Financial Report

Ferris State University

Years ended June 30, 2021 and 2020
with Report of Independent Auditors

AHP
CPAs & ADVISORS
ANDREWS HOOPER PAVLIK PLC

Ferris State University

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Financial Report
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Contents

AHP
CPAs & ADVISORS

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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 and for the years ended June 30, 2021 and 2020, 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 risks 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, 2021 and 2020, 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 and the Required Supplementary Information on pages 55 and 56 (related to pension and postemployment benefits, and Notes to Required Supplementary Information) 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 September 20, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ferris State University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Grand Rapids, Michigan
September 20, 2021

Ferris State University
Management's Discussion and Analysis

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, 2021 with selected comparative information as of and for the years ended June 30, 2020 and 2019. 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 $26.5 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. The grants carry compliance requirements as to how funds are to be spent and recorded. No funds allocated under HEERF III have been spent as of June 30, 2021. Funds have been applied to the grants in the following categories during the years ended June 30:

	2021	2020	Total
Emergency grants to students	$ 7,022,827	$ 2,123,987	$ 9,146,814
Refund reimbursements and other eligible expenses	3,147,869	2,123,987	5,271,856
Total	$10,170,696	$ 4,247,974	$14,418,670

Financial Highlights

The University's operating revenues decreased by $17.3 million during the fiscal year ended June 30, 2021. The University's operating expenses decreased $26.8 million during the fiscal year ended June 30, 2021 due to decreases in operating budgets. The University's total assets grew $35.5 million to $620.4 million at year end. The University suspended investment in the physical properties as of March 2020 and capital assets decreased $5.6 million to $324.8 million net of depreciation for the fiscal year ended June 30, 2021.

Operating revenues decreased $17.3 million or 10.8 percent compared to prior year. Operating expenses decreased $26.8 million or 10.8 percent compared to prior year. The current year operating expenses include $1.0 million of multi-employer pension plan and ($9.0) million of other post employment benefits (OPEB) reporting. The total of all other expenditures decreased 8.0 percent. 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.

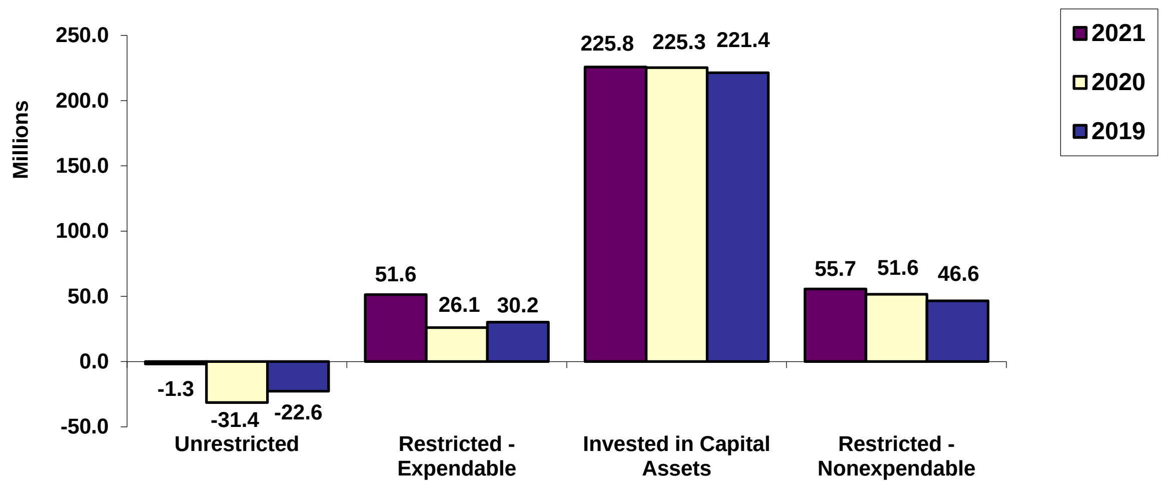
The largest component of operating revenues is tuition and fees, net of scholarships. Tuition and fees revenue decreased $5.4 million resulting from a decrease in enrollment totaling $11.6 million and a reduction of tuition discounts totaling $2.8 million, partially offset by a 2.8 percent increase in the undergraduate tuition rate generating $3.4 million.

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 decreased $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.

For the year ended June 30, 2020, the University's operating revenues increased by $0.7 million. The University's total assets grew $19.7 million to $584.9 million at year end. The University suspended investment in the physical properties as of March 2020 and as a result, operations and maintenance expenditures totaled $16.1 million and capital assets decreased $2.3 million to $561.9 million before depreciation for the fiscal year ending June 30, 2020. Operating expenses decreased by $3.8 million. Multi-employer pension and OPEB expense decreased $10.6 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 $6.8 million. The functional areas with the largest increase in operating expenditures were institutional support and student aid. Institutional support increased $4.1 million, and student aid increased $1.9 million. Investment gains for the University and the Foundation were $3.8 million and $0.4 million, respectively. This reflects investment returns of 4.1 percent on the University's operating funds and 0.4 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, 2021, 2020, and 2019:



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 $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.

For the year ended June 30, 2020, total net position decreased by $4.0 million to $271.6 million. Unrestricted net position decreased by $8.8 million to ($31.4) million. This total is comprised of ($107.4) million net unfunded pension liability; ($14.8) million net unfunded OPEB liability; $63.1 million identified for departmental use, maintenance and replacement of facilities, debt service, and Foundation endowments; and $27.7 million unrestricted and undesignated. The unrestricted and undesignated amount is comprised of $19.5 million for self-supporting departmental, student loan, and auxiliary activities, and $8.2 million for maintenance and construction projects on campus.

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)

	2021	2020	2019
Assets			
Current assets	$ 101.1	$ 101.0	$ 104.9
Noncurrent assets:			
Capital assets - Net of depreciation	324.8	330.4	332.7
Other	194.5	153.5	127.6
Total assets	**620.4**	**584.9**	**565.2**
Deferred Outflows of Resources			
Net pension liability	5.6	4.7	6.0
Net OPEB liability	1.2	1.5	2.0
Refunding of debt	3.3	3.3	3.4
Total deferred outflows of resources	**10.1**	**9.5**	**11.4**
Liabilities			
Current liabilities	45.5	46.9	39.1
Long-term liabilities	251.1	271.7	254.7
Total liabilities	**296.6**	**318.6**	**293.8**
Deferred Inflows of Resources			
Net pension liability	1.9	2.8	4.5
Net OPEB liability	0.2	1.4	2.7
Total deferred inflows of resources	**2.1**	**4.2**	**7.2**
Net Position			
Invested in capital assets	225.8	225.3	221.4
Restricted - Expendable	51.6	26.1	30.2
Restricted - Nonexpendable	55.7	51.6	46.6
Unrestricted	(1.3)	(31.4)	(22.6)
Total net position	**$ 331.8**	**$ 271.6**	**$ 275.6**

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

	2021	2020	2019
Operating Revenues			
Tuition and fees - Net	$ 110.6	$ 116.0	$ 115.7
Grants and contracts	5.3	4.5	3.7
Departmental activities	7.7	10.1	11.3
Auxiliary activities - Net	19.1	28.9	28.0
Other operating revenues	0.3	0.8	0.9
Total operating revenues	143.0	160.3	159.6
Operating Expenses			
Instruction	83.8	98.9	99.9
Research	0.9	0.4	0.4
Public service	2.5	4.5	4.9
Academic support	23.8	25.9	27.8
Student services	16.1	18.8	19.0
Institutional support	26.0	30.2	26.1
Operation and maintenance of plant	16.8	16.1	19.8
Depreciation	11.1	11.4	10.7
Student aid	25.7	21.8	19.9
Auxiliary enterprises	14.5	20.0	23.3
Other expenses	0.1	0.1	0.1
Total operating expenses	221.3	248.1	251.9
Operating Loss	(78.3)	(87.8)	(92.3)
Nonoperating Revenues (Expenses)			
State appropriations	56.9	50.7	55.9
Federal appropriations	0.1	-	-
Federal Pell Grants	17.1	19.7	21.1
HEERF Funds	10.2	4.2	-
CARES Act Coronavirus Relief Funds	6.2	-	-
Gifts	5.9	7.1	7.5
Investment gain	44.4	4.2	9.0
Interest on capital assets - Related debt	(4.3)	(4.4)	(4.4)
Total nonoperating revenues (expenses)	136.5	81.5	89.1
Income/(Loss) - Before other revenues	58.2	(6.3)	(3.2)
Other Revenues			
State capital appropriations	-	0.6	6.2
Additions to permanent endowments	2.0	1.7	8.2
Total other revenues	2.0	2.3	14.4
Increase (Decrease) in Net Position	60.2	(4.0)	11.2
Net Position - Beginning of year	271.6	275.6	264.4
Net Position - End of year	**$ 331.8**	**$ 271.6**	**$ 275.6**

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, 2021:

- 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.

