



**Finance Report**  
**February 13, 2026**

**Table of Contents:**

1) Information: FY26 Year-to-Date Summary.....	2
2) Action: Investment Policy Proposal.....	5
3) Action: Investment Spending Policy Proposal.....	6
4) Action: Tuition & Fee Rate Increase Proposal .....	7
5) Action: Ice Arena Engineering Proposal .....	8
Appendix A: FY26 Annual Operating Dashboards .....	11
Appendix B: FY26 Fund Balance Summary Dashboards.....	15
Appendix C: Draft Investment Policy .....	18
Appendix D: Draft Investment Spending Policy .....	32



## Agenda Item #1: FY26 Year-to-Date Summary

Information

Action

Discussion

### Purpose:

The purpose of this item is to summarize the year-to-date activity and fund balances of the General Fund, Auxiliary Funds, and other operational funds.

### General & Auxiliary Funds:

Appendices A and B contain tables regarding the FY26 position of several Funds, with detailed tables covering the General Fund (GF) and various Auxiliary Funds. The Board approved final General and Auxiliary Fund budgets at the October 2025 Board meeting. A summary of the GF and Auxiliary Funds is provided below.

#### *General Fund (Tables 1 & 2):*

Major GF revenue streams (Table 2) are on track with approved budgets, but Board approved transfers listed under "Gifts-Other" have not yet been executed. Plans have been developed and approved by the Finance Committee for up to \$2.5M of transfers from the LSSU Endowments. Other transfers will occur before year-end, but there is a need to justify transfers, and to ensure funds are available for transfer. As of this writing, actual transfers into the GF may be short by \$300,000 at year-end. Overall, the typical revenue streams are consistent with previous years.

GF expenditures (Table 2) are at 55% of budget, one-half of the way through the fiscal-year (FY). Nothing appears atypical when compared to previous years.

#### *Housing (Tables 3 & 4):*

Housing revenues are about 2% behind where they typically would be, but expenditures are also lagging. Transfer expenditures are at 56%. There are no concerns at this time.

#### *Cisler Operations (Tables 5 & 6):*

Cisler Operations revenues are about 4% behind where they typically would be, and expenditures are near their normal rate. It appears one revenue stream (Snack-Shack-Norris) was not budgeted. Cisler Operations is leaning toward a deficit greater than the \$442,000 approved by the Board.

#### *Athletics (Tables 7 & 8):*

Athletics revenues are typical for this time of year. Expenditures are also typical when compared to previous years. Transfer expenditures are at 55%. There are no concerns at this time.

In summary, the GF (Fund 1000) has a fund balance of \$5M compared to its beginning balance of -\$811,596. An improvement of about \$5.8M due to recently collected tuition and fee

payments. The FY26-YTD Auxiliary Funds balance of -\$1.56M when compared to its beginning fund balance of -3.22M show an increase of about \$1.5M due to recently collected room and food fees.

### Other Operational Funds:

The General & Auxiliary Funds were discussed above and are summarized below. From the table below, we see that Designated Funds have fallen about \$500,000 due to the purchase of the Charter School bus. Reserve Funds are fairly stable and Plant Funds have fallen by about \$500,000.

Overall, the Operational Fund balances are up about \$6.2M from FY25 year-end. An increase of this magnitude is typical for this time of year due the recording of spring semester tuition, fees, food, and housing revenue.

	2021	2022	2023	2024	2025	2026-YTD
General Fund (1000)	14,494.84	27,702.54	(187,930.24)	(423,539.59)	(811,596.39)	5,055,114.75
General Fund (1xxx)	579,291.27	649,786.34	618,243.43	666,246.63	833,450.75	890,675.35
Auxiliary Funds	(43,391.84)	1,023,469.74	(111,242.10)	(1,412,915.33)	(3,224,965.55)	(1,561,797.61)
Designated Funds	1,453,930.97	2,263,832.41	1,136,789.80	1,765,756.93	2,516,166.29	1,969,265.09
Reserve Funds	4,351,841.66	1,822,466.78	1,910,455.46	1,893,596.67	4,899,854.34	4,611,237.92
Plant Funds	1,355,800.27	1,930,044.33	2,155,774.59	1,718,006.72	1,480,371.96	923,517.78
	7,711,967.17	7,717,302.14	5,522,090.94	4,207,152.03	5,693,281.40	11,888,013.28

### Cash Balances (Table 9):

LSSU and Endowment Portfolio cash is comingled in some cash funds. Since some of the Endowment Portfolio cash is designated as unrestricted, it has been broken out. Canadian funds have been broken out and are reported at the USD equivalency.

The cash balance (\$9.9M) has increased by about \$550,000 since the last Board report. This trend is also typical for this time of the year, but it lags the fund balances denoted above. Fund balances record the revenue but many students utilize payment plans and/or student loans which LSSU has not yet drawn. Therefore, revenue has been recorded, but not yet realized. The average December 31 balance over the last 10 years is \$15.7M. Please note that the Board approved \$2.5M endowment draw has not yet occurred. Once complete, those funds will be recorded as available cash.

Please note that the cash report includes restricted and unrestricted funds. Only unrestricted funds can be used for the day-to-day operation of LSSU; therefore, not all these funds are available for typical operation. Additionally, a positive fund balance does not necessarily indicate an availability of cash. In other words, the General Fund and Auxiliary Fund only have a small claim to this cash. It generally belongs to other funds.

### Other Financial Events:

#### Transfer of Foundation Assets

The documents outlining the dissolution of the Foundation were executed in December of 2025. In January 2026, all Foundation assets were transferred to LSSU. Financial records

were reviewed by the Michigan Attorney General's Office, and paperwork has been submitted to the Corporation Division of the Department of Licensing and Regulatory Affairs. All assets of the Foundation remain intact with all donor restrictions remaining in place. However, oversight of all assets now rests with the LSSU Board of Trustees. As such, new Investment and Spending Policies are being presented by the LSSU Finance and Development Committee for Board approval on Friday during the public meeting.

#### Scholarships

LSSU continues to work to document and secure about \$2.5M from the LSSU endowments for FY26 scholarships, as approved by the Board. All funding sources have been identified, and approximately \$2.2M in assets is ready for transfer to LSSU. The Business Office and Financial Aid have met and determined the final steps needed for this project.

#### Benefit Plans

January 2026 saw the implementation of new health insurance plans for many of LSSU's staff. Plan details are provided in the Human Resources Report.

As LSSU began planning for 2026 health insurance renewals, it became clear that insurance costs were expected to rise significantly. Eventually, that increase was determined to be 25.6%. FY25 health insurance costs were \$4.78M, therefore, a 25.6% increase would have meant a \$1.22M increase for LSSU and its employees.

LSSU began to develop a cost avoidance plan focusing on moving from traditional plans to lower-cost, high-deductible plans; while preserving health care benefits for all employee. This resulted in a new plan "menu" for qualified employees. Some employees could opt to stay in traditional plans and expect to see an 8% to 10% increase. Others could choose one plan from a menu of plans. Their choice could result in reduced costs for the employee and LSSU. Additionally, employees could opt-out and receive payment in lieu of insurance. Employees choosing high-deductible plans also received contributions from LSSU that were credited to their HSA accounts in a tax-free process.

In summary, LSSU has avoided the 25.6% increase and is seeing increased costs in the neighborhood of 10%; a cost avoidance of about \$750,000.

#### Loan Progress

The Board previously approved a loan for capital improvements. Although the loan has not been finalized, some projects have already begun. Because of this, there are about \$500,000 in expenditures that will eventually be moved to the loan.

The reason for the delay, is the capitalization of the loan utilizing property in Arizona. It turns out that the laws in Arizona are very different from those in Michigan. LSSU and Central Savings Bank are working with legal counsel and a title company in Arizona to finalize this funding.

#### **Suggested Actions/Motions:**

No action required.



**Finance Report  
February 13, 2026**

**Agenda Item #2: Investment Policy Proposal**

Information

Action

Discussion

**Purpose:**

The purpose is to secure Board approval of a new Investment Policy for LSSU.

**Background:**

The Board has an Investment Policy for the LSSU Endowment portfolio. The LSSU Foundation also had an Investment Policy for the LSSU Foundation Endowment portfolio. With the dissolution of the Foundation, the LSSU Board of Trustees now has oversight of both portfolios. This requires a new policy be drafted and approved by the Board.

