

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

SAGINAW VALLEY STATE UNIVERSITY

UNIVERSITY CENTER, MICHIGAN

**MEMBERS OF THE BOARD OF CONTROL
AND BUSINESS AFFAIRS ADMINISTRATION**

JUNE 30, 2021

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SAGINAW VALLEY STATE UNIVERSITY

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SAGINAW VALLEY STATE UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following provides a discussion and analysis of the financial performance of Saginaw Valley State University (SVSU or University). This discussion, the financial statements, and related footnotes have been prepared by and are the responsibility of management.

USING THE ANNUAL REPORT

The annual report consists of a series of financial statements, which have been prepared in accordance with the Governmental Accounting Standards Board (GASB) for the University and the Financial Accounting Standards Board (FASB) for the Saginaw Valley State University Foundation (Foundation). These financial statements focus on the financial condition and results of the financial position of the University and its component unit, Saginaw Valley State University Foundation, and the cash flows of the University.

The fundamental objective of the University's financial statements is to provide an overview of the University's economic condition. The various statements and their primary purpose are discussed below.

- Statement of Net Position. This statement presents information on all University assets, deferred outflows, liabilities, deferred inflows and net position. It is prepared on an accrual basis - revenues and expenses are recognized when earned or incurred, respectively.
- Statement of Revenues, Expenses, and Change in Net Position. This statement presents a summary of revenues and expenses classified as either operating or nonoperating. The University's operating loss results from the classification of State appropriations, Federal HEERF and CARES Act funding, and Pell grants as nonoperating revenue. Also, this statement reflects a change in the University's net position based upon revenues in excess of expenses.
- Statement of Cash Flows. This statement classifies cash inflows and outflows into the following classifications: operating activities, noncapital financing activities, capital financing activities, and investing activities. This information is useful in assessing the University's ability to meet maturing financial obligations.

REPORTING ENTITY

The University is considered a component unit of the State of Michigan because the Governor of the State of Michigan appoints its Board of Control. Accordingly, the University is included in the State's Comprehensive Annual Financial Report as a discretely presented component unit.

The financial statements report information about total University operations. In accordance with GASB standards, the Foundation is included in the financial statements of the University as a discretely presented component unit.

**SAGINAW VALLEY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

COVID-19 AND HEERF

The University suspended in-person instruction in March 2020 in response to the COVID-19 pandemic. Instruction was transitioned to remote learning for the remainder of the winter semester 2020 as well as the spring and summer semesters. External events and activities held on campus were cancelled resulting in a loss of revenue related to events as well as related housing and catering components. Students and staff returned to campus for fall 2020 and winter 2021 semesters under reduced density guidelines. Instruction was moved online after the Thanksgiving holiday break for the remainder of the fall 2020 semester. The University refunded approximately \$1.2 million for housing and meal plans to students who chose not to return to housing during this time. Winter semester 2021 began with similar restrictions as fall regarding density limitations and limited external events. Virtually all restrictions were lifted in June 2021.

The University has been allocated approximately \$39.9 million of Higher Education Emergency Relief Funds (HEERF) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (also known as HEERF I), the Coronavirus Response and Relief Supplemental Appropriations Act (HEERF II), and the American Rescue Plan (HEERF III). Collectively, the three grants are referred to as HEERF. In addition, the State of Michigan allocated \$3.4 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
	(in thousands of dollars)		
Emergency grants to students	\$ 5,572	\$ 1,333	\$ 6,905
Refund reimbursements and other eligible expenses	5,515	3,040	8,555
Lost revenue	7,072		7,072
Total	\$ 18,159	\$ 4,373	\$ 22,532

FINANCIAL HIGHLIGHTS

The University experienced sound financial performance as indicated by the following:

- Net position increased by 6.0% from June 30, 2020 to June 30, 2021; 5.8% from June 30, 2019 to June 30, 2020; and 4.6% from June 30, 2018 to June 30, 2019.
- In fiscal year 2021, operating revenue decreased by 9.9% due to decreased tuition and fees and auxiliary enterprises largely due to enrollment declines and decreased activities as a result of COVID-19 restrictions. The decrease in operating revenue was offset by non-operating HEERF grant awards. In fiscal year 2020, operating revenue decreased by 6.4% due to auxiliary activities and sales and services. In fiscal year 2019, operating revenue increased due to auxiliary activities, federal grants and contracts, and sales and services.

**SAGINAW VALLEY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

Demand/economic factors underlying this level of performance were as follows:

- Applications decreased by 6.2% from Fall 2019 to Fall 2020; increased by 6.0% from Fall 2018 to Fall 2019; and increased by 8.4% from Fall 2017 to Fall 2018.
- Headcount decreased in Fall 2020 to 8,030 from Fall 2019 of 8,265 and from Fall 2018 of 8,535. Credit hours also decreased to 202,723 in 2021 from 213,343 in 2020 and 218,733 in 2019.

FINANCIAL STATEMENT SUMMARIES

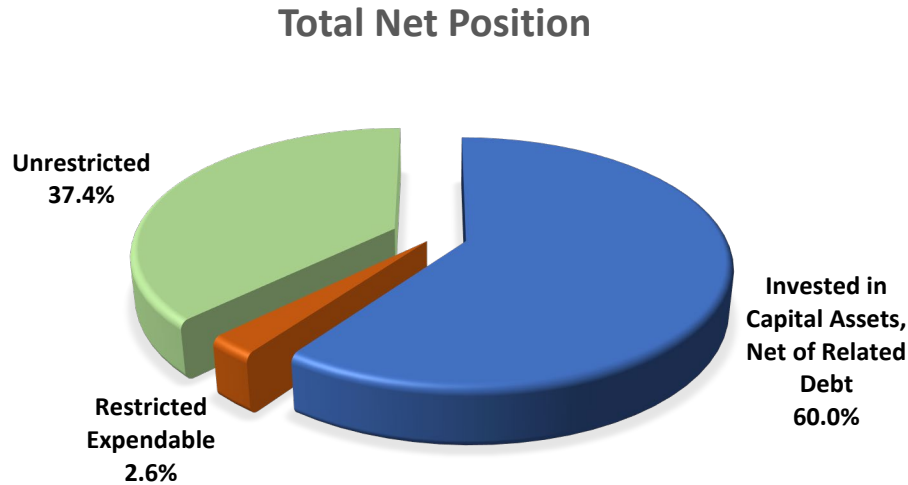
The net position of the University is summarized in the table below as of June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(in thousands of dollars)		
Assets			
Current Assets	\$ 101,157	\$ 111,402	\$ 87,222
Noncurrent Assets	349,294	316,980	335,525
Total Assets	<u>450,451</u>	<u>428,382</u>	<u>422,747</u>
Deferred Outflows	<u>3,507</u>	<u>3,748</u>	<u>3,990</u>
Liabilities			
Current Liabilities	33,991	30,735	35,620
Noncurrent Liabilities	95,631	95,353	102,451
Total Liabilities	<u>129,622</u>	<u>126,088</u>	<u>138,071</u>
Deferred Inflows	<u>442</u>	<u>491</u>	
Net Position			
Net Investment in Capital Assets	194,402	202,160	193,346
Restricted	8,523	5,279	6,715
Unrestricted	120,969	98,112	88,605
Total Net Position	<u>\$ 323,894</u>	<u>\$ 305,551</u>	<u>\$ 288,666</u>

The University's largest asset is its investment in capital assets, including land, land improvements and infrastructure, buildings, equipment, library acquisitions, construction in progress, and works of fine art. Capital assets represent 63% of the University's total assets. Notes and bonds payable, which includes unamortized bond premiums, totaled \$92.0 million at June 30, 2021. This represents 71% of the University's total liabilities.

**SAGINAW VALLEY STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED**

A graphic illustration of the University’s net position at June 30, 2021 by classification and restriction is as follows:



The University’s net position consists of the net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents assets whose use is restricted by a party independent of the University. This includes restrictions related to gifts and grants.

Unrestricted net position represents net position of the University that has not been restricted by parties independent of the University. This includes funds that the Board of Control and management have designated for specific purposes as well as amounts that have been contractually committed for goods and services that have not been received as of June 30, 2021.