For the year ended June 30, 2020, the significant operating revenue factors were as follows:

- Student tuition and fees revenue increased $0.3 million due to the net effect of the following: a decrease in enrollment totaling $6.8 million, reduction of tuition discounts totaling $1.1 million, partially offset by a 3.2 percent increase in the undergraduate tuition rate generating $5.4 million.

- Auxiliary enterprises operating revenue increased by $0.9 million. Housing and dining revenues before eliminations decreased $1.1 million offset by a reduction of room and board discounts totaling $1.1 million. Other changes totaled an increase of $0.9 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 (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, 2021:

- 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.

Nonoperating Revenues (Expenses) (continued)

- HEERF grants were $10.2 million in 2021 and $4.2 million 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.

For the year ended June 30, 2020, significant nonoperating revenues (expenses) factors were as follows:

- The State appropriation of $50.7 million is a decrease of $5.2 million from the 2019 level.

- Investment gain decreased by $4.8 million from $9.0 million in 2019 to $4.2 million in 2020. The $4.2 million investment gain is comprised of $1.0 million realized gains and $3.2 million of unrealized gains.

- Pell Grants decreased $1.4 million from $21.1 million in 2019 to $19.7 million in 2020.

- Gift income decreased by $0.4 million from $7.5 million in 2019 to $7.1 million in 2020. This includes new pledges receivable.

- HEERF grants were $4.2 million in 2020 and none in 2019.

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 the year ended June 30, 2021:

- There were no state capital appropriations for 2021, as the Swan Annex project was completed in 2020. This is a decrease of $0.6 million from 2020.

- 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.

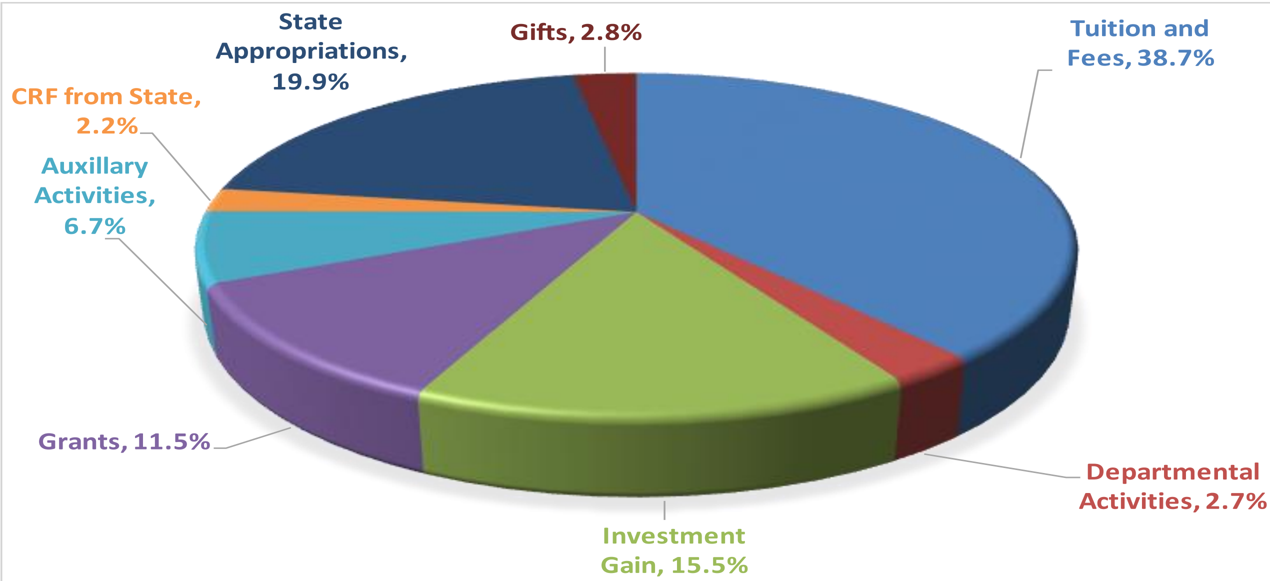
For the year ended June 30, 2020:

- State capital appropriations were $0.6 million for the Swan Annex project. This is a decrease of $5.6 million from 2019.

- Other revenues include changes to permanent endowments of the Ferris Foundation. These revenues decreased by $6.5 million from $8.2 million in 2019 to $1.7 million in 2020.

Total Revenues

The following is a graphic illustration of total revenues by source for June 30, 2021:



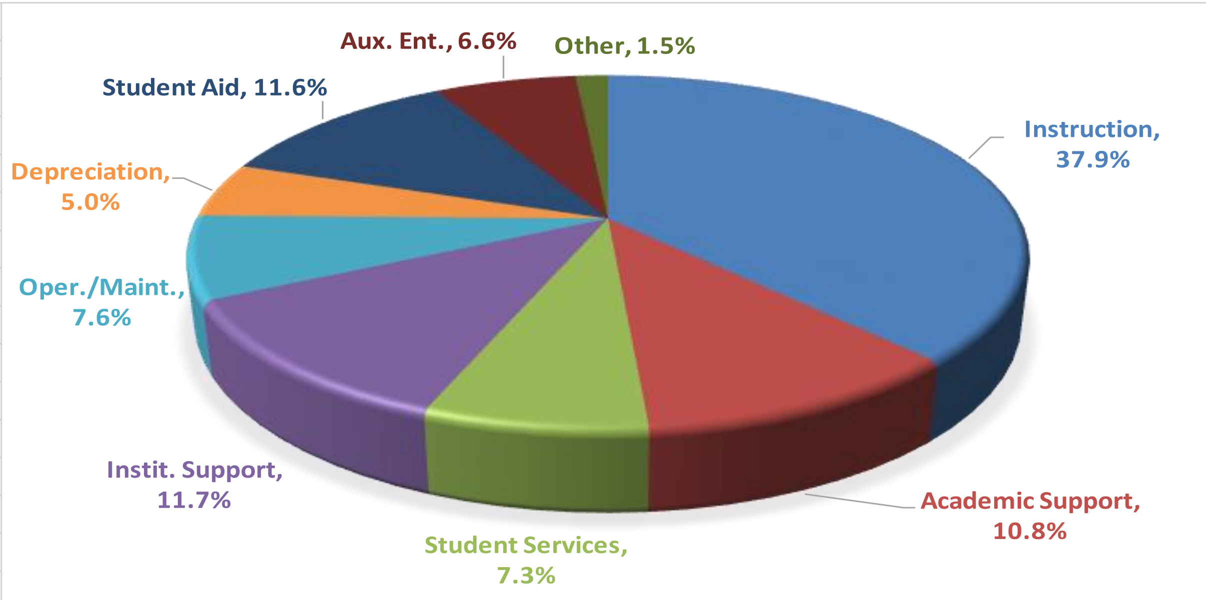
Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the University. These 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.

During the 2020 fiscal year, expenses decreased by $3.8 million from 2019 levels to $248.1 million. Instruction, student services, and student aid represent $139.5 million, or 56.2 percent, of the total. Operations and maintenance of plant and depreciation total $27.5 million, or 11.1 percent, and auxiliary enterprises total $20.0 million, or 8.0 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, 2021:



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)

	2021	2020	2019
Net Cash:			
Operating activities	$ (75.9)	$ (72.9)	$ (73.2)
Noncapital financing activities	90.8	91.3	91.2
Capital and related financing activities	(21.9)	9.6	(21.7)
Investing activities	(2.2)	8.1	(2.7)
Net Change in Cash and Cash Equivalents	(9.2)	36.1	(6.4)
Cash and Cash Equivalents - Beginning of year	61.1	25.0	31.4
Cash and Cash Equivalents - End of year	**$ 51.9**	**$ 61.1**	**$ 25.0**

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 $3.0 million from $72.9 million in 2020 to $75.9 million in 2021.

State appropriations, gifts, and grants received during the current year provide noncapital financing sources. The net cash generated in this area decreased by $0.5 million from $91.3 million in 2020 to $90.8 million in 2021.

Cash used in capital and related financing activities totaled $21.9 million, used primarily for capital assets acquired during the year and construction projects of $5.7 million, and debt and interest payments of $21.9 million which were offset by other proceeds totaling $5.7 million.