**Information/Discussion:**

The Board's Finance and Development Committee (B-FDC) has drafted the attached policy (Appendix C) for consideration for approval. The B-FDC took this opportunity to better define the endowment types held within the portfolios; add language regarding the investment of operating cash; and break out spending guidelines into a new, separate policy.

The policy allows for the continued oversight of the combined portfolios by B-FDC with the assistance of a finance advisor.

In summary the policy:

- provides new definitions,
- defines roles and responsibilities,
- delineates between operational and endowment investment strategies,
- denotes investment expectations, and
- outlines criteria for performance.

**Suggested Actions/Motions:**

The President recommends that the Board approve the proposed Investment Policy as presented.



**Finance Report**  
**February 13, 2026**

**Agenda Item #3: Investment Spending Policy Proposal**

Information

Action

Discussion

**Purpose:**

The purpose is to secure Board approval of a new Investment Spending Policy for LSSU.

**Background/Information:**

The background is similar to the previous Agenda Item. The old Investment Policy contained guidelines for spending. It is more consistent to have separate Investment and Spending policies. Additionally, the previous policy did not take into account the variety of investment portfolios and the ability to delineate the different spending opportunities available to LSSU.

Specifically, the policy:

- defines an updated spending rate with a fixed amount returned to LSSU for operational expenditures,
- delegates transactional oversight to the Board's Finance and Development Committee,
- denotes spending opportunities by fund type, and
- provides more flexible spending opportunities for strategic priorities.

**Suggested Actions/Motions:**

The President recommends that the Board approve the proposed Investment Spending Policy as presented.



**Finance Report  
February 13, 2026**

**Agenda Item #4: Tuition and Fee Rate Increase Proposal**

Information

Action

Discussion

**Purpose:**

The purpose is to secure Board approval of tuition and fee rate increases for FY27 so that accurate information can be provided to returning and prospective students.

**Background/Information:**

The Admissions, Marketing, Business, and the Financial Aid Offices desire accurate information regarding future tuition, fees, and room & board costs as early as possible as they recruit, and package aid for LSSU students. LSSU strives to provide this information in April/May or earlier when possible. LSSU requests that the Board establish FY27 tuition and fee rates as described herein. The fees referred to within this agenda item are only the mandatory fees defined as the Athletic Fee, Student Activity/Media Fee, Senior Processing Fee, Student Wellness Fee, and New Student Administrative Fee.

**Information/Discussion:**

Increases to tuition and mandatory fee rates are generally limited by the State. Current language states:

Conference revises language that limits FY 2025-26 resident tuition and fee increases to 4.5% or \$735, whichever is greater, and  
Limits FY 2026-27 resident tuition and fee increases to the greater of 4.0% or \$651.

LSSU is proposing a 4.0% increase for tuition and an increase of \$40 per year for the Student Wellness Fee. Using the State metrics currently in place, these changes would result in a \$640 increase for FY27; under the cap of \$651 currently in place for FY27.

**Suggested Actions/Motions:**

The President recommends that the Board approve the proposed tuition and fee rate increases as presented. However, if the State sets a tuition & fee cap lower than \$640, the Board approves LSSU's adjustment of the tuition and fees rate to a level that meets the cap requirements.



**Finance Report  
February 13, 2026**

**Agenda Item #5: Ice Arena Engineering Proposal**

Information

Action

Discussion

**Purpose:**

The purpose is to secure Board approval of a vendor to conduct a detailed engineering study of the Ice Arena. The study will include demolition and replacement of the Ice Arena roof, HVAC systems, dehumidification systems, and the ice rink cooling systems.

**Background/Information:**

The Clarence "Taffy" Abel Ice Arena is a 4,000-seat hockey complex and is part of the Norris Center student athletic complex. The arena itself dates back to 1976; it was renovated and remodeled to its current larger form in the summer of 1995. There are several reasons why this proposal is coming forward at this time. They are outlined below.

***Ice System Obsolescence:***

The existing ice rink refrigeration system relies on R-22 refrigerant, which is obsolete and no longer manufactured due to federal environmental regulations. Since 2020, only reclaimed R-22 is available, creating escalating costs, supply uncertainty, and increased operational risk in the event of a system leak or failure. Continued reliance on this refrigerant exposes the University to unplanned outages, budget volatility, and potential loss of ice availability.

In addition to regulatory concerns, R-22 systems are not well suited for modern hockey ice operations. They operate less efficiently at the low, stable temperatures required for quality ice, resulting in higher energy consumption, increased mechanical stress on compressors, and inconsistent ice conditions during peak usage. These limitations directly affect athlete safety, program quality, and the ability to host competitions and community events.

The existing system is beyond its intended service life, with replacement parts increasingly difficult to source. A major system failure would likely result in extended downtime due to refrigerant availability and specialized repairs, potentially disrupting athletic programs, student activities, and revenue-generating events. Deferred replacement increases the likelihood of emergency repairs, which are typically more costly than planned capital investment.

***General HVAC/Dehumidification System Obsolescence***

All major systems within the ice arena are obsolete and our campus wide partner for maintenance and repair of such systems has indicated that the risk for them to work on these systems is too great. As such, they will not service them. LSSU has identified one vendor that has been responding to service needs. No LSSU staff are qualified to work on these systems. Replacement of some of the systems would require access through the roof.

### *Roof Conditions*

The last replacement and repair activity associated with the roof took place in 1995. The roof is at its end-of-life and in need of replacement. Current leaks fall on sensitive electronics, the ice, and would impact graduation ceremonies if it were to rain. There are also new technologies available for insulation designed specifically for this environment that would improve the efficiency of the roof and the quality of the ice.

### **Information/Discussion:**

The actual cost to address these issues is not known but is estimated to be between \$4,750,000 and \$6,915,000 based on proposals received. In order to get a better final estimate, a firm would need to be engaged to conduct an engineering study and develop a plan. LSSU has reached out to two vendors to conduct this study. The cost in both case is about \$300,000 as shown below.

Vendor #1: Johnson Controls	\$300,000
Vendor #2: I.B. Storey	\$304,000

Both vendors strongly recommended replacement of all the above components at the same time, although they are open to other options. Bids were reviewed and scored. I.B. Storey is the proposed vendor to conduct the Engineering Study.

With over 25 year of experience, I.B. Storey is Official Rink Engineering Consultant of the NHL, and is well known for their innovative, industry-leading, rink engineering systems, as well as energy efficient and sustainable engineering solutions.

### **Deliverables:**

I.B. Storey will perform the engineering work necessary to generate bids packages for repair/replacement of the refrigeration plant and peripherals (pumping, heat rejection, automation); ice rink floor system (cold floor & sub-floor); main rink zone ventilation and dehumidification air handling units and peripherals; and the Taffy Abel roof. A detailed listing of the engineering activities can be found on page 3 of their proposal.

A proposed schedule was also included. The schedule/plans will incorporate the use of a rental/temporary cooling system for the ice, in case this component has longer than anticipated lead times. I.B. Storey will work with LSSU through the bid process under this agreement. At a later date, LSSU can determine the level of project oversight desired through the construction phase.

### **Next Steps:**

LSSU and I.B. Storey will work to develop plans that meet the needs of LSSU well into the future, while continuing to secure external funding to support this initiative. Donors have already been identified that will offer significant support for this project. Once a better cost estimate has been developed, LSSU will return to the Board to provide architectural renderings, engineering plans, cost estimates, as well as a proposed timeline.

**Suggested Actions/Motions:**

The President recommends that the Board approve the engagement of I.B. Storey to perform the engineering study (version 3.0), provided by I.B. Storey, and dated January 16, 2026. The Board authorizes the President to sign the Terms of Agreement on behalf of the Board.

## Appendix A

### FY26 Annual Operating Dashboards

**Table 1: Approved General Fund Budget**

The following table provides information on the Board approved FY26 plan for the General Fund (GF) by showing the unit's beginning fund balance, the budgeted revenue, the budgeted expenditures which include transfers, and the expected end-of-year (EOY) fund balance. The Board approved a FY26 General Fund (GF) budget that would result in an annual deficit of \$36,517; and a year-end fund balance deficit of \$848,113.

FY26 Performance Plan					
	FY26 Beginning Fund Balance	FY26 Budget Revenue	FY26 Budget Expenditures	FY26 Budget Gain/(Loss)	FY26 EOY Fund Balance
<b>General Fund</b>	<b>(811,596.39)</b>	<b>39,045,507.19</b>	<b>(39,082,023.76)</b>	<b>(36,516.57)</b>	<b>(848,112.96)</b>

**Table 2: General Fund Summary**  
(January 20, 2026)

The table at right shows the approved FY26 GF budget with the FY26 actual expenditures as of the date shown above. Revenue is at 70% of budget while expenditures are at 55%; about 50% of the way through the fiscal year.

