

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2020

SAGINAW VALLEY STATE UNIVERSITY

UNIVERSITY CENTER, MICHIGAN

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

JUNE 30, 2020

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SAGINAW VALLEY STATE UNIVERSITY

TABLE OF CONTENTS

	<u>PAGE NO.</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	i
REPORT OF INDEPENDENT AUDITORS	1
STATEMENTS OF NET POSITION-SAGINAW VALLEY STATE UNIVERSITY	3
STATEMENTS OF FINANCIAL POSITION-SAGINAW VALLEY STATE UNIVERSITY FOUNDATION	4
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION- SAGINAW VALLEY STATE UNIVERSITY	5
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS- SAGINAW VALLEY STATE UNIVERSITY FOUNDATION	6
STATEMENTS OF CASH FLOWS-SAGINAW VALLEY STATE UNIVERSITY	7
NOTES TO FINANCIAL STATEMENTS	9

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 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 CARES ACT

The University suspended face-to-face instruction as of March 16, 2020 in response to the COVID-19 pandemic. Instruction was moved to online or remote learning for the remainder of the winter semester 2020 as well as the spring and summer semesters. University housing and campus operations remained open to accommodate students that were not able to move off campus. Students that elected to move out between March 17 and April 19 as well as commuter students with a meal plan were given pro-rata refunds of their winter 2020 housing and meal plan balance. The University refunded housing and meal plans in the total amount of \$2,748,696 related to the winter semester 2020. In addition, the University cancelled all events and activities held on campus resulting in a loss of revenue related to the events as well as the related housing and catering components.

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress and signed into law to provide economic relief from COVID-19. The University received \$7,249,551 in CARES Act grants from the U.S. Department of Education. These grants carried certain compliance requirements as to how funds were to be spent and recorded. At June 30, 2020, the University recorded the following amounts related to these grants:

- \$3,455,532 was awarded under the Higher Education Emergency Relief Funding. The purpose of this grant was to award emergency financial aid grants to students. As of June 30, 2020, the University awarded grants to students in the total amount of \$1,333,519. This is included in student aid expense and nonoperating federal CARES Act program revenue on the Statements of Revenues, Expenses, and Change in Net Position.
- \$3,455,532 was awarded under the Institutional Relief Funding. The University chose to reimburse itself for the housing and meal plan refunds discussed above as well as \$142,026 of refunds related to online and academic computing fees and \$148,722 of revenue loss due to cancelled events. The University had drawn down \$3 million related to the Institutional Relief Funding as of June 30, 2020. Requirements state that at least 50 percent of the combined funds of the Higher Education Emergency Relief Funding and Institutional Relief Funding must be used for emergency financial aid grants to student. Accordingly, the University recognized \$1,333,519 of revenue, which is included in nonoperating federal CARES Act program revenue on the Statements of Revenues, Expenses, and Change in Net Position and \$1,666,481 as unearned revenue in the Statement of Net Position.
- \$338,487 was awarded under the Title III Strengthening the Institutions Relief Funding. No amounts were applied to this grant as of June 30, 2020.

In addition, the State of Michigan passed Senate Bill 373 in July 2020 which reduced State Aid funding by \$3,427,700 and replaced it with CARES Act funds. Since this occurred after June 30, 2020, no revenue or receivable was recorded at June 30, 2020 related to the CARES Act funding passed-through the State of Michigan. The University will be able to recognize revenue from the grant equal to allowable expenditures and foregone revenue incurred between March 1 and December 31, 2020 during the fiscal year ended June 30, 2021.

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

FINANCIAL HIGHLIGHTS

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

- Net position increased by 5.8% from June 30, 2019 to June 30, 2020; 4.6% from June 30, 2018 to June 30, 2019; and 3.4% from June 30, 2017 to June 30, 2018.
- 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. In 2018, operating revenue decreased due to a decrease in tuition and fees and an increase in scholarship allowances.

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

- Applications increased by 6.0% from Fall 2018 to Fall 2019; increased by 8.4% from Fall 2017 to Fall 2018; and decreased by 5.6% from Fall 2016 to Fall 2017.
- Headcount decreased in Fall 2019 to 8,265 from Fall 2018 of 8,535 and from Fall 2017 of 8,662. Credit hours also decreased to 213,343 in 2020 from 218,733 in 2019 and 219,367 in 2018.

