

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

SAGINAW VALLEY STATE UNIVERSITY

UNIVERSITY CENTER, MICHIGAN

MEMBERS OF THE BOARD OF CONTROL
AND BUSINESS AFFAIRS ADMINISTRATION

JUNE 30, 2013

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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). These financial statements focus on the financial condition and results of financial position of the University and its component unit, Saginaw Valley State University Foundation (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 and deferred inflows. It is prepared on an accrual basis - revenues and expenses are recognized when earned or incurred, respectively.
- Statement of Revenues, Expenses, and Changes 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.

FINANCIAL HIGHLIGHTS

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

- Restated net position increased by 3.6% from June 30, 2012 to June 30, 2013, 3.7% from June 30, 2011 to June 30, 2012, and 7.4% from June 30, 2010 to June 30, 2011.

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

- Operating revenues increased in fiscal 2013, 2012 and 2011 as a result of increased tuition rates, and housing occupancy and in 2012 and 2011 due to increased enrollment.

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

- Applications decreased by 7.8% from Fall 2011 to Fall 2012 but had increased 7.1% from Fall 2010 to Fall 2011 and 2.0% from Fall 2009 to Fall 2010.
- Headcount enrollment increased from 10,656 in Fall 2010 to 10,790 in Fall 2011 and then decreased to 10,552 in Fall 2012. Credit hours increased from 258,524 in 2010 to 264,594 in 2011, 269,810 in 2012, and then decreased to 265,404 in 2013.

FINANCIAL STATEMENT SUMMARIES

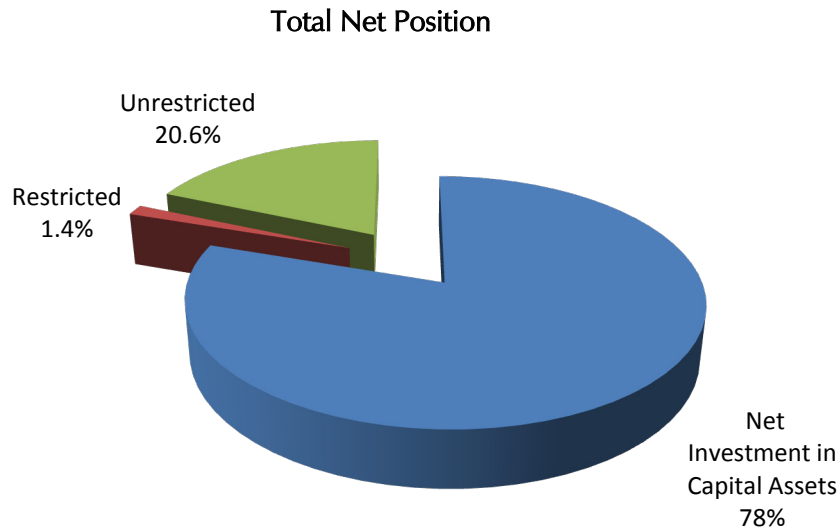
The Net Position of the University is summarized in the table below as of June 30,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)		
Assets			
Current Assets	\$ 74,195	\$ 55,783	\$ 55,922
Noncurrent Assets:			
Other	18,168	18,012	17,082
Capital	<u>297,839</u>	<u>300,375</u>	<u>300,294</u>
Total Assets	<u>390,202</u>	<u>374,170</u>	<u>373,298</u>
Deferred outflows	<u>1,356</u>	<u>1,001</u>	<u>1,060</u>
Total assets and deferred outflows	391,558	375,171	374,358
Liabilities			
Current Liabilities	34,448	30,265	32,086
Noncurrent Liabilities	<u>127,339</u>	<u>123,023</u>	<u>128,390</u>
Total Liabilities	161,787	153,288	160,476
Deferred inflows			
Total liabilities and deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows less total liabilities and deferred inflows	<u>\$ 229,771</u>	<u>\$ 221,883</u>	<u>\$ 213,882</u>
Net Position			
Net investment in capital assets	179,232	177,321	173,339
Restricted	3,234	3,169	2,770
Unrestricted	<u>47,305</u>	<u>41,393</u>	<u>37,773</u>
Total net position	<u>\$ 229,771</u>	<u>\$ 221,883</u>	<u>\$ 213,882</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, and construction in progress. Capital assets represent 76% of the University's total assets. Notes and bonds payable totaled \$127.1 million at June 30, 2012. This represents 79% of the University's total liabilities.

A graphic illustration of the University's net position at June 30, 2013 by classification and restriction is as follows:



The University's net assets consist of the net investment in capital assets, restricted net assets, and unrestricted net assets. Restricted net assets represent assets whose use is restricted by a party independent of the University. This includes restrictions related to gifts, grants, and the Federal Nursing Faculty Loan program.

Unrestricted net assets represent net assets of the University that have 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, 2013. The following summarizes the internal designations of the University unrestricted net assets:

	June 30,		
	2013	2012	2011
Capital Projects and Repairs Reserve	\$ 29,672,750	\$ 25,248,534	\$ 23,369,923
Auxiliary Enterprises	1,361,891	1,361,891	1,361,891
Designated for Departmental Use	14,300,721	12,813,969	11,136,706
Amount Obligated by Contractual Commitments	62,885	88,668	118,416
Undesignated	1,906,811	1,880,506	1,786,550
Total Unrestricted Net Assets	\$ 47,305,058	\$ 41,393,568	\$ 37,773,486