FY26 General Fund Approved Budget & Actual		
	Approved FY26	Actual YTD FY26
<b>Revenue</b>		
Tuition and Fees	18,226,271	18,314,619
State Appropriations	15,774,662	8,191,272
Gifts-Other	3,607,215	67,053
Interest Income	140,000	-
Department Activity	643,500	681,231
Norris Center Revenue	174,600	49,552
Arts Center Revenue	41,759	10,086
Other Income	87,500	44,680
Indirect Cost Recovery	350,000	70,723
<b>Total Revenue</b>	<b>39,045,507</b>	<b>27,429,215</b>
		70.2%
<b>Expenditures</b>		
Salaries	(15,453,033)	(7,037,892)
Fringe Benefits	(5,865,985)	(2,956,129)
Scholarships	(4,472,279)	(4,379,746)
University Waivers	(1,550,500)	(1,223,276)
Debt Service	(2,021,571)	(902,773)
Transfers	(1,183,497)	(690,935)
SBITA	(493,829)	(288,144)
Utilities	(1,858,501)	(1,081,390)
Supplies & Services	(6,182,829)	(3,002,319)
<b>Total Expenditures</b>	<b>(39,082,024)</b>	<b>(21,562,604)</b>
		55.2%
<b>Net Income/(Loss)</b>	<b>(36,517)</b>	<b>5,866,611</b>

**Table 3: Housing Fund Summary**

The following table provides information on the Board approved FY26 plan for Housing by showing the unit's beginning fund balance, the budgeted revenue, the budgeted expenditures which include transfers, and the expected end-of-year (EOY) fund balance. The Board approved a FY26 Housing budget that would result in an annual deficit of \$198,744; and a year-end fund balance of \$321,146.

FY26 Performance Plan					
FY26 Beginning Fund Balance	FY26 Budget Revenue	FY26 Budget Expenditures	FY26 Budget Gain/(Loss)	FY26 EOY Fund Balance	
<b>Housing</b>	519,890.67	4,047,319.00	(4,246,063.61)	(198,744.61)	321,146.06

**Table 4: Housing Detail (Revenue and Expenditures)**  
(January 20, 2026)

	FY26 Budget Revenue	FY26 Actual Revenue	% Budget Revenue
Housing Administration	6,600.00	4,750.00	71.97%
Washer-Dryer	20,000.00		0.00%
425 West Easterday House			
Brady Hall	700,168.00	669,515.10	95.62%
Osborn Hall	299,559.00	262,868.06	87.75%
Student Village	1,483,295.00	1,469,950.52	99.10%
Townhouses	677,029.00	619,399.56	91.49%
Ontario Hall			
Huron Hall	58,735.00	81,731.00	139.15%
Laker Hall	78,566.00	57,390.00	73.05%
Chippewa House	97,414.00	97,085.00	99.66%
Erie Hall	62,995.00	55,672.00	88.38%
Hillside House			
Ryan House			
Easterday House		10,362.00	
Moloney Hall	328,850.00	295,709.04	89.92%
Neveu Hall	234,108.00	186,872.90	79.82%
	<b>4,047,319.00</b>	<b>3,811,305.18</b>	<b>94.17%</b>

FY26 Budget Expenditures	FY26 Actual Expenditures	% Budget Expenditures
(1,363,708.35)	(793,243.40)	58.17%
(16,149.96)	(78.96)	0.49%
(3,545.30)	(936.66)	26.42%
(332,551.99)	(131,072.47)	39.41%
(334,437.03)	(98,093.29)	29.33%
(292,891.96)	(119,012.09)	40.63%
(156,539.02)	(61,371.77)	39.21%
(31,462.96)	(1,529.74)	4.86%
(35,194.99)	(12,398.63)	35.23%
(19,812.94)	(6,452.94)	32.57%
(31,832.99)	(11,399.96)	35.81%
(36,117.00)	(12,588.64)	34.86%
(19,144.02)	(16.25)	0.08%
(13,643.98)	(4,587.77)	33.62%
(15,839.04)	(5,162.93)	32.60%
(100,004.00)	(34,333.33)	34.33%
(92,130.08)	(26,586.05)	28.86%
<b>(2,895,005.61)</b>	<b>(1,318,864.88)</b>	<b>45.56%</b>

Transfers
Balance (End-of-Year)
Balance (Current)

(1,352,058.00)	(759,269.00)	56.16%
(199,744.61)		
	1,733,171.30	

**Table 5: Cisler Operations Fund Summary**

The following table provides information on the Board approved FY26 plan for Cisler Operations by showing the unit's beginning fund balance, the budgeted revenue, the budgeted expenditures which include transfers, and the expected end-of-year (EOY) fund balance. The Board approved a FY26 Cisler Operations budget that would result in an annual deficit of \$441,940; and a year-end fund balance deficit of \$2,021,895.

	FY26 Performance Plan				
	FY26 Beginning Fund Balance	FY26 Budget Revenue	FY26 Budget Expenditures	FY26 Budget Gain/(Loss)	FY26 EOY Fund Balance
<b>Cisler Operations</b>	<b>(1,579,955.68)</b>	<b>3,024,612.00</b>	<b>(3,466,551.73)</b>	<b>(441,939.73)</b>	<b>(2,021,895.41)</b>

**Table 6: Cisler Operations Detail (Revenue & Expenditures)**  
(January 20, 2026)

	FY26 Budget Revenue	FY26 Actual Revenue	% Budget Revenue	FY26 Budget Expenditures	FY26 Actual Expenditures	% Budget Expenditures
Food Services	2,032,362.00	1,983,866.88	97.61%	(2,218,198.74)	(1,367,248.18)	61.64%
Laker Cafe				(162.00)	(16.25)	10.03%
Snack Bar-Galley	523,400.00	216,256.45	41.32%	(420,519.02)	(55,486.55)	13.19%
Library Grab n' Go				(39.00)	(16.25)	41.67%
Snack Shack-Norris		68,679.07		(105,175.99)	(67,546.54)	64.22%
Catering & Bar Operations	427,500.00	248,996.52	58.24%	(423,407.64)	(268,678.87)	63.46%
CFRE Bar Operations		396.00			(13.20)	
Walker Cisler Center	33,550.00	15,109.63	45.04%	(297,049.34)	(117,815.72)	39.66%
WCC Guest Rooms	7,500.00	4,277.50	57.03%	(2,000.00)		0.00%
ID Cards	300.00	280.00	93.33%			
	<b>3,024,612.00</b>	<b>2,537,862.05</b>	<b>83.91%</b>	<b>(3,466,551.73)</b>	<b>(1,876,821.56)</b>	<b>54.14%</b>
Balance (End-of-Year)				<b>(441,939.73)</b>		
Balance (Current)					<b>661,040.49</b>	

**Table 7: Athletics Fund Summary**

The following table provides information on the Board approved FY26 plan for Athletics by showing the unit's beginning fund balance, the budgeted revenue, the budgeted transfers, the budgeted expenditures, and the expected end-of-year (EOY) fund balance. The Board approved a FY26 Athletics budget that would result in an annual deficit of \$1,241,004; and a year-end fund balance deficit of \$4,498,448.

