

# Eastern Michigan University

Financial Statements and  
Supplemental Information  
As of June 30, 2001 and 2000

**EASTERN MICHIGAN UNIVERSITY**  
**June 30, 2001**

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# EASTERN MICHIGAN UNIVERSITY

September 25, 2001

To the EMU Board of Regents:

I am pleased to present to you the financial report for the fiscal year ended June 30, 2001.

You will notice that this report looks different in presentation from prior years but is similar in results. The University has completed another successful year where enrollment increased, facilities were improved, the budget was balanced, and our accreditation by North Central Association was renewed with enthusiasm and without condition.

This remains a very exciting time at Eastern Michigan University, as we near completion of a comprehensive strategic plan. This plan calls for Eastern Michigan University to be:

- recognized for its strong undergraduate programs and will provide research opportunities, excellent co-curricular programs, and support systems that enhance the success of a talented and diverse student population.
- recognized for the synergy of theory and practice in its graduate programs.
- a model for public engagement and linkages with the local community, the Detroit metropolitan area, southeast Michigan, the State of Michigan, and the region to address mutual concerns.
- a model for the principles of diversity and inclusion.
- a university with global and multicultural perspectives.
- improved in institutional effectiveness.

This planning exercise was complemented by organizational realignment of Information and Communications Technology, University Advancement, and Human Resources. In addition, a \$30-million technology plan has been christened, new residence halls were opened and, I am proud to report, over 40 cost containment and process improvement initiatives were completed at an estimated cost savings of nearly \$1.8 million.

As in the past I pledge to you that the resources entrusted to the University will be invested in the pursuit of excellence in all that we do. We will measure our successes to ensure that the confidence all our stakeholders have in the University remains well-founded.

Thank you for your continued support.

Samuel A. Kirkpatrick  
President

**Eastern Michigan University**  
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**June 30, 2001 and 2000**

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# EASTERN MICHIGAN UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Michigan University ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2001. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of University management.

### **Using the Annual Financial Report**

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements. The financial statements presented in prior years focused on the accountability of fund groups, while these statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public University's dependency on State aid and gifts could result in operating deficits because the financial reporting model classifies State appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and related investing activities, and helps measure the ability to meet financial obligations as they mature.

### **Noteworthy Financial Activity**

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2001 as compared to the previous year as evidenced by:

- The University's total assets increased over the prior year by \$21 million, of which, \$15.4 million is attributed to an increase in capital assets. Current assets increased by \$3.9 million, of which \$1 million is gains from University investments.

- Total liabilities increased by \$6.3 million which is primarily due to the \$12.8 million in bonds sold to finance new student housing.
- The University's net assets increased by \$14.8 million to \$246.8 million, of which \$223.8 is either invested in capital assets or restricted. Of the remaining \$23 million in unrestricted assets, all but \$3.3 million is designated for specific purposes.
- Operating revenues increased by \$9.2 million compared to the prior year, over half of which is directly related to increased student tuition and fees.
- The University's operating expenses increased by \$15.8 million, with expected increases in all functional expense categories.
- Nonoperating revenue grew by \$6.1 million, the majority of which is related to a \$4.4 million increase in State appropriations. Investment income accounted for \$1.9 million of the remaining nonoperating revenue growth, much of which was related to appreciation on investments.
- The operating loss and principal debt payments totaled \$87.6 million, of which 98.5% was funded by State appropriations. The remainder of the shortfall was covered by gifts.

**Eastern Michigan University**  
**Condensed Statements of Net Assets**  
**as of June 30, 2001 and 2000**  
**(in thousands)**

| <b>ASSETS</b>                                     | <b><u>2001</u></b> | <b><u>2000</u></b> |
|---|--------------------|--------------------|
| Current assets                                    | \$ 86,657          | \$ 82,727          |
| Noncurrent assets                                 | <u>298,374</u>     | <u>281,252</u>     |
| Total assets                                      | \$385,031          | \$363,979          |
|   | =====              | =====              |
| <br><b>LIABILITIES</b>                            |                    |                    |
| Current liabilities                               | \$ 35,638          | \$ 36,495          |
| Noncurrent liabilities                            | <u>102,575</u>     | <u>95,461</u>      |
| Total liabilities                                 | \$138,213          | \$131,956          |
|   | =====              | =====              |
| <br><b>NET ASSETS</b>                             |                    |                    |
| Invested in capital assets<br>net of related debt | \$190,379          | \$180,538          |
| Restricted, expendable                            | 33,435             | 31,208             |
| Unrestricted, designated                          | 19,665             | 16,976             |
| Unrestricted, undesignated                        | <u>3,339</u>       | <u>3,301</u>       |
| Total net assets                                  | \$246,818          | \$232,023          |
|   | =====              | =====              |

At June 30, 2001, total University assets were \$385 million, compared to \$364 million in fiscal 2000. The University's largest asset is its investment in physical plant of \$286 million at June 30, 2001 compared to \$271 million in fiscal 2000.

In fiscal 2001, the University's current assets of \$87 million were sufficient to cover current liabilities of \$36 million (current ratio of 2.42). In fiscal 2000, current assets of \$83 million were sufficient to cover current liabilities of \$37 million (current ratio of 2.25). Cash and cash equivalents increased by \$9.5 million or 25%, primarily due to reimbursement of insurance receivables, unspent bond proceeds for the residence hall construction, and gains on investments.

University liabilities total \$138 million at June 30, 2001 compared to \$132 million in fiscal 2000. Long-term debt of \$99.7 million, consisting of bonds payable, is the largest liability. Total long-term debt increased in fiscal 2001 due to a \$12.8 million bond issuance for construction of new residence halls. Subsequent to June 30, 2001 the University refinanced bonds totaling approximately \$41,395,000.

Total net assets increased by \$14.8 million to \$246.8 million, primarily due to investment in capital assets, net of related debt, of \$9.8 million. Unrestricted net assets total \$23 million, 86% of which (\$19.7 million) is designated for ongoing academic and research programs, capital projects and other initiatives.

**Eastern Michigan University**  
**Condensed Statements of Revenues, Expenses and Changes in Net Assets**  
**for the years ended June 30, 2001 and 2000**  
**(in thousands)**

|  | <u>2001</u>    | <u>2000</u>    |
|--|----------------|----------------|
| Total operating revenues                                   | \$141,371      | \$132,201      |
| Total operating expenses                                   | <u>225,649</u> | <u>209,824</u> |
| Operating loss   | (84,278)       | (77,623)       |
| Nonoperating revenues (expenses)                           | <u>87,976</u>  | <u>81,923</u>  |
| Income before other revenues,<br>expenses, gains or losses | 3,698          | 4,300          |
| Capital appropriations and gifts                           | <u>11,097</u>  | <u>4,910</u>   |
| Total increase in net assets                               | 14,795         | 9,210          |
| Net assets, beginning of year                              | <u>232,023</u> | <u>222,813</u> |
| Net assets, end of year                                    | \$246,818      | \$232,023      |
|  | =====          | =====          |

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts.

Operating expenditures, including depreciation of \$13 million, totaled \$226 million. The scholarship and fellowship functional expense category grew by 19.6%, primarily related to an increase in University funded scholarships and the new State of Michigan merit scholarship program.

State appropriations were the most significant nonoperating revenue, totaling, \$86 million.

**Eastern Michigan University**  
**Condensed Statements of Cash Flows**  
**for the years ended June 30, 2001 and 2000**  
**(in thousands)**

|  | <u>2001</u>   | <u>2000</u>   |
|--|---------------|---------------|
| Cash provided/(used) by:                     |               |               |
| Operating activities                         | (\$74,703)    | (\$66,215)    |
| Noncapital financing activities              | 88,084        | 83,417        |
| Capital and related financing activities     | (8,362)       | (19,314)      |
| Investing activities                         | <u>4,490</u>  | <u>2,306</u>  |
| Net increase in cash                         | 9,509         | 194           |
| Cash and cash equivalents, beginning of year | <u>38,040</u> | <u>37,846</u> |
| Cash and cash equivalents, end of year       | \$47,549      | \$38,040      |
|  | =====         | =====         |

Major sources of cash included student tuition and fees (\$88 million), state appropriations (\$86 million), auxiliary activities (\$32 million), and grants and contracts (\$25 million). The largest payments were for suppliers and employees (\$188 million) and financial aid (\$24 million).

**Credit Ratings**

In November 2000, the University's credit rating was upgraded from "A3" to "A2" by Moody's Investors Services, and remains an "A" rating by Standard & Poor's. The highest achievable ratings are "A1" and "AAA", respectively. The University's capacity to meet its financial obligations is considered strong based upon these ratings.