Cash used in investing activities totaled $2.2 million. This is the amount of cash used for the purchase of investments in excess of cash used for the sale of investments.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021, the University had $324.8 million invested in capital assets, net of accumulated depreciation of $241.8 million.

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

	2021	2020	2019
Land, land improvements, and infrastructure	$ 32.1	$ 32.0	$ 31.3
Buildings and improvements	441.7	441.6	405.9
Furniture, fixtures, and equipment	87.0	86.5	86.1
Construction in progress	5.8	1.8	30.7
Total	**$ 566.6**	**$ 561.9**	**$ 554.0**

There was minimal investment in capital assets during fiscal year 2021. Many projects were put on hold during the COVID-19 pandemic and those that progressed, are reflected in construction in progress at year end.

Expenditures totaling $5.8 million for the KCAD HVACR project, Center for Virtual Learning and other small projects were included in construction in progress at June 30, 2021.

Capital Assets and Debt Administration (continued)

Debt Administration

At year end, the University had $108.7 million in debt outstanding compared to $110.9 million at 2020 and $96.0 million at 2019. In addition to General Revenue Bond debt, the University was a guarantor on $9.8 million of Limited Obligation Recovery Zone Facility Revenue Bonds Series 2010A for the Ferris Building in Grand Rapids. The balance at June 30, 2020 was $9.8 million and $10.2 million at June 30, 2019. This building was refinanced in General Revenue Bond debt series 2020A at June 30, 2021.

Economic Factors Affecting the Future

This continues to be an unprecedented time in Michigan, our country and our world. The COVID-19 pandemic has created a profound economic impact on all sectors, including public universities, and has brought forth a number of accompanying challenges. Michigan higher education institutions, along with business, industry and our communities, are attempting to return to pre-COVID human interactions while also spending much time creating contingency plans as the Delta variant continues to spread across much of the state and nation.

Last year, when the pandemic forced colleges and universities to move from teaching in-person to remotely, many students faced unexpected expenses such as housing, food and technology purchases. In response, Congress created the Higher Education Emergency Relief Fund, providing university's pass-through grant funding to students to help offset some of their expenses. The State of Michigan has also received significant additional federal pandemic relief funds, with plans for some of this funding to support higher education students. While the state has provided a strong commitment to community colleges through the Futures for Frontliners and Michigan Reconnect programs, in order to compete economically, our state is going to need workers with bachelor and graduate degrees. Thirty-eight of the in-demand and well-paying 'Hot 50' careers identified by the Bureau of Labor Market Information and Strategic Information minimally require a four-year degree.

Before COVID-19, higher education in the state was already suffering from the sharp decline in the number of Michigan 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. Now, with the pandemic, fewer of Michigan's low-income and at-risk high school graduates are enrolling in college, effectively widening these equity gaps. Wages and job prospects will be limited for these graduates. This will have both immediate and future impact on the areas where they live. Coupled with the inability of many business and industry sectors, including higher education, to find employees, the economic rebound and growth emerging from this pandemic period will be limited.

Economic Factors Affecting the Future (continued)

Through all of this, the University remains steadfast in providing the affordable opportunity of a college degree for students. It does so by constraining costs and providing increased financial support for students. This is clearly demonstrated by the national benchmark of net price. Net price is the average cost a student pays and is the difference between the full cost of attendance (tuition, room and board, travel and incidentals) minus the financial aid a student receives (scholarships and grants, but not loans). Over the last decade the average net price at Ferris State University has declined by 12.1%. Ferris is the only public university with a decline in net price over this period and the average net price for the Michigan public universities is an increase of 21.6%. As a result, the average student debt for Ferris graduates with student loans has decreased by over $1,000 since 2015.

To build private support for students and their education, in November 2017, the University launched "Now & Always," its first comprehensive capital campaign with a goal of $80 million, including $36 million in new scholarship endowments through the Ferris Futures Scholarship Challenge. When the initial campaign goal was reached, the campaign goal was increased to $115 million. Donations have now passed the $111 million mark and will surpass the campaign goal in the next few months. The Ferris Foundation Endowment continues to grow and now exceeds $122 million, with these assets dedicated to supporting students and the educational mission of the University. The combined impact of these additional sources of revenue position the University well for recruitment and retention, state funding, degree affordability and therefore, stable finances.

Looking forward, the University's career-oriented focus, with educational offerings in Big Rapids, throughout Michigan and increasingly online will continue to attract students and align with the state's priorities and performance-based funding metrics. Fortunately, the University has a strong competitive position with its focus upon much needed and unique career-oriented degrees, continued partnerships with community colleges across the state to provide bachelor completion degrees, dual and concurrent agreements with high schools across the state, and online education. It is important we align state and University resources with areas of strong interest, promote the distinctive programs and strengths of the University, continue investment in new degree programs in high need/demand areas, and provide short-term certificates and opportunities for adult learners to retrain for employment.

Ferris State University
Statements of Net Position

	June 30	
	2021	**2020**
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	**$ 28,726,483**	$ 33,463,288
Short-term investments (Note 2)	**47,233,601**	48,568,817
Accounts receivable - Net (Note 3)	**23,699,985**	17,631,064
Inventories	**845,400**	793,883
Prepaid expenses and other assets	**564,138**	507,421
Total current assets	**101,069,607**	100,964,473
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)	**23,155,152**	27,589,838
Endowment investments (Note 2)	**117,293,244**	87,398,716
Other long-term investments (Note 2)	**42,974,509**	24,969,420
Student loans receivable - Net (Note 3)	**11,153,444**	13,451,807
Other noncurrent assets	**23,077**	26,924
Capital assets - Net (Note 4)	**324,757,520**	330,428,645
Total noncurrent assets	**519,356,946**	483,865,350
Total assets	**620,426,553**	584,829,823
Deferred Outflows of Resources		
Net pension liability (Note 6)	**5,563,433**	4,739,726
Net OPEB liability (Note 6)	**1,194,499**	1,482,174
Refunding of debt	**3,318,768**	3,304,193
Total deferred outflows of resources	**10,076,700**	9,526,093
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**29,974,761**	27,220,969
Unearned revenue	**7,532,539**	10,337,186
Long-term liabilities - Current portion (Note 5)	**8,002,688**	9,334,673
Total current liabilities	**45,509,988**	46,892,828
Noncurrent Liabilities		
Deposits	**527,256**	793,570
Federal student loan payable	**6,901,006**	9,307,773
Long-term liabilities (Note 5)	**125,635,028**	137,327,862
Net pension liability (Note 6)	**111,194,455**	109,335,758
Net OPEB liability (Note 6)	**6,888,809**	14,953,741
Total noncurrent liabilities	**251,146,554**	271,718,704
Total liabilities	**296,656,542**	318,611,532
Deferred Inflows of Resources		
Net pension liability (Note 6)	**1,907,884**	2,797,230
Net OPEB liability (Note 6)	**187,816**	1,392,349
Total deferred inflows of resources	**2,095,700**	4,189,579
Net Position		
Net investment in capital assets	**225,814,641**	225,286,332
Restricted for (Note 1):		
Nonexpendable:		
Scholarships	**55,715,098**	51,561,944
Expendable:		
Scholarships	**28,828,161**	11,126,184
Research	**172,242**	81,555
Instructional department uses	**6,721,582**	3,930,328
Loans	**8,521,205**	8,410,663
Capital projects	**200**	200
Other	**7,282,124**	2,573,649
Unrestricted (Note 1)	**(1,304,242)**	(31,416,050)
Total net position	**$ 331,751,011**	$ 271,554,805

See accompanying notes.