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

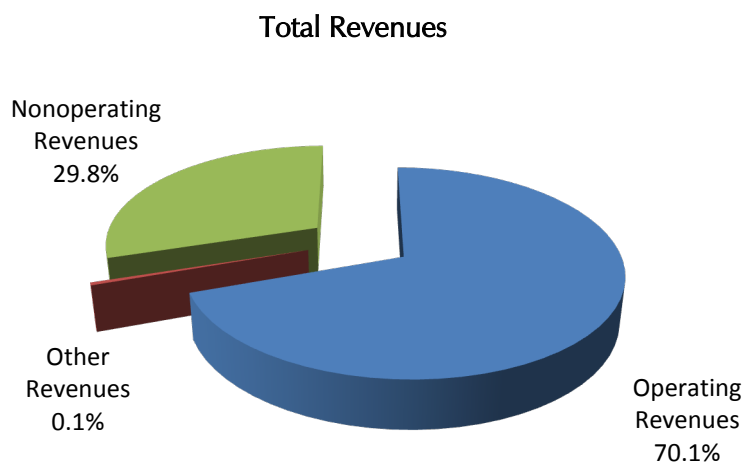
The following table summarizes the University's revenues, expenses, and changes in net position for the years ended June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)		
Operating Revenues			
Student Tuition and Fees, net	\$ 70,303	\$ 67,742	\$ 61,535
Federal Grants and Contracts	3,081	3,127	4,289
State and Local Grants and Contracts	587	941	917
Sales and Services of Educational Departments	5,007	4,468	3,914
Auxiliary Enterprises, net	19,929	19,522	17,905
Other Operating Revenues	<u>2,699</u>	<u>2,609</u>	<u>2,642</u>
Total Operating Revenues	101,606	98,409	91,202
Operating Expenses	<u>131,323</u>	<u>127,798</u>	<u>122,842</u>
Operating Loss	(29,717)	(29,389)	(31,640)
Nonoperating Revenues (Expenses)			
State Appropriations	25,657	23,562	27,721
Federal Pell Grant Program	14,677	15,765	15,493
Gifts	2,642	2,177	2,343
Investment Income, net	193	974	359
Interest on Capital Asset-Related Debt	<u>(5,800)</u>	<u>(5,705)</u>	<u>(5,729)</u>
Net Nonoperating Revenues	<u>37,369</u>	<u>36,773</u>	<u>40,187</u>
Income Before Other Revenues	7,652	7,384	8,547
Capital Appropriations	111	454	5,902
Capital Grants and Gifts	<u>125</u>	<u>163</u>	<u>237</u>
Total Other Revenues	<u>236</u>	<u>617</u>	<u>6,139</u>
Increase in Net Position	7,888	8,001	14,686
Net Position at Beginning of Year	<u>221,883</u>	<u>213,882</u>	<u>199,196</u>
Net Position at End of Year	<u>\$ 229,771</u>	<u>\$ 221,883</u>	<u>\$ 213,882</u>

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

Capital appropriations represent the State of Michigan's contribution to the Health & Human Services building for fiscal 2013, 2012 and 2011. Capital grants and gifts relate primarily to gifts received for the weight room, greenhouse, and pool renovations in 2013, 2012 and 2011.

A graphic illustration of each University revenue source for the year ended June 30, 2013 follows:



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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)		
Cash Provided (Used) By:			
Operating Activities	\$ (15,496)	\$ (16,421)	\$ (17,116)
Noncapital Financing Activities	42,536	42,333	45,362
Capital Financing Activities	(8,714)	(25,704)	(20,604)
Investing Activities	<u>32</u>	<u>43</u>	<u>(16,508)</u>
Net Increase (Decrease)	18,358	251	(8,866)
Cash and Cash Equivalents at Beginning of Year	<u>33,291</u>	<u>33,040</u>	<u>41,906</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 51,649</u></u>	<u><u>\$ 33,291</u></u>	<u><u>\$ 33,040</u></u>

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

OPERATING EXPENSES

The University reports expenditures on a functional basis. Operating expenses were \$131,322,983 in fiscal 2013, an increase of 2.8% over the prior year. The following summarizes the University's operating expenses for the years ended June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)		
Educational and General			
Instruction	\$ 41,962	\$ 40,534	\$ 40,540
Research	840	826	872
Public Service	2,027	2,122	1,710
Academic Support	14,453	13,795	12,767
Student Services	7,406	6,752	6,211
Institutional Support	14,711	13,855	13,364
Operations and Maintenance of Plant	12,736	12,163	11,248
Depreciation	13,944	13,555	12,705
Student Aid	8,548	9,455	9,896
Auxiliary Enterprises	<u>14,696</u>	<u>14,741</u>	<u>13,529</u>
 Total Operating Expenses	 <u>\$ 131,323</u>	 <u>\$ 127,798</u>	 <u>\$ 122,842</u>

CAPITAL ASSETS/LONG-TERM DEBT

Capital Plan and Related Debt Financing

The University Board of Control has approved a long-term capital development and related financing plan. Fiscal 2013 expenditures for capital projects approximated \$11.4 million. These capital projects were funded by a combination of bonds issued by the Michigan State Building Authority (SBA), University general revenue bonds, capital gifts, and other available University resources.

The University engaged consultants to update the master plan which was finalized in fiscal 2013. The University also engaged consulting engineers to review the condition of the University's roofs, roads, and parking lots during 2011-2012. The University then prepared a detailed deferred maintenance analysis of all infrastructure incorporating the results of the external reviews.

