

Financial Report
with Other Supplementary Information

Ferris State University

*Years ended June 30, 2014 and 2013
with Report of Independent Auditors*



Ferris State University

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Ferris State University
Financial Report
with Other Supplementary Information
Years ended June 30, 2014 and 2013

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Report of Independent Auditors

Board of Trustees
Ferris State University
Big Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Ferris State University, a component unit of the State of Michigan, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ferris State University as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 15 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014 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 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
August 28, 2014

Ferris State University
Management's Discussion and Analysis
June 30, 2013

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, 2014 with selected comparative information as of and for the years ended June 30, 2013 and 2012. 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 financial statements, 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.

Financial Highlights

The University's net position increased by \$20.4 million during the fiscal year ending June 30, 2014. While operating revenues decreased slightly by \$1.9 million and operating expenses increased by \$0.6 million, nonoperating revenues (expenses) increased by \$9.8 million.

The \$9.8 million nonoperating revenues (expenses) increase was driven by strong investment gains of \$15.4 million, which is an increase of \$6.1 million from the prior year. Investment gain for the University and the Ferris Foundation (Foundation) increased to \$8.6 million of income and \$6.8 million of income, respectively. This reflects investment returns of 6.0 percent on the University's operating funds and 17.1 percent on the Foundation's portfolio. Net increases in gifts of \$1.6 million including a \$2.0 million increase in pledges offset by a decrease of \$0.4 million in other gifts during the fiscal year, State appropriations of \$1.8 million, Pell grants of \$0.1 million, and decreases in interest on debt of \$0.2 million make up the remaining changes in nonoperating revenues.

The largest component of operating revenues is tuition and fees net of scholarships. The \$2.0 million increase in tuition and fees was a result of a 2.2 percent increase in the undergraduate tuition rate generating an additional \$3.2 million which was offset by an increase in institutional scholarships of \$1.5 million. Increases in enrollment comprised the remaining \$0.3 million increase.

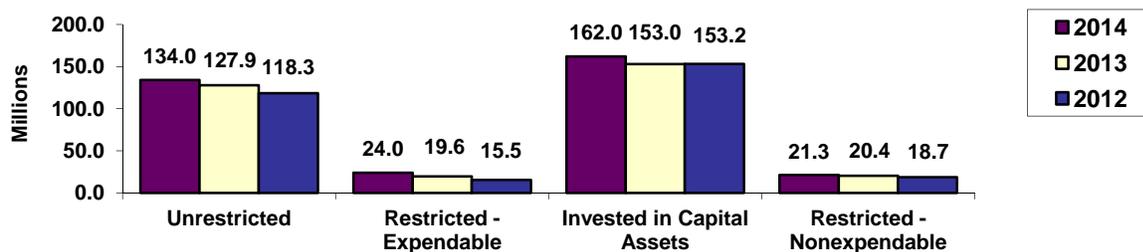
Operating expenses increased by \$0.6 million. General functional expenditures increased by \$5.2 million offset by a reduction in other expenses of \$4.6 million. The largest general functional increase was \$2.1 million in the operation and maintenance of plant due to an effort to invest in the University campus. The other expenditure decrease of \$4.6 million was a result of a one-time increase in the prior year due to disposal of real estate sold. All other expenditure increases and decreases were slight to moderate and part of normal operations.

Ferris State University
Management's Discussion and Analysis (continued)

Financial Highlights (continued)

For the year ended June 30, 2013, operating revenues increased by \$5.7 million primarily due to increased enrollment of 0.8 percent and an in-state undergraduate tuition increase of 2.59 percent. The resulting total tuition and fee increase of \$4.0 million was partially offset by an increase in student financial support of \$1.6 million. The net resulting increase in tuition and fees revenue was \$2.4 million. Other operating revenues increased \$3.5 million primarily as a result of the sale of real estate. Nonoperating revenues (expenses) increased \$13.8 million primarily due to an increase in investment gain of \$7.3 million, an increase in gifts of \$3.3 million, an increase in State appropriations of \$3.0 million, a reduction in debt related interest expense of \$0.3 million, and a decrease in Pell grants of \$0.1 million. The Grand Rapids Pharmacy project was completed and as a result, the State of Michigan support for capital projects decreased by \$2.6 million from the prior year. Investment gain for the University and the Ferris Foundation (Foundation) increased to \$4.5 million of income and \$4.8 million, respectively. This reflected investment returns of 3.4 percent on the University's operating funds and 13.8 percent on the Foundation's portfolio. The University and Foundation boards approved acceptance of assets from the David Walcott Kendall Memorial School Foundation during the fiscal year. The assets were recorded as gifts to the University of \$0.8 million and additions to permanent endowments to the Foundation of \$0.6 million. Operating expenses increased by \$13.2 million resulting from general functional expenditure increases totaling \$8.6 million and an increase of \$4.6 million in other expenses related to the disposal of real estate sold.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2014, 2013, and 2012:



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. One can think of net position - the difference between assets plus deferred outflow of resources and liabilities plus deferred inflows of resources - as 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 buildings, and strength of the faculty, also need to be considered to assess the overall health of the University.

Ferris State University
Management's Discussion and Analysis (continued)

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

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 \$20.4 million to \$341.3 million. Total unrestricted net position increased by \$6.1 million to \$134.0 million. Of this total, \$99.0 million is identified for departmental use, maintenance and replacement of facilities, debt service, and Foundation endowments. This includes \$14.6 million for the University Center. The unrestricted and undesignated amount of \$35.0 million is comprised of \$26.1 million for self-supporting departmental, student loan, and auxiliary activities, and \$8.9 million for maintenance and construction projects on campus.

For the year ending June 30, 2013, total net position increased \$15.2 million to \$320.9 million. Unrestricted net position was \$127.9 million.

Ferris State University
Management's Discussion and Analysis (continued)

Net Position (continued)

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

Net Position as of June 30 (in millions)

	2014	2013	2012
Assets			
Current assets	\$ 119.9	\$ 114.4	\$ 107.2
Noncurrent assets:			
Capital assets - Net of depreciation	271.1	254.1	258.7
Other	112.4	103.6	94.4
Total assets	503.4	472.1	460.3
Deferred Outflows of Resources			
Refunding of debt	0.8	0.9	0.9
Total deferred outflows of resources	0.8	0.9	0.9
Liabilities			
Current liabilities	33.8	29.9	27.6
Long-term liabilities	129.1	122.2	127.8
Total liabilities	162.9	152.1	155.4
Deferred Inflows of Resources			
Refunding of debt	-	-	0.1
Total deferred inflows of resources	-	-	0.1
Net Position			
Invested in capital assets	162.0	153.0	153.2
Restricted - Expendable	24.0	19.6	15.5
Restricted - Nonexpendable	21.3	20.4	18.7
Unrestricted	134.0	127.9	118.3
Total net position	\$ 341.3	\$ 320.9	\$ 305.7

Ferris State University
Management's Discussion and Analysis (continued)

Net Position (continued)

Operating Results for the Year Ended June 30 (in millions)

	2014	2013	2012
Operating Revenues			
Tuition and fees - Net	\$ 116.4	\$ 114.4	\$ 112.0
Grants and contracts	3.0	3.2	3.5
Departmental activities	11.6	10.8	10.2
Auxiliary activities - Net	30.1	31.1	31.6
Other operating revenues	1.1	4.6	1.1
Total operating revenues	<u>162.2</u>	<u>164.1</u>	<u>158.4</u>
Operating Expenses			
Instruction	87.7	87.5	85.7
Research	0.7	0.5	0.3
Public service	4.3	4.5	2.4
Academic support	28.4	27.1	24.1
Student services	16.8	16.3	15.0
Institutional support	22.1	20.9	23.8
Operation and maintenance of plant	21.6	19.5	18.5
Depreciation	9.5	9.9	8.9
Student aid	18.0	19.0	18.9
Auxiliary enterprises	21.7	20.4	19.4
Other expenses	0.6	5.2	0.6
Total operating expenses	<u>231.4</u>	<u>230.8</u>	<u>217.6</u>
Operating Loss	(69.2)	(66.7)	(59.2)
Nonoperating Revenues (Expenses)			
State appropriations	46.1	44.3	41.3
Federal Pell grants	23.8	23.7	23.8
Gifts	8.1	6.5	3.2
Investment gain	15.4	9.3	2.0
Interest on capital assets - Related debt	(4.6)	(4.8)	(5.1)
Total nonoperating revenues (expenses)	<u>88.8</u>	<u>79.0</u>	<u>65.2</u>
Income - Before other revenues	19.6	12.3	6.0
Other Revenues			
State capital appropriations	-	1.3	3.9
Additions to permanent endowments	0.8	1.6	0.5
Total other revenues	<u>0.8</u>	<u>2.9</u>	<u>4.4</u>
Increase in Net Position	20.4	15.2	10.4
Net Position - Beginning of year	320.9	305.7	295.3
Net Position - End of year	<u>\$ 341.3</u>	<u>\$ 320.9</u>	<u>\$ 305.7</u>