The following summarizes the internal designations of the University’s unrestricted net position at June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(in thousands of dollars)		
Capital Projects and Repair Reserve	\$ 89,541	\$ 71,741	\$ 63,933
Auxiliary Enterprises	1,362	1,362	1,362
Designated for Departmental Use	26,624	21,807	20,108
Amount Obligated by Contractual Commitments	172	89	257
Undesignated	3,270	3,113	2,945
Total Unrestricted Net Position	<u>\$ 120,969</u>	<u>\$ 98,112</u>	<u>\$ 88,605</u>

**SAGINAW VALLEY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

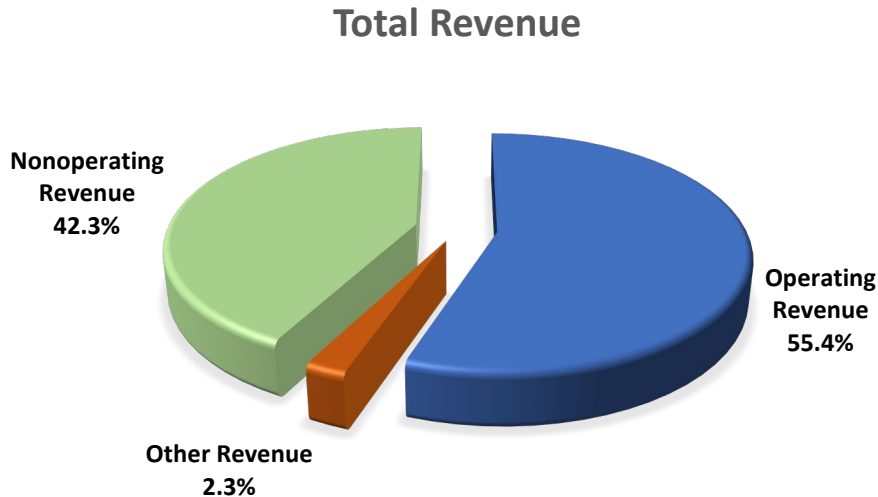
The following table summarizes the University's revenues, expenses, and change in net position for the fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(in thousands of dollars)		
Operating Revenues			
Student Tuition and Fees, net	\$ 63,074	\$ 68,854	\$ 69,075
Federal Grants and Contracts	3,772	3,365	3,912
State and Local Grants and Contracts	1,283	1,686	1,424
Sales and Services of Educational Departments	3,021	4,278	7,271
Auxiliary Enterprises, net	13,489	16,337	19,612
Other Operating Revenues	<u>3,581</u>	<u>3,385</u>	<u>3,358</u>
Total Operating Revenues	88,220	97,905	104,652
Operating Expenses	<u>137,639</u>	<u>137,669</u>	<u>140,767</u>
Operating Loss	(49,419)	(39,764)	(36,115)
Nonoperating Revenues (Expenses)			
State Appropriations	30,803	27,380	30,541
Federal Pell Grant Program	10,748	11,930	12,351
Federal HEERF Program	16,424	2,667	
Federal CARES Act CRF Program	3,428		
Gifts	5,535	4,791	5,000
Investment Income, net	384	2,462	2,927
Interest on Capital Asset-Related Debt	<u>(3,173)</u>	<u>(3,717)</u>	<u>(4,138)</u>
Net Nonoperating Revenues	64,149	45,513	46,681
Income Before Other Revenues	14,730	5,749	10,566
Other Revenues			
Capital Grants and Gifts	3,084	3,108	2,129
Capital Appropriations	<u>529</u>	<u>8,028</u>	
Total Other Revenues	3,613	11,136	2,129
Change in Net Position	18,343	16,885	12,695
Net Position - Beginning of Year	<u>305,551</u>	<u>288,666</u>	<u>275,971</u>
Net Position - End of Year	<u>\$323,894</u>	<u>\$305,551</u>	<u>\$288,666</u>

**SAGINAW VALLEY STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED**

Capital appropriations during 2021 and 2020 represent the State of Michigan contribution to the construction of the Scott L. Carmona College of Business. Capital grants and gifts relate primarily to gifts received for the Scott L. Carmona College of Business construction in 2021 and 2020.

A graphic illustration of each University revenue source for the fiscal year ended June 30, 2021 follows:



The following table summarizes the University’s cash flows for the fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(in thousands of dollars)		
Cash From:			
Operating Activities	\$ (32,326)	\$ (21,116)	\$ (20,304)
Noncapital Financing Activities	66,991	51,461	46,223
Capital Financing Activities	(3,424)	(22,660)	(20,427)
Investing Activities	<u>(37,847)</u>	<u>21,477</u>	<u>8,777</u>
Net Change	(6,606)	29,162	14,269
Cash and Cash Equivalents - Beginning of Year	<u>87,981</u>	<u>58,819</u>	<u>44,550</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 81,375</u></u>	<u><u>\$ 87,981</u></u>	<u><u>\$ 58,819</u></u>

**SAGINAW VALLEY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

OPERATING EXPENSES

The University reports expenses on a functional basis. Operating expenses were \$137,639,413 in fiscal year 2021, a decrease of 0.02% from the prior year. The following summarizes the University's operating expenses for the years ended June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(in thousands of dollars)		
Educational and General:			
Instruction	\$ 41,369	\$ 43,398	\$ 43,606
Research	2,363	2,029	2,332
Public Service	3,782	4,195	4,740
Academic Support	11,359	13,047	14,603
Student Services	7,180	8,390	8,962
Institutional Support	13,134	13,586	13,266
Operations and Maintenance of Plant	14,137	12,019	12,727
Capital Asset Loss		62	917
Depreciation	15,006	15,386	15,414
Student Aid	14,789	10,376	8,051
Auxiliary Enterprises	<u>14,520</u>	<u>15,181</u>	<u>16,148</u>
 Total Operating Expenses	 <u>\$ 137,639</u>	 <u>\$ 137,669</u>	 <u>\$ 140,766</u>

CAPITAL ASSETS/LONG-TERM DEBT

Capital Plan and Related Debt Financing

The University Board of Control has reviewed a long-term capital development and related financing plan. Expenditures for capital projects approximated \$3.1 million and \$16.8 million during fiscal years 2021 and 2020, respectively, and were funded with capital appropriations, capital gifts, and other available University resources.

University Rating

The University's most recent ratings through Moody's Investors Services, Inc. and Standard & Poor's Financial Services were 'A1' and 'A', respectively.

**SAGINAW VALLEY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

FACTORS OR CONDITIONS IMPACTING FUTURE PERIODS

Financial and budget planning is directly related to and supportive of the University's mission and operational needs. The ability to plan effectively is influenced by an understanding of the following factors, which impact the University's finances:

- COVID-19
- Enrollment
- State Economy
- Inflationary Pressures
- Competition
- Program Growth and Development
- New Initiatives
- Technology
- Productivity Improvements

As more fully discussed in the section titled COVID-19 and HEERE, the COVID-19 pandemic has had an economic impact on the University as well as State, national, and international communities. The University is currently operating with students attending class in person as well as fully operational student housing and dining services. There is potential for additional interruptions to face-to-face instruction as has been experienced throughout the pandemic, either as a result of Executive Orders issued by the Governor of Michigan or the decision of University leadership. The impact of moving to online or remote learning would have a potentially material impact on the University's operations. Management has been reviewing budget options to minimize the financial impact should this occur.

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

The Foundation is an independent corporation formed for the purpose of receiving funds predominantly for the benefit of the University. The University provided \$746,492 of administrative support to the Foundation during fiscal year 2021. This support is reflected as institutional support in the University's financial statements and as gift revenue and corresponding fundraising and management and general expenses in the Foundation's financial statements. The University received endowment distributions and unrestricted and restricted gifts of \$14,618,715 in fiscal 2021 from the Foundation, of which \$6,000,000 was deferred.

As of June 30, 2021, the Foundation had 337 endowments, with none below their gift value. At June 30, 2020, the Foundation had 338 endowments, with four below their gift value. The Foundation's spending policy is to distribute 4% annually, with distributions made quarterly. Distributions are based on the average market value of the endowment for the preceding twelve calendar quarters, with the calculation made September 30 of each year. The September 30 per unit market value is utilized for distributions for the four quarterly distributions of the next fiscal year. However, the policy does not allow distribution if the individual endowment value is below historical gift value at each quarter end. As a result, some of the endowments did not distribute for one or more of the quarters during fiscal year 2021.