FINANCIAL STATEMENT SUMMARIES

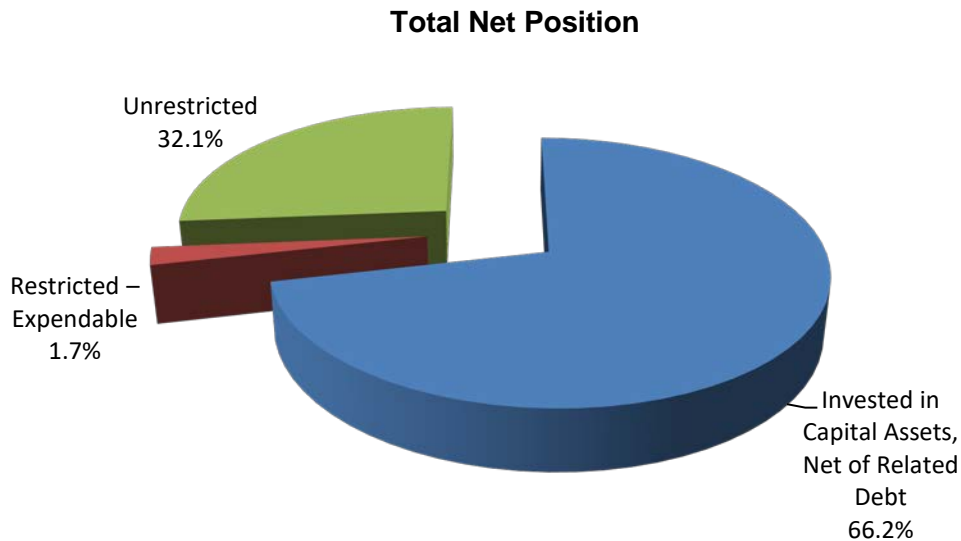
The net position of the University is summarized in the table below as of June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)		
Assets			
Current Assets	\$ 111,402	\$ 87,222	\$ 69,494
Noncurrent Assets:			
Other	21,690	40,704	46,555
Capital	295,290	294,821	298,100
Total Assets	<u>428,382</u>	<u>422,747</u>	<u>414,149</u>
Deferred Outflows	<u>3,748</u>	<u>3,990</u>	<u>4,231</u>
Liabilities			
Current Liabilities	30,735	35,620	32,318
Noncurrent Liabilities	95,353	102,451	110,091
Total Liabilities	<u>126,088</u>	<u>138,071</u>	<u>142,409</u>
Deferred Inflows	<u>491</u>		
Net Position			
Net Investment in Capital Assets	202,160	193,346	188,816
Restricted	5,279	6,715	6,142
Unrestricted	98,112	88,605	81,013
Total Net Position	<u>\$ 305,551</u>	<u>\$ 288,666</u>	<u>\$ 275,971</u>

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

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 69% of the University’s total assets. Notes and bonds payable, which includes unamortized bond premiums, totaled \$96.4 million at June 30, 2020. This represents 76% of the University’s total liabilities.

A graphic illustration of the University’s net position at June 30, 2020 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, 2020.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)		
Capital Projects and Repair Reserve	\$ 71,741	\$ 63,933	\$ 59,268
Auxiliary Enterprises	1,362	1,362	1,362
Designated for Departmental Use	21,807	20,108	17,386
Amount Obligated by Contractual Commitments	89	257	192
Undesignated	3,113	2,945	2,805
Total Unrestricted Net Position	<u><u>\$ 98,112</u></u>	<u><u>\$ 88,605</u></u>	<u><u>\$ 81,013</u></u>

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

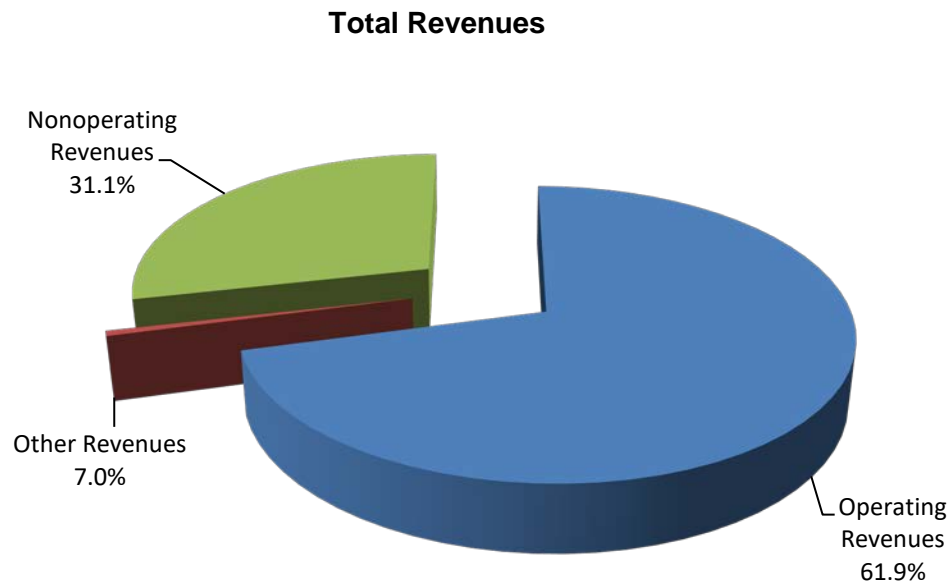
The following table summarizes the University's revenues, expenses, and change in net position for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)		
Operating Revenues			
Student Tuition and Fees, net	\$ 68,854	\$ 69,075	\$ 68,417
Federal Grants and Contracts	3,365	3,912	2,901
State and Local Grants and Contracts	1,686	1,424	1,187
Sales and Services of Educational Departments	4,278	7,271	6,277
Auxiliary Enterprises, net	16,337	19,612	18,353
Other Operating Revenues	<u>3,385</u>	<u>3,358</u>	<u>3,300</u>
Total Operating Revenues	97,905	104,652	100,435
Operating Expenses	<u>137,669</u>	<u>140,767</u>	<u>135,785</u>
Operating Loss	(39,764)	(36,115)	(35,350)
Nonoperating Revenues (Expenses)			
State Appropriations	27,380	30,541	29,779
Federal Pell Grant Program	11,930	12,351	12,394
Federal CARES Act Program	2,667		
Gifts	4,791	5,000	4,242
Investment Income, net	2,462	2,927	635
Interest on Capital Asset-Related Debt	<u>(3,717)</u>	<u>(4,138)</u>	<u>(4,428)</u>
Net Nonoperating Revenues	45,513	46,681	42,622
Income Before Other Revenues	5,749	10,566	7,272
Other Revenues			
Capital Grants and Gifts	3,108	2,129	1,806
Capital Appropriations	<u>8,028</u>		
Total Other Revenues	11,136	2,129	1,806
Change in Net Position	16,885	12,695	9,078
Net Position - Beginning of Year	<u>288,666</u>	<u>275,971</u>	<u>266,893</u>
Net Position - End of Year	<u>\$ 305,551</u>	<u>\$ 288,666</u>	<u>\$ 275,971</u>