**Looking Ahead**

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support, and the cost of health care, utilities, employee compensation and unfunded State and Federal mandates.

Additional challenges include major capital needs, with the highest priorities being a new science complex, modernization of the Pray-Harrod Classroom Building, and the continued investment in facility renewal. An additional \$1 million has been allocated to the facility renewal budget for fiscal 2002.

Paramount to the University's continuing success is the recent accreditation by the North Central Association which awarded Eastern Michigan University a ten-year renewal with enthusiasm and without condition.

In the past year the University has experienced much change, including the development of a comprehensive strategic plan. As a result of the strategic planning process, a five year, \$30 million technology renewal initiative, funded primarily through a new student technology fee, has been approved which includes upgrades to faculty and staff computers, enhanced student computer labs, replacement of the University's network infrastructure and upgrade of all core administrative systems (student, financial aid, human resources/payroll, finance and alumni/development). This project will provide state of the art technology for end users and improved management information.

The University persists in its efforts toward program assessment (both academic and administrative), cost containment, continuous improvement, benchmarking with peers, expansion of corporate and continuing education, and distance learning opportunities. These efforts are geared toward assessing our performance related to goals and freeing up resources to support change. The University's ongoing strategic planning initiative and efforts to identify resource reallocation opportunities have expanded to new planning activities to enhance revenues and control expenses over the short and long term.

Eastern Michigan University is well positioned to increase enrollment, strategically add, and when appropriate, eliminate programs, partner with the State in economic development, and meet public expectations, while remaining financially sound.

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**EASTERN MICHIGAN UNIVERSITY**  
**STATEMENTS OF NET ASSETS**  
as of June 30, 2001 and 2000

|   | <u>2001</u>           | <u>2000</u>           |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>                                   |                       |                       |
| Current assets:                                 |                       |                       |
| Cash and cash equivalents (note 2)              | \$ 47,548,893         | \$ 38,039,873         |
| Accounts receivable, net (note 3)               | 19,259,838            | 19,246,323            |
| Appropriation receivable                        | 15,703,186            | 14,891,466            |
| State Building Authority receivable             | 935,893               | 7,500,903             |
| Inventories                                     | 555,090               | 464,995               |
| Deposits and prepaid expenses                   | 2,368,798             | 2,166,877             |
| Accrued interest receivable                     | 285,084               | 417,292               |
| Total current assets                            | <u>86,656,782</u>     | <u>82,727,729</u>     |
| Noncurrent assets:                              |                       |                       |
| Student loans receivable, net (note 3)          | 10,950,142            | 9,371,135             |
| Long-term investments (note 2)                  | 27,104                | 25,132                |
| Capital assets, net (note 4)                    | 286,184,110           | 270,745,247           |
| Other   | 1,212,379             | 1,110,379             |
| Total noncurrent assets                         | <u>298,373,735</u>    | <u>281,251,893</u>    |
| Total assets                                    | <u>\$ 385,030,517</u> | <u>\$ 363,979,622</u> |
| <b>LIABILITIES</b>                              |                       |                       |
| Current liabilities:                            |                       |                       |
| Current portion of long-term debt (note 5)      | \$ 4,627,268          | \$ 3,298,242          |
| Accounts payable and accrued liabilities        | 11,389,691            | 14,419,452            |
| Accrued payroll                                 | 6,384,088             | 6,306,135             |
| Payroll taxes and accrued fringe benefits       | 3,613,884             | 3,303,662             |
| Unearned fees and deposits                      | 6,090,485             | 4,973,274             |
| Insurance and other claims payable (note 7)     | 3,532,188             | 4,194,366             |
| Total current liabilities                       | <u>35,637,604</u>     | <u>36,495,131</u>     |
| Noncurrent liabilities:                         |                       |                       |
| Accrued compensated absences (note 6)           | 6,639,585             | 7,214,266             |
| Long-term debt (note 5)                         | 95,061,468            | 86,908,736            |
| Long-term unearned fees and deposits            | 873,571               | 1,338,214             |
| Total noncurrent liabilities                    | <u>102,574,624</u>    | <u>95,461,216</u>     |
| Total liabilities                               | <u>\$ 138,212,228</u> | <u>\$ 131,956,347</u> |
| <b>NET ASSETS</b>                               |                       |                       |
| Invested in capital assets, net of related debt | \$ 190,379,320        | \$ 180,538,266        |
| Restricted, expendable                          | 33,434,581            | 31,207,793            |
| Unrestricted                                    | 23,004,388            | 20,277,216            |
| Total net assets                                | <u>\$ 246,818,289</u> | <u>\$ 232,023,275</u> |

The accompanying notes are an integral part of this statement.

**EASTERN MICHIGAN UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
for the years ended June 30, 2001 and 2000

|   | <u>2001</u>           | <u>2000</u>           |
|---|-----------------------|-----------------------|
| <b>OPERATING REVENUES</b>   |                       |                       |
| Student tuition and fees  | \$ 87,563,390         | \$ 82,143,850         |
| Scholarship allowances  | (11,867,671)          | (9,232,540)           |
| Net student tuition and fees  | <u>75,695,719</u>     | <u>72,911,310</u>     |
| Federal grants and contracts  | 4,584,039             | 3,663,524             |
| Federal financial aid   | 9,376,747             | 8,822,964             |
| State grants and contracts  | 972,781               | 837,706               |
| State financial aid   | 2,817,837             | 503,062               |
| Nongovernmental grants and contracts  | 7,878,650             | 8,791,455             |
| Departmental activities   | 5,093,269             | 4,894,806             |
| Auxiliary activities, less internal service billings<br>of \$3,341,367 and \$3,244,719 in 2001 and 2000, respectively | 31,760,401            | 30,599,511            |
| Other   | <u>3,191,462</u>      | <u>1,176,938</u>      |
| Total operating revenues  | <u>141,370,905</u>    | <u>132,201,276</u>    |
| <b>OPERATING EXPENSES</b>   |                       |                       |
| Instruction   | 76,516,740            | 75,629,013            |
| Research  | 3,730,569             | 3,373,820             |
| Public service  | 13,414,269            | 12,780,795            |
| Academic support  | 19,880,664            | 19,118,651            |
| Student services  | 20,926,356            | 20,025,258            |
| Institutional support   | 28,268,741            | 25,674,936            |
| Scholarships and fellowships  | 10,152,564            | 8,486,390             |
| Operation and maintenance of plant  | 15,815,563            | 14,691,613            |
| Auxiliary activities, less internal service billings<br>of \$3,341,367 and \$3,244,719 in 2001 and 2000, respectively | 27,733,483            | 26,713,474            |
| Depreciation  | 13,355,618            | 11,441,056            |
| Capital additions, net  | (4,742,072)           | (8,513,652)           |
| Other   | <u>595,977</u>        | <u>402,527</u>        |
| Total operating expenses  | <u>225,648,472</u>    | <u>209,823,881</u>    |
| Operating loss  | <u>(84,277,567)</u>   | <u>(77,622,605)</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                       |                       |
| State appropriations  | 86,280,454            | 81,903,068            |
| Gifts   | 2,317,734             | 2,159,631             |
| Investment income   | 4,359,902             | 2,467,304             |
| Interest expense  | (5,471,481)           | (4,924,287)           |
| Other   | <u>489,314</u>        | <u>316,936</u>        |
| Net nonoperating revenues (expenses)  | <u>87,975,923</u>     | <u>81,922,652</u>     |
| Income before other revenues, expenses, gains, or losses  | 3,698,356             | 4,300,047             |
| Capital appropriation   | 2,547,092             | 1,568,400             |
| Capital gifts   | <u>8,549,566</u>      | <u>3,341,283</u>      |
| Increase in net assets  | 14,795,014            | 9,209,730             |
| <b>NET ASSETS, beginning of year</b>  | <u>232,023,275</u>    | <u>222,813,545</u>    |
| <b>NET ASSETS, end of year</b>  | <u>\$ 246,818,289</u> | <u>\$ 232,023,275</u> |

The accompanying notes are an integral part of this statement.