	FY26 Performance Plan					
	FY26 Beginning Fund Balance	FY26 Budget Revenue	FY26 Budget Transfers	FY26 Budget Expenditures	FY26 Budget Gain/(Loss)	FY26 EOY Fund Balance
<b>Athletics</b>	<b>(3,257,443.59)</b>	628,710.00	1,396,912.00	<b>(3,266,626.13)</b>	<b>(1,241,004.13)</b>	<b>(4,498,447.72)</b>

**Table 8: Athletics Detail (Revenue & Expenditures)**  
(January 20, 2026)

	FY26 Budget Revenue	FY26 Actual Revenue	% Budget Revenue	FY26 Budget Expenditures	FY26 Actual Salaries	FY26 Actual Supplies	% Budget Expenditures
Athletic Administration	368,800.00	221,320.00	60.01%	(601,815.05)	(201,298.64)	(123,061.81)	53.90%
Sports Information				(167,367.52)	(72,864.94)	(2,623.53)	45.10%
Athletic Trainer				(224,489.04)	(88,771.16)	(10,040.46)	44.02%
Mens Hockey	224,430.00	85,416.59	38.06%	(1,102,196.49)	(306,120.17)	(370,056.85)	61.35%
Mens Basketball	16,300.00	370.50	2.27%	(378,119.30)	(115,531.19)	(60,177.69)	46.47%
Mens Junior Varsity Basketball					(9,270.61)		
Mens Swimming & Diving		1,592.50		(51,442.38)	(12,724.87)	(11,470.05)	47.03%
Womens Volleyball	8,300.00	3,144.00	37.88%	(251,242.00)	(53,664.82)	(112,348.20)	66.08%
Womens Basketball	10,880.00	5,857.08	53.83%	(307,740.04)	(92,725.44)	(57,737.37)	48.89%
Womens Swimming & Diving		1,592.50		(51,442.38)	(12,724.92)	(4,601.95)	33.68%
Cross Country		-		(61,821.94)	(14,898.17)	(30,706.06)	73.77%
Track-Field		4,401.10		(68,949.99)	(34,284.89)	(22,312.74)	82.09%
	<b>628,710.00</b>	<b>323,694.27</b>	<b>51.49%</b>	<b>(3,266,626.13)</b>	<b>(1,014,879.82)</b>	<b>(805,136.71)</b>	<b>55.72%</b>
Transfers							
Balance (End-of-Year)					770,547.00		55.16%
Balance (Current)					(1,241,004.13)		
						(725,775.26)	

**Table 9: Institutional Cash**

Available Institutional and Component Unit cash holdings as of December 31, 2025.

	31-Jul	31-Aug	30-Sep	31-Oct	30-Nov	31-Dec	31-Jan	28-Feb	31-Mar	30-Apr	31-May	30-Jun
Cash at CSB	2,560,657	5,119,022	1,530,577	2,662,077	3,163,797	3,716,839						
Cash at Huntington	3,560,092	3,567,500	3,574,366	3,581,006	3,586,892	3,592,572						
Cash at Nicolet	279,339	280,279	281,239	280,776	281,636	282,093						
Cash at BMO - USD	1,848	1,430	1,088	747	408	48						
Cash at BMO - USD	1,232,516	1,232,516	1,232,516	1,232,516	1,397,844	1,362,763						
CD at 4Front	273,782	273,875	273,968	274,058	0	0						
LSSU Investments at Schwab	6,493,067	6,015,515	6,034,963	3,649,499	2,657,699	2,666,263						
LSSU Cash at Schwab	31,330	31,331	31,332	231,334	31,346	31,347						
Advancement Cash Investment at Schwab	(2,646,579)	(2,646,579)	(2,646,579)	(2,646,579)	(2,646,579)	(2,646,579)						
Advancement Cash for CFCF	52,959	52,959	52,959	52,959	52,959	63,959						
Advancement Unrestricted Cash	(158,155)	(158,255)	(158,305)	(158,355)	(158,355)	(161,455)						
LSSU Cash at GovMIC	1,005,429	1,009,119	1,012,680	1,016,297	1,019,663	1,023,016						
Total	12,686,284	14,778,711	11,220,805	10,176,334	9,387,311	9,930,866						

## Appendix B FY26 Fund Balance Summary Dashboards

Appendix B provides an overview of the University's financials by summarizing the fund balances of the major fund areas of the University. Five years of history and the current year-to-date values are provided. Some discussion is provided for each major fund. Fund balances may be positive or negative at any point in time. A negative fund balance is a deficit. All LSSU fund balances are discussed and where appropriate, financial summaries are provided.

### **General Funds (1xxx):**

The actual General Fund contains Fund 1000 (commonly referred to as the General Fund or GF) and 120 other funds numbered 1001 – 1Z99 (commonly referred to as Professional Development (PD) funds). Fund 1000 (the GF) is the University's main operating fund.

	2021	2022	2023	2024	2025	2026
<b>Fund 1000 (General Fund)</b>	14,494.84	27,702.54	(187,930.24)	(423,539.59)	(811,596.39)	5,055,114.75
<b>Funds 1001 - 1Z99</b>	<u>579,291.27</u>	<u>649,786.34</u>	<u>618,243.43</u>	<u>666,246.63</u>	<u>833,450.75</u>	<u>890,675.35</u>
	593,786.11	677,488.88	430,313.19	242,707.04	21,854.36	5,945,790.10

### **Designated Funds (15xxxx):**

There are 67 active Designated Funds. These funds were created for specific (designated/restricted) purposes; about 25 hold funds that have been transferred in from the Advancement Endowments for a designated purpose. The largest fund in the group is the Charter School 3% fund with about \$3M in annual activity. There are 6 funds with balances over \$50,000. Three funds are designated as unrestricted and are broken out in the following table.

	2021	2022	2023	2024	2025	2026
<b>Designated Funds</b>	1,101,563.08	957,303.40	561,174.92	1,625,649.99	2,212,686.48	1,550,947.62
<b>Unrestricted Funds</b>	<u>352,367.89</u>	<u>1,306,529.01</u>	<u>575,614.88</u>	<u>140,106.94</u>	<u>303,479.81</u>	<u>418,317.47</u>
	1,453,930.97	2,263,832.41	1,136,789.80	1,765,756.93	2,516,166.29	1,969,265.09

### **External Funds (2xxxx & 2xxxxx):**

The External Funds are comprised of grants, expendable portions of endowments/gifts, and the expendable amounts for Scholarships. There are over 270 funds in this grouping. No dashboard will be presented.

### **Auxiliary Funds (3xxx):**

There are 55 active Auxiliary Funds; grouped below by functional area. Six of the Funds are currently in deficit.

	2021	2022	2023	2024	2025	2026
<b>Housing (31xx)</b>	298,235.64	384,384.93	497,074.40	379,947.14	573,947.36	2,324,274.03
<b>Cisler Operations (32xx)</b>	(1,447,443.32)	(752,184.38)	(992,284.15)	(1,074,390.86)	(1,579,955.68)	(1,118,915.19)
<b>Health Care Center (36xx)</b>	(105,110.67)	73,389.42	(32,077.66)	(157,934.65)	(357,933.35)	(389,235.62)
<b>Athletics (37xx)</b>	(47,753.17)	(240,867.61)	(1,005,126.54)	(1,890,210.29)	(3,080,957.90)	(3,604,082.31)
<b>Student Government (38xx)</b>	324,218.09	179,620.08	188,902.07	192,653.11	191,403.46	296,695.19
<b>Club Sports (39xx)</b>	3,973.58	15,017.36	59,593.77	38,688.85	21,470.21	45,644.38
<b>Other Auxiliary</b>	<u>930,488.01</u>	<u>1,364,109.94</u>	<u>1,172,676.01</u>	<u>1,098,331.37</u>	<u>1,007,060.35</u>	<u>883,821.91</u>
	(43,391.84)	1,023,469.74	(111,242.10)	(1,412,915.33)	(3,224,965.55)	(1,561,797.61)

**Loan Funds (4xx & 4xxx):**

Loan Funds contain funding for students. There are 11 loans available. Loan Funds are not directly utilized by LSSU. No dashboard will be presented.

**LSSU Endowment (6xxxx):**

The 6xxxx funds hold 62 endowments held by LSSU. The endowments were set up before 1983. There is no active fund raising occurring within this fund group. For the most part, these funds are utilized for student scholarships. The current balance of the LSSU Endowments is \$ 18,097,556.

**Reserve Funds (7xx):**

The Reserve Funds were historically created to hold funding for LSSU when it was self-insured. While self-insured, there was a need to hold funds for claims and deductibles; sometimes as high as \$500,000 per claim. Now that LSSU is fully insured for health insurance and worker compensation, the need to hold larger fund balances has diminished.

The largest volume of activity has historically been, and continues to be, in the health insurance reserve fund (\$4.5M - \$5M annually). LSSU and employees pay into the fund, and payments to carriers are made from the fund.