**SAGINAW VALLEY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

The net assets of the Foundation were as follows as of June 30:

	2021	2020	2019
	(in thousands of dollars)		
Without donor restrictions	\$ 13,772	\$ 10,785	\$ 10,858
With donor restrictions	97,907	82,014	82,527
	\$ 111,679	\$ 92,799	\$ 93,385

Report of Independent Auditors

Board of Control
Saginaw Valley State University

Report on the Financial Statements

We have audited the accompanying financial statements of Saginaw Valley State University (University), a component unit of the State of Michigan, and Saginaw Valley State University Foundation (Foundation), a discretely presented component unit of the University, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

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 opinions 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 from 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Saginaw Valley State University and its discretely presented component unit, Saginaw Valley State University Foundation, as of June 30, 2021 and 2020, and the respective changes in financial position and Saginaw Valley State University's 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 i through ix 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 9, 2021, on our consideration of Saginaw Valley 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 the University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
September 9, 2021

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF NET POSITION

	June 30,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 75,374,807	\$ 87,981,059
Accounts receivable, net	6,200,756	9,972,330
State appropriations receivable - operations	5,600,598	2,173,696
State appropriations receivable - charter schools	13,090,618	10,265,810
Inventories and prepaid expenses	890,669	1,008,998
	<u>101,157,448</u>	<u>111,401,893</u>
Total current assets		
Noncurrent Assets		
Restricted cash and cash equivalents	6,000,639	
Other long-term investments	59,920,462	21,689,585
Capital assets, net	283,372,567	295,290,317
	<u>349,293,668</u>	<u>316,979,902</u>
Total noncurrent assets		
	<u>450,451,116</u>	<u>428,381,795</u>
Total assets		
DEFERRED OUTFLOWS		
Refunding of debt	3,506,600	3,748,249
	<u>3,506,600</u>	<u>3,748,249</u>
Total deferred outflows		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	7,044,647	5,902,576
Unearned revenues	4,736,717	6,948,689
Charter schools payable and deposits	13,593,099	11,462,087
Long-term liabilities - current portion	8,616,575	6,421,575
	<u>33,991,038</u>	<u>30,734,927</u>
Total current liabilities		
Noncurrent Liabilities		
Unearned revenues	6,735,088	897,875
Long-term liabilities, net of current portion	88,896,232	94,455,241
	<u>95,631,320</u>	<u>95,353,116</u>
Total noncurrent liabilities		
	<u>129,622,358</u>	<u>126,088,043</u>
Total liabilities		
DEFERRED INFLOWS		
Refunding of debt	441,868	490,964
	<u>441,868</u>	<u>490,964</u>
Total deferred inflows		
NET POSITION		
Net investment in capital assets	194,401,537	202,160,264
Restricted for:		
Expendable Restricted		
Scholarships and fellowships	2,505,849	2,073,097
Research	621,839	546,626
Instructional department use	1,783,663	1,464,425
Other	3,612,017	1,194,693
Unrestricted	120,968,585	98,111,932
	<u>\$ 323,893,490</u>	<u>\$ 305,551,037</u>
Total net position		

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,341,614	\$ 4,192,922
Accounts receivable, net	151,199	256,758
Contributions receivable, net	4,186,875	6,892,880
Investments	100,361,960	77,898,352
Cash value of life insurance	218,849	201,554
Beneficial interest trusts	6,418,317	5,361,857
Total assets	\$ 114,678,814	\$ 94,804,323
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,801,017	\$ 1,799,480
Charitable gift annuities payable	199,084	206,211
Total liabilities	3,000,101	2,005,691
Net assets		
Without donor restrictions	13,771,450	10,784,526
With donor restrictions	97,907,263	82,014,106
Total net assets	111,678,713	92,798,632
Total liabilities and net assets	\$ 114,678,814	\$ 94,804,323

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

REVENUES	For the year ended June 30,	
	2021	2020
Operating revenues		
Student tuition and fees	\$ 88,972,205	\$ 95,085,874
Less: Scholarship allowances	(25,898,332)	(26,232,378)
	63,073,873	68,853,496
Federal grants and contracts	3,772,269	3,365,428
State and local grants and contracts	1,283,100	1,685,839
Sales and services of educational departments	3,020,609	4,278,376
Auxiliary enterprises	18,561,205	21,319,831
Less: Scholarship allowances	(5,072,338)	(4,982,548)
	13,488,867	16,337,283
Other operating revenues	3,581,574	3,384,562
Total operating revenues	88,220,292	97,904,984
EXPENSES		
Operating expenses		
Educational and general		
Instruction	41,369,428	43,398,463
Research	2,362,622	2,029,235
Public service	3,781,605	4,195,123
Academic support	11,359,073	13,047,012
Student services	7,179,653	8,390,034
Institutional support	13,134,532	13,586,005
Operations and maintenance of plant	14,136,645	12,018,707
Capital asset loss		61,577
Depreciation	15,006,519	15,385,706
Student aid	14,788,914	10,376,134
Auxiliary enterprises	14,520,422	15,181,471
Total operating expenses	137,639,413	137,669,467
Operating loss	(49,419,121)	(39,764,483)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	30,803,300	27,380,000
Federal Pell Grant Program	10,747,946	11,930,305
Federal HEERF Program	16,423,913	2,667,038
Federal CARES Act CRF Program	3,427,700	
Gifts	5,535,363	4,790,822
Investment income, net	384,135	2,462,236
Interest on capital asset-related debt	(3,173,453)	(3,717,249)
Net nonoperating revenues	64,148,904	45,513,152
Income before other revenues	14,729,783	5,748,669
Other Revenues		
Capital gifts	3,083,352	3,107,631
Capital appropriations	529,318	8,028,542
Total other revenues	3,612,670	11,136,173
Change in net position	18,342,453	16,884,842
Net position - beginning of year	305,551,037	288,666,195
Net position - end of year	\$ 323,893,490	\$ 305,551,037

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	For the year ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Gifts and contributions	\$ 841,735	\$ 10,078,030	\$ 10,919,765
Change in beneficial interest trusts		1,150,894	1,150,894
Change in cash value of life insurance		17,295	17,295
Investment income, net	3,245,057	19,990,754	23,235,811
Net assets released from restrictions	15,343,816	(15,343,816)	-
Total revenue, gains and other support	19,430,608	15,893,157	35,323,765
EXPENSES			
Program expenses:			
Disbursements to Saginaw Valley State University	14,618,715		14,618,715
Disbursements to student organizations	2,295		2,295
Supporting service expenses:			
Charitable gift annuity payments	36,936		36,936
Taxes and tax service	100,984		100,984
Fundraising	296,805		296,805
Management and general	1,387,949		1,387,949
Total expenses	16,443,684	-	16,443,684
Change in net assets	2,986,924	15,893,157	18,880,081
Net assets - beginning of year	10,784,526	82,014,106	92,798,632
Net assets - end of year	\$ 13,771,450	\$ 97,907,263	\$ 111,678,713

	For the year ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Gifts and contributions	\$ 1,141,876	\$ 4,880,863	\$ 6,022,739
Change in beneficial interest trusts		(123,657)	(123,657)
Change in cash value of life insurance		20,007	20,007
Investment income, net	527,407	2,736,021	3,263,428
Net assets released from restrictions	8,026,015	(8,026,015)	-
Total revenue, gains and other support	9,695,298	(512,781)	9,182,517
EXPENSES			
Program expenses:			
Disbursements to Saginaw Valley State University	7,898,453		7,898,453
Disbursements to student organizations	3,485		3,485
Supporting service expenses:			
Charitable gift annuity payments	34,314		34,314
Taxes and tax service	76,288		76,288
Fundraising	483,659		483,659
Management and general	1,272,951		1,272,951
Total expenses	9,769,150	-	9,769,150
Change in net assets	(73,852)	(512,781)	(586,633)
Net assets - beginning of year	10,858,378	82,526,887	93,385,265
Net assets - end of year	\$ 10,784,526	\$ 82,014,106	\$ 92,798,632

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2021	2020
Cash Flows from Operating Activities		
Student tuition and fees	\$ 62,796,598	\$ 70,103,867
Grants and contracts	5,197,819	6,813,875
Payments to suppliers	(22,279,398)	(26,286,020)
Payments for utilities	(3,019,288)	(3,219,241)
Payments to employees	(59,869,883)	(60,654,480)
Payments for benefits	(20,251,476)	(21,629,705)
Payments for scholarships and fellowships	(14,509,143)	(10,107,370)
Auxiliary enterprises charges	13,010,883	16,565,361
Sales and services	3,016,017	3,912,670
Receipts for Charter Schools	73,644,677	71,377,588
Payments to Charter Schools	(71,067,413)	(68,738,624)
Other receipts	1,004,310	745,598
Net cash from operating activities	(32,326,297)	(21,116,481)
Cash Flows from Noncapital Financing Activities		
State appropriations	27,376,398	30,756,846
Federal Pell Grant Program	10,727,139	11,991,724
Federal HEERF and CARES Act CRF Programs	18,198,378	2,667,038
Federal Direct Lending receipts	36,366,034	42,631,552
Federal Direct Lending disbursements	(36,366,034)	(42,631,552)
Gifts	10,689,235	6,045,469
Net cash from noncapital financing activities	66,991,150	51,461,077
Cash Flows from Capital Financing Activities		
Proceeds from capital debt		17,340,000
Capital appropriations	4,369,907	4,187,953
Capital grants and gifts received	3,083,352	3,107,631
Principal paid on capital debt	(3,840,000)	(26,417,137)
Interest paid on capital debt and related costs	(3,396,327)	(3,112,867)
Purchase of capital assets, net of disposals	(3,640,656)	(17,765,758)
Net cash from capital financing activities	(3,423,724)	(22,660,178)
Cash Flows from Investing Activities		
Investment income, net	384,135	2,462,236
Sale (purchase) of investments	(38,230,877)	19,014,778
Net cash from investing activities	(37,846,742)	21,477,014
Net change in cash and cash equivalents	(6,605,613)	29,161,432
Cash and cash equivalents - beginning of year	87,981,059	58,819,627
Cash and cash equivalents - end of year	\$ 81,375,446	\$ 87,981,059