University Rating

The University issued General Revenue Bonds, Series 2013A, in the amount of \$19,250,000 in June 2013. Proceeds from the bonds were used to refund prior General Revenue bonds, to reduce debt service, and to finance, together with other resources, renovation and expansion of the Ryder Center. Moody's Investors Services, Inc. and Standard & Poor's Ratings Services rated the bonds "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:

- State Economy
- Inflationary Pressures
- Program Growth and Development
- New Initiatives
- Technology
- Productivity Improvements

Since 2001, SVSU as well as its sister institutions in Michigan have experienced the impact of a poor economy and deficit-ridden State budget. State Appropriations increased by approximately 9% in fiscal 2013 following a decrease of 15% from fiscal 2011 to 2012. The State implemented performance funding for a portion of the State Appropriations allocation beginning in fiscal 2013. The University received \$1,926,000 related to the performance funding criteria and \$169,200 in tuition restraint funding.

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. The University provided approximately \$959,000 of administrative support to the Foundation during fiscal 2013. This support is reflected as institutional support in the University's financial statements and as gift revenue and corresponding operating expenses in the Foundation's financial statements. The Foundation transferred endowment distributions and unrestricted and restricted gifts to the University totaling \$2,766,999 in fiscal 2013.

As of June 30, 2013 the market values of two of the Foundation's endowments were below the gift value compared to twelve endowments below gift value at June 30, 2012. The Foundation's spending policy is to distribute four percent 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 2013.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Permanently Restricted	\$ 44,925,257	\$ 42,734,285	\$ 39,511,756
Temporarily Restricted	7,764,551	3,333,228	5,008,512
Unrestricted	7,424,664	6,502,500	6,462,772
	<u>\$ 60,114,472</u>	<u>\$ 52,570,013</u>	<u>\$ 50,983,040</u>

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, 2013 and 2012, 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, 2013 and 2012, and the respective changes in financial position and Saginaw Valley State University cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2011. In accordance with the standards, the University has modified the presentation of the statement of net position and has reported deferred outflows of resources at June 30, 2013 and 2012 in accordance with the standards. Our opinion is not modified with respect to these matters.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2013 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
August 28, 2013

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF NET POSITION

	June 30,	
	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 51,648,936	\$ 33,290,623
Accounts receivable, net	4,097,316	4,601,069
State appropriations receivable - operations	4,664,856	4,283,912
State appropriations receivable - charter schools	12,604,244	12,189,432
Inventories and prepaid expenses	1,177,704	1,418,311
Notes receivable, net	<u>2,262</u>	
Total current assets	74,195,318	55,783,347
Noncurrent Assets		
Notes receivable, net	15,600	21,500
Other long-term investments	18,152,318	17,990,403
Capital assets, net	<u>297,839,416</u>	<u>300,375,176</u>
Total noncurrent assets	<u>316,007,334</u>	<u>318,387,079</u>
Total assets	<u>390,202,652</u>	<u>374,170,426</u>
DEFERRED OUTFLOWS		
Refunding of Debt	<u>1,356,291</u>	<u>1,001,116</u>
Total deferred outflows	<u>1,356,291</u>	<u>1,001,116</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	6,908,955	5,066,341
Unearned revenues	8,896,928	7,257,883
Deposits	13,057,309	12,585,671
Long-term liabilities - current portion	<u>5,585,000</u>	<u>5,355,000</u>
Total current liabilities	34,448,192	30,264,895
Noncurrent Liabilities		
Unearned revenues	1,791,668	2,092,501
Long-term liabilities, net of current portion	<u>125,547,717</u>	<u>120,930,752</u>
Total noncurrent liabilities	<u>127,339,385</u>	<u>123,023,253</u>
Total liabilities	<u>161,787,577</u>	<u>153,288,148</u>
NET POSITION		
Net investment in capital assets	179,232,196	177,320,632
Restricted for:		
Expendable Restricted		
Scholarships and fellowships	1,130,250	1,185,375
Research	225,841	236,208
Instructional department use	617,422	491,781
Loans	3,091	7,202
Other	1,257,508	1,248,628
Unrestricted	<u>47,305,058</u>	<u>41,393,568</u>
Total net position	<u>\$ 229,771,366</u>	<u>\$ 221,883,394</u>

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,924,198	\$ 1,627,904
Accounts receivable, net	235,706	7,180
Contributions receivable, net	1,995,728	2,936,272
Investments	52,034,073	44,221,556
Cash value of life insurance	63,665	56,523
Beneficial interest trusts	4,636,312	4,236,386
Total assets	\$ 60,889,682	\$ 53,085,821
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 521,424	\$ 446,931
Charitable gift annuities payable	253,786	68,877
Total liabilities	775,210	515,808
Net assets		
Unrestricted	7,424,664	6,502,500
Temporarily restricted	7,764,551	3,333,228
Permanently restricted	44,925,257	42,734,285
Total net assets	60,114,472	52,570,013
Total liabilities and net assets	\$ 60,889,682	\$ 53,085,821

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

	For the year ended June 30,	
REVENUES	2013	2012
Operating revenues		
Student tuition and fees	\$ 87,250,489	\$ 84,320,800
Less: Scholarship allowances	(16,947,589)	(16,579,198)
	70,302,900	67,741,602
Federal grants and contracts	3,080,437	3,126,653
State and local grants and contracts	587,240	941,504
Sales and services of educational departments	5,007,131	4,467,921
Auxiliary enterprises	23,585,118	23,120,769
Less: Scholarship allowances	(3,656,640)	(3,598,559)
	19,928,478	19,522,210
Other operating revenues	2,699,322	2,609,595
Total operating revenues	101,605,508	98,409,485
EXPENSES		
Operating expenses		
Educational and general		
Instruction	41,962,063	40,533,773
Research	840,331	826,235
Public service	2,026,590	2,121,886
Academic support	14,453,243	13,795,407
Student services	7,406,308	6,751,998
Institutional support	14,710,669	13,854,456
Operations and maintenance of plant	12,735,930	12,163,431
Depreciation	13,943,773	13,554,858
Student aid	8,548,373	9,455,221
Auxiliary enterprises	14,695,703	14,740,983
Total operating expenses	131,322,983	127,798,248
Operating loss	(29,717,475)	(29,388,763)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	25,656,700	23,561,500
Federal Pell Grant Program	14,676,898	15,764,727
Gifts	2,641,999	2,177,383
Investment income, net	193,568	973,831
Interest on capital asset-related debt	(5,800,120)	(5,704,478)
Net nonoperating revenues	37,369,045	36,772,963
Income before other revenues	7,651,570	7,384,200
Other Revenues		
Capital appropriations	111,402	453,862
Capital grants and gifts	125,000	163,308
Net other revenues	236,402	617,170
Increase in net position	7,887,972	8,001,370
Net position - beginning of year	221,883,394	213,882,024
Net position - end of year	\$ 229,771,366	\$ 221,883,394