Ferris State University
Management's Discussion and Analysis (continued)

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, residence halls, 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 2014:

- Student tuition and fees revenue increased \$2.0 million due to the net effect of the following factors: board-approved tuition increase of 2.2 percent, enrollment growth from prior year, and an increase in student financial support.
- Auxiliary enterprises operating revenue decreased by \$1.0 million. Residence halls and dining centers decreased \$0.5 million. The prior year sale of Holiday Inn Hotel and Conference Center resulted in a \$0.2 million decrease in current year operating revenue. Other changes totaled the remaining \$0.3 million decrease.
- Other operating revenues decreased \$3.5 million relating to the prior year sale of the Holiday Inn Hotel and Conference Center.

For the year ended June 30, 2013, the significant operating revenue factors were as follows:

- Student tuition and fees revenue increased \$2.4 million due to the net effect of the following factors: board-approved tuition increase of 2.59 percent, enrollment growth from prior year, and an increase in student financial support.
- Plant fund revenues increased \$3.5 million due primarily to the sale of the Holiday Inn Hotel and Conference Center.

Ferris State University
Management's Discussion and Analysis (continued)

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, gifts, and investment gain (including realized and unrealized gains and losses).

Nonoperating revenue (expenses) was significantly impacted by the following factors during 2014:

- The State appropriation of \$46.1 million is an increase of \$1.8 million from the 2013 level.
- Investment gain increased by \$6.1 million from \$9.3 million in 2013 to \$15.4 million in 2014. The \$15.4 million investment gain is comprised of \$8.8 million of realized gains and \$6.6 of unrealized gain.
- Gift income increased by \$1.6 million from \$6.5 million in 2013 to \$8.1 million in 2014. Pledges receivable increased \$2.0 million while other gifts decreased \$0.4 million.

For the year ended June 30, 2013, significant nonoperating revenue (expenses) factors were as follows:

- The State appropriation of \$44.3 million is an increase of \$3.0 million from the 2012 level.
- Investment gain increased by \$7.3 million from \$2.0 million in 2012 to \$9.3 million in 2013. The \$9.3 million investment gain is comprised of \$4.4 million of realized gains and \$4.9 of unrealized gain.
- Gift income increased by \$3.3 million from \$3.2 million in 2012 to 6.5 million in 2013.

Ferris State University
Management's Discussion and Analysis (continued)

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:

For 2014:

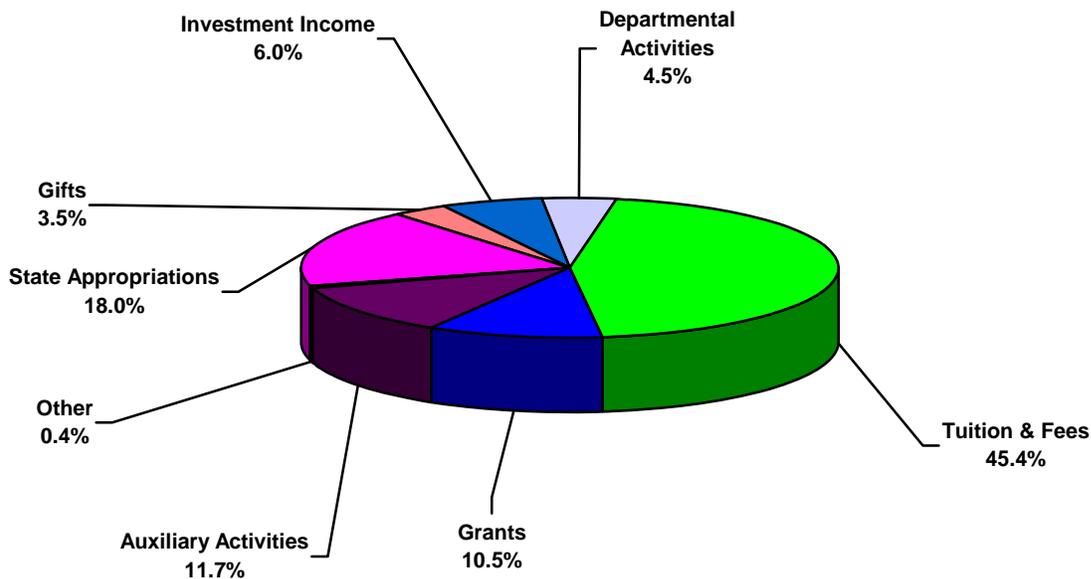
- There were no active State capital projects in 2014 resulting in a decrease of \$1.3 million in State capital appropriations when compared to 2013.
- Other revenues also include increases to permanent endowments of the Ferris Foundation. These revenues decreased to \$0.8 million from \$1.6 million in prior year. One time increases were realized in 2013 from the merging of the David Walcott Kendall Memorial School Foundation with the Ferris Foundation.

For 2013:

- State capital appropriations decreased to \$1.3 million from \$3.9 million in prior year.
- Other revenues also include increases to permanent endowments of the Ferris Foundation. These revenues increased to \$1.6 million from \$0.5 million in prior year.

Total Revenues

The following is a graphic illustration of total revenues by source for June 30, 2014:



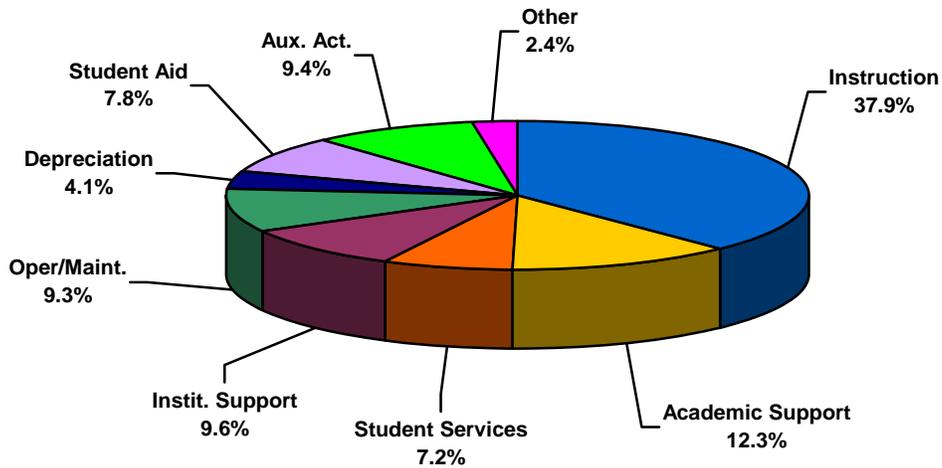
Ferris State University
Management's Discussion and Analysis (continued)

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 \$0.6 million from 2013 levels to \$231.4 million. Instruction, student services, and student aid represent \$122.5 million, or 52.9 percent, of the total. Operations and maintenance of plant and depreciation total \$31.1 million, or 13.4 percent, and auxiliary operations total \$21.7 million, or 9.4 percent. Academic support, institutional support, and other small categories comprise the remainder of the operating expenses. Other expenses decreased by \$4.6 million in the current year from the one-time expense incurred in 2013 from the disposal of the Holiday Inn Hotel and Conference Center.