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF CASH FLOWS - CONTINUED

	For the years ended June 30,	
	2021	2020
Summary of Cash and cash equivalents		
Cash and cash equivalents	\$ 75,374,807	\$ 87,981,059
Restricted cash and cash equivalents	6,000,639	
	\$ 81,375,446	\$ 87,981,059
 Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (49,419,121)	\$ (39,764,483)
 Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	15,006,519	15,385,706
Capital asset loss		61,577
Changes in assets and liabilities:		
Accounts receivable, net	(2,026,888)	3,501,242
Inventories and prepaid expenses	118,329	627,689
Accounts payable and accrued liabilities	1,597,810	(389,719)
Unearned revenues	(721,524)	1,566,997
Charter schools payable and deposits	2,131,012	(2,192,889)
Compensated absences	987,566	87,399
	\$ (32,326,297)	\$ (21,116,481)

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared to incorporate all fund groups utilized internally by Saginaw Valley State University (University) and include Saginaw Valley State University Foundation (Foundation), a discretely presented component unit of the University. The University's 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 Foundation's financial information has been prepared on the accrual basis following accounting policies established by the Financial Accounting Standards Board (FASB).

Reporting Entity

The University's financial statements are presented discretely in the State of Michigan Comprehensive Annual Financial Report. Public universities with governing boards appointed by the Governor are considered component units of the State. Transactions with the State relate primarily to appropriations for operations and capital projects, appropriations for Charter Schools and grants from various state agencies. See Note P for more details.

The Foundation, a component unit of the University, is a not-for-profit corporation with a separate board of directors. Although the Foundation approves their own disbursements, their support is predominately for the objectives and purposes of the University.

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred.

The Foundation has applied the recognition principles of all applicable FASB codification sections. Certain disclosures conform more to the GASB presentation than what may be required by FASB.

Cash and Cash Equivalents

The University and its component unit define cash and cash equivalents as highly liquid, short-term investments that bear little or no market risk and are stated at fair value. Generally, these items have a maturity of three months or less when purchased except for certain certificates of deposit which may extend to longer periods if readily convertible to cash with no significant loss to principal.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

Cash and Cash Equivalents (continued)

Restricted cash and cash equivalents represent cash held related to private gifts to be used for scholarships. Both cash and cash equivalents and restricted cash and cash equivalents are included in cash and cash equivalents on the Statements of Cash Flow.

Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for the allowance for doubtful accounts.

The University determines the allowance for doubtful accounts based on an evaluation of accounts receivable, past and recent experience, current economic conditions, and other pertinent factors. The allowance for doubtful accounts is increased by the provision recorded net of revenue and reduced by the receipt of payment for items previously included in the allowance and delinquent receivables that have been charged off. The University considers receivables past due when they have not been paid within their contractual terms.

Inventories

Inventories are stated at lower of average cost or market.

Investments

Investments are reported at fair value. Investment income, net of related expenses, includes realized and unrealized gains and losses on investments, interest, and dividends.

Capital Assets

Capital assets are stated at cost or, when donated, at acquisition value at the date of gift. The University uses a \$5,000 threshold for capitalizing assets. Depreciation is computed using the straight-line method over the useful life of the property as follows:

<u>Classification</u>	<u>Life</u>
Land improvements and infrastructure	15 years
Buildings	20 - 50 years
Equipment	4 - 15 years
Library acquisitions	7 years

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

Capital Assets (continued)

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The cost of maintenance and repairs are expensed as incurred; significant renewals and improvements are capitalized.

Compensated Absences

Compensated absence costs, including vacation, compensatory time, personal leave and sick leave, are accrued when earned by employees. Faculty accrue additional compensation for teaching credit hours in excess of the limit identified in the contract. A probability factor is utilized to estimate the support staff sick leave accrual.

Deferred Outflows and Deferred Inflows

In addition to assets, the Statements of Financial Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows, represents a consumption of net position that applies to a future period and as such, is not recognized as an outflow of resources (expense/expenditure) until that time. In addition to liabilities, the Statements of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, represents an acquisition of net position that applies to a future period and as such, is not recognized as an inflow of resources (revenue) until that time. Deferred outflows and inflows relate to debt refunding. See Note G for more details.

Revenue Recognition

Operating revenues of the University consist of tuition and fees, grants and contracts, sales and services, and auxiliary enterprises revenue. These revenues represent revenue earned from exchange transactions and are reported net of discounts and allowances. The University's nonoperating revenues include State appropriations, Federal PELL Grant Program, Federal HEERF and Cares Act Programs, gifts, investment income, capital appropriations and capital grants and gifts. Direct lending is not reported as federal revenue and scholarship expenditures, but is treated as an agency transaction. When both restricted and unrestricted resources are available for expenses, the University applies the restricted and unrestricted resources at its discretion.

Funds are appropriated to the University for operations by the State of Michigan covering the State's fiscal year, October 1 through September 30. The sums appropriated are for the University's fiscal year ending June 30 and are generally paid in eleven monthly installments from October through August. See Note P for more details.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue Recognition (continued)

The Foundation recognizes a gift when the donor makes a pledge that is, in substance, unconditional. The Foundation uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises.

Bond Issuance Costs

Bond issuance costs are expensed when incurred.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Adoption of New Accounting Standard

The University adopted GASB Statement 84, Fiduciary Activities, and GASB Statement 97, Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The University reviewed all fiduciary activities applicable under Statement 84 and determined no activities were material to the University. The only impact to the financial statements was to record the cash inflows and outflows related to Charter Schools.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY

The University utilizes the "pooled cash" method of accounting for substantially all of its cash and cash equivalents in order to maximize investment return. The investment policy for pooled cash, approved by the Board of Control, divides cash for purposes of investment into three asset groups: short-term pool, intermediate-term pool, and long-term pool. The University did not have funds in the long-term pool during the fiscal years ended June 30, 2021 or 2020.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY
(continued)

Credit Risk

The University's investment policy requires that investments shall be in marketable securities of the following types and with the noted credit ratings:

Short-term Pool

1. All investments must be convertible into cash at any time without any significant loss of principal.
2. Any instrument issued, guaranteed, or insured by the U.S. Government, agencies, or other full faith instruments of investment grade are permitted.
3. Commercial paper issued by domestic corporations rated both "P-1" and "A-1" by Moody's Investors Service, Inc. and by Standard & Poor's, respectively, may be included.
4. Also permitted are certificates of deposit, bankers acceptances, or other such irrevocable primary obligations from a list of approved banks.
5. Commingled funds and short-term cash reserve mutual funds may be used if they are in compliance with the above guidelines.

Intermediate-term Pool

1. Fixed-income investments may include U.S. and non-U.S. issues of Government and Agency obligations, marketable corporate bonds, mortgage or asset-backed bonds, and preferred stocks with sinking funds as deemed prudent by the investment managers.
2. Fixed-income investments shall be made primarily in those rated "BAA" (investment grade) or better by Moody's and "BBB" (investment grade) or better by Standard & Poor's with emphasis toward "A" or better issues. However, up to 20% of the fixed-income investments can be made in below investment grade debt (high yield).
3. Fixed-income investments may include U.S. and non-U.S. issues, including high yield, global fixed-income, and emerging market debt instruments.
4. Diversification must be maintained and, with the exception of securities guaranteed by the U.S. Government, the securities of a single issuer should not exceed 10% of the market value of the manager's portfolio responsibility.
5. No equity exposure is permitted within the intermediate-term pool.
6. The Investment Committee may also implement a laddered bond portfolio that is diversified by holdings and maturities that emphasizes higher quality. The intent of this structure would be to alleviate duration risk as the bonds would be held to maturity and then reinvested. If the Investment Committee implements this structure, the duration guideline above would not apply.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY
(continued)

Credit Risk (continued)

Investments in mutual fund-debt of the short-term pool have the following quality of investments at June 30, 2021:

- Vanguard Ultra Short-Term Bond: 13.5% AAA; 5.9% AA; 35.3% A; 34.1% BBB; 0.2% Below B; 11.0% not rated;
- Lord Abbett Short Duration: 37.9% AAA; 4.8% AA; 8.1% A; 28.7% BBB; 11.3% BB; 4.5% B; 1.0% Below B; 3.7% not rated.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the University's investment policy limits the average weighted maturity for a short-term portfolio to between one day and one year and the average weighted maturity for the intermediate-term portfolio to between one year and five years.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Investment Policy of the University requires diversification of the intermediate-term pool and securities of a single issuer should not exceed 10% of the market value of the portfolio manager's responsibility.