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	For the year ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Gifts and contributions	\$ 1,425,606	\$ 1,587,416	\$ 1,760,164	\$ 4,773,186
Change in beneficial interest trusts			399,926	399,926
Change in cash value of life insurance		7,142		7,142
Income from investments	217,465	1,360,680	30,882	1,609,027
Net realized and unrealized gain on investments	640,673	4,089,808		4,730,481
Net assets released from restrictions	2,613,723	(2,613,723)		-
Total revenue, gains and other support	4,897,467	4,431,323	2,190,972	11,519,762
EXPENSES				
Disbursements to Saginaw Valley State University	2,766,999			2,766,999
Scholarships	85,664			85,664
Investment expenses	129,363			129,363
Charitable gift annuity payments	25,247			25,247
Administrative expenses	959,042			959,042
Other	8,988			8,988
Total expenses	3,975,303	-	-	3,975,303
Increase in net assets	922,164	4,431,323	2,190,972	7,544,459
Net assets - beginning of year	6,502,500	3,333,228	42,734,285	52,570,013
Net assets - end of year	\$ 7,424,664	\$ 7,764,551	\$ 44,925,257	\$ 60,114,472

	For the year ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Gifts and contributions	\$ 1,416,812	\$ 831,230	\$ 1,570,892	\$ 3,818,934
Change in beneficial interest trusts			1,692,022	1,692,022
Change in cash value of life insurance		2,725		2,725
Income from investments	163,185	956,938		1,120,123
Net realized and unrealized loss on investments	(214,509)	(1,329,419)		(1,543,928)
Net assets released from restrictions	2,177,143	(2,136,758)	(40,385)	-
Total revenue, gains and other support	3,542,631	(1,675,284)	3,222,529	5,089,876
EXPENSES				
Disbursements to Saginaw Valley State University	2,340,691			2,340,691
Scholarships	75,017			75,017
Investment expenses	131,965			131,965
Charitable gift annuity payments	10,573			10,573
Administrative expenses	920,455			920,455
Other	24,202			24,202
Total expenses	3,502,903	-	-	3,502,903
Increase (decrease) in net assets	39,728	(1,675,284)	3,222,529	1,586,973
Net assets - beginning of year	6,462,772	5,008,512	39,511,756	50,983,040
Net assets - end of year	\$ 6,502,500	\$ 3,333,228	\$ 42,734,285	\$ 52,570,013

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2013	2012
Cash Flows from Operating Activities		
Student tuition and fees	\$ 69,696,292	\$ 68,456,704
Grants and contracts	3,153,971	3,928,712
Payments to suppliers	(26,661,936)	(26,032,046)
Payments for utilities	(3,323,434)	(3,530,818)
Payments to employees	(58,288,847)	(56,617,727)
Payments for benefits	(19,968,412)	(18,866,240)
Payments for scholarships and fellowships	(8,267,984)	(9,106,722)
Federal share of Perkins and Nurse Faculty loans	(36,383)	(3,022)
Loans advanced to students, net of collection	3,638	119
Auxiliary enterprises charges	20,903,661	18,762,527
Sales and services	4,594,280	3,977,730
Other receipts	2,699,322	2,609,595
Net cash used by operating activities	(15,495,832)	(16,421,188)
Cash Flows from Noncapital Financing Activities		
State appropriations	25,275,756	24,317,716
Federal Pell Grant Program	14,705,129	15,800,074
Federal Direct Lending receipts	57,213,238	58,945,186
Federal Direct Lending disbursements	(57,213,238)	(58,945,186)
Gifts	2,555,391	2,215,360
Net cash provided by noncapital financing activities	42,536,276	42,333,150
Cash Flows from Capital Financing Activities		
Capital appropriations	208,119	871,200
Capital grants and gifts received	125,000	128,308
Proceeds from capital debt	19,250,000	
Proceeds from capital debt premium	2,618,113	
Principal paid on capital debt	(14,410,000)	(5,025,000)
Interest paid on capital debt and related costs	(6,399,360)	(5,911,651)
Purchase of capital assets	(10,105,656)	(15,767,491)
Net cash used by capital financing activities	(8,713,784)	(25,704,634)
Cash Flows from Investing Activities		
Investment income, net	647,270	677,783
Purchase of investments	(615,617)	(4,534,568)
Proceeds from redemption of investments		3,900,000
Net cash provided by investing activities	31,653	43,215
Net increase in cash and cash equivalents	18,358,313	250,543
Cash and cash equivalents - beginning of year	33,290,623	33,040,080
Cash and cash equivalents - end of year	\$ 51,648,936	\$ 33,290,623

SAGINAW VALLEY STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - CONTINUED

	For the years ended June 30,	
	2013	2012
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (29,717,475)	\$ (29,388,763)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	13,943,773	13,554,858
Changes in assets and liabilities:		
Accounts receivable, net	40,216	(817,328)
Inventories and prepaid expenses	240,607	5,125
Notes receivable, net	3,638	119
Accounts payable and accrued liabilities	584,642	(104,456)
Unearned revenues	(1,069,836)	(359,432)
Deposits	471,638	502,543
Compensated absences	43,348	189,168
Student loans - federal	(36,383)	(3,022)
	<u>\$ (15,495,832)</u>	<u>\$ (16,421,188)</u>
Net cash used by operating activities	\$ (15,495,832)	\$ (16,421,188)

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 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 and grants from various state agencies.

