Ferris State University

FERRIS FORWARD

Financial report, year ended June 30, 2022

Audited Financial Statements
and Other Supplementary Information

Ferris State University

Years Ended June 30, 2022 and 2021
with Report of Independent Auditors

CPAs & ADVISORS
ANDREWS HOOPER PAVLIK PLC

Ferris State University

Ferris State University

Audited Financial Statements
and Other Supplementary Information

Years ended June 30, 2022 and 2021

Contents

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Report of Independent Auditors

Board of Trustees
Ferris State University
Big Rapids, Michigan

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Ferris State University, a component unit of the State of Michigan, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Ferris State 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 financial position of Ferris State University, as of June 30, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Ferris State University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2022, on our consideration of Ferris State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ferris State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ferris State University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Grand Rapids, Michigan
October 4, 2022

The following discussion and analysis of Ferris State University's (the "University") financial statements provides an overview of the University's financial activities for the year ended June 30, 2022 with selected comparative information as of and for the years ended June 30, 2021 and 2020. The University includes the Ferris Foundation (audited financial statements can be found at www.ferris.edu/giving/ferris-foundation/policies.htm) as well as all site locations, including the main campus in Big Rapids, Kendall College of Art and Design, Urban Institute of Contemporary Art, and numerous sites across the State. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

This annual financial report includes the report of independent auditors, the management's discussion and analysis, the financial statements, including the notes to the financial statements, required supplementary information, and other supplementary information. The financial statements included in this report are the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) accounting principles, which establish standards for public colleges and universities.

COVID-19 and HEERF

The University has been allocated $26.4 million of Higher Education Emergency Relief Funds (HEERF) as of June 30, 2021, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (also known as HEERF I) and the Coronavirus Response and Relief Supplemental Appropriations Act (HEERF II). In July 2021, the University was allocated an additional $29.8 million of HEERF under the American Rescue Plan (HEERF III). Collectively, the three grants are referred to as HEERF. In addition, the State of Michigan allocated $6.2 million from the federal Coronavirus Relief Funds (CRF) awarded to the State under the CARES Act to the University in 2021. In 2022 the funds have all been received, allocated, and closed. HEERF funds have been applied in the categories below:

	HEERF I	HEERF II	HEERF III	Total
Higher Education Emergency Relief Funding	$ 4,573,407	$ 4,573,407	$14,442,305	$ 23,589,119
Institutional Relief Funding	4,573,406	11,596,266	14,071,730	30,241,402
Title III Strengthening the Institutions Relief Funding	453,972	682,086	1,254,338	2,390,396
	$ 9,600,785	$16,851,759	$29,768,373	$ 56,220,917

Financial Highlights

The University's operating revenues increased by $0.6 million and operating expenses increased $7.2 million during the fiscal year ended June 30, 2022. The University's total assets grew $2.6 million to $623.0 million at year end. The University revitalized the investment in the physical properties as of July 1, 2021 and capital assets increased $11.4 million to $336.2 million net of depreciation for the fiscal year ended June 30, 2022.

Operating revenues increased $0.6 million or 0.4 percent compared to prior year. Operating expenses increased $7.2 million or 3.3 percent compared to prior year. The current year operating expenses include ($5.3) million of multi-employer pension plan and ($9.9) million of other post employment benefits (OPEB) reporting. The total of all other expenditures increased 6.6 percent. Investment losses for the University and the Foundation were $11.8 million and $3.8 million, respectively. This reflects investment returns of (8.6) percent on the University's portfolio and (2.7) percent on the Foundation's portfolio.

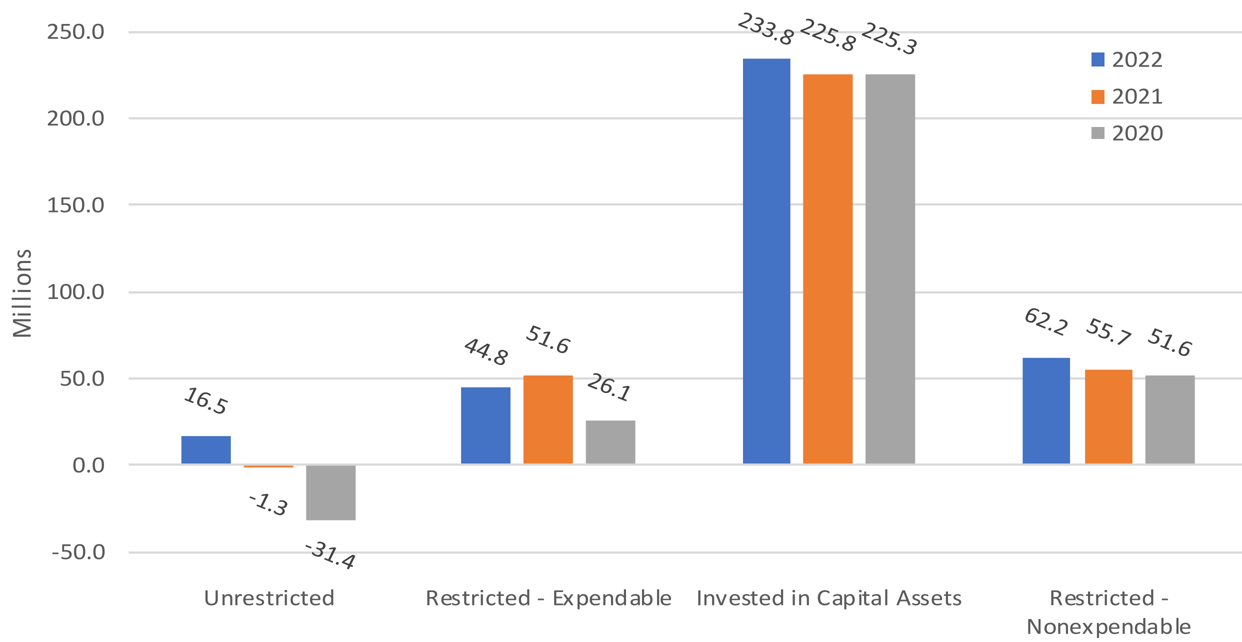
The largest component of operating revenues is tuition and fees, net of scholarships. Tuition and fees revenue decreased $6.8 million resulting from a decrease in enrollment totaling $10.4 million and a reduction of tuition discounts totaling $1.0 million, partially offset by a 3.4 percent increase in the undergraduate tuition rate generating $2.6 million.

Operating expenses increased by $7.2 million. Multi-employer pension and OPEB expense decreased $15.2 million due to a change in the University's proportionate share of the net pension and OPEB liability and pension and OPEB system investment returns. All other operating expenses increased $22.4 million. The functional areas with the largest increase in operating expenditures were student aid of $7.6 million, auxiliary enterprises of $3.5 million, and student services of $2.7 million offset by a decrease in instruction of $5.1 million

For the year ended June 30, 2021, the University's operating revenues decreased by $17.3 million. The University's total assets grew $35.5 million to $620.4 million at year end. The University maintained minimal investments in the physical properties through June 30, 2021 and as a result, operations and maintenance expenditures totaled $16.8 million and capital assets increased $4.7 million to $566.6 million before depreciation for the fiscal year ending June 30, 2021. Operating expenses decreased by $26.8 million. Multi-employer pension and OPEB expense decreased $8.0 million due to a change in the University's proportionate share of the net pension and OPEB liability and pension and OPEB system investment returns. All other operating expenses increased $18.8 million. The functional areas with the largest decrease in operating expenditures were instruction of $15.1 million, auxiliary enterprises of $5.5 million, and institutional support of $4.2 million. Investment gains for the University and the Ferris Foundation (Foundation) were $13.7 million and $30.7 million, respectively. This reflects investment returns of 12.1 percent on the University's portfolio and 26.2 percent on the Foundation's portfolio.

Financial Highlights (continued)

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



The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position

The statements of net position and the statements of revenues, expenses, and changes in net position report information on the University as a whole. When revenue and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenue and expenses may be thought of as Ferris State University's operating results.

These two statements report the University's net position and net position changes. Net position is the difference between assets plus deferred outflow of resources and liabilities plus deferred inflows of resources, which is one way to measure the University's financial health, or financial position. Many other nonfinancial factors, such as the trend in student applications, student retention, condition of the facilities, and strength of the educational offerings, also need to be considered to assess the overall health of the University.

These financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net Position

Total net position increased by $25.5 million to $357.3 million. Unrestricted net position increased by $17.8 million to $16.5 million. This total is comprised of ($100.3) million net unfunded pension liability; $4.0 million net unfunded OPEB liability; $83.3 million identified for departmental use, maintenance and replacement of facilities, debit service, and Foundation endowments; and $29.5 million unrestricted and undesignated. The unrestricted and undesignated amount is comprised of $1.9 million for self-supporting departments, student loan, and auxiliary activities, and $27.6 million for maintenance and construction projects on campus. The unrestricted in capital assets increased by $8.0 million to $233.8 million and restricted-non expendable increased $6.5 million to $62.2 million. These increases were offset by a decrease in restricted-expendable of $6.8 million to $44.8 million.

For the year ended June 30, 2021, total net position increased by $60.2 million to $331.8 million. Unrestricted net position increased by $30.1 million to ($1.3) million. This total is comprised of ($107.5) million net unfunded pension liability; ($5.9) million net unfunded OPEB liability; $76.1 million identified for departmental use, maintenance and replacement of facilities, debt service, and Foundation endowments; and $36.0 million unrestricted and undesignated. The unrestricted and undesignated amount is comprised of $23.9 million for self-supporting departmental, student loan, and auxiliary activities, and $12.1 million for maintenance and construction projects on campus. Restricted - expendable increased by $25.5 million to $51.6 million.

Net Position (continued)

The following is a comparison of the major components of the net position of the University for the years ended June 30:

	(in millions) 2022	2021	2020
Assets			
Current assets	$ 101.8	$ 101.1	$ 101.0
Noncurrent assets:			
Capital assets - Net of depreciation	336.2	324.8	330.4
Other	185.0	194.5	153.5
Total assets	**623.0**	**620.4**	**584.9**
Deferred Outflows of Resources			
Net pension liability	19.3	5.6	4.7
Net OPEB liability	1.0	1.2	1.5
Refunding of debt	3.1	3.3	3.3
Total deferred outflows of resources	**23.4**	**10.1**	**9.5**
Liabilities			
Current liabilities	49.1	45.5	46.9
Long-term liabilities	207.9	251.1	271.7
Total liabilities	**257.0**	**296.6**	**318.6**
Deferred Inflows of Resources			
Net pension liability	28.1	1.9	2.8
Net OPEB liability	4.0	0.2	1.4
Total deferred inflows of resources	**32.1**	**2.1**	**4.2**
Net Position			
Invested in capital assets	233.8	225.8	225.3
Restricted - Expendable	44.8	51.6	26.1
Restricted - Nonexpendable	62.2	55.7	51.6
Unrestricted	16.5	(1.3)	(31.4)
Total net position	**$ 357.3**	**$ 331.8**	**$ 271.6**

Operating Results

The following page is a comparison of the operating results of the University for the years ended June 30:

Operating Results (continued)

	(in millions)		
	2022	2021	2020
Operating Revenues			
Tuition and fees - Net	$ 103.8	$ 110.6	$ 116.0
Grants and contracts	6.7	5.3	4.5
Departmental activities	10.0	7.7	10.1
Auxiliary activities - Net	22.8	19.1	28.9
Other operating revenues	0.3	0.3	0.8
Total operating revenues	143.6	143.0	160.3
Operating Expenses			
Instruction	78.7	83.8	98.9
Research	1.9	0.9	0.4
Public service	2.6	2.5	4.5
Academic support	22.0	23.8	25.9
Student services	18.8	16.1	18.8
Institutional support	24.7	26.0	30.2
Operation and maintenance of plant	17.3	16.8	16.1
Depreciation	11.0	11.1	11.4
Student aid	33.3	25.7	21.8
Auxiliary enterprises	18.0	14.5	20.0
Other expenses	0.2	0.1	0.1
Total operating expenses	228.5	221.3	248.1
Operating Loss	(84.9)	(78.3)	(87.8)
Nonoperating Revenues (Expenses)			
State appropriations	61.4	56.9	50.7
Federal appropriations	-	0.1	-
Federal Pell Grants	16.3	17.1	19.7
HEERF Funds	41.4	10.2	4.2
CARES Act Coronavirus Relief Funds	-	6.2	-
Gifts	6.7	5.9	7.1
In-kind contributions	0.7	-	-
Investment gain (loss)	(15.6)	44.4	4.2
Interest on capital assets - Related debt	(4.2)	(4.3)	(4.4)
Total nonoperating revenues (expenses)	106.7	136.5	81.5
Income/(Loss) - Before other revenues	21.8	58.2	(6.3)
Other Revenues			
State capital appropriations	-	-	0.6
Additions to permanent endowments	3.7	2.0	1.7
Total other revenues	3.7	2.0	2.3
Increase (Decrease) in Net Position	25.5	60.2	(4.0)
Net Position - Beginning of year	331.8	271.6	275.6
Net Position - End of year	**$ 357.3**	**$ 331.8**	**$ 271.6**

Operating Revenues

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

The following major factors significantly impacted operating revenue during the year ended June 30, 2022:

- Student tuition and fees revenue decreased $6.8 million due to the net effect of the following: a decrease in enrollment totaling $10.4 million, reduction of tuition discounts totaling $1.0 million, partially offset by a 3.4 percent increase in the undergraduate tuition rate generating $2.6 million.