**EASTERN MICHIGAN UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
for the years ended June 30, 2001 and 2000

|   | 2001                 | 2000                 |
|---|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                      |                      |
| Cash received from students for tuition and fees                | \$ 87,608,864        | \$ 81,554,344        |
| Cash received from auxiliary activities                         | 31,755,536           | 30,473,245           |
| Cash received from other sources                                | 4,695,461            | 3,957,214            |
| Grants and contracts  | 25,278,707           | 20,995,604           |
| Federal student loan funds received                             | 364,788              | 263,281              |
| Student loans granted, net of repayments                        | (68,104)             | (34,471)             |
| Scholarship allowances  | (11,867,671)         | (9,232,540)          |
| Cash paid to suppliers and employees                            | (188,483,173)        | (175,826,365)        |
| Cash paid for financial aid                                     | (23,987,746)         | (18,365,321)         |
| Net cash used by operating activities                           | <u>(74,703,338)</u>  | <u>(66,215,009)</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                      |                      |
| Cash received from State appropriations                         | 85,468,734           | 81,248,245           |
| Gifts received from EMU Foundation                              | 2,615,309            | 2,168,588            |
| Net cash provided by noncapital financing activities            | <u>88,084,043</u>    | <u>83,416,833</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                      |                      |
| Cash from State Building Authority authorization                | 6,564,479            | 11,899,046           |
| Cash from State appropriations - supplemental                   | 2,547,092            | 1,568,400            |
| Principal payments under debt obligations                       | (3,298,242)          | (3,833,764)          |
| Interest paid   | (5,471,481)          | (4,924,287)          |
| Proceeds from sale of bonds                                     | 12,780,000           | 5,602,593            |
| Purchases of capital assets                                     | (20,244,915)         | (31,104,311)         |
| Other payments  | (1,238,955)          | 1,478,369            |
| Net cash used by capital and related financing activities       | <u>(8,362,022)</u>   | <u>(19,313,954)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                      |                      |
| Payments for long-term investments                              | (1,972)              | (2,032)              |
| Interest received   | 4,492,309            | 2,244,833            |
| Other   | -                    | 62,890               |
| Net cash provided by investing activities                       | <u>4,490,337</u>     | <u>2,305,691</u>     |
| Net increase/(decrease) in cash and cash equivalents            | 9,509,020            | 193,561              |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>             | <u>38,039,873</u>    | <u>37,846,312</u>    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>                   | <u>\$ 47,548,893</u> | <u>\$ 38,039,873</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS</b>                 |                      |                      |
| Capital gifts received related to equipment                     | <u>\$ 8,549,566</u>  | <u>\$ 3,341,283</u>  |

The accompanying notes are an integral part of this statement.

**EASTERN MICHIGAN UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
for the years ended JUNE 30, 2001 and 2000  
(continued)

|  | <u>2001</u>            | <u>2000</u>            |
|--|------------------------|------------------------|
| Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities: |                        |                        |
| Operating loss   | <u>\$ (84,277,567)</u> | <u>\$ (77,622,605)</u> |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:          |                        |                        |
| Depreciation expense   | <u>13,355,618</u>      | <u>11,441,056</u>      |
| Change in assets and liabilities:  |                        |                        |
| Accounts receivable, net   | (13,515)               | (5,762,760)            |
| Inventories  | (90,095)               | 78,983                 |
| Deposits and prepaid expenses  | (201,921)              | 192,650                |
| Student loans receivable, net  | (1,579,007)            | 37,388                 |
| Current portion of long-term debt  | 1,329,026              | (335,045)              |
| Accounts payable and accrued liabilities   | (3,029,761)            | 6,360,769              |
| Accrued payroll  | 77,953                 | 713,731                |
| Payroll taxes and accrued fringe benefits  | 310,222                | (687,869)              |
| Unearned fees and deposits   | 1,117,211              | 338,465                |
| Insurance and other claims payable   | (662,178)              | (55,191)               |
| Accrued compensated absences   | (574,681)              | (237,646)              |
| Long-term unearned fees and deposits   | (464,643)              | (676,935)              |
| Total change in assets and liabilities   | <u>(3,781,389)</u>     | <u>(33,460)</u>        |
| Net cash used by operating activities  | <u>\$ (74,703,338)</u> | <u>\$ (66,215,009)</u> |

The accompanying notes are an integral part of this statement.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### **(1) Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies:**

Reporting Entity – Eastern Michigan University ("University") is an institution of higher education and is considered to be a component unit of the State of Michigan ("State") because its Board of Regents is appointed by the Governor of the State. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations, grants from various state agencies and payments to the State retirement program for certain University employees.

The University is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

Basis of Presentation – The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The University adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and early adopted Statements No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 1999. As a result of these adoptions, changes to the presentation of amounts in the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows have been made. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the university as a whole, with resources classified for accounting and reporting purposes into four net asset categories according to externally imposed restrictions. Previously, financial statements focused on the accountability of individual fund groups rather than on the university as a whole.

The four required net asset categories are as follows:

- Invested in capital assets, net of related debt - 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 assets subject to externally-imposed stipulations that they be maintained permanently by the university. (These assets are recorded in the Eastern Michigan University Foundation financial statements.)
- Restricted, expendable - Net assets whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by the passage of time.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- Unrestricted - Net assets that are not subject to externally-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties. (Substantially all unrestricted net assets are designated for academic and research programs, capital projects and other initiatives.)

For the purposes of the Statements of Cash Flows, highly liquid investments, excluding noncurrent investments, with an original maturity of three months or less are considered cash equivalents.

Summary of Significant Accounting Policies – Investments in marketable securities are carried at fair market value as established by the major securities markets. Investment income includes realized and unrealized gains and losses on investments, interest income and dividends. Inventories are stated at the lower of cost (first in, first out basis) or market. Retirement benefit costs are funded as accrued. Bond issuance costs are amortized using the effective interest method over the maturities of the related bonds.

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

State appropriations are recognized when received or made available. Restricted funds are recognized as revenue only to the extent expended. Gifts and interest on student loans are recognized when received.

### **(2) Cash and Cash Equivalents:**

The University utilizes the pooled cash method of accounting for substantially all of its cash and cash equivalents. The University's investment policy, as set forth by the Board of Regents, authorizes investment in securities of the U.S. Treasury and federal agencies, corporate bonds and notes, commercial paper, time savings deposits, Eurodollars and certain external mutual funds, separate managed funds and other pooled funds.

Cash and cash equivalents consist of the following as of June 30, 2001 and 2000:

|                          | <u>2001</u>         | <u>2000</u>         |
|--------------------------|---------------------|---------------------|
| Disbursement accounts    | \$ (162,976)        | \$ (1,277,029)      |
| U.S. Treasuries/agencies | 9,018,690           | 11,315,350          |
| Pooled investment funds  | -                   | 342,803             |
| Mutual funds             | <u>38,693,179</u>   | <u>27,658,749</u>   |
|                          | <u>\$47,548,893</u> | <u>\$38,039,873</u> |

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Cash and cash equivalents include mutual and pooled investment funds that allow for daily withdrawals. The mutual and pooled investment funds have short-term to intermediate-term durations and are stated at quoted market value. The U.S. Treasuries and federal agencies have short-term durations and are also stated at quoted market value. All other cash and cash equivalents are stated at amortized cost, which approximates market.

All cash and cash equivalents are held in the University's name, as of June 30, 2001 and 2000. The University uses a zero balance account in its cash management system. Accordingly, any outstanding checks are reflected as negative cash in its disbursement accounts. As of June 30, 2001, the banks reported balances in the disbursement accounts at \$2,065,437. Of these balances \$203,031 was covered by federal depository insurance and \$1,862,406 was uninsured and uncollateralized. As of June 30, 2000, the banks reported balances in the disbursement accounts at \$1,483,282. Of these balances, \$203,520 was covered by federal depository insurance and \$1,279,762 was uninsured and uncollateralized.

Long-term investments consist of the following as of June 30, 2001 and 2000:

|                          | <u>2001</u> | <u>2000</u> |
|--------------------------|-------------|-------------|
| U.S. Treasuries/agencies | \$27,104    | \$25,132    |

### **(3) Accounts Receivable:**

Accounts receivable consist of the following, as of June 30, 2001 and 2000:

|  | <u>2001</u>         | <u>2000</u>         |
|--|---------------------|---------------------|
| Sponsor accounts                               | \$ 4,698,676        | \$4,907,822         |
| Student accounts                               | 8,292,956           | 7,107,482           |
| Charter school appropriation                   | 4,200,339           | 3,475,025           |
| Third party tuition                            | 1,402,636           | 1,564,025           |
| Insurance reimbursement                        | 262,191             | 2,275,203           |
| Other  | <u>2,293,068</u>    | <u>1,689,968</u>    |
|  | 21,149,866          | 21,019,525          |
| Less allowances for possible collection losses | <u>(1,890,028)</u>  | <u>(1,773,202)</u>  |
| Accounts receivable, net                       | <u>\$19,259,838</u> | <u>\$19,246,323</u> |

In addition, the University has student loans receivable of \$11,218,252 and \$11,183,050 as of June 30, 2001 and 2000, respectively. The related allowance as of June 30, 2001 and 2000 is \$268,110 and \$1,811,915, respectively. The student loan receivable allowance was reduced in 2001 to recognize the improvement in the University's collectability of outstanding loans.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### **(4) Capital Assets:**

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation.