During the 2013 fiscal year, operating expenses increased by \$13.2 million from 2012 levels to \$230.8 million. Instruction, student services, and student aid represented \$122.8 million, or 52.3 percent, of the total. Operations and maintenance of plant and depreciation total \$29.4 million, or 12.7 percent, and auxiliary operations total \$20.4 million, or 8.8 percent. Academic support, institutional support, and other small categories comprise the remainder of the operating expenses.

The following is a graphic illustration of operating expenses by function for June 30, 2014:



Ferris State University
Management's Discussion and Analysis (continued)

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)

	2014	2013	2012
Net Cash (Used in) Provided by			
Operating activities	\$ (56.6)	\$ (57.5)	\$ (58.1)
Noncapital financing activities	78.5	75.0	70.0
Capital and related financing activities	(23.7)	(6.4)	(17.3)
Investing activities	5.1	0.2	(0.2)
Increase (Decrease) in Cash	3.3	11.3	(5.6)
Cash and Cash Equivalents - Beginning of year	57.0	45.7	51.3
Cash and Cash Equivalents - End of year	\$ 60.3	\$ 57.0	\$ 45.7

Major sources of funds from operations came from student tuition and fees, grants and contracts, 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 \$1.2 million from \$57.5 million in 2013 to \$58.7 million in 2014.

State appropriations, gifts, and grants received during the current year provide noncapital financing sources. The net cash generated in this area increased by \$3.5 million from \$75.0 million in 2013 to \$78.5 million in 2014.

Cash used in capital and related financing activities totaled \$23.7 million, used primarily for capital assets acquired during the year, construction projects of \$27.8 million, and debt and interest payments of \$9.2 million which were offset by proceeds from current year bond offering of \$12.6 million, and other proceeds totaling \$0.7 million.

Cash provided by investing activities totaled \$5.1 million. This is the amount of cash provided by the sale of University investments in excess of cash used for investment purchases.

Ferris State University
Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the University had \$271.1 million invested in capital assets, net of accumulated depreciation of \$178.0 million.

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

	2014	2013	2012
Land, land improvements, and infrastructure	\$ 25.6	\$ 24.8	\$ 21.5
Buildings and improvements	329.8	324.6	317.8
Furniture, fixtures, and equipment	75.1	75.8	72.8
Construction in progress	18.6	2.6	16.8
Total	<u><u>\$ 449.1</u></u>	<u><u>\$ 427.8</u></u>	<u><u>\$ 428.9</u></u>

Land improvements additions totaled \$0.7 million. Infrastructure additions totaled \$0.9 million offset by infrastructure disposals of \$0.8 million. Changes to building and improvements included the following: the purchase of the Urban Institute of Contemporary Art building totaled \$4.3 million, boiler replacement project totaled \$2.1 million, multiple building roof replacements totaled \$0.8 million, \$0.6 million in multiple other additions, and partial disposal of the Rankin Center of \$2.6 million.

Expenditures totaling \$0.4 million to renovate the Urban Institute of Contemporary Art building, planning for a new Katke professional golf management center, and roof replacement projects were placed in construction in progress during the year. Expenditures of \$15.8 million for the University Center project were added to construction in progress.

Due to the nature of the lease of the Federal Building, the transaction is treated as a capital lease for accounting purposes. A long term liability for the capital lease and an offsetting asset for the building are recorded on the financial statements. The building was completed during the prior year and is recorded as an asset in the building and building improvements category.

The annual library collection adjustment resulted in a decrease of \$0.5 million to the furniture, fixtures, and equipment category which was offset by an increase in accumulated depreciation for the library collection of \$0.4 million.

Ferris State University
Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration (continued)

Debt

At year end, the University had \$99.6 million in debt outstanding. In addition to General Revenue Bond debt, the University is a guarantor on \$12.0 million of Limited Obligation Recovery Zone Facility Revenue Bonds Series 2010A for the Federal Building. This building is being leased and is included in the long-term liabilities.

The table below summarizes the amount of General Revenue Bonds and capital lease at June 30:

(in millions)	2014	2013	2012
General Revenue Bonds	\$ 99.6	\$ 91.9	\$ 96.7
Capital Lease	12.0	12.3	12.6
Total Debt Obligations	\$ 111.6	\$ 104.2	\$ 109.3

Economic Factors That Will Affect the Future

After several years of uncertainty over State funding, which included reductions in support for institutions of higher education and student financial aid, the last three years have seen the University's ability to plan for its future aided by significant and much-appreciated restoration of State support. Regrettably, despite considerable concern regarding student indebtedness, the State has not yet addressed restoring financial support for students. Throughout this period of budget reduction and financial aid elimination, Ferris State University has experienced record-high levels of headcount enrollment.

Michigan's performance-funding formula demonstrates that Ferris State University's strengths align with State educational priorities, including a desire to have more STEM-area degree holders to bolster Michigan's economic future. This alignment is reflected in the favorable support the University has received under the performance-funding formula.

Going forward, the concern is changing performance metrics. This makes it more challenging to focus University efforts on producing the desired results and measuring the success of performance funding. Changes to the Carnegie metrics portion of the funding formulas have misaligned State measures and institutional performance, in some instances rewarding institutions for maintaining the status quo rather than for growth or improved performance. Ferris State University has stressed the importance of keeping the metrics constant to reward improved performance and will continue to advocate for this approach.

Ferris State University
Management's Discussion and Analysis (continued)

Economic Factors That Will Affect the Future (continued)

For fiscal year 2015 the overall State increase for operations for Ferris State University is 7.6 percent, with half of this year's increase directed to restore prior cuts. This points to the general improvement in Michigan's economic outlook, but also highlights the lingering effects of the State's deep recession. The still-reduced level of State support and the recession have both contributed to the rise in student debt. Finding ways to reduce that debt – including increased scholarship support and strategies to reduce student time-to-graduation – is a University priority.

A positive trend is ongoing discussion by State lawmakers on ways to limit universities' contribution to the Michigan Public Schools Employees Retirement System. Efforts during the last legislative session to begin to fund this inequity are sincerely appreciated. This has been a major focus in legislative testimony by the seven State universities that pay into MPSERS. There are currently two bills under consideration by the State house and senate to constrain or reduce MPSERS costs. Although nothing is yet decided, this is a very good indication that the problem has the attention of lawmakers and that concrete solutions are perhaps on their way. Ferris State University has been a leading voice in advocating for eliminating the disparity between MPSERS and non-MPSERS State universities. This is an unfunded, State-imposed mandate that must be addressed. When parity is achieved, Ferris State University should no longer be returning the equivalent of more than 19 percent of all State support it receives to cover its MPSERS costs, which will further strengthen Ferris State University's ongoing financial stability.

Ferris State University
Statements of Net Position

	June 30	
	2014	2013
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 56,739,696	\$ 56,962,045
Short-term investments (Note 2)	42,443,603	39,558,664
Accounts receivable - Net (Note 3)	19,120,656	16,284,250
Inventories	904,473	927,093
Prepaid expenses and other assets	719,640	662,179
Total current assets	119,928,068	114,394,231
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)	1,444,423	-
Endowment investments (Note 2)	45,898,531	39,897,751
Other long-term investments (Note 2)	45,711,579	44,383,856
Student loans receivable - Net (Note 3)	18,536,892	18,545,253
Other noncurrent assets	757,190	796,146
Capital assets - Net (Note 4)	271,122,852	254,114,603
Total noncurrent assets	383,471,467	357,737,609
Total assets	503,399,535	472,131,840
Deferred Outflows of Resources		
Refunding of debt	808,105	880,527
Total deferred outflows of resources	808,105	880,527
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	19,117,657	15,553,158
Unearned revenue	8,236,967	8,066,624
Long-term liabilities - Current portion (Note 5)	6,517,981	6,289,681
Total current liabilities	33,872,605	29,909,463
Noncurrent liabilities:		
Deposits	815,419	873,700
Federal student loan payable	12,936,850	13,294,102
Long-term liabilities (Note 5)	115,325,566	108,074,569
Total noncurrent liabilities	129,077,835	122,242,371
Total liabilities	162,950,440	152,151,834
Net Position		
Net investment in capital assets	162,014,039	152,945,637
Restricted for (Note 1):		
Nonexpendable:		
Scholarships	21,262,399	20,422,604
Expendable:		
Scholarships	10,510,123	7,580,448
Research	68,618	82,675
Instructional department uses	4,963,147	3,486,166
Loans	7,015,161	7,219,370
Capital projects	200	200
Other	1,427,834	1,183,214
Unrestricted (Note 1)	133,995,679	127,940,219
Total net position	\$ 341,257,200	\$ 320,860,533

See accompanying notes.