	2021	2022	2023	2024	2025	2026
<b>MUSIC-Insurance Reserve</b>	251,347.48	251,347.48	251,347.48	244,744.39	244,744.39	241,590.25
<b>MPSERS Reserve</b>					3,438,925.97	3,438,925.97
<b>Workers Comp</b>	2,098,415.17	584,456.97	572,558.28	554,594.07	534,630.11	534,601.47
<b>Unemployment Comp</b>	389,671.18	426,304.79	449,466.19	475,625.06	490,938.78	487,319.05
<b>Empl Tuition Waiver-Rebate</b>						(92,883.10)
<b>Health Insurance Res</b>	1,612,407.83	560,357.54	637,083.51	618,633.15	190,615.09	1,684.28
<b>MPSERS Net Pension Liability</b>	(16,520,077.00)	(12,560,865.00)	(5,425,201.03)	2,799,335.97	281,213.00	281,213.00
<b>MPSERS OPEB Liability</b>	(1,111,560.00)	756,236.00	1,245,349.00	2,045,684.00	2,009,040.00	2,009,040.00
	(13,279,795.34)	(9,982,162.22)	(2,269,396.57)	6,738,616.64	7,190,107.34	6,901,490.92
<b>Balance w/o Liabilities</b>	4,351,841.66	1,822,466.78	1,910,455.46	1,893,596.67	4,899,854.34	4,611,237.92

As of FY25, LSSU began reporting on the MPSERS liability funds. All financial entries made by LSSU for these funds are directed by the State. The funds were created to track the liability associated with the State of Michigan's (MPSERS) retirement plan. In FY24 this liability became a receivable. Liability Funds are actuarially determined and are not available for use by LSSU.

**Agency Funds (8xxx):**

There are 49 active agency funds. These are generally a combination of LSSU-based or LSSU-connected entities that have funds at LSSU; where the funds are intended for LSSU's use. Examples of agency funds are scholarships and University clubs. These funds are also used as clearing areas for LSSU benefits. No dashboards will be presented.

**Advancement Endowments (8xxxxx):**

There are over 500 active funds in this area, including six unrestricted, operational funds. All endowed funds are broken into two areas: the endowed portion and an expendable portion. Non-endowed funds are just listed as expendable.

	2021	2022	2023	2024	2025	2026
<b>Unrestricted</b>	494,839.06	387,604.55	417,862.96	354,046.10	308,317.58	277,604.04
<b>Restricted</b>	19,822,076.82	22,175,412.78	23,616,571.11	24,337,382.00	30,055,887.28	33,587,650.83
<b>Unrealized</b>	4,969,360.42	(119,411.94)	1,704,251.07	3,868,987.90	2,356,757.84	3,521,060.23
	25,286,276.30	22,443,605.39	25,738,685.14	28,560,416.00	32,720,962.70	37,386,315.10

### Plant Funds (9xxx):

Plant Funds are comprised of funds that can be used to maintain or improve the campus infrastructure as well as funds that are used for debt-service. Debt-service funds have been omitted from this discussion. Occasionally, grant funds may reside here if there is a significant component of infrastructure development. Those grant funds are not shown here.

	2021	2022	2023	2024	2025	2026
Marine Laker Collect	199.31	199.31	199.31	199.31	199.31	199.31
Other Norris Project	3,233.47	0.00	0.00	0.00	0.00	(144,054.38)
Norris Maintenance	3,528.50	3,528.50	3,528.50	0.00	0.00	(18,673.90)
Capital Reserve	344,666.98	580,671.90	759,181.72	858,976.77	372,327.15	(71,856.85)
Renovation-Ada Project	15,318.00	15,318.00	11,817.05	11,817.05	11,817.05	11,817.05
Norris Gem	0.00	0.00	0.00	0.00	0.00	139,915.00
Auxiliary R-R	245,378.25	501,260.61	480,246.20	10,181.08	208,074.65	124,693.49
Housing Furnishings	70,026.55	89,072.03	132,250.06	40,226.76	81,055.60	58,164.86
Telephone Reserve	84,327.56	84,327.56	84,327.56	84,327.56	84,327.56	84,327.56
Parking Reserve	61,377.96	111,377.96	136,535.73	174,393.73	210,318.73	224,752.73
Cooper Gym Floor Replacement-Norris	0.00	42,520.08	42,520.08	42,520.08	42,520.08	42,520.08
ARL Building Renovations	99,123.90	102,623.90	106,023.90	109,423.90	112,823.90	114,804.90
ARL Htchery Renovations 2018	428,619.79	399,144.48	399,144.48	385,940.48	356,907.93	356,907.93
	1,355,800.27	1,930,044.33	2,155,774.59	1,718,006.72	1,480,371.96	923,517.78

### Overall Operational Fund Summary:

The following funds are considered the core operational areas of LSSU; showing all liabilities. As the State paid down the unfunded MPSERS liability (FY22-FY24), MPSERS fund became available for use in FY25. The following funds are considered the core operational areas of LSSU; ignoring all actuarially determined MPSERS liabilities which now show as receivables.

	2021	2022	2023	2024	2025	2026-YTD
General Fund (1000)	14,494.84	27,702.54	(187,930.24)	(423,539.59)	(811,596.39)	5,055,114.75
General Fund (1xxx)	579,291.27	649,786.34	618,243.43	666,246.63	833,450.75	890,675.35
Auxiliary Funds	(43,391.84)	1,023,469.74	(111,242.10)	(1,412,915.33)	(3,224,965.55)	(1,561,797.61)
Designated Funds	1,453,930.97	2,263,832.41	1,136,789.80	1,765,756.93	2,516,166.29	1,969,265.09
Reserve Funds	4,351,841.66	1,822,466.78	1,910,455.46	1,893,596.67	4,899,854.34	4,611,237.92
Plant Funds	1,355,800.27	1,930,044.33	2,155,774.59	1,718,006.72	1,480,371.96	923,517.78
	7,711,967.17	7,717,302.14	5,522,090.94	4,207,152.03	5,693,281.40	11,888,013.28

**Appendix C**  
Draft Investment Policy

- I. PURPOSE**
- II. DEFINITIONS**
- III. OBJECTIVES**
- IV. IMPLEMENTATION**
- V. GUIDELINES and RESTRICTIONS**
- VI. MONITORING and REPORTING**
- VII. ACKNOWLEDGEMENT**

## I. Purpose

The purpose of this Investment Policy Statement is to establish a clear understanding of the philosophy and the investment objectives for Lake Superior State University's (LSSU) Short-Term, Intermediate-Term, and Long-Term investment portfolios. It is meant to assist the Board's Finance and Development Committee and its Agents in effectively stewarding and monitoring the investments of the University.

The University's assets are intended to provide maximum financial resources for the University, balancing risk and return, and exist in recognition of the fiduciary responsibilities of the Board of Trustees.

The Board of Trustees has delegated the oversight of the University's investment portfolios to the Board's Finance and Development Committee ("Committee"). This Statement applies to all assets included in the University's Operating Cash, and all assets within the University's Endowment Funds.

## II. Definitions

### **DEFINITION OF DUTIES:**

#### Board of Trustees (Board)

The Board of Trustees is an eight-member, Governor appointed, Board vested with the authority to govern LSSU by virtue of Section 6, of Article 8, of the Constitution of the State of Michigan and Public Act 26 of 1969, as amended.

#### Board's Finance and Development Committee (Finance and Development Committee)

The Committee is responsible for implementing the Investment Policy. This responsibility includes approving investment strategies (which includes the determination of the asset allocation targets as well as the acceptable ranges for the related asset classes), hiring and firing investment managers, monitoring performance of the investment portfolio on a regular basis (at least quarterly), hiring and firing investment consultants, investment managers and custodians, maintaining sufficient knowledge about the Fund(s) and its investment managers and investment consultant so as to be reasonably assured of their compliance with the Investment Policy.

The Committee or the chair of the Committee or his/her delegate will meet with the Board of Lake Superior State University as soon as possible after the receipt and review of the calendar year end Performance results to report on the performance of the Fund(s) within the context of the Investment Policy.

#### Fiduciary Duty

In seeking to attain the objectives set forth in the Investment and Spending Policies, the Committee and its members must always act in the best interest of LSSU and with care, skill, prudence and diligence. Fiduciaries must provide full disclosure of all material facts regarding any potential conflicts of interest.

#### Investment Advisor

The Investment Advisor does not make decisions, but advises the Committee and periodically advises the Board by providing performance reporting and benchmarking,

conducting manager searches, and making recommendations regarding asset allocations and general policy guidance.

## **TYPES OF FUNDS/ACCOUNTS (DEFINITIONS):**

### **Operating Cash**

Any funds available for the University's day-to-day activities, separate from long-term investments (endowments) or restricted funds, serving as working capital for immediate needs, short-term liquidity, and as a buffer against revenue volatility or deficits.