Capital assets consists of the following, as of June 30, 2000 and 2001:

|                          | <u>2000</u>          | <u>Additions/<br/>Transfers</u> | <u>Net<br/>Retirements</u> | <u>2001</u>          |
|--------------------------|----------------------|---------------------------------|----------------------------|----------------------|
| Land                     | \$ 10,246,478        | \$ 343,500                      | \$ -                       | \$ 10,589,978        |
| Infrastructure           | 23,539,468           | 701,650                         | -                          | 24,241,118           |
| Leasehold improvements   | 3,408,874            | -                               | -                          | 3,408,874            |
| Buildings                | 278,321,890          | 21,010,445                      | (2,209)                    | 299,330,126          |
| Equipment                | 85,860,630           | 12,438,602                      | (3,310,732)                | 94,988,500           |
| Construction-in-progress | <u>20,828,296</u>    | <u>(5,699,716)</u>              | <u>-</u>                   | <u>15,128,580</u>    |
|                          | 422,205,636          | 28,794,481                      | (3,312,941)                | 447,687,176          |
| Accumulated depreciation | <u>(151,460,389)</u> | <u>(13,355,618)</u>             | <u>3,312,941</u>           | <u>(161,503,066)</u> |
| Capital assets, net      | <u>\$270,745,247</u> | <u>\$15,438,863</u>             | <u>\$ -</u>                | <u>\$286,184,110</u> |

Depreciation is recognized on a straight-line basis over the estimated useful life of the asset, as follows:

| <u>Classification</u>  | <u>Life</u>    |
|------------------------|----------------|
| Infrastructure         | 12 to 60 years |
| Leasehold improvements | 12 to 20 years |
| Buildings              | 40 to 60 years |
| Equipment              | 5 to 10 years  |

The University has committed \$3,582,352 to various construction projects in progress as of June 30, 2001.

### **(5) Long-term Debt:**

In November 2000, the University issued \$12,780,000 of General Revenue Bonds, Series 2000B, to fund new residence hall facilities. The bonds are secured by general revenues of the University. Bond issuance costs of \$145,867, net of accumulated amortization of \$2,431 at June 30, 2001, are included in other assets in the accompanying financial statements. The outstanding balance of the bonds as of June 30, 2001 is \$12,780,000.

In February 2000, the University issued \$9,555,000 of General Revenue Bonds, Series 2000 to partially defease the Series 1992 General Revenue Bonds and to fund various capital additions and improvements. The bonds are secured by general revenues of the University. During the year ended June 30, 2000, the University deposited \$3,870,373 of the Series 2000 bond proceeds into an irrevocable trust with an escrow agent to provide for all future debt service payments for part of the Series 1992 General Revenue Bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded as assets or

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

liabilities in the financial statements of the University. The portion of the bonds used to defease the debt reduced the University's related annual debt service payments while increasing its aggregate (undiscounted) debt service by \$74,251. The defeasance resulted in an accounting gain of \$29,627 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$84,079. Bond issuance costs of \$63,145, net of accumulated amortization of \$3,157 and \$1,289 at June 30, 2001 and 2000, respectively, are included in other assets in the accompanying financial statements.

In December 1996, the University issued \$39,160,000 of General Revenue Bonds. The bonds consist of serial and term bonds, the proceeds from which were to be used for certain capital projects. The bonds are secured by and payable from an irrevocable pledge of general revenues. Bond issuance costs of \$1,187,007, net of accumulated amortization of \$178,051 and \$138,484 at June 30, 2001 and 2000, respectively, are included in other assets in the accompanying financial statements.

In September 1993, the University issued \$20,800,000 of General Revenue Refunding Bonds to defease in-substance, \$18,385,000 of Student Fee Bonds outstanding at that time. The defeased Student Fee Bonds were called on June 1, 2001 resulting in a zero balance as of June 30, 2001.

In May 1992, the University issued \$45,125,000 of General Revenue Refunding Bonds together with \$6,405,583 of trustee held reserves to defease in-substance, \$46,696,000 of Housing and Student Fee Bonds outstanding at that time. The outstanding balance of the defeased Housing and Student Fee Bonds as of June 30, 2001 is \$1,119,000.

Long-term debt consists of the following as of June 30, 2000 and 2001:

|                                     | Interest Rates | Maturity  | 2000                | Outstanding Principal |                    | 2001                |
|-------------------------------------|----------------|-----------|---------------------|-----------------------|--------------------|---------------------|
|                                     |                |           |                     | Additions             | Retirements        |                     |
| General Revenue Bonds of 2000       | 5.00-6.00      | 2000-2024 | \$ 9,295,000        | \$ -                  | \$ 370,000         | \$ 8,925,000        |
| General Revenue Bonds of 2000B      | 4.50-5.875     | 2001-2030 | -                   | 12,780,000            | -                  | 12,780,000          |
| General Revenue Bonds of 1997       | 3.60-5.50      | 2000-2027 | 39,060,000          | -                     | 100,000            | 38,960,000          |
| Refunding Bonds of 1993             | 3.60-5.125     | 2000-2011 | 14,530,000          | -                     | 1,040,000          | 13,490,000          |
| Refunding Bonds of 1992             | 4.65-6.375     | 2000-2014 | 23,675,000          | -                     | 1,430,000          | 22,245,000          |
| Citizens Bank #1                    | 4.09           | 2000-2002 | 800,000             | -                     | 100,000            | 700,000             |
| Citizens Bank #2                    | 3.98           | 2000-2002 | 1,000,000           | -                     | -                  | 1,000,000           |
| Bank One                            | 4.96           | 2006      | 788,000             | -                     | 49,250             | 738,750             |
| Other                               | Various        | Various   | <u>1,058,978</u>    | <u>-</u>              | <u>208,992</u>     | <u>849,986</u>      |
|                                     |                |           | 90,206,978          | <u>\$12,780,000</u>   | <u>\$3,298,242</u> | 99,688,736          |
| Less current portion long-term debt |                |           | <u>3,298,242</u>    |                       |                    | <u>4,627,268</u>    |
| Long-term debt                      |                |           | <u>\$86,908,736</u> |                       |                    | <u>\$95,061,468</u> |

Certain debt agreements require student fees to equal or exceed 200% of the related debt service. The University is in compliance with these covenants.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Principal and interest on long-term debt are payable from operating revenues, allocated student fees and the excess of revenues over expenditures of specific auxiliary activities. The obligations are generally callable. The future amounts of principal and interest payments required by the debt agreements are as follows:

|             | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|-------------|---------------------|---------------------|----------------------|
| 2002        | \$ 4,627,268        | \$ 5,734,474        | \$ 10,361,742        |
| 2003        | 4,769,767           | 5,455,584           | 10,225,351           |
| 2004        | 3,820,175           | 5,220,123           | 9,040,298            |
| 2005        | 3,979,776           | 4,996,133           | 8,975,909            |
| 2006        | 4,571,750           | 4,764,470           | 9,336,220            |
| 2007 - 2011 | 21,310,000          | 19,917,110          | 41,227,110           |
| 2012 - 2016 | 12,955,000          | 14,392,041          | 27,347,041           |
| 2017 - 2021 | 16,280,000          | 10,403,750          | 26,683,750           |
| 2022 – 2026 | 20,435,000          | 5,372,870           | 25,807,870           |
| 2027 – 2030 | <u>6,940,000</u>    | <u>664,081</u>      | <u>7,604,081</u>     |
| Total       | <u>\$99,688,736</u> | <u>\$76,920,636</u> | <u>\$176,609,372</u> |

### **(6) Retirement Benefits:**

Through December 31, 1995, the University offered participation in one of two retirement plans for all qualified employees: the Michigan Public School Employees= Retirement System (“MPSERS”) and the Teachers Insurance and Annuities Association - College Retirement Equities Fund (“TIAA-CREF”). As of January 1, 1996, the University no longer offered participation in MPSERS to new employees due to the Michigan Public Act 272 of 1995 which enabled the University to withdraw from MPSERS.

MPSERS is a cost sharing multiple employer noncontributory defined benefit retirement plan through the Michigan State Employees= Retirement System. During fiscal 2001, the University=s costs for the MPSERS plan included 1) contributions based on member payroll to fund normal pension costs, 2) contributions to fund a portion of the plan=s unfunded actuarial accrued liability, and 3) contributions for retiree health insurance, at a fixed dollar amount determined annually by MPSERS.

