	13.0%	1.30%
Real estate and infrastructure pools	10.0%	6.40%
Absolute return pools	9.0%	4.80%
Real return/opportunistic pools	10.0%	7.30%
Short-term investment pools	2.0%	0.30%
Total	**100.0%**	

Pension
As of September 30, 2022

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.0%	5.10%
Alternative investment pools	16.0%	8.70%
International equity pools	15.0%	6.70%
Fixed income pools	13.0%	-0.20%
Real estate and infrastructure pools	10.0%	5.30%
Absolute return pools	9.0%	2.70%
Real return/opportunistic pools	10.0%	5.80%
Short-term investment pools	2.0%	-0.50%
Total	**100.0%**	

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 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 as of September 30, 2023 and 2022, are summarized in the following tables:

OPEB
As of September 30, 2023

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.0%	5.80%
Alternative investment pools	16.0%	9.60%
International equity pools	15.0%	6.80%
Fixed income pools	13.0%	1.30%
Real estate and infrastructure pools	10.0%	6.40%
Absolute return pools	9.0%	4.80%
Real return/opportunistic pools	10.0%	7.30%
Short-term investment pools	2.0%	0.30%
Total	**100.0%**	

OPEB
As of September 30, 2022

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.0%	5.10%
Alternative investment pools	16.0%	8.70%
International equity pools	15.0%	6.70%
Fixed income pools	13.0%	-0.20%
Real estate and infrastructure pools	10.0%	5.30%
Absolute return pools	9.0%	2.70%
Real return/opportunistic pools	10.0%	5.80%
Short-term investment pools	2.0%	-0.50%
Total	**100.0%**	

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

For the fiscal year ended September 30, 2023, a discount rate of 6.00% was used to measure the total pension liability and OPEB asset. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00% and is net of administrative expenses and 2.7% inflation. 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and OPEB asset.

For the fiscal year ended September 30, 2022, a discount rate of 6.00% was used to measure the total pension liability and OPEB asset. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00% and is net of administrative expenses and 2.2% inflation. 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and OPEB asset.

Sensitivity of the University's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportional share of net pension liability calculated using the discount rate of 6.00%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate as of June 30, 2024:

	1% Decrease (5.00%)	**Current Single Discount Rate Assumption (6.00%)**	**1% Increase (7.00%)**
University's proportionate share of net pension liability	$ 3,985,937	$ 694,452	$ (2,129,083)

The following presents the University's proportional share of net pension liability calculated using the discount rate of 6.00%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate as of June 30, 2023:

	1% Decrease (5.00%)	**Current Single Discount Rate Assumption (6.00%)**	**1% Increase (7.00%)**
University's proportionate share of net pension liability	$13,584,620	$ 9,751,506	$ 6,497,658

Sensitivity of the University's Proportionate Share of Net OPEB Asset to Changes in the Discount Rate

The following presents the University's proportional share of net OPEB asset calculated using the discount rate of 6.00%, as well as what the University's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate as of June 30, 2024:

	1% Decrease (5.00%)	**Current Single Discount Rate Assumption (6.00%)**	**1% Increase (7.00%)**
University's proportionate share of net OPEB asset	$(1,733,825)	$ (2,041,848)	$(2,307,380)

The following presents the University's proportional share of net OPEB asset calculated using the discount rate of 6.00%, as well as what the University's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate as of June 30, 2023:

	1% Decrease (5.00%)	Current Single Discount Rate Assumption (6.00%)	1% Increase (7.00%)
University's proportionate share of net OPEB asset	$ (613,395)	$ (1,146,603)	$ (1,599,553)

Sensitivity of the University's Proportional Share of Net OPEB Asset to Healthcare Cost Trend Rate

The following presents the University's proportional share of net OPEB asset calculated using assumed trend rates, as well as what the University's net OPEB asset would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2024:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
University's proportionate share of net OPEB asset	$ (2,323,199)	$ (2,041,848)	$ (1,725,267)

The following presents the University's proportional share of net OPEB asset calculated using assumed trend rates, as well as what the University's net OPEB asset would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2023:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
University's proportionate share of net OPEB asset	$ (1,627,985)	$ (1,146,603)	$ (594,488)

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

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:

	2024				
	July 1 2023	Additions	Payments	June 30 2024	Current Portion
Compensated absences	$ 702,828	$ 166,724	$ 146,438	$ 723,114	$ 137,000
Accumulated sick leave benefits	130,301	-	15,137	115,164	29,700
Total employee benefit programs	**$ 833,129**	**$ 166,724**	**$ 161,575**	**$ 838,278**	**$ 166,700**