The chart below lists the percentage of the investments in the intermediate-term pool by credit rating:

<u>Rating</u>	<u>% of Pool</u>
AAA	41 %
AA+	2
AA	3
AA-	5
A+	5
A	13
A-	14
BBB+	14
BBB	3

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY
(continued)

The following table summarizes the components of the University's cash and cash equivalents and investments at June 30:

Investment Type	Fair Market Value	
	2021	2020
Short-term Pool:		
Deposits:		
Bank of America	\$ -	\$ 147,476
TCF National Bank	239,171	239,148
PNC Bank	59,580,419	59,015,846
TCF National Bank - Certificates of Deposit	15,294,083	25,369,066
Investments:		
U.S. Treasury Strips		3,657
U.S Government Money Market	6,211,274	2,823,956
Mutual Fund - Debt	35,079,747	
Total short-term pool	116,404,694	87,599,149
Intermediate-term Pool:		
Investments:		
U.S. Federal Agencies	3,847,165	2,877,369
U.S. Government Obligations	3,797,949	3,208,349
Corporate Bonds and other	12,191,603	12,193,313
Municipal Obligations	2,189,025	1,539,114
Mortgage Backed Securities	1,845,435	1,927,569
Certificates of Deposit	268,067	274,882
Foreign Bonds and Notes	701,471	
Total Intermediate-term pool	24,840,715	22,020,596
Less Investments Reported as "Cash and Cash Equivalents" on Statements of Net Position	(81,324,947)	(87,930,160)
Total Investments	\$ 59,920,462	\$ 21,689,585
As reported on the Statements of Net Position		
Noncurrent Investments	\$ 59,920,462	\$ 21,689,585
Total Investments	\$ 59,920,462	\$ 21,689,585
Investments Reported as Cash and Cash Equivalents		
Cash	\$ 81,324,947	\$ 87,930,160
	50,499	50,899
Total Cash and Cash Equivalents	\$ 81,375,446	\$ 87,981,059

The yield on all University deposits and investments was 0.28% for 2021 and 2.14% for 2020.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY
(continued)

Foreign Currency Risk

As of June 30, 2021, the University had approximately \$701,000, in foreign investments included in the intermediate-term pool. There were no foreign investments included in holdings as of June 30, 2020.

Custodial Credit Risk

Deposits: Custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent in the University's name. Cash and cash equivalents, as reflected in the accounts of the investment institutions at June 30, 2021, were \$75,854,870. Of that balance, \$75,354,870 was uninsured and uncollateralized. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2020, were \$86,977,364. Of that balance, \$86,311,161 was uninsured and uncollateralized.

Investments: The University has engaged Comerica Bank to serve as custodian for the short-term and intermediate-term pools, other than the accounts and certificates of deposits with PNC Bank, Bank of America, and TCF National Bank included in the short-term pool. The custodian collects dividend and interest payments, redeems maturing securities, and affects receipt and delivery following purchases and sales. The custodian also performs regular accounting of all assets owned, purchased, or sold.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University has no custodial credit risk in its investments as of June 30, 2021 or 2020.

NOTE C - INVESTMENTS-FOUNDATION

The primary objective of the Foundation's investment policy, approved by the Foundation Board, is to increase the purchasing power of the Foundation's assets after inflation while maintaining a distribution policy as established by the Foundation Board. The secondary objective is to consistently earn a high, long-term, total rate of return without undue risk exposure or volatility.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

Credit Risk

The Foundation's investment policy requires that fixed-income investments emphasize high-quality and that on average, the portfolio should have a rating of "A" or better as defined by a majority of the major credit rating agencies.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the Foundation's investment policy limits the maximum maturity for any single security to 40 years; mortgage bonds will be on an average maturity basis with the weighted average maturity not to exceed ten years.

The following table summarizes the components of the Foundation's investments at June 30:

<u>Investment Type</u>	<u>Fair Market Value</u>	
	<u>2021</u>	<u>2020</u>
Equities	\$ 170	\$ 49,132
Mutual Fund - Equities	41,267,442	31,707,308
Mutual Fund - International Equities	25,347,849	19,018,230
Mutual Fund - Debt	17,764,898	13,938,487
Alternative Investments	15,981,601	13,185,195
Cash and Cash Equivalents	1,493,080	2,758,126
	<u>101,855,040</u>	<u>80,656,478</u>
Less Investments included in "Cash and Cash Equivalents" on Statements of Financial Position	<u>(1,493,080)</u>	<u>(2,758,126)</u>
Total Investments	<u>\$ 100,361,960</u>	<u>\$ 77,898,352</u>

As of June 30, 2021, the Foundation's remaining capital commitment for alternative investments was \$6,428,478.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

Interest Rate Risk (continued)

Investments in mutual fund – debt have the following quality of investments at June 30, 2021:

- Dodge & Cox Income Fund – 56.50% AAA; 4.60% AA; 5.40% A; 22.70% BBB; 10.70% BB; 0.09% B; 0.01% below B;
- Vanguard Short-Term Bond Adm – 71.65% AAA; 3.28% AA; 11.95% A; 13.08% BBB; 0.01% below B; 0.03% not rated;
- PIMCO Diversified Income Instl – 19.00% AAA; 9.00% AA; 7.00% A; 30.00% BBB; 25.00% BB; 7.00% B; 3.00% below B;
- Vanguard Total Bond Market Index Adm – 68.72% AAA; 3.34% AA; 11.87% A; 16.17% BBB; 0.01% below B; (0.11%) not rated.

Concentration of Credit Risk

The Foundation recognizes that, over the long term, equity investments provide the best opportunity to achieve the objectives and goals of the Endowment Fund. However, a degree of diversification in other forms of investments is prudent. To accomplish the endowment investment objectives, investment managers are authorized to utilize portfolios of equity securities, fixed-income securities, alternative investments, and short-term investments (cash and cash equivalents). The total portfolio shall be maintained within the following ranges:

	<u>Minimum</u>	<u>Maximum</u>
Domestic Equities	25%	45%
International Equities	20%	30%
Fixed Income	8%	28%
Alternative Investments	0%	25%
Cash/Short-term Investments	0%	10%

The investments shall be reviewed quarterly to ensure the endowment assets are within these ranges.

To ensure diversification in the investment equity portfolio, the Foundation's investment policy limits investment in an individual common stock to 10% of a given investment manager's portfolio based on market value. Additionally, within each separately managed account, economic sector allocations must be less than twice that of the same economic sector as defined by the market benchmark. For the fixed-income portfolio, with the exception of securities guaranteed by the U.S. Government, the securities of single issuers should not exceed 5% of the market value of the investment manager's portfolio.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

Concentration of Credit Risk (continued)

At June 30, 2021, the Foundation's investments that exceeded 5% of the investment portfolio included the Dodge & Cox Income Fund (\$8,496,195), Vanguard 500 Index Fund (\$18,966,702), The Weatherlow Offshore Fund I (\$8,721,268), William Blair Funds International Growth Fund Class I (\$6,589,419), Transamerica Invs Income International Equity I (\$6,622,987), DFA International Core Fund (\$6,212,037), and Invesco Oppenheimer Developing Markets (\$5,923,406).

Foreign Currency Risk

The Foundation investment policy states that foreign denominated investments should not exceed 30% of the portfolio. The Foundation's holdings in foreign investments were made in mutual funds as noted above. In addition, the Foundation had no foreign equities as of June 30, 2021 and \$2,888 in foreign equities as of June 30, 2020.