The cost of the MPSERS plan allocated to the University, all of which was contributed in the applicable year, was approximately \$4,753,000, \$3,991,000 and \$3,715,000 for the years ended June 30, 2001, 2000 and 1999, respectively. Further pension data audited by the Office of the Auditor General of the State of Michigan, for the Michigan State Employees= Retirement System is included in the State of Michigan=s Comprehensive Annual Financial Report.

TIAA-CREF is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee benefits generally vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. For the years ended June 30, 2001 and 2000, the University contributed approximately \$7,236,000 and \$6,701,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contribution under the TIAA-CREF plan.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In addition, the University provides post-retirement health care benefits to certain eligible retirees. The benefits are provided through a reimbursement of insurance premiums paid by such eligible retirees. The reimbursement expenses incurred for the years ended June 30, 2001 and 2000 were approximately \$40,000 and \$38,000, respectively.

The University also provides termination benefits upon retirement resulting from unused sick days. The University calculates its sick pay liability in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The liability, included in accrued compensated absences, is approximately \$3,520,000 and \$4,779,000 as of June 30, 2001 and 2000, respectively.

### **(7) Contingencies and Commitments:**

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against any and all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University participates in the Michigan Universities Self-Insurance Corporation ("MUSIC"), which provides indemnity to members against comprehensive general liability, errors and omissions, and property losses commonly covered by insurance. MUSIC also provides risk management and loss control services and programs.

Loss coverages are structured on a three layer basis with each member retaining a portion of its losses, MUSIC covering the second layer and commercial carriers covering the third. Comprehensive general liability coverage is provided on an occurrence basis. Errors and omissions and property coverage are provided on a claims-made basis.

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits.

Liabilities for estimates of losses retained by the University under MUSIC and reserves for claims incurred but not reported under self-insurance programs have been established.

### **(8) Related Party Transactions:**

The Eastern Michigan University Foundation ("Foundation") is an independent corporation formed for the purpose of fund raising and receiving funds for the sole benefit of the University. As of June 30, 2001 and 2000, assets totaling approximately \$39,930,000 and \$46,136,000, respectively, most of which have been restricted by donors for specific purposes, are held by the Foundation and are not recorded in the accompanying financial statements. Amounts transferred to the University from the Foundation are included in gifts and capital grants and gifts in the accompanying financial statements and totaled \$11,164,875 and \$5,509,871 at June 30, 2001 and 2000, respectively.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Effective April 1, 1996, the University entered into a joint operating agreement with the Foundation and Eagle Crest Management Corporation ("ECMC"). The agreement calls for the Foundation to provide management and investment services to the University for assets received, held by or entrusted to the Foundation in support of the University. The Foundation also assumed responsibilities relating to gift records and receipts. Beginning in fiscal year 1998, the Foundation assumed responsibilities for managing Development Programs. The University is leasing its gifts and records management systems to the Foundation for one dollar per year.

The agreement further calls for ECMC, a wholly-owned subsidiary of the Foundation, to manage the operations of the University's Eagle Crest Golf Course and Eagle Crest Conference Center. ECMC's management responsibilities include personnel functions, benefits administration, financial services, payroll, accounts receivable, accounts payable, purchasing, budgeting, housekeeping, maintenance, marketing and sales. In connection with the joint operating agreement, the University pays ECMC a management fee.

Effective July 1, 2001, the University renegotiated its joint operating agreement, resulting in separate operating agreements with the Foundation and ECMC, with similar responsibilities held by all parties.

### **(9) Natural Classification of Expenses:**

Operating expenses by natural classification for the years ended June 30, 2001 and 2000 are summarized as follows:

|                             | <u>2001</u>          | <u>2000</u>          |
|-----------------------------|----------------------|----------------------|
| Salaries, wages, benefits   | \$145,098,656        | \$137,874,514        |
| Supplies, travel, equipment | 55,651,400           | 51,003,202           |
| Scholarship expenses        | 10,152,564           | 8,486,390            |
| Depreciation                | 13,355,618           | 11,441,056           |
| Other                       | <u>1,390,234</u>     | <u>1,018,719</u>     |
| Total operating expenses    | <u>\$225,648,472</u> | <u>\$209,823,881</u> |

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**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF NET ASSETS**  
**BY FUND**  
as of June 30, 2001

|   | General<br>Fund      | Designated<br>Fund   | Auxiliary<br>Activities<br>Fund | Expendable<br>Restricted<br>Fund | Student<br>Loan<br>Fund | Plant<br>Fund         | Agency<br>Fund      | Consolidated<br>Total |
|---|----------------------|----------------------|---------------------------------|----------------------------------|-------------------------|-----------------------|---------------------|-----------------------|
| <b>ASSETS</b>                                   |                      |                      |                                 |                                  |                         |                       |                     |                       |
| Current assets:                                 |                      |                      |                                 |                                  |                         |                       |                     |                       |
| Cash and cash equivalents                       | \$ 6,929,387         | \$ 11,862,582        | \$ 3,903,861                    | \$ (1,589,132)                   | \$ 753,489              | \$ 23,890,616         | \$ 1,798,090        | \$ 47,548,893         |
| Accounts receivable, net                        | 6,660,470            | 4,645,890            | 2,262,489                       | 4,653,676                        | 425,300                 | 612,013               | -                   | 19,259,838            |
| Appropriation receivable                        | 15,703,186           | -                    | -                               | -                                | -                       | -                     | -                   | 15,703,186            |
| State Building Authority receivable             | -                    | -                    | -                               | -                                | -                       | 935,893               | -                   | 935,893               |
| Inventories                                     | 131,170              | -                    | 423,920                         | -                                | -                       | -                     | -                   | 555,090               |
| Deposits and prepaid expenses                   | 1,806,994            | 46,626               | 280,329                         | -                                | -                       | 234,849               | -                   | 2,368,798             |
| Accrued interest receivable                     | 136,663              | 61,027               | 25,518                          | -                                | 149                     | 61,727                | -                   | 285,084               |
| Total current assets                            | <u>31,367,870</u>    | <u>16,616,125</u>    | <u>6,896,117</u>                | <u>3,064,544</u>                 | <u>1,178,938</u>        | <u>25,735,098</u>     | <u>1,798,090</u>    | <u>86,656,782</u>     |
| Noncurrent assets:                              |                      |                      |                                 |                                  |                         |                       |                     |                       |
| Student loans receivable, net                   | -                    | -                    | -                               | -                                | 10,950,142              | -                     | -                   | 10,950,142            |
| Long-term investments                           | -                    | 27,104               | -                               | -                                | -                       | -                     | -                   | 27,104                |
| Capital assets, net                             | -                    | -                    | -                               | -                                | -                       | 286,184,110           | -                   | 286,184,110           |
| Other   | -                    | -                    | -                               | -                                | -                       | 1,212,379             | -                   | 1,212,379             |
| Total noncurrent assets                         | -                    | 27,104               | -                               | -                                | 10,950,142              | 287,396,489           | -                   | 298,373,735           |
| Total assets                                    | <u>\$ 31,367,870</u> | <u>\$ 16,643,229</u> | <u>\$ 6,896,117</u>             | <u>\$ 3,064,544</u>              | <u>\$ 12,129,080</u>    | <u>\$ 313,131,587</u> | <u>\$ 1,798,090</u> | <u>\$ 385,030,517</u> |
| <b>LIABILITIES</b>                              |                      |                      |                                 |                                  |                         |                       |                     |                       |
| Current liabilities:                            |                      |                      |                                 |                                  |                         |                       |                     |                       |
| Current portion of long-term debt               | \$ -                 | \$ -                 | \$ -                            | \$ -                             | \$ -                    | \$ 4,627,268          | \$ -                | \$ 4,627,268          |
| Accounts payable and accrued liabilities        | 2,013,297            | 4,464,356            | 978,804                         | 589,098                          | -                       | 3,338,660             | 5,476               | 11,389,691            |
| Accrued payroll                                 | 5,662,688            | 129,341              | 408,652                         | 183,407                          | -                       | -                     | -                   | 6,384,088             |
| Payroll taxes and accrued fringe benefits       | 3,297,910            | -                    | 315,974                         | -                                | -                       | -                     | -                   | 3,613,884             |
| Unearned fees and deposits                      | 3,123,200            | 405,145              | 549,102                         | 12,924                           | -                       | 207,500               | 1,792,614           | 6,090,485             |
| Insurance and other claims payable              | 2,322,076            | -                    | 1,210,112                       | -                                | -                       | -                     | -                   | 3,532,188             |
| Total current liabilities                       | <u>16,419,171</u>    | <u>4,998,842</u>     | <u>3,462,644</u>                | <u>785,429</u>                   | <u>-</u>                | <u>8,173,428</u>      | <u>1,798,090</u>    | <u>35,637,604</u>     |
| Noncurrent liabilities:                         |                      |                      |                                 |                                  |                         |                       |                     |                       |
| Accrued compensated absences                    | 6,221,748            | 26,497               | 345,354                         | 45,986                           | -                       | -                     | -                   | 6,639,585             |
| Long-term debt                                  | -                    | -                    | -                               | -                                | -                       | 95,061,468            | -                   | 95,061,468            |
| Long-term unearned fees and deposits            | -                    | 428,571              | -                               | -                                | -                       | 445,000               | -                   | 873,571               |
| Total noncurrent liabilities                    | <u>6,221,748</u>     | <u>455,068</u>       | <u>345,354</u>                  | <u>45,986</u>                    | <u>-</u>                | <u>95,506,468</u>     | <u>-</u>            | <u>102,574,624</u>    |
| Total liabilities                               | <u>\$ 22,640,919</u> | <u>\$ 5,453,910</u>  | <u>\$ 3,807,998</u>             | <u>\$ 831,415</u>                | <u>\$ -</u>             | <u>\$ 103,679,896</u> | <u>\$ 1,798,090</u> | <u>\$ 138,212,228</u> |
| <b>NET ASSETS</b>                               |                      |                      |                                 |                                  |                         |                       |                     |                       |
| Invested in capital assets, net of related debt | \$ -                 | \$ -                 | \$ -                            | \$ -                             | \$ -                    | \$ 190,379,320        | \$ -                | \$ 190,379,320        |
| Restricted, expendable                          | -                    | -                    | -                               | 2,233,129                        | 12,129,080              | 19,072,372            | -                   | 33,434,581            |
| Unrestricted                                    |                      |                      |                                 |                                  |                         |                       |                     |                       |
| Designated                                      | 5,387,673            | 11,189,319           | 3,088,119                       | -                                | -                       | -                     | -                   | 19,665,111            |
| Undesignated                                    | 3,339,277            | -                    | -                               | -                                | -                       | -                     | -                   | 3,339,277             |
| Total net assets                                | <u>\$ 8,726,950</u>  | <u>\$ 11,189,319</u> | <u>\$ 3,088,119</u>             | <u>\$ 2,233,129</u>              | <u>\$ 12,129,080</u>    | <u>\$ 209,451,692</u> | <u>\$ -</u>         | <u>\$ 246,818,289</u> |