The Foundation, a component unit of the University, is a not-for-profit corporation, which provides support 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.

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. The University's nonoperating revenues include State appropriations, gifts, investment income, capital appropriations and capital grants and gifts. 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.

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.

Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs and 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 charged to expense and reduced by charge-offs. The University considers receivables past due when they have not been paid within their contractual terms. The University charges off receivables when the receivable is deemed uncollectible.

Investments

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

Inventories

Inventories are stated at lower of average cost or market.

Institutional Physical Properties

Physical properties are stated at cost or, when donated, at fair market value at 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)

Reclassifications

Certain fiscal year 2012 balances have been reclassified to conform to the current year presentation. Specifically, the University has presented the Foundation in separate statements rather than being included in the statements with the University. This presentation more fully follows the FASB presentation for the Foundation.

Change in Accounting Principles

Effective with the fiscal year ended June 30, 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements introduce and define deferred outflows and deferred inflows as a consumption of net assets by the University that is applicable to a future reporting period, and an acquisition of net assets by the University that is applicable to a future reporting period, respectively. The standards also incorporate deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. In accordance with the standards, the University has modified the presentation of the Statements of Net Position and has reported deferred outflows of resources from the refunding of debt.

The following summarizes the restatements due to adoption of these new standards:

Debt Issuance Costs – GASB Statement No. 65 requires that certain debt issuance costs be recognized as an expense in the period incurred. Accordingly the University has restated net position, inventories and prepaid expenses, and interest on capital asset-related debt to reflect this change.

<u>Statements of Net Position</u>	<u>June 30, 2012</u>	
	<u>Inventories & Prepaid Expenses</u>	<u>Net Position</u>
As Originally Reported	\$ 3,760,396	\$ 224,225,479
Remove Debt Issuance Costs	<u>(2,342,085)</u>	<u>(2,342,085)</u>
As Restated	<u>\$ 1,418,311</u>	<u>\$ 221,883,394</u>

<u>Statements of Revenues, Expenses, and Change in Net Position</u>	<u>For the Year Ended June 30, 2012</u>		
	<u>Interest on Capital Asset- Related Debt</u>	<u>Net Position Beginning of Year</u>	<u>Net Position End of Year</u>
As Originally Reported	\$ 5,814,638	\$ 216,334,269	\$ 224,225,479
Remove Debt Issuance Costs	<u>(110,160)</u>	<u>(2,452,245)</u>	<u>(2,342,085)</u>
As Restated	<u>\$ 5,704,478</u>	<u>\$ 213,882,024</u>	<u>\$ 221,883,394</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

Change in Accounting Principles – Continued

Refunding of Debt – GASB Statement No. 65 requires that the net effect of advance refunding be reported as a deferred outflow of resources. Previously, this amount was reported as a reduction of the general revenue bonds liability. Accordingly, \$1,356,291 has been shown as a deferred outflow at June 30, 2013 and \$1,001,116 at June 30, 2012.

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 year or as of June 30, 2013 or 2012.

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 anytime without any significant loss of principal.
2. Any instrument issued by, guaranteed by, 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).

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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

Credit Risk – Continued

Intermediate-term Pool - Continued

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.

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

Cash and cash equivalents consist primarily of funds invested with either a bank short-term investment pool or Treasury Money Market Funds. The yield was 0.01% for 2013 and was 0.03% for 2012. 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.

Investments in the intermediate-term pool have the following quality of investments:

- PIMCO Total Return Fd Instl – 64.0% AAA, 9.0% AA, 13.0% A, 8.0% BBB, 3.0% BB, 2.0% B, 1.0% below investment grade;
- RidgeWorth SEIX Floating Rate High Income – 0.7% A, 8.8% BBB, 34.9% BB, 44.0% B, 3.5% below investment grade, 8.1% no rating;
- Vanguard Short-term Bond Index Signal – 74.1% AAA, 6.0% AA, 11.5% A, 8.4% BBB;
- Loomis Sayles Global Bond Instl – 36.0% AAA, 24.0% AA, 19.2% A, 18.2% BBB, 1.7% BB, 0.8% B, 0.1% no rating;
- JP Morgan Core Bond Select – 69.7% AAA, 4.8% AA, 12.1% A, 7.5% BBB, 1.1% BB, 0.6% B, 0.7% below investment grade, 3.5% no rating.