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

Capital appropriations during the year 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 2020 and 2019 and for the Zahn Library in 2018.

A graphic illustration of each University revenue source for the fiscal year ended June 30, 2020 follows:



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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)		
Cash Provided (Used) By:			
Operating Activities	\$ (21,116)	\$ (20,304)	\$ (19,064)
Noncapital Financing Activities	51,461	46,223	46,206
Capital Financing Activities	(22,660)	(20,427)	(19,606)
Investing Activities	<u>21,477</u>	<u>8,777</u>	<u>(14,553)</u>
Net Change	29,162	14,269	(7,017)
Cash and Cash Equivalents - Beginning of Year	<u>58,819</u>	<u>44,550</u>	<u>51,567</u>
Cash and Cash Equivalents - End of Year	<u>\$ 87,981</u>	<u>\$ 58,819</u>	<u>\$ 44,550</u>

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

OPERATING EXPENSES

The University reports expenses on a functional basis. Operating expenses were \$137,669,467 in fiscal year 2020, a decrease of 2.2% from the prior year. The following summarizes the University's operating expenses for the years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)		
Educational and General:			
Instruction	\$ 43,398	\$ 43,606	\$ 43,147
Research	2,029	2,332	1,275
Public Service	4,195	4,740	3,943
Academic Support	13,047	14,603	14,665
Student Services	8,390	8,962	8,776
Institutional Support	13,586	13,266	12,955
Operations and Maintenance of Plant	12,019	12,727	12,404
Capital Asset Loss	62	917	
Depreciation	15,386	15,414	15,378
Student Aid	10,376	8,051	7,601
Auxiliary Enterprises	<u>15,181</u>	<u>16,148</u>	<u>15,641</u>
 Total Operating Expenses	 <u>\$ 137,669</u>	 <u>\$ 140,766</u>	 <u>\$ 135,785</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 \$16.8 million and \$13.1 million during fiscal years 2020 and 2019, respectively, and were funded with University general revenue bonds, 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 CARES Act, 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.

State appropriations decreased by approximately 10.3% in fiscal 2020. A portion of this decrease was the result of a bill passed by the State in July 2020 which resulted in the State reducing state appropriations by 11.1% for fiscal year 2020 and replacing with Federal CARES Act funding. Currently, the level of State funding for the year ended June 30, 2021 is not certain.

The State implemented performance funding for a portion of the State appropriations allocation beginning in fiscal 2013. The University was allocated \$113,000 in fiscal 2020 and \$761,900 in fiscal 2019 related to the performance funding criteria.

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

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 \$983,610 of administrative support to the Foundation during fiscal year 2020. 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 \$7,898,453 in fiscal 2020 from the Foundation.

As of June 30, 2020, the Foundation had 338 endowments, with four below their gift value. At June 30, 2019, the Foundation had 336 endowments, with none 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 2020.

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

	2020	2019	2018
	(in thousands of dollars)		
Without donor restrictions	\$ 10,785	\$ 10,858	\$ 10,858
With donor restrictions	82,014	82,527	76,349
	\$ 92,799	\$ 93,385	\$ 87,207

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, 2020 and 2019, 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, 2020 and 2019, 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 15, 2020, 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 15, 2020

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF NET POSITION

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 87,981,059	\$ 58,819,627
Accounts receivable, net	9,972,330	8,850,725
State appropriations receivable - operations	2,173,696	5,550,542
State appropriations receivable - charter schools	10,265,810	12,364,135
Inventories and prepaid expenses	1,008,998	1,636,687
	111,401,893	87,221,716
Noncurrent Assets		
Other long-term investments	21,689,585	40,704,363
Capital assets, net	295,290,317	294,821,114
	316,979,902	335,525,477
Total assets	428,381,795	422,747,193
DEFERRED OUTFLOWS		
Refunding of debt	3,748,249	3,989,897
Total deferred outflows	3,748,249	3,989,897
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	5,902,576	8,269,798
Unearned revenues	6,948,689	5,218,907
Charter schools payable and deposits	11,462,087	13,654,976
Long-term liabilities - current portion	6,421,575	8,476,626
	30,734,927	35,620,307
Noncurrent Liabilities		
Unearned revenues	897,875	1,060,660
Long-term liabilities, net of current portion	94,455,241	101,389,928
Total noncurrent liabilities	95,353,116	102,450,588
Total liabilities	126,088,043	138,070,895
DEFERRED INFLOWS		
Refunding of debt	490,964	-
Total deferred inflows	490,964	-
NET POSITION		
Net investment in capital assets	202,160,264	193,346,539
Restricted for:		
Expendable Restricted		
Scholarships and fellowships	2,073,097	1,947,779
Research	546,626	613,797
Instructional department use	1,464,425	1,342,156
Other	1,194,693	2,811,428
Unrestricted	98,111,932	88,604,496
Total net position	\$ 305,551,037	\$ 288,666,195