The accompanying notes are an integral part of this schedule.

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF**  
**REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**BY FUND**  
**for the year ended June 30, 2001**

|   | General<br>Fund     | Designated<br>Fund   | Auxiliary<br>Activities<br>Fund | Expendable<br>Restricted<br>Fund | Student<br>Loan<br>Fund | Plant<br>Fund         | Eliminations        | Consolidated<br>Total |
|---|---------------------|----------------------|---------------------------------|----------------------------------|-------------------------|-----------------------|---------------------|-----------------------|
| <b>OPERATING REVENUES</b>   |                     |                      |                                 |                                  |                         |                       |                     |                       |
| Student tuition and fees  | \$ 73,983,524       | \$ 13,512,153        | \$ 67,713                       | \$ -                             | \$ -                    | \$ -                  | \$ -                | \$ 87,563,390         |
| Scholarship allowances  | -                   | -                    | -                               | -                                | -                       | -                     | (11,867,671)        | (11,867,671)          |
| Net student tuition and fees  | 73,983,524          | 13,512,153           | 67,713                          | -                                | -                       | -                     | (11,867,671)        | 75,695,719            |
| Federal grants and contracts  | -                   | -                    | -                               | 4,024,873                        | 559,166                 | -                     | -                   | 4,584,039             |
| Federal financial aid   | -                   | -                    | -                               | 9,376,747                        | -                       | -                     | -                   | 9,376,747             |
| State grants and contracts  | -                   | -                    | -                               | 972,781                          | -                       | -                     | -                   | 972,781               |
| State financial aid   | -                   | -                    | -                               | 2,817,837                        | -                       | -                     | -                   | 2,817,837             |
| Nongovernmental grants and contracts                                | -                   | 2,130                | -                               | 7,876,520                        | -                       | -                     | -                   | 7,878,650             |
| Departmental activities   | 705,749             | 4,387,520            | -                               | -                                | -                       | -                     | -                   | 5,093,269             |
| Auxiliary activities, less internal service billings of \$3,341,367 | -                   | -                    | 31,760,401                      | -                                | -                       | -                     | -                   | 31,760,401            |
| Indirect cost recovery (deduction)                                  | 834,996             | -                    | -                               | (834,996)                        | -                       | -                     | -                   | -                     |
| Other   | 708,456             | -                    | -                               | 399,399                          | 1,683,807               | 399,800               | -                   | 3,191,462             |
| Total operating revenues  | <u>76,232,725</u>   | <u>17,901,803</u>    | <u>31,828,114</u>               | <u>24,633,161</u>                | <u>2,242,973</u>        | <u>399,800</u>        | <u>(11,867,671)</u> | <u>141,370,905</u>    |
| <b>OPERATING EXPENSES</b>   |                     |                      |                                 |                                  |                         |                       |                     |                       |
| Instruction   | 75,028,074          | 886,138              | -                               | 602,528                          | -                       | -                     | -                   | 76,516,740            |
| Research  | 1,534,741           | 255,466              | -                               | 1,940,362                        | -                       | -                     | -                   | 3,730,569             |
| Public service  | 1,617,016           | 2,606,569            | -                               | 9,190,684                        | -                       | -                     | -                   | 13,414,269            |
| Academic support  | 19,059,172          | 521,128              | -                               | 300,364                          | -                       | -                     | -                   | 19,880,664            |
| Student services  | 18,129,391          | 2,285,948            | -                               | 511,017                          | -                       | -                     | -                   | 20,926,356            |
| Institutional support   | 21,595,024          | 6,380,601            | -                               | 293,116                          | -                       | -                     | -                   | 28,268,741            |
| Scholarships and fellowships  | 10,001,553          | 40,286               | -                               | 11,978,396                       | -                       | -                     | (11,867,671)        | 10,152,564            |
| Operation and maintenance of plant                                  | 12,637,350          | 14,537               | -                               | 3,773                            | -                       | 3,159,903             | -                   | 15,815,563            |
| Auxiliary activities, less internal service billings of \$3,341,367 | -                   | -                    | 27,733,483                      | -                                | -                       | -                     | -                   | 27,733,483            |
| Depreciation  | -                   | -                    | -                               | -                                | -                       | 13,355,618            | -                   | 13,355,618            |
| Capital additions, net  | -                   | -                    | -                               | -                                | -                       | (4,742,072)           | -                   | (4,742,072)           |
| Other   | -                   | -                    | -                               | -                                | 595,977                 | -                     | -                   | 595,977               |
| Total operating expenses  | <u>159,602,321</u>  | <u>12,990,673</u>    | <u>27,733,483</u>               | <u>24,820,240</u>                | <u>595,977</u>          | <u>11,773,449</u>     | <u>(11,867,671)</u> | <u>225,648,472</u>    |
| Operating income (loss)   | <u>(83,369,596)</u> | <u>4,911,130</u>     | <u>4,094,631</u>                | <u>(187,079)</u>                 | <u>1,646,996</u>        | <u>(11,373,649)</u>   | <u>-</u>            | <u>(84,277,567)</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                             |                     |                      |                                 |                                  |                         |                       |                     |                       |
| State appropriations  | 86,280,454          | -                    | -                               | -                                | -                       | -                     | -                   | 86,280,454            |
| Gifts   | -                   | 1,266,914            | -                               | 959,744                          | 200                     | 90,876                | -                   | 2,317,734             |
| Investment income   | 949,411             | 1,529,189            | 381,098                         | -                                | 226,042                 | 1,274,162             | -                   | 4,359,902             |
| Interest expense  | -                   | -                    | -                               | -                                | -                       | (5,471,481)           | -                   | (5,471,481)           |
| Other   | -                   | -                    | -                               | 233,051                          | -                       | 256,263               | -                   | 489,314               |
| Net nonoperating revenues   | <u>87,229,865</u>   | <u>2,796,103</u>     | <u>381,098</u>                  | <u>1,192,795</u>                 | <u>226,242</u>          | <u>(3,850,180)</u>    | <u>-</u>            | <u>87,975,923</u>     |
| <b>TRANSFERS IN (OUT)</b>   |                     |                      |                                 |                                  |                         |                       |                     |                       |
| Mandatory:  |                     |                      |                                 |                                  |                         |                       |                     |                       |
| Funds for debt service  | (2,638,602)         | (4,341,735)          | (1,474,000)                     | -                                | -                       | 8,454,337             | -                   | -                     |
| Matching funds  | (228,157)           | -                    | (93,211)                        | 321,368                          | -                       | -                     | -                   | -                     |
| Perkins match   | (13,333)            | -                    | -                               | -                                | 13,333                  | -                     | -                   | -                     |
| Non-mandatory:  |                     |                      |                                 |                                  |                         |                       |                     |                       |
| Other   | (3,393,649)         | (999,558)            | (2,680,906)                     | (894,816)                        | -                       | 7,968,929             | -                   | -                     |
| Total transfers   | <u>(6,273,741)</u>  | <u>(5,341,293)</u>   | <u>(4,248,117)</u>              | <u>(573,448)</u>                 | <u>13,333</u>           | <u>16,423,266</u>     | <u>-</u>            | <u>-</u>              |
| Income before other revenues, expenses, gains or losses             | (2,413,472)         | 2,365,940            | 227,612                         | 432,268                          | 1,886,571               | 1,199,437             | -                   | 3,698,356             |
| Capital appropriation   | 2,547,092           | -                    | -                               | -                                | -                       | -                     | -                   | 2,547,092             |
| Capital grants and gifts  | -                   | -                    | -                               | -                                | -                       | 8,549,566             | -                   | 8,549,566             |
| Increase in net assets  | 133,620             | 2,365,940            | 227,612                         | 432,268                          | 1,886,571               | 9,749,003             | -                   | 14,795,014            |
| <b>NET ASSETS, beginning of year</b>                                | 8,593,330           | 8,823,379            | 2,860,507                       | 1,800,861                        | 10,242,509              | 199,702,689           | -                   | 232,023,275           |
| <b>NET ASSETS, end of year</b>                                      | <u>\$ 8,726,950</u> | <u>\$ 11,189,319</u> | <u>\$ 3,088,119</u>             | <u>\$ 2,233,129</u>              | <u>\$ 12,129,080</u>    | <u>\$ 209,451,692</u> | <u>\$ -</u>         | <u>\$ 246,818,289</u> |

