Agendum
Oakland University
Board of Trustees Formal Session
October 3, 2022

FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021
A Recommendation

1. **Division and Department:** Finance and Administration, Controller's Office

2. **Introduction:** The Financial Statements, June 30, 2022 and 2021 for Oakland University (University) have been completed (Attachment A).

The audit opinion of Plante & Moran P.L.L.C. (P&M) states, in part, "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oakland University as of June 30, 2022 and 2021, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America."

P&M's Board of Trustees Letter (Attachment B) summarizes the audit engagement and required communications. P&M's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Attachment C).

Representatives from P&M presented the Financial Statements in draft form to the Board of Trustees' (Board) Audit Committee at the Committee's October 3, 2022 meeting. The Audit Committee unanimously recommended the Financial Statements be presented to the Board at their next formal session.

3. **Previous Board Action:** As a result of a competitive bid process, the public accounting firm of Plante & Moran was appointed by the Board on February 13, 2017, and reappointed on April 9, 2018, April 8, 2019, April 6, 2020, April 12, 2021, and April 14, 2022.

4. **Budget Implications:** The annual financial audits are budgeted for in the General Fund. No budget variances have occurred or are expected.

5. **Educational Implications:** None.

6. **Personnel Implications:** None.

7. **University Reviews/Approvals:** The Financial Statements were prepared by the Controller's Office and reviewed by the Interim Vice President for Finance and Administration, and President, audited by P&M, and presented to the Board's Audit Committee at its October 3, 2022 meeting.

8. <u>Recommendation:</u>

RESOLVED, that the Board of Trustees accepts the Financial Statements, June 30, 2022, and 2021, which were audited by the Board of Trustees' public accounting firm, Plante & Moran P.L.L.C.

9. <u>Attachments:</u>

A. Financial Statements, June 30, 2022 and 2021
B. Board of Trustees Letter dated October 3, 2022
C. Government Auditing Standards Report on Internal Controls dated October 3, 2022

Submitted to the President
on 9/29, 2022 by

James L. Hargett, CPA
Interim Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 9/29, 2022
to the Board of Trustees for Approval by

Ora Hirsch Pescovitz, M.D.
President

Reviewed by: 9/29/22

Joshua D. Merchant, Ph.D.
Chief of Staff and
Secretary to the Board of Trustees

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Independent Auditor's Report

To the Board of Trustees
Oakland University

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oakland University (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

To the Board of Trustees
Oakland University

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 October 3, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

October 3, 2022

Introduction
Following is Management's Discussion and Analysis of the financial activities of Oakland University (University, Oakland or OU) for the fiscal year ended June 30, 2022 with selected comparative information for the years ended June 30, 2021 and 2020.

The University is a state-supported institution offering a diverse set of academic programs, from baccalaureate to doctoral levels, as well as programs in continuing education. The University is recognized as one of the country's 133 doctoral/high research activity (R2) universities by the Carnegie Foundation for the Advancement of Teaching. The University currently offers 146 baccalaureate degree programs and 134 graduate and certificate programs. The University's student-centered education offers students opportunities to work directly on research projects with expert faculty who bring current knowledge into the classroom.

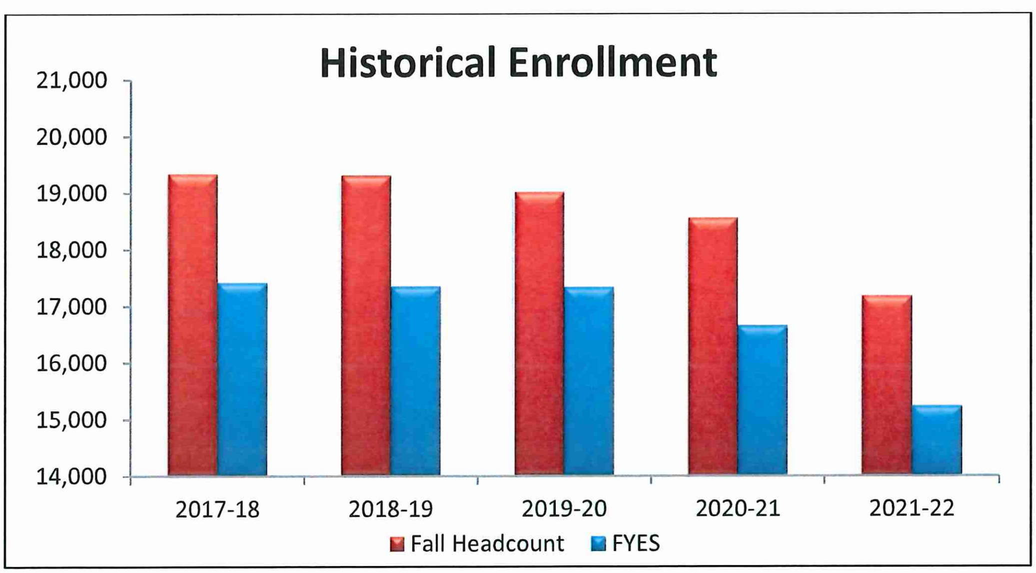
The University is considered a component unit of the State of Michigan (State). Accordingly, the University's financial statements are included in the State's annual comprehensive financial report.

This analysis is designed to focus on current financial activities; it should be read in conjunction with the University's financial statements and footnotes to the financial statements. This discussion, financial statements, and related footnotes have been prepared by and are the responsibility of University management.

Fiscal Year 2022 Enrollment and Operations Highlights

- In fiscal year 2022, student headcount enrollment for the fall 2021 semester decreased by 7.4% to 17,170. Undergraduate enrollment was 13,771 (80%) and graduate enrollment was 3,399 (20%). In fiscal year 2021, student headcount enrollment for the fall 2020 semester decreased 2.4% to 18,552. Undergraduate enrollment was 15,100 (81%) and graduate enrollment was 3,452 (19%). The enrollment decreases are attributable to the combined effect of an anticipated decline in high school graduates from Michigan and the COVID-19 pandemic. Projections indicate a continual decline of high school graduates through 2030. Enrollment for higher education institutions have also declined across the industry as a direct result of the pandemic.

- Enrollment based on Fiscal Year Equated Students (FYES) decreased 8.5% to 15,228 and 3.9% to 16,648 for fiscal years 2022 and 2021 respectively. A five-year summary of historical enrollment is presented below.



- In October 2021, it was announced that Oakland University will receive a $1 million gift to support scholarships for academically exceptional high school graduates. The gift, made by Oakland University President Ora Hirsch Pescovitz, will be administered by OU's Honors College with the goal of fostering scholarly work and leadership skills of the next generation of community, civic and business leaders. The newly named Pescovitz Presidential Scholarship program provides direct scholarship support for students enrolling beginning fall 2022, and creates an endowment for scholarships in perpetuity.

- In December 2021, the Oakland University Board of Trustees approved the creation of a new Master of Physician Assistant Science graduate degree program within the Department of Clinical and Diagnostic Sciences in the School of Health Sciences. Collaborating with regional health system partners, Oakland University plans to launch the first cohort of the Master of Physician Assistant Science in the fall of 2023.

- In December 2021, the Talent Development Coalition, one of many Oakland University-Pontiac Initiatives, received their third grant at Oakland University. The $200,000 in state funding will be used to create a pipeline of Pontiac and local students so they can enter the many skilled jobs, apprenticeships and/or college programs.

- In January 2022, Oakland University Professor Ilias Cholis was awarded a $60,000 grant from the United States Department of Energy Office of Science in support of his research on dark matter. The project, titled "Searching for Dark Matter Signals in Cosmic-Ray and Gamma-Ray Observations," aims to make use of astrophysical observations at high energies in gamma rays and cosmic rays to probe the nature of dark matter. The grant will also provide funding to support the addition of an OU graduate student to the research team, which already includes three undergraduate physics students who are involved in various aspects of the project.

- In March 2022, Oakland University President Ora Hirsch Pescovitz and Oakland County Executive David Coulter agreed to a new partnership that draws on faculty expertise and students to play a prime role in the county's unfolding sustainability plan. The county plans to integrate newly formulated sustainability practices into the maintenance of county buildings, parks and public spaces. In collaboration with Oakland University, talented faculty and students will provide research and environmental analysis that supports the county's overall sustainability plan.

- In April 2022, the Oakland University Board of Trustees approved the purchase of 18 acres of property two miles west of the main campus. That property contains a 141,245 square-foot building that had previously been used by Baker College. While the main University campus is within both Auburn Hills and Rochester Hills, this parcel of property just two miles down the road is located in both Auburn Hills and Pontiac. One benefit of the new location is an eventual pull of students from the county seat. The building contains 70 classrooms, office space and conference rooms. The Master of Physician Assistant Science Program and the School of Education and Human Services will be among the many programs that will occupy the new facility.

- In May 2022, the Oakland University varsity Esports program reached new heights in only their second year of competition. The Golden Grizzlies Rocket League team has qualified for the Rocket League World Championships. This is the first major intercontinental competition for collegiate Rocket League teams and players. Oakland's Rocket League team is one of the top 10 teams in North America and a top 16 team in the world.

- In June 2022, Oakland University was selected by the Council of Graduate Schools to participate in a Master's Career Path Exit Survey project, which is designed to expand our understanding of how master's education across all fields prepares the STEM workforce. Oakland University was one of 10 schools chosen through a competitive grant application process to participate in this national project.

Overview of the Financial Statements
This annual report consists of financial statements which have been prepared in accordance with the "business-type" activities requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The fundamental objective of the financial statements is to provide an overview of the University's economic condition. The statements and their primary purpose are discussed below.

- <u>Statement of Net Position:</u> This statement presents information on the University's assets, deferred outflows, liabilities, deferred inflows, and net position (assets plus deferred outflows less liabilities and deferred inflows) as of the end of the fiscal year. Net position is displayed in four components – net investment in capital assets; restricted nonexpendable; restricted expendable; and unrestricted. Net position is one indicator of the current financial condition of the University, while the change in net position serves as a useful indicator of whether the financial position is improving or deteriorating.

- <u>Statement of Revenues, Expenses, and Changes in Net Position:</u> This statement presents the operating results of the University, as well as nonoperating revenues and expenses. The statement also presents information that shows how the University's net position has changed during the fiscal year.

- <u>Statement of Cash Flows:</u> This statement presents information about the University's cash receipts and cash payments during its fiscal year. Cash activities are classified in the following categories: operating activities, noncapital financing activities, capital financing activities, and investing activities.

The University's financial statements can be found on pages 16, 17, and 18 of this financial report.

Notes to the Financial Statements
The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The University's notes to the financial statements can be found on pages 19-49 of this financial report.

Required Supplemental Information
The required supplemental information provides additional information relative to the other postemployment benefit liability. The University's required supplemental information can be found on pages 50-51 of this financial report.

University Financial Statement Summaries

University Statements of Net Position

The University's net position is summarized in the following Condensed Statements of Net Position:

Condensed Statements of Net Position

	June 30,			%Change	%Change
	2022	**2021 (as restated)**	**2020**	**2022-2021**	**2021-2020**
		(in thousands)			
Assets					
Current assets, restated	**$ 113,707**	$ 86,797	$ 83,082	31%	4%
Capital assets, net	**621,312**	597,158	593,599	4%	1%
Other noncurrent assets	**371,277**	448,189	389,033	-17%	15%
Total assets	**1,106,296**	1,132,144	1,065,714	-2%	6%
Deferred outflows of resources	**11,631**	19,090	17,334	-39%	10%
Liabilities					
Current liabilities	**89,606**	74,475	73,061	20%	2%
Noncurrent liabilities	**428,138**	458,730	468,952	-7%	-2%
Total liabilities	**517,744**	533,205	542,013	-3%	-2%
Deferred inflows of resources	**19,922**	17,247	11,855	16%	45%
Net investment in capital assets	**258,727**	266,714	270,068	-3%	-1%
Restricted nonexpendable	**48,189**	44,996	35,829	7%	26%
Restricted expendable	**60,213**	71,236	51,387	-15%	39%
Unrestricted	**213,132**	217,836	171,896	-2%	27%
Total net position	**$ 580,261**	$ 600,782	$ 529,180	-3%	14%

The University's total assets were $1,106.3 million, $1,132.1 million, and $1,065.7 million at June 30, 2022, 2021, and 2020 respectively. The University's largest asset is its investment in capital assets, including land, land improvements, infrastructure, buildings, equipment, library acquisitions, and construction in progress. Capital assets represent 56%, 53%, and 56% of the University's total assets at June 30, 2022, 2021 and 2020, respectively. Capital expenditures totaled $51.0 million in 2022, $31.4 million in 2021, and $13.6 million in 2020. Included in capital expenditures for 2022 were $18.4 million for Varner Hall renovations, $10.9 million for Wilson Hall building expansion, $9.4 million for the renovation of a new off-campus research facility, $2.0 million for high temperature hot water energy savings projects, and $1.5 million for South Foundation Hall renovation. Additional capital expenditures of $8.8 million include other campus enhancement projects. Depreciation expense was $26.9 million in 2022, $27.5 million in 2021, and $27.9 million in 2020. The financial statements for the year ended June 30, 2021 have been restated in order to adopt GASB Statement No. 87. The adoption of GASB 87 is further described in Note 1.

Current assets consist primarily of cash and cash equivalents and receivables due within one year. Cash and cash equivalents increased $26.9 million to $79.4 million at June 30, 2022 largely due to an increase in sales of investments and a decrease in supplier payments. Pledges receivable decreased $0.7 million due to an increase in pledge payments.

Other noncurrent assets consist primarily of restricted cash and cash equivalents, endowment investments, other long-term investments and capital assets. Restricted Cash decreased $33.3 million for bond proceeds spent due to major construction related expenditures during the year. Endowment investments were $124.9 million at June 30, 2022, $147.1 million at June 30, 2021, and $109.0 million at June 30, 2020. The decrease in the endowment fair market value was due to market declines. The total returns, net of fees, on the University's endowment investments were -15.1% for 2022, 30.7% for 2021, and 4.3% for 2020. Other long-term investments were $190.9 million at June 30, 2022, $210.6 million at June 30, 2021, and $167.7 million at June 30, 2020, and include fixed income and equity securities. The decrease is primarily attributed to market declines. The total return on the University's other long-term investments was -4.6% for 2022, 6.8% for 2021, and 2.2% for 2020, net of fees. The University's investments are being managed according to Board policies.