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, 2013 and 2012:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Market Value</u>	
		<u>2013</u>	<u>2012</u>
Short-term Pool:			
<u>Deposits:</u>			
Bank of America	N/A	\$ 34,690,448	\$ 16,341,268
Chemical Bank	N/A	2,020,793	2,018,716
Fidelity Institutional Money Market	AAA	14,882,933	14,881,405
<u>Investments:</u>			
U. S. Treasury Strips		1,991,030	2,031,554
Intermediate-term Pool:			
JP Morgan Core Bond Select		3,952,241	3,949,268
PIMCO Total Return Fd Instl		4,183,398	4,133,747
RidgeWorth SEIX Floating Rate High Income		2,524,430	2,359,956
Vanguard Short-term Bond Index Signal		778,750	775,197
Loomis Sayles Global Bond Instl		4,722,469	4,740,681
		69,746,492	51,231,792
Less Investments Reported as "Cash and Cash Equivalents" on Statements of Net Position		(51,594,174)	(33,241,389)
Total Investments		<u>\$ 18,152,318</u>	<u>\$ 17,990,403</u>
<u>As reported on the Statements of Net Position</u>			
Noncurrent Investments		\$ 18,152,318	\$ 17,990,403
Total Investments		<u>\$ 18,152,318</u>	<u>\$ 17,990,403</u>
Investments Reported as Cash and Cash Equivalents		\$ 51,594,174	\$ 33,241,389
Cash		54,762	49,234
Total Cash and Cash Equivalents		<u>\$ 51,648,936</u>	<u>\$ 33,290,623</u>

Cash and Cash Equivalents include \$11,340,195 of unexpended Series 2013A General Revenue and Refunding Bond proceeds at June 30, 2013.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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

Foreign Currency Risk

The University did not have holdings in foreign investments as of June 30, 2013 or 2012.

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, 2013 were \$51,692,355. Of that balance, \$51,180,715 was uninsured and uncollateralized. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2012 were \$34,416,496. Of that balance, \$16,722,145 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 with Bank of America and Chemical Bank. The custodian maintains physical possession of securities owned by the University, 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, 2013 or 2012.

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.

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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

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, 2013 and 2012:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Market Value</u>	
		<u>2013</u>	<u>2012</u>
Equities	N/A	\$ 18,282	\$ 14,476
Mutual Fund - Equities	N/A	21,863,882	19,100,766
Mutual Fund - International Equities	N/A	9,964,913	8,539,871
Mutual Fund - Debt	N/A	14,712,741	12,676,923
Alternative Investments	N/A	5,474,255	3,889,520
Cash and Cash Equivalents	N/A	71,932	74,582
		<u>52,106,005</u>	<u>44,296,138</u>
Less Investments Reported as "Cash and Cash Equivalents on Statements of Financial Position		(71,932)	(74,582)
Total Investments		<u>\$ 52,034,073</u>	<u>\$ 44,221,556</u>

Investments in the mutual fund – debt have the following quality of investments:

- PIMCO Total Return Fd Instl – 64.0% AAA, 9.0% AA, 13.0% A, 8.0% BBB, 3.0% BB, 2.0% B, 1.0% below investment grade;
- Loomis Sayles Global Bond Instl – 36.0% AAA, 24.0% AA, 19.2% A, 18.2% BBB, 1.7% BB, 0.8% B, 0.1% no rating;
- RidgeWorth SEIX Floating Rate High Income – 0.7% A, 8.8% BBB, 34.9% BB, 44.0% B, 3.5% below investment grade, 8.1% no rating;
- Vanguard Short-term Bond Index Signal – 74.1% AAA, 6.0% AA, 11.5% A, 8.4% BBB.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

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	35%	55%
International Equities	10%	20%
Fixed Income	20%	40%
Alternative Investments	N/A	20%
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.

At June 30, 2013, the Foundation's investments that exceeded 5% of the investment portfolio included the PIMCO Total Return Fd Instl (\$6,355,427), PIMCO All Assets Fd Instl (\$3,341,812), Vanguard 500 Index Fund (\$4,915,933), DFA US Large Cap Value Portfolio (\$3,383,086), Vanguard Mid Cap Index Fund (\$2,779,666), Harbor International Fund (\$4,566,587), William Blair Funds International Growth Fund Class I (\$4,232,866), T Rowe Price Instl US Structured Research (\$4,290,929), and Harbor Capital Appreciation Fund (\$3,073,381).

Foreign Currency Risk

The Foundation investment policy states that foreign denominated investments should not exceed 20% of the portfolio. The Foundation's holdings in foreign investments were made in mutual funds as noted above.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

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 AND NOTES 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, 2013 and 2012 are listed below in the table:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Tuition and fees	\$ 3,220,499	\$ 2,468,551
Auxiliary enterprises	1,329,611	1,120,444
Contracts and grants	1,439,649	1,194,191
Sales and services	420,287	445,430
State Building Authority		96,717
Agency accounts	1,198,810	2,284,736
Allowance for uncollectible accounts	(3,511,540)	(3,009,000)
Total accounts receivable	<u>\$ 4,097,316</u>	<u>\$ 4,601,069</u>

The University began participation in the Nursing Faculty Loan program during fiscal 2011. Loans totaling \$21,500 had been awarded as of June 30, 2011. No new loans were issued during fiscal 2013 or 2012. The remaining principal balance of these notes receivable at June 30, 2013 was \$17,862.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE D - ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE
(continued)

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 \$4,664,856 at June 30, 2013 and \$4,283,912 at June 30, 2012. Charter schools appropriations receivable were recorded at June 30, 2013 of \$12,604,244 and at June 30, 2012 of \$12,189,432. The University has recorded a corresponding amount due to the charter schools. The University received direct State appropriations and other funds in the amount of \$70,304,671 to be forwarded to seventeen charter schools for fiscal 2013 and \$68,870,534 for fiscal 2012.