Custodial Credit Risk

The Foundation has engaged Comerica Bank to serve as custodian of the endowment investments. The custodian maintains physical possession of securities owned by the Foundation, collects dividend and interest payments, redeems maturing securities, and affects receipt and delivery following purchases and sales. The custodian also performs regular accounting of all assets owned, purchased or sold. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

NOTE D - ACCOUNTS RECEIVABLE

The University's accounts receivable relate to several transactions including State appropriations, student tuition and fee billings, and auxiliary enterprise sales, such as food service and residence halls. In addition, receivables arise from grant awards, financial aid, and billings related to capital assets. The details of accounts receivable, excluding State appropriations, as of June 30 are listed on the next page in the table:

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE D - ACCOUNTS RECEIVABLE
(continued)

	<u>2021</u>	<u>2020</u>
Tuition and fees	\$ 6,293,919	\$ 5,978,771
Auxiliary enterprises	1,597,056	1,344,379
Contracts and grants	2,993,245	6,208,538
Sales and services	1,091,617	1,329,213
Agency accounts	1,271,919	1,740,961
Less Allowance for uncollectible accounts	<u>(7,047,000)</u>	<u>(6,629,532)</u>
Total accounts receivable	<u>\$ 6,200,756</u>	<u>\$ 9,972,330</u>

Based on Senate Bill 905, PA 273 of 1998, State appropriations are recorded principally on the accrual basis, when earned. As a result, the University recorded State appropriations receivable of \$5,600,598 at June 30, 2021 and \$2,173,696 at June 30, 2020. Charter school appropriations receivable were recorded at June 30, 2021 of \$13,090,618 and at June 30, 2020 of \$10,265,810. The University has recorded a corresponding amount due to the charter schools which is reported as charter schools payable and deposits. The University received direct State appropriations and other funds in the amount of \$72,449,349 to be forwarded to 20 charter schools for fiscal year 2021 and \$68,814,699 to 19 charter schools for fiscal year 2020.

The detail of the Foundation's contributions and accounts receivable for June 30 are listed below in the table:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 5,222,144	\$ 8,052,405
Less Allowance for uncollectible pledges	(356,332)	(462,439)
Less Discount to reflect promise to give at fair value	<u>(678,937)</u>	<u>(697,086)</u>
	4,186,875	6,892,880
Other	<u>151,199</u>	<u>256,758</u>
Total receivables	<u>\$ 4,338,074</u>	<u>\$ 7,149,638</u>

As of June 30, 2021, approximately 74% of the Foundation's Pledges receivable were from five donors and at June 30, 2020, approximately 67% of the Foundation's pledges receivable were from four donors.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE E - CAPITAL ASSETS

The following table presents the changes in the various capital asset categories:

<u>Asset Classification</u>	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Retirements and Write-downs</u>	<u>Balance at June 30, 2021</u>
Land	\$ 1,469,512	\$ -	\$ -	\$ 1,469,512
Land improvements and infrastructure	34,882,839	127,897	(1,084,968)	33,925,768
Buildings	428,394,671	1,298,620	(4,511,114)	425,182,177
Equipment	27,971,661	1,226,719	(3,371,242)	25,827,138
Library acquisitions	8,937,760	436,698	(801,958)	8,572,500
Construction in progress	13,910		(1,165)	12,745
Works of fine art	607,085			607,085
Less Accumulated depreciation:				
Land improvements and infrastructure	(19,571,502)	(1,840,323)	1,084,968	(20,326,857)
Buildings	(161,205,292)	(10,579,852)	4,511,114	(167,274,030)
Equipment	(19,364,081)	(2,082,737)	3,371,242	(18,075,576)
Library acquisitions	(6,846,246)	(503,607)	801,958	(6,547,895)
Total capital assets, net	<u>\$ 295,290,317</u>	<u>\$ (11,916,585)</u>	<u>\$ (1,165)</u>	<u>\$ 283,372,567</u>

NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year. Listed below is a breakdown of those liabilities at June 30:

	<u>2021</u>	<u>2020</u>
Compensation and benefits	\$ 2,344,809	\$ 2,012,229
Supplies and construction related expenditures	4,699,838	3,890,347
Total accounts payable and accrued liabilities	<u>\$ 7,044,647</u>	<u>\$ 5,902,576</u>

NOTE G - NOTES AND BONDS PAYABLE

The University issued General Revenue and Refunding Bonds, Series 2020A, in the amount of \$17,340,000 in April 2020. The proceeds were used to establish an irrevocable escrow fund to refund the outstanding balance on General Revenue and Refund Bond, Series 2010A. The refunded bonds were called for redemption on July 1, 2020. The refunding resulted in a deferred amount on refunding of \$502,935. The deferred amount on refunding is being amortized over the remaining life of the 2010A bonds and is reported as a deferred inflow.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

The University issued General Revenue and Refunding Bonds, Series 2016A, in the amount of \$62,280,000 in April 2016. A portion of the proceeds from the bonds were used to establish an irrevocable escrow fund to refund a portion of the remaining outstanding General Revenue and Refunding Bonds, Series 2007 (\$20,565,000), 2008 (\$24,875,000) and 2008B (\$10,245,000). The refunding resulted in a deferred amount on refunding of \$3,552,809. The deferred amount on refunding is being amortized over the remaining life of the oldest bonds and is reported as a deferred outflow. The remaining proceeds from the Series 2016A bonds were used, together with other available resources, to renovate Zahnow Library. The bonds were issued at a premium of \$8,712,909.

The University issued General Revenue and Refunding Bonds, Series 2015A, in the amount of \$18,525,000, in April 2015. The proceeds were used to retire the general revenue and refunding 2005 bonds. Since the 2005 bonds refunded a previous bond, the deferred amount on refunding from the 2005 bonds was carried forward to the new bonds. The deferred amount on refunding is being amortized over the remaining life of the old bonds and is reported as a deferred outflow.

The University issued General Revenue and Refunding Bonds, Series 2013A, in the amount of \$19,250,000, in June 2013. A portion of the proceeds from the bonds were used to establish an irrevocable escrow fund that refunded a portion of the remaining Series 2004 Bonds and the Series 2004B Bonds. The refunded bonds were called for redemption on July 1, 2014. The bonds were refunded in order to reduce the University's debt service. The refunding resulted in a deferred amount on refunding of \$434,768. The deferred amount on refunding is being amortized over the remaining life of the old bonds and is reported as a deferred outflow. The remaining proceeds from the Series 2013A bonds were used, together with other available resources, to renovate and expand the Ryder Center. The bonds were issued at a premium of \$2,618,113.

Notes and bonds payable outstanding as of June 30 consist of the following:

	<u>Interest Rates</u>	<u>Maturity</u>	<u>2021</u>	<u>2020</u>
General Revenue & Refunding Bonds, Series 2020A	2.167%	2022-2030	\$ 17,340,000	\$ 17,340,000
General Revenue & Refunding Bonds, Series 2016A	3.25% to 5.00%	2022-2038	47,745,000	49,430,000
General Revenue & Refunding Bonds, Series 2015A	2.79%	2022-2035	8,220,000	8,930,000
General Revenue & Refunding Bonds, Series 2013A	3.50% to 5.00%	2022-2034	10,510,000	11,955,000
Unamortized premiums			8,220,762	8,732,337
Total			<u>\$ 92,035,762</u>	<u>\$ 96,387,337</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

The first principal payment due on the Series 2020A bonds was paid on July 1, 2021. The principal and interest on the notes and bonds are payable only from certain general revenues.

The following table summarizes debt service requirements:

Fiscal Year	All Other Debt		Direct Placement Debt		Total
	Principal	Interest	Principal	Interest	
2022	\$ 3,300,000	\$ 2,709,906	\$ 4,705,000	\$ 562,406	\$ 11,277,312
2023	3,585,000	2,544,906	2,675,000	498,528	9,303,434
2024	3,765,000	2,365,656	2,730,000	435,826	9,296,482
2025	3,945,000	2,177,406	2,790,000	371,808	9,284,214
2026	2,820,000	1,980,156	2,835,000	306,364	7,941,520
Total five years	17,415,000	11,778,030	15,735,000	2,174,932	47,102,962
2027-2031	23,710,000	7,410,905	8,390,000	646,365	40,157,270
2032-2036	12,995,000	2,383,593	1,435,000	101,280	16,914,873
2037-2038	4,135,000	170,450			4,305,450
Total	58,255,000	<u>\$21,742,978</u>	<u>\$25,560,000</u>	<u>\$2,922,577</u>	<u>\$108,480,555</u>
Unamortized premium		<u>8,220,762</u>			<u>\$66,475,762</u>
Current portion of unamortized premium		<u>\$ 511,575</u>			

The net deferred amount on refunding from the Series 2016A, Series 2015A and Series 2013A bonds is reported on the Statements of Net Position as a deferred outflow at June 30, 2021 in the amount of \$3,506,600. The deferred outflow for Series 2016A, Series 2015A and Series 2013A at June 30, 2020 was \$3,748,249. The net deferred amount on refunding from the Series 2020A bonds is reported on the Statement of Net Position as a deferred inflow at June 30, 2021 in the amount of \$441,868 and at of June 30, 2020 in the amount of \$490,964.