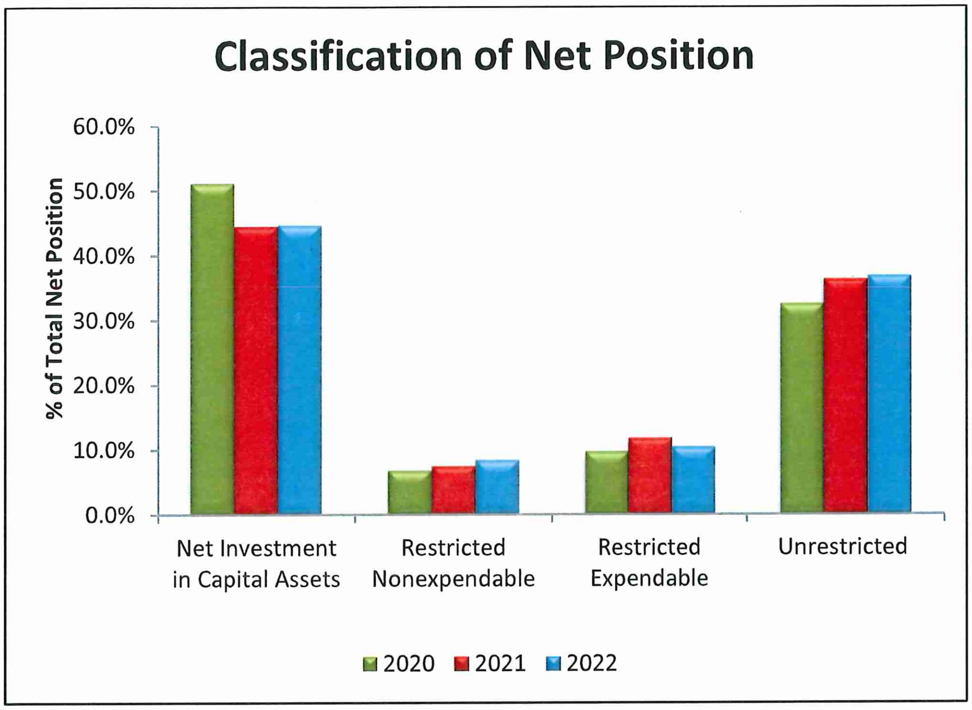
All investments held by the University can be liquidated to cash within 90 days or less without incurring additional fees, with the exception of the private equity holding and hedge funds.

Deferred outflows of resources were $11.6 million at June 30, 2022, $19.1 million at June 30, 2021, and $17.3 million as of June 30, 2020. Deferred outflows of resources consists of the accumulated change in fair value of the 2008 Swap, early extinguishment of debt, the deferral of swap termination costs for the 2001 Bonds, and changes to the University's retiree health care plan for postemployment benefits in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The decrease in the deferred outflows of resources is primarily due to the $3.6 million change in the fair market value of the 2008 Swap, $2.2 million change in the early extinguishment of debt, and a $1.6 million decrease to the retiree health care valuation.

The University's total liabilities were $517.7 million at June 30, 2022, $533.2 million at June 30, 2021, and $542.0 million at June 30, 2020. Current liabilities consist primarily of accounts payable, accrued expenses, current portion of long-term liabilities, current portion of other postemployment benefits, and unearned revenue. The $15.1 million increase in current liabilities is largely attributable to an increase in accounts payable due to an increase in construction activity compared to 2021. Noncurrent liabilities are comprised primarily of bonds and notes payable and represent 82.7% of the University's total liabilities as of June 30, 2022, 86% as of June 30, 2021, and 87% as of June 30, 2020. Noncurrent long-term liabilities decreased by $30.6 million primarily due to a $18.5 million decrease in long term liabilities related to bond principal payments and amortization of bond premiums; $6.8 million decrease in other postemployment benefits (OPEB) as a result of actuarial analysis used to determine the cost of the current retiree health insurance benefit program; $3.6 million decrease in derivative instruments consisting of the accumulated change in fair value of the 2008 Swap; and $1.7 million decrease in unearned revenue.

Deferred inflows of resources were $19.9 million as of June 30, 2022, $17.2 million as of June 30, 2021, and $11.9 million as of June 30, 2020. Deferred inflows of resources consist of $9.7 million in OPEB assumptions in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; $7.4 million is held in irrevocable split-interest agreements in accordance with GASB Statement No. 81, *Irrevocable Split Interest Agreements*, $4.5 million of which is held by a third party in which the University has a beneficial interest; and $2.8 million in recognition of leases in accordance with GASB Statement No. 87 *Leases*.

The following graph shows net position by classification and restriction:



The University's net position consists of net investment in capital assets, restricted and unrestricted. Restricted expendable net position represents assets whose use is restricted by a party independent of the University, including restrictions related to grants, contracts, and gifts. Restricted nonexpendable net position consists of gifts that have been received for endowment purposes. Unrestricted net position represents assets of the University that have not been restricted by parties independent of the University.

Unrestricted net position includes funds the Board and University 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 the end of the fiscal year.

The following summarizes the internal designations of unrestricted net position:

	June 30,	
	2022	**2021**
	(in thousands)	
Auxiliary enterprises	**$ 3,804**	$ 2,725
Capital projects and repair reserves	**69,233**	55,772
Funds designated for departmental use	**64,581**	54,147
Funds functioning as endowments	**22,834**	26,628
Gifts and investment income reserves	**47,404**	61,981
Retirement and insurance reserves	**(4,227)**	1,193
Encumbrances and carry forwards	**9,503**	15,390
Total Unrestricted Net Position	**$ 213,132**	$ 217,836

Auxiliary enterprises consist of the operating fund balances at year end for the various auxiliary units, the largest of which are University Housing, Meadow Brook Estate, Golf & Learning Center, and Oakland Center.

Capital projects and repair reserves consist of the unexpended portion of ongoing capital projects, reserves for plant renewal, and bond sinking funds. The increase is primarily due to an increase in active university funded projects at year end.

Funds designated for departmental use consist of specific projects earmarked by various departments. The increase is primarily due to increased revenue with the School of Medicine combined with conservative spending throughout the university this year.

Funds functioning as endowments were created by the Board utilizing University resources. These funds are invested in the endowment pool to achieve long-term growth. The funds consist of endowments for scholarships, excellence in teaching and research, and deferred plant renewal. The decrease was due to a -15.1% loss on endowment investments this year.

Gifts and investment income reserves include the University's unrestricted gifts, and realized and unrealized investment income reserves. The decrease was due to a -4.6% loss on working capital investments this year.

Retirement and insurance reserves include the University's reserves and liability recorded for OPEB. The University follows GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The actuarially determined liability at June 30, 2022 was $32.9 million. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately $27.2 million, earnings from which will be used to offset annual postemployment contributions.

The retirement and insurance balance also includes reserves for unemployment and workers' compensation for which the University is self-insured.

Encumbrances represent financial commitments (i.e. purchase orders) for which the ordered items have not been received or paid by fiscal year end. Carryforwards are funds for departmental use in the upcoming fiscal year for which financial commitments have not been executed but have been planned.

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

The University's revenues, expenses, and changes in net position are summarized in the following Condensed Statements of Revenues, Expenses, and Changes in Net Position:

Condensed Statements of Revenues, Expenses, and Changes in Net Position	2022	2021	2020	% Change 2022-2021	% Change 2021-2020
		(in thousands)			
Operating revenues					
Net tuition	**$ 197,548**	$ 208,034	$ 215,415	-5%	-3%
Grants and contracts	**14,797**	9,503	10,143	56%	-6%
Departmental activities	**18,487**	11,912	11,729	55%	2%
Auxiliary activities, net	**32,301**	20,988	30,434	54%	-31%
Other	**305**	104	559	193%	-81%
Total operating revenues	**263,438**	250,541	268,280	5%	-7%
Operating expenses	**371,493**	338,061	346,830	10%	-3%
Operating loss	**(108,055)**	(87,520)	(78,550)	23%	11%
Nonoperating revenues (expenses)					
State appropriations	**56,098**	53,413	47,476	5%	13%
Gifts	**6,800**	7,593	5,391	-10%	41%
Investment income, net	**(32,423)**	50,574	11,598	-164%	336%
Interest expense	**(14,810)**	(15,252)	(15,568)	-3%	-2%
Pell grants	**20,324**	21,853	23,307	-7%	-6%
Federal grants	**48,313**	28,084	6,065	72%	363%
Other	**118**	(133)	111	-189%	-220%
Net nonoperating revenues	**84,420**	146,132	78,380	-42%	86%
Income (loss) before other revenues	**(23,635)**	58,612	(170)	-140%	34578%
Capital grants and gifts	**170**	3,991	43	-96%	9181%
Additions to permanent endowments	**2,944**	8,999	2,616	-67%	244%
Total other revenues	**3,114**	12,990	2,659	-76%	389%
Increase (decrease) in net position	**(20,521)**	71,602	2,489	-129%	2777%
Net position					
Beginning of year	**600,782**	529,180	526,691	14%	0%
End of year	**$ 580,261**	$ 600,782	$ 529,180	-3%	14%

Operating revenues were $263.4 million in 2022, $250.5 million in 2021, and $268.3 million in 2020. The $12.9 million, or 5%, increase in 2022 over 2021 was largely due to an $11.3 million increase in Auxiliary revenue, $6.6 million increase in Departmental activities, and $5.3 million increase in grants and contracts primarily the result of increased campus activity due to relaxed pandemic restrictions. The increase was offset by a $10.5 million decline in Net tuition revenue resulting from the impact of COVID-19 combined with enrollment decreases attributable to a decline in high school graduates from Michigan. The $17.7 million, or 7%, decrease in 2021 over 2020 was largely due to a $9.4 million decrease in Auxiliary revenue, and a $7.4 million decline in Net tuition revenue resulting from the impact of COVID-19 combined with a tuition rate freeze for the academic year beginning Fall 2020.

In fiscal year 2022, the University experienced a $32.4 million Investment loss as a result of market conditions. This decline is comprised of -$13.7 million, a -4.6% rate of return, in University pooled working capital investments and -$18.7 million, a -15.1% rate of return, in the endowment investments. In fiscal year 2021, the University earned $50.6 million in net investment income. This growth is comprised of $18.6

million, a 6.8% rate of return, in University pooled working capital investments and $32.0 million, a 30.7% rate of return, in the endowment investments.

Operating expenses were $371.5 million in 2022, $338.1 million in 2021, and $346.8 million in 2020. The operating expense increase of 10% in 2022 over 2021 primarily resulted from an increase in auxiliary activities, student aid, student services, academic support, and research as a result of increased campus activity due to relaxing of COVID-19 restrictions. The operating expense decrease of 3% in 2021 over 2020 primarily resulted from a reduction in auxiliary activities, student services, academic support and institutional support as a result of cost saving measures implemented due to the pandemic. The decrease was offset by an increase in instruction and student aid expenses incurred due to contractual agreements and increased costs related to the shift to a remote learning environment.

A breakdown of the University's operating expenses by functional classification follows:

University Operating Expenses

	2022	**2021**	**2020**	**% Change 2022-2021**	**% Change 2021-2020**
		(in thousands)			
Education and general					
Instruction	**$ 132,865**	$ 132,148	$ 125,579	1%	5%
Research	**12,484**	8,960	9,195	39%	-3%
Public service	**3,739**	3,576	4,321	5%	-17%
Academic support	**53,908**	50,289	52,774	7%	-5%
Student services	**34,276**	29,749	33,320	15%	-11%
Institutional support	**26,013**	25,543	27,802	2%	-8%
Operations and maintenance of plant	**23,026**	19,458	18,620	18%	5%
Depreciation	**26,857**	27,508	27,921	-2%	-1%
Student aid	**27,031**	17,260	15,601	57%	11%
Total education and general	**340,199**	314,491	315,133	8%	0%
Auxiliary activities	**31,294**	23,570	31,697	33%	-26%
Total operating expenses	**$ 371,493**	$ 338,061	$ 346,830	10%	-3%

Education and general expenses increased 8% in 2022 over 2021 and decreased slightly in 2021 over 2020. The increase was mainly attributable to an increase in travel and purchase of supplies and services as a result of increased campus activity after the relaxing of COVID-19 restrictions.

Instruction for 2022 increased slightly and continues to support changes to the delivery of instruction implemented during the coronavirus pandemic. Student Aid increased $9.8 million due to the University's commitment to support students during the pandemic. Additional increases in Student Services of $4.5 million; Academic Support of $3.6 million; and Operations and maintenance of plant of $3.6 million are largely due to an increase in travel, supplies and services.

Instruction for 2021 increased by $6.6 million largely due to $6.2 million to cover costs associated with significant changes to the delivery of instruction due to the coronavirus pandemic. The decreases in Student Services of $3.6 million; Academic Support of $2.5 million; and Institutional Support of $2.3 million are largely due to a decrease in travel, supplies and services. These decreases were offset by a $1.7 million increase in Student Aid over 2020 due to the University's commitment to support students during the pandemic.

The University's operating loss was $108.1 million in 2022, $87.5 million in 2021, and $78.6 million in 2020. Offsetting these losses were net nonoperating revenues of $84.4 million 2022, $146.1 million in 2021, and $78.4 million in 2020.

Nonoperating revenue is largely comprised of State appropriations and, as reflected in the State's approved appropriations bills, was $56.1 million in 2022, $53.4 million in 2021, and $47.5 million in 2020. The increase over 2021 is due to a one-time operational support payment of $2.1 million included as part of the 2021-2022 State of Michigan budget bill and recognized in fiscal year 2022.

Nonoperating revenues also include $20.3 million from Federal Pell Grants in 2022. Pell Grant revenue for 2021 and 2020 was $21.8 million and $23.3 million, respectively.

Nonoperating revenues also include Federal Grants of $48.3 million largely due to the Coronavirus Aid, Relief, and Economic Security Act (CARES), including the Coronavirus Relief Funds passed through from the State, and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) funding related to COVID-19 expenses incurred by the University during 2022. The funding provided grants to eligible students and support for incremental institutional expenditures and lost revenue incurred due to the coronavirus. Funds distributed to qualified students in 2022, 2021 and 2020, was $19.8 million, $8.0 million, and $5.8 million, respectively.