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,192,922	\$ 2,333,997
Accounts receivable, net	256,758	385,010
Contributions receivable, net	6,892,880	8,044,213
Investments	77,898,352	79,755,452
Cash value of life insurance	201,554	181,547
Beneficial interest trusts	5,361,857	5,935,514
Total assets	\$ 94,804,323	\$ 96,635,733
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,799,480	\$ 3,034,507
Charitable gift annuities payable	206,211	215,961
Total liabilities	2,005,691	3,250,468
Net assets		
Without donor restrictions	10,784,526	10,858,378
With donor restrictions	82,014,106	82,526,887
Total net assets	92,798,632	93,385,265
Total liabilities and net assets	\$ 94,804,323	\$ 96,635,733

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

REVENUES	For the year ended June 30,	
	2020	2019
Operating revenues		
Student tuition and fees	\$ 95,085,874	\$ 94,354,557
Less: Scholarship allowances	(26,232,378)	(25,279,359)
	68,853,496	69,075,198
Federal grants and contracts	3,365,428	3,912,187
State and local grants and contracts	1,685,839	1,423,788
Sales and services of educational departments	4,278,376	7,270,495
Auxiliary enterprises	21,319,831	25,326,454
Less: Scholarship allowances	(4,982,548)	(5,714,802)
	16,337,283	19,611,652
Other operating revenues	3,384,562	3,358,398
Total operating revenues	97,904,984	104,651,718
EXPENSES		
Operating expenses		
Educational and general		
Instruction	43,398,463	43,606,312
Research	2,029,235	2,332,423
Public service	4,195,123	4,740,052
Academic support	13,047,012	14,602,954
Student services	8,390,034	8,961,424
Institutional support	13,586,005	13,265,853
Operations and maintenance of plant	12,018,707	12,726,942
Capital asset loss	61,577	917,000
Depreciation	15,385,706	15,414,202
Student aid	10,376,134	8,051,303
Auxiliary enterprises	15,181,471	16,147,874
Total operating expenses	137,669,467	140,766,339
Operating loss	(39,764,483)	(36,114,621)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	27,380,000	30,540,900
Federal Pell Grant Program	11,930,305	12,351,209
Federal CARES Act Program	2,667,038	
Gifts	4,790,822	5,000,323
Investment income, net	2,462,236	2,926,964
Interest on capital asset-related debt	(3,717,249)	(4,138,117)
Net nonoperating revenues	45,513,152	46,681,279
Income before other revenues	5,748,669	10,566,658
Other Revenues		
Capital gifts	3,107,631	2,128,976
Capital appropriations	8,028,542	-
Total other revenues	11,136,173	2,128,976
Change in net position	16,884,842	12,695,634
Net position - beginning of year	288,666,195	275,970,561
Net position - end of year	\$ 305,551,037	\$ 288,666,195

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	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

	For the year ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Gifts and contributions	\$ 1,010,074	\$ 10,436,554	\$ 11,446,628
Change in beneficial interest trusts		614,512	614,512
Change in cash value of life insurance		21,194	21,194
Investment income, net	534,370	2,394,404	2,928,774
Net assets released from restrictions	7,288,678	(7,288,678)	-
Total revenue, gains and other support	8,833,122	6,177,986	15,011,108
EXPENSES			
Program expenses:			
Disbursements to Saginaw Valley State University	7,129,299		7,129,299
Disbursements to student organizations	3,200		3,200
Supporting service expenses:			
Charitable gift annuity payments	34,560		34,560
Fundraising	417,799		417,799
Management and general	1,248,129		1,248,129
Total expenses	8,832,987	-	8,832,987
Change in net assets	135	6,177,986	6,178,121
Net assets - beginning of year	10,858,243	76,348,901	87,207,144
Net assets - end of year	\$ 10,858,378	\$ 82,526,887	\$ 93,385,265