The University has a \$300,000 letter of credit for the Wolverine Power Marketing Cooperative electricity contract at a per annum fee of 1.25%. In addition, amounts drawn against the letter of credit include interest at the bank prime rate plus one percent per annum. No amounts were drawn against the letter of credit at June 30, 2021 or 2020. The letter of credit is secured by general revenues.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE H - LONG-TERM LIABILITIES

The information listed below shows the components of the University's long-term liabilities:

	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2021</u>	<u>Current Portion</u>
Notes and bonds payable:					
General revenue bonds	\$ 87,655,000	\$ -	\$ 3,840,000	\$ 83,815,000	\$ 8,005,000
Unamortized premiums	8,732,337		511,575	8,220,762	511,575
Total notes and bonds payable	96,387,337	-	4,351,575	92,035,762	8,516,575
Other long-term liabilities:					
Compensated absences, net	4,489,479	987,566		5,477,045	100,000
Total long-term liabilities	<u>\$ 100,876,816</u>	<u>\$ 987,566</u>	<u>\$ 4,351,575</u>	<u>\$ 97,512,807</u>	<u>\$ 8,616,575</u>

As of June 30, 2021 and 2020, employees had earned but not taken annual compensatory time, personal, and vacation leave of approximately \$4,414,000, and \$3,453,000, respectively. The University had a commitment for accumulated sick leave of approximately \$1,063,000 as of June 30, 2021 and \$1,036,000 as of June 30, 2020. These amounts are reflected above as liabilities for compensated absences.

NOTE I - UNRESTRICTED NET POSITION

The following summarizes the internal designations of the University's unrestricted net position at June 30:

	<u>2021</u>	<u>2020</u>
Capital projects and repair reserves	\$ 89,541,070	\$ 71,740,465
Auxiliary enterprises	1,361,891	1,361,891
Designated for departmental use	26,624,266	21,807,454
Amount obligated by contractual commitments	172,250	88,691
Undesignated	3,269,108	3,113,431
Total unrestricted net position	<u>\$ 120,968,585</u>	<u>\$ 98,111,932</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE J – COMMITMENTS AND CONTINGENCIES

The University is self-insured for health insurance for individual contracts up to \$125,000. The University purchases coverage for amounts exceeding \$125,000 for individual contracts. At June 30, 2021 the University has recorded a liability of approximately \$813,000 which includes approximately \$345,000 of incurred but not reported claims, \$217,000 for claims invoiced by not paid as of June 30, 2021, and approximately \$251,000 of a reserve for claims exceeding the employee contributions.

The costs to complete significant construction in progress at June 30, 2021 approximate \$4,000,000. The amount of funding required to complete construction in progress will come from institutional resources and gifts.

The University has entered into lease agreements with the State Building Authority (SBA) and the State of Michigan during the current fiscal year for the Scott L. Carmona College of Business building and in prior fiscal years for the Wickes Hall renovations, Science East and West Buildings, Zahnaw Library, the Regional Education Center, Pioneer Hall renovations, and the Health and Human Services building. The projects were financed with SBA Revenue Bonds, State appropriations and University resources. The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements between the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to each of the facilities; the State of Michigan will make all annual lease payments to the SBA from general fund appropriations; and the University will pay all operating and maintenance costs of the facilities. At the expiration of each lease, the SBA has agreed to sell the facilities to the University for the sum of one dollar each. The cost and accumulated depreciation for these facilities is reflected in the accompanying Statements of Net Position.

In the normal course of its activities, the University is party to various legal actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on the financial condition of the University.

NOTE K - SUPPORT ORGANIZATIONS

The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. The Internal Revenue Service has ruled that the Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code (Code) and is, therefore, not subject to tax under present federal income tax laws, and also is not a private foundation within the meaning of Section 509(a)(3) of the Code. Foundation Board of Director membership includes the following individuals: members of the Saginaw Valley State University Board of Control as appointed by the Board of Control, certain officers of the University as set forth in the Foundation bylaws, and other community representatives elected by the Foundation Board.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE K - SUPPORT ORGANIZATIONS
(continued)

The University provided \$746,492 of administrative support to the Foundation during fiscal 2021 and \$983,610 of support during fiscal 2020. The Foundation recorded these amounts as gifts and expenses in the Statements of Activities and Change in Net Assets. The University received \$938,261 for the management of endowments during fiscal 2021 and \$773,000 during fiscal 2020. The University received \$14,618,715, of which \$6,000,000 is deferred, during fiscal 2021 and \$7,898,453 during fiscal 2020 from the Foundation. These amounts include endowment distributions and restricted and unrestricted gifts. Under the spending policy established by the Board, 4.0% of the moving average market value of endowment investments for the twelve quarters through September prior to the beginning of the fiscal year has been authorized for expenditure. During 2009, the State of Michigan adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). According to UPMIFA, the Foundation may appropriate for spending as much of the endowment as the institution deems prudent for the uses, benefits, purposes, and duration for which the particular endowment fund was established, subject to the evaluation of several specific factors including general economic conditions and the fund's purpose. Although UPMIFA allows spending of the original gift, the Foundation's board policy does not allow for distribution if the individual endowment fund value is below historical gift value at the end of a quarter.

As of June 30, 2021, of the Foundation's 337 endowments, none were below their gift value. Of the Foundation's 338 endowments at June 30, 2020, four were below their gift value. However, there were endowments that did not distribute for one or more of the quarters during fiscal 2021 and 2020 as the market values were below gift values.

The Foundation classifies the original value of any gifts donated to a permanent endowment as net assets with donor restrictions and any subsequent investment returns, realized or unrealized, as with donor restrictions or without donor restrictions.

In accordance with GASB standards, the Foundation is included in the financial statements of the University as a discretely presented component unit.

NOTE L - RETIREMENT PLAN

The University has a defined contribution retirement program for all qualified employees. Qualified employees include nearly all full-time employees. University contributions are made to the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and are based on a percentage of qualified employee payroll. Employees maintain individual contracts with TIAA-CREF and are fully vested. TIAA-CREF is a defined contribution plan whereby the University generally contributes 12% of the employees' pay to the plan with no liability beyond that contribution. University contributions for the years ended June 30, 2021 and 2020 approximated \$6,202,000 and \$6,270,000, respectively, with annual covered payroll for participants of the plan approximating \$51,690,000 in 2021 and \$52,253,000 in 2020. The University has no liability for past service or post-employment benefit costs.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE M - LIABILITY AND PROPERTY INSURANCE

The University participates with ten other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC). This corporation's purpose is to provide insurance coverage for errors and omissions liability, comprehensive general liability, and property loss. The University has a retention amount from which it would pay losses related to errors and omissions, comprehensive general liability claims, and property claims. The second layer of coverage for losses exceeding the retention level is the responsibility of MUSIC. MUSIC has purchased excess insurance coverage for comprehensive general liability and property loss claims that exceed its level of responsibility. The payments made to MUSIC and premiums to excess carriers reflect the claims experience of each university.

NOTE N – FAIR MARKET MEASUREMENT

The following tables present information about the University and Foundations assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used to determine 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 or Foundation 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 assets.

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 and Foundation's assessment of the significance of particular inputs to these fair values measurements require judgement and considers factors specific to each asset.

The University and Foundation'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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE N – FAIR MARKET MEASUREMENT
(continued)

Assets measured at fair value on a recurring basis as of 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
University				
U.S. Federal Agencies	\$ 3,847,165	\$ -	\$ -	\$ 3,847,165
U.S. Government Obligations	3,797,949			3,797,949
Corporate Bonds and other	12,191,603			12,191,603
Municipal Obligations	2,189,025			2,189,025
Mortgage Backed Securities	1,845,435			1,845,435
Certificates of Deposit	268,067			268,067
Mutual Fund - Debt	35,079,747			35,079,747
Foreign Bonds & Notes	701,471			701,471
	<u>\$ 59,920,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,920,462</u>
Foundation				
Equities	\$ 170	\$ -	\$ -	\$ 170
Mutual Fund - Equities	41,267,442			41,267,442
Mutual Fund - Int'l Equities	25,347,849			25,347,849
Mutual Fund - Debt	17,764,898			17,764,898
Beneficial Interest Trusts	4,316,623	2,101,694		6,418,317
Contributions receivable			4,186,875	4,186,875
	<u>\$ 88,696,982</u>	<u>\$ 2,101,694</u>	<u>\$ 4,186,875</u>	<u>\$ 94,985,551</u>
Alternative Investments that calculate net asset value per share				<u>15,981,601</u>
				<u>\$ 110,967,152</u>