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

	Year Ended June 30	
	2021	**2020**
Operating Revenues		
Tuition and fees - Net of scholarship allowances of $30,760,071 for 2021 and $33,513,870 for 2020	**$ 110,577,225**	$ 115,970,351
Federal grants and contracts	**4,001,948**	3,316,726
State and local grants and contracts - Net of refunds	**532,914**	538,835
Nongovernmental grants	**795,885**	689,681
Departmental activities	**7,713,816**	10,114,895
Auxiliary enterprises - Net of scholarship allowances of $4,529,879 for 2021 and $5,671,214 for 2020	**19,092,184**	28,860,982
Other operating revenues	**328,056**	794,675
Total operating revenues	**143,042,028**	160,286,145
Operating Expenses		
Instruction	**83,845,256**	98,918,441
Research	**852,372**	393,945
Public service	**2,539,130**	4,441,487
Academic support	**23,761,350**	25,902,796
Student services	**16,139,587**	18,822,402
Institutional support	**26,064,304**	30,187,258
Operation and maintenance of plant	**16,764,508**	16,095,172
Depreciation	**11,128,332**	11,449,238
Student aid	**25,655,505**	21,820,445
Auxiliary enterprises	**14,478,448**	19,972,801
Other expenses	**94,725**	78,414
Total operating expenses	**221,323,517**	248,082,399
Operating Loss	**(78,281,489)**	(87,796,254)
Nonoperating Revenues (Expenses)		
State appropriations	**56,948,071**	50,743,091
Federal appropriations	**68,419**	-
Federal Pell Grants	**17,079,959**	19,693,172
HEERF Funds	**10,170,696**	4,247,974
CARES Act Coronavirus Relief Funds	**6,166,900**	-
Gifts	**5,934,358**	7,074,963
Investment gain	**44,411,355**	4,156,376
Interest on capital asset - Related debt	**(4,314,215)**	(4,449,678)
Net nonoperating revenues (expenses)	**136,465,543**	81,465,898
Income (Loss) - Before other revenues	**58,184,054**	(6,330,356)
Other Revenues		
State capital appropriations	**-**	560,899
Additions to permanent endowments	**2,012,152**	1,739,111
Increase (Decrease) in Net Position	**60,196,206**	(4,030,346)
Net Position		
Beginning of year	**271,554,805**	275,585,151
End of year	**$ 331,751,011**	$ 271,554,805

See accompanying notes.

Ferris State University
Statements of Cash Flows

	Year Ended June 30	
	2021	**2020**
Cash Flows from Operating Activities		
Tuition and fees	**$ 107,951,865**	$ 115,631,531
Grants and contracts	**3,977,785**	393,785
Payments to suppliers	**(118,334,738)**	(126,324,620)
Payments to employees	**(97,870,634)**	(106,003,897)
Interest collected on student loans	**312,917**	781,364
Loans issued to students	**(582,234)**	(1,198,767)
Collection of loans from students	**2,648,964**	2,547,134
Auxiliary enterprise charges	**19,092,184**	28,860,982
Other receipts	**6,900,892**	12,352,435
Net cash from operating activities	**(75,902,999)**	(72,960,053)
Cash Flows from Noncapital Financing Activities		
State appropriations	**49,511,885**	56,702,602
Federal appropriations	**68,419**	-
Pell Grant receipts	**17,079,959**	19,693,172
HEERF/ CRF Funds	**16,337,596**	6,697,394
Gifts and grants for other than capital purposes	**5,911,717**	6,534,704
Private gifts for endowment purposes	**2,012,152**	1,739,111
Federal direct loan lending receipts	**59,208,711**	67,592,613
Federal direct loan lending disbursements	**(59,289,995)**	(67,633,296)
Net cash from noncapital financing activities	**90,840,444**	91,326,300
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	**-**	2,713,431
Capital grants and gifts received	**22,641**	540,259
Purchase of capital assets and construction	**(5,664,692)**	(9,609,528)
Proceeds from sale of capital assets	**126,901**	123,601
Proceeds from capital debt	**4,600,000**	34,655,000
Principal paid on capital debt	**(16,620,000)**	(20,125,000)
Proceeds from capital debt premium	**875,663**	6,181,072
Interest paid on capital debt	**(5,296,403)**	(4,907,941)
Net cash from capital and related financing activities	**(21,955,890)**	9,570,894
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	**27,307,156**	23,288,043
Investment income	**44,411,355**	4,156,376
Purchase of investments	**(73,871,557)**	(19,353,889)
Net cash from investing activities	**(2,153,046)**	8,090,530
Change in Cash and Cash Equivalents	**(9,171,491)**	36,027,671
Cash and Cash Equivalents - Beginning of year	**61,053,126**	25,025,455
Cash and Cash Equivalents - End of year	**$ 51,881,635**	$ 61,053,126

See accompanying notes.

Ferris State University
Statements of Cash Flows (continued)

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

	Year Ended June 30	
	2021	**2020**
Operating loss	**$ (78,281,489)**	$ (87,796,254)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**11,128,332**	11,449,238
Amortization of bond insurance costs	**3,847**	153,875
Loss on disposal of capital assets	**80,584**	318,788
Decrease (increase) in assets:		
Accounts receivable	**277,839**	(518,156)
Student loans receivable	**(27,120)**	(842,566)
Inventories, prepaid expenses, and other assets	**(108,234)**	436,439
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	**2,753,792**	5,319,198
Deposits and unearned revenue	**(3,070,961)**	124,253
Accrued sick leave	**(912,869)**	518,250
Net pension/OPEB liability	**(7,746,720)**	(2,123,118)
Net cash from operating activities	**$ (75,902,999)**	$ (72,960,053)

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 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' 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, 2021 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

Assets	2021	2020
Cash and cash equivalents	$ 1,127,237	$ 1,617,902
Investments	117,293,244	87,398,716
Other assets	4,239,347	3,184,737
Total assets	**122,659,828**	**92,201,355**
Liabilities		
Other liabilities	127,141	112,869
Total liabilities	**127,141**	**112,869**
Net Assets		
Without donor restrictions	28,412,084	23,626,398
With donor restrictions	94,120,603	68,462,088
Total net assets	**$ 122,532,687**	**$ 92,088,486**

Ferris Foundation
Condensed Statements of Activities for the Year Ended June 30

Support, revenue, and gains	2021	2020
Gifts and contributions	$ 7,619,441	$ 7,140,771
Other support, revenue, and gains	30,686,153	370,488
Total support, revenue, and gains	**38,305,594**	**7,511,259**
Expenses		
Disbursements to Ferris	5,697,608	5,285,385
Other expenses	2,612,286	2,680,100
Total expenses	**8,309,894**	**7,965,485**
Support, revenue, and gains over (under) expenses	29,995,700	(454,226)
Net transfers from (to) Ferris	448,501	(28,775)
Change in net assets	30,444,201	(483,001)
Net assets - beginning of year	92,088,486	92,571,487
Net assets - end of year	**$ 122,532,687**	**$ 92,088,486**

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

	2021	2020
Net cash from operating activities	$ (2,740,791)	$ (515,761)
Net cash from investing activities	(200,924)	(3,637,809)
Net cash from financing activities	2,451,050	1,700,733
Net change in cash and cash equivalents	**(490,665)**	**(2,452,837)**
Cash and cash equivalents - beginning of year	1,617,902	4,070,739
Cash and cash equivalents - end of year	**$ 1,127,237**	**$ 1,617,902**

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.

Adoption of New Standard

On July 1, 2019, the University adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* Statement No. 89 required the University to account for interest costs incurred before the end of a construction period as expenses rather than capitalizing the costs. The requirements of the statement were applied prospectively; therefore, no prior year capitalized interest was restated.

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 $55,715,098 at June 30, 2021 and $51,561,944 at June 30, 2020. The remaining restricted balance of $51,525,514 at June 30, 2021 and $26,122,579 at June 30, 2020 consists primarily of funds restricted for student loans, scholarships, and other purposes.

1. Summary of Significant Accounting Policies (continued)

Unrestricted Net Deficit

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

	2021	2020
Designated for general fund division use	$ 6,771,820	$ 3,413,272
Designated for encumbrances	1,274,031	1,147,203
Designated for maintenance and replacement	39,439,407	34,915,913
Designated for Foundation endowments	28,673,558	23,626,398
Designated for unfunded pension and OPEB liability	(113,421,032)	(122,257,178)
Unrestricted and undesignated	35,957,974	27,738,342
Total unrestricted net deficit	$ (1,304,242)	$ (31,416,050)

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 $2,713,379 at June 30, 2021 and $2,477,228 at June 30, 2020.

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.

1. Summary of Significant Accounting Policies (continued)

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 $3,318,768 at June 30, 2021 and $3,304,193 at June 30, 2020. 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 $5,563,433 at June 30, 2021 and $4,739,726 at June 30, 2020. Deferred outflows of resources related to net OPEB liability amounts totaled $1,194,499 at June 30, 2021 and $1,482,174 at June 30, 2020. 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 $1,907,884 at June 30, 2021 and $2,797,230 at June 30, 2020. Deferred inflows of resources related to net OPEB liability amounts totaled $187,816 at June 30, 2021 and $1,392,349 at June 30, 2020. 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.

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.

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 and federal appropriations, Federal Pell Grants, HEERF and CRF Funds, investment gain, and gifts. State appropriations are recognized in the period for which they were appropriated by the State of Michigan.