- Auxiliary enterprises operating revenue increased by $3.7 million. Housing and dining revenues before eliminations increased $2.6 million and other auxiliary operations increased by $1.1 million

For the year ended June 30, 2021, the significant operating revenue factors were as follows:

- Student tuition and fees revenue decreased $5.4 million due to the net effect of the following: a decrease in enrollment totaling $11.6 million, reduction of tuition discounts totaling $2.8 million, partially offset by a 2.8 percent increase in the undergraduate tuition rate generating $3.4 million.

- Auxiliary enterprises operating revenue decreased by $9.8 million. Housing and dining revenues before eliminations decreased $12.6 million offset by a reduction of room and board discounts totaling $2.8 million.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) are all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, Federal Pell Grants, HEERF and CRF funds, gifts, and investment gain (loss), (including realized and unrealized gains and losses). Also included in this category is interest on capital debt.

Nonoperating revenues (expenses) was significantly impacted by the following factors during the year ended June 30, 2022:

- The State appropriation of $61.4 million is an increase of $4.5 million from the 2021 level.

- Investment gain (loss) decreased by $60.0 million from $44.4 million in gain 2021 to $15.6 million loss in 2022. The $15.6 million investment loss includes $9.6 million realized gains and $25.2 million of unrealized loss.

Nonoperating Revenues (Expenses) (continued)

- Pell Grants decreased $0.8 million from $17.1 million in 2021 to $16.3 million in 2022.

- HEERF grants were $41.4 million in 2022 and $10.2 million in 2021. CRF revenue was $6.2 million in 2021 compared to zero in 2022.

- Gift and in-kind contributions income increased by $5.0 million from $5.9 million in 2021 to $7.4 million in 2022. This includes new pledges receivable.

For the year ended June 30, 2021, significant nonoperating revenues (expenses) factors were as follows:

- The State appropriation of $56.9 million is an increase of $6.2 million from the 2020 level.

- Investment gain increased by $40.2 million from $4.2 million in 2020 to $44.4 million in 2021. The $44.4 million investment gain is comprised of $9.3 million realized gains and $35.1 million of unrealized gains.

- Pell Grants decreased $2.6 million from $19.7 million in 2020 to $17.1 million in 2021.

- HEERF grants were $10.2 million in 2021 and $4.2 million in 2020. CRF revenue was $6.2 in 2021 compared to zero in 2020.

- Gift income decreased by $1.2 million from $7.1 million in 2020 to $5.9 million in 2021. This includes new pledges receivable.

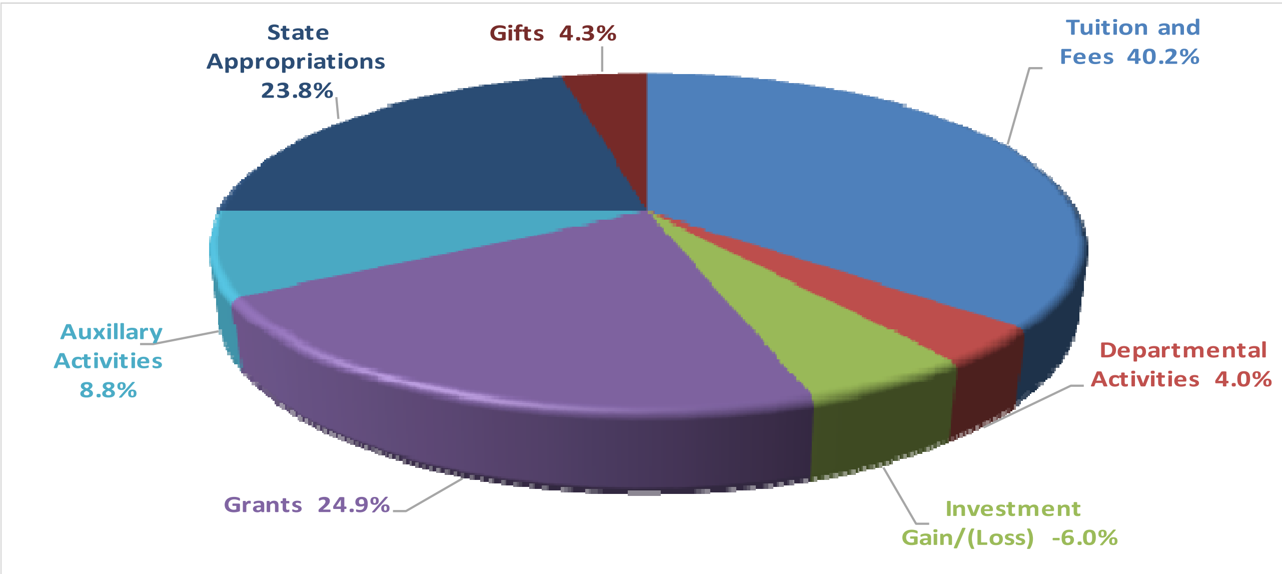
Other Revenues

Other revenues consists of items that are typically nonrecurring, extraordinary, or unusual to the University. Examples include state capital appropriations, additions to permanent endowments, and transfers from related entities. Other revenue changes were the result of the following factors:

- Other revenues include changes to permanent endowments of the Ferris Foundation. These revenues increased by $0.3 million from $1.7 million in 2020 to $2.0 million in 2021, and then increased by $1.7 million to $3.7 million in 2022.

Total Revenues

The following is a graphic illustration of total revenues by source for June 30, 2022:



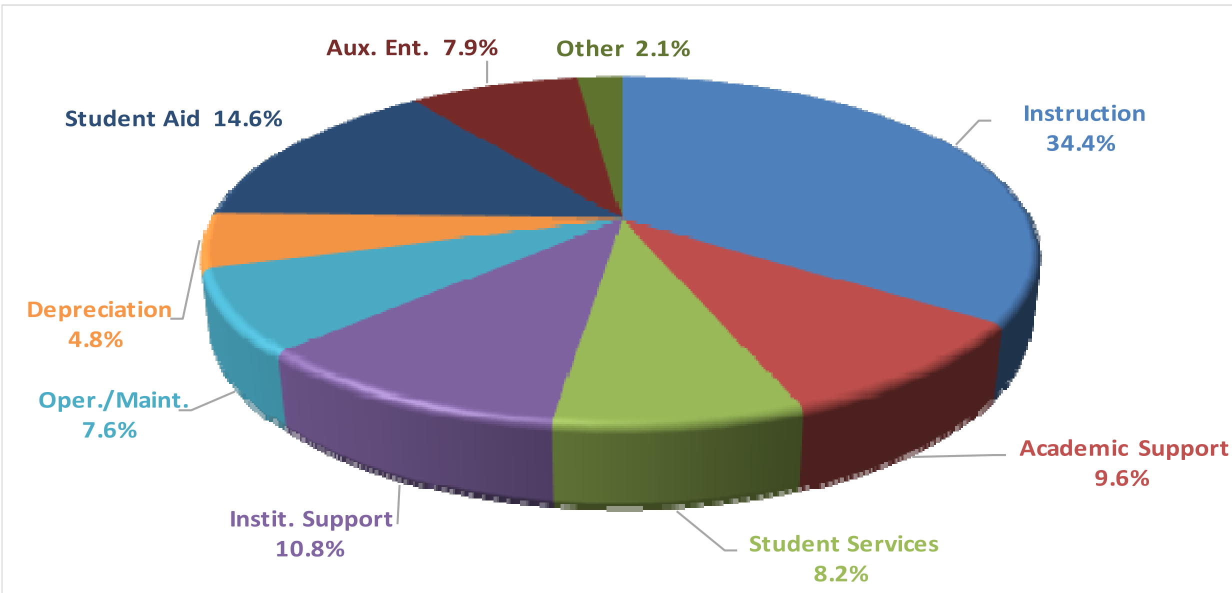
Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the University. These expenses increased by $7.2 million from 2021 levels to $228.5 million. Instruction, student services, and student aid represent $130.8 million, or 57.2 percent, of the total. Operations and maintenance of plant and depreciation total $28.3 million, or 12.4 percent, and auxiliary enterprises total $18.0 million, or 7.9 percent. Academic support, institutional support, and other small categories comprise the remainder of the operating expenses.

During the 2021 fiscal year, expenses decreased by $26.8 million from 2020 levels to $221.3 million. Instruction, student services, and student aid represent $125.6 million, or 56.8 percent, of the total. Operations and maintenance of plant and depreciation total $27.9 million, or 12.6 percent, and auxiliary enterprises total $14.5 million, or 6.6 percent. Academic support, institutional support, and other small categories comprise the remainder of the operating expenses.

Operating Expenses (continued)

The following is a graphic illustration of operating expenses by function for June 30, 2022:



Statement of Cash Flows

Another way to assess the financial health of the University is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess an entity's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Needs for external financing

Cash Flows for the Year Ended June 30 (in millions)

	2022	2021	2020
Net Cash:			
Operating activities	$ (102.0)	$ (78.1)	$ (72.9)
Noncapital financing activities	143.5	93.0	91.3
Capital and related financing activities	(33.1)	(21.9)	9.6
Investing activities	2.1	(2.2)	8.1
Net Change in Cash and Cash Equivalents	10.5	(9.2)	36.1
Cash and Cash Equivalents - Beginning of year	51.9	61.1	25.0
Cash and Cash Equivalents - End of year	**$ 62.4**	**$ 51.9**	**$ 61.1**

Statement of Cash Flows (continued)

Major sources of funds from operations came from student tuition and fees, along with residential life and other auxiliary activities. These sources were offset by expenditures for operations such as payments to employees and suppliers and loans issued to students. The net total of cash used in operations increased by $23.9 million from $78.1 million in 2021 to $102.0 million in 2022.

State appropriations, gifts, and grants received during the current year provide noncapital financing sources. The net cash generated in this area increased by $50.5 million from $93.0 million in 2021 to $143.5 million in 2022.

Cash used in capital and related financing activities totaled $33.1 million, used primarily for capital assets acquired during the year and construction projects of $22.6 million, and debt and interest payments of $10.8 million.

Cash received in investing activities totaled $2.1 million. This is the amount of cash received for the sale of investments in excess of cash used for the purchase of investments.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the University had $336.2 million invested in capital assets, net of accumulated depreciation of $250.8 million.

Details of these assets at June 30 are shown below (in millions):

	2022	2021	2020
Land, land improvements, and infrastructure	$ 32.0	$ 32.1	$ 32.0
Buildings and improvements	439.9	441.7	441.6
Furniture, fixtures, and equipment	87.9	87.0	86.5
Construction in progress	27.2	5.8	1.8
Total	**$ 587.0**	**$ 566.6**	**$ 561.9**

There was an increase in investment of capital assets during fiscal year 2022. Many projects that were put on hold during the COVID-19 pandemic were revitalized and the majority of those are reflected in construction in progress at year end.

Expenditures totaling $27.2 million for the following projects; KCAD HVACR Project, Center for Virtual Learning, Center for Athletic Performance, West/IT Building Replacement Space, TAG/VAN Dorm Renovations and other small projects were included in construction in progress at June 30, 2022.

Capital Assets and Debt Administration (continued)

Debt Administration

At year end, the University had $102.8 million in debt outstanding compared to $108.7 million at 2021 and $110.9 million at 2020.

Economic Factors Affecting the Future

As our country and our state continue their recovery from the economic dynamics of the COVID-19 pandemic, various financial impacts maintain their grip and subsequent ripple effects on our economy and our University. Macro-economic factors including inflation, increasing CPI, increasing lending rates, monetary tightening, geopolitical risks, equities under pressure, and fuel prices are raising the overall costs of goods and services. While supply chains continue their recovery, challenges linger in various situations creating fragility and unpredictability which can generate complexities in managing costs and availability of goods and services.

Michigan higher education institutions, along with business, industry, and communities are continuing to make progress to return to pre-COVID human interactions and engagement. A harbinger of pending headway is the fact that first-time freshman enrollment in Fall 2022 increased by 339 students (20%) compared to 2021. Consequently, these increases were offset by lower returning and transfer students. Ferris remains committed to building a plan to ensure that we are able to best support our continuing students and their success.

Before COVID-19, higher education in the State of Michigan was suffering from the sharp decline in the number of high school graduates. This decrease began in 2009 and is projected to continue through most of the next decade, resulting in significant competition for graduating high school students. This decrease in high school graduates, due to the State's declining birthrate, is a growing challenge for higher education and for business and industry looking for the type of skilled talent needed to fuel economic growth. As the pandemic continues to subside, we are starting to see an increase in first time freshman, but we are not seeing an increase in returning college students who stopped attending due to COVID-19. Finding ways to attract these non-traditional students is one of many keys to increasing enrollment.