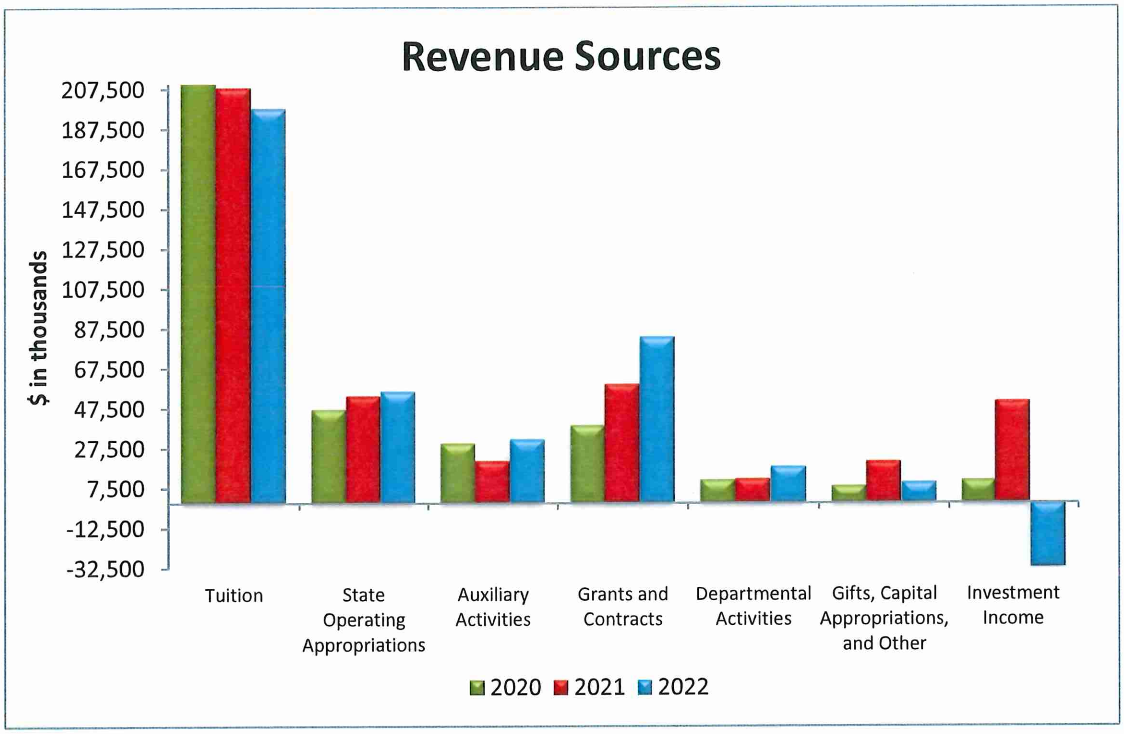
Other revenues primarily consist of $3.1 million of permanent endowments and gifts.

Net position decreased $20.5 million during 2022 and is primarily attributed to a $32.4 million investment loss, a $10.5 million decline in tuition revenue, a $9.8 million increase in scholarship allowances, a $6.1 million decline in additions to permanent endowments, a $4.5 million increase in student services provided, a $3.6 million increase in academic support, and a $3.8 million decline in capital gifts. The decrease was offset by $48.3 million in federal grants and a $2.1 million one-time operational support payment provided by the State of Michigan as part of the 2022 state appropriations.

Net position increased $71.6 million during 2021 and is primarily attributed to nonoperating activities including $50.6 million of investment income, $7.6 million in gifts, $9.0 million of additions to permanent endowments, $5.9 million increase in state appropriations, and $4.0 million in capital gifts and grants. This increase was offset by a $7.4 million decline in tuition revenue.

Net position increased $2.5 million during 2020 and is primarily attributed to nonoperating activities including $11.6 million of investment income, $5.4 million in gifts, and $2.6 million of additions to permanent endowments. This increase was offset by a $5.9 million decrease in state appropriations, $5.3 million decrease in auxiliary activity primarily due to student housing COVID-19 refunds, and a $3.2 million increase in scholarship allowances, and a $1.9 million increase in depreciation.

A graphic illustration of each revenue source is as follows:



University Statements of Cash Flows

The University's cash flows are summarized in the following Condensed Statements of Cash Flows:

Condensed Statements of Cash Flows

	2022	2021	2020
		(in thousands)	
Cash from			
Operating activities	**$ (70,855)**	$ (71,979)	$ (46,925)
Noncapital financing activities	**133,705**	113,626	91,611
Capital financing activities	**(78,691)**	(49,146)	54,238
Investing activities	**9,494**	(29,707)	13,832
Net change in cash and cash equivalents	**(6,347)**	(37,206)	112,756
Cash and cash equivalents			
Beginning of year	**132,166**	169,372	56,616
End of year	**$ 125,819**	$ 132,166	$ 169,372

The primary cash receipts from operating activities consist of tuition, auxiliary activities, and grant and contract revenues. Cash disbursements primarily include salaries and wages, benefits, supplies, utilities, and scholarships. The increase in net cash from operating activities is primarily the result of an increase in auxiliary activities that were more than the increases in payments to employees and suppliers.

Noncapital financing activities include State appropriation cash receipts of $56.0 million in 2022, $47.5 million in 2021, and $53.3 million in 2020; Pell Grants totaling $20.3 million in 2022, $21.8 million in 2021, and $23.1 million in 2020; Federal COVID-19 relief grants totaling $49.8 million in 2022, $26.9 million in 2021, and $5.8 million in 2020; and gift cash receipts of $9.0 million in 2022, $16.4 million in 2021, and $9.1 million in 2020.

Capital financing activities for 2022 include the issuance of the 2022A Bonds for $32.1 million with a $5.3 million premium, the refunding of the 2012 Bonds for $36.8 million, capital expenditures of $49.4 million and debt service payments in the amount of $30.6 million. Cash disbursements for capital expenditures in 2022 included $15.1 million in Varner Hall renovations; $12.3 million for Wilson Hall building expansion; $7.3 million in OU Research Facility renovations; $2.2 million in high temperature hot water energy savings projects; $0.8 million for South Foundation Hall expansion; $0.8 million for Sharf Patio expansion; $5.3 million and $0.1 million in equipment and library books respectively; and $5.5 million in various infrastructure and building improvements and repairs.

Capital financing activities for 2021 include capital expenditures of $20.7 million. Cash disbursements for capital expenditures in 2021 included $4.0 million for the purchase of an off campus research facility, $2.6 million for Fitzgerald House renovations, $3.8 million for Wilson Hall building expansion, $2.3 million for Dodge Hall and Varner Hall renovations, and $1.8 million for high temperature hot water energy savings projects, and $6.1 million and $0.1 million in equipment and library books respectively.

Capital financing activities for 2020 include the issuance of the 2019 Bonds for $79.0 million with an $18.1 million premium, debt service payments in the amount of $27.8 million, and capital expenditures of $16.1 million. Cash disbursements for capital expenditures in 2020 included $2.3 million in Ann V. Nicholson building renovations; $1.3 million in South Foundation Hall Expansion; $0.5 million for Wilson Hall Renovations; $0.5 million for Dodge Hall renovations; $0.5 million in East Campus IT Hub; $0.3 million for Vandenberg Hall renovations; $0.2 million for Hillcrest Hall; $3.8 million and $0.2 million in equipment and library books respectively; and $6.5 million in various infrastructure and building improvements and repairs.

Cash from investing activities is due to the timing variations of purchases, sales, and investment income.

Commitments

The estimated costs to complete construction projects in progress is $103.6 million as of June 30, 2022, due in large part to the construction costs associated with the renovation of South Foundation Hall in the amount of $41.1 million, Varner Hall in the amount of $25.5 million, Oakland West Campus building for $15.7 million, Research Facility renovations for $6.9 million, Meadow Brook Hall Visitor Center for $5.3 million, Wilson Hall expansion for $1.4 million, Elliot Hall renovation for $0.9 million, and various campus enhancement projects totaling $6.8 million. The South Foundation Hall project is anticipated to be funded from the State Capital Outlay for $30.0 million, $10.0 million from the 2019 Bonds, and $4.2 million from University resources. The Varner Hall renovation and Wilson Hall expansion will be funded from the 2019 Bonds. The various other campus enhancements are funded from University resources.

University Credit Rating
On March 10, 2022, Moody's Investors Service reaffirmed the University's underlying credit rating as A1 - Stable.

Deferred Plant Renewal
The University annually surveys campus to identify deferred plant renewal, adding new items and deleting items that were addressed during the year. Each year, general revenues are allocated to address deferred plant renewal items. In addition, the University has established a quasi-endowment that provides investment earnings that are used to address deferred plant renewal needs.

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

- Enrollment Management
- Demographics, including number of high school graduates
- Stability of State appropriations (including floor funding)
- Increased globalization and mobilization of student population
- New program growth and development
- New and emergent technologies
- Productivity improvements
- Inflationary and supply chain pressures

Oakland University
Statements of Net Position
June 30, 2022 and 2021

	2022	2021 (as restated)
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$ **79,416,548**	$ 52,451,979
Accounts receivable, net (Note 3)	**15,741,374**	15,348,434
Leases receivable (Note 4)	**529,458**	508,504
Appropriations receivable (Note 5)	**9,820,524**	9,711,542
Pledges receivable, net (Note 6)	**1,286,105**	2,014,875
Inventories	**1,865,833**	1,655,940
Deposits and prepaid expenses	**4,673,926**	4,781,309
Student loans receivable, net (Note 7)	**373,242**	324,558
Total current assets	**113,707,010**	86,797,141
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	**46,402,794**	79,713,544
Endowment investments (Note 2)	**124,893,354**	147,144,540
Other long-term investments (Note 2)	**190,861,573**	210,643,078
Leases receivable (Note 4)	**2,355,433**	2,884,891
Pledges receivable, net (Note 6)	**978,935**	1,133,855
Student loans receivable, net (Note 7)	**652,227**	628,758
Beneficial interest in assets held by others (Note 16)	**4,536,471**	5,456,482
Capital assets, net (Note 9)	**621,311,927**	597,157,981
Other assets (Note 11)	**596,514**	583,295
Total noncurrent assets	**992,589,228**	1,045,346,424
Total assets	**1,106,296,238**	1,132,143,565
Deferred outflows of resources (Note 12)	**11,631,421**	19,090,269
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	**36,174,247**	23,322,127
Accrued payroll	**12,107,649**	10,573,528
Long-term liabilities - current portion (Note 13)	**16,909,366**	16,425,238
Other postemployment benefits - current portion (Note 14)	**1,482,718**	1,829,202
Unearned revenue	**19,192,143**	18,824,213
Deposits	**3,740,458**	3,501,319
Total current liabilities	**89,606,581**	74,475,627
Noncurrent liabilities		
Unearned revenue	**5,973,208**	7,657,002
Derivative instruments - swap liability (Note 8)	**2,694,818**	6,311,514
Long-term liabilities (Note 13)	**388,076,962**	406,555,302
Other postemployment benefits (Note 14)	**31,392,841**	38,205,994
Total noncurrent liabilities	**428,137,829**	458,729,812
Total liabilities	**517,744,410**	533,205,439
Deferred inflows of resources (Note 16)	**19,921,761**	17,246,563
Net position		
Net investment in capital assets	**258,727,503**	266,713,753
Restricted:		
Nonexpendable	**48,189,477**	44,996,261
Expendable:		
Research and gifts	**39,486,080**	36,781,154
Quasi and term endowments	**19,947,728**	33,955,803
Debt service and capital projects	**427,579**	177,171
Student loans	**351,519**	321,221
Unrestricted	**213,131,602**	217,836,469
Total net position	$ **580,261,488**	$ 600,781,832

The accompanying notes are an integral part of these financial statements.

Oakland University
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2022 and 2021

	2022	2021
Operating revenues		
Tuition (net of scholarship allowances of $66,917,683 in 2022 and $69,004,317 in 2021)	$ **197,547,887**	$ 208,034,256
Federal grants and contracts	**11,924,223**	7,502,214
State, local, and private grants and contracts	**2,872,934**	2,000,229
Departmental activities	**18,486,940**	11,912,062
Auxiliary activities (net of scholarship allowances of $5,067,776 in 2022 and $3,777,370 in 2021)	**32,301,662**	20,987,667
Other operating revenues	**304,754**	104,167
Total operating revenues	**263,438,400**	250,540,595
Operating expenses		
Education and general		
Instruction	**132,864,942**	132,148,598
Research	**12,484,109**	8,959,876
Public service	**3,738,974**	3,575,647
Academic support	**53,908,255**	50,289,611
Student services	**34,275,839**	29,748,812
Institutional support	**26,012,861**	25,542,981
Operations and maintenance of plant	**23,026,605**	19,457,725
Depreciation	**26,856,910**	27,508,081
Student aid	**27,031,055**	17,259,710
Auxiliary activities	**31,293,939**	23,569,996
Total operating expenses (Note 19)	**371,493,489**	338,061,037
Operating loss	**(108,055,089)**	(87,520,442)
Nonoperating revenues (expenses)		
State appropriations (Note 5)	**56,097,700**	53,413,500
Gifts	**6,800,781**	7,592,687
Investment income (net of investment expenses of $646,014 in 2022 and $549,482 in 2021)	**(32,423,004)**	50,573,999
Interest on capital asset related debt	**(14,810,224)**	(15,251,503)
Pell grants	**20,324,010**	21,852,812
Federal grants	**48,312,877**	28,083,595
Other	**118,289**	(132,985)
Net nonoperating revenues	**84,420,429**	146,132,105
Income (loss) before other revenues	**(23,634,660)**	58,611,663
Capital grants and gifts	**170,258**	3,991,249
Additions to permanent endowments	**2,944,058**	8,999,229
Total other revenues	**3,114,316**	12,990,478
Increase (decrease) in net position	**(20,520,344)**	71,602,141
Net position		
Beginning of year	**600,781,832**	529,179,691
End of year	$ **580,261,488**	$ 600,781,832

The accompanying notes are an integral part of these financial statements.