2. Cash and Investments

As of June 30, 2021, 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	$ 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				

As of June 30, 2020, 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	$ 29,842,703	$29,842,703	$ -	$ -	$ -
Money markets	31,210,423	31,210,423	-	-	-
Mutual bond funds	53,123,049	-	22,729,694	30,393,355	-
Marketable securities	173,451	-	-	173,451	-
Mutual equity funds	59,040,379	-	-	-	59,040,379
Real estate funds	2,859,187	-	-	-	2,859,187
International equity funds	17,741,135	-	-	-	17,741,135
Total	193,990,327	$61,053,126	$ 22,729,694	$ 30,566,806	$ 79,640,701
Limited partnerships that calculate net asset value per share	26,889,736				
Cash surrender value of life insurance	1,110,016				
Balance at June 30, 2020	$ 221,990,079				

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 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 $3,976,767 at June 30, 2021 and $2,913,120 at June 30, 2020. Of these amounts, $2,500,000 was insured for 2021 and 2020. Of the bank balance, no amount was collateralized for 2021 and 2020. 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:

	2021		2020	
	Market Value	NRSRO Rating	Market Value	NRSRO Rating
Vanguard Short-Term Bond Index	$ 5,031,398	AA	$ 5,015,859	AA
Western Asset	10,382,599	BBB	7,298,059	A
Franklin Templeton Global Bond	6,030,355	BB	3,153,546	BBB
Loomis Sayles Institutional High Yield	1,464,968	B	1,203,598	B
Seix Floating Rate High Income Fund	3,183,914	B	1,536,881	B
Baird Intermediate	16,091,423	A	13,023,408	A
Baird Core Plus	20,278,179	A	21,891,698	A
Total	$ 62,462,836		$ 53,123,049	

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 $55,101,090 for the year ended June 30, 2021 and $42,211,483 for the year ended June 30, 2020.

3. Accounts Receivable and Student Loans Receivable

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

	2021	2020
Student	$ 10,325,155	$ 10,770,753
Grants and contracts	318,010	1,371,815
State appropriations	10,516,758	4,169,998
Pledges receivable	4,268,482	3,200,193
Other	984,959	595,533
Total accounts receivable	26,413,364	20,108,292
Less: allowance for doubtful accounts	2,713,379	2,477,228
Total accounts receivable - net	$ 23,699,985	$ 17,631,064

Student loans receivable of $11,153,444 for the year ended June 30, 2021 and $13,451,807 for the year ended June 30, 2020 are recorded net of an allowance for doubtful accounts of $3,400,000 for 2021 and 2020.

4. Capital Assets

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

4. Capital Assets (continued)

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	$ 13,505,149	$ -	$ -	$ 681,074	$ 14,186,223
Infrastructure	11,213,141	-	-	-	11,213,141
Building and building improvements	405,920,072	-	-	35,674,752	441,594,824
Furniture, fixtures, and equipment	86,050,187	2,234,481	(1,753,217)	-	86,531,451
Subtotal - Depreciable assets	516,688,549	2,234,481	(1,753,217)	36,355,826	553,525,639
Land	6,596,622	-	-	-	6,596,622
Construction in progress	30,748,567	7,375,047	-	(36,355,826)	1,767,788
Subtotal - Nondepreciable assets	37,345,189	7,375,047	-	(36,355,826)	8,364,410
Total	554,033,738	9,609,528	(1,753,217)	-	561,890,049
Less accumulated depreciation:					
Land improvements	7,474,001	523,458	-	-	7,997,459
Infrastructure	8,234,274	812,990	-	-	9,047,264
Building and building improvements	157,404,883	8,062,990	-	-	165,467,873
Furniture, fixtures, and equipment	48,209,836	2,049,800	(1,310,828)	-	48,948,808
Total accumulated depreciation	221,322,994	11,449,238	(1,310,828)	-	231,461,404
Capital assets - Net	$ 332,710,744	$ (1,839,710)	$ (442,389)	$ -	$ 330,428,645

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, 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

Long-term obligation activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
General Revenue Refunding Bonds, Series 2019A	$ -	$ 34,655,000	$ -	$ 34,655,000	$1,350,000
Unamortized bond premium	-	6,181,072	309,054	5,872,018	309,054
General Revenue Refunding Bonds, Series 2016	55,505,000	-	1,880,000	53,625,000	1,385,000
Unamortized bond premium	7,921,986	-	360,090	7,561,896	360,090
General Revenue Refunding Bonds, Series 2014B	7,165,000	-	1,455,000	5,710,000	3,205,000
Unamortized bond premium	483,117	-	60,389	422,728	60,390
General Revenue Bonds, Series 2014A	11,110,000	-	385,000	10,725,000	395,000
Unamortized bond premium	341,072	-	17,053	324,019	17,053
General Revenue Refunding Bonds, Series 2012	7,390,000	-	1,185,000	6,205,000	440,000
Unamortized bond premium	354,678	-	27,283	327,395	27,283
General Revenue Refunding Bonds, Series 2008	14,825,000	-	14,825,000	-	-
Total bonds and notes payable	105,095,853	40,836,072	20,503,869	125,428,056	7,548,870
Other liabilities:					
Accrued sick leave	9,495,426	518,250	-	10,013,676	-
Accrued interest payable (bonds)	1,027,629	219,960	-	1,247,589	1,247,589
Accrued interest payable (capital lease)	131,917	-	3,703	128,214	128,214
Capital lease payable	10,240,000	-	395,000	9,845,000	410,000
Total	$125,990,825	$ 41,574,282	$ 20,902,572	$ 146,662,535	$9,334,673

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 2.500 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.

General Revenue Refunding Bonds, Series 2008

The University issued $32,915,000 of General Revenue Refunding Bonds. The outstanding balance carries interest rates of 4.00 percent to 4.50 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 par, 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. The refunding resulted in a net present value benefit of $1,728,000 over the life of the bonds; a deferred outflow of resources of approximately $240,000; and a cash flow savings of $2,514,000. During 2020, the University paid off these bonds from proceeds of the General Revenue Refunding Bonds, Series 2019A.

Principal and Interest Maturities and Interest Expense

Total principal and interest maturities on all bond and capital lease obligations as of June 30, 2021 are as follows:

	Bonds	
Year	Principal	Interest
2022	$ 5,930,000	$ 4,827,183
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
2027-2031	28,125,000	13,956,012
2032-2036	25,200,000	8,214,819
2037-2041	21,435,000	2,532,987
2042	1,935,000	46,013
Total	108,745,000	$ 45,962,991
Unamortized premium	14,551,470	
Total	$ 123,296,470	

Bond interest expense was approximately $4,300,000 for the year ended June 30, 2021 and approximately $4,450,000 for the year ended June 30, 2020. Since the University adopted GASB Statement No. 89, there was no construction period interest capitalized for the year ended June 30, 2021 and 2020.

5. Long-term Liabilities (continued)

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 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 University's 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 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, 2019 valuation will be amortized over a 19 year period ending September 30, 2038.

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

The schedule below summarizes pension and OPEB contribution rates in effect for System years ended September 30, 2020 and 2019:

	Pension	
System Year Ended	Funded Portion	Unfunded Portion
September 30, 2020	6.29%	19.74%
September 30, 2019	5.29%	19.74%

	OPEB	
System Year Ended	Funded Portion	Unfunded Portion
September 30, 2020	0.58%	5.99%
September 30, 2019	0.43%	5.99%

The University's required contributions to the pension plan for the System year ended September 30, 2020 was $8,246,758 and $8,161,050 for the System year ended September 30, 2019. The University's required contribution to the OPEB plan for the System year ended September 30, 2020 was $2,161,524 and $2,114,611 for the System year ended September 30, 2019.

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.

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.

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

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 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.

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

MPSERS Fiduciary Net Position-Pension

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

MPSERS (Plan) Net Pension Liability – 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 Net Pension Liability – Seven Universities as of September 30, 2019

Total pension liability	$ 1,200,891,617
Plan fiduciary net position	(531,300,707)
Net pension liability	$ 669,590,910
Plan fiduciary net position as a percentage of total pension liability	44.24%
Net pension liability as a percentage of covered payroll	314.52%

MPSERS Fiduciary Net Position-OPEB

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

MPSERS (Plan) Net OPEB Liability – 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%

MPSERS Net OPEB Liability – Seven Universities as of September 30, 2019

Total OPEB liability	$ 235,765,954
Plan fiduciary net position	(143,985,860)
Net OPEB liability	$ 91,780,094
Plan fiduciary net position as a percentage of total OPEB liability	61.07%
Net OPEB liability as a percentage of covered payroll	43.11%

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

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

At June 30, 2021, the University reported a liability of $111,194,455 and $109,335,758 for the year ended June 30, 2020 for its proportionate share of the net pension liability. The June 30, 2021 net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2019. 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, 2020, the University's proportionate share was 16.27982270 percent (16.32873996 percent at September 30, 2019), a decrease of 0.04891726 percent.