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2020	2019
Cash Flows from Operating Activities		
Student tuition and fees	\$ 70,103,867	\$ 69,018,303
Grants and contracts	6,813,875	5,108,897
Payments to suppliers	(26,286,020)	(28,946,511)
Payments for utilities	(3,219,241)	(3,341,665)
Payments to employees	(60,654,480)	(62,240,040)
Payments for benefits	(21,629,705)	(21,685,806)
Payments for scholarships and fellowships	(10,107,370)	(7,778,353)
Auxiliary enterprises charges	16,565,361	18,593,448
Sales and services	3,912,670	7,609,188
Other receipts	3,384,562	3,358,398
Net cash from operating activities	(21,116,481)	(20,304,141)
Cash Flows from Noncapital Financing Activities		
State appropriations	30,756,846	30,402,374
Federal Pell Grant Program	11,991,724	12,306,472
Federal CARES Act Program	2,667,038	
Federal Direct Lending receipts	42,631,552	45,064,136
Federal Direct Lending disbursements	(42,631,552)	(45,065,136)
Gifts	6,045,469	3,514,548
Net cash from noncapital financing activities	51,461,077	46,222,394
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	17,340,000	-
Capital appropriations	4,187,953	-
Capital grants and gifts received	3,107,631	2,128,976
Principal paid on capital debt	(26,417,137)	(8,051,626)
Interest paid on capital debt and related costs	(3,112,867)	(4,044,568)
Purchase of capital assets, net of disposals	(17,765,758)	(10,460,131)
Net cash from capital financing activities	(22,660,178)	(20,427,349)
Cash Flows from Investing Activities		
Investment income, net	2,462,236	2,926,964
Sale of investments	19,014,778	5,850,426
Net cash from investing activities	21,477,014	8,777,390
Net change in cash and cash equivalents	29,161,432	14,269,294
Cash and cash equivalents - beginning of year	58,819,627	44,550,333
Cash and cash equivalents - end of year	\$ 87,981,059	\$ 58,819,627

SAGINAW VALLEY STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - CONTINUED

	For the years ended June 30,	
	2020	2019
Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (39,764,483)	\$ (36,114,621)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	15,385,706	15,414,202
Capital asset loss	61,577	917,000
Changes in assets and liabilities:		
Accounts receivable, net	3,501,242	(1,995,842)
Inventories and prepaid expenses	627,689	206,420
Accounts payable and accrued liabilities	(389,719)	273,654
Unearned revenues	1,566,997	638,877
Charter schools payable and deposits	(2,192,889)	393,481
Compensated absences	87,399	(37,312)
Net cash from operating activities	\$ (21,116,481)	\$ (20,304,141)

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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)

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

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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

Compensated Absences

Compensated absence costs, including vacation, compensatory time, personal leave and sick leave, are accrued when earned by employees. A probability factor is utilized to estimate the support staff sick leave accrual.

Deferred Outflows and Deferred Inflows

In addition to assets, the statement 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 statement 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 CARES Act Program, 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.

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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

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.

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, 2020 or 2019.

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 ladder 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)

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

The yield on all University investments and certificates of deposits was 2.14% for 2020 and 2.71% for 2019. The Investment Policy requires that for the intermediate-term pool, 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. No more than 10% of the fixed-income investments, at market, shall be invested in securities of any one issuer, except Government and Agency obligations.

The chart below lists the percentage of the investments by credit rating:

<u>Rating</u>	<u>% of Pool</u>
AAA	45 %
AA+	2
AA	3
AA-	1
A+	5
A	17
A-	14
BBB+	13

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	Rating	Fair Market Value	
		2020	2019
Short-term Pool:			
Deposits:			
Bank of America	N/A	\$ 147,476	\$ 107,591
Chemical Bank	N/A	239,148	238,862
PNC Bank	N/A	59,015,846	32,822,332
Chemical Bank - Certificate of Deposits	N/A	25,369,066	20,190,616
Investments:			
U.S. Treasury Strips		3,657	3,729
Intermediate-term Pool:			
Chemical Bank Intermediate Fund			22,360,113
Johnson Intermediate Fund		24,844,552	23,726,709
Less Investments Reported as			
"Cash and Cash Equivalents" on			
Statements of Net Position			
		(87,930,160)	(58,745,589)
Total Investments		<u>\$ 21,689,585</u>	<u>\$ 40,704,363</u>
As reported on the Statements of Net Position			
Noncurrent Investments		<u>\$ 21,689,585</u>	<u>\$ 40,704,363</u>
Total Investments		<u>\$ 21,689,585</u>	<u>\$ 40,704,363</u>
Investments Reported as Cash and Cash Equivalents			
Cash		50,899	74,038
Total Cash and Cash Equivalents		<u>\$ 87,981,059</u>	<u>\$ 58,819,627</u>

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, 2019, the University had approximately \$457,000, in foreign investments included in its Johnson Intermediate Fund mutual funds. 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, 2020, were \$86,977,364. Of that balance, \$86,311,161 was uninsured and uncollateralized. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2019, were \$55,821,677. Of that balance, \$55,176,714 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 Chemical 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, 2020 or 2019.

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>2020</u>	<u>2019</u>
Equities	\$ 49,132	\$ 36,295
Mutual Fund - Equities	31,707,308	33,011,295
Mutual Fund - International Equities	19,018,230	18,338,795
Mutual Fund - Debt	13,938,487	15,495,821
Alternative Investments	13,185,195	12,873,246
Cash and Cash Equivalents	2,758,126	342,451
	<u>80,656,478</u>	<u>80,097,903</u>
Less Investments included in "Cash and Cash Equivalents" on Statements of Financial Position	<u>(2,758,126)</u>	<u>(342,451)</u>
Total Investments	<u>\$ 77,898,352</u>	<u>\$ 79,755,452</u>

As of June 30, 2020, the Foundation's remaining capital commitment for alternative investments was \$2,571,519.