The detail of the Foundation's contributions and accounts receivable for June 30, 2013 and 2012 are listed below in the table:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Contributions receivable	\$ 2,242,671	\$ 3,318,242
Less: allowance for uncollectible pledges	125,099	183,268
Less: discount to reflect promise to give at fair value	121,844	198,702
	<u>1,995,728</u>	<u>2,936,272</u>
Other	235,706	7,180
Total receivables	<u>\$ 2,231,434</u>	<u>\$ 2,943,452</u>

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, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2013</u>
Land	\$ 1,898,683			\$ 1,898,683
Land improvements and infrastructure	29,494,425	\$ 2,508,726		32,003,151
Buildings	360,119,111	7,046,935		367,166,046
Equipment	37,510,006	1,097,746	\$ (2,397,883)	36,209,869
Library acquisitions	11,459,082	512,676	(601,495)	11,370,263
Construction in progress	5,424,957	241,930		5,666,887
Works of fine art	607,085			607,085
Accumulated depreciation:				
Land improvements and infrastructure	(16,363,187)	(1,596,222)		(17,959,409)
Buildings	(98,069,949)	(8,704,251)		(106,774,200)
Equipment	(24,109,313)	(2,915,799)	2,397,883	(24,627,229)
Library acquisitions	(7,595,724)	(727,501)	601,495	(7,721,730)
Total capital assets, net	<u>\$ 300,375,176</u>	<u>\$ (2,535,760)</u>	<u>\$ -</u>	<u>\$ 297,839,416</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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:

	June 30,	
	2013	2012
Compensation	\$ 2,270,743	\$ 2,088,683
Supplies and construction related expenditures	4,638,212	2,977,658
Total accounts payable and accrued liabilities	\$ 6,908,955	\$ 5,066,341

NOTE G - NOTES AND BONDS PAYABLE

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 will refund a portion of the remaining Series 2004 Bonds and the Series 2004B Bonds. The refunded bonds will be 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 difference in the cash flow requirements of the portion of the Series 2013A General Revenue and Refunding Bonds used to advance refund the old bonds and the refunded old bonds was a gain on refunding of \$1,181,187 (\$14,379,594 debt service of the old bonds versus \$13,198,407 debt service of the new bonds). The present value of the gain at 2.76% is \$889,281. The remaining proceeds from the Series 2013A bonds will be used, together with other available resources, to renovate and expand the Ryder Center. The bonds were issued at a premium of \$2,618,113, bear interest at rates ranging from 3.125% - 5.00% and mature at various dates through July 1, 2034.

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.

The University issued General Revenue Bonds, Series 2008B, in the amount of \$12,555,000, in August 2008. Proceeds from the bonds were used to finance construction of new student housing.

The University issued General Revenue Refunding Bonds, Series 2008, in the amount of \$26,845,000 in March 2008 to refund all of the Series 2001B General Revenue Bonds and to pay the related 2001B Bonds swap termination fee of \$1,486,000.

The University issued General Revenue Bonds, Series 2007, in the amount of \$24,435,000 in March 2007 to fund various capital projects.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

The University issued General Revenue Bonds, Series 2005, in the amount of \$28,010,000 in April 2005 to fund various capital projects and to advance refund and defease a portion of the outstanding General Revenue Bonds, Series 1998, 1999, and 2001A. The University deposited noncallable, U.S. Government securities in an irrevocable trust with an escrow agent to advance refund and defease the bonds. The refunded bonds were called for redemption on their respective first call date (done on July 1, 2008 for the 1998 bonds; on July 1, 2009 for the 1999 bonds, and July 1, 2010 for the 2001A bonds). The bonds were refunded in order to reduce the University's debt service.

The refunding resulted in a deferred amount on refunding of \$1,472,228. 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 Bonds, Series 2004B, in the amount of \$3,165,000 in October 2004 to fund various capital projects.

The University issued General Revenue Bonds, Series 2004A, in the amount of \$11,825,000 in July 2004 to fund various capital projects and to refund and defease \$3,385,000 of the General Revenue Bonds, Series 1993. The refunded bonds were called for redemption on August 17, 2004. The bonds were refunded to reduce the University's debt service.

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

	<u>Interest Rates</u>	<u>Maturity</u>	<u>2013</u>	<u>2012</u>
General Revenue & Refunding Bonds, Series 2013A	3.125% to 5.00%	2015-2034	\$ 19,250,000	
General Revenue Bonds, Series 2010A	3.00% to 5.00%	2014-2030	23,530,000	\$ 25,690,000
General Revenue Bonds, Series 2008B	3.50% to 5.00%	2014-2038	11,625,000	11,870,000
General Revenue Refunding Bonds, Series 2008	4.00% to 5.00%	2016-2031	26,845,000	26,845,000
General Revenue Bonds, Series 2007	4.00% to 5.00%	2014-2037	22,660,000	23,235,000
General Revenue & Refunding Bonds, Series 2005	4.00% to 4.50%	2014-2035	21,820,000	23,435,000
General Revenue Bonds, Series 2004B	3.50%	2014	90,000	2,630,000
General Revenue & Refunding Bonds, Series 2004A	4.00% to 5.00%	2014-2034	1,300,000	8,575,000
Total			<u>\$127,120,000</u>	<u>\$122,280,000</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

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>
2014	\$ 5,485,000	\$ 5,948,047	\$ 11,433,047
2015	5,690,000	5,657,908	11,347,908
2016	4,630,000	5,406,288	10,036,288
2017	4,815,000	5,215,813	10,030,813
2018	5,025,000	5,006,539	10,031,539
2019-2023	28,745,000	21,426,145	50,171,145
2024-2028	31,980,000	14,208,299	46,188,299
2029-2033	26,930,000	6,647,988	33,577,988
2034-2038	13,820,000	1,853,212	15,673,212
	<u>\$ 127,120,000</u>	<u>\$ 71,370,239</u>	<u>\$ 198,490,239</u>

The net deferred amount on refunding from the Series 2013A and Series 2005 bonds is reported on the Statements of Net Position as a deferred outflow. The deferred amount was \$1,356,291 at June 30, 2013 and \$1,001,116 at June 30, 2012.