The accompanying notes are an integral part of this schedule.

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF NET ASSETS**  
**BY FUND**  
as of June 30, 2000

|   | <u>General<br/>Fund</u> | <u>Designated<br/>Fund</u> | <u>Auxiliary<br/>Activities<br/>Fund</u> | <u>Expendable<br/>Restricted<br/>Fund</u> | <u>Student<br/>Loan<br/>Fund</u> | <u>Plant<br/>Fund</u> | <u>Agency<br/>Fund</u> | <u>Consolidated<br/>Total</u> |
|---|-------------------------|----------------------------|--|---|----------------------------------|-----------------------|------------------------|-------------------------------|
| <b>ASSETS</b>                                   |                         |                            |  |   |                                  |                       |                        |                               |
| Current assets:                                 |                         |                            |  |   |                                  |                       |                        |                               |
| Cash and cash equivalents                       | \$ 8,836,358            | \$ 9,659,637               | \$ 3,694,920                             | \$ (1,732,137)                            | \$ 489,223                       | \$ 15,972,960         | \$ 1,118,912           | \$ 38,039,873                 |
| Accounts receivable, net                        | 5,663,532               | 3,875,064                  | 2,176,295                                | 4,862,822                                 | 382,145                          | 2,286,465             | -                      | 19,246,323                    |
| Appropriation receivable                        | 14,891,466              | -                          | -  | -   | -                                | -                     | -                      | 14,891,466                    |
| State Building Authority receivable             | -                       | -                          | -  | -   | -                                | 7,500,903             | -                      | 7,500,903                     |
| Inventories                                     | 33,077                  | -                          | 431,918                                  | -   | -                                | -                     | -                      | 464,995                       |
| Deposits and prepaid expenses                   | 1,692,928               | 69,119                     | 221,639                                  | -   | -                                | 183,191               | -                      | 2,166,877                     |
| Accrued interest receivable                     | 319,908                 | 47,073                     | 19,424                                   | -   | 6                                | 30,881                | -                      | 417,292                       |
| Total current assets                            | <u>31,437,269</u>       | <u>13,650,893</u>          | <u>6,544,196</u>                         | <u>3,130,685</u>                          | <u>871,374</u>                   | <u>25,974,400</u>     | <u>1,118,912</u>       | <u>82,727,729</u>             |
| Noncurrent assets:                              |                         |                            |  |   |                                  |                       |                        |                               |
| Student loans receivable, net                   | -                       | -                          | -  | -   | 9,371,135                        | -                     | -                      | 9,371,135                     |
| Long-term investments                           | -                       | 25,132                     | -  | -   | -                                | -                     | -                      | 25,132                        |
| Capital assets, net                             | -                       | -                          | -  | -   | -                                | 270,745,247           | -                      | 270,745,247                   |
| Other   | -                       | -                          | -  | -   | -                                | 1,110,379             | -                      | 1,110,379                     |
| Total noncurrent assets                         | <u>-</u>                | <u>25,132</u>              | <u>-</u>                                 | <u>-</u>                                  | <u>9,371,135</u>                 | <u>271,855,626</u>    | <u>-</u>               | <u>281,251,893</u>            |
| Total assets                                    | <u>\$ 31,437,269</u>    | <u>\$ 13,676,025</u>       | <u>\$ 6,544,196</u>                      | <u>\$ 3,130,685</u>                       | <u>\$ 10,242,509</u>             | <u>\$ 297,830,026</u> | <u>\$ 1,118,912</u>    | <u>\$ 363,979,622</u>         |
| <b>LIABILITIES</b>                              |                         |                            |  |   |                                  |                       |                        |                               |
| Current liabilities:                            |                         |                            |  |   |                                  |                       |                        |                               |
| Current portion of long-term debt               | \$ -                    | \$ -                       | \$ -                                     | \$ -                                      | \$ -                             | \$ 3,298,242          | \$ -                   | \$ 3,298,242                  |
| Accounts payable and accrued liabilities        | 1,656,970               | 3,642,277                  | 910,839                                  | 1,144,483                                 | -                                | 7,060,359             | 4,524                  | 14,419,452                    |
| Accrued payroll                                 | 5,631,851               | 84,981                     | 462,068                                  | 127,235                                   | -                                | -                     | -                      | 6,306,135                     |
| Payroll taxes and accrued fringe benefits       | 3,013,901               | -                          | 289,761                                  | -   | -                                | -                     | -                      | 3,303,662                     |
| Unearned fees and deposits                      | 2,759,014               | 412,479                    | 467,773                                  | 12,120                                    | -                                | 207,500               | 1,114,388              | 4,973,274                     |
| Insurance and other claims payable              | 2,987,399               | -                          | 1,206,967                                | -   | -                                | -                     | -                      | 4,194,366                     |
| Total current liabilities                       | <u>16,049,135</u>       | <u>4,139,737</u>           | <u>3,337,408</u>                         | <u>1,283,838</u>                          | <u>-</u>                         | <u>10,566,101</u>     | <u>1,118,912</u>       | <u>36,495,131</u>             |
| Noncurrent liabilities:                         |                         |                            |  |   |                                  |                       |                        |                               |
| Accrued compensated absences                    | 6,794,802               | 27,196                     | 346,282                                  | 45,986                                    | -                                | -                     | -                      | 7,214,266                     |
| Long-term debt                                  | -                       | -                          | -  | -   | -                                | 86,908,736            | -                      | 86,908,736                    |
| Long-term unearned fees and deposits            | -                       | 685,714                    | -  | -   | -                                | 652,500               | -                      | 1,338,214                     |
| Total noncurrent liabilities                    | <u>6,794,802</u>        | <u>712,910</u>             | <u>346,282</u>                           | <u>45,986</u>                             | <u>-</u>                         | <u>87,561,236</u>     | <u>-</u>               | <u>95,461,216</u>             |
| Total liabilities                               | <u>\$ 22,843,937</u>    | <u>\$ 4,852,647</u>        | <u>\$ 3,683,690</u>                      | <u>\$ 1,329,824</u>                       | <u>\$ -</u>                      | <u>\$ 98,127,337</u>  | <u>\$ 1,118,912</u>    | <u>\$ 131,956,347</u>         |
| <b>NET ASSETS</b>                               |                         |                            |  |   |                                  |                       |                        |                               |
| Invested in capital assets, net of related debt | \$ -                    | \$ -                       | \$ -                                     | \$ -                                      | \$ -                             | \$ 180,538,266        | \$ -                   | \$ 180,538,266                |
| Restricted, expendable                          | -                       | -                          | -  | 1,800,861                                 | 10,242,509                       | 19,164,423            | -                      | 31,207,793                    |
| Unrestricted                                    |                         |                            |  |   |                                  |                       |                        |                               |
| Designated                                      | 5,663,192               | 8,823,379                  | 2,860,507                                | -   | -                                | -                     | -                      | 17,347,078                    |
| Undesignated                                    | 2,930,138               | -                          | -  | -   | -                                | -                     | -                      | 2,930,138                     |
| Total net assets                                | <u>\$ 8,593,330</u>     | <u>\$ 8,823,379</u>        | <u>\$ 2,860,507</u>                      | <u>\$ 1,800,861</u>                       | <u>\$ 10,242,509</u>             | <u>\$ 199,702,689</u> | <u>\$ -</u>            | <u>\$ 232,023,275</u>         |

The accompanying notes are an integral part of this schedule.