Ferris State University
Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2014	2013
Operating Revenues		
Tuition and fees - Net of scholarship allowances of \$31,390,057 for 2014 and \$29,904,995 for 2013	\$ 116,440,452	\$ 114,449,198
Federal grants and contracts	2,267,806	2,677,291
State and local grants and contracts - Net of refunds	327,405	200,036
Nongovernmental grants	395,099	287,175
Departmental activities	11,579,115	10,779,609
Auxiliary enterprises - Net of scholarship allowances of \$6,848,821 for 2014 and \$6,798,616 for 2013	30,105,818	31,093,969
Other operating revenues	1,107,420	4,656,744
Total operating revenues	162,223,115	164,144,022
Operating Expenses		
Instruction	87,723,061	87,471,553
Research	710,516	546,649
Public service	4,254,934	4,492,398
Academic support	28,444,496	27,154,943
Student services	16,754,144	16,282,744
Institutional support	22,128,901	20,867,113
Operation and maintenance of plant	21,579,963	19,507,341
Depreciation	9,546,795	9,879,581
Student aid	18,047,262	18,950,195
Auxiliary enterprises	21,655,795	20,440,476
Other expenses	552,855	5,249,326
Total operating expenses	231,398,722	230,842,319
Operating Loss	(69,175,607)	(66,698,297)
Nonoperating Revenues (Expenses)		
State appropriations	46,067,208	44,327,804
Federal Pell grants	23,821,289	23,686,544
Gifts	8,083,456	6,455,423
Investment gain	15,369,938	9,268,507
Interest on capital asset - Related debt	(4,588,314)	(4,777,715)
Net nonoperating revenues (expenses)	88,753,577	78,960,563
Income - Before other revenues	19,577,970	12,262,266
Other Revenues		
State capital appropriations	17,827	1,280,117
Additions to permanent endowments	800,870	1,647,877
Increase in Net Position	20,396,667	15,190,260
Net Position		
Beginning of year	320,860,533	305,670,273
End of year	\$ 341,257,200	\$ 320,860,533

Ferris State University
Statements of Cash Flows

	Year Ended June 30	
	2014	2013
Cash Flows from Operating Activities		
Tuition and fees	\$ 116,603,125	\$ 112,864,100
Grants and contracts	2,799,682	3,010,510
Payments to suppliers	(112,256,759)	(116,490,772)
Payments to employees	(106,877,562)	(103,314,699)
Interest collected on student loans	647,648	644,541
Loans issued to students	(3,593,621)	(4,214,127)
Collection of loans from students	2,950,720	2,553,950
Auxiliary enterprise charges	30,105,818	31,093,969
Other receipts	10,905,651	16,307,187
Net cash used in operating activities	(58,715,298)	(57,545,341)
Cash Flows from Noncapital Financing Activities		
State appropriations	45,815,246	43,795,730
Pell grant receipts	23,821,289	23,686,544
Gifts and grants for other than capital purposes	8,022,472	5,859,948
Private gifts for endowment purposes	800,870	1,647,877
Federal direct loan lending receipts	92,881,708	97,036,091
Federal direct loan lending disbursements	(92,878,094)	(97,024,761)
Net cash provided by noncapital financing activities	78,463,491	75,001,429
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	60,019	8,037,727
Capital grants and gifts received	60,984	595,475
Purchase of capital assets and construction	(27,815,438)	(10,120,610)
Proceeds from sale of buildings and equipment	197,407	4,159,725
Proceeds from capital debt	12,570,000	13,750,000
Principal paid on capital debt	(5,120,000)	(18,875,000)
Proceeds from capital debt premium	426,342	518,375
Interest paid on capital debt	(4,061,929)	(4,458,418)
Net cash used in capital and related financing activities	(23,682,615)	(6,392,726)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	35,183,402	5,986,436
Investment income	34,006,326	27,904,895
Purchase of investments	(64,033,232)	(33,695,795)
Net cash provided by investing activities	5,156,496	195,536
Net Increase in Cash and Cash Equivalents	1,222,074	11,258,898
Cash and Cash Equivalents - Beginning of year	56,962,045	45,703,147
Cash and Cash Equivalents - End of year	\$ 58,184,119	\$ 56,962,045

See accompanying notes.

Ferris State University
Statements of Cash Flows (continued)

A reconciliation of operating loss to net cash used in operating activities is as follows:

	Year Ended June 30	
	2014	2013
Operating loss	\$ (69,175,607)	\$ (66,698,297)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	9,546,795	9,879,581
Amortization of bond insurance costs	38,956	200,682
Proceeds from capital debt premium	(426,342)	(518,375)
Loss on disposal of fixed assets	1,062,987	651,660
Decrease (increase) in assets:		
Accounts receivable	(2,626,636)	(2,073,631)
Student loans receivable	(352,505)	(1,186,304)
Inventories, prepaid expenses, and other assets	(34,841)	(57,538)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	3,564,499	1,464,283
Deposits and unearned revenue	112,062	724,383
Accrued sick leave	(424,666)	68,215
Net cash used in operating activities	\$ (58,715,298)	\$ (57,545,341)

Ferris State University
Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

Ferris State University (the “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 became a component unit of the State of Michigan (the “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 officially merged with the University.

The University’s board of trustees is 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 generally accepted accounting principles 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. The Ferris Foundation was evaluated in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. 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’ membership includes a member of the University’s board, 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 Statement No. 61, 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, 2014 audited financial statements for the Ferris Foundation can be found at: www.ferris.edu/foundation.

Ferris State University
Notes to Financial Statements (continued)

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 at June 30			
Assets	2014		2013
Investments	\$ 45,898,531	\$	39,897,751
Other assets	1,899,500		1,606,655
Total assets	47,798,031		41,504,406
Liabilities			
Other liabilities	113,890		115,996
Total liabilities	113,890		115,996
Net Assets			
Unrestricted	12,123,792		10,625,260
Temporarily restricted	14,297,950		10,340,546
Permanently restricted	21,262,399		20,422,604
Total net assets	\$ 47,684,141	\$	41,388,410

Ferris Foundation			
Condensed Statements of Activities for the Year Ended June 30			
	2014		2013
Support, revenue, and gains			
Gifts and contributions	\$ 997,050	\$	1,905,177
Other support, revenue, and gains	6,797,504		4,814,990
Total support, revenue, and gains	7,794,554		6,720,167
Expenses			
Disbursements to Ferris	1,152,129		1,229,582
Other expenses	388,594		355,376
Total expenses	1,540,723		1,584,958
Revenue, gains, and other support over expenses	6,253,831		5,135,209
Net transfers from Ferris	41,900		79,515
Increase in net assets	6,295,731		5,214,724
Net assets - beginning of year	41,388,410		36,173,686
Net assets - end of year	\$ 47,684,141	\$	41,388,410

Ferris State University
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Ferris Foundation
Condensed Statements of Cash Flows for the Year Ended June 30

	2014	2013
Net cash used in operating activities	\$ (408,435)	\$ (1,117,157)
Net cash used in investing activities	(184,474)	(298,920)
Net cash provided by financing activities	828,278	1,727,392
Net increase in cash and cash equivalents	235,369	311,315
Cash and cash equivalents - beginning of year	1,039,265	727,950
Cash and cash equivalents - end of year	\$ 1,274,634	\$ 1,039,265

Restricted Net Position

Restricted net position represent 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 \$21,262,399 at June 30, 2014 and \$20,422,604 at June 30, 2013. The remaining restricted balance of \$23,985,083 at June 30, 2014 and \$19,552,073 at June 30, 2013 consists primarily of funds restricted for student loans, scholarships, and other purposes.

Unrestricted Net Position

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

	2014	2013
Designated for General Fund division use	\$ 11,250,964	\$ 10,323,829
Designated for encumbrances	312,578	708,194
Designated for maintenance and replacement	75,285,858	73,051,864
Designated for Foundation endowments	12,123,792	10,625,260
Unrestricted and undesignated	35,022,487	33,231,072
Total unrestricted net position	\$ 133,995,679	\$ 127,940,219

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.