The University recognized $7,986,762 of pension expense for the year ended June 30, 2021 and $10,887,555 for the year ended June 30, 2020. 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

At June 30, 2020, 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	$ -	$ 1,978,769
University contributions subsequent to the measurement date	4,739,726	-
Rate stabilization appropriations received subsequent to the measurement date	-	818,461
	$ 4,739,726	$ 2,797,230

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 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, 2022. 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, 2022. 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
2021	$	(776,868)
2022		20,128
2023		614,498
2024		283,641
	$	141,399

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

At June 30, 2021, the University reported a liability of $6,888,809 and $14,953,741 for the year ended June 30, 2020 for its proportionate share of the net OPEB liability. The June 30, 2021 net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2019. The University's proportion of the net OPEB was based on statutorily required contributions in relation to all reporting unit's statutorily required contributions for the measurement period. At September 30, 2020, the University's proportionate share was 16.30322530 percent (16.29301112 percent at September 30, 2019), an increase of 0.01021418 percent.

The University recognized $6,913,451 of negative OPEB expense for the year ended June 30, 2021 and $3,196,711 of negative OPEB expense for the year ended June 30, 2020. 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)

At June 30, 2020, 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	$ -	$ 923,508
Net difference between projected and actual plan investment earnings	-	460,744
Changes of assumption	371,235	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	8,097
University contributions subsequent to the measurement date	1,110,939	-
	$ 1,482,174	$ 1,392,349

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amount
2021	$ (306,575)
2022	35,575
2023	169,968
2024	90,354
	$ (10,678)

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.

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

The total pension and OPEB liability for the System in the September 30, 2019 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
- Healthcare cost trend rate - 7.0 percent year 1 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, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2012 to September 30, 2017 beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2020 are based on the results of an actuarial valuation date of September 30, 2019 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, 2018 actuarial valuation.

Rate of Return

For the System's fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37 percent while the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24 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, 2021 (6.80 percent at June 30, 2020). A discount rate of 6.95 percent was used to measure the total OPEB liability recorded at June 30, 2021 (6.95 percent at June 30, 2020). 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. 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, 2020 and 2019 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return September 30, 2020	Long-term Expected Real Rate of Return September 30, 2019
Domestic Equity Pools	25.0%	5.6%	5.5%
Private Equity Pools	16.0	9.3	8.6
International Equity	15.0	7.4	7.3
Fixed Income Pools	10.5	0.5	1.2
Real Estate & Infrastructure Pools	10.0	4.9	4.2
Absolute Return Pools	9.0	3.2	5.4
Real Return/Opportunistic Pools	12.5	6.6	-
Short Term Investment Pools	2.0	0.1	0.8
Total	100.0%		

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

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

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

The following table presents the June 30, 2020 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 of 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)
$ 128,736,298	$ 109,335,758	$ 92,807,526

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

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

6. Retirement Plans (continued)

Michigan Public School Employees' Retirement System (continued)

The following tables present the June 30, 2020 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)
$ 18,791,298	$ 14,953,741	$ 11,686,988

1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
$ 11,466,720	$ 14,953,741	$ 18,949,402

Payable to the Pension Plan

At June 30, 2021 and 2020, the University reported a payable of approximately $3,337,000 and $2,302,000 respectively, for the outstanding amount of contributions to the pension plan and $1,013,000 and $698,000 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, 2021, the University contributed $9,854,525 to the TIAA-CREF and Fidelity Investment plans and $10,377,585 for the year ended June 30, 2020.

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 2021, 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

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 2012 and 2017 for an additional ten years per extension and expiring in fiscal year 2027 with the option of additional five-year renewals. Annual payments for the lease total approximately $629,000.

The University also 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, 2021 under noncancelable operating leases with initial or remaining terms of one year or more are as follows:

Year	Amount
2022	$ 914,786
2023	746,979
2024	729,205
2025	714,696
2026	661,655
Total	$ 3,767,321

Rental expense for the year ended June 30, 2021 was approximately $1,343,000 and $1,768,000 for the year ended June 30, 2020.

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, 2021 resulting in the following commitments to vendors:

	Spent to Date	Construction Commitments at Year End
Center Virtual Learning	$ 1,465,185	$ 448,686
Center for Athletic Performance	427,757	1,218,587
West/IT Building Replacement Space	206,161	802,037
KCAD HVACR Project	3,653,559	277,322
Jim Crow Museum	14,425	6,950
Total	$ 5,767,087	$ 2,753,582

The University has several multi-year recruiting and marketing contracts for recruiting and marketing services as of June 30, 2021 resulting in the following commitments to vendors:

Year	Amount
2022	$ 1,230,782
2023	579,247
2024	507,111
2025	282,168
Total	$ 2,599,308

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, 2021 and 2020 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, 2021 and 2020, there were no transfers between levels of the fair value hierarchy.

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)

Assets measured at fair value on a recurring basis at June 30, 2020 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, 2020
Mutual bond funds	$ 53,123,049	$ -	$ -	$ 53,123,049
Mutual equity funds	59,040,379	-	-	59,040,379
Real estate funds	2,859,187	-	-	2,859,187
Marketable securities	173,451	-	-	173,451
International equity funds	17,741,135	-	-	17,741,135
Total	$132,937,201	$ -	$ -	132,937,201
Limited partnerships that calculate net asset value per share				26,889,736
Cash surrender value of life insurance				1,110,016
Balance at June 30, 2020				$ 160,936,953

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, 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)

Investments held at June 30, 2020 included the following:

	Fair Value	Unfunded Commitments
Limited partnerships – real estate	$ 1,774,464	$ 2,093,977
Limited partnerships – private equity/distressed	13,117,796	7,318,054
Limited partnerships – hedge funds	8,637,389	-
Limited partnerships – natural resources/commodities	3,069,576	622,132
Limited partnerships – private credit	290,511	1,709,489
Balance at June 30, 2020	$ 26,889,736	$ 11,743,652

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, two partnerships expire over the next 8 years, and two partnerships expire over the next 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

Five 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, 2021 to December 31, 2022.

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

On March 13, 2020, the President of the United States of America issued a proclamation, "Declaring a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak." On March 10, 2020, the governor of the State of Michigan issued executive order 2020-04 declaring a state of emergency due to COVID-19 and on March 23 issued a statewide stay-at-home order to fight the outbreak of COVID-19. Effective Monday, March 16, Ferris State University suspended face-to-face instruction for lecture and discussion classes and moved to online or remote instruction for the balance of spring semester 2020. Summer semester instruction was also online or remote. Effective March 18, many faculty and staff began working from home and then on March 23, all but essential workers moved to working from home. The following represent some of the impacts of COVID-19 on University operations and the financial statements.

Auxiliary Operations - Housing & Meal Plan Refunds

University housing and campus dining remained open through the spring semester of 2020 to accommodate students that were not able to move off campus. Students that elected to move out of University housing between March 17 and April 19 were given pro-rata refunds of their spring 2020 housing and meal plan balance. Commuter students with a remaining meal plan balance were also issued refunds. In total, the University refunded $5,246,050 in housing and meal plans related to spring semester for the year ended June 30, 2020.

12. Impact of COVID-19 (continued)

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:

	CARES Act	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

The Higher Education Emergency Relief Funding provided funding to universities to use for emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. As of June 30, 2021, the University had awarded CARES Act grants totaling $4,573,407 to students. This is included in nonoperating HEERF Funds revenue on the statements of revenues, expenses, and changes in net position as $2,449,420 in 2021 and $2,123,987 in 2020. In addition, the University has awarded HEERF II grants totaling $4,573,407 to students. This is also included in nonoperating HEERF Funds revenue on the statements of revenues, expenses, and changes in net position for the year ended June 30, 2021.

The Institutional Relief Funding allows the University to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. Frequently asked questions issued by the US Department of Education specifically allows the University to reimburse itself for refunds to students for room and board, tuition and other fees as a result of significant changes to the delivery of instruction. As a result, the University charged expenses and reimbursed itself for $5,266,602, of which $2,449,419 in 2021 and $2,123,987 in 2020 was from the CARES Act grant and $693,196 in 2021 from the HEERF II grant. This is included in nonoperating HEERF Funds revenue on the statements of revenues, expenses, and changes in net position. The remaining $5,254 is discussed below in the Title III Section.