	2023				
	July 1 2022	Additions	Payments	June 30 2023	Current Portion
Compensated absences	$ 745,939	$ 126,606	$ 169,717	$ 702,828	$ 135,805
Accumulated sick leave benefits	153,335	10,000	33,034	130,301	44,599
Total employee benefit programs	**$ 899,274**	**$ 136,606**	**$ 202,751**	**$ 833,129**	**$ 180,404**

Other Postemployment Health Benefits

The University allows retirees who are not covered by the MPSERS health-care plan to purchase health-care benefits at cost and has 16 retirees participating in this health coverage as of June 30, 2024 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

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 claims and amounted to $1,893,597 as of June 30, 2024 and $1,910,456 as of June 30, 2023. The workers' compensation claims liability of $ -0- for the years ending as of June 30, 2024 and 2023, which is included in accounts payable and accrued expenses, is based on the requirements of U.S. 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, 2024 were $1,537 and $-0- as of June 30, 2023, 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:

	2024	2023
Subject to expenditure for a specified purpose:		
University programs	$ 3,837,520	$ 3,785,964
Subject to the endowment spending policy and appropriation for donor specified purpose:		
Permanent endowment funds	14,972,375	14,252,027
Investment appreciation and income	9,299,625	7,192,951
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	39,696	42,620
Total with donor restriction	**$ 28,149,216**	**$ 25,273,562**

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

	2024	2023
Board designated for:		
Fund for LSSU grant program	$ 44,388	$ 74,100
University athletic programs	38,024	73,834
University Investment Club	72,885	62,992
Total board designated	155,297	210,926
Undesignated	255,903	254,197
Total without donor restriction	**411,200**	**465,123**
Total net assets	**$ 28,560,416**	**$ 25,738,685**

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

	2024		
	Without donor restriction	**With donor restriction**	**Totals**
Revenue, gains, and other support			
Contributions	$ 459,587	$ 1,617,953	$ 2,077,540
Contributions of nonfinancial assets	21,520	-	21,520
Change in value of split interest agreements	-	29,240	29,240
Investment return, net	43,321	3,006,766	3,050,087
Net assets released from restrictions	1,778,305	(1,778,305)	-
Total revenue, losses, and other support	2,302,733	2,875,654	5,178,387
Expenses			
Operating expenses	(534,334)	-	(534,334)
Distributions to Lake Superior State University	(1,822,322)	-	(1,822,322)
Changes in net assets	**(53,923)**	**2,875,654**	**2,821,731**
Net assets, beginning of year	465,123	25,273,562	25,738,685
Net assets, end of year	**$ 411,200**	**$ 28,149,216**	**$ 28,560,416**

	2023		
	Without donor restriction	**With donor restriction**	**Totals**
Revenue, gains, and other support			
Contributions	$ 198,554	$ 2,215,138	$ 2,413,692
Contributions of nonfinancial assets	328,210	-	328,210
Change in value of split interest agreements	-	(17,616)	(17,616)
Investment return, net	38,256	2,699,103	2,737,359
Net assets released from restrictions	1,643,551	(1,643,551)	-
Total revenue, gains, and other support	2,208,571	3,253,074	5,461,645
Expenses			
Operating expenses	(699,280)	-	(699,280)
Distributions to Lake Superior State University	(1,467,285)	-	(1,467,285)
Changes in net assets	**42,006**	**3,253,074**	**3,295,080**
Net assets, beginning of year	423,117	22,020,488	22,443,605
Net assets, end of year	**$ 465,123**	**$ 25,273,562**	**$ 25,738,685**

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:

	2024			
	Program Services	Management and General	Fund Raising	Totals
Operating expenses				
Salaries, wages and benefits	$ -	$ 277,335	$ 2,301	$ 279,636
Services and professional fees	-	105,971	-	105,971
Meals, travel and entertainment	-	16,539	16,542	33,081
Office expenses	-	14,641	129	14,770
Lease expense	-	21,520	-	21,520
Charitable annuity payments	-	3,998	-	3,998
Other expenses	-	75,358	-	75,358
Total	-	515,362	18,972	534,334
Distributions to Lake Superior State University	1,822,322	-	-	1,822,322
Totals	**$ 1,822,322**	**$ 515,362**	**$ 18,972**	**$ 2,356,656**

	2023			
	Program Services	Management and General	Fund Raising	Totals
Operating expenses				
Salaries, wages and benefits	$ -	$ 309,711	$ 4,561	$ 314,272
Services and professional fees	-	91,186	-	91,186
Meals, travel and entertainment	-	14,544	10,926	25,470
Office expenses	-	9,287	458	9,745
Lease expense	-	20,810	-	20,810
Charitable annuity payments	-	30,940	-	30,940
Other expenses	-	206,857	-	206,857
Total	-	683,335	15,945	699,280
Distributions to Lake Superior State University	1,467,285	-	-	1,467,285
Totals	**$ 1,467,285**	**$ 683,335**	**$ 15,945**	**$ 2,166,565**

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.