Oakland University
Statements of Cash Flows
June 30, 2022 and 2021

	2022	2021 (as restated)
Cash flows from operating activities		
Tuition	$ **194,801,030**	$ 202,912,851
Grants and contracts	**15,988,605**	7,836,646
Payments to suppliers	**(67,479,641)**	(66,324,401)
Payments to employees	**(237,644,381)**	(232,223,283)
Payments for scholarships and fellowships	**(27,031,055)**	(17,259,710)
Loans issued to students	**(245,103)**	(96,437)
Collection of loans from students	**165,805**	181,949
Federal direct lending receipts	**84,959,367**	94,671,638
Federal direct lending disbursements	**(84,959,367)**	(94,671,638)
Auxiliary enterprise charges	**32,182,096**	21,938,100
Other receipts	**18,407,724**	11,054,654
Net cash from operating activities (Note 20)	**(70,854,920)**	(71,979,631)
Cash flows from noncapital financing activities		
State appropriations	**55,988,718**	47,460,454
Gifts and grants for other than capital purposes	**76,426,428**	55,664,751
Endowment gifts	**1,290,543**	10,500,980
Net cash from noncapital financing activities	**133,705,689**	113,626,185
Cash flows from capital financing activities		
Proceeds from capital debt	**37,437,125**	-
Proceeds from leases	**624,549**	201,075
Purchases of capital assets	**(49,352,856)**	(20,726,559)
Principal paid on capital debt	**(49,036,833)**	(10,418,382)
Interest paid on capital debt	**(18,362,577)**	(18,201,789)
Net cash from capital financing activities	**(78,690,592)**	(49,145,655)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	**66,588,046**	52,199,374
Investment income	**11,087,706**	3,697,283
Purchase of investments	**(68,182,110)**	(85,603,803)
Net cash from investing activities	**9,493,642**	(29,707,146)
Net change in cash and cash equivalents	**(6,346,181)**	(37,206,247)
Cash and cash equivalents		
Beginning of year	**132,165,523**	169,371,770
End of year	$ **125,819,342**	$ 132,165,523

The accompanying notes are an integral part of these financial statements.

1. Organization, Basis of Presentation, and Significant Accounting Policies

Organization

Oakland University (University) is an institution of higher education and is considered to be a component unit of the State of Michigan (State). Its Board of Trustees (Board) is appointed by the Governor of the State. Accordingly, the University is included in the State's financial statements as a discretely presented component unit. Transactions with the State relate primarily to appropriations for operations, capital improvements and grants from various Federal and State agencies.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. The statements incorporate all fund groups utilized internally by the University. These 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 University follows the "business-type" activities requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These statements require the following components of the University's financial statements:

- Management's Discussion and Analysis
- Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows
- Notes to the financial statements

GASB Statements No. 34 and 35 establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following four net asset categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:

  Nonexpendable – Net position subject to externally imposed constraints which permanently restrict the University from expending such assets. Such assets include the University's permanent endowment funds.

  Expendable – Net position where use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

- Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties. Substantially all of the unrestricted net position is designated for academic, research, and outreach programs and initiatives, postemployment benefits, operating and stabilization reserves, capital projects and capital asset renewals, and replacements.

GASB Statements No. 34 and 35 also require the University to report revenues net of discounts and allowances. Gift and grant revenues are recognized at the later of the pledge date or when the eligibility requirement of the gifts and grants are met.

Significant Accounting Policies

Cash and Cash Equivalents
The University considers all investments with an original maturity of 90 days or less when purchased to be cash equivalents. Restricted cash and cash equivalents consists of unexpended bond proceeds which are restricted for use as noted in the bond documents.

Cash Flow Reporting
For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents includes restricted cash.

Investments
Investments are stated at fair value.

Inventories
Inventories are stated at actual cost. The 2022 inventory includes six homes in the Meadow Brook Subdivision owned by the University valued at $1,335,500. In 2021, there were six valued at $1,219,500.

Physical Properties
Physical properties are stated at cost or, if acquired by gift, at acquired value at the date of acquisition. A capitalization threshold of $5,000 is used for equipment. In addition, all equipment under a unit cost of $5,000 purchased in bulk for a newly constructed building is capitalized and depreciated over seven years. Depreciation is computed using the straight-line method over the estimated useful life of the property. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The costs of maintenance and repairs are expended as incurred. The University does not capitalize certain works of art or historical treasures that are held for exhibition, education, research or public service. The following are asset classifications and the respective estimated useful lives:

Classifications	Life
Buildings	40 years
Land improvements and infrastructure	20 years
Library acquisitions	10 years
Equipment and software	7 years

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

Deferred Outflows of Resources

The Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. Deferred outflows of resources consists of differences between expected and actual experiences in the OPEB valuation in addition to contributions remitted to the University's retiree health care plan after the measurement date of the plan, interest rate swap accumulated change in fair value, deferred amortization on refunding of debt, and the deferral of the swap termination cost for the 2001 Bonds.

Unearned Revenue

Unearned revenue consists primarily of summer semester tuition not earned during the current year and contractual advances.

Deferred Inflows of Resources

The Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. Deferred inflows of resources consists of other postemployment benefit (OPEB) assumption changes, beneficial interest in assets held by others, split interest agreements, and leasing arrangements.

Revenue Recognition

Operating revenues represent revenue earned from exchange transactions and consist of tuition, certain grants and contracts, departmental activities, auxiliary activities, and other miscellaneous revenues. Nonoperating revenues include State appropriations, gifts, certain grants, and investment income. When an expense is incurred for which both restricted and unrestricted net position are available, the University applies the restricted or unrestricted resources at its discretion.

Tuition revenue related to the summer semester is recognized in the fiscal year in which the semester is conducted.

Scholarship allowance is the difference between the stated charge for tuition and the amount paid by the student or third parties making payments on behalf of the student. Student financial aid such as fee waivers, Pell grants, and scholarship awards are considered to be scholarship allowances if used to pay tuition and room and board. These allowances are netted against tuition and auxiliary revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

Funds are appropriated to the University for operations by the State covering the State's fiscal year, October 1 through September 30. The appropriation is for the University's fiscal year ending June 30 and is considered earned when appropriated.

Bond Issuance Costs

Bond issuance costs are expensed when incurred.

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

Income Tax Status

The University is classified as a political subdivision of the State of Michigan under Section 115 of the Internal Revenue Code and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

Adoption of New Standards

During the year ended June 30, 2022, the University adopted GASB Statement No. 87, *Leases*, as amended by GASB No. 95, which improves accounting and financial reporting for leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University only has lessor arrangements. As a result, the University now includes a receivable for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 4. The financial statements for the year ended June 30, 2021 have been restated in order to adopt GASB Statement No. 87.

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

The effect of this new standard was as follows:

	Leases Receivable	
June 30, 2021 As previously reported	**GASB No. 87 Adoption**	**June 30, 2021 As restated**
-	$3,393,395	$3,393,395

	Deferred Inflow of Resources	
June 30, 2021 As previously reported	**GASB No. 87 Adoption**	**June 30, 2021 As restated**
$13,853,168	$3,393,395	$17,246,563

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the University's financial statements for the year ending June 30, 2022. The adoption of this guidance by the University did not have a material impact on the financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.

Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; Clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for the University's fiscal year ending June 30, 2020. All other requirements of this Statement are effective for the University's fiscal year ending June 30, 2022.

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

Impact of Global Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected. The University's operations were also impacted. Due to the continuance of "shelter-at-home" guidelines during fiscal year 2021, the University shifted to offering courses primarily online and in hybrid formats to optimize student learning, as well as to keep students, faculty, and staff as safe as possible. The University also had events cancelled or temporarily postponed which resulted in lost revenues for Oakland for the years ended June 30, 2022, 2021 and 2020. To offset the financial impact to students and the losses incurred by Oakland due to the disruption caused by COVID-19, the University received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security Act (CARES), The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and the American Rescue Plan Act (ARP). These grants are collectively referred to as Higher Education Emergency Relief Funds (HEERF) by the Department of Education. The University was allocated HEERF grants totaling $75.6 million with $33.6 million earmarked for direct student support, the remaining $42.0 million was granted to the University to defray expenses associated with the coronavirus. In addition, the University received Coronavirus Relief Fund (CRF) grants from the State of Michigan to replace a reduction in State appropriations for 2020. The University recognized HEERF and CRF revenue totaling $48.3 million, $28.1 million and $6.1 million for the years ended June 30, 2022, 2021 and 2020 respectively. The severity of the continued impact due to COVID-19 on the University's financial condition will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent of the impact on the University's community, all of which are uncertain and cannot be predicted.

2. Investments and Deposits with Financial Institutions

Operating cash is pooled into investments and deposits, which are uninsured and uncollateralized. This pool is administered according to the University's "Working Capital Management and Investment Policy." The University's working capital is divided into three investment groups: short-term, intermediate-term, and long-term investments. Short-term investments are immediately available for use and have an average maturity of one year or less. Intermediate-term investments are liquid within five business days or less and have an average maturity of no more than five years. Long-term investments are liquid within 20 business days or less and have average maturities over five years. The long-term investment asset class is limited to 30% of the total investment pool and includes equities. All investment classes are rated investment grade or better by at least one rating agency.

The working capital at June 30, 2022 does not involve any concentration of credit risk as investments in any one entity, except the United States Government or its agencies, may not exceed 5% of the total investment pool. For non-amortizing securities, the maturity of any single debt instrument shall not exceed 15 years. No more than 50% of equity and bond investments are assigned to a single investment manager.

2. Investments and Deposits with Financial Institutions (continued)

The University's working capital consists of the following as of June 30, 2022 and 2021:

		Investment Maturities (In Years)				
June 30, 2022	**Fair Market Value**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
University Working Capital						
Cash and Cash Equivalents	$ 79,416,548	$ 79,416,548	$ -	$ -	$ -	$ -
Commonfund						
Intermediate Bond Fund	54,441,668	7,529,283	42,845,592	3,299,165	767,628	-
High Quality Bond Fund	39,697,938	1,703,042	12,492,941	16,145,151	9,356,804	-
Contingent Asset Portfolio	39,279,964	14,682,851	18,410,519	4,242,236	1,944,358	-
Core Equity Fund	21,230,176	-	-	-	-	21,230,176
Strategic Equity Fund	36,186,256	-	-	-	-	36,186,256
Fidelity	25,571	-	-	-		25,571
Cash with Trustees	46,402,794	46,402,794	-	-	-	-
Operating investments	$ 316,680,915	$ 149,734,518	$ 73,749,052	$ 23,686,552	$12,068,790	$ 57,442,003

As Reported on the Statement of Net Position	
Cash and cash equivalents	$ 79,416,548
Restricted cash and cash equivalents	46,402,794
Other long-term investments	190,861,573
	$ 316,680,915

		Investment Maturities (In Years)				
June 30, 2021	**Fair Market Value**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
University Working Capital						
Cash and Cash Equivalents	$ 52,451,979	$ 52,451,979	$ -	$ -	$ -	$ -
Commonfund						
Intermediate Bond Fund	60,760,704	7,431,034	51,859,261	1,130,149	340,260	-
High Quality Bond Fund	41,856,950	2,515,603	21,162,874	9,175,043	9,003,430	-
Contingent Asset Portfolio	44,258,036	16,109,925	26,585,802	1,292,335	269,974	-
Core Equity Fund	25,527,909	-	-	-	-	25,527,909
Strategic Equity Fund	38,239,479	-	-	-		38,239,479
Cash with Trustees	79,713,544	79,713,544	-	-	-	-
Operating investments	$ 342,808,601	$ 158,222,085	$ 99,607,937	$ 11,597,527	$ 9,613,664	$ 63,767,388

As Reported on the Statement of Net Position	
Cash and cash equivalents	$ 52,451,979
Restricted cash and cash equivalents	79,713,544
Other long-term investments	210,643,078
	$ 342,808,601

2. Investments and Deposits with Financial Institutions (continued)

Investment duration describes the level of interest rate risk in the portfolio. Changes in interest rates over time can impact the market value of the fixed income portion of the portfolio. At June 30, 2022 The Commonfund Intermediate Term Bond Fund had a duration of 2 years and an average credit quality of AA. The Commonfund Contingent Asset Portfolio had a duration of 1.3 years and an average credit quality of AA. The Commonfund High Quality Bond Fund had a duration of 6.8 years and average credit quality of AA-. At June 30, 2021 the Commonfund Intermediate Term Bond Fund had a duration of 1.7 years and an average credit quality of AA. The Commonfund Contingent Asset Portfolio had a duration of 1.1 years and an average credit quality of AA. The Commonfund High Quality Bond fund had a duration of 6.6 years and an average credit quality of AA-.

For 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 but not in the University's name. The carrying amount of deposits, excluding investments classified as cash equivalents, was $40,367,326 at June 30, 2022 and $26,294,020 at June 30, 2021. The deposits were reflected in the accounts of the banks at $41,200,347 at June 30, 2022 and $27,352,016 at June 30, 2021. Of the bank balance, $40,671,838 at June 30, 2022 and $26,831,832 at June 30, 2021 was uninsured and uncollateralized.

As of June 30, 2022 and June 30, 2021, the University's working capital is not exposed to foreign currency risk.

These working capital funds produced net rate of return of -4.62% and 6.8% for the years ended June 30, 2022 and 2021, respectively.

The University's endowment investments are administered according to the University's "Endowment Management and Investment Policy." The investment policy seeks to diversify investments among asset classes to provide a strategic asset allocation that enhances total returns and avoids undue credit risk exposure in any single asset class or investment category. The "Endowment Management and Investment Policy" restricts fixed income investments to "high quality" (primarily A to AAA rated) corporate bonds, U.S. Treasury, and agency securities or issues of supranational organizations and foreign sovereigns and no more than 20% of the fixed income portfolio may be invested in securities rated less than BBB or that are illiquid.

These endowment investment funds are uninsured and uncollateralized and produced a total net return of -15.1% and 30.7% for the years ended June 30, 2022 and 2021, respectively.