### **Endowment Funds**

Any of the funds held within the University's Endowment Portfolios (the LSSU Endowment Portfolio and the LSSU Advancement Portfolio – held at Schwab) or other donor restricted funds held outside those portfolios. All such funds are to be classified as one of the following endowments types: True Endowment Funds, Donor-Restricted Expendable Funds, Donor-Restricted Expendable Endowment Funds, Quasi-Endowment Funds, or Unrestricted Funds.

#### **True Endowment Fund**

True Endowments are established by donor restriction. The principal (corpus) must be maintained in perpetuity. Only investment returns may be spent, in accordance with donor intent. These funds are sometimes called donor-restricted nonexpendable endowments.

#### **Donor-Restricted Expendable Fund**

These are established by donor restriction. Funds are invested for income, but not a beneficiary of the income (these funds do not accrue interest). Funds may be spent at any time. The majority of these funds at LSSU are used for annual scholarships or to provide short-term funding for specific activities.

#### **Donor-Restricted Expendable Endowment**

Donor-restricted funds are invested like an endowment, but the principal may be expendable at the donor's direction - after a fixed time period, or after a goal is reached. Funds are often established when the donor wants funds invested for growth but ultimately available to be spent in full. These funds are sometimes treated as a subset of term endowments, but many institutions separate it for clarity.

#### **Board-Designated Endowment**

The Board may elect to designate non-endowed donor funds into two categories: Board Designated Quasi-Endowment or Board Designated Expendable Endowment.

Board Designated Quasi-Endowment funds are not donor-restricted. The Board of Trustees designates institutional funds to be treated as a True Endowment, meaning the corpus is generally retained and only earnings are spent. The Board retains the authority to "undesignate" the fund and spend the principal if needed.

Board Designated Expendable Endowment funds are tied to a donor restriction, but are invested and accrue a return on investment. Funds can be used at any time by LSSU for the purpose designated by the donor.

#### **Unrestricted Funds**

Any Unrestricted Funds held within the Endowment Portfolio may be utilized by the University for any purpose as proposed by the President and approved by the Board of

Trustees. Unrestricted funds are invested for income, but are not a beneficiary of the interest (these funds do not accrue interest).

#### **Underwater Endowment Fund**

An Underwater Fund has a Market Value, at the end of any calendar year, less than the sum of the historical gifts to the fund.

### **DEFINED ROLES AND RESPONSIBILITIES:**

#### **Board of Trustees**

The Board of Trustees is ultimately responsible for the University's investment portfolio. To implement this responsibility, the Board sets and approves the Investment and Spending Policies and delegates to the Finance and Development Committee of the Board the responsibility to monitor the implementation of and ongoing compliance with those policies. The Board is also responsible to hire, retain, or terminate the Investment Advisor.

#### **Finance and Development Committee**

The Committee provides oversight for implementing the Investment Policy. This responsibility includes approving investment strategies, hiring and firing investment managers, monitoring performance of the investment portfolios on a regular basis (not less than quarterly), maintaining sufficient knowledge about the portfolios and its managers so as to be reasonably assured of their compliance with the Investment Policy. The Committee will submit Performance Reports to the Board periodically, but no less than annually. In seeking to attain the investment objectives set forth in this statement, the Finance and Development Committee shall exercise prudence and appropriate care.

#### **University Management**

The Vice President of Finance (CFO) has responsibility for administration of the fund's investment portfolios and will consult with the Committee and/or the Board on all matters relating to the investment of the funds within the portfolios. The Vice President of Finance will serve as the primary contact for the Fund's Investment Advisor.

#### **Investment Advisor**

The Board may choose to hire an Investment Advisor. Investment advice concerning the management of investment assets will be offered by the Investment Advisor, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Advisor would include items such as assisting in the development and periodic review of the Investment policy and the asset allocation strategy, conducting investment manager searches when determined appropriate by the Investment Advisor and monitoring the performance of the investment manager(s) to provide University Management and/or the Committee with the ability to determine the progress toward the investment objectives. With respect to the investment manager review/monitoring process, the Investment Advisor will notify University Management as soon as practical, and include in their regular report, if an investment manager is removed from its qualified list of recommended managers. See Attachment B for Investment Advisor Responsibilities.

## Investment Managers

The Board will delegate the selection, purchase and sale of individual securities to qualified industry experts. Each individual investment manager will exercise discretion over assets in accordance with specified investment guidelines. Investment managers that utilize a separate account to manage University assets will adhere to specific investment manager guidelines established with the assistance of the Investment Advisor.

Investment managers that utilize a mutual fund, commingled trust fund or limited partnership structure will have discretion to manage the assets in accordance with policies and guidelines outlined in the respective mutual fund's prospectus, commingled fund's offering memorandum or limited partnership's private placement memorandum.

The investment managers shall communicate frequently and openly with the Investment Advisor on all matters of significance regarding changes in management organization/structure.

## III. Objectives

### **Operating Cash Investment Objectives:**

The following investment pools and objectives have been established for the University Operating Cash assets:

#### Short-Term Investment Pool

Assets intended to cover the investment of University funds that are required for daily liquidity and expenditures of one year or less. The primary objective of this pool is to provide for preservation of capital with a secondary emphasis of maximizing investment income without undue exposure to risk. Funds needed for expenditures in less than one year will be considered short-term.

#### Intermediate-Term Investment Pool

Assets intended to cover funds that are earmarked for use in the next one to three years. The primary objective of this pool is to preserve capital and maximize income without undue exposure to risk.

#### Long-Term Pool

Assets not needed within three years will be considered long-term. The primary objective of this pool is to provide for long-term growth of principal and income without undue exposure to risk.

### **Operating Cash Investment Policies:**

#### Diversification

To achieve the University's Operating Cash investment objective, the pools, in aggregate, will be allocated among a number of assets to ensure proper diversification. Investment diversification is important to limit risks that include return volatility and magnitude of potential losses. Equity investments will be diversified by market capitalization, style, industry and geographic region. Fixed income investments will be diversified by market sector, maturity, credit quality and issuer.

## Risk

Risk management of the investment program is focused on understanding both the investment and operational risks to which the University is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks, which the University is willing to accept.

## Rebalancing

LSSU intends to maintain the asset class allocations within the target ranges outlined below. Allocations will be reviewed quarterly and will generally be rebalanced if any asset class is outside its range.

### Asset Allocation

Based upon the underlying needs and circumstances for each pool of capital, the Board has determined the following asset allocation targets shown at right.

The Board will determine the appropriate size for each pool based on the University's operating environment, recommendations from University Management, and input from the Investment Advisor. Diversifying assets is intended to provide a risk and return profile between capital appreciation and capital preservation assets.

- Capital Appreciation Assets are meant to help grow the real value of the portfolio over time.
- Capital Preservation Assets are meant to lower the return volatility of the portfolio, provide diversification and stability, especially during periods of weak equity markets.

Short-Term Pool		
Asset Class	Target	
Government Money Market Fixed Income	100%	
Total Capital Preservation	100%	

Intermediate-Term Pool		
Asset Class	Target	
Short-Term Fixed Income	40%	
Intermediate Term Fixed Income	60%	
Total Capital Preservation	100%	

Long-Term Pool		
Asset Class	Target	
U.S. Large Cap Equity	5%	
Global Equity	10%	
Total Capital Appreciation	15%	
Intermediate Term Fixed Income	85%	
Total Capital Preservation	85%	

## Endowment Investment Objectives:

Deliberate management of the asset mix among classes of investments is both a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is a highly desirable objective. The Finance and Development Committee's general policy shall be to diversify investments within both equity and fixed income securities so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather, upon the broad nature of such investments and of the factors that may influence them.

In making asset allocation judgments, the Finance and Development Committee is not expected to seek to "time" subtle changes in financial markets, or to make frequent or minor adjustments. Instead, the Committee is expected to develop and adopt expressed guidelines for broad allocations on a long-term basis, in light of current and projected investment environments.

To ensure broad diversification in the long-term investment portfolios among the major categories of investments, the asset allocation, as a percent of the total market value of the total

long-term portfolio, will be set with the following target percentage and within the following ranges:

The following investment objectives have been established for the Endowment funds:

- Maintain the purchasing power of the Endowment while minimizing, to the greatest extent possible, the possibility of a significant loss of principal.
- Earn a rate of return that will allow for growth of the Endowment Fund corpus after the impact of inflation, administrative/investment expenses, and spending.
- Seek to maintain a sufficient degree of flexibility in order to meet unanticipated liquidity demands and respond to changing economic conditions.
- The total return shall exceed the Consumer Price Index plus 5.0%
- The total return shall exceed a target Balanced Index composed of: 20% of the S&P 500 Index, 15% of the Russell Mid Cap Index, 15% of the Russell 2000 Index, 20% of the MSCI EAFE (Morgan Stanley Capital International Europe, Asia, and Far East) Index, 5% Alerian MLP Index and 25% of the Barclays Capital Aggregate Bond Index.