SAGINAW VALLEY STATE UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 (continued)

NOTE C - INVESTMENTS-FOUNDATION
 (continued)

Investments in mutual fund – debt have the following quality of investments at June 30, 2020:

- Dodge & Cox Income Fund – 44.90% AAA, 5.80% AA, 11.60% A, 27.50% BBB, 10.00% BB, 0.20% B;
- Vanguard Short-Term Bond Adm – 71.24% AAA, 4.06% AA, 11.38% A, 13.32% BBB;
- PIMCO Diversified Income Instl – 9.00% AAA, 8.00% AA, 11.00% A, 35.00% BBB, 17.00% BB, 11.00% B, 9.00% below B;
- Vanguard Total Bond Market Index Adm – 67.55% AAA, 3.43% AA, 11.37% A, 17.65% BBB.

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	N/A	25%
Cash/Short-term Investments	N/A	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)

At June 30, 2020, the Foundation's investments that exceeded 5% of the investment portfolio included the Dodge & Cox Income Fund (\$5,772,267), Vanguard 500 Index Fund (\$14,862,647), The Weatherlow Offshore Fund I (\$6,894,084), William Blair Funds International Growth Fund Class I (\$5,305,075), Transamerica Invs Income International Equity I (\$4,681,577), DFA International Core Fund (\$4,718,792), and Invesco Oppenheimer Developing Markets (\$4,312,786).

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 \$2,888 in foreign equities as of June 30, 2020 and no foreign equities as of June 30, 2019.

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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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 below in the table:

	<u>2020</u>	<u>2019</u>
Tuition and fees	\$ 5,978,771	\$ 5,451,283
Auxiliary enterprises	1,344,379	2,165,551
Contracts and grants	6,208,538	3,916,888
Sales and services	1,329,213	1,598,768
Agency accounts	1,740,961	2,858,130
Allowance for uncollectible accounts	<u>(6,629,532)</u>	<u>(7,139,895)</u>
Total accounts receivable	<u>\$ 9,972,330</u>	<u>\$ 8,850,725</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 \$2,173,696 at June 30, 2020 and \$5,550,542 at June 30, 2019. See Note P for more details. Charter school appropriations receivable were recorded at June 30, 2020 of \$10,265,810 and at June 30, 2019 of \$12,364,135. 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 \$68,814,699 to be forwarded to 19 charter schools for fiscal year 2020 and \$69,855,713 to 18 charter schools for fiscal year 2019.

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

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 8,052,405	\$ 9,811,294
Less: allowance for uncollectible pledges	462,439	523,444
Less: discount to reflect promise to give at fair value	<u>697,086</u>	<u>1,243,637</u>
	6,892,880	8,044,213
Other	<u>256,758</u>	<u>385,010</u>
Total receivables	<u>\$ 7,149,638</u>	<u>\$ 8,429,223</u>

As of 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, 2019</u>	<u>Additions</u>	<u>Retirements and Write-downs</u>	<u>Balance at June 30, 2020</u>
Land	\$ 1,898,683		\$ (429,171)	\$ 1,469,512
Land improvements and infrastructure	36,163,686	\$ 1,164,235	(2,445,082)	34,882,839
Buildings	413,602,756	18,816,804	(4,024,889)	428,394,671
Equipment	27,757,146	2,970,608	(2,756,093)	27,971,661
Library acquisitions	9,783,980	448,880	(1,295,100)	8,937,760
Construction in progress	6,582,881	(6,568,971)		13,910
Works of fine art	607,085			607,085
Accumulated depreciation:				
Land improvements and infrastructure	(20,101,664)	(1,914,920)	2,445,082	(19,571,502)
Buildings	(154,071,180)	(10,611,525)	3,477,413	(161,205,292)
Equipment	(19,836,080)	(2,284,094)	2,756,093	(19,364,081)
Library acquisitions	(7,566,179)	(575,167)	1,295,100	(6,846,246)
Total capital assets, net	<u>\$ 294,821,114</u>	<u>\$ 1,445,850</u>	<u>\$ (976,647)</u>	<u>\$ 295,290,317</u>

During the prior year, the university determined that the market value of its facility in Macomb Michigan was below its current net book value. As a result, a capital asset impairment loss of \$917,000 was recorded at that time. The facility was sold during the current year at an additional loss of \$61,577.

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>2020</u>	<u>2019</u>
Compensation and benefits	\$ 2,012,229	\$ 1,522,006
Supplies and construction related expenditures	3,890,347	6,747,792
Total accounts payable and accrued liabilities	<u>\$ 5,902,576</u>	<u>\$ 8,269,798</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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.

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 Zahnaw 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.