At Ferris State University, the Tuition Incentive Program (TIP) in significantly important to enrollment. With the state budget being in flux, TIP funding is a top legislative priority for the University. This program is radically important in helping students escape the cycles of economic poverty and is vital for our students and their futures. Ferris State University has proven that this program can change the lives of students by helping to prepare them for high-paying careers and to continue their growth as productive citizens. Our TIP students graduate with work-ready degrees in careers and industries that are desperately seeking highly skilled employees. Michigan needs our graduates and we continue to be committed to this mission.

Economic Factors Affecting the Future (continued)

The Ferris Foundation Endowment continues to expand and currently exceeds $117 million (as of July 31, 2022). This has been an exciting and successful campaign which has surpassed the initial goals and expectations. These assets are dedicated to supporting students and the educational mission of the University. The impact of these sources of revenue continue to position the University positively for recruitment, retention, state funding, degree affordability, and hence, steady finances.

As Ferris continues to look forward, the University's career-oriented focus with educational offerings will continue to attract students and align with the state's priorities and performance-based funding metrics. Ferris has a strong, competitive position with a focus on much needed and unique career-driven degrees, continued partnerships with community colleges across the state, dual and concurrent agreements with high schools across the state, and online education. While we are in a good position, there is more work that needs to be done. We must continue to align state and University resources to promote the distinctive and effective programs of this University, continue investment in new programs in high demand areas, and provide short-term certificates and opportunities for adult learners to retrain for employment. Ferris remains steadfast in this pursuit of our educational mission, needs of industry, and support of students.

Ferris State University

Statements of Net Position

	June 30	
	2022	**2021**
Assets		
Current assets:		
Cash and cash equivalents	**$ 8,025,228**	$ 28,726,483
Short-term investments	**68,537,063**	47,233,601
Accounts receivable, net	**23,267,575**	23,699,985
Inventories	**982,564**	845,400
Prepaid expenses and other assets	**943,742**	564,138
Total current assets	**101,756,172**	101,069,607
Noncurrent assets:		
Restricted cash and cash equivalents	**54,352,468**	23,155,152
Endowment investments	**111,587,372**	117,293,244
Other long-term investments	**9,744,015**	42,974,509
Student loan receivable, net	**9,209,922**	11,153,444
Other noncurrent assets	**104,441**	23,077
Capital assets, net	**336,240,726**	324,757,520
Total noncurrent assets	**521,238,944**	519,356,946
Total assets	**622,995,116**	620,426,553
Deferred outflows of resources		
Net pension liability	**19,306,539**	5,563,433
Net OPEB liability	**985,347**	1,194,499
Refunding of debt	**3,076,916**	3,318,768
Total deferred outflows of resources	**23,368,802**	10,076,700
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	**32,918,811**	29,974,761
Unearned revenue	**7,936,253**	7,532,539
Long-term liabilities, current portion	**8,215,400**	8,002,688
Total current liabilities	**49,070,464**	45,509,988
Noncurrent liabilities:		
Deposits	**484,050**	527,256
Federal student loan payable	**4,875,735**	6,901,006
Long-term liabilities	**118,058,442**	125,635,028
Net pension liability	**91,480,811**	111,194,455
Net OPEB liability	**(7,019,272)**	6,888,809
Total noncurrent liabilities	**207,879,766**	251,146,554
Total liabilities	**256,950,230**	296,656,542
Deferred inflows of resources		
Net pension liability	**28,142,909**	1,907,884
Net OPEB liability	**4,015,552**	187,816
Total deferred inflows of resources	**32,158,461**	2,095,700
Net position		
Net investment in capital assets	**233,795,020**	225,814,641
Restricted for:		
Nonexpendable		
Scholarships	**62,214,623**	55,715,098
Expendable		
Scholarships	**25,096,241**	28,828,161
Research	**94,360**	172,242
Instructional department uses	**5,837,816**	6,721,582
Loans	**8,260,285**	8,521,205
Capital projects	**-**	200
Other	**5,519,852**	7,282,124
Unrestricted deficit	**16,437,030**	(1,304,242)
Total net position	**$ 357,255,227**	$ 331,751,011

See accompanying notes.

Ferris State University

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2022	**2021**
Operating revenues		
Tuition and fees, net of scholarship allowance of $29,787,727 for 2022 and $30,760,071 for 2021	**$ 103,757,239**	$ 110,577,225
Federal grants and contracts	**4,621,639**	4,001,948
State and local grants and contracts, net of refunds	**1,437,241**	532,914
Nongovernmental grants	**593,520**	795,885
Departmental activities	**10,021,374**	7,713,816
Auxiliary enterprises, net of scholarship allowances of $5,180,809 for 2022 and $4,529,879 for 2021	**22,791,411**	19,092,184
Other operating revenues	**327,555**	328,056
Total operating revenues	**143,549,979**	143,042,028
Operating expenses		
Instruction	**78,666,660**	83,845,256
Research	**1,928,378**	852,372
Public service	**2,618,171**	2,539,130
Academic support	**22,033,040**	23,761,350
Student services	**18,793,930**	16,139,587
Institutional support	**24,744,744**	26,064,304
Operation and maintenance of plant	**17,256,135**	16,764,508
Depreciation	**10,960,455**	11,128,332
Student aid	**33,281,881**	25,655,505
Auxiliary enterprises	**18,026,581**	14,478,448
Other expenses	**198,335**	94,725
Total operating expenses	**228,508,310**	221,323,517
Operating loss	**(84,958,331)**	(78,281,489)
Nonoperating revenues (expenses)		
State appropriations	**61,361,241**	56,948,071
Federal appropriations	**358**	68,419
Federal Pell Grants	**16,316,355**	17,079,959
HEERF Funds	**41,351,879**	10,170,696
CARES Act Coronavirus Relief Funds	**-**	6,166,900
Gifts	**6,718,725**	5,934,358
In-kind contributions	**727,172**	-
Investment gain (loss)	**(15,568,549)**	44,411,355
Interest on capital asset - related debt	**(4,169,500)**	(4,314,215)
Net nonoperating revenues	**106,737,681**	136,465,543
Income (loss) before other revenues	**21,779,350**	58,184,054
Other revenues		
Additions to permanent endowments	**3,724,866**	2,012,152
Increase in net position	**25,504,216**	60,196,206
Net position, beginning of year	**331,751,011**	271,554,805
Net position, end of year	**$ 357,255,227**	$ 331,751,011

See accompanying notes.

Ferris State University

Statements of Cash Flows

	Year Ended June 30 2022	2021
Cash flows from operating activities		
Tuition and fees	**$ 102,719,090**	$ 107,951,865
Grants and contracts	**4,237,117**	3,977,785
Payments to suppliers	**(149,425,794)**	(120,513,587)
Payments to employees	**(97,236,195)**	(97,870,634)
Interest collected on student loans	**308,377**	312,917
Loans issued to students	**(1,127,291)**	(582,234)
Collection of loans from students	**3,014,128**	2,648,964
Auxiliary enterprise charges	**22,791,411**	19,092,184
Other receipts	**12,707,412**	6,900,892
Net cash used in operating activities	**(102,011,745)**	(78,081,848)
Cash flows from noncapital financing activities		
State appropriations	**75,115,436**	51,690,734
Federal appropriations	**358**	68,419
Pell Grant receipts	**16,316,355**	17,079,959
HEERF/CRF funds	**41,351,879**	16,337,596
Gifts and grants for other than capital purposes	**7,306,330**	5,911,717
Private gifts for endowment purposes	**3,724,866**	2,012,152
Federal direct loan lending receipts	**62,048,415**	59,208,711
Federal direct loan lending disbursements	**(62,300,107)**	(59,289,995)
Net cash provided by noncapital financing activities	**143,563,532**	93,019,293
Cash flows from capital and related financing activities		
Capital grants and gifts received	**139,567**	22,641
Purchase of capital assets and construction	**(22,550,966)**	(5,664,692)
Proceeds from sale of capital assets	**48,500**	126,901
Proceeds from capital debt	**-**	4,600,000
Principal paid on capital debt	**(5,930,000)**	(16,620,000)
Proceeds from capital debt premium	**-**	875,663
Interest paid on capital debt	**(4,827,182)**	(5,296,403)
Net cash used in capital and related financing activities	**(33,120,081)**	(21,955,890)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	**10,098,260**	27,307,156
Investment income	**5,159,961**	3,875,328
Purchase of investments	**(13,193,866)**	(33,335,530)
Net cash provided by (used in) investing activities	**2,064,355**	(2,153,046)
Net (decrease) increase in cash and cash equivalents	**10,496,061**	(9,171,491)
Cash and cash equivalents, beginning of year	**51,881,635**	61,053,126
Cash and cash equivalents, end of year	**$ 62,377,696**	$ 51,881,635

See accompanying notes.

Ferris State University

Statements of Cash Flows (continued)

	Year Ended June 30	
	2022	**2021**
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	**$ (84,958,331)**	$ (78,281,489)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**10,960,455**	11,128,332
Amortization of bond issuance costs	**3,846**	3,847
Loss on disposal of capital assets	**58,805**	80,584
Decrease (increase) in net assets:		
Accounts receivable	**596,219**	277,839
Student loans receivable	**169,943**	(27,120)
Other noncurrent assets	**(85,210)**	-
Inventories, prepaid expenses, and other assets	**(516,768)**	(108,234)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	**2,944,050**	2,753,792
Deposits and unearned revenue	**360,508**	(3,070,961)
Accrued sick leave	**(534,340)**	(912,869)
Net pension/OPEB liability	**(31,010,922)**	(9,925,569)
Cash used in operating activities	**$ (102,011,745)**	$ (78,081,848)

See accompanying notes.

1. Summary of Significant Accounting Policies

Ferris State University (University) is an institution of higher education created on September 1, 1884 as Big Rapids Industrial School. In 1885, the school name was changed to Ferris Industrial School; in 1898 to Ferris Institute; in 1950 it became a component unit of the State of Michigan (State); in 1963 Ferris State College; and in 1987 to its current structure of Ferris State University. On December 31, 2000, Kendall College of Art and Design (Kendall) located in Grand Rapids, Michigan officially merged with the University. On August 28, 2013, the Urban Institute of Contemporary Art (UICA) located in Grand Rapids officially merged with Kendall.

The University's Board of Trustee members are appointed by the Governor of the State. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various state agencies.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The University follows the business-type activities reporting requirements of GASB Statements No. 34 and No. 35, which provide a comprehensive one-line look at the University's financial activities.

The financial statements have been prepared incorporating totals from the University and the Ferris Foundation (Foundation). The Foundation was established as a separate nonprofit corporation which exists for the sole purpose of soliciting, collecting, and investing donations for the benefit of the University. The Foundation's Board of Directors' FSU membership includes a member of the University's Board of Trustees, certain officers of the University as set forth in the Foundation bylaws, and other representatives elected by the Foundation's Board. The University has a significant fiduciary relationship with the Foundation. In accordance with the provision of GASB Standards, the Foundation is treated as a blended component unit of the University and the financial statements of the Foundation have been combined with those of the University. The June 30, 2022 audited financial statements for the Ferris Foundation can be found at: www.ferris.edu/giving/ferris-foundation/policies.htm.

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Condensed financial information for the Ferris Foundation is provided below:

Ferris Foundation
Condensed Statements of Financial Position as of June 30:

	2022	2021
Assets		
Cash and cash equivalents	**$ 3,856,898**	$ 1,127,237
Investments	**111,587,372**	117,293,244
Other assets	**2,744,410**	4,239,347
Total assets	**118,188,680**	122,659,828
Liabilities		
Other liabilities	**146,985**	127,141
Total liabilities	**146,985**	127,141
Net Assets		
Without donor restrictions	**24,832,534**	28,412,084
With donor restrictions	**93,209,161**	94,120,603
Total net assets	**$ 118,041,695**	$ 122,532,687

Ferris Foundation
Condensed Statements of Activities for the year ended June 30:

	2022	2021
Support, revenue, and gains		
Gifts and contributions	**$ 8,286,358**	$ 7,619,441
Other support, revenue, and gains (losses)	**(3,024,559)**	30,686,153
Total support, revenue, and gains	**5,261,799**	38,305,594
Expenses		
Disbursements to Ferris	**3,501,343**	5,697,608
Other expenses	**6,260,109**	2,612,286
Total expenses	**9,761,452**	8,309,894
Support, revenue, and gains over expenses	**(4,499,653)**	29,995,700
Net transfers from Ferris	**8,661**	448,501
Change in net assets	**(4,490,992)**	30,444,201
Net assets – beginning of year	**122,532,687**	92,088,486
Net assets – end of year	**$ 118,041,695**	$ 122,532,687

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Ferris Foundation
Condensed Statements of Cash Flows for the year ended June 30:

	2022	2021
Net cash from operating activities	**$ (1,588,148)**	$ (2,740,791)
Net cash from investing activities	**623,917**	(200,924)
Net cash from financing activities	**3,693,892**	2,451,050
Net change in cash and cash equivalents	**2,729,661**	(490,665)
Cash and cash equivalents – beginning of year	**1,127,237**	1,617,902
Cash and cash equivalents – end of year	**$ 3,856,898**	$ 1,127,237

Accrual Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Use of Estimates

The preparation of financials statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Restricted Net Position

Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the Board of Trustees (Board), including amounts that the Board has agreed to set aside under contractual agreements with third parties. Funds held by the Foundation for endowments or donor-designated purposes were $62,214,623 at June 30, 2022 and $55,715,098 at June 30, 2021. The remaining restricted balance of $44,808,554 at June 30, 2022 and $51,525,514 at June 30, 2021 consists primarily of funds restricted for student loans, scholarships, and other purposes.