**Equity and Real Assets Managers: Domestic and International**

- The total return for each active equity and real assets manager shall exceed the relevant equity benchmark: Domestic Large Cap – S&P 500 Index, Domestic Mid Cap, - Russell MidCap Index, Domestic Small Cap – Russell 2000 Index, Core International – MSCI AC World Index, Real Assets - Alerian MLP Index. Each passive manager shall approximate the total return of the relevant benchmark.
- Each active equity and real assets manager will be expected to rank above the median versus the appropriate Manager Universe.
- Each active equity and real assets manager will be expected to maintain a volatility (beta) no greater than 1.20 versus the relevant equity benchmark. Each passive equity manager will be expected to maintain volatility (beta) of approximately 1.00 versus the relevant equity benchmark.
- The risk-adjusted performance (alpha) for each active equity and real assets manager is expected to be positive. The risk adjusted performance (alpha) for each passive equity manager is expected to approximate 0% or better.

**Fixed Income Manager**

- The total return for core fixed income manager shall exceed the Barclays Capital Aggregate Bond Index.
- Each fixed income manager will be expected to rank above the median versus the appropriate Fixed Income Universe.

Performance shall be evaluated according to the following framework.

Short Term (less than three years) - adherence to the stated philosophy and style of management at the time the investment manager was retained by the Fund; and, continuity of personnel and practices at the firm.

Intermediate Term (between 3 and 5 years) - adherence to the stated philosophy and style of management at the time the investment manager was retained by the Fund; continuity of personnel and practices at the firm; and ability to meet or exceed the median performance of other investment managers who adhere to the same or similar investment style.

Long Term (rolling five-year periods) - adherence to the stated philosophy and style of management at the time the investment manager was retained by the Fund; continuity of personnel and practices at the firm; ability to meet or exceed the median performance of

other investment managers who adhere to the same or similar investment style; and, ability to outperform its respective target index.

## **Endowment Investment Policies:**

### **Time Horizon**

The Endowment Fund has a long-term investment horizon and can allocate assets accordingly. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Endowment Fund's investment performance. Due to the inevitability of short-term market fluctuation, the Finance and Development Committee intends that the following specific performance objectives will be achieved by the investment manager(s) over a 5-year moving period, net of investment management fees. Nonetheless, the Finance and Development Committee reserves the right to evaluate and make any necessary changes regarding the investment manager over a shorter term using the criteria established in the "Evaluation of Investment Managers" section of the statement.

### **Diversification**

To achieve its investment objective, the Endowment Portfolio funds will be allocated among a number of assets to ensure proper diversification. Investment diversification is important to limit risks that include return volatility and magnitude of potential losses. Equity investments will be diversified by market capitalization, style, industry and geographic region. Fixed income investments will be diversified by market sector, maturity, credit quality and issuer.

### **Risk**

Risk management of the investment program is focused on understanding both the investment and operational risks to which the University is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks, which the University is willing to accept.

### **Stock Donations**

In the case of stock donations, the general practice is to liquidate the stock shares into cash in a reasonably short time frame after being received. That being said, donor intent shall be respected when decisions are made related to the stock gift.

### **Rebalancing**

The Finance and Development Committee will monitor the asset allocation structure of the Endowment Portfolios and will attempt to stay within the ranges allowed for each asset class. If the portfolio becomes over-weighted or exceeds the range of percentage for that asset class, the Finance and Development Committee will develop a plan of action, either for immediate rebalancing of the portfolio or a rebalancing that will occur over the subsequent few months.

### **Asset Allocation**

Based upon the underlying needs and circumstances of the Endowment Fund, the Board has determined the following asset allocation targets, shown at right.

### **Sustainability**

LSSU is committed to promoting sustainable investments when selecting investments in the Endowment Portfolios. The Committee

<b>Type of Securities</b>	<b>Overall Fund</b>	
	<b>Target</b>	<b>Range</b>
Domestic Equity	50%	40% - 70%
Domestic Large Cap	20%	15% - 30%
Domestic Mid Cap	15%	10% - 20%
Domestic Small Cap	15%	10% - 20%
International	20%	15% - 25%
Fixed Income	25%	20% - 30%
Real Assets	5%	0% - 10%
Cash	0%	0% - 10%

understands that sustainability aligns with the University's core values and may consider sustainability when selecting investments. At the same time, maximizing the return on the Endowment Fund is the primary fiduciary responsibility.

## IV. Implementation Of Investment Policy

It is the intent to hire investment managers specializing in market segments to achieve the target asset allocation. Each manager is closely reviewed to ensure the investment process remains consistent and the organization remains stable. Any deviations of such qualitative factors will be brought to the Committee's attention by the Investment Advisor for further review. The University seeks to attain investment results over a full market cycle. LSSU understands that an investment manager's total return during any single measurement period may deviate from the long-term return objective. The individual manager's investment performance will be measured against the criteria presented in Attachment A.

It is expected within each asset class that actively managed investment strategies should match or exceed the passive index (net of fees) and should be above median against the appropriate peer group universe over a full market cycle. Passively managed strategies should closely track the performance of their relevant benchmarks.

### **Extraordinary Events:**

In the instance of an unusual intra-quarter event that may impact an investment, such as a key personnel departure, the Chief Financial Officer (or an officer appointed by the President) and Finance and Development Committee, in consultation with the Investment Advisor will discuss the materiality and urgency of the event. The preference is to address the situation at the next scheduled committee meeting or to convene a special meeting; however, if the fiduciary standard of prudence warrants immediate action and a special meeting is not feasible, an investment may be sold by the CFO. Any such action and rationale will be immediately communicated to the Finance and Development Committee. Proceeds from such a sale may be held in cash; an index fund; or redeployed among existing managers.

## V. Guidelines And Restrictions

### **General:**

The guidelines stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Fund. Although the Committee cannot dictate policy to a pooled/ mutual fund investment manager it is the Committee's intent to select and retain only pooled/ mutual funds with policies that are consistent with that of the Investment Policy. All investment managers (pooled/mutual or separate) are expected to achieve all performance objectives and other subjective criteria.

### **Each investment manager shall:**

- a. Have full investment discretion regarding security selection consistent with this Investment Policy and is expected to maintain a fully invested portfolio (5% or less in cash);
- b. Immediately notify the Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel;
- c. Make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of the company or invest with the intent of controlling management;
- d. Not invest in non-marketable securities;
- e. With the exception of international managers, not invest in non-dollar denominated securities;

and

- f. In the case of international managers, maintain appropriate diversification with respect to currency and country exposure.
- g. If possible, the dollar amount to be withdrawn from each account will be specified by the Committee prior to the beginning of each fiscal year. The Committee will communicate to the investment managers during the year of the upcoming cash flow needs.

### **Alternative Investments:**

All types of alternative investments, including but not limited to, venture capital, private equity, limited partnerships and hedged funds, are expressly prohibited unless approved by the Committee in writing. If approved, any investment manager will be bound by the same "Manager Performance Objectives" stated above as well as all other relevant portions of this document, the Investment Policy and addenda there to.

The guidelines are provided below for each of these types of alternative investments.

### **Hedge Fund of Funds:**

All investments in hedge funds will be made through a fund of funds. Investments in hedge funds may be used to diversify the Fund and enhance total return. It is understood that hedge funds have limited liquidity (typically annual redemption) and are private partnerships with high variability of returns.

The Committee shall consider certain criteria including, but not limited to, the following in its evaluation of a fund (or a fund of funds):

- a. Tenure and track record of management as a team;
- b. Expertise in targeted areas of investment;
- c. Diversification relative to other investments;
- d. Use of leverage;
- e. Liquidity of investments;
- f. General Partner investment, fees and potential conflicts of interest.

### **PROXY VOTING:**

The voting of proxies shall be handled by the Investment Manager in a manner that is consistent with the goals and objectives of LSSU.

## **VI. Monitoring And Reporting**

### **CUSTODIAN**

The custodian is an integral part of managing and overseeing the Fund. Open communications with the Committee, its investment managers and Investment Advisor will ensure accurate and timely reporting, and may provide early detection of any unexpected compliance or reporting problems.