The University issued General Revenue Bonds, Series 2010A, in the amount of \$29,590,000, in May 2010. Proceeds from the bonds were used to refund all of the remaining Series 1998 and 2001A Bonds and to fund various capital projects. The refunded bonds were called for redemption on their respective first call date, July 1, 2010, for both refunded bond series. The bonds were refunded in order to reduce the University's debt service. The Series 2010A bonds were issued at a premium of \$1,471,071.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

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

	<u>Interest Rates</u>	<u>Maturity</u>	<u>2020</u>	<u>2019</u>
General Revenue & Refunding Bonds, Series 2020A	2.167%	2021-2030	\$ 17,340,000	
General Revenue & Refunding Bonds, Series 2016A	3.50% to 5.00%	2021-2038	49,430,000	\$ 53,500,000
General Revenue & Refunding Bonds, Series 2015A	2.79%	2021-2035	8,930,000	10,250,000
General Revenue & Refunding Bonds, Series 2013A	3.125% to 5.00%	2021-2034	11,955,000	13,325,000
General Revenue Bonds, Series 2010A	4.50% to 5.00%			18,375,000
Unamortized premiums			8,732,337	10,014,474
Total			<u>\$ 96,387,337</u>	<u>\$ 105,464,474</u>

The principal and interest on the notes and bonds are payable only from certain general revenues. The following table summarizes debt service requirements:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,810,000	\$ 3,491,312	\$ 9,301,312
2022	6,035,000	3,272,312	9,307,312
2023	6,260,000	3,043,434	9,303,434
2024	6,495,000	2,801,482	9,296,482
2025	6,735,000	2,549,214	9,284,214
2026-2030	30,545,000	9,271,436	39,816,436
2031-2035	18,355,000	3,301,632	21,656,632
2036-2038	7,420,000	426,044	7,846,044
Unamortized premiums	8,732,337		8,732,337
	<u>\$ 96,387,337</u>	<u>\$ 28,156,866</u>	<u>\$ 124,544,203</u>

SAGINAW VALLEY STATE UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 (continued)

NOTE G - NOTES AND BONDS PAYABLE
 (continued)

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, 2020 in the amount of \$3,748,249. The deferred outflow for Series 2016A, 2015A and Series 2013A at June 30, 2019 was \$3,989,897. 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, 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, 2020 or 2019. The letter of credit is secured by general revenues.

NOTE H - LONG-TERM LIABILITIES

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

	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Current Portion
Notes and bonds payable:					
General revenue bonds	\$ 95,450,000	\$ 17,340,000	\$ 25,135,000	\$ 87,655,000	\$ 5,810,000
Unamortized premiums	10,014,474		1,282,137	8,732,337	511,575
Total notes and bonds payable	105,464,474	17,340,000	26,417,137	96,387,337	6,321,575
Other long-term liabilities:					
Compensated absences	4,402,080	\$ 87,399		4,489,479	100,000
Total long-term liabilities	<u>\$ 109,866,554</u>	<u>\$ 17,427,399</u>	<u>\$ 26,417,137</u>	<u>\$ 100,876,816</u>	<u>\$ 6,421,575</u>

As of June 30, 2020 and 2019, employees had earned but not taken annual compensatory time, personal, and vacation leave of approximately \$3,453,000, and \$3,328,000, respectively. The University had a commitment for accumulated sick leave of approximately \$1,036,000 as of June 30, 2020 and \$1,074,000 as of June 30, 2019. These amounts are reflected above as liabilities for compensated absences.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE I - UNRESTRICTED NET POSITION

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

	2020	2019
Capital projects and repair reserves	\$ 71,740,465	\$ 63,932,450
Auxiliary enterprises	1,361,891	1,361,891
Designated for departmental use	21,807,454	20,108,235
Amount obligated by contractual commitments	88,691	257,151
Undesignated	3,113,431	2,944,769
Total unrestricted net position	\$ 98,111,932	\$ 88,604,496

NOTE J – COMMITMENTS AND CONTINGENCIES

The University is self-insured for health insurance for individual contracts up to \$110,000. The University purchases coverage for amounts exceeding \$110,000 for individual contracts. At June 30, 2020 the University has recorded a liability of approximately \$1,077,000 which includes approximately \$345,000 of incurred but not reported claims, \$232,000 for claims invoiced by not paid as of June 30, 2020, and approximately \$500,000 of a reserve for claims exceeding the employee contributions.

The costs to complete significant construction in progress at June 30, 2020 approximate \$2,000,000. 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 prior fiscal years for the Science East and West Buildings, Zahnow 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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE J – COMMITMENTS AND CONTINGENCIES
(continued)

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.

The University provided \$983,610 of administrative support to the Foundation during fiscal 2020 and \$892,928 of support during fiscal 2019. The Foundation recorded these amounts as gifts and expenses in the Statements of Activities and Change in Net Assets. The University received \$7,898,453 during fiscal 2020 and \$7,129,299 during fiscal 2019 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, 2020, of the Foundation's 338 endowments, four were below their gift value. Of the Foundation's 336 endowments at June 30, 2019, none were below their gift value. However, there were endowments that did not distribute for one or more of the quarters during fiscal 2020 and 2019 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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE K - SUPPORT ORGANIZATIONS
(continued)

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

The Saginaw Valley Research and Development Corporation (SVRDC), a not-for-profit taxable entity, exists to foster economic development. The operations and net assets of SVRDC are not significant and are not included in these financial statements as a component unit of the University. The corporation was dissolved in August 2019.

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 annuity 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, 2020 and 2019 approximated \$6,270,000 and \$6,315,000, respectively, with annual covered payroll for participants of the plan approximating \$52,253,000 in 2020 and \$52,621,000 in 2019. The University has no liability for past service or post-employment benefit costs.