	2024	2023
Personnel services	$ -	$ 307,400
Rent	21,520	20,810
	$ 21,520	**$ 328,210**

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 donor restricted funds 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 net assets with donor restrictions as perpetual in nature (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 net assets with donor restrictions as perpetual in nature is classified as net assets with donor restrictions subject to endowment spending policy 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:

	2024	2023
Endowment net assets, beginning of year	$ 21,444,978	$ 19,098,582
Investment return, net	2,988,161	2,699,125
Contributions	702,157	543,327
Appropriation of endowment assets for expenditure	(892,536)	(878,440)
Change in value	29,240	(17,616)
Endowment net assets, end of year	**$ 24,272,000**	**$ 21,444,978**

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 and Spending Policy

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.

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.

18. FOUNDATION LIQUIDITY AND AVAILABIITY

The Foundation has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures as shown in the table below. 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:

	2024	2023
Cash	$ 402,268	$ 304,221
Short-term investments	2,570,205	1,595,283
Current portion of unconditional promises to give, net	283,997	1,140,305
Total financial assets	3,256,470	3,039,809
Less amounts not available to be used within one year:		
Assets whose use is limited	2,956,392	2,775,362
Financial assets available to meet general expenditures over the next twelve months	**$ 300,078**	**$ 264,447**

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 CORONAVIRUS 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.” To cope with the pandemic, several relief acts were signed into law including the Coronavirus Aid, Relief and Economic Security (CARES) Act or Higher Education Emergency Relief Funding (HEERF), the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act or HEERF II and the American Rescue Plan (ARP) or HEERF III. The University received a total of $9,968,638 in funding which was received and spent between March 2020 and January 2023 to support alternate delivery of courses, student grants, remote working, cleaning and safety measures, and recovery of lost revenue due to various facility closures.

21. EXTRAORDINARY ITEM

Lake Superior State University received $13,415,225 of insurance proceeds during the year ended June 30, 2024. These proceeds were received as a result of a fire which occurred in the University's CASET building in September 2023. As an additional result of the fire, the University incurred expenses of $13,417,993 in efforts to repair the damaged portion of the building and an additional loss on disposal of assets being replaced totaling $106,085.

22. NATURAL CLASSIFICATION OF EXPENSES

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

2024

	Salaries, Wages and Benefits	Supplies and Equipment	Utilities	Scholarship Expenses	Depreciation	Other	Total
Instruction	$ 9,415,585	$ 1,129,279	$ -	$ -	$ -	$ -	$ 10,544,864
Research	1,344,978	1,318,727	-	-	-	-	2,663,705
Public service	879,352	625,372	-	-	-	-	1,504,724
Academic support	2,092,756	1,001,527	-	-	-	-	3,094,283
Student services	1,351,501	347,353	-	-	-	-	1,698,854
Student aid	-	872	-	1,580,797	-	-	1,581,669
Institutional support	3,445,081	1,975,316	-	-	-	-	5,420,397
Operations and maintenance of plant	2,353,155	977,892	1,785,141	-	-	-	5,116,188
Auxiliary activities	3,795,726	6,103,249	948,325	-	-	-	10,847,300
Depreciation	-	-	-	-	5,485,155	-	5,485,155
Other	-	-	-	-	-	606,859	606,859
Total operating expenses	**$ 24,678,134**	**$ 13,479,587**	**$ 2,733,466**	**$ 1,580,797**	**$ 5,485,155**	**$ 606,859**	**$ 48,563,998**

2023

	Salaries, Wages and Benefits	Supplies and Equipment	Utilities	Scholarship Expenses	Depreciation	Other	Total
Instruction	$ 11,448,114	$ 875,894	$ -	$ -	$ -	$ -	$ 12,324,008
Research	1,287,818	837,784	-	-	-	-	2,125,602
Public service	1,105,500	851,139	-	-	-	-	1,956,639
Academic support	2,204,226	878,541	-	-	-	-	3,082,767
Student services	1,815,787	350,196	-	-	-	-	2,165,983
Student aid	-	-	-	1,307,568	-	-	1,307,568
Institutional support	4,873,220	1,606,382	-	-	-	-	6,479,602
Operations and maintenance of plant	3,163,014	934,335	1,892,997	-	-	-	5,990,346
Auxiliary activities	4,823,683	5,791,000	914,430	-	-	-	11,529,113
Depreciation	-	-	-	-	5,219,909	-	5,219,909
Other	-	-	-	-	-	524,093	524,093
Total operating expenses	**$ 30,721,362**	**$ 12,125,271**	**$ 2,807,427**	**$ 1,307,568**	**$ 5,219,909**	**$ 524,093**	**$ 52,705,630**