Ferris State University
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

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.

Inventories

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

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 the fair market value as of the date of acquisition. Library books are recorded using a historically based estimated value. Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of each asset.

Deferred Outflows of Resources

Deferred outflows of resources consist of gain/loss on the defeasance of the refunding of debt. Deferred outflows of resources related to refunding of debt totaled \$808,105 at June 30, 2014 and \$880,527 at June 30, 2013. These amounts are amortized over the remaining life of the refunded bond or the life of the new bond, whichever is shorter.

Unearned Tuition and Fee Revenues

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

Ferris State University
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Operating and Nonoperating Revenues

All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are state appropriations, Federal Pell grants, investment gain, and gifts. State appropriations are recognized in the period for which they were appropriated by the State of Michigan.

Reclassification

Certain amounts in 2013 have been reclassified to conform with the 2014 presentation.

2. Cash and Investments

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.

As of June 30, 2014, the University had the following cash and investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Cash and cash equivalents	\$ 2,017,606	\$ 2,017,606	\$ -	\$ -	\$ -
Money markets	56,166,513	56,166,513	-	-	-
Mutual bond funds	60,718,849	-	17,618,908	43,099,941	-
Mutual equity funds	27,322,518	-	-	-	27,322,518
Real estate funds	4,920,040	-	-	-	4,920,040
Marketable securities	246,498	-	-	-	246,498
International equity funds	22,981,427	-	-	-	22,981,427
Alternative investments	16,714,726	-	-	-	16,714,726
Cash surrender value of life insurance	1,149,655	1,149,655	-	-	-
Total	<u>\$ 192,237,832</u>	<u>\$ 59,333,774</u>	<u>\$ 17,618,908</u>	<u>\$ 43,099,941</u>	<u>\$ 72,185,209</u>

Ferris State University
Notes to Financial Statements (continued)

2. Cash and Investments (continued)

As of June 30, 2013, the University had the following cash and investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Cash and cash equivalents	\$ (384,285)	\$ (384,285)	\$ -	\$ -	\$ -
Money markets	57,346,330	57,346,330	-	-	-
Mutual bond funds	60,663,407	-	15,850,969	44,812,438	-
Mutual equity funds	30,398,479	-	-	-	30,398,479
Real estate funds	3,005,395	-	-	-	3,005,395
Marketable securities	233,431	-	-	-	233,431
International equity funds	15,775,725	-	-	-	15,775,725
Alternative investments	12,614,768	-	-	-	12,614,768
Cash surrender value of life insurance	1,149,066	1,149,066	-	-	-
Total	<u>\$ 180,802,316</u>	<u>\$ 58,111,111</u>	<u>\$ 15,850,969</u>	<u>\$ 44,812,438</u>	<u>\$ 62,027,798</u>

Intermediate and Long-term Investments

Intermediate and long-term investment policies have been established by the University's board of trustees 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 University's board of trustees 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 investment advisors, Fund Evaluation Group. 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.

Ferris State University
Notes to Financial Statements (continued)

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 do 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 holding 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 risk. However, board policy establishes limits on balances held in any one bank or bank account to reduce risk. At June 30, 2014, the carrying amount of the University's deposits was \$2,534,447 and \$2,255,599 at June 30, 2013. Of that amount, \$1,000,000 and \$976,856, respectively, was insured. Of the bank balance, \$1,440,631 at June 30, 2014 was collateralized (\$1,278,743 at June 30, 2013). The FDIC insurance limit is \$250,000 per depositor; in addition, the University utilized collateralized banking products.

Ferris State University
Notes to Financial Statements (continued)

2. Cash and Investments (continued)

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.

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 within the parameters specified in this subpart. 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 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:

	2014		2013	
	Market Value	NRSRO Rating	Market Value	NRSRO Rating
PIMCO Low Duration	\$ -	-	\$ 9,532,627	AA-
Vanguard Short Term Bond Index	8,413,407	AA	-	-
Western Asset	8,027,215	AA	12,019,489	AA
PIMCO Total Return	8,037,482	A+	10,954,304	AA-
PIMCO Real Return	12,140,335	AA+	10,615,852	AA+
Vanguard Short Term Investment Grade	3,119,642	AA-	6,318,343	AA-
Franklin Templeton Global Bond	6,085,859	A-	-	-
Loomis Sayles Institutional High Yield	1,119,686	B	951,196	B
Commonfund Multi-Strategy Bond Fund	13,775,223	A+	10,271,596	AAA
Total	<u>\$ 60,718,849</u>		<u>\$ 60,663,407</u>	

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

Ferris State University
Notes to Financial Statements (continued)

2. Cash and Investments (continued)

Foreign Currency Risk

The University and the Foundation hold investments in some international mutual 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 \$35,782,011 for the year ended June 30, 2014 and \$24,415,194 for the year ended June 30, 2013.

3. Accounts Receivable and Student Loans Receivable

Accounts receivable consist of the following at June 30:

	2014	2013
Student	\$ 8,788,786	\$ 8,839,397
Grants and contracts	142,636	309,260
State appropriations	8,297,548	8,045,586
State capital appropriations	-	42,192
Pledges receivable	3,391,954	1,277,452
Other	2,038,646	1,386,653
Total accounts receivable	22,659,570	19,900,540
Less allowance for doubtful accounts	3,538,914	3,616,290
Total accounts receivable - Net	\$ 19,120,656	\$ 16,284,250

Student loans receivable of \$18,536,892 for the year ended June 30, 2014 and \$18,545,253 for the year ended June 30, 2013, are recorded net of an allowance for doubtful accounts of \$3,400,000 for 2014 and 2013.

Ferris State University
Notes to Financial Statements (continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	\$ 7,768,112	\$ 678,482	\$ -	\$ -	\$ 8,446,594
Infrastructure	10,467,479	934,060	(865,117)	-	10,536,422
Building and building improvements	324,574,567	5,774,506	(2,600,757)	2,076,462	329,824,778
Furniture, fixtures, and equipment	75,800,521	2,332,255	(3,019,612)	-	75,113,164
Subtotal - Depreciable assets	418,610,679	9,719,303	(6,485,486)	2,076,462	423,920,958
Land	6,596,622	-	-	-	6,596,622
Construction in progress	2,572,225	18,096,135	-	(2,076,462)	18,591,898
Subtotal - Nondepreciable assets	9,168,847	18,096,135	-	(2,076,462)	25,188,520
Total	427,779,526	27,815,438	(6,485,486)	-	449,109,478
Less accumulated depreciation:					
Land improvements	5,498,027	220,949	-	-	5,718,976
Infrastructure	5,606,852	367,336	(865,117)	-	5,109,071
Building and building improvements	119,621,081	7,026,361	(1,760,063)	-	124,887,379
Furniture, fixtures, and equipment	42,938,963	1,932,149	(2,599,912)	-	42,271,200
Total accumulated depreciation	173,664,923	9,546,795	(5,225,092)	-	177,986,626
Capital assets - Net	\$ 254,114,603	\$ 18,268,643	\$ (1,260,394)	\$ -	\$ 271,122,852

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	\$ 7,768,112	\$ -	\$ -	\$ -	\$ 7,768,112
Infrastructure	7,416,919	2,510,519	-	540,041	10,467,479
Building and building improvements	317,763,848	-	(10,364,652)	17,175,371	324,574,567
Furniture, fixtures, and equipment	72,820,981	3,835,666	(856,126)	-	75,800,521
Subtotal - Depreciable assets	405,769,860	6,346,185	(11,220,778)	17,715,412	418,610,679
Land	6,378,247	218,375	-	-	6,596,622
Construction in progress	16,731,587	3,556,050	-	(17,715,412)	2,572,225
Subtotal - Nondepreciable assets	23,109,834	3,774,425	-	(17,715,412)	9,168,847
Total	428,879,694	10,120,610	(11,220,778)	-	427,779,526
Less accumulated depreciation:					
Land improvements	5,452,310	220,950	-	(175,233)	5,498,027
Infrastructure	5,283,648	323,204	-	-	5,606,852
Building and building improvements	118,117,573	7,055,883	(5,727,608)	175,233	119,621,081
Furniture, fixtures, and equipment	41,341,204	2,279,544	(681,785)	-	42,938,963
Total accumulated depreciation	170,194,735	9,879,581	(6,409,393)	-	173,664,923
Capital assets - Net	\$ 258,684,959	\$ 241,029	\$ (4,811,385)	\$ -	\$ 254,114,603