12. Impact of COVID-19 (continued)

CARES and HEERF Funding (continued)

The Title III Strengthening the Institutions Relief Funding allows the University to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. Guidance issued by the US Department of Education specifically allow Institutions to use this funding to cover the cost of technology associated with a transition to distance education, grants to cover the costs of attendance for eligible students, and faculty and staff trainings. Additionally, funds may be used to cover operational costs, such as lost revenue, reimbursements for prior expenses, and payroll. As a result, the University reimbursed itself for $1,136,058 of allowable expenses. The University recognized Title III Strengthening the Institutions Relief Funding of $687,340 in the year ending June 30, 2021 and $448,718 in the year ending June 30, 2020. This revenue, except for $5,254 in 2021, is included in federal grants and contracts on the statements of revenue, expenses, and changes in net position. The $5,254 is recorded in nonoperating HEERF Funds revenue on the statements of revenues, expenses, and changes in net position.

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. As of June 30, 2021, the University had deferred $4,710,388 of taxes which is reported in accounts payable and accrued liabilities on the statements of net position. The University will be required to pay 50% of the total deferral by December 31, 2021 and the remainder by December 31, 2022.

State Appropriations - CARES Act Pass Through Funds

On July 22, 2020, the State of Michigan passed Senate Bill 373 which reduced the state appropriations funding for the University for the fiscal year ended June 30, 2020 by $6,166,900. Accordingly, the accounts receivable, net on the statements of net position and the state appropriations nonoperating revenue on the statements of revenues, expenses, and changes in net position, have been reduced to reflect that subsequent reduction.

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. Since that award was made after June 30, 2020, no revenue from that allocation can be reflected in the University's financial statements as of and for the fiscal year ended June 30, 2020. The federal pass through funding has the same restrictions as noted in the CARES Act for the funds awarded to the State. During the fiscal year ended June 30, 2021, the University recognized revenue from the pass-through funds equal to allowable expenditures and foregone revenue incurred between March 1 and December 31, 2020.

Accounting Standards Delayed

GASB and the Financial Accounting Standards Board (FASB) each delayed the effective implementation dates of select accounting and financial reporting standards that would have been effective initially for the fiscal year ended June 30, 2021 for the University and the Foundation. The University and the Foundation elected to delay implementation of those standards.

12. Impact of COVID-19 (continued)

CARES and HEERF Funding (continued)

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, timing and amounts of cash flows, and the related financial consequences and duration are highly uncertain.

13. Subsequent Events

The ARP Act was passed by Congress and signed into law to provide economic relief from COVID-19. The University received the grant award notification on July 20, 2021 under the ARP Act through the US Department of Education and will recognize revenues and expenses in fiscal year 2022 in relation to these funds.

- $14,442,305 Higher Education Student Emergency Relief Funding;
- $14,071,730 Institutional Relief Funding; and
- $1,254,338 Title III Strengthening the Institutions Relief Funding.

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

University's proportionate share of the net pension liability:	2021	2020	2019	2018	2017	2016	2015
As a percentage	16.28%	16.33%	16.55%	16.62%	16.54%	18.19%	17.52%
Amount	$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	$ 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	313.89%	314.81%	310.54%	276.68%	707.58%	737.50%	463.27%
MPSERS fiduciary net position as a percentage of the University's net pension liability	43.07%	44.24%	45.87%	47.42%	46.77%	47.45%	63.00%

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

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 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	6,643,105	6,191,021	6,658,134	7,324,888	7,363,777	7,425,452	6,148,573
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 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	18.48%	17.56%	19.27%	21.43%	58.82%	58.74%	44.79%

Notes to Required Pension Supplementary Information

There were no changes of benefit terms from October 1, 2014 through September 30, 2020. The discount rate for valuation years ending September 30, 2020 and 2019 was 6.80 percent, a decrease from the valuation year ending September 30, 2018 of 7.05 percent. The discount rate for the valuation year ending September 31, 2017 was 7.50 percent, a decrease from the valuation years ending September 30, 2016, 2015, and 2014 of 8.00 percent.

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

University’s proportionate share of the net OPEB liability:	2021	2020	2019	2018
As a percentage	16.30%	16.29%	16.32%	16.58%
Amount	$ 6,888,809	$14,953,741	$19,365,447	$23,590,353
University’s covered payroll	$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	19.45%	43.06%	56.87%	68.28%
MPSERS fiduciary net position as a percentage of the University employers OPEB liability	80.04%	61.07%	51.90%	44.11%

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

	2021	2020	2019	2018
Statutorily required contribution	$ 1,362,316	$ 1,523,762	$ 1,660,269	$ 1,971,639
Contributions in relation to the statutorily required contribution	1,362,316	1,523,762	1,660,269	1,971,639
Contribution excess	$ -	$ -	$ -	$ -
University's covered payroll	$35,956,375	$35,425,000	$34,560,768	$34,175,250
Contributions as a percentage of covered payroll	3.79%	4.30%	4.80%	5.77%

Notes to Required OPEB Supplementary Information

There were no changes of benefit terms from October 1, 2017 through September 30, 2020. The discount rate for valuation years ending September 30, 2020 and 2019 was 6.95 percent, a decrease from the valuation year ending September 30, 2018 of 7.15 percent. The discount rate for the valuation year ending September 30, 2017 was 7.50 percent.

Other Supplementary Information

AHP
CPAs & ADVISORS

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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, 2021 and 2020, and our report thereon dated September 20, 2021, 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 2020, 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
September 20, 2021

Ferris State University
Combining Statement of Net Position
June 30, 2021 and 2020

	2021 Combined Total	General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Ferris Foundation	Pension	OPEB	2020 Combined Total
Assets												
Current Assets												
Cash and cash equivalents	**$ 28,726,483**	$ 14,309,630	$ 8,700,491	$ 4,298,382	$ 884,564	$ 3,119,032	$ (4,176,463)	$ 463,610	$ 1,127,237	$ -	$ -	$ 33,463,288
Short-term investments	**47,233,601**	18,772,687	22,405,844	853,482	4,191,227	1,010,361	-	-	-	-	-	48,568,817
Accounts receivable - Net	**23,699,985**	17,592,384	386,393	731,891	318,010	-	-	85,072	4,239,347	346,888	-	17,631,064
Inventories	**845,400**	44,893	194,784	605,723	-	-	-	-	-	-	-	793,883
Prepaid expenses and other assets	**564,138**	556,614	7,524	-	-	-	-	-	-	-	-	507,421
Total current assets	**101,069,607**	51,276,208	31,695,036	6,489,478	5,393,801	4,129,393	(4,176,463)	548,682	5,366,584	346,888	-	100,964,473
Noncurrent Assets												
Restricted cash and cash equivalents	**23,155,152**	-	-	-	-	-	23,155,152	-	-	-	-	27,589,838
Endowment investments	**117,293,244**	-	-	-	-	-	-	-	117,293,244	-	-	87,398,716
Other long-term investments	**42,974,509**	-	-	-	-	-	42,974,509	-	-	-	-	24,969,420
Student loans receivable - Net	**11,153,444**	-	-	-	-	11,153,444	-	-	-	-	-	13,451,807
Other noncurrent assets	**23,077**	-	-	-	-	-	23,077	-	-	-	-	26,924
Capital assets - Net	**324,757,520**	-	-	-	-	-	324,757,520	-	-	-	-	330,428,645
Total noncurrent assets	**519,356,946**	-	-	-	-	11,153,444	390,910,258	-	117,293,244	-	-	483,865,350
Total assets	**620,426,553**	51,276,208	31,695,036	6,489,478	5,393,801	15,282,837	386,733,795	548,682	122,659,828	346,888	-	584,829,823
Deferred Outflows of Resources												
Net pension liability	**5,563,433**	-	-	-	-	-	-	-	-	5,563,433	-	4,739,726
Net OPEB liability	**1,194,499**	-	-	-	-	-	-	-	-	-	1,194,499	1,482,174
Refunding of debt	**3,318,768**	-	-	-	-	-	3,318,768	-	-	-	-	3,304,193
Total deferred outflows of resources	**10,076,700**	-	-	-	-	-	3,318,768	-	-	5,563,433	1,194,499	9,526,093
Liabilities												
Current liabilities:												
Accounts payable and accrued liabilities	**29,974,761**	24,426,960	230,427	3,339,214	69,730	-	885,719	548,682	127,141	346,888	-	27,220,969
Unearned revenue	**7,532,539**	6,952,781	204,288	375,470	-	-	-	-	-	-	-	10,337,186
Long-term liabilities - Current portion	**8,002,688**	-	-	-	-	-	8,002,688	-	-	-	-	9,334,673
Total current liabilities	**45,509,988**	31,379,741	434,715	3,714,684	69,730	-	8,888,407	548,682	127,141	346,888	-	46,892,828
Noncurrent liabilities:												
Deposits	**527,256**	-	-	527,256	-	-	-	-	-	-	-	793,570
Federal student loan payable	**6,901,006**	-	-	-	-	6,901,006	-	-	-	-	-	9,307,773
Long-term liabilities	**125,635,028**	8,803,709	17,490	279,607	-	-	116,534,222	-	-	-	-	137,327,862
Net pension liability	**111,194,455**	-	-	-	-	-		-	-	111,194,455	-	109,335,758
Net OPEB liability	**6,888,809**	-	-	-	-	-	-	-	-	-	6,888,809	14,953,741
Total noncurrent liabilities	**251,146,554**	8,803,709	17,490	806,863	-	6,901,006	116,534,222	-	-	111,194,455	6,888,809	271,718,704
Total liabilities	**296,656,542**	40,183,450	452,205	4,521,547	69,730	6,901,006	125,422,629	548,682	127,141	111,541,343	6,888,809	318,611,532
Deferred Inflows of Resources												
Net pension liability	**1,907,884**	-	-	-	-	-	-	-	-	1,907,884	-	2,797,230
Net OPEB liability	**187,816**	-	-	-	-	-	-	-	-	-	187,816	1,392,349
Total deferred inflows of resources	**2,095,700**	-	-	-	-	-	-	-	-	1,907,884	187,816	4,189,579
Net Position												
Net investment in capital assets	**225,814,641**	-	-	-	-	-	225,814,641	-	-	-	-	225,286,332
Restricted for:												
Nonexpendable:												
Scholarships	**55,715,098**	-	-	-	-	-	-	-	55,715,098	-	-	51,561,944
Expendable:												
Scholarships	**29,089,635**	-	-	-	3,878,389	-	-	-	25,211,246	-	-	11,126,184
Research	**172,242**	-	-	-	172,242	-	-	-		-	-	81,555
Instructional department uses	**6,721,582**	-	-	-	2,810	-	-	-	6,718,772	-	-	3,930,328
Loans	**8,521,205**	-	-	-	-	8,057,412	-	-	463,793	-	-	8,410,663
Capital projects	**200**	-	-	-	-	-	-	-	200	-	-	200
Other	**7,282,124**	-	-	-	1,270,630	-	-	-	6,011,494	-	-	2,573,649
Unrestricted	**(1,565,716)**	11,092,758	31,242,831	1,967,931	-	324,419	38,815,293	-	28,412,084	(107,538,906)	(5,882,126)	(31,416,050)
Total net position	**$ 331,751,011**	**$ 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)**	**$ 271,554,805**