The University has a \$260,000 letter of credit for the Wolverine Power Marketing Cooperative electricity contract at a per annum fee of 1.5 percent. In addition, amounts drawn against the letter of credit include interest at the bank prime rate plus one half percent per annum. No amounts were drawn against the letter of credit at June 30, 2013 or 2012. The letter of credit is secured by general revenues.

On July 15, 2009 the University entered into a \$10 million line of credit. Effective February 2013, if the University were to take an advance on the line it would select the interest rate to be either prime minus one-half percent (however, the rate payable shall never be less than 3.25% per annum) or the London Interbank Offer Rate as most recently published by Thomson Reuters plus 225 basis points. The line's revolving loan agreement requires the University and Foundation to maintain aggregate deposits with the lender of not less than \$2,500,000. No amounts have been drawn against this line of credit.

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, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2013</u>	<u>Current Portion</u>
Notes and bonds payable:					
General revenue bonds	\$ 122,280,000	\$ 19,250,000	\$ 14,410,000	\$ 127,120,000	\$ 5,485,000
Other long-term liabilities:					
Compensated absences	3,940,929	43,348		3,984,277	100,000
Student loans - federal	64,823	542	36,925	28,440	
Total other liabilities	<u>4,005,752</u>	<u>43,890</u>	<u>36,925</u>	<u>4,012,717</u>	<u>100,000</u>
Total long-term liabilities	<u>\$ 126,285,752</u>	<u>\$ 19,293,890</u>	<u>\$ 14,446,925</u>	<u>\$ 131,132,717</u>	<u>\$ 5,585,000</u>

As of June 30, 2013 and 2012, employees had earned but not taken annual vacation leave of approximately \$2,969,000 and \$2,935,000, respectively. The University has a commitment for accumulated sick leave of approximately \$1,015,000 as of June 30, 2013 and \$1,006,000 as of June 30, 2012. 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:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Capital projects and repair reserves	\$ 29,672,750	\$ 25,248,534
Auxiliary enterprises	1,361,891	1,361,891
Designated for departmental use	14,300,721	12,813,969
Amount obligated by contractual commitments	62,885	88,668
Undesignated	1,906,811	1,880,506
Total unrestricted net position	<u>\$ 47,305,058</u>	<u>\$ 41,393,568</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE J - COMMITMENTS AND CONTINGENCIES

The amount of funding required to complete construction in progress will come from the General Revenue Bond proceeds, institutional resources, and gifts. The costs to complete significant construction in progress at June 30, 2013 approximate \$23,440,000.

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.

The University has entered into lease agreements with the State Building Authority (SBA) and the State of Michigan during prior fiscal years for Science East and West Buildings, Zahnnow Library, West Complex, 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 the 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.

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 approximately \$959,000 of administrative support to the Foundation during fiscal 2013 and \$920,000 of support during fiscal 2012. These amounts were recorded as gifts and expenses in the Statements of Activities and Change in Net Assets. The Foundation transferred \$2,766,999 to the University during fiscal 2013 and \$2,340,691 during fiscal 2012. 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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE K - SUPPORT ORGANIZATIONS
(continued)

As of June 30, 2013 the market values of three of the Foundation's 288 endowments were below the gift value compared to twelve endowments below their gift value at June 30, 2012. Therefore, some of the endowments did not distribute for one or more of the quarters during fiscal 2013 and 2012.

The Foundation classifies the original value of any gifts donated to a permanent endowment as permanently restricted net assets and any subsequent investment returns, realized or unrealized, as temporarily restricted or unrestricted net assets.

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.

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. University contributions for the years ended June 30, 2013 and 2012 approximated \$5,950,000 and \$5,756,000, respectively, with annual covered payroll for participants of the plan approximating \$49,581,000 in 2013 and \$47,965,000 in 2012. 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 - EXPENDITURES BY NATURAL CLASSIFICATION

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2013:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 29,598,258	\$ 9,487,357			\$ 2,876,448		\$ 41,962,063
Research	405,735	98,894			335,702		840,331
Public service	611,088	201,802			1,213,700		2,026,590
Academic support	7,791,582	2,565,827			4,095,834		14,453,243
Student services	3,647,637	1,446,703		\$ 13,240	2,298,728		7,406,308
Institutional support	7,048,723	2,699,051			4,962,895		14,710,669
Operations and maintenance of plant	4,498,784	2,080,667		2,249,711	3,906,768		12,735,930
Depreciation						\$ 13,943,773	13,943,773
Student aid	246,688	61	\$ 8,267,984		33,640		8,548,373
Auxiliary enterprises	4,586,637	1,467,173		1,060,483	7,581,410		14,695,703
Total	\$ 58,435,132	\$ 20,047,535	\$ 8,267,984	\$ 3,323,434	\$ 27,305,125	\$ 13,943,773	\$ 131,322,983

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2012:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 28,757,541	\$ 9,031,071			\$ 2,745,161		\$ 40,533,773
Research	418,693	99,023		\$ 3,557	304,962		826,235
Public service	585,550	192,646			1,343,690		2,121,886
Academic support	7,558,838	2,455,653			3,780,916		13,795,407
Student services	3,355,488	1,277,892		10,663	2,107,955		6,751,998
Institutional support	6,947,254	2,607,928			4,299,274		13,854,456
Operations and maintenance of plant	4,390,907	1,986,889		2,409,395	3,376,240		12,163,431
Depreciation						\$ 13,554,858	13,554,858
Student aid	253,022	149	\$ 9,106,722		95,328		9,455,221
Auxiliary enterprises	4,512,779	1,443,859		1,107,203	7,677,142		14,740,983
Total	\$ 56,780,072	\$ 19,095,110	\$ 9,106,722	\$ 3,530,818	\$ 25,730,668	\$ 13,554,858	\$ 127,798,248