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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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, 2020 and 2019 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, 2020 and 2019, 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, 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	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	5,361,857			5,361,857
	<u>\$ 70,075,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>70,075,014</u>
Alternative Investments that calculate net asset value per share				<u>13,185,195</u>
				<u>\$ 83,260,209</u>

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, 2019 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, 2019
University				
U.S. Federal Agencies	\$ 12,147,648			\$ 12,147,648
U.S. Government Obligations	11,550,155			11,550,155
Corporate Bonds	14,537,463			14,537,463
Foreign Bonds and Notes	456,777			456,777
Municipal Obligations	363,010			363,010
Mortgage Backed Securities	1,391,045			1,391,045
Certificate of Deposit	258,265			258,265
	<u>\$ 40,704,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,704,363</u>
Foundation				
Equities	\$ 36,295			\$ 36,295
Mutual Fund - Equities	33,011,295			33,011,295
Mutual Fund - Int'l Equities	18,338,795			18,338,795
Mutual Fund - Debt	15,495,821			15,495,821
Beneficial Interest Trusts	5,935,514			5,935,514
	<u>\$ 72,817,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>72,817,720</u>
Alternative Investments that calculate net asset value per share				<u>12,873,246</u>
				<u>\$ 85,690,966</u>

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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE O - EXPENDITURES BY NATURAL CLASSIFICATION

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

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2019:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 30,674,670	\$ 10,330,838			\$ 2,600,804		\$ 43,606,312
Research	1,092,609	206,523			1,033,291		2,332,423
Public service	1,550,715	480,914			2,708,423		4,740,052
Academic support	7,447,576	2,615,452			4,539,926		14,602,954
Student services	4,279,157	1,549,905		\$ 17,445	3,114,917		8,961,424
Institutional support	7,164,298	2,570,950			3,530,605		13,265,853
Operations and maintenance of plant	4,411,079	2,103,488		2,207,447	4,004,928		12,726,942
Capital asset impairment loss					917,000		917,000
Depreciation						\$ 15,414,202	15,414,202
Student aid	264,912		\$ 7,778,353		8,038		8,051,303
Auxiliary enterprises	5,541,323	1,820,982		1,116,773	7,668,796		16,147,874
Total	\$ 62,426,339	\$ 21,679,052	\$ 7,778,353	\$ 3,341,665	\$ 30,126,728	\$ 15,414,202	\$ 140,766,339

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE P - 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, Saginaw Valley State University suspended face-to-face instruction for lecture and discussion classes and moved to online or remote instruction for the balance of Winter semester 2020. Spring and 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. As a result, the University cancelled all events and activities held on campus, including external activities, athletic and academic camps, Osher Life Long Learning and professional development courses and summer international programs. The cancellation of these events and activities resulted in loss of revenue from those activities as well as the related housing and catering components.

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 Winter semester 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. In total, the University refunded \$2,748,696 in housing and meal plans related to Winter semester 2020.

CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress and signed into law to provide economic relief from COVID-19. The University received the following grants under the CARES Act through the US Department of Education:

- \$3,455,532 Higher Education Emergency Relief Funding;
- \$3,455,532 Institutional Relief Funding; and
- \$338,487 Title III Strengthening the Institutions Relief Funding

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE P - IMPACT OF COVID-19
(continued)

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, 2020, the University had awarded grants totaling \$1,333,519 to students. This is included in student aid expense and nonoperating federal CARES Act program revenue on the Statement 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. Frequently asked questions issued by the US Department of Education specifically allow 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 reimbursed itself for the \$2,748,696 of housing and meal plan refunds noted above in addition to \$142,026 of refunds related to online and academic computing fees. As of June 30, 2020, the University also applied \$148,722 towards revenue loss due to cancellation of campus events and activities.

The Higher Education Emergency Relief Funding and the Institutional Relief Funding are awarded under Section 18004(a)(1) of the CARES Act. There is a requirement that of the combined funds, at the end of the grant period, at least 50 percent must be used for emergency financial aid grants to students. As a result of this grant condition at June 30, 2020, the University is only able to recognize revenue from the Institutional Relief Funding equal to the amount recognized for the Higher Education Emergency Relief Funding. The University had drawn down \$3 million related to the Institutional Relief Funding and accordingly, recognized \$1,333,519 of revenue which is included in nonoperating federal CARES Act program revenue on the Statement of Revenues, Expenses, and Change in Net Position and recognized \$1,666,481 of unearned revenue.

No amounts had been applied or drawn down related to the Title III Strengthening the Institutions Relief Funding grant as of June 30, 2020.

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, 2020, the University had deferred \$677,432 of taxes which is reported in accounts payable and accrued liabilities on the Statement 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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE P – IMPACT OF COVID-19
(continued)

State Appropriations – CARES Act Pass Through Funds

In July 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 \$3,427,700. Accordingly, the state appropriations receivable, net on the Statement of Net Position and the state appropriations nonoperating revenue on the Statement of Revenues, Expenses, and Change in Net Position, have been reduced to reflect that subsequent reduction.

At that same time, the State allocated \$3,427,700 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 will be able to recognize 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 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, 2020 for the University and the Foundation, respectively. The University and Foundation elected to delay implementation of those standards.

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.