1. Summary of Significant Accounting Policies (continued)

Unrestricted Net Position

The University has designated the use of unrestricted net position (deficit) as follows at June 30:

	2022	2021
Designated for general fund division use	**$ 7,904,437**	$ 6,771,820
Designated for encumbrances	**1,993,477**	1,274,031
Designated for maintenance and replacement	**48,540,594**	39,439,407
Designated for Foundation endowments	**24,832,534**	28,673,558
Designated for unfunded pension and OPEB liability	**(96,328,114)**	(113,421,032)
Unrestricted and undesignated	**29,494,102**	35,957,974
Total unrestricted net assets (deficit)	**$ 16,437,030**	$ (1,304,242)

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less. Restricted cash and cash equivalents are unspent bond funds.

Investments

Investments, including those of the Foundation, are recorded at fair value, based on quoted market prices or most recent valuation adjusted for capital calls and distributions.

Accounts Receivable and Allowance

Accounts receivable are recorded net of an allowance for uncollectible amounts. The allowance is based on management's judgement of potential uncollectible amounts, which includes such factors as historical experience and type of receivable. The allowance for uncollectible accounts receivable is $4,169,702 at June 30, 2022 and $2,713,379 at June 30, 2021.

Inventories

Inventories, consisting primarily of supplies, are stated at the lower of cost or market using the first-in, first-out method.

1. Summary of Significant Accounting Policies (continued)

Bond Issuance Costs

The bond issuance costs consist of bond insurance amortized over the life of the bonds using the straight-line method. Bond issuance costs amortized are included in other noncurrent assets on the statements of net position.

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of acquisition. Depreciation is provided for on a straight-line basis over the estimated useful life. Library books are recorded using a historically-based estimated value where volumes with publication dates within five years of purchase are depreciated over the remaining years until the volume reaches five years old.

Deferred Inflows and Outflows of Resources

Deferred outflows of resources consist of gain/loss on the defeasance of the refunding of debt and outflows related to multi-employer net pension and other post employment benefits (OPEB) liabilities. Deferred outflows of resources related to refunding of debt totaled $3,076,916 at June 30, 2022 and $3,318,768 at June 30, 2021. Refunding of debt amounts are amortized over the remaining life of the refunded bond or the life of the new bond, whichever is shorter. Deferred outflows of resources related to net pension liability amounts totaled $19,306,539 at June 30, 2022 and $5,563,433 at June 30, 2021. Deferred outflows of resources related to net OPEB liability amounts totaled $985,347 at June 30, 2022 and $1,194,499 at June 30, 2021. Net pension and OPEB liability amounts related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liability the following year, while other amounts reported as net pension and OPEB liability will be amortized over the actuarial calculated expected remaining service life of the members or 5 years, in accordance with GASB standards. Deferred inflows of resources relate to multi-employer net pension and OPEB liability. Deferred inflows of resources related to net pension liability amounts totaled $28,142,909 at June 30, 2022 and $1,907,884 at June 30, 2021. Deferred inflows of resources related to net OPEB liability amounts totaled $4,015,552 at June 30, 2022 and $187,816 at June 30, 2021. Net pension and OPEB liability amounts related to funding received through state appropriations for contributions subsequent to the measurement date will be recognized the following year, while other amounts reported as net pension and OPEB liabilities will be amortized over 5 years.

1. Summary of Significant Accounting Policies (continued)

Unearned Tuition and Fee Revenues

Tuition and fee revenues received and related to the period after June 30 have been recorded as unearned revenue.

Net Pension and OPEB Liabilities

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, and pension 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. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating and Nonoperating Revenues

All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are state and federal appropriations, Federal Pell Grants, HEERF and CARES Act Coronavirus Relief Funds, investment gain/(loss), gifts, and in-kind contributions. State appropriations are recognized in the period for which they were appropriated by the State of Michigan.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 4, 2022, which is the date the financial statements were available to be issued.

2. Cash and Investments

As of June 30, 2022, the University had the following cash and investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Market Value**	**Less Than One Year**	**1 – 5 Years**	**6 – 10 Years**	**More Than 10 Years**
Cash and cash equivalents	**$ 20,220,454**	**$ 20,220,454**	**$ -**	**$ -**	**$ -**
Money markets	**42,157,242**	**42,157,242**	**-**	**-**	**-**
Mutual bond funds	**58,452,758**	**-**	**26,857,646**	**31,595,112**	**-**
Marketable securities	**136,768**	**-**	**-**	**136,768**	**-**
Mutual equity funds	**64,637,697**	**-**	**-**	**-**	**64,637,697**
Real estate funds	**3,774,460**	**-**	**-**	**-**	**3,774,460**
International equity funds	**16,896,770**	**-**	**-**	**-**	**16,896,770**
Total	**206,276,149**	**$ 62,377,696**	**$26,857,646**	**$31,731,880**	**$ 85,308,927**
Limited partnerships that calculate net asset value per share	**44,855,891**				
Cash surrender value of life insurance	**1,114,106**				
Balance at June 30, 2022	**$252,246,146**				

As of June 30, 2021, the University had the following cash and investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Market Value**	**Less Than One Year**	**1 – 5 Years**	**6 – 10 Years**	**More Than 10 Years**
Cash and cash equivalents	$ 27,328,462	$ 27,328,462	$ -	$ -	$ -
Money markets	24,553,173	24,553,173	-	-	-
Mutual bond funds	62,462,836	-	30,337,090	32,125,746	-
Marketable securities	205,418	-	-	205,418	-
Mutual equity funds	75,129,313	-	-	-	75,129,313
Real estate funds	6,038,786	-	-	-	6,038,786
International equity funds	23,176,339	-	-	-	23,176,339
Total	218,894,327	$ 51,881,635	$30,337,090	$32,331,164	$104,344,438
Limited partnerships that calculate net asset value per share	39,332,706				
Cash surrender value of life insurance	1,155,956				
Balance at June 30, 2021	$259,382,989				

2. Cash and Investments (continued)

Cash and Short-term Investments

Policies for cash management and investments are set forth by the University's Board of Trustees, who authorize University administrators to invest in a variety of interest-bearing deposit and investment accounts. The primary objective of cash and short-term investments is to provide for the preservation of capital.

Intermediate and Long-term Investments

Intermediate and long-term investment policies have been established by the Board for investments with maturities over one year. The primary objective is to provide more emphasis on maximizing income without undue exposure to risk.

Endowment Investments

The Board has delegated investment authority to the Foundation's Board of Directors in the management of endowment investments. The Foundation's Board of Directors has authorized the investment in a variety of asset classes that will achieve growth of principal over time and allow for adequate returns to support the programs of the University.

Concentration of Credit Risk

The University's and the Foundation's investment strategy, like that of most other institutions, incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk. Market risk is the potential for changes in the value of financial instruments due to market changes. Market risk is directly impacted by the volatility and liquidity of the markets in which the underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's and the Foundation's risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the statements of revenues, expenses, and changes in net position.

Investment funds are presented above based on the fund's segmented time distribution maturity as provided by the investment advisor, Ellwood Associates. Equity funds are considered to be long-term funds and, therefore, are presented as investments with maturities over 10 years. Market risks (including interest rate risk and liquidity risk) and credit risks are managed by Board policies as described below.

2. Cash and Investments (continued)

Interest Rate Risk

In accordance with Board policy, University administrators manage interest rate risk by identifying funds that are needed immediately, those funds that may not be needed for over one year, and funds that may not be needed for over five years. These pools of funds are managed so average maturities for each fund does not exceed one year on the short-term pool and five years on the intermediate pool. This practice limits the overall interest rate risk exposure on the entire pool of funds.

Liquidity Risk

In accordance with University Board policy, operating investment holdings will be sufficiently liquid to ensure that cash flow needs are maintained throughout the year. University investments are held in marketable securities that generally can be sold on one day's notice. Endowment investment holdings are managed by Foundation Board policy and reflect investments that have immediate liquidity as well as investments with semi-liquid and illiquid properties. These semi-liquid and illiquid investments are identified and reflect the long-term investment nature of the endowment pool.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. However, Board policy establishes limits on balances held in any one bank or bank account to reduce risk. The carrying amount of the University's deposits was $3,603,940 at June 30, 2022 and $3,976,767 at June 30, 2021. Of these amounts, $2,250,000 was insured for 2022 and $2,500,000 for 2021. Of the bank balance, no amount was collateralized for 2022 and 2021. The FDIC insurance limit is $250,000 per depositor.

Credit Risk

The primary investment objective for the short-term investment pool accounts shall be to provide for the preservation of capital, with a secondary emphasis upon the maximization of investment income without undue exposure to risk. Funds needed for expenditures in less than one year shall be considered short-term. The average weighted maturity for each short-term investment manager shall be between one day and one year. The University identifies credit quality features for the short-term pool such as utilizing banks with well capitalized bank ratios, commercial paper with the highest rating category, and minimum purchase ratings of AA or better for the short-term portfolio.

2. Cash and Investments (continued)

Credit Risk (continued)

The primary investment objectives for the intermediate-term investment pool accounts shall be the preservation of capital and the maximization of income without undue exposure to risk. Funds needed for expenditures within one to five years shall be considered intermediate-term and may be placed through direct investments, the use of mutual funds, money managers, or a combination. Credit quality features identified include a weighted average credit quality of AA for the intermediate-term pool of funds. In addition, the minimum acceptable credit quality at the time of purchase for individual securities shall be BBB for the intermediate-term pool.

At June 30, the University's debt instruments and related ratings consisted of the following:

	2022		2021	
	Market Value	**NRSRO Rating**	**Market Value**	**NRSRO Rating**
Vanguard Short-Term Bond Index	**$ 6,524,992**	**AA**	$ 5,031,398	AA
Western Asset	**9,317,882**	**AA-**	10,382,599	A
Franklin Templeton Global Bond	**5,489,959**	**BBB**	6,030,355	BBB
Loomis Sayles Institutional High Yield	**1,272,367**	**BA**	1,464,968	B
Seix Floating Rate High Income Fund	**2,964,201**	**B**	3,183,914	B
Baird Intermediate	**14,842,695**	**AA-**	16,091,423	A
Baird Core Plus	**18,040,662**	**A+**	20,278,179	A
Total	**$ 58,452,758**		$ 62,462,836	

The nationally recognized securities rating organization (NRSRO) primarily utilized was Moody's Investors Services.

Foreign Currency Risk

The University and the Foundation hold investments in some international mutual funds, global funds, and alternative investments. These funds may be invested in various countries throughout the world and, therefore, may expose the University and the Foundation to foreign credit risk. Investments in these funds were $47,585,226 for the year ended June 30, 2022 and $55,101,090 for the year ended June 30, 2021.

3. Accounts Receivable and Student Loans Receivable

Accounts receivable-net consisted of the following at June 30:

	2022	2021
Student	**$ 11,723,812**	$ 10,325,155
Grants and contracts	**708,022**	318,010
State appropriations	**10,680,567**	10,516,758
Pledges receivable	**2,783,403**	4,268,482
Other	**1,541,473**	984,959
Total accounts receivable	**27,437,277**	26,413,364
Less: allowance for doubtful accounts	**4,169,702**	2,713,379
Total accounts receivable – net	**$ 23,267,575**	$ 23,699,985

Student loans receivable of $9,209,922 for the year ended June 30, 2022 and $11,153,444 for the year ended June 30, 2021 are recorded net of an allowance for doubtful accounts of $3,400,000 for 2022 and 2021.

4. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	**$ 14,236,660**	**$ -**	**$ -**	**$ -**	**$ 14,236,660**
Infrastructure	**11,213,141**	**-**	**-**	**-**	**11,213,141**
Building and building improvements	**441,715,330**	**-**	**(1,846,874)**	**-**	**439,868,456**
Furniture, fixtures, and equipment	**87,036,586**	**1,135,371**	**(252,091)**	**-**	**87,919,866**
Subtotal – Depreciable assets	**554,201,717**	**1,135,371**	**(2,098,965)**	**-**	**553,238,123**
Land	**6,596,622**	**-**	**-**	**-**	**6,596,622**
Construction in progress	**5,767,087**	**21,431,220**	**-**	**(15,625)**	**27,182,682**
Subtotal – nondepreciable assets	**12,363,709**	**21,431,220**	**-**	**(15,625)**	**33,779,304**
Total	**566,565,426**	**22,566,591**	**(2,098,965)**	**(15,625)**	**587,017,427**
Less accumulated depreciation:					
Land improvements	**8,492,804**	**441,420**	**-**	**-**	**8,934,224**
Infrastructure	**9,741,743**	**694,479**	**-**	**(394,407)**	**10,041,815**
Building and building improvements	**173,541,282**	**7,902,616**	**(1,793,249)**	**394,407**	**180,045,056**
Furniture, fixtures, and equipment	**50,032,077**	**1,921,940**	**(198,411)**	**-**	**51,755,606**
Total accumulated depreciation	**241,807,906**	**10,960,455**	**(1,991,660)**	**-**	**250,776,701**
Capital assets – Net	**$324,757,520**	**$11,606,136**	**$ (107,305)**	**$ (15,625)**	**$336,240,726**

4. Capital Assets (continued)

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	$ 14,186,223	$ -	$ -	$ 50,437	$ 14,236,660
Infrastructure	11,213,141	-	-	-	11,213,141
Building and building improvements	441,594,824	-	-	120,506	441,715,330
Furniture, fixtures, and equipment	86,531,451	1,494,450	(989,315)	-	87,036,586
Subtotal – Depreciable assets	553,525,639	1,494,450	(989,315)	170,943	554,201,717
Land	6,596,622	-	-	-	6,596,622
Construction in progress	1,767,788	4,170,242	-	(170,943)	5,767,087
Subtotal – nondepreciable assets	8,364,410	4,170,242	-	(170,943)	12,363,709
Total	561,890,049	5,664,692	(989,315)	-	566,565,426
Less accumulated depreciation:					
Land improvements	7,997,459	495,345	-	-	8,492,804
Infrastructure	9,047,264	694,479	-	-	9,741,743
Building and building improvements	165,467,873	8,073,409	-	-	173,541,282
Furniture, fixtures, and equipment	48,948,808	1,865,099	(781,830)	-	50,032,077
Total accumulated depreciation	231,461,404	11,128,332	(781,830)	-	241,807,906
Capital assets – Net	$330,428,645	$(5,463,640)	$ (207,485)	$ -	$324,757,520

The following estimated useful life for each asset class are used to compute depreciation:

Buildings	50 years
Library books (included in furniture, fixtures, and equipment)	0 to 5 years
Land improvements and infrastructure	20 years
Furniture, fixtures, and equipment	5 to 20 years

Several of the buildings on campus were financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into among the SBA, the State of Michigan, and the University. During the lease term, the SBA will hold title to the buildings, the State of Michigan will make all lease payments to the SBA, and the University will be responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer the title of the buildings to the University. The renovations are being recorded as buildings or equipment as appropriate as expenditures are incurred by the SBA, and revenue from the State of Michigan is being recorded for the same amount.

5. Long-term Liabilities

Long-term obligation activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
General Revenue Refunding Bonds, Series 2020A	**$ 4,600,000**	**$ -**	**$ -**	**$ 4,600,000**	**$ -**
Unamortized bond premium	**817,285**	**-**	**58,377**	**758,908**	**58,378**
General Revenue Refunding Bonds, Series 2019A	**33,305,000**	**-**	**2,300,000**	**31,005,000**	**2,420,000**
Unamortized bond premium	**5,562,964**	**-**	**309,054**	**5,253,910**	**309,054**
General Revenue Refunding Bonds, Series 2016	**52,240,000**	**-**	**2,375,000**	**49,865,000**	**2,495,000**
Unamortized bond premium	**7,201,805**	**-**	**360,090**	**6,841,715**	**360,090**
General Revenue Refunding Bonds, Series 2014B	**2,505,000**	**-**	**395,000**	**2,110,000**	**410,000**
Unamortized bond premium	**362,338**	**-**	**60,390**	**301,948**	**60,390**
General Revenue Bonds, Series 2014A	**10,330,000**	**-**	**410,000**	**9,920,000**	**420,000**
Unamortized bond premium	**306,966**	**-**	**17,053**	**289,913**	**17,054**
General Revenue Refunding Bonds, Series 2012	**5,765,000**	**-**	**450,000**	**5,315,000**	**465,000**
Unamortized bond premium	**300,112**	**-**	**27,283**	**272,829**	**27,283**
Total bonds and notes payable	**123,296,470**	**-**	**6,762,247**	**116,534,223**	**7,042,249**
Other liabilities:					
Accrued sick leave	**9,100,807**	**-**	**534,340**	**8,566,467**	**-**
Accrued interest payable (bonds)	**1,240,439**	**-**	**67,287**	**1,173,152**	**1,173,151**
Total	**$133,637,716**	**$ -**	**$ 7,363,874**	**$126,273,842**	**$8,215,400**

Long-term obligation activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
General Revenue Refunding Bonds, Series 2020A	$ -	$ 4,600,000	$ -	$ 4,600,000	$ -
Unamortized bond premium	-	875,663	58,378	817,285	58,378
General Revenue Refunding Bonds, Series 2019A	34,655,000	-	1,350,000	33,305,000	2,300,000
Unamortized bond premium	5,872,018	-	309,054	5,562,964	309,054
General Revenue Refunding Bonds, Series 2016	53,625,000	-	1,385,000	52,240,000	2,375,000
Unamortized bond premium	7,561,896	-	360,091	7,201,805	360,091
General Revenue Refunding Bonds, Series 2014B	5,710,000	-	3,205,000	2,505,000	395,000
Unamortized bond premium	422,728	-	60,390	362,338	60,390
General Revenue Bonds, Series 2014A	10,725,000	-	395,000	10,330,000	410,000
Unamortized bond premium	324,019	-	17,053	306,966	17,053
General Revenue Refunding Bonds, Series 2012	6,205,000	-	440,000	5,765,000	450,000
Unamortized bond premium	327,395	-	27,283	300,112	27,283
Total bonds and notes payable	125,428,056	5,475,663	7,607,249	123,296,470	6,762,249
Other liabilities:					
Accrued sick leave	10,013,676	-	912,869	9,100,807	-
Accrued interest payable (bonds)	1,247,589	-	7,150	1,240,439	1,240,439
Accrued interest payable (capital lease)	128,214	-	128,214	-	-
Capital lease payable	9,845,000	-	9,845,000	-	-
Total	$146,662,535	$ 5,475,663	$18,500,482	$133,637,716	$8,002,688

5. Long-term Liabilities (continued)

General Revenue Refunding Bonds, Series 2020A

The University issued $4,600,000 of General Revenue Refunding Bonds. The outstanding balance carries an interest rate of 5.00 percent. A rating of "A1" was assigned by Moody's and "A+" by Standards and Poors. The bonds are payable from general revenues of the University, callable at a premium, and mature in varying amounts through 2035. Proceeds from the issuance along with University fundraising reserves of $4,290,853 were used to refund the Federal Building Capital Lease, Series 2010A of $9,845,000. The refunding decreased the University's total debt service payments by approximately $3,460,000. The refunding results in net present value savings of $1,833,000 over the life of the bonds.

General Revenue Refunding Bonds, Series 2019A

The University issued $34,655,000 of General Revenue Refunding Bonds. The outstanding balance carries interest rates of 4.00 percent to 5.00 percent. A rating of "A1" was assigned to these bonds by Moody's and an "A+" rating by Standard and Poors. The bonds are payable from general revenues of the University and callable at par starting in year ten, and mature in varying amounts through 2040. Proceeds from the issuance were used to advance refund a portion of General Revenue Refunding Bonds, Series 2008 and for construction projects on campus. Projects include the construction of the Center for Athletic Performance; upgraded housing for information technology staff and equipment; upgraded Kendall College of Art and Design heating and ventilation system; renovation of Miller Residence Hall; and other miscellaneous projects. The refunding was done to take advantage of lower interest rates and to reduce debt payments. The refunding resulted in a net present value benefit of $1,330,000 over the life of the bonds; a deferred outflow of resources of approximately $1,420,000; and a total cash flow savings of $1,327,000.

General Revenue Refunding Bonds, Series 2016

The University issued $56,150,000 of General Revenue Refunding Bonds. The outstanding balance carries interest rates of 3.00 percent to 5.00 percent. A rating of "A1" was assigned to these bonds by Moody's and an "A" rating by Standard and Poors. The bonds are payable from general revenues of the University and callable at par starting in year ten, and mature in varying amounts through 2042. Proceeds from the issuance were used to advance refund a portion of General Revenue Refunding Bonds, Series 2009 and for construction projects on campus. Projects include the construction and furnishing of the North Hall, a new 402 bed residence hall; renovation of the Student Recreational Center; and other miscellaneous projects. The refunding was done to take advantage of lower interest rates and to reduce debt payments. The refunding resulted in a net present value benefit of $4,236,000 over the life of the bonds; a deferred outflow of resources of approximately $3,400,000; and a total cash flow savings of $5,622,000.

5. Long-term Liabilities (continued)

General Revenue Refunding Bonds, Series 2014B

The University issued $12,880,000 of General Revenue Refunding Bonds. The outstanding balance carries an interest rate of 4.00 percent. A rating of "A1" was assigned to these bonds by Moody's. The bonds are payable from general revenues of the University and callable at par starting in year ten, and mature in varying amounts through 2027. Proceeds from the issuance were used to refund General Revenue Refunding Bonds, Series 2005. The refunding was done to take advantage of lower interest rates and to reduce debt payments. The refunding resulted in a net present value benefit of $1,746,000 over the life of the bonds; a deferred outflow of resources of approximately $560,000; and a total cash flow savings of $2,000,000.

General Revenue Bonds, Series 2014A

The University issued $12,570,000 of General Revenue Bonds. The outstanding balance carries interest rates of 3.00 percent to 4.00 percent. A rating of "A1" was assigned to these bonds by Moody's. The bonds are payable from general revenues of the University, callable at par, and mature in varying amounts through 2039. Proceeds from the issuance were used to finance a portion of the University Center project. The University Center located in the center of campus, serves as a gathering place for the campus community and a home for its commuter students. The center includes dining options, the Ferris Bookstore, the University Center Art Gallery, community areas, meeting rooms, and offices.

General Revenue Refunding Bonds, Series 2012

The University issued $13,750,000 of General Revenue Refunding Bonds. The outstanding balance carries interest rates of 2.625 percent to 3.375 percent. A rating of "A" was assigned to these bonds by Standard & Poor's. The bonds are payable from general revenues of the University, callable at par, and mature in varying amounts through 2032. Proceeds from the issuance were used to refund General Revenue Bonds, Series 2001 of $8,940,000 and General Revenue Bonds, Series 2002 in the amount of $4,810,000. The refunding was done in order to reduce debt payments. The refunding decreased the University's total debt service payments by approximately $2,800,000. The refunding resulted in a net present value benefit of $2,218,000 over the life of the bonds; a deferred outflow of resources of approximately $80,000; and a total cash flow savings of $3,451,000.

5. Long-term Liabilities (continued)

Federal Building Capital Lease, Series 2010A

In September 2010, a sublease was made between Federal Building Partners LLC and the University to lease the Federal Building in downtown Grand Rapids. The agreement involved issuance of bonds by the Economic Development Corporation of the City of Grand Rapids for the renovation of the building to be done by Federal Building Partners. A bond rating of "A" was assigned to these bonds by Standard & Poor's with maturity dates varying in amounts through 2036. The University was a guarantor for the Series 2010A bond issuance for $12,615,000. Ownership of the building passed from the City of Grand Rapids to the University on July 7, 2020 when the University refinanced the bonds.

Principal and Interest Maturities and Interest Expense

Total principal and interest maturities on all bond obligations as of June 30, 2022 are as follows:

	Bonds	
	Principal	**Interest**
2023	$ 6,210,000	$ 4,549,129
2024	6,190,000	4,262,745
2025	7,205,000	3,949,039
2026	6,515,000	3,625,064
2027	6,705,000	3,313,464
2028-2032	26,520,000	12,668,317
2033-2037	24,965,000	7,093,725
2038-2042	18,505,000	1,674,325
Total	102,815,000	$ 41,135,808
Unamortized premium	13,719,223	
Total	$ 116,534,223	

Bond interest expense was approximately $4,200,000 for the year ended June 30, 2022 and approximately $4,300,000 for the year ended June 30, 2021.

Accrued Sick Leave

The University provides termination benefits upon retirement resulting from unused sick days which are defined by each respective labor contract and administrative policy. The liability, which is calculated based on eligible service requirements and earned sick leave hours, is recorded using

5. Long-term Liabilities (continued)

Accrued Sick Leave (continued)

the vesting method and based on those employees currently eligible. Effective July 1, 2001, all non-represented employees hired on or after July 1, 2001 are no longer eligible for the sick leave payout upon retirement.

6. Retirement Plans

Michigan Public School Employees' Retirement System

Plan Description

The University is required to participate in MPSERS (or System), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the MPSERS Board's authority to promulgate or amend the provisions of the System. The MPSERS 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 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 at www.michigan.gov/orsschools. Separate pension and OPEB information related to the Universitys employees included in this plan is not available. The seven participating public universities have a net pension and OPEB liability that is separated out from the system-wide MPSERS plan. The net pension and OPEB liability information included in this Note relates to the seven public universities that participate in MPSERS and not the plan as a whole.

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 option of receiving health, prescription drug, dental, and vision coverage under the MPSERS Act (1980 PA 300 as amended).

Contributions and Funded Status

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

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

Contributions and Funded Status (continued)

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 valuations 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, 2020 valuation will be amortized over a 18 year period ending September 30, 2038.