2. Investments and Deposits with Financial Institutions (continued)

University endowment funds consist of the following as of June 30, 2022 and 2021:

		Investment Maturities (In Years)				
June 30, 2022	**Total**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
UBS Endowment Investment Pool						
Large Cap Value	$ 20,717,731	$ -	$ -	$ -	$ -	$ 20,717,731
Large Cap Growth	23,372,635	-	-	-	-	23,372,635
Mid Cap Value	4,564,766	-	-	-	-	4,564,766
Mid Cap Growth	10,484,719	-	-	-	-	10,484,719
Small Cap Core	8,067,687	-	-	-	-	8,067,687
Small Cap Growth	3,751,885	-	-	-	-	3,751,885
International Value	3,626,441	-	-	-	-	3,626,441
International Growth	8,689,218	-	-	-	-	8,689,218
Developing Markets	4,622,855	-	-	-	-	4,622,855
Fixed Income Core	10,032,395	292,742	2,167,489	6,210,055	1,362,109	-
Fixed Income Mutual Fund	4,189,764	-	-	-	-	4,189,764
High Yield Bonds	2,150,999	160,524	876,453	939,066	174,956	-
Fixed Income TIPS	3,232,646	-	-	-	-	3,232,646
Hedge Funds	3,947,408	-	-	-	-	3,947,408
Private Equity	11,871,498	9,982	-	-	-	11,861,516
Money Market Funds	1,570,707	1,570,707	-	-	-	-
	$ 124,893,354	$ 2,033,955	$ 3,043,942	$ 7,149,121	$ 1,537,065	$111,129,271

		Investment Maturities (In Years)				
June 30, 2021	**Total**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
UBS Endowment Investment Pool						
Large Cap Value	$ 21,788,197	$ 313,504	$ -	$ -	$ -	$ 21,474,693
Large Cap Growth	30,122,305	113,851	-	-	-	30,008,454
Mid Cap Value	4,881,021	-	-	-	-	4,881,021
Mid Cap Growth	13,608,432	-	-	-	-	13,608,432
Small Cap Core	9,859,446	-	-	-	-	9,859,446
Small Cap Growth	4,905,302	-	-	-	-	4,905,302
International Value	4,674,048	-	-	-	-	4,674,048
International Growth	12,122,976	-	-	-	-	12,122,976
Developing Markets	6,547,351	-	-	-	-	6,547,351
Fixed Income Core	11,308,713	266,837	2,404,292	7,056,317	1,581,267	-
Fixed Income Mutual Fund	4,573,963	-	-	-	-	4,573,963
High Yield Bonds	2,446,665	213,175	970,143	1,097,380	165,967	-
Fixed Income TIPS	3,412,765	-	-	-	-	3,412,765
Hedge Funds	6,438,443	-	-	-	-	6,438,443
Private Equity	8,859,060	102,095	-	-	-	8,756,965
Money Market Funds	1,595,853	1,595,853	-	-	-	-
	$ 147,144,540	$ 2,605,315	$ 3,374,435	$ 8,153,697	$ 1,747,234	$131,263,859

The fixed income investments within the Endowment pool have a fair market value of $19.6 million as of June 30, 2022. The breakdown of market value, related percentage of the overall endowment pool and associated credit quality for the fixed income investments is as follows: $10.7 million (8.5%) rated AAA, $5.8 million (4.7%) rated A, $2 million (1.6%) rated BB, and $1.1 million (0.9%) rated B. Money market funds carry credit ratings of A-1, P-1, and F-1.

2. Investments and Deposits with Financial Institutions (continued)

The University is not exposed to foreign currency risk within the endowment investment balance as of June 30, 2022.

The private equity investment's estimated fair value as measured by net asset value is $11,871,498 as of June 30, 2022. Hedge fund investments are estimated at a net asset value of $3,947,408 as of June 30, 2022. As of June 30, 2021, the private equity investment's estimated net asset value is $8,859,060. Hedge fund investments are estimated at a net asset value of $6,438,443. Estimated net asset values and returns are reviewed by the UBS Alternative Investments U.S. Team through the University's endowment investment adviser UBS Financial Services, Inc.

Fair value is most often determined by open market prices except for the private equity and hedge funds. The estimated fair values are provided by external investment managers and advisers as of June 30, 2022. Alternative investments are not readily marketable; therefore, their estimated value may differ from the value that would have been used had a ready market value for such investments existed.

For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan, permits the University to appropriate an amount of realized and unrealized endowment appreciation as determined to be prudent.

The majority (90%) of the endowment investment pool can be liquidated within 90 days or less at fair market value.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs that reflect a company's own assessment about the assumptions that market participants would use in pricing an asset or liability.

The fair value of various equity and debt securities held at June 30, 2022 and 2021 was determined primarily on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The investment objective of the Core Equity Fund is to outperform its benchmark, the S&P 500 Index, over a full market cycle while managing risk through diversification of manager allocations. The Core Equity Fund consists principally of investments where the emphasis is on companies that the managers perceive to have values not fully reflected in current market prices. This fund uses Sub-Advisers who select stocks using quantitative and bottom-up fundamental analysis. The fund will provide access to large capitalization and, to a lesser extent, mid-capitalization companies.

2. Investments and Deposits with Financial Institutions (continued)

Hedge funds in the Endowment portfolio utilize a diversified strategy approach by mixing managers focused on Fund of Funds investments, to managers focused on specific sectors, such as credit or commodities. Within the Fund of Funds, manager's investment intent is further marginalized into event driven, opportunistic trading, as well as industry specific preferences.

Most of the funds align into the low volatility category with the objective to participate consistently in up markets and provide favorable performance to the broader markets during depressed or down market cycles.

	Fair Value as of June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Other Long-term Investments:				
Commonfund				
Intermediate Bond Fund	$ 54,441,668	$ 1,012,615	$ 53,429,053	$ -
High Quality Bond Fund	39,697,938	1,258,425	38,395,845	43,668
Contingent Asset Portfolio	39,279,964	2,423,574	36,856,390	-
Core Equity Fund	20,635,731	20,635,731	-	-
Strategic Equity Fund	36,186,256	36,186,256	-	-
Fidelity	25,571	25,571		
	190,267,128	61,542,172	128,681,288	43,668
Endowment Investment:				
Large Cap Value	20,717,731	20,717,731	-	-
Large Cap Growth	23,372,635	23,372,635	-	-
Mid Cap Value	4,564,766	4,564,766	-	-
Mid Cap Growth	10,484,719	10,484,719	-	-
Small Cap Core	8,067,687	8,067,687	-	-
Small Cap Growth	3,751,885	3,751,885	-	-
International Value	3,626,441	3,626,441	-	-
International Growth	8,689,218	8,689,218	-	-
Developing Markets	4,622,855	4,622,855	-	-
Fixed Income Core	10,032,395	10,032,395	-	-
Fixed Income Mutual Fund	4,189,764	4,189,764	-	-
High Yield Bonds	2,150,999	2,150,999	-	-
Fixed Income TIPS	3,232,646	3,232,646	-	-
Money Market Funds	1,570,707	1,570,707	-	-
	$ 109,074,448	109,074,448	-	-
Total investments by fair value level	$ 299,341,576	$ 170,616,620	$ 128,681,288	$ 43,668

Investments measured at the net asset value (NAV)

	June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Core Equity Fund	$ 594,445	$ -	Weekly	5 Days
Hedge Funds	3,947,408	-	Quarterly	7-105 Days
Private Equity	11,871,498	1,614,678	Not Applicable	Not Applicable
Total investments measured at NAV	16,413,351	1,614,678		
Total	$ 315,754,927	$ 1,614,678		

As Reported on the Statement of Net Position	
Endowment investments	$ 124,893,354
Other long-term investments	190,861,573
Total	$ 315,754,927

2. Investments and Deposits with Financial Institutions (continued)

Private Equity (PE) strategies in the Endowment portfolio are divided into five fund types, with varying investment objectives. A Fund of Funds approach is utilized by one of the managers that provide the University access to numerous PE investment deals in multiple industries. This strategy provides built in diversification within this sector and helps mitigate downside exposure to the overall PE asset class. The investment strategy for the remaining PE investments is to provide additional layers of diversity to the pool. Specifically, these investments span markets or industries that cover the aviation industry, technology and healthcare, and distressed debt opportunities.

	Fair Value as of June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other Long-term Investments:				
Common fund				
Intermediate Bond Fund	$ 60,760,704	$ 2,114,473	$ 58,549,014	$ 97,217
High Quality Bond Fund	41,856,950	1,305,937	40,551,013	-
Contingent Asset Fund	44,258,036	2,991,843	41,128,993	137,200
Core Equity Fund	24,828,443	24,828,443	-	-
Strategic Equity Fund	38,239,478	38,239,478	-	-
	209,943,611	69,480,174	140,229,020	234,417
Endowment Investment:				
Large Cap Value	21,788,197	21,788,197	-	-
Large Cap Growth	30,122,305	30,122,305	-	-
Mid Cap Value	4,881,021	4,881,021	-	-
Mid Cap Growth	13,608,432	13,608,432	-	-
Small Cap Core	9,859,446	9,859,446	-	-
Small Cap Growth	4,905,302	4,905,302	-	-
International Value	4,674,048	4,674,048	-	-
International Growth	12,122,977	12,122,977	-	-
Developing Markets	6,547,351	6,547,351	-	-
Fixed Income Core	11,308,714	11,308,714	-	-
Fixed Income Mutual Fund	4,573,963	4,573,963	-	-
High Yield Bonds	2,446,665	2,446,665	-	-
Fixed Income TIPS	3,412,765	3,412,765	-	-
Money Market Mutual Funds	1,595,853	1,595,853	-	-
	$ 131,847,039	131,847,039	-	-
Total investments by fair value level	$ 341,790,650	$ 201,327,213	$ 140,229,020	$ 234,417

Investments measured at the net asset value (NAV)

	June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common fund Core Equity Fund	$ 699,465	$ -	Weekly	5 Days
Hedge Funds	6,438,443	-	Quarterly	7-105 Days
Private Equity	8,859,060	3,522,615	Not Applicable	Not Applicable
Total investments measured at NAV	15,996,968	3,522,615		
Total	$ 357,787,618	$ 3,522,615		

As Reported on the Statement of Net Position	
Endowment investments	$ 147,144,540
Other long-term investments	210,643,078
Total	$ 357,787,618

3. Accounts Receivable

Accounts receivable consist of the following as of June 30, 2022 and 2021:

	2022	2021
Tuition	**$ 5,047,085**	$ 5,901,095
Auxiliary enterprises	**844,168**	655,881
Contracts and grants	**2,310,843**	3,354,771
Other receivables	**10,236,249**	7,536,400
Total accounts receivable	**18,438,345**	17,448,147
Less: Allowance for doubtful accounts	**(2,696,971)**	(2,099,713)
Total accounts receivable, net	**$ 15,741,374**	$ 15,348,434

4. Leases Receivable

The University now includes a receivable for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. The University leases certain assets to various third parties. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable. As of June 30, 2022 and 2021 the University had $2,884,891 and $3,393,395 in leases receivable, respectively.

In January 2015, the University entered into a lease for its Sports Dome. Under the lease, the vendor pays the University $30,519 monthly in exchange for operating its business within a 107,800 square foot multipurpose domed athletic facility to provide youth and adult teams, leagues, clubs, organizations, and individuals an area for indoor sports practices, sports camps and events, and athletic performance training. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.67%. In fiscal year 2022, the University recognized $314,156 in lease revenue and $93,453 of interest revenue under the lease. As of June 30, 2022 and 2021 the University had $2,397,932 and $2,670,327 in leases receivable, respectively for the Sports Dome.

In October 2014, the University entered into a lease for its Amphitheater. Under the lease, the vendor pays the University $165,000 annually in exchange for operating its business within a certain area on the University's campus that is commonly known as the Amphitheater to provide a variety of live entertainment attractions. The Amphitheater includes all of the University's buildings, fixtures, furnishings, dedicated equipment, grounds and parking areas contained thereon. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.67%. In fiscal year 2022, the University recognized $154,621 in lease revenue and $17,395 of interest revenue under the lease. As of June 30, 2022 and 2021 the University had $393,568 and $541,173 in leases receivable, respectively for the Amphitheater.

In July 2012, the University entered into a lease for its Meadow Brook Theatre. Under the lease, the vendor pays the University $2,532.46 per production week with a minimum of 37 productions annually in exchange for operating its business within the Meadow Brook Theatre auditorium and related spaces to present theatre productions and operate the Meadow Brook Theatre as a local

4. Leases Receivable (continued)

producing house and as a member of the League of Resident Theatres. Fixed Rent increased by 2% on September 1, 2021 and will increase an additional 2% at July 1 each Agreement Year thereafter. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.67%. In fiscal year 2022, the University recognized $90,948 in lease revenue and $5,197 of interest revenue under the lease. As of June 30, 2022 and 2021 the University had $93,391 and $181,895 in leases receivable, respectively for the Meadow Brook Theatre.

Variable payments received related to the University's lease agreements during 2022 and 2021 were not significant. The University does not have any significant agreements to lease assets from other entities. Future principal and interest payment requirements related to the University's leases receivable at June 30, 2022 are as follows:

	Principal	Interest	Total
2023	$ 529,458	$ 97,033	$ 626,491
2024	452,342	78,886	531,228
2025	386,092	62,636	448,728
2026	315,832	50,396	366,228
2027	327,619	38,609	366,288
2028-2030	873,549	42,021	915,570
Total	$ 2,884,891	$ 369,582	$ 3,254,473

5. Appropriations Receivable

In fiscal year 2022, the annual State operating appropriation paid to the University was made in 11 monthly installments from October through August, as approved in the State of Michigan 2021-2022 Higher Education Appropriation Act totaling $54,012,900. In addition, a one-time operational support payment of $2,084,800 was included as part of the 2021-2022 State of Michigan budget bill and recognized in fiscal year 2022. Consistent with State of Michigan legislation, the University accrued, as of the end of its fiscal year, the payments to be received in July and August. As of June 30, 2022, the accrual of the July and August State operating appropriation payments created an appropriation receivable of $9,820,524.

In fiscal year 2021, the annual State operating appropriation paid to the University was made in 11 monthly installments from October through August. Consistent with State of Michigan legislation, the University accrued, as of the end of its fiscal year, the payments to be received in July and August. As of June 30, 2021, the accrual of the July and August State operating appropriation payments created an appropriation receivable of $9,711,542.

6. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2022 and 2021:

	2022	2021
Pledges outstanding		
Unrestricted	**$ 3,510**	$ 30,740
Restricted expendable	**2,703,244**	3,695,446
Total pledges outstanding	**2,706,754**	3,726,186
Less:		
Allowance for doubtful pledges	**(270,675)**	(372,618)
Present value discount	**(171,039)**	(204,838)
Total pledges outstanding, net	**2,265,040**	3,148,730
Less: Current portion, net	**(1,286,105)**	(2,014,875)
Noncurrent portion, net	**$ 978,935**	$ 1,133,855

Pledges receivable from donors are recorded at net present value less allowances for doubtful accounts. As of June 30, 2022 and 2021, the interest rate used to discount pledges to present value was 5%. The aggregate allowance for doubtful accounts was 10% net of discount at June 30, 2022 and 2021. Payments on pledges receivable as of June 30, 2022 are expected to be received in the following years:

Past due	**$ 361,110**
Due in one year	**1,067,859**
Due in two-five years	**1,203,785**
Thereafter	**74,000**
Total	**$ 2,706,754**

Bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their reliability and valuation. As of June 30, 2022 and 2021, the University had $30,121,265 and $27,921,268, respectively, in conditional pledge commitments receivable not included in the accompanying financial statements.

7. Student Loans Receivable

Student loans receivable consist of the following as of June 30, 2022 and 2021:

	2022	2021
Student loans		
Federal loan programs	**$ 813,680**	$ 738,599
University loan funds	**212,789**	215,717
	1,026,469	954,316
Less: Allowance for doubtful loans	**(1,000)**	(1,000)
Total student loans, net	**1,025,469**	953,316
Less: Current portion, net	**(373,242)**	(324,558)
Noncurrent portion, net	**$ 652,227**	$ 628,758

7. Student Loans Receivable (continued)

In addition, the University distributed $84,959,367 and $94,671,638 for the years ended June 30, 2022 and 2021, respectively, for student loans through the U.S. Department of Education Federal Direct Loan program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements, but are reflected in the University's Statements of Cash Flows.

The Perkins loan program expired on September 30, 2017, which ended the issuance of new loans under this program, and disallowed any new disbursements after June 30, 2018. The University plans to continue servicing outstanding loans in accordance with program specifications as permitted by the Federal government.

8. Hedging Derivative Instruments

The University follows the provisions of GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The derivatives are valued using an independent pricing service. The following provides a description of each swap agreement.

Investment Derivative Instrument:

2007 Constant Maturity Swap Agreement
In June 2007, the University executed a Constant Maturity Swap (CMS) in an initial notional amount of $34,370,000 effective October 1, 2007, the purpose of which was to reduce interest costs. Under the CMS, the University pays the counterparty the SIFMA Municipal Swap Index and receives 90.39% of the ten-year SIFMA Swap Rate until March 1, 2031. No amounts were paid or received when the CMS was initiated.

On April 26, 2021 the University elected to terminate the CMS with the swap counterpart, JPMorgan. The termination value of the swap was calculated at $1,069,000 which was paid to the University in a lump sum payout.

2008 Interest Rate Swap Agreement
In connection with the 2008 Bonds, the University entered into an interest rate hedging swap agreement (2008 Swap) with Doxia Credit Local, New York Branch in an initial notional amount of $53,280,000 effective June 13, 2008, the purpose of which is to synthetically fix interest rates on the 2008 Bonds. The agreement swaps the University's variable rate for a fixed rate of 3.37% and is based on 67% of U.S. Dollar LIBOR. The notional amount declines over time and terminates March 1, 2031. The notional amount as of June 30, 2022 was $35,945,000. Under the 2008 Swap agreement, the University pays a synthetic fixed rate of 3.37%. No amounts were paid or received when the 2008 Swap was initiated.

The University is currently making payments under the 2008 Swap agreement. The estimated fair value of the 2008 Swap as of June 30, 2022 and 2021 was ($2,694,638) and ($6,311,514), respectively. These fair values are reflected as Derivative Instruments – swap liability on the Statements of Net Position. The fair value of the hedging derivative instrument classified as Level 2 (significant other observable inputs) at June 2022 and 2021 was valued based on 67% of U.S.

8. Hedging Derivative Instruments (continued)

Dollar LIBOR and represents the estimated amount that the University would pay to terminate the 2008 Swap (termination risk), taking into account current interest rates and creditworthiness of the underlying counterparty. In accordance with GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the 2008 Swap is treated as an Effective Hedging Derivative Instrument. The accumulated change in fair value is recorded as a deferred outflow of resources.

The University is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations. The 2008 Swap includes collateral requirements intended to mitigate credit risk. The University is required to post collateral under the agreement when the fair value is less than a negative $5,000,000 at the University's current credit rating. The collateral posted by the University was $0 as of June 30, 2022 and $970,000 as of June 30, 2021. The counterparty's credit rating from Moody's Investors Service was Baa3.

Additionally, the 2008 Swap exposes the University to basis risk, which is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instruments are based on different indexes. The University is also exposed to interest rate risk which is the risk that as the swap index decreases, the University's net payment on the 2008 Swap increases.

The 2008 Swap is based on an International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard termination events such as failure to pay and bankruptcy, or termination risk. In addition, the Master Agreement includes additional termination events. If the 2008 Swap is terminated, the 2008 Bonds will no longer carry a synthetic interest rate, and the University may be required to pay an amount equal to the fair value if it is negative.

9. Capital Assets

The following tables present the changes in the various capital asset categories for the University for fiscal years 2022 and 2021:

Asset Classification	Balance June 30, 2021	Additions	Reductions/ Transfers	Balance June 30, 2022
Land	$ 4,624,914	$ -	$ -	$ 4,624,914
Land improvements and infrastructure	93,076,652	170,273	-	93,246,925
Buildings	741,462,222	11,212,331	-	752,674,553
Equipment	72,032,598	4,514,568	1,303,140	75,244,026
Library acquisitions	25,837,348	240,933	880,926	25,197,355
Construction in progress	32,566,351	46,081,758	11,172,897	67,475,212
Total	969,600,085	62,219,863	13,356,963	1,018,462,985
Accumulated depreciation				
Land improvements and infrastructure	(54,704,742)	(3,646,699)	-	(58,351,441)
Buildings	(240,767,571)	(17,567,667)	-	(258,335,238)
Equipment	(55,479,263)	(5,303,042)	(1,267,030)	(59,515,276)
Library acquisitions	(21,490,528)	(339,501)	(880,926)	(20,949,103)
Total	(372,442,104)	(26,856,910)	(2,147,956)	(397,151,058)
Total capital assets, net	$ 597,157,981	$ 35,362,953	$ 11,209,007	$ 621,311,927

9. Capital Assets (continued)

Asset Classification	Balance June 30, 2020	Additions	Reductions/ Transfers	Balance June 30, 2021
Land	$ 4,624,914	$ -	$ -	$ 4,624,914
Land improvements and infrastructure	91,977,869	1,098,783	-	93,076,652
Buildings	736,853,545	4,608,677	-	741,462,222
Equipment	70,962,870	3,086,568	2,016,840	72,032,598
Library acquisitions	26,315,059	110,933	588,644	25,837,348
Construction in progress	10,104,294	23,839,069	1,377,012	32,566,351
Total	940,838,551	32,744,030	3,982,496	969,600,085
Accumulated depreciation				
Land improvements and infrastructure	(50,822,423)	(3,882,319)	-	(54,704,742)
Buildings	(223,268,117)	(17,499,454)	-	(240,767,571)
Equipment	(51,086,786)	(6,109,452)	(1,716,975)	(55,479,263)
Library acquisitions	(22,062,317)	(16,856)	(588,645)	(21,490,528)
Total	(347,239,643)	(27,508,081)	(2,305,620)	(372,442,104)
Total capital assets, net	$ 593,598,908	$ 5,235,949	$ 1,676,876	$ 597,157,981

10. State Building Authority

Certain University facilities, including the School of Education and Human Services Building (Pawley Hall), the Mathematics and Science Center, the Business and Technology Building (Elliott Hall), the Human Health Building, and the Engineering Center have been financed in part by State Building Authority (SBA) bond issuances, which are secured by a pledge of rentals to be received by the State of Michigan pursuant to an arrangement between the SBA, the State of Michigan, and the Institution. While the SBA bonds are outstanding, the SBA will hold title to the respective buildings, the State of Michigan will make annual payments to the SBA for SBA's bond payments, and the University records the building and pays all operating and maintenance costs. Once the SBA bonds are fully paid, the SBA transfers title of the building to the institution.

11. Cash Surrender Value of Life Insurance Policies

Included in other assets are the cash surrender value of life insurance policies in the amount of $596,514 and $583,295 for 2022 and 2021, respectively. The face value of these life insurance policies totaled $8,033,072 and $8,033,072 in 2022 and 2021, respectively.

12. Deferred Outflows of Resources

As of June 30, 2022, the University recorded deferred outflows of $11,631,421, which includes $1,144,685 from an early extinguishment of general revenue bonds, $2,694,818 for the accumulated change in fair value of the 2008 Swap, and $7,791,917 for differences between expected and actual experiences in the OPEB valuation in addition to contributions remitted to the University's retiree health care plan after the measurement date of the plan as discussed in Note 13. As of June 30, 2021, the University recorded deferred outflows of $19,090,269, which includes $3,373,704 from an early

12. Deferred Outflows of Resources (continued)

extinguishment of general revenue bonds, $6,311,514 for the accumulated change in fair value of the 2008 Swap, and $9,405,051 for differences between expected and actual experiences in the OPEB valuation in addition to contributions remitted to the University's retiree health care plan after the measurement date of the plan as discussed in Note 14.

13. Long-Term Liabilities

Long-term liabilities consist of the following as of June 30, 2022 and 2021:

	Balance June 30, 2021	Additions/ Transfers	Reductions	Balance June 30, 2022	Current Portion
Note and installment purchase agreements payable	$ 7,495,857	$ -	$ 1,036,833	$ 6,459,024	$ 1,076,766
General revenue bonds:					
Series 2022A bonds	-	32,155,000	-	32,155,000	765,000
Unamortized premium	-	5,282,125	80,522	5,201,603	403,836
Series 2019 bonds	79,205,000	-	1,325,000	77,880,000	1,325,000
Unamortized premium	17,095,814	-	1,041,680	16,054,134	1,015,062
Series 2016 bonds	107,410,000	-	2,100,000	105,310,000	2,205,000
Unamortized premium	15,033,591	-	1,049,177	13,984,414	1,008,237
Series 2014 bonds	23,005,000	-	815,000	22,190,000	860,000
Unamortized premium	2,294,114	-	250,787	2,043,327	234,018
Series 2013A bonds	50,920,000	-	1,345,000	49,575,000	1,415,000
Unamortized premium	3,730,332	-	335,698	3,394,634	312,446
Series 2013B bonds	10,390,000	-	1,945,000	8,445,000	2,010,000
Series 2012 bonds	37,830,000	-	37,830,000	-	-
Unamortized premium	2,468,128	-	2,468,128	-	-
Series 2008 bonds	37,860,000	-	1,915,000	35,945,000	1,995,000
Series 1998 variable rate demand bonds	3,720,000	-	-	3,720,000	-
2014 Certificates of participation	12,265,000	-	725,000	11,540,000	845,000
Unamortized premium	934,170	-	132,226	801,944	138,054
Total note, installment agreement, and bonds payable	411,657,006	37,437,125	54,395,051	394,699,080	15,608,417
Other liabilities:					
Compensated absences	7,753,591	1,167,287	1,629,683	7,291,195	730,180
Annuities payable and other	2,975,371	140,961	570,769	2,545,563	570,769
Federal portion of Perkins loan program	594,572	-	144,082	450,490	-
Total other liabilities	11,323,534	1,308,248	2,344,534	10,287,248	1,300,949
Total long-term liabilities	$ 422,980,540	$ 38,745,373	$ 56,739,585	$ 404,986,328	$ 16,909,366
Total long-term liabilities	$ 422,980,540			$ 404,986,328	
Less current portion	16,425,238			16,909,366	
Noncurrent portion	$ 406,555,302			$ 388,076,962	

13. Long-Term Liabilities (continued)

	Balance June 30, 2020	Additions/ Transfers	Reductions	Balance June 30, 2021	Current Portion
Note and installment purchase agreements payable	$ 8,494,239	$ -	$ 998,382	$ 7,495,857	$ 1,036,833
General revenue bonds:					
Series 2019 bonds	79,205,000	-	-	79,205,000	1,325,000
Unamortized premium	18,130,450	-	1,034,636	17,095,814	1,041,680
Series 2016 bonds	109,410,000	-	2,000,000	107,410,000	2,100,000
Unamortized premium	16,123,550	-	1,089,959	15,033,591	1,049,177
Series 2014 bonds	23,785,000	-	780,000	23,005,000	815,000
Unamortized premium	2,562,067	-	267,953	2,294,114	250,786
Series 2013A bonds	52,215,000	-	1,295,000	50,920,000	1,345,000
Unamortized premium	4,081,823	-	351,491	3,730,332	335,698
Series 2013B bonds	12,280,000	-	1,890,000	10,390,000	1,945,000
Series 2012 bonds	38,840,000	-	1,010,000	37,830,000	1,060,000
Unamortized premium	2,714,467	-	246,339	2,468,128	229,852
Series 2008 bonds	39,700,000	-	1,840,000	37,860,000	1,915,000
Series 1998 variable rate demand bonds	3,720,000	-	-	3,720,000	-
2014 Certificates of participation	12,870,000	-	605,000	12,265,000	725,000
Unamortized premium	1,061,535	-	127,365	934,170	132,227
Total note, installment agreement, and bonds payable	425,193,131	-	13,536,125	411,657,006	15,306,253
Other liabilities:					
Compensated absences	7,592,243	1,385,042	1,223,694	7,753,591	548,216
Annuities payable and other	3,228,245	317,895	570,769	2,975,371	570,769
Federal portion of Perkins loan program	756,128	-	161,556	594,572	-
Total other liabilities	11,576,616	1,702,937	1,956,019	11,323,534	1,118,985
Total long-term liabilities	$ 436,769,747	$ 1,702,937	$ 15,492,145	$ 422,980,540	$ 16,425,238

	June 30, 2020	June 30, 2021
Total long-term liabilities	$ 436,769,747	$ 422,980,540
Less current portion	14,616,614	16,425,238
Noncurrent portion	$ 422,153,134	$ 406,555,302

Note and Installment Purchase Agreements Payable
In December 2005, the University entered into a general revenue note payable over 264 months in the amount of $18,253,776 at a fixed interest rate of 3.785% to finance Phase II of its Energy Service Agreement projects.