Assets measured at fair value on a recurring basis as of 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
University				
U.S. Federal Agencies	\$ 2,877,369	\$ -	\$ -	\$ 2,877,369
U.S. Government Obligations	3,208,349			3,208,349
Corporate Bonds and other	11,862,302			11,862,302
Municipal Obligations	1,539,114			1,539,114
Mortgage Backed Securities	1,927,569			1,927,569
Certificates of Deposit	274,882			274,882
	<u>\$ 21,689,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,689,585</u>
Foundation				
Equities	\$ 49,132	\$ -	\$ -	\$ 49,132
Mutual Fund - Equities	31,707,308			31,707,308
Mutual Fund - Int'l Equities	19,018,230			19,018,230
Mutual Fund - Debt	13,938,487			13,938,487
Beneficial Interest Trusts	3,839,365	1,522,492		5,361,857
Contributions receivable			6,892,880	6,892,880
	<u>\$ 68,552,522</u>	<u>\$ 1,522,492</u>	<u>\$ 6,892,880</u>	<u>\$ 76,967,894</u>
Alternative Investments that calculate net asset value per share				<u>13,185,195</u>
				<u>\$ 90,153,089</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE N – FAIR MARKET MEASUREMENT
(continued)

U.S. Federal Agencies, U.S. Government Obligations, Corporate Bonds, Foreign Bonds and Notes, Municipal Obligations, Mortgage Backed Securities, Certificates of Deposit, Equities, Mutual Fund-Equities, Mutual Fund-International Equities, Mutual Fund-Debt and Beneficial Interest Trusts classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Beneficial Interest Trusts classified in Level 2 of the fair value hierarchy are valued based on the fair value of the investments adjusted for the annuity payment out, estimated earnings, and present value based on IRS mortality tables. Contributions receivable classified in Level 3 consist of contributions receivable balances discounted at the Foundation's borrowing rate each fiscal year end and adjusted for amounts not deemed collectible. See Note D for more details.

NOTE O - EXPENDITURES BY NATURAL CLASSIFICATION

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2021:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 29,373,600	\$ 10,176,675	\$ -	\$ -	\$ 1,819,153	\$ -	\$ 41,369,428
Research	1,048,470	312,087			1,002,065		2,362,622
Public service	1,829,400	593,363			1,358,842		3,781,605
Academic support	6,507,369	2,287,680			2,564,024		11,359,073
Student services	4,439,917	1,566,021		16,602	1,157,113		7,179,653
Institutional support	7,345,874	2,712,587			3,076,071		13,134,532
Operations and maintenance of plant	4,211,849	1,996,583		2,010,595	5,917,618		14,136,645
Depreciation						15,006,519	15,006,519
Student aid	258,139		14,509,143		21,632		14,788,914
Auxiliary enterprises	4,947,882	1,834,009		992,091	6,746,440		14,520,422
Total	\$ 59,962,500	\$ 21,479,005	\$ 14,509,143	\$ 3,019,288	\$ 23,662,958	\$ 15,006,519	\$ 137,639,413

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2020:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 30,578,924	\$ 10,464,849	\$ -	\$ -	\$ 2,354,690	\$ -	\$ 43,398,463
Research	1,046,444	283,932			698,859		2,029,235
Public service	1,822,882	551,480			1,820,761		4,195,123
Academic support	6,991,581	2,376,257			3,679,174		13,047,012
Student services	4,059,124	1,558,965		15,619	2,756,326		8,390,034
Institutional support	7,060,616	2,698,919			3,826,470		13,586,005
Operations and maintenance of plant	4,052,469	2,067,184		2,064,010	3,835,044		12,018,707
Capital asset loss					61,577		61,577
Depreciation						15,385,706	15,385,706
Student aid	256,828		10,107,369		11,937		10,376,134
Auxiliary enterprises	5,179,507	1,811,848		1,139,612	7,050,504		15,181,471
Total	\$ 61,048,375	\$ 21,813,434	\$ 10,107,369	\$ 3,219,241	\$ 26,095,342	\$ 15,385,706	\$ 137,669,467

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE P - IMPACT OF COVID-19

Impact of COVID 19

In March 2020, the President of the United States issued a proclamation, "Declaring a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak" and the governor of the State of Michigan issued executive orders declaring a state of emergency and issued a statewide stay-at-home order to fight the outbreak of COVID-19. In response to the emergency orders, the University suspended in-person instruction for the balance of Winter semester 2020 and conducted Spring and Summer semester instruction online. Faculty and staff adopted a hybrid schedule between remote and on campus work in accordance with the State of Michigan guidelines. Various external events including athletic and academic camps, Osher Life Long Learning and professional development courses and international programs were cancelled. Students and staff returned to campus for Fall 2020 and Winter 2021 semesters under reduced density guidelines. Instruction was moved online after the Thanksgiving holiday break for the remainder of the Fall 2020 semester. Winter semester 2021 began with similar restrictions as Fall semester 2020 regarding density limitations and limited external events. The State of Michigan began easing capacity restrictions in February 2021 with virtually all restrictions lifted in June 2021. All staff returned to on campus work at this time.

The following represent some of the impacts of COVID-19 on University operations and the financial statements:

Auxiliary Operations – Housing and Meal Plan Refunds

University housing and campus dining remained open through the Winter semester 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 Winter 2020 housing and meal plan balance. Commuter students with a remaining meal plan balance were also issued refunds. The University housing and campus dining remained closed for the Spring 2020 and Summer 2020 semesters. They were open for operations beginning with Fall 2020 semester. The University transitioned to online instruction for the remainder of Fall semester 2020 following the Thanksgiving holiday break. University housing and dining operations remained open for students who wished to remain living on campus. Students who chose to leave University housing at that time were issued prorated refunds for housing and meal plans. The University refunded approximately \$1.2 million in housing and meal plans related to Fall semester 2020 and \$2.7 million in housing and meal plans related to Winter semester 2020.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE P - IMPACT OF COVID-19
(continued)

Higher Education Emergency Relief Funds (HEERF)

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 was awarded the following direct grants:

	HEERF I	HEERF II	HEERF III	Total
Higher Education Emergency Relief Funding	\$ 3,455,532	\$ 3,455,532	\$ 9,980,353	\$ 16,891,417
Institutional Relief Funding	3,455,532	7,916,582	9,925,708	21,297,822
Title III Strengthening the Institutions Relief Funding	342,446	484,355	882,217	1,709,018
	<u>\$ 7,253,510</u>	<u>\$ 11,856,469</u>	<u>\$ 20,788,278</u>	<u>\$ 39,898,257</u>

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. The University awarded grants to students totaling \$5,571,763 during the year ended June 30, 2021 and \$1,333,519 during the year ended June 30, 2020. The grants to students are included in student aid expense and nonoperating federal HEERF program revenue on the Statements of Revenues, Expenses, and Change in Net Position.

The Institutional Relief Funding allows the University to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. Guidance provided 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. For the year ended June 30, 2021, the University reimbursed itself for \$416,035 of housing and meal plan refunds, applied \$1,671,098 to expenses directly related to COVID-19, and applied \$6,245,537 towards revenue loss due to cancellation of campus events and activities, reduced housing density, and tuition and fees. For the year ended June 30, 2020, the University reimbursed itself for \$2,748,696 of housing and meal plan refunds, \$142,026 of refunds related to online and academic computing fees, and applied \$148,722 towards eligible expenses.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE P - IMPACT OF COVID-19
(continued)

Higher Education Emergency Relief Funds (HEERF) (continued)

The Title III Strengthening the Institutions Relief funding allows the University to cover costs associated with significant changes to the delivery of instruction including lost revenues. The University applied \$826,801 towards revenue loss due to cancellation of campus events and activities and reduced housing density during the year ended June 30, 2021. No amounts were applied to this grant during the year ended June 30, 2020.

No amounts have been applied or drawn down related to the grants awarded under HEERF III as of June 30, 2021.

HEERF funding contained requirements that limited the amount of Institutional Relief funding that could be recognized as revenue based on the amount of emergency grants to students made under the Higher Education Emergency Relief Funding. Accordingly, the University recorded deferred revenue in the amount of \$13,246 as of June 30, 2021 and \$1,666,481 as of June 30, 2020.

CARES Act

In addition, the State of Michigan allocated \$3,427,700 from the federal funding awarded to the State under the CARES Act to the University. The federal pass through funding had the same restrictions as noted in the CARES Act for the funds awarded to the State. The University was able to recognize revenue from the pass-through funds equal to allowable expenditures and foregone revenue incurred between March 1 and December 31, 2020. The University reimbursed itself for \$474,558 of housing and meal plan refunds and applied \$2,953,142 towards eligible expenses.

A provision of the CARES Act allowed the University to defer payment of the employer portion of Social Security taxes through December 31, 2020. The University has deferred taxes in the amount of \$2,339,000 as of June 30, 2021 and \$677,432 as of June 30, 2020 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.

NOTE Q – SUBSEQUENT EVENTS

The University has returned to in person instruction with campus housing and dining services. Should COVID-19 events occur that result in the University suspending in person instruction and campus operations, the economic impact on the University would be potentially material. Management has been reviewing budget options to minimize the financial impact should this occur.