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LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

Schedule of Lake Superior State University's Proportionate Share of the Net Pension Liability
(Amounts determined as of September 30 of each Fiscal Year)

	University's proportion of the Universities collective MPSERS net pension liability:		University's covered payroll	University's proportional share of the collective pension liability (amount), as a percentage of the University's covered payroll	MPSERS fiduciary net position as a percentage of the total pension liability
	As a percentage	Amount			
2024	3.01062%	$694,452	$7,055,000	9.84%	98.02%
2023	3.05019%	$9,751,506	$6,917,000	140.98%	74.39%
2022	3.02355%	$16,987,951	$6,781,000	250.52%	52.26%
2021	3.01459%	$20,590,273	$6,648,000	303.65%	43.07%
2020	2.99202%	$20,034,283	$6,518,000	307.37%	44.24%
2019	2.98699%	$19,087,979	$6,389,927	298.72%	45.87%
2018	3.03438%	$17,455,598	$6,484,275	269.20%	47.42%
2017	3.04194%	$17,042,144	$6,265,000	272.02%	46.77%
2016	3.13198%	$17,182,038	$2,025,982	848.08%	47.45%
2015	2.89703%	$10,866,926	$2,259,143	481.02%	63.00%

See notes to the required supplementary information.

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

Schedule of Lake Superior State University's Pension Contributions

(Amounts determined as of June 30 of each Fiscal Year)

	Statutorily required contribution	Contributions in relation to the actuarily determined contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2024	$751,512	$751,512	$ -	$7,160,825	92.75%
2023	$1,841,966	$1,841,966	$ -	$7,020,755	147.32%
2022	$1,746,589	$1,746,589	$ -	$6,882,715	64.83%
2021	$1,527,081	$1,527,081	$ -	$6,747,720	25.11%
2020	$1,495,401	$1,495,401	$ -	$6,615,770	21.62%
2019	$1,510,362	$1,510,362	$ -	$6,485,982	22.94%
2018	$1,423,206	$1,423,206	$ -	$6,413,500	23.08%
2017	$1,321,334	$1,321,334	$ -	$6,265,000	24.76%
2016	$1,074,692	$1,074,692	$ -	$2,025,982	93.20%
2015	$936,883	$936,883	$ -	$2,259,143	76.14%

See notes to the required supplementary information.

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

Schedule of Lake Superior State University's Proportionate Share of the Net OPEB (Asset) Liability

(Amounts determined as of September 30 of each Fiscal Year)

	University's proportion of the Universities collective MPSERS net OPEB (asset) liability:		University's covered payroll	University's proportional share of the collective OPEB (asset) liability, as a percentage of the University's covered payroll	MPSERS fiduciary net position as a percentage of the total OPEB (asset) liability
	As a percentage	Amount			
2024	2.41480%	$(2,041,848)	$7,055,000	(28.94)%	158.96%
2023	3.06256%	$(1,146,603)	$6,917,000	(16.57)%	121.19%
2022	3.05969%	$(1,311,936)	$6,781,000	(19.35)%	123.91%
2021	3.04614%	$1,287,123	$6,648,000	19.36%	80.04%
2020	3.04502%	$2,794,718	$6,518,000	42.88%	61.07%
2019	3.04790%	$3,616,044	$6,389,927	56.59%	51.90%
2018	3.06216%	$4,357,498	$6,484,275	67.20%	44.11%

See notes to the required supplementary information.

LAKE SUPERIOR STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

Schedule of Lake Superior State University's OPEB Contributions
(Amounts determined as of June 30 of each Fiscal Year)

	Statutorily required contribution	Contributions in relation to the actuarily determined contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2024	$5,955	$5,955	$ -	$7,160,825	(11.08)%
2023	$413,816	$413,816	$ -	$7,020,755	(3.78)%
2022	$417,370	$417,370	$ -	$6,882,715	(20.82)%
2021	$403,865	$403,865	$ -	$6,747,720	(19.14)%
2020	$395,202	$395,202	$ -	$6,615,770	(8.71)%
2019	$395,574	$395,574	$ -	$6,485,982	(2.79)%
2018	$509,244	$509,244	$ -	$6,413,500	3.55%

See notes to the required supplementary information.

Pension Information

The amounts presented in the schedule of the University's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.0% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus Plan.

LAKE SUPERIOR STATE UNIVERSITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the University's Proportionate Share of the Net OPEB Asset/Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.0% to 1.5% and 1.50% to 0.75%, respectively. In addition, the Pub-T-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.