The schedule below summarizes pension and OPEB contribution rates in effect for System years ended September 30, 2021 and 2020:

	Pension	
	Funded Portion	**Unfunded Portion**
System Year Ended		
September 30, 2021	**6.52%**	**19.74%**
September 30, 2020	6.29%	19.74%

	OPEB	
	Funded Portion	**Unfunded Portion**
System Year Ended		
September 30, 2021	**0.92%**	**5.99%**
September 30, 2020	0.58%	5.99%

The University's required contributions to the pension plan for the System year ended September 30, 2021 was $9,405,453 and $8,246,758 for the System year ended September 30, 2020. The University's required contribution to the OPEB plan for the System year ended September 30, 2021 was $2,233,062 and $2,161,524 for the System year ended September 30, 2020.

Benefits Provided

Benefit provisions of the defined benefit pension and OPEB plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions.

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

Benefits Provided (continued)

Depending on the defined benefit (DB) pension plan option selected, member retirement benefits are calculated as final average compensation multiplied by years of service multiplied by a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also 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 member 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 their service through repayment of the refund upon satisfaction of certain requirements.

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 prefund 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 worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future OPEB liabilities, 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 insurance 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 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

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

Benefits Provided (continued)

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 stopped 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.

MPSERS Fiduciary Net Position-Pension

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

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

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

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

MPSERS Fiduciary Net Position-OPEB

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

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

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

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

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

Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense

At June 30, 2022, the University reported a liability of $91,480,811 and $111,194,455 for the year ended June 30, 2021 for its proportionate share of the net pension liability. The June 30, 2022 net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020. The University's proportion of the net pension liability was based on statutorily required contributions in relation to all reporting unit's statutorily required contributions for the measurement period. At September 30, 2021, the University's proportionate share was 16.28193063 percent (16.27982270 percent at September 30, 2020), an increase of .00210793 percent.

The University recognized $2,133,141 of pension expense for the year ended June 30, 2022 and $7,986,762 for the year ended June 30, 2021. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual plan investment earnings	**$ -**	**$12,317,021**
University contributions subsequent to the measurement date	**19,306,539**	**-**
Rate stabilization appropriations received subsequent to the measurement date	**-**	**15,825,888**
	$ 19,306,539	**$28,142,909**

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

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

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual plan investment earnings	$ 141,399	$ -
University contributions subsequent to the measurement date	5,422,034	-
Rate stabilization appropriations received subsequent to the measurement date	-	1,907,884
	$ 5,563,433	$ 1,907,884

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Rate stabilization appropriations received subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	**Amount**
2022	$ (3,288,721)
2023	(2,694,274)
2024	(3,025,174)
2025	(3,308,852)
	$ (12,317,021)

Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and OPEB Expense

At June 30, 2022, the University reported a negative liability of $7,019,272 and a liability of $6,888,809 for the year ended June 30, 2021 for its proportionate share of the net OPEB liability. The June 30, 2022 net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2020. The University's proportion of the net OPEB was based on

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

statutorily required contributions in relation to all reporting unit's statutorily required contributions for the measurement period. At September 30, 2021, the University's proportionate share was 16.37029914 percent (16.30322530 percent at September 30, 2020), an increase of 0.06707384 percent.

The University recognized $7,674,642 of negative OPEB expense for the year ended June 30, 2022 and $6,913,451 of negative OPEB expense for the year ended June 30, 2021. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	**$ -**	**$ 4,015,552**
University contributions subsequent to the measurement date	**985,347**	**-**
	$ 985,347	**$ 4,015,552**

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

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 187,647
Net difference between projected and actual plan investment earnings	143,315	-
Changes of assumption	33,610	-
Changes in proportion and differences between University contributions and proportionate share of contributions	213	169
University contributions subsequent to the measurement date	1,017,361	-
	$ 1,194,499	$ 187,816

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amount
2022	$ (1,042,445)
2023	(907,499)
2024	(987,442)
2025	(1,078,166)
	$ (4,015,552)

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 for the System in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry age, normal
- Wage inflation rate - 2.75 percent
- Investment rate of return – 6.80 percent for pension and 6.95 percent for OPEB
- Projected salary increases - 2.75 percent to 11.55 percent, including wage inflation at 2.75 percent
- Cost-of-living adjustments - 3.0 percent annual non-compounded for MIP members

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

- Healthcare cost trend rate – Pre-65 7.75 percent year 1 and post-65 5.25 percent year 1, both graded to 3.5 percent in year 15; 3.0 percent in year 120
- Mortality Retirees - RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82 percent for males and 78 percent for females and adjusted for mortality improvements using projection scale MP-2017 from 2006
- Mortality Active Members - RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006
- Opt out assumptions - 21.0 percent of eligible participants hired before July 1, 2008 and 30.0 percent of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor coverage - 80.0 percent of male retirees and 67.0 percent of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage election at retirement - 75.0 percent of male and 60.0 percent of female future retirees are assumed to elect coverage for 1 or more dependents

The actuarial assumptions used for the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2013 to September 30, 2018 beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2021 are based on the results of an actuarial valuation date of September 30, 2020 and rolled forward using generally accepted actuarial procedures, including the experience study.

As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience. Similar assumptions were used in the September 30, 2019 actuarial valuation.

Rate of Return

For the System's fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3 percent while the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

Discount Rate

A discount rate of 6.80 percent was used to measure the total pension liability recorded at June 30, 2022 (6.80 percent at June 30, 2021). A discount rate of 6.95 percent was used to measure the total OPEB liability recorded at June 30, 2022 (6.95 percent at June 30, 2021). These discount rates were based on the long-term expected rate of return on pension and OPEB plan investments of 6.80 percent and 6.95 percent, respectively. 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 were 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 and OPEB liability.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plan's target asset allocation as of September 30, 2021 and 2020 are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return September 30, 2021	Long-Term Expected Real Rate of Return September 30, 2020
Domestic equity pools	**25.0%**	**5.4%**	5.6%
Private Equity Pools	**16.0%**	**9.1%**	9.3%
International equity	**15.0%**	**7.5%**	7.4%
Fixed income pools	**10.5%**	**(0.7)%**	0.5%
Real estate and infrastructure pools	**10.0%**	**5.40%**	4.9%
Absolute return pools	**9.0%**	**2.6%**	3.2%
Real Return / Opportunistic Pools	**12.5%**	**6.1%**	6.6%
Short-term investment pools	**2.0%**	**(1.3)%**	.01%
	100.0%		

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the June 30, 2022 net pension liability of the University, calculated using a discount rate of 6.80 percent, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (5.80 percent) or 1.00 percentage point higher (7.80 percent) than the current rate.

1.00 percent decrease (5.80 percent)	Current Discount Rate (6.80 percent)	1.00 percent increase (7.80 percent)
$ 109,914,454	**$ 91,480,811**	**$ 75,743,831**

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

The following table presents the June 30, 2021 net pension liability of the University, calculated using a discount rate of 6.80 percent, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (5.80 percent) or 1.00 percentage point higher (7.80 percent) than the current rate.

1.00 percent decrease (5.80 percent)	Current Discount Rate (6.80 percent)	1.00 percent increase (7.80 percent)
$ 130,313,139	$ 111,194,455	$ 94,890,124

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following tables present the June 30, 2022 net OPEB liability of the University, calculated using a discount rate of 6.95 percent, as well as what the University's net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1.00 percentage point lower (5.95 percent) or 1.00 percentage point higher (7.95 percent) than the current rate.

1.00 percent decrease (5.95 percent)	Current Discount Rate (6.95 percent)	1.00 percent increase (7.95 percent)
$ (4,295,198)	**$ (7,019,272)**	**$ (9,351,031)**

1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
$ (9,526,133)	**$ (7,019,272)**	**$ (4,160,093)**

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

The following tables present the June 30, 2021 net OPEB liability of the University, calculated using a discount rate of 6.95 percent, as well as what the University's net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1.00 percentage point lower (5.95 percent) or 1.00 percentage point higher (7.95 percent) than the current rate.

1.00 percent decrease (5.95 percent)	Current Discount Rate (6.95 percent)	1.00 percent increase (7.95 percent)
$ 10,298,594	$ 6,888,809	$ 3,982,728

1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
$ 3,791,034	$ 6,888,809	$ 10,434,150

Payable to the Pension Plan

At June 30, 2022 and 2021, the University reported a payable of approximately $3,557,000 and $3,337,000 respectively, for the outstanding amount of contributions to the pension plan and $1,051,000 and $1,013,000 respectively for the outstanding amount of contributions to the OPEB plan required for the year then ended for the statutorily required pension and OPEB contributions related to accrued labor expense.

Defined Contribution Plan

The University provides noncontributory retirement plans for all qualified employees. Prior to March 28, 1996, faculty and non-bargaining unit job groups were eligible to participate in the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) plan. TIAA-CREF is a defined contribution plan whereby the University generally contributes 12 percent of employees' pay for administration and faculty; and 10 percent for all other eligible employee groups to the plan with no liability beyond that contribution. All eligible employees hired after March 28, 1996 have the option to participate in either TIAA-CREF or a second defined contribution plan with Fidelity Investments Tax Exempt Service Company (Fidelity Investments). The Fidelity Investments plan calls for the same contribution rates. Kendall staff also participate in a defined contribution plan through TIAA-CREF with contribution rates ranging from 12 percent to 15 percent of base salary. Plan participants maintain individual annuity contracts with TIAA-CREF or Fidelity Investments, which are fully vested. For the year ended June 30, 2022, the University contributed $10,424,331 to the TIAA-CREF and Fidelity Investment plans and $9,854,525 for the year ended June 30, 2021.

7. Insurance

Risk-sharing Facility

The University participates in the Michigan Universities Self-insurance Corporation (MUSIC). This organization provides insurance coverage for losses commonly covered in the areas of general liability, errors and omissions, all risk property insurance, automobile liability, and automobile physical damage. In fiscal year 2022, there were 11 universities that participated in MUSIC. Each participating university is responsible for a first tier of losses up to a level that has been actuarially determined. MUSIC is financially responsible for a second tier of losses. For comprehensive general liability, errors and omissions, and all risk property insurance, MUSIC has purchased excess insurance coverage with commercial insurance carriers to cover a third tier of losses. However, in the event the insurance reserves established by MUSIC are insufficient to meet its second-tier obligations, each of the participating universities share this obligation by agreements with MUSIC.

All of the participating universities are subject to additional assessments if the obligations and expenses (claims) of MUSIC exceed the combined periodic payments and accumulated operational reserves for any given year, after exhaustion of available net equity of MUSIC. The University has not been subjected to additional assessments since the formation of MUSIC in 1987. Historically, the obligations and expenses (claims) have been less than the combined periodic payments and accumulated operational reserves for any given year.

Self-insurance

The University is self-insured for workers' compensation; unemployment compensation; and substantially all non-bargaining units, AFSCME, Police, Police Sergeants, FNTFO, and Nurses union employees' health benefits. Liabilities for estimates of losses retained by the University under self-insurance programs have been established.

8. Leases

Due to amounts not being material to the University's financial statements, the University did not adopt the new lease standard. The University leases certain equipment under various agreements, which generally require an annual rental payment and operating expenses, expiring in 2026.

8. Leases (continued)

Future minimum payments at June 30, 2022 under noncancelable operating leases with initial or remaining terms of one year or more are as follows:

Year	Amount
2023	$ 273,222
2024	218,343
2025	154,540
2026	34,891
2027	1,309
Total	$ 682,305

Rental expense for the year ended June 30, 2022 was approximately $877,000 and $707,000 for the year ended June 30, 2021.

9. Commitments and Contingencies

In the normal course of its activities, the University is a party to various legal actions. The University is of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

The University has several active construction projects as of June 30, 2022 resulting in the following commitments to vendors:

	Spent to Date	Construction Commitments at Year End
Center for Virtual Learning	$ 11,836,068	$ 17,923,116
Center for Athletic Performance	8,690,353	7,628,915
West/IT Building Replacement Space	1,183,913	2,015,757
KCAD HVACR Project	3,842,192	30,485
Jim Crow Museum	214,898	-
Early Learning Center	16,678	8,742
Wayfinding/Identify Signage	93,386	28,023
Welcome Center	24,275	20,000
TAG/VAN Dorm Renovation	1,280,919	-
Total	$ 27,182,682	$ 27,655,038

9. Commitments and Contingencies (continued)

The University has several multi-year contracts which are not considered leases, and as of June 30, 2022 resulted in the following commitments to vendors:

Year	Amount
2023	$ 3,299,134
2024	3,218,478
2025	1,927,667
2026	1,139,092
Total	$ 9,584,371

10. Fair Value Measurement

The following tables present information about the University's assets measured at fair value on a recurring basis at June 30, 2022 and 2021 and the valuation techniques used by the University to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the University has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The University's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2022 and 2021, there were no transfers between levels of the fair value hierarchy.