Ferris State University
Notes to Financial Statements (continued)

4. Capital Assets (continued)

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)	5 years
Land improvements and infrastructure	20 years
Equipment	5 to 15 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, 2014 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
General Revenue Bonds, Series 2014A	\$ -	\$ 12,570,000	\$ -	\$ 12,570,000	\$ -
General Revenue Refunding Bonds, Series 2012	13,750,000	-	965,000	12,785,000	1,005,000
General Revenue Bonds, Series 2009	36,070,000	-	1,015,000	35,055,000	1,050,000
General Revenue Refunding Bonds, Series 2008	26,540,000	-	1,740,000	24,800,000	1,820,000
General Revenue Refunding Bonds, Series 2005	15,500,000	-	1,085,000	14,415,000	1,135,000
Total bonds and notes payable	91,860,000	12,570,000	4,805,000	99,625,000	5,010,000
Other liabilities:					
Accrued sick leave, change	9,147,229	-	424,666	8,722,563	-
Unamortized bond premiums (discounts)	(119,927)	426,342	2,733	303,682	(14,321)
Accrued interest payable (bonds)	1,016,743	82,467	49,750	1,049,460	1,049,460
Accrued interest payable (capital lease)	150,205	-	2,363	147,842	147,842
Capital lease payable	12,310,000	-	315,000	11,995,000	325,000
Total	\$ 114,364,250	\$ 13,078,809	\$ 5,599,512	\$ 121,843,547	\$ 6,517,981

For information on General Revenue Refunding Bonds, Series 2014B issued July 8, 2014, see Note 11. Subsequent Event.

Ferris State University
Notes to Financial Statements (continued)

5. Long-term Liabilities (continued)

Long-term obligation activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
General Revenue Refunding Bonds, Series 2012	\$ -	\$ 13,750,000	\$ -	\$ 13,750,000	\$ 965,000
General Revenue Bonds, Series 2009	37,055,000	-	985,000	36,070,000	1,015,000
General Revenue Refunding Bonds, Series 2008	28,210,000	-	1,670,000	26,540,000	1,740,000
General Revenue Refunding Bonds, Series 2005	16,560,000	-	1,060,000	15,500,000	1,085,000
General Revenue Bonds, Series 2002	5,665,000	-	5,665,000	-	-
General Revenue Bonds, Series 2001	9,190,000	-	9,190,000	-	-
Total bonds and notes payable	96,680,000	13,750,000	18,570,000	91,860,000	4,805,000
Other liabilities:					
Accrued sick leave, change	9,079,014	68,215	-	9,147,229	-
Unamortized bond premiums (discounts)	(662,852)	518,375	(24,550)	(119,927)	2,733
Accrued interest payable (bonds)	1,110,376	-	93,633	1,016,743	1,016,743
Accrued interest payable (capital lease)	152,492	-	2,287	150,205	150,205
Capital lease payable	12,615,000	-	305,000	12,310,000	315,000
Total	\$ 118,974,030	\$ 14,336,590	\$ 18,946,370	\$ 114,364,250	\$ 6,289,681

General Revenue Bonds, Series 2014A

The University issued \$12,570,000 of General Revenue Bonds. The outstanding balance carries interest rates of 2.00 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 a premium, and mature in varying amounts through 2035. Proceeds from the issuance were used to finance a portion of the University Center project. The project has a budget of \$33.9 million and has an expected substantial completion date of December 2014. The University Center located in the center of campus, will serve as a gathering place for the campus community and a home for its commuter students. The center will include 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 2.25 percent to 4.00 percent. A rating of “A” was assigned to these bonds by Standards & Poor’s. The bonds are payable from general revenues of the University, callable at a premium, 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 advance 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 savings of \$2,217,683 over the life of the bonds; a deferred outflow of resources of approximately \$80,000; and a total net present cash flow savings of \$3,451,040.

Ferris State University
Notes to Financial Statements (continued)

5. Long-term Liabilities (continued)

General Revenue Bonds, Series 2009

The University issued \$38,935,000 of General Revenue Bonds. The outstanding balance carries interest rates of 3.25 percent to 5.25 percent. A rating of “AAA” was assigned to these bonds by Standards & Poor’s. The bonds are insured, payable from general revenues of the University, callable at a premium, and mature in varying amounts through 2039. Proceeds from this issuance were used for renovation of the Rock Café, a dining unit within the University’s auxiliary services area which was converted from a traditional cafeteria style to a marketplace concept and construction of an exterior green and multipurpose space located near the Rock Café. Another major project funded was construction of new east campus suites student housing which was completed and was opened for August 2010 occupancy. Also, proceeds were used for construction of a new building for the Michigan College of Optometry, a project 75.0 percent funded by the State of Michigan, with the remainder financed from private donations and bond proceeds. The remainder of the bond funds were used for miscellaneous building and site improvements.

General Revenue Refunding Bonds, Series 2008

The University issued \$32,915,000 of General Revenue and Refunding Bonds. The outstanding balance carries interest rates of 4.00 percent to 5.00 percent. A rating of “AAA” was assigned to these bonds by Standard & Poor’s. The bonds are insured, payable from general revenues of the University, callable at a premium, and mature in varying amounts through 2029. Proceeds from this issuance were placed in an irrevocable trust for the purpose of refunding certain maturities of the General Revenue and Refunding Bonds, Series 1998 in the amount of \$32,825,000 which represents the callable portion of the bonds. The remaining \$1,650,000 portion of the 1998 bonds was not refunded and was paid in October 2009.

General Revenue Refunding Bonds, Series 2005

The University issued \$21,230,000 of General Revenue and Refunding Bonds. The outstanding balance carries interest rates of 3.50 percent to 5.00 percent. A rating of “AAA” was assigned to these bonds by Standard & Poor’s. The bonds are insured, payable from general revenues of the University, callable at a premium, and mature in varying amounts through 2029. Proceeds from this issuance in the amount of \$19,760,000 were placed in an irrevocable trust for the purpose of refunding certain maturities of the General Revenue and Refunding Bonds, Series 1995 and a portion of the General Revenue Bonds, Series 1998. The remaining proceeds of \$1,470,000 were used for renovations of the Instructional Resource Center building and repurposing the facility to focus on programs associated with its adjacent College of Business.

Ferris State University
Notes to Financial Statements (continued)

5. Long-term Liabilities (continued)

General Revenue Bonds, Series 2002

The University issued \$10,340,000 of General Revenue Bonds. Proceeds from this issuance were used to refund the outstanding balance of the General Revenue Bonds, Series 1988 and related accrued interest, \$1,000,000 in funds for the energy retrofitting and modifications for the College of Business, Pharmacy, and Allied Health buildings, \$900,000 for the ice arena mechanical system, \$100,000 for the State Street modifications, and costs incidental to the issuance of the bonds. During 2013, the University paid off these bonds from part of the proceeds of the General Revenue Refunding Bonds, Series 2012.

General Revenue Bonds, Series 2001

The University issued \$11,000,000 of General Revenue Bonds. Proceeds from this issuance were used for the construction and equipping of a new grounds storage building for \$1,000,000, \$6,500,000 for various building and site acquisitions, improvements, renovations, remodeling projects at the Big Rapids and Grand Rapids campuses, additions and remodeling of the Heating, Ventilation, Air Conditioning and Refrigeration Technology Center (HVACR) of \$3,500,000, and costs incidental to the issuance of the bonds. The HVACR project had a total estimated cost of \$18,000,000 with sources of \$1,000,000 from gifts, \$13,500,000 from the State Building Authority, and the remainder from these bond proceeds. During 2013, the University paid off these bonds from part of the proceeds of the General Revenue Refunding Bonds, Series 2012.