Ferris State University
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021 and 2020

	2021 Combined Total	Eliminations	General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Ferris Foundation	Pension	OPEB	2020 Combined Total
Operating Revenues												
Tuition and fees - Net	**$ 110,577,225**	$(30,760,071)	$ 141,337,296	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 115,970,351
Federal grants and contracts	**4,001,948**	-	-	-	6,612	3,995,336	-	-	-	-	-	3,316,726
State and local grants and contracts - Net	**532,914**	-	-	-	-	532,914	-	-	-	-	-	538,835
Nongovernmental grants	**795,885**	-	720	36,582	-	708,583	-	50,000	-	-	-	689,681
Departmental activities	**7,713,816**	(1,175,639)	2,247,497	6,582,631	-	3,031	-	56,296	-	-	-	10,114,895
Auxiliary enterprises - Net	**19,092,184**	(6,078,226)	-	-	25,170,410	-	-	-	-	-	-	28,860,982
Other operating revenues	**328,056**	(369,031)	103,848	222,678	1,574	-	312,917	56,070	-	-	-	794,675
Current funds expenditures for equipment and capital improvements	-	(1,343,580)	-	-	-	-	-	1,343,580	-	-	-	-
Total operating revenues	**143,042,028**	(39,726,547)	143,689,361	6,841,891	25,178,596	5,239,864	312,917	1,505,946	-	-	-	160,286,145
Operating Expenses												
Instruction	**83,845,256**	(97,689)	84,804,337	2,267,567	-	110,186	-	-	-	389,497	(3,628,642)	98,918,441
Research	**852,372**	(314,028)	232,150	32,614	-	901,636	-	-	-	-	-	393,945
Public service	**2,539,130**	(639,224)	136,183	2,494,072	-	676,382	-	-	-	15,426	(143,709)	4,441,487
Academic support	**23,761,350**	(170,156)	23,604,654	680,715	-	616,277	-	-	-	116,657	(1,086,797)	25,902,796
Student services	**16,139,587**	(546,724)	15,583,587	1,095,754	-	455,960	-	-	-	53,990	(502,980)	18,822,402
Institutional support	**26,064,304**	(8,240,212)	17,240,930	2,360,212	-	7,227,319	-	-	8,309,894	100,267	(934,106)	30,187,258
Operations and maintenance of plant	**16,764,508**	(255,022)	13,276,826	3,611	-	-	-	4,556,897	-	98,339	(916,143)	16,095,172
Depreciation	**11,128,332**	-	-	-	-	-	-	11,128,332	-	-	-	11,449,238
Student aid	**25,655,505**	(30,771,189)	25,434,525	22,390	194,700	30,775,079	-	-	-	-	-	21,820,445
Auxiliary enterprises	**14,478,448**	(6,389,986)	-	-	22,447,918	-	-	-	-	189,929	(1,769,413)	19,972,801
Other expenses	**94,725**	-	-	-	-	-	94,725	-	-	-	-	78,414
Total operating expenses	**221,323,517**	(47,424,230)	180,313,192	8,956,935	22,642,618	40,762,839	94,725	15,685,229	8,309,894	964,105	(8,981,790)	248,082,399
Operating (Loss) Income	**(78,281,489)**	7,697,683	(36,623,831)	(2,115,044)	2,535,978	(35,522,975)	218,192	(14,179,283)	(8,309,894)	(964,105)	8,981,790	(87,796,254)
Nonoperating Revenues (Expenses)												
State appropriations	**56,948,071**	-	56,129,610	-	-	-	-	-	-	818,461	-	50,743,091
Federal appropriations	**68,419**	-	-	-	-	-	68,419	-	-	-	-	-
Federal Pell Grants	**17,079,959**	-	-	-	-	17,079,959	-	-	-	-	-	19,693,172
HEERF Funds	**10,170,696**	-	-	-	-	10,170,696	-	-	-	-	-	4,247,974
CARES Act Coronavirus Relief Funds	**6,166,900**	-	-	-	-	6,166,900	-	-	-	-	-	-
Gifts	**5,944,110**	(7,697,683)	600	1,910,648	5,634	5,563,082	41,702	512,838	5,607,289	-	-	7,074,963
Investment gain	**44,401,603**	-	3,064,696	5,384,032	251,933	436,277	100,669	4,477,843	30,686,153	-	-	4,156,376
Interest on capital asset - Related debt	**(4,314,215)**	-	-	-	-	-	-	(4,314,215)	-	-	-	(4,449,678)
Net nonoperating revenues (expenses)	**136,465,543**	(7,697,683)	59,194,906	7,294,680	257,567	39,416,914	210,790	676,466	36,293,442	818,461	-	81,465,898
Income (Loss) - Before other revenues	**58,184,054**	-	22,571,075	5,179,636	2,793,545	3,893,939	428,982	(13,502,817)	27,983,548	(145,644)	8,981,790	(6,330,356)
Other Revenues												
State capital appropriations	-	-	-	-	-	-	-	-	-	-	-	560,899
Additions to permanent endowments	**2,012,152**	-	-	-	-	-	-	-	2,012,152	-	-	1,739,111
Increase (Decrease) in Net Position - Before transfers	**60,196,206**	-	22,571,075	5,179,636	2,793,545	3,893,939	428,982	(13,502,817)	29,995,700	(145,644)	8,981,790	(4,030,346)
Transfers In (Out)	-	-	(17,292,819)	(3,764,282)	(2,915,264)	368,908	(442,286)	23,597,242	448,501	-	-	-
Net Increase (Decrease) in Net Position	**60,196,206**	-	5,278,256	1,415,354	(121,719)	4,262,847	(13,304)	10,094,425	30,444,201	(145,644)	8,981,790	(4,030,346)
Net Position - Beginning of year	**271,554,805**	-	5,814,502	29,827,477	2,089,650	1,061,224	8,395,135	254,535,509	92,088,486	(107,393,262)	(14,863,916)	275,585,151
Net Position - End of year	**$ 331,751,011**	**$ -**	**$ 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)**	$ 271,554,805