Required annual payments for the notes payable for the fiscal years ending June 30 are as follows:

	Principal	Interest	Total
2023	$ 1,076,765	$ 225,922	$ 1,302,687
2024	1,118,236	184,452	1,302,688
2025	1,161,303	141,384	1,302,687
2026	1,206,029	96,658	1,302,687
2027	1,252,477	50,210	1,302,687
2028	644,213	7,131	651,344
Total	$ 6,459,023	$ 705,757	$ 7,164,780

13. Long-Term Liabilities (continued)

General Revenue Bonds Payable

In March 2022, the University issued 32,155,000 of general revenue refunding bonds (2022A Bonds), with an average coupon rate of 5.0% and a net original issue premium of $5,282,125. The 2022A Bonds were issued with a final maturity date of March 1, 2042. The proceeds were utilized to refund the Series 2012 general revenue bonds (2012 Bonds) which funded a portion of the Engineering Center. As a result of the refunding, the University will reduce its aggregate debt service payments over the remaining 20-year period by approximately $5,791,000. The refunding will result in an economic gain of $5,222,000. The aggregate outstanding principal on the 2012 Bonds totaled $36,770,000, and was redeemed April 19, 2022 leaving a zero balance as of June 30, 2022. The pricing resulted in a 3.42% true interest cost.

In March 2022, the University entered into a Forward Delivery Bond Purchase Agreement whereby the University agreed to issue $44,795,000 of general revenue refunding bonds (2022B Bonds). The 2022B bonds were priced on April 19, 2022 with a Forward Delivery on or about December 8, 2022. The 2022B Bonds will have an average coupon of 5% and a net original premium of $4,743,299, the final maturity will be March 1, 2043. The pricing resulted in a 3.93% true interest cost. The proceeds of the 2022B Bonds when issued in December 2022 will be utilized to refund a portion of the Series 2013A Bonds general revenue bonds which funded the construction of Oak View Hall; a facilities management building; a 1,240 space parking structure; road improvements; and an athletic and recreation complex. The refunding is expected to reduce the aggregate debt service payments over the remaining 20-year period by approximately $4,820,000 and result in an economic gain of $4,199,000. The aggregate outstanding principal of the 2013A Bond to be refunded in March, 2023 is $48,160,000.

In September 2019, the University issued $79,205,000 of general revenue bonds (2019 Bonds), with an average coupon rate of 5.00% and a net original issue premium of $18,986,496. The proceeds of the bond will be used to fund renovations for the following; South Foundation Hall in the amount of $10.0 million, Varner Hall for $45.0 million, Wilson Hall totaling $14.8 million, an off campus research facility for $4.8 million, Central Heating Infrastructure in the amount of $5.0 million, renovations at Dodge Hall for $3.0 million, and other capital projects. The 2019 Bonds were issued with a final maturity of March 1, 2050. The pricing resulted in a 3.29% true interest cost.

In June 2016, the University issued $113,130,000 of general revenue bonds (2016 Bonds), with an average coupon rate of 5.00% and a net original issue premium of $20,773,191. The proceeds were utilized to fund the construction of a new 750 bed student residence complex (Hillcrest Hall), expansion of the Oakland Center, and other capital projects. The 2016 Bonds were issued with a final maturity of March 1, 2047. The pricing resulted in a 3.66% true interest cost.

In October 2014, the University issued $28,060,000 of general revenue refunding bonds (2014 Bonds), with an average coupon rate of 4.98% and a net original issue premium of $4,383,960. The 2014 Bonds were issued with a final maturity date of March 1, 2039. The proceeds were utilized to refund the Series 2009 Taxable-Build America Bonds (2009 Bonds) which funded a portion of the Human Health Building and several infrastructure projects. The refunding of the 2009 Bonds was subject to a redemption price equal to 103% of the par value of Bonds redeemed, or $924,450 to be amortized over the term of the 2014 Bonds and is recorded as a deferred outflow. As a result of the refunding, the University will reduce its aggregate debt service payments over the remaining 24 year

13. Long-Term Liabilities (continued)

period by approximately $3,016,000. The refunding will result in an economic gain of $2,251,000. The aggregate outstanding principal on the 2009 Bonds totaled $30,815,000, and was redeemed November 28, 2014 leaving a zero balance as of June 30, 2015. The pricing resulted in a 3.56% true interest cost.

In December 2014, the University partnered with UMB Bank to issue Certificates of Participation (2014 Certificates) for $14,225,000 at a net original issue premium of $1,729,013. The proceeds were used to finance the construction and installation of a combined heat and power cogeneration system at the central heating plant on the University's campus. The 2014 Certificates consist of four term certificates with maturity dates ranging from July 1, 2022 to July 1, 2031, yield rates ranging from 2.45% to 3.45%. The pricing resulted in a 3.88% true interest cost. The debt service on the 2014 Certificates will be funded by monthly payments the University will make through July 2031.

In June 2013, the University issued $57,860,000 of general revenue bonds (2013A Bonds), with an average coupon rate of 4.98% and a net original issue premium of $7,141,047. The proceeds were utilized to fund the construction of Oak View Hall; a facilities management building; a 1,240 space parking structure; road improvements; and an athletic and recreation complex. The 2013A Bonds were issued with a final maturity of March 1, 2043. The pricing resulted in a 4.03% true interest cost.

In June 2013, the University issued $23,290,000 of federally taxable general revenue refunding bonds (2013B Bonds), with an average coupon rate of 2.99%. The proceeds were utilized to refund the Series 2004 general revenue refunding bonds (2004 Bonds) with an average coupon rate of 5.12%. The advance refunding of the 2004 Bonds resulted in a deferral on early extinguishment of $1,134,224 that will be amortized over the term of the 2013B Bonds and is recorded as a deferred outflow. The 2013 Bonds were issued with a final maturity date of May 15, 2026. The pricing resulted in a 2.99% true interest cost.

In August 2012, the University issued $44,155,000 of general revenue bonds (2012 Bonds), with an average coupon interest rate of 4.96% and a net original issue premium of $4,970,795. The proceeds were utilized to fund a portion of the Engineering Center. The 2012 Bonds were issued with a final maturity of March 1, 2042. The pricing resulted in a 4.08% true interest cost.

In June 2008, the University issued $53,280,000 of general revenue refunding bonds (2008 Bonds) to refund the 2001 general revenue bonds (2001 Bonds). The 2008 Bonds are variable-rate demand obligations with a maturity date of March 1, 2031. In conjunction with this issue, the University terminated the related 2001 Swap at a termination value of $4,860,000 paid to the counterparty and reissued a new 2008 Swap synthetically fixing the rate on the full amount of the issue to 3.37%. The 2001 Swap termination cost has been deferred and will be amortized over the term of the refunding bonds and is recorded as a deferred outflow. The 2008 Bonds were issued with a final maturity date of March 1, 2031.

In September 1998, on behalf of the Oakland University Foundation (Foundation), the Economic Development Corporation of the County of Oakland issued limited-obligation revenue variable-rate demand bonds in the amount of $4,600,000 to finance the R&S Shard golf course project. These bonds bear interest at a variable or fixed rate, as determined from time to time in accordance with

13. Long-Term Liabilities (continued)

the indenture (the variable rates as of June 30, 2022 and 2020 were 0.92% and 0.04%, respectively; the maximum variable rate is 12%). The bonds mature on September 1, 2023 subject to optional early redemption. Within this bond offering, the Foundation executed a Loan Agreement, which obligated it to make all payments in connection with this bond financing including interest, principal, remarketing fees, and letter of credit fees. On February 1, 2006, the University Board and the Foundation Board of Directors agreed to transfer Foundation assets and liabilities to the University. As a result, this Foundation loan was transferred to the University in the amount of $4,600,000.

The following table summarizes debt service requirements for the outstanding bonds and certificates payable as of June 30, 2022:

	Principal	Interest	Hedging Derivative, Net	Total
2023	11,420,000	15,104,311	1,125,432	27,649,743
2024	15,155,000	14,878,593	1,060,888	31,094,481
2025	12,050,000	14,431,412	993,632	27,475,044
2026	12,700,000	13,960,208	923,611	27,583,819
2027	13,395,000	13,457,994	821,904	27,674,898
2028-2032	76,765,000	59,773,986	1,584,313	138,123,299
2033-2037	62,200,000	45,401,250	-	107,601,250
2038-2042	73,160,000	28,518,250	-	101,678,250
2043-2047	55,650,000	11,796,500	-	67,446,500
2048-2050	14,265,000	1,449,750	-	15,714,750
	346,760,000	$ 218,772,254	$ 6,509,780	$ 572,042,034
Unamortized premium	41,480,055			
	$ 388,240,055			

Other Liabilities

Accrued compensated absences include accrued vacation and sick pay for University employees. University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation. Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination. Unused hours exceeding these limitations are forfeited.

Charitable gift annuities are arrangements in which donors contribute assets to the University in exchange for a promise by the University to pay a fixed amount for a specified period of time (typically for the life of the donor or other beneficiary). Annuities payable are established based on the present value of the estimated annuity payouts over the life expectancy of the donor or other beneficiary.

13. Long-Term Liabilities (continued)

In September 2013, the University received a charitable gift annuity (CGA) totaling $7.0 million as a result of realizing a donor's bequest. Based on the life expectancy of the annuitant at the time the CGA was received, the University's obligation, or present value liability, of the annuity payments approximated $3.7 million. The annuity payable was approximately $2.0 million and $2.3 million as of June 30, 2022 and 2021 respectively.

14. Postemployment Benefits Other than Pensions

Plan Description

In addition to the employee benefits discussed in Note 15, the University provides postemployment healthcare benefits to eligible University retirees and their spouses as part of a single-employer defined benefit plan. The plan is administered by the University. Substantially all University employees may become eligible for coverage if they meet retirement eligibility requirements. In general, retirees at least 62 years of age with 15 years of service who were hired before July 1, 2005, depending on the employee group, are eligible for medical benefits in accordance with various labor agreements or within the provisions of University policy. Employees with 25 years of service are eligible for retirement at any age. Except for certain prior retirees, the University shares the cost of coverage with retirees, charging the retirees a contribution equal to the excess of the prevailing premium cost of coverage over a stipulated University subsidy amount. At June 30, 2022, the University had 1,815 active employees in the plan and 207 retirees currently receiving postemployment healthcare benefits. Certain employees hired after July 1, 2005, depending on the employee group, may be eligible for participation in the University's postemployment health care benefits as "access only" for retirees and spouses, at retiree rates, paid in full by the retiree.

Contributions

The contribution requirements of plan members and the University are established in accordance with various labor agreements or within the provisions of University policy. For the year ended June 30, 2022, the University and plan members receiving benefits contributed $1.5 million and $0.7 million, respectively, to the plan. Approximately 69% of total premiums were paid by the University with the remaining 31% paid by plan members. Required contributions for plan members ranged from $26 to $758 per month for retiree-only coverage, and from $65 to $1,818 per month for retiree and spouse coverage.

For the year ended June 30, 2021, the University and plan members receiving benefits contributed $1.8 million and $0.6 million, respectively, to the plan. Approximately 74% of total premiums were paid by the University with the remaining 26% paid by plan members. Required contributions for plan members ranged from $24 to $713 per month for retiree-only coverage, and from $60 to $1,710 per month for retiree and spouse coverage.

Funded Status and Funding Progress

GASB Statement No. 75 requires the measurement of OPEB expense as it is incurred, rather than as it is funded. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately $27.2 million, which will be used to offset annual OPEB contributions. Other postemployment health care benefits are financed on a pay-as-you-go basis.

14. Postemployment Benefits Other than Pensions (continued)

OPEB Liability and Actuarial Assumptions

As of June 30, 2022, the University reported a liability for OPEB totaling $32.9 million. The liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021, which used updated procedures to roll forward the liability to June 30, 2022.

As of June 30, 2021, the University reported a liability for OPEB totaling $40.0 million. The liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019, which used updated procedures to roll forward the liability to June 30, 2021.

The liability was calculated based on the following actuarial assumptions:

	2022	2021
Discount Rate/investment rate of return*	2.16%	2.21%
Salary increases including inflation	3.00%	3.00%
Mortality basis	Pri-2012 White Collar Mortality Table with generational projection using Projection Scale MP-2021	Pri-2012 White Collar Mortality Table with generational projection using Projection Scale MP-2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Health Care Trend Rate	3.7% - 5.8% over 60 years	3.7% - 7.9% over 60 years

* 20 Year Tax-Exempt Municipal Bond Yield based on the 20-year Bond Buyer GO Index.

The plan has not had a formal actuarial experience study performed.

14. Postemployment Benefits Other than Pensions (continued)

Schedule of Changes in Total OPEB Liability and Related Ratios

Total OPEB Liability	2022	2021
	In thousands	
Service Cost	$ 1,261	$ 933
Interest on total OPEB liability	893	1,208
Changes of benefit terms	-	-
Effect of economic/demographic gains or (losses)	(2,006)	-
Effect of assumption changes or inputs	(5,478)	5,186
Benefit payments	(1,829)	(1,760)
Net Change in total OPEB liability	**(7,159)**	**5,567**
Total OPEB Liability, beginning	40,035	34,468
Total OPEB Liability, ending	**$ 32,876**	**$ 40,035**
Covered Payroll	$ 133,657	$ 133,224
Total OPEB liability as a % of covered payroll	24.60%	30.05%

OPEB Expense, Deferred Outflows and Inflows of Resources Related to OPEB

The University recognized OPEB expense of $1.7 million and $2.2 million at June 30, 2022 and June 30, 2021, respectively.