10. Fair Value Measurement (continued)

Assets measured at fair value on a recurring basis at June 30, 2022 included the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Mutual bond funds	**$ 58,452,758**	**$ -**	**$ -**	**$ 58,452,758**
Mutual equity funds	**64,637,697**	**-**	**-**	**64,637,697**
Real estate funds	**3,774,460**	**-**	**-**	**3,774,460**
Marketable securities	**136,768**	**-**	**-**	**136,768**
International equity funds	**16,896,770**	**-**	**-**	**16,896,770**
Total	**$ 143,898,453**	**$ -**	**$ -**	**143,898,453**
Limited partnerships that calculate net asset value per share				**44,855,891**
Cash surrender value of life insurance				**1,114,106**
Balance at June 30, 2022				**$189,868,450**

Assets measured at fair value on a recurring basis at June 30, 2021 included the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Mutual bond funds	$ 62,462,836	$ -	$ -	$ 62,462,836
Mutual equity funds	75,129,313	-	-	75,129,313
Real estate funds	6,038,786	-	-	6,038,786
Marketable securities	205,418	-	-	205,418
International equity funds	23,176,339	-	-	23,176,339
Total	$ 167,012,692	$ -	$ -	167,012,692
Limited partnerships that calculate net asset value per share				39,332,706
Cash surrender value of life insurance				1,155,956
Balance at June 30, 2021				$207,501,354

10. Fair Value Measurement (continued)

Mutual bond funds, mutual equity funds, real estate funds, marketable securities, and international equity funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

11. Investments in Entities that Calculate Net Assets Value per Share

The University holds shares or interests in investment companies at year end, whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Investments held at June 30, 2022 included the following:

	Fair Value	Unfunded Commitments
Limited partnerships – real estate	**$ 4,227,557**	**$ 1,358,148**
Limited partnerships – private equity/distressed	**27,156,717**	**5,176,356**
Limited partnerships – hedge funds	**8,585,948**	**-**
Limited partnerships – natural resources/commodities	**1,997,935**	**441,368**
Limited partnerships – private credit	**2,887,734**	**1,111,576**
Balance at June 30, 2022	**$ 44,855,891**	**$ 8,087,448**

Investments held at June 30, 2021 included the following:

	Fair Value	Unfunded Commitments
Limited partnerships – real estate	$ 2,629,747	$ 3,179,369
Limited partnerships – private equity/distressed	22,028,747	5,442,524
Limited partnerships – hedge funds	10,956,383	-
Limited partnerships – natural resources/commodities	1,751,054	517,118
Limited partnerships – private credit	1,966,775	2,191,409
Balance at June 30, 2021	$ 39,332,706	$ 11,330,420

11. Investments in Entities that Calculate Net Assets Value per Share (continued)

Real Estate

Six limited partnerships comprise the total investment in real estate. Investment managers invest in office, apartment, industrial, development opportunities, property management, and other commercial real estate in North America, Europe, and Asia Pacific. Two partnerships are expired and continue to liquidate, one partnership expires over the next 6 years, one partnership expires over the next 8 years, and two partnerships expire over more than 10 years.

Private Equity/Distressed

The private equity manager(s) are fund of funds managers and direct placement fund managers investing in a program of venture capital, domestic private equity, distressed and buyout strategies, and international private capital investments using a value-added approach. The private capital program is designed to also invest in opportunistic funds. The Foundation utilizes eleven managers to invest in nineteen private equity funds. Investment commitments are spread across multiple years to create vintage year diversification in addition to program diversification. Both distressed investment funds are considered a fund of funds with emphasis on investing in private companies undergoing financial distress.

Hedge Funds

Four limited partnerships make up the investments in hedge funds. Investment managers use various strategies including equity long/short hedge funds, event-driven hedge funds, global opportunities hedge funds, multi-strategy hedge funds, real estate funds, and private equity funds.

Natural Resources/Commodities

Four limited partnerships comprise the total of investments in natural resources/commodities. Investment managers invest in a multi-fund manager approach in the areas of natural resources/commodities such as oil and gas, timber, renewable energy, and mining; mineral extraction; energy funds; publicly traded master limited partnerships; and commodities including energy, livestock, grains, industrial metals, and softs. The partnerships terminate 12-15 years after official partnership filing; terminations vary from December 31, 2022 to December 31, 2024.

11. Investments in Entities that Calculate Net Assets Value per Share (continued)

Private Credit

Two limited partnerships comprises the total of investments in private credit. The investment managers are focused on providing debt capital to borrowers based on real estate collateral. High points are its ability to take advantage of market opportunities during period of market dislocation/increased financial regulation. The management team has a proven track record through multiple real estate cycles. The fund's first close was in April 2020 and has a 7 year commitment plus two one-year extensions with an option to extend.

Liquidity and Redemption Notice Requirements

Investments in entities that calculate net asset value per share have illiquid properties associated with nature and type of investment in private capital and hedge funds. Certain lock up periods and redemption notification requirements are mandatory to liquidate these funds. Limited secondary markets exist for certain types of investment vehicles. For private equity, real estate, and natural resource investments that calculate net asset value per share, the University must hold these assets and receive distributions through the period of investment until the partnership terminates. Although distributions are made throughout the period of time the investment is held, this is not considered a liquid market. The University holds a commodity fund that allows weekly redemptions. The University's investments with hedge funds also have written notification requirements to access the funds. Funds requested for liquidation are made available depending on partnership agreements; currently this range is between 30 – 100 days. Hedge funds may also have other provisions on liquidity to meet annual audit requirements.

12. Impact of COVID-19

As the world, our country, and this University has experienced in the last two-and-a-half years, COVID-19 has significantly impacted our ways of working, our finances, and our overall mindset. We all recall on March 13, 2020, when the President of the United States issued a proclamation declaring a National Emergency and on March 23, 2020, the Governor of Michigan issued a statewide stay-at-home order to fight the outbreak of COVID-19. These directives suspended face-to-face instruction and Ferris State University quickly pivoted to online or remote instruction for a significant duration of time as the world navigated the unprecedented challenges of the pandemic.

These challenges continue to impact all aspects of the University as management grapples with "new normals" and are confronted with situations that are extraordinary. The University continues its collective recovery from the various economic dynamics of the pandemic and the ripple effects of these undercurrents. Macro-economic factors including inflation, increasing CPI, increasing

12. Impact of COVID-19 (continued)

lending rates, monetary tightening, geopolitical risks, equities under pressure, and fuel prices are raising the overall costs of goods and services. While supply chains continue their recovery, challenges linger in various situations creating fragility and unpredictability which can generate complexities in managing costs and availability of goods and services. These influences are also impacting the decisions that are being made by current and potential students as they consider their future and related next steps.

CARES and HEERF Funding

The Coronavirus Aid, Relief and Economic Security (CARES) Act (also known as HEERF I) was passed by Congress on March 27, 2020 and signed into law. The Higher Education Emergency Relief Fund II (HEERF II) was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) and signed into law on December 27, 2020. The Higher Education Emergency Relief Fund III (HEERF III) was authorized by the American Rescue Plan (ARP) which was signed into law on March 11, 2021. Collectively referred to as HEERF, funds from these various acts were made available to institutions of higher education to support students and ensure learning continues during the COVID-19 pandemic.

The University received the following direct grants:

	HEERF I	**HEERF II**	**HEERF III**	**Total**
Higher Education Emergency Relief Funding	$ 4,573,407	$ 4,573,407	$14,442,305	$ 23,589,119
Institutional Relief Funding	4,573,406	11,596,266	14,071,730	30,241,402
Title III Strengthening the Institutions Relief Funding	453,972	682,086	1,254,338	2,390,396
	$ 9,600,785	$16,851,759	$29,768,373	$ 56,220,917

Of the $56.2 million received, the University was required to spend $23.6 million on student grants and the remaining $32.6 million was available to offset the impact of COVID-19. All HEERF monies have been received and final reports submitted to the federal government during the year ended June 30, 2022.

In addition, a provision of the CARES Act allows the University to defer payment of the employer portion of Social Security taxes through December 31, 2020. The University had deferred $2.3 million as of June 30, 2022 ($4.7 million as of June 30, 2021) of taxes which is reported in accounts payable and accrued liabilities on the statements of net position. The University was required to pay approximately $2.4 million by December 31, 2021, and the remainder is due December 31, 2022.

12. Impact of COVID-19 (continued)

State Appropriations - CARES Act Pass Through Funds

On July 22, 2020, the State of Michigan passed Senate Bill 373 which reduced the state appropriations funding for the University for the fiscal year ended June 30, 2020 by $6,166,900. At that same time, the State allocated $6,166,900 from the federal funding awarded to the State under the CARES Act to the University. The federal pass through funding has the same restrictions as noted in the CARES Act for the funds awarded to the State. During the fiscal year ended June 30, 2021, the University recognized revenue from the pass-through funds equal to allowable expenditures and foregone revenue incurred between March 1 and December 31, 2020.

Economic Risks and Uncertainties

The COVID-19 pandemic continues to impact industries throughout the world, including higher education. The full extent and the ultimate impact of the pandemic on the University's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and any future COVID-19 variants, and its impact on students, employees, and vendors, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to negatively impact the University's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Ferris State University

Required Supplementary Informations
Schedule of the Universitys Proportionate Share of the Net Pension Liability
(amounts determined as of 9/30 of the fiscal year)

	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
University's proportionate share of the net pension liability:								
As a percentage	**16.28%**	16.28%	16.33%	16.55%	16.62%	16.54%	18.19%	17.52%
Amount	**$ 91,480,811**	$ 111,194,455	$ 109,335,758	$ 105,739,673	$ 95,596,170	$ 92,688,360	$ 99,772,504	$ 65,729,143
University's covered payroll	**$ 36,134,000**	$ 35,425,000	$ 34,731,000	$ 34,050,070	$ 34,551,000	$ 13,099,319	$ 13,528,532	$ 14,188,130
University's proportionate share of the net pension liability, as a percentage of the University's covered payroll	**253.17%**	313.89%	314.81%	310.54%	276.68%	707.58%	737.50%	463.27%
MPSERPS fiduciary net position as a percentage of the University's net pension liability	**52.26%**	43.07%	44.24%	45.87%	47.42%	46.77%	47.45%	63.00%

Notes to Required Pension Supplementary Information:

There were no changes in benefits during the periods presented.

The discount rate for valuation years ending September 30, 2021, 2020, and 2019 was 6.8 percent, a decrease from the discount rate for valuation year ending September 30, 2018 of 7.05 percent. The discount rate for the valuation year ending September 30, 2017 was 7.50 percent a decrease from valuation years ending September 30, 2016, 2015, and 2014 of 8.00 percent.

Ferris State University

Required Supplementary Information
Schedule of Universitys Pension Contributions
(amounts determined as of 6/30 of the fiscal year)

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	**$ 20,477,841**	$ 6,643,105	$ 6,191,021	$ 6,658,134	$ 7,324,888	$ 7,363,777	$ 7,425,452	$ 6,148,573
Contributions in relation to the statutorily required contribution	**20,477,841**	6,643,105	6,191,021	6,658,134	7,324,888	7,363,777	7,425,452	6,148,573
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	**$ 36,676,010**	$ 35,956,375	$ 35,251,965	$ 34,560,768	$ 34,175,250	$ 12,519,799	$ 12,641,911	$ 13,728,100
Contributions as a percentage of covered payroll	**55.83%**	18.48%	17.56%	19.27%	21.43%	58.82%	58.74%	44.79%

Notes to Required Pension Supplementary Information:

There were no changes in benefits during the periods presented.

The discount rate for valuation years ending September 30, 2021, 2020, and 2019 was 6.8 percent, a decrease from the discount rate for valuation year ending September 30, 2018 of 7.05 percent. The discount rate for the valuation year ending September 30, 2017 was 7.50 percent a decrease from valuation years ending September 30, 2016, 2015, and 2014 of 8.00 percent.

Ferris State University

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

	2022	2021	2020	2019	2018
University's proportionate share of the net OPEB liability:					
As a percentage	**16.37%**	16.30%	16.29%	16.32%	16.58%
Amount	**$ (7,019,272)**	$ 6,888,809	$ 14,953,741	$ 19,365,447	$ 23,590,353
University's covered payroll	**$ 36,134,000**	$ 35,425,000	$ 34,731,000	$ 34,050,070	$ 34,551,000
University's proportionate share of the net OPEB liability, as a percentage of the University's covered payroll	**(19.43)%**	19.45%	43.06%	56.87%	68.28%
MPSERPS fiduciary net position as a percentage of the University's net OPEB liability	**123.91%**	80.04%	61.07%	51.90%	44.11%

Notes to Required OPEB Supplementary Information:

There were no changes in benefits during the periods presented.

The discount rate for valuation years ending September 30, 2021, 2020, and 2019 was 6.95 percent, a decrease from the discount rate for valuation year ending September 30, 2018 of 7.15 percent. The discount rate for the valuation year ending Septmber 30, 2017 was 7.50 percent.

Ferris State University

Schedule of Universitys OPEB Contributions
(amounts determined as of 6/30 of the fiscal year)

	2022	2021	2020	2019	2018
Statutorily required contributions	**$ 1,324,502**	$ 1,362,316	$ 1,523,762	$ 1,660,269	$ 1,971,639
Contributions in relation to the statutorily required contribution	**1,324,502**	1,362,316	1,523,762	1,660,269	1,971,639
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Universitys covered payroll	**$ 36,676,010**	$ 35,956,375	$ 35,425,000	$ 34,560,768	$ 34,175,250
Contributions as a percentage of covered payroll	**3.61%**	3.79%	4.30%	4.80%	5.77%

Notes to Required OPEB Supplementary Information:

There were no changes in benefits during the periods presented.