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 is a guarantor for the Series 2010A bond issuance for \$12,615,000. Ownership of the building could eventually pass from the City of Grand Rapids to the University after construction is complete and the tax credit recapture expiration date passes. The capital lease is listed as a long term obligation and the related asset included in Buildings and Building Improvements at June 30, 2014 and 2013.

Ferris State University
Notes to Financial Statements (continued)

5. Long-term Liabilities (continued)

Principal and Interest Maturities and Interest Expense

Total principal and interest maturities on all bond and capital lease obligations as of June 30, 2014 are as follows:

Year	Bond		Capital Lease
	Principal	Interest	Minimum Payments
2015	\$ 5,010,000	\$ 4,161,358	\$ 913,119
2016	5,580,000	4,009,188	913,169
2017	5,810,000	3,772,038	914,469
2018	6,070,000	3,521,425	915,169
2019	6,335,000	3,257,150	915,269
2020-2024	27,075,000	12,525,515	4,565,188
2025-2029	20,550,000	7,516,386	4,564,750
2030-2034	11,195,000	4,179,371	4,564,453
2035-2039	12,000,000	1,518,725	1,826,525
Total	\$ 99,625,000	\$ 44,461,156	\$ 20,092,111
	Less: amount representing interest		8,097,111
	Present value of minimum lease payments		<u>\$ 11,995,000</u>

Bond interest expense was approximately \$4,588,000 for the year ended June 30, 2014 and \$4,778,000 for the year ended June 30, 2013. Construction period interest, which is capitalized as part of the cost of the assets constructed, was \$50,749 and \$101,661 for the year ended June 30, 2014 and 2013, respectively.

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

Ferris State University
Notes to Financial Statements (continued)

6. Retirement Plans

The University provides noncontributory retirement plans for all qualified employees. In December 1995, the State enacted H.B. 4047, which precludes University employees hired after March 28, 1996 from participating in the Michigan Public School Employees' Retirement System (MPSERS). Employees currently covered under the MPSERS plan will continue to remain in that plan. The University will contribute to MPSERS the amount of their eligible wages mandated by state statute.

MPSERS is a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers approximately 25 percent of the University's employees. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Under this plan, the University is required to contribute the full actuarial funding contribution amount to fund pension benefits. The pension benefit rate, which is the rate for the covered payroll of the employees participating in MPSERS, is adjusted annually beginning October 1 and ending September 30 of each year. In addition, in order to fund the unfunded liability that existed at March 28, 1996, the University is required under state statute to contribute a percentage of the covered payroll of members and non-members to the plan. The non-member rate is also adjusted annually beginning October 1. Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. The University funds retiree healthcare benefit amounts on a cash disbursement basis.

Ferris State University
Notes to Financial Statements (continued)

6. Retirement Plans (continued)

The following is a table summarizing the pension benefit rate and retirement contributions, the non-member rate and non-member contributions to the unfunded liability, and the postemployment healthcare contributions for the years ended June 30, 2014, 2013, and 2012:

Year	Member Contributions			Nonmember Contributions		
	Pension Benefit Rate	Unfunded Liability Rate	Retirement Contributions	Nonmember Rate	Nonmember Contributions	Retiree Health Contributions
2014	3.00%	16.61%	\$ 2,710,000	16.61%	\$ 2,736,000	\$ 3,358,000
2013	3.21%	13.41%	2,545,000	13.41%	2,166,000	3,725,000
2012	3.21%	13.41%	2,626,000	13.41%	1,877,000	3,989,000

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 5 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, 2014, the University contributed approximately \$7,385,000 to the TIAA-CREF plan (\$7,072,000 at year ended June 30, 2013), and approximately \$2,083,000 to the Fidelity Investments plan (\$1,872,000 at year ended June 30, 2013).

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 2014, 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.

Ferris State University
Notes to Financial Statements (continued)

7. Insurance (continued)

Risk-sharing Facility (continued)

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 and AFSCME union employees' health benefits. Liabilities for estimates of losses retained by the University under self-insurance programs have been established.

8. Leases

The University leases 30 percent of the Applied Technology Center located on the campus of Grand Rapids Community College in Grand Rapids, Michigan. The lease was signed in fiscal year 1990 for a 20-year term beginning upon completion of the center. The center was completed in fiscal year 1992, marking the start of the 20-year lease. The lease was extended in fiscal year 2010 for an additional five years expiring in July 2016 with option of additional five year renewals. Annual payments for the lease total approximately \$587,000.

The University also leases certain equipment under various agreements, which generally require an annual rental payment and operating expenses, expiring in 2018.

Ferris State University
Notes to Financial Statements (continued)

8. Leases (continued)

Future minimum payments at June 30, 2014 under noncancelable operating leases with initial or remaining terms of one year or more are as follows:

Year	Amount
2015	\$ 825,357
2016	732,937
2017	68,609
2018	56,315
2019	10,810
Total	<u>\$ 1,694,028</u>

Rental expense for the year ended June 30, 2014 was approximately \$1,941,000 and \$1,961,000 for the year ended June 30, 2013.

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, 2014 resulting in the following commitments to vendors:

	Spent to Date	Construction Commitments at Year End
University Center	\$ 18,060,876	\$ 12,628,634
UICA Construction	356,740	165,652
Roofing Replacements	87,509	156,795
Katke PGM Center	57,903	86,640
Science Building Mechanical Chases	28,870	220,408
Total	<u>\$ 18,591,898</u>	<u>\$ 13,258,129</u>

The University Center has an expected substantial completion date of December 2014 for a January 2015 opening.

Ferris State University
Notes to Financial Statements (continued)

10. New Accounting Pronouncements

Statement No. 68, *Accounting and Financial Reporting for Pensions*

This statement will require governments with defined benefit pension plans to record a net pension liability on their statements of net position. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. The Statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability, plus the effect of changes in benefit terms on the net pension liability. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014. The University is currently evaluating the impact this standard will have on the financial statements when adopted; however, the University believes that the impact will be material.

11. Subsequent Event

On July 8, 2014, the University issued \$12,880,000 of General Revenue Refunding Bonds. The outstanding balance carries interest rates of 2.00 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 a premium, and mature in varying amounts through 2027. Proceeds from the issuance were used to partially refund General Revenue Bonds, Series 2005 of \$12,145,000. The refunding was done in order to reduce debt payments. The refunding decreased the University’s total debt service payments by approximately \$1,991,279. The refunding results in a net present value savings of \$1,745,967 over the life of the bonds.

Other Supplementary Information

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, 2014 and 2013, and our report thereon dated August 28, 2014, 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, and changes in net position, including comparative totals for 2013, are presented for purposes of additional analysis and are not a required part of the financial statements. Such 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Andrews Hooper Pavlik PLC