The University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflow	**Deferred Inflow**	**Deferred Outflow**	**Deferred Inflow**
Differences between expected and actual experience	$ 2,519,397	$ 1,734,508	$ 3,088,109	$ -
Change of assumptions	$ 3,789,802	$ 7,932,003	$ 4,487,740	$ 4,287,870
Contributions made after measurement date	$ 1,482,718	$ -	$ 1,829,202	$ -

Changes of assumptions: For 2022 and 2021 the discount rate decreased to 2.16% and 2.21% respectively. The discount rate was 3.50% and 3.87% in 2020 and 2019, respectively. The decrease in liability is primarily due to a decrease in the health care trend rate and plan participation.

14. Postemployment Benefits Other than Pensions (continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as a reduction of the University's OPEB expense as follows:

Year ending June 30	
2023	$ (838,488)
2024	(614,756)
2025	(300,667)
2026	(216,114)
2027	(271,552)
2028	(711,210)
Thereafter	(404,525)
Total	**$ (3,357,312)**

Sensitivity of the OPEB Liability to Changes in the Discount and Healthcare Cost Trend Rates
The following presents the OPEB liability of the University, calculated using the current discount and healthcare rates. The following also reflects what the University's OPEB liability would be if it were calculated using rates that are one percentage point lower or one percentage point higher than the current rate:

	Year ending June 30, 2022		
	1% Decrease	**Current Rate**	**1% Increase**
Discount Rate:			
Total OPEB Liability	$ 36,593,653	$ 32,875,559	$ 29,683,922
Health Care Trend Rate:			
Total OPEB Liability	$ 31,836,764	$ 32,875,559	$ 34,064,106

	Year ending June 30, 2021		
	1% Decrease	**Current Rate**	**1% Increase**
Discount Rate:			
Total OPEB Liability	$ 44,890,035	$ 40,035,196	$ 35,923,372
Health Care Trend Rate:			
Total OPEB Liability	$ 38,729,846	$ 40,035,196	$ 41,554,021

14. Postemployment Benefits Other than Pensions (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The uncertainty regarding the impact of COVID-19 could have an impact on plan costs, the effect of which cannot be determined at this time.

15. Employee Benefits

The University has contributory, defined-contribution retirement plans for all qualified employees. The plans consist of employee-owned retirement contracts funded on a current basis by employer contributions. Participants may elect to contribute additional amounts to the plan within specified limits. The plans are administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Contributions by the University for the years ended June 30, 2022 and 2021 were $18,487,466 and $18,810,833, respectively.

The University also maintains a noncontributory, defined-benefit retirement plan, which is not open to new participants. The plan is administered by TIAA-CREF. At January 1, 2021, the date of the most recent actuarial valuation, the plan had a total liability of approximately $51,884 and was over funded by approximately $54,808.

The University provides benefits to eligible employees for unused sick days upon retirement and unused vacation days upon termination. This liability is accounted for as part of accrued compensated absences.

The University is self-insured for workers' compensation and unemployment compensation. Liabilities for claims incurred but not reported under these self-insurance programs have been established. Changes in the self-insured employee benefit liabilities during 2022, 2021, and 2020 were considered current and are as follows:

	2022	2021	2020
Balance, beginning of year	**$ 274,461**	$ 313,430	$ 399,191
Claims incurred and changes in estimates	**267,308**	373,088	82,435
Claim payments	**(118,123)**	(412,057)	(168,196)
Balance, end of year	**$ 423,646**	$ 274,461	$ 313,430

16. Deferred Inflows of Resources

The University accounts for deferred inflows of resources in accordance with authoritative guidance. The University recorded deferred inflows of $19,921,761 as of June 30, 2022. This amount is comprised of $9,666,511 from changes in OPEB assumptions, $2,833,670 from lease agreements, an irrevocable split-interest agreement where the University acts as the trustee in the amount of $2,885,110 and an additional irrevocable split-interest agreement held by a third party in which the University has $4,536,470 beneficial interest in assets held by others. The University's beneficial interest in this charitable remainder trust is held by Morgan Stanley and also recognized as an asset

16. Deferred Inflows of Resources (continued)

at fair value. Beneficial interest in assets held by others are classified in Level 3 of the fair value hierarchy, is not traded on an open market, and is valued using an approach that utilizes the present value of annuity payments based on the life expectancy of the annuitant.

As of June 30, 2021, the University recorded deferred inflows of $17,246.563, which includes $4,287,870 from changes in OPEB assumptions, $3,393,395 from lease agreements, an irrevocable split-interest agreement where the University acts as the trustee in the amount of $5,456,482, and an additional irrevocable split-interest agreement held by a third party in which the University has $4,108,816 beneficial interest in assets held by others.

17. Liability and Property Insurance

The University is one of 11 Michigan universities participating in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.) which provides insurance coverage for errors and omissions liability, commercial general liability, property loss, automobile liability, and automobile physical damage coverage. M.U.S.I.C. provides coverage for claims in excess of agreed-upon deductibles.

Loss coverages, except for the automobile physical damage program, are structured on a three-layer basis with each member retaining a portion of its losses, M.U.S.I.C. covering the second layer, and commercial carriers covering the third. Automobile physical damage coverage is structured on a two-layer basis with no excess coverage from a commercial carrier. Commercial general liability and property coverage are provided on an occurrence basis. Errors and omissions coverage is provided on a claims-made basis. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the claims experience of each university. Property insurance coverage is provided outside of the M.U.S.I.C. program.

18. Contingencies and Commitments

In the normal course of its activities, the University is a party in various legal actions. Although some actions have been brought for large amounts, the University has not experienced any significant losses or costs. The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

The University is the guarantor on certain faculty and staff residence mortgages. As of June 30, 2022, the amount subject to guarantee by the University was $2,401,237.

The estimated costs to complete construction projects in progress is $103.6 million as of June 30, 2022, due in large part to the construction costs associated with the renovation of South Foundation Hall in the amount of $41.1 million, Varner Hall renovation for $25.5 million, Oakland West Campus for $15.7 million, Research Facility renovation for $6.9 million, Meadow Brook Hall visitor center for $5.3 million, Wilson Hall expansion for $1.4 million, Elliot Hall renovation for $0.9 million, and various campus enhancement projects totaling $6.8 million. The South Foundation Hall project is anticipated to be funded from the State Capital Outlay for $30.0 million, $10.0 million from the 2019 Bonds, and $4.2 million from University resources. The Varner Hall and Wilson Hall expansions will be funded from the 2019 Bonds. The various other campus enhancements are funded from University resources.

19. Expenditures by Natural Classification

Operating expenses by natural classification for the years ended June 30, 2022 and 2021 are summarized as follows:

	2022	2021
Employee compensation and benefits	**$ 238,548,243**	$ 231,430,305
Supplies and other services	**79,057,281**	61,862,941
Student aid	**27,031,055**	17,259,710
Depreciation	**26,856,910**	27,508,081
Total	**$ 371,493,489**	$ 338,061,037

20. Cash Flow Statement

The table below details the reconciliation of the net operating loss to net cash used by operating activities:

	2022	2021
Operating loss	**$ (108,055,089)**	$ (87,520,442)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	**26,856,910**	27,307,006
Changes in assets and liabilities:		
Accounts receivable, net	**(952,665)**	(6,491,806)
Inventories	**(209,893)**	(276,995)
Deposits and prepaid expense	**107,383**	(701,425)
Student loans receivable	**(72,153)**	77,668
Accounts payable and accrued expenses	**11,787,531**	(4,184,466)
Accrued payroll	**1,534,121**	(1,439,484)
Compensated absences	**(462,396)**	161,347
Unearned revenue	**(1,315,864)**	468,904
Deposits	**239,139**	296,459
Federal portion of student loan program	**(144,082)**	(161,556)
OPEB liability	**(7,159,637)**	5,567,290
Deferred outflow of resources	**5,378,641**	(1,093,816)
Deferred inflow of resources	**1,613,134**	(3,988,315)
Net cash used by operating activities	**$ (70,854,920)**	$ (71,979,631)

21. Related-Party Transactions

The Oakland University Foundation (Foundation) is a related party of the University. The Foundation had net assets of $229,069 and $275,150 as of June 30, 2022 and 2021 respectively, consisting of three endowment funds. The University's financial statements do not include the Foundation's assets or activity.

22. Subsequent Event

Subsequent to June 30, 2022 the University completed the purchase of the OU West Campus facility for $8.1 million. The purchase, approved in April 2022 by the Board of Trustees, consists of 18 acres of property two miles west of the main campus that contains a 141,245 square-foot building. The main University campus is within both Auburn Hills and Rochester Hills, this parcel of property two miles from the main campus is located in both Auburn Hills and Pontiac. The building contains 70 classrooms, office space and conference rooms. The Master of Physician Assistant Science Program and the School of Education and Human Services will be among the many programs that will occupy the new facility.

Required Supplemental Information

Oakland University
Required Supplemental Information
June 30, 2022

Schedule of Changes in Total OPEB Liability and Related Ratios

Total OPEB Liability	2022	2021	2020	2019	2018
			In thousands		
Service Cost	$ 1,261	$ 933	$ 791	$ 814	$ 940
Interest on total OPEB liability	893	1,208	1,289	1,218	1,050
Changes of benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	(2,006)	-	4,226	-	-
Effect of assumption changes or inputs	(5,478)	5,186	(3,503)	(1,079)	(2,973)
Benefit payments	(1,829)	(1,760)	(1,693)	(1,592)	(1,831)
Net Change in total OPEB liability	**(7,159)**	**5,567**	**1,110**	**(639)**	**(2,814)**
Total OPEB Liability, beginning	40,035	34,468	33,358	33,997	36,811
Total OPEB Liability, ending	**$ 32,876**	**$ 40,035**	**$ 34,468**	**$ 33,358**	**$ 33,997**
Covered Payroll	$ 133,657	$ 133,224	$ 134,662	$ 129,568	$ 125,045
Total OPEB liability as a % of covered payroll	24.60%	30.05%	25.59%	25.75%	27.19%

Changes of benefit terms: There were no changes in the benefit terms in 2022, 2021, 2020, 2019, or 2018.

Changes of assumptions: For 2022 and 2021 the discount rate decreased to 2.16% and 2.21% respectively. The discount rate was 3.50%, 3.87% and 3.58% in 2020, 2019 and 2018, respectively. The decrease in liability is primarily due to a decrease in the health care trend rate and plan participation.

GASB Statement No. 75 requires the measurement of OPEB expense as it is incurred, rather than as it is funded. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately $27.2 million, which will be used to offset annual postemployment benefit contributions.

Note: GASB 75 was implemented in fiscal year 2018. These schedules are being built prospectively. Ultimately 10 years of data will be presented.

October 3, 2022

To the Board of Trustees
Oakland University

We have audited the financial statements of Oakland University (the "University") as of and for the year ended June 30, 2022 and have issued our report thereon dated October 3, 2022 . Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 14, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the University. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the University's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of University, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 3, 2022 regarding our consideration of University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 14, 2022.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the University are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, the University has adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Our opinion is not modified with respect to this matter.

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are as follows:

- **Allowances for Uncollectible Accounts** - Management estimates the fair value of tuition accounts receivable and pledges receivable by establishing an allowance for estimated uncollectible amounts. We evaluated the allowance for uncollectible accounts to determine the amounts recorded are reasonable in relation to the financial statements taken as a whole.

- **Investment Valuation** - The valuation of investments held by the University is a significant accounting estimate. Management's estimate of these investments is based on valuations provided by a third-party investment manager. We evaluated the key factors and assumptions used to develop the valuations of these investments in determining that they are reasonable in relation to the financial statements taken as a whole.

- **Fair Value of Derivative Instruments** - The University is party to a derivative financial instrument (interest rate swap) that is reported at fair value on the statement of net position. Management established an estimate of the fair value of the interest rate swap based upon the calculation provided by the counterparty to the transactions. We evaluated the key factors and assumptions used to develop the valuations of these derivatives in determining that they are reasonable in relation to the financial statements taken as a whole.

- **Other Postemployment Benefit Obligations** - The University's management has contracted with an independent actuary to calculate the OPEB obligation based on benefit cost, participant data, and funding status. We have evaluated the key factors, actuarial assumptions, and the underlying census data in determining that they are reasonable in relation to the financial statements taken as a whole.

- **Scholarship Allowances** - Management estimates the scholarship allowances for tuition revenue using an assumed relationship between financial aid awarded and tuition revenue. We evaluated this estimate to determine it was reasonable in relation to the overall financial statements.

To the Board of Trustees
Oakland University

October 3, 2022

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the University, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 3, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports does not extend beyond the financial statements, and we do not express an opinion or any form of assurance on the other information. However, we read the management's discussion and analysis , and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially misstated or materially inconsistent with the information or manner of its presentation appearing in the financial statements.

To the Board of Trustees
Oakland University

October 3, 2022

This information is intended solely for the use of the board of trustees and management of Oakland University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Dana M. Coomes, CPA
Partner

Stephen C. Bondar, CPA
Senior Manager

To the Board of Trustees
Oakland University

October 3, 2022

Appendix A - Upcoming Changes

Accounting for Public-Private and Public-Public Partnerships - In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services, such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time, in an exchange or exchange-like transaction. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

Subscription-based Information Technology Arrangements - GASB Statement No. 96 is effective for the year ending June 30, 2023. The standard provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (institutions). Under this standard, institutions in SBITAs are required to recognize a right-to-use subscription asset and a corresponding subscription liability.

Compensated Absences - GASB statement No. 101 is effective for the year ending June 30, 2025. The standard allows for all compensated absences to be reported under a unified model. Under the standard, all compensated absences that meet three criteria are to be recorded based on the employee's pay rate at the reporting date. The three criteria are when the absence accumulates, the absence is attributed to services already performed, and the absence is more likely than not to be either paid or settled through other means. The controversial change is related to treatment of nonvesting leave, in which the government will now have to record an obligation for the portion of nonvesting leave that is more likely than not to be used for time off in the future or will eventually be paid out once the employee meets the vesting criteria. More likely than not means a likelihood of more than 50 percent.

Independent Auditor's Report

To the Board of Trustees
Oakland University

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oakland University (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 October 3, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

October 3, 2022

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees
Oakland University

We have audited, 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, the financial statements of Oakland University (the "University"), a component unit of the State of Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 3, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 3, 2022