The discount rate for valuation years ending September 30, 2021, 2020, and 2019 was 6.95 percent, a decrease from the discount rate for valuation year ending September 30, 2018 of 7.15 percent. The discount rate for the valuation year ending Septmber 30, 2017 was 7.50 percent.

Other Supplementary Information

ANDREWS HOOPER PAVLIK PLC
2311 E. BELTLINE AVE. SE | SUITE 200 | GRAND RAPIDS, MI 49546
p: 616.942.6440 | f: 616.942.6095 | www.ahpplc.com

Report of Independent Auditors on Other Supplementary Information

Board of Trustees
Ferris State University
Big Rapids, Michigan

We have audited the basic financial statements of Ferris State University as of and for the years ended June 30, 2022 and 2021, and our report thereon dated October 4, 2022, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of net position and combining statement of revenues, expenses, transfers, and changes in net position, including comparative totals for 2021, are presented for purposes of additional analysis of the University's financial statements rather than to present the financial position and changes in financial position of the individual funds, and are not a required part of the financial statements. Such other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Andrews Hooper Pavlik PLC

Grand Rapids, Michigan
October 4, 2022

Ferris State University

Combining Statement of Net Position

June 30, 2022
(With Comparative Totals for June 30, 2021)

	General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Ferris Foundation	Pension	OPEB	June 30, 2022	June 30, 2021
Assets												
Current assets:												
Cash and cash equivalents	$ (30,633,310)	$ (2,492,528)	$ 2,039,003	$ -	$ -	$ 38,802,719	$ -	$ 309,344	$ -	$ -	$ 8,025,228	$ 28,726,483
Short-term investments	43,910,214	23,899,729	727,120	-	-	-	-	-	-	-	68,537,063	47,233,601
Accounts receivable, net	17,269,421	833,332	1,040,290	708,022	35	262,367	9,419	2,744,410	400,279	-	23,267,575	23,699,985
Inventories	8,123	197,306	777,135	-	-	-	-	-	-	-	982,564	845,400
Prepaid and other assets	811,394	132,348	-	-	-	-	-	-	-	-	943,742	564,138
Total current assets	31,365,842	22,570,187	4,583,548	708,022	35	39,065,086	9,419	3,053,754	400,279	-	101,756,172	101,069,607
Noncurrent assets:												
Restricted cash and cash equivalents	15,732,649	-	2,165,700	(1,055,470)	(703,940)	34,164,385	501,590	3,547,554	-	-	54,352,468	23,155,152
Endowment investments	-	-	-	-	-	-	-	111,587,372	-	-	111,587,372	117,293,244
Other long-term investments	1,114,106	-	-	6,371,421	4,143,141	(1,884,653)	-	-	-	-	9,744,015	42,974,509
Student loans receivable, net	-	-	-	-	9,209,922	-	-	-	-	-	9,209,922	11,153,444
Other noncurrent assets	-	-	-	-	85,209	19,232	-	-	-	-	104,441	23,077
Capital assets, net	-	-	-	-	-	336,240,726		-	-	-	336,240,726	324,757,520
Total noncurrent assets	16,846,755	-	2,165,700	5,315,951	12,734,332	368,539,690	501,590	115,134,926	-	-	521,238,944	519,356,946
Total assets	48,212,597	22,570,187	6,749,248	6,023,973	12,734,367	407,604,776	511,009	118,188,680	400,279	-	622,995,116	620,426,553
Deferred outflows of resources:												
Net pension liability	-	-	-	-	-	-	-	-	19,306,539	-	19,306,539	5,563,433
Net OPEB liability	-	-	-	-	-	-	-	-	-	985,347	985,347	1,194,499
Refunding of debit	-	-	-	-	-	3,076,916	-	-	-	-	3,076,916	3,318,768
Total deferred outflows of resources	-	-	-	-	-	3,076,916	-	-	19,306,539	985,347	23,368,802	10,076,700
Liabilities												
Current liabilities:												
Accounts payable and accrued liabilities	22,845,901	216,190	3,403,138	68,589	-	5,828,310	9,419	146,985	400,279	-	32,918,811	29,974,761
Unearned revenue	6,855,956	207,603	371,104	-	-	-	501,590	-	-	-	7,936,253	7,532,539
Long-term liabilities - current portion	-	-	-	-	-	8,215,400	-	-	-	-	8,215,400	8,002,688
Total current liabilities	29,701,857	423,793	3,774,242	68,589	-	14,043,710	511,009	146,985	400,279	-	49,070,464	45,509,988
Noncurrent liabilities:												
Deposits	-	-	484,050	-	-	-	-	-	-	-	484,050	527,256
Federal student loan payable	-	-	-	-	4,875,735	-	-	-	-	-	4,875,735	6,901,006
Long-term liabilities	8,385,647	20,150	160,673	-	-	109,491,972	-	-	-	-	118,058,442	125,635,028
Net pension liability	-	-	-	-	-	-	-	-	91,480,811	-	91,480,811	111,194,455
Net OPEB liability	-	-	-	-	-	-	-	-	-	(7,019,272)	(7,019,272)	6,888,809
Total noncurrent liabilities	8,385,647	20,150	644,723	-	4,875,735	109,491,972	-	-	91,480,811	(7,019,272)	207,879,766	251,146,554
Total liabilities	38,087,504	443,943	4,418,965	68,589	4,875,735	123,535,682	511,009	146,985	91,881,090	(7,019,272)	256,950,230	296,656,542
Deferred inflows of resources:												
Net pension liability	-	-	-	-	-	-	-	-	28,142,909	-	28,142,909	1,907,884
Net OPEB liability	-	-	-	-	-	-	-	-	-	4,015,552	4,015,552	187,816
Total deferred inflows of resources	-	-	-	-	-	-	-	-	28,142,909	4,015,552	32,158,461	2,095,700
Net position												
Net investment in capital assets	-	-	-	-	-	233,795,020	-	-	-	-	233,795,020	225,814,641
Restricted for:												
Nonexpendable:												
Scholarships	-	-	-	-	-	-	-	62,214,623	-	-	62,214,623	55,715,098
Expendable:												
Scholarships	-	-	-	4,848,811	-	-	-	20,247,430	-	-	25,096,241	28,828,161
Research	-	-	-	94,360	-	-	-	-	-	-	94,360	172,242
Instructional department uses	-	-	-	22,578	-	-	-	5,815,238	-	-	5,837,816	6,721,582
Loans	-	-	-	-	7,858,632	-	-	401,653	-	-	8,260,285	8,521,205
Capital projects	-	-	-	-	-	-	-	-	-	-	-	200
Other	-	-	-	989,635	-	-	-	4,530,217	-	-	5,519,852	7,282,124
Unrestricted	10,125,093	22,126,244	2,330,283	-	-	53,350,990	-	24,832,534	(100,317,181)	3,989,067	16,437,030	(1,304,242)
Total net position	$ 10,125,093	$ 22,126,244	$ 2,330,283	$ 5,955,384	$ 7,858,632	$ 287,146,010	$ -	$ 118,041,695	$ (100,317,181)	$ 3,989,067	$ 357,255,227	$ 331,751,011

Ferris State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position

Year Ended June 30, 2022
(With Comparative Totals for June 30, 2021)

	General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Ferris Foundation	Pension	OPEB	Eliminations	June 30, 2022	June 30, 2021
Operating revenues												
Tuition and fees, net	$ 133,544,966	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (29,787,727)	$ 103,757,239	$ 110,577,225
Federal grants and contracts	-	-	8,994	4,612,645	-	-	-	-	-	-	4,621,639	4,001,948
State grants and contracts, net	-	-	-	1,437,241	-	-	-	-	-	-	1,437,241	532,914
Nongovernmental grants	(52)	32,241	-	561,331	-	-	-	-	-	-	593,520	795,885
Departmental activities	29,413,301	8,940,674	-	982	-	552,592	-	-	-	(28,886,175)	10,021,374	7,713,816
Auxiliary enterprises, net	-	-	30,569,146	-	-	-	-	-	-	(7,777,735)	22,791,411	19,092,184
Other operating revenue	113,301	532,025	-	-	327,555	-	-	-	-	(645,326)	327,555	328,056
Current fund expenditures for equipment and capital improvements	-	-	-	-	-	859,892	-	-	-	(859,892)	-	-
Total operating revenues	163,071,516	9,504,940	30,578,140	6,612,199	327,555	1,412,484	-	-	-	(67,956,855)	143,549,979	143,042,028
Operating expenses												
Instruction	82,553,695	2,525,534	-	30,232	-	-	-	(2,146,792)	(3,987,962)	(308,047)	78,666,660	83,845,256
Research	197,866	39,835	-	1,864,839	-	-	-	-	-	(174,162)	1,928,378	852,372
Public service	137,480	2,908,171	-	1,347,659	-	-	-	(85,021)	(157,939)	(1,532,179)	2,618,171	2,539,130
Academic support	22,267,969	1,133,986	-	788,479	-	-	-	(642,975)	(1,194,414)	(320,005)	22,033,040	23,761,350
Student services and student aid	15,769,763	1,847,755	-	2,274,750	-	-	-	(297,575)	(552,787)	(247,976)	18,793,930	16,139,587
Institutional support	24,938,803	2,740,497	-	25,424,453	-	-	9,761,452	(552,639)	(1,026,604)	(36,541,218)	24,744,744	26,064,304
Operations and maintenance of plant	13,840,072	18,340	-	-	-	5,413,072	-	(542,012)	(1,006,862)	(466,475)	17,256,135	16,764,508
Depreciation	-	-	-	-	-	10,960,455	-	-	-	-	10,960,455	11,128,332
Student aid	25,167,597	9,210	288,309	37,613,921	-	-	-	-	-	(29,797,156)	33,281,881	25,655,505
Auxiliary enterprises	-	-	27,249,367	-	-	-	-	(1,046,827)	(1,944,625)	(6,231,334)	18,026,581	14,478,448
Other expenses	-	-	-	-	198,335	-	-	-	-	-	198,335	94,725
Total operating expenses	184,873,245	11,223,328	27,537,676	69,344,333	198,335	16,373,527	9,761,452	(5,313,841)	(9,871,193)	(75,618,552)	228,508,310	221,323,517
Operating income (loss)	(21,801,729)	(1,718,388)	3,040,464	(62,732,134)	129,220	(14,961,043)	(9,761,452)	5,313,841	9,871,193	7,661,697	(84,958,331)	(78,281,489)
Nonoperating revenues (expenses)												
State appropriations	59,453,357	-	-	-	-	-	-	1,907,884	-	-	61,361,241	56,948,071
Federal appropriations	-	-	-	-	358	-	-	-	-	-	358	68,419
Federal Pell Grants	-	-	-	16,316,355	-	-	-	-	-	-	16,316,355	17,079,959
HEERF Funds	-	-	-	41,351,879	-	-	-	-	-	-	41,351,879	10,170,696
CARES Act Coronavirus Relief Funds	-	-	-	-	-	-	-	-	-	-	-	6,166,900
Gifts	9,874	2,492,870	13,445	5,839,634	38,237	689,837	4,561,492	-	-	(6,926,664)	6,718,725	5,934,358
In-kind contributions	-	587,605	-	-	-	139,567	727,172	-	-	(727,172)	727,172	-
Investment loss	(1,619,728)	(2,138,345)	(181,719)	(642,933)	(322,813)	(6,911,280)	(3,751,731)	-	-	-	(15,568,549)	44,411,355
Interest on capital asset – related debt	-	-	-	-	-	(4,169,500)	-	-	-	-	(4,169,500)	(4,314,215)
Total nonoperating revenues (expenses)	57,843,503	942,130	(168,274)	62,864,935	(284,218)	(10,251,376)	1,536,933	1,907,884	-	(7,653,836)	106,737,681	136,465,543
Income (loss) before other revenues	36,041,774	(776,258)	2,872,190	132,801	(154,998)	(25,212,419)	(8,224,519)	7,221,725	9,871,193	7,861	21,779,350	58,184,054
Other revenues												
Additions to permanent endowments	-	-	-	-	-	-	3,724,866	-	-	-	3,724,866	2,012,152
Total other revenues	-	-	-	-	-	-	3,724,866	-	-	-	3,724,866	2,012,152
Increase (decrease) in net position – before transfers	36,041,774	(776,258)	2,872,190	132,801	(154,998)	(25,212,419)	(4,499,653)	7,221,725	9,871,193	7,861	25,504,216	60,196,206
Transfers (out) in	(37,009,439)	(8,340,329)	(2,509,838)	498,512	(368,201)	47,728,495	8,661	-	-	(7,861)	-	-
Net increase (decrease) in net position	(967,665)	(9,116,587)	362,352	631,313	(523,199)	22,516,076	(4,490,992)	7,221,725	9,871,193	-	25,504,216	60,196,206
Net position, beginning of year	11,092,758	31,242,831	1,967,931	5,324,071	8,381,831	264,629,934	122,532,687	(107,538,906)	(5,882,126)	-	331,751,011	271,554,805
Net position, end of year	$ 10,125,093	$ 22,126,244	$ 2,330,283	$ 5,955,384	$ 7,858,632	$ 287,146,010	$ 118,041,695	$ (100,317,181)	$ 3,989,067	$ -	$ 357,255,227	$ 331,751,011