Grand Rapids, Michigan
August 28, 2014

Ferris State University
Combining Statement of Net Position
June 30, 2014

	2014 Combined Total	General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Ferris Foundation	2013 Combined Total
Assets										
Current Assets										
Cash and cash equivalents	\$ 56,739,696	\$ 10,837,644	\$ 13,775,494	\$ 842,470	\$ 1,059,457	\$ 539,548	\$ 28,348,662	\$ 61,787	\$ 1,274,634	\$ 56,962,045
Short-term investments	42,443,603	14,879,234	21,810,299	3,122,820	1,764,992	866,258	-	-	-	39,558,664
Accounts receivable - Net	19,120,656	14,180,450	3,473,729	423,036	142,636	-	75,000	200,939	624,866	16,284,250
Inventories	904,473	63,924	176,494	664,055	-	-	-	-	-	927,093
Prepaid expenses and other assets	719,640	669,798	49,842	-	-	-	-	-	-	662,179
Total current assets	119,928,068	40,631,050	39,285,858	5,052,381	2,967,085	1,405,806	28,423,662	262,726	1,899,500	114,394,231
Noncurrent Assets										
Restricted cash and cash equivalents	1,444,423	-	-	-	-	-	1,444,423	-	-	-
Endowment investments	45,898,531	-	-	-	-	-	-	-	45,898,531	39,897,751
Other long-term investments	45,711,579	1,149,655	-	-	-	-	44,561,924	-	-	44,383,856
Student loans receivable - Net	18,536,892	-	-	-	-	18,536,892	-	-	-	18,545,253
Other noncurrent assets	757,190	-	-	-	-	-	757,190	-	-	796,146
Capital assets - Net	271,122,852	-	-	-	-	-	271,122,852	-	-	254,114,603
Total noncurrent assets	383,471,467	1,149,655	-	-	-	18,536,892	317,886,389	-	45,898,531	357,737,609
Total assets	503,399,535	41,780,705	39,285,858	5,052,381	2,967,085	19,942,698	346,310,051	262,726	47,798,031	472,131,840
Deferred Outflows of Resources										
Refunding of debt	808,105	-	-	-	-	-	808,105	-	-	880,527
Total deferred outflows of resources	808,105	-	-	-	-	-	808,105	-	-	880,527
Liabilities										
Current liabilities:										
Accounts payable and accrued liabilities	19,117,657	12,167,667	162,082	1,280,272	28,736	-	5,102,284	262,726	113,890	15,553,158
Unearned revenue	8,236,967	7,370,574	659,669	206,724	-	-	-	-	-	8,066,624
Long-term liabilities - Current portion	6,517,981	-	-	-	-	-	6,517,981	-	-	6,289,681
Total current liabilities	33,872,605	19,538,241	821,751	1,486,996	28,736	-	11,620,265	262,726	113,890	29,909,463
Noncurrent liabilities:										
Deposits	815,419	-	-	815,419	-	-	-	-	-	873,700
Federal student loan payable	12,936,850	-	-	-	-	12,936,850	-	-	-	13,294,102
Long-term liabilities	115,325,566	8,308,025	27,043	387,494	-	-	106,603,004	-	-	108,074,569
Total noncurrent liabilities	129,077,835	8,308,025	27,043	1,202,913	-	12,936,850	106,603,004	-	-	122,242,371
Total liabilities	162,950,440	27,846,266	848,794	2,689,909	28,736	12,936,850	118,223,269	262,726	113,890	152,151,834
Net Position										
Net investment in capital assets	162,014,039	-	-	-	-	-	162,014,039	-	-	152,945,637
Restricted for:										
Nonexpendable:										
Scholarships	21,262,399	-	-	-	-	-	-	-	21,262,399	20,422,604
Expendable:										
Scholarships	10,510,123	-	-	-	2,271,906	-	-	-	8,238,217	7,580,448
Research	68,618	-	-	-	68,618	-	-	-	-	82,675
Instructional department uses	4,963,147	-	-	-	2,810	-	-	-	4,960,337	3,486,166
Loans	7,015,161	-	-	-	-	6,748,784	-	-	266,377	7,219,370
Capital projects	200	-	-	-	-	-	-	-	200	200
Other	1,427,834	-	-	-	595,015	-	-	-	832,819	1,183,214
Unrestricted	133,995,679	13,934,439	38,437,064	2,362,472	-	257,064	66,880,848	-	12,123,792	127,940,219
Total net position	\$ 341,257,200	\$ 13,934,439	\$ 38,437,064	\$ 2,362,472	\$ 2,938,349	\$ 7,005,848	\$ 228,894,887	\$ -	\$ 47,684,141	\$ 320,860,533

Ferris State University
Combining Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2014

	2014 Combined		General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Ferris Foundation	2013 Combined Total
	Total	Eliminations								
Operating Revenues										
Tuition and fees - Net	\$ 116,440,452	\$ (31,390,057)	\$ 147,830,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,449,198
Federal grants and contracts	2,267,806	-	-	-	13,625	2,254,181	-	-	-	2,677,291
State grants and contracts - Net	327,405	-	-	-	-	327,405	-	-	-	200,036
Nongovernmental grants	395,099	-	5,500	282,393	1,800	105,406	-	-	-	287,175
Departmental activities	11,579,115	(2,596,111)	4,611,400	9,486,080	-	77,746	-	-	-	10,779,609
Auxiliary enterprises - Net	30,105,818	(11,880,752)	-	-	41,986,570	-	-	-	-	31,093,969
Other operating revenues	1,107,420	(333,406)	333,095	72,842	-	-	647,648	387,241	-	4,656,744
Current funds expenditures for equipment and capital improvements	-	(1,478,783)	-	-	-	-	-	1,478,783	-	-
Total operating revenues	162,223,115	(47,679,109)	152,780,504	9,841,315	42,001,995	2,764,738	647,648	1,866,024	-	164,144,022
Operating Expenses										
Instruction	87,723,061	(790,355)	85,790,296	2,698,789	-	24,331	-	-	-	87,471,553
Research	710,516	(10,950)	354,302	284,400	-	82,764	-	-	-	546,649
Public service	4,254,934	(122,597)	238,289	3,455,975	-	683,267	-	-	-	4,492,398
Academic support	28,444,496	(345,114)	27,346,908	1,439,288	-	3,414	-	-	-	27,154,943
Student services	16,754,144	(170,018)	15,110,026	1,694,408	-	119,728	-	-	-	16,282,744
Institutional support	22,128,901	(3,582,636)	21,535,586	2,252,507	-	382,721	-	-	1,540,723	20,867,113
Operations and maintenance of plant	21,579,963	(205,200)	14,003,743	6,592	-	269	-	7,774,559	-	19,507,341
Depreciation	9,546,795	-	-	-	-	-	-	9,546,795	-	9,879,581
Student aid	18,047,262	(31,390,057)	18,851,577	75,296	1,640,070	28,870,376	-	-	-	18,950,195
Auxiliary enterprises	21,655,795	(12,214,311)	-	-	33,870,106	-	-	-	-	20,440,476
Other expenses	552,855	-	-	-	-	-	552,855	-	-	5,249,326
Total operating expenses	231,398,722	(48,831,238)	183,230,727	11,907,255	35,510,176	30,166,870	552,855	17,321,354	1,540,723	230,842,319
Operating (Loss) Income	(69,175,607)	1,152,129	(30,450,223)	(2,065,940)	6,491,819	(27,402,132)	94,793	(15,455,330)	(1,540,723)	(66,698,297)
Nonoperating Revenues (Expenses)										
State appropriations	46,067,208	-	46,067,208	-	-	-	-	-	-	44,327,804
Federal Pell grants	23,821,289	-	-	-	-	23,821,289	-	-	-	23,686,544
Gifts	8,083,456	(1,152,129)	3,914	5,590,270	19,386	3,341,515	51,820	32,500	196,180	6,455,423
Investment gain	15,369,938	-	1,755,468	4,537,149	299,853	61,322	40,178	1,878,464	6,797,504	9,268,507
Interest on capital asset - Related debt	(4,588,314)	-	-	-	-	-	-	(4,588,314)	-	(4,777,715)
Net nonoperating revenues (expenses)	88,753,577	(1,152,129)	47,826,590	10,127,419	319,239	27,224,126	91,998	(2,677,350)	6,993,684	78,960,563
Income (Loss) - Before other revenues	19,577,970	-	17,376,367	8,061,479	6,811,058	(178,006)	186,791	(18,132,680)	5,452,961	12,262,266
Other Revenues										
State capital appropriations	17,827	-	-	-	-	-	-	17,827	-	1,280,117
Additions to permanent endowments	800,870	-	-	-	-	-	-	-	800,870	1,647,877
Increase (Decrease) in Net Position - Before transfers	20,396,667	-	17,376,367	8,061,479	6,811,058	(178,006)	186,791	(18,114,853)	6,253,831	15,190,260
Transfers In (Out)	-	-	(16,316,423)	380,949	(6,494,508)	489,333	3,623	21,895,126	41,900	-
Net Increase (Decrease) in Net Position	20,396,667	-	1,059,944	8,442,428	316,550	311,327	190,414	3,780,273	6,295,731	15,190,260
Net Position - Beginning of year	320,860,533	-	12,874,495	29,994,636	2,045,922	2,627,022	6,815,434	225,114,614	41,388,410	305,670,273
Net Position - End of year	\$ 341,257,200	\$ -	\$ 13,934,439	\$ 38,437,064	\$ 2,362,472	\$ 2,938,349	\$ 7,005,848	\$ 228,894,887	\$ 47,684,141	\$ 320,860,533