#### **The custodian shall:**

- a. Provide monthly transaction reports no later than the tenth business day following month end, and monthly asset reports no later than the tenth business day following month end.
- b. Provide the Committee its investment managers and Investment Advisor special reports as reasonably requested; and
- c. Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in trustee personnel or procedures.

## VII. Acknowledgement

We recognize the importance of adhering to the mission and strategies detailed in this document and agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission and if at any time we wish to discuss improvements to this document they are welcome and should be referred through the Committee or its Investment Advisor.

---

**Acknowledged on behalf of  
Lake Superior State University**

**Date**

**Attachment A**  
**Investment Manager Requirements**

**Investment Manager Requirements**

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable of the market environment in which investment decisions must be made. Therefore, it is the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, which determines whether an appropriate standard of reasonableness, care and prudence has been met for the Endowment's investments.

Although there are no strict guidelines that will be utilized in selecting investment managers, the Finance and Development Committee will consider the length of time the firm has been in existence, its track record, assets under management, and the amount of assets the University already has invested with the firm.

The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Endowment. Although the Finance and Development Committee cannot dictate policy to pooled/mutual fund investment managers, the Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this policy statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives.

Unless prior written approval is obtained from the Finance and Development Committee to the contrary:

1. Each investment manager must satisfy the performance objectives and asset allocation guidelines.
2. Each investment manager shall have the full investment discretion with regard to market timing and security selection, consistent with this Investment Policy Statement.
3. The investment manager shall be evaluated on a quarterly basis and should be prepared to meet with the Finance and Development Committee at least annually.
4. Each investment manager shall handle the voting of proxies and tendering of shares in a manner that is in the best interest of the Endowment and consistent with the investment objectives contained herein.
5. The investment managers shall not utilize derivative securities to increase the actual or potential risk posture of the portfolio. Subject to other provisions in this Investment Policy Statement, the use of primary derivatives, including, but not limited to, Structured Notes, lower class tranches of Collateralized Mortgage Obligations (CMOs), Principal Only (PO) or Interest Only (IO) Strips, Inverse Floating Securities, Futures Contract, options, short sales, margin trading and such other specialized investment activity is prohibited.

Moreover, the investment managers are precluded from using derivatives to effect a leveraged portfolio structure (if options and futures are specifically approved by the

Finance and Development Committee, such positions must be offset in their entirety by corresponding cash or securities).

The Committee must explicitly authorize the use of such derivative instruments, and shall consider certain criteria including, but not limited to, the following:

- a) Manager's proven expertise in such category,
- b) Value added by engaging in derivatives,
- c) Liquidity of instruments,
- d) Actively traded by major exchanges (or for over-the-counter positions, executed with major dealers), and
- e) Manager's internal procedures to evaluate derivatives, such as scenario and volatility analysis and duration constraints.

6. The equity and fixed income investment managers shall not invest in non-marketable securities.
7. Each equity and fixed income investment manager must assure that no position of any one issuer shall exceed 8% of the manager's portfolio at market value, with the exception of securities issued by the U.S. government and its agencies.
8. Each fixed income manager must maintain a duration within + 25% of the Barclay's Capital Aggregate Bond Index.
9. Each fixed income portfolio must have an overall weighted average credit rating of "A" or better by Moody's and Standard & Poor's rating services. In addition, there shall be no bond investments rated below "B".
10. The equity and fixed income investment managers shall not effect a purchase, which would cause a position in the portfolio to exceed 5% of the issue outstanding at market value.

### **Evaluation Of Investment Managers**

The investment managers will be reviewed on an ongoing basis and evaluated upon the following additional criteria:

1. Ability to meet or exceed the performance objectives and comply with the investment manager requirements stated in the Investment Policy Statement.
2. Adherence to the philosophy and style that were articulated to the Finance and Development Committee at, or subsequent to, the time the investment manager was retained.
3. Continuity of personnel and practices at the firm.

Each investment manager shall immediately notify the Finance and Development Committee in writing of any material changes in its investment outlook, strategy, portfolio structure, ownership, or senior personnel.

## **Attachment B** **Advisor Responsibilities**

The Investment Advisor is responsible for assisting the Finance and Development Committee in all aspects of managing and overseeing the Endowment portfolios. The Advisor is the primary source of investment education and investment manager information.

On an ongoing basis the Advisor will:

- 1) Provide the Finance and Development Committee with quarterly performance reports within 30-45 days following the end of the quarter;
- 2) Meet with the Finance and Development Committee as needed;
- 3) Provide the Finance and Development Committee with an annual review of this Investment Policy Statement, including an assessment of the Endowment's current asset allocation, spending policy, and investment objectives; and
- 4) Supply the Finance and Development Committee with other reports or information as reasonably requested.

## **Appendix D**

### Draft Investment Spending Policy

This policy establishes guidelines for the appropriation and spending of endowment, endowment-like, and generally invested funds of the University. The policy differentiates among fund types to ensure compliance with donor intent, applicable law (including UPMIFA), and sound financial stewardship, while providing predictable support for University programs.

#### **Spending Rate:**

Endowment fund distributions shall be at an annual rate of five percent (5%) based upon a twelve-quarter moving average market value of the fund's value at the beginning of each quarter. The spending rate shall include a portion that is designated to underwrite the institutional costs. This portion shall be the first 0.75% of the approved endowment spend rate each year. All earnings in excess of distributions shall be reinvested in the corpus of the fund unless a state of excess growth exists, as defined below.

#### *Allocation of Excess Growth*

To the extent the average annual growth rate of the twelve-quarter rolling average of the Endowments exceeds 10%, the Board may authorize the allocation of all or a portion of such excess growth for support of University operations, subject to donor restrictions applicable to individual endowment funds.

If the market value of any individual endowment is underwater, distributions with respect to that endowment shall be limited to current yield (such as interest, dividends, and rent).

The Board may approve additional draws to support institutional strategic initiatives, while preserving the long-term purchasing power of the endowment, and complying with donor intent and applicable laws.

#### **Appropriation Process:**

Annual appropriation of funds approved by the Board are overseen by the Finance and Development Committee, consistent with this policy and the University's Investment Policy.

#### **Spending by Fund Type:**

- *True Endowment Funds*

Spending is limited to amounts appropriated for expenditure under UPMIFA. Appropriations shall consider the prudence factors required by UPMIFA, including preservation of the fund. If a true endowment fund is underwater (fair market value below historic dollar value), distributions with respect to that endowment shall be limited to current yield (such as interest, dividends, and rent).

The purpose of each fund must be honored in accordance with donor restrictions.

- *Donor-Restricted Expendable Funds*

Both principal and earnings (if any) may be expended, provided expenditures comply with donor-imposed purpose restrictions. These funds are not subject to endowment corpus preservation requirements. Spending may occur as needed to fulfill the donor's intent and institutional priorities.

- *Donor-Restricted Expendable Endowment Funds*

These funds shall generally follow the same spending methodology as true endowments during the period they are invested as endowment. Spending rates may be applied annually, subject to donor terms and board approval. Upon satisfaction of the donor's time or purpose restriction, remaining balances may be expended in accordance with donor intent.

- *Board Designated Quasi-Endowment Funds*

Spending shall follow the same target spending rate and methodology as true endowments, unless otherwise approved by the Board of Trustees. The Board may authorize spending of principal, reduce or suspend spending, or redesignate the fund, as institutional needs require.

Board Designated Quasi-endowment funds are not subject to donor-imposed perpetuity restrictions.

- *Board Designated Expendable Endowment Funds*

Expenditures are not limited by the spending rates, but expenditures must be made in accordance with donor restriction. Expenditures do not require prior Board approval.

- *Unrestricted Funds*

Spending is not limited by this policy. When invested with endowment assets, unrestricted funds shall not be represented as endowment and may be withdrawn as needed to meet operating requirements.

**Prudence and Compliance:**

All endowment appropriations shall be made in a manner consistent with:

- UPMIFA and other applicable laws;
- Donor intent and fund-specific restrictions;
- The University's investment policy and financial objectives.

**Reporting and Oversight:**

Endowment spending and market values shall be reported at least annually to the Board of Trustees. Fund balances and classifications shall be reviewed periodically to ensure proper accounting and compliance. Material deviations from this policy require Board approval.

**Policy Review:**

The Finance and Development Committee shall periodically review the spending policy against actual returns and may propose changes in the spending policy to the Board as appropriate to preserve the purchasing power of the endowment.