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF**  
**REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**BY FUND**  
**for the year ended June 30, 2000**

|   | General<br>Fund     | Designated<br>Fund  | Auxiliary<br>Activities<br>Fund | Expendable<br>Restricted<br>Fund | Student<br>Loan<br>Fund | Plant<br>Fund         | Eliminations       | Consolidated<br>Total |
|---|---------------------|---------------------|---------------------------------|----------------------------------|-------------------------|-----------------------|--------------------|-----------------------|
| <b>OPERATING REVENUES</b>   |                     |                     |                                 |                                  |                         |                       |                    |                       |
| Student tuition and fees  | \$ 70,681,749       | \$ 11,373,413       | \$ 88,688                       | \$ -                             | \$ -                    | \$ -                  | \$ -               | \$ 82,143,850         |
| Scholarship allowances  | -                   | -                   | -                               | -                                | -                       | -                     | (9,232,540)        | (9,232,540)           |
| Net student tuition and fees  | <u>70,681,749</u>   | <u>11,373,413</u>   | <u>88,688</u>                   | <u>-</u>                         | <u>-</u>                | <u>-</u>              | <u>(9,232,540)</u> | <u>72,911,310</u>     |
| Federal grants and contracts  | -                   | -                   | -                               | 3,400,243                        | 263,281                 | -                     | -                  | 3,663,524             |
| Federal financial aid   | -                   | -                   | -                               | 8,822,964                        | -                       | -                     | -                  | 8,822,964             |
| State grants and contracts  | -                   | -                   | -                               | 837,706                          | -                       | -                     | -                  | 837,706               |
| State financial aid   | -                   | -                   | -                               | 503,062                          | -                       | -                     | -                  | 503,062               |
| Nongovernmental grants and contracts                                | -                   | -                   | -                               | 8,791,455                        | -                       | -                     | -                  | 8,791,455             |
| Departmental activities   | 1,491,508           | 3,403,298           | -                               | -                                | -                       | -                     | -                  | 4,894,806             |
| Auxiliary activities, less internal service billings of \$3,341,367 | -                   | -                   | 30,599,511                      | -                                | -                       | -                     | -                  | 30,599,511            |
| Indirect cost recovery (deduction)                                  | 688,273             | -                   | -                               | (688,273)                        | -                       | -                     | -                  | -                     |
| Other   | 585,642             | -                   | -                               | 12,222                           | 162,868                 | 416,206               | -                  | 1,176,938             |
| Total operating revenues  | <u>73,447,172</u>   | <u>14,776,711</u>   | <u>30,688,199</u>               | <u>21,679,379</u>                | <u>426,149</u>          | <u>416,206</u>        | <u>(9,232,540)</u> | <u>132,201,276</u>    |
| <b>OPERATING EXPENSES</b>   |                     |                     |                                 |                                  |                         |                       |                    |                       |
| Instruction   | 73,563,262          | 692,910             | -                               | 1,372,841                        | -                       | -                     | -                  | 75,629,013            |
| Research  | 1,239,816           | 320,107             | -                               | 1,813,897                        | -                       | -                     | -                  | 3,373,820             |
| Public service  | 1,511,866           | 2,907,573           | -                               | 8,361,356                        | -                       | -                     | -                  | 12,780,795            |
| Academic support  | 18,077,109          | 433,964             | -                               | 607,578                          | -                       | -                     | -                  | 19,118,651            |
| Student services  | 17,193,635          | 2,020,255           | -                               | 811,368                          | -                       | -                     | -                  | 20,025,258            |
| Institutional support   | 22,079,378          | 3,314,789           | -                               | 280,769                          | -                       | -                     | -                  | 25,674,936            |
| Scholarships and fellowships  | 8,897,786           | 1,993               | -                               | 8,819,151                        | -                       | -                     | (9,232,540)        | 8,486,390             |
| Operation and maintenance of plant                                  | 12,442,859          | 17,959              | -                               | -                                | -                       | 2,230,795             | -                  | 14,691,613            |
| Auxiliary activities, less internal service billings of \$3,341,367 | -                   | -                   | 26,713,474                      | -                                | -                       | -                     | -                  | 26,713,474            |
| Depreciation  | -                   | -                   | -                               | -                                | -                       | 11,441,056            | -                  | 11,441,056            |
| Capital additions, net  | -                   | -                   | -                               | -                                | -                       | (8,513,652)           | -                  | (8,513,652)           |
| Other   | -                   | -                   | -                               | -                                | 402,527                 | -                     | -                  | 402,527               |
| Total operating expenses  | <u>155,005,711</u>  | <u>9,709,550</u>    | <u>26,713,474</u>               | <u>22,066,960</u>                | <u>402,527</u>          | <u>5,158,199</u>      | <u>(9,232,540)</u> | <u>209,823,881</u>    |
| Operating income (loss)   | <u>(81,558,539)</u> | <u>5,067,161</u>    | <u>3,974,725</u>                | <u>(387,581)</u>                 | <u>23,622</u>           | <u>(4,741,993)</u>    | <u>-</u>           | <u>(77,622,605)</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                             |                     |                     |                                 |                                  |                         |                       |                    |                       |
| State appropriations  | 81,903,068          | -                   | -                               | -                                | -                       | -                     | -                  | 81,903,068            |
| Gifts   | -                   | 1,106,555           | -                               | 734,903                          | -                       | 318,173               | -                  | 2,159,631             |
| Investment income   | 903,254             | 213,606             | 424,430                         | -                                | 207,172                 | 718,842               | -                  | 2,467,304             |
| Interest expense  | -                   | -                   | -                               | -                                | -                       | (4,924,287)           | -                  | (4,924,287)           |
| Other   | -                   | -                   | -                               | 254,046                          | -                       | 62,890                | -                  | 316,936               |
| Net nonoperating revenues   | <u>82,806,322</u>   | <u>1,320,161</u>    | <u>424,430</u>                  | <u>988,949</u>                   | <u>207,172</u>          | <u>(3,824,382)</u>    | <u>-</u>           | <u>81,922,652</u>     |
| <b>TRANSFERS IN (OUT)</b>   |                     |                     |                                 |                                  |                         |                       |                    |                       |
| Mandatory:  |                     |                     |                                 |                                  |                         |                       |                    |                       |
| Funds for debt service  | (2,505,478)         | (4,388,367)         | (1,246,000)                     | -                                | -                       | 8,139,845             | -                  | -                     |
| Matching funds  | (185,035)           | -                   | (6,677)                         | 191,712                          | -                       | -                     | -                  | -                     |
| Perkins match   | (12,343)            | -                   | -                               | -                                | 12,343                  | -                     | -                  | -                     |
| Non-mandatory:  |                     |                     |                                 |                                  |                         |                       |                    |                       |
| Other   | (46,961)            | (1,808,624)         | (2,898,128)                     | (1,127,164)                      | -                       | 5,880,877             | -                  | -                     |
| Total transfers   | <u>(2,749,817)</u>  | <u>(6,196,991)</u>  | <u>(4,150,805)</u>              | <u>(935,452)</u>                 | <u>12,343</u>           | <u>14,020,722</u>     | <u>-</u>           | <u>-</u>              |
| Income before other revenues, expenses, gains or losses             | (1,502,034)         | 190,331             | 248,350                         | (334,084)                        | 243,137                 | 5,454,347             | -                  | 4,300,047             |
| Capital appropriation   | 1,568,400           | -                   | -                               | -                                | -                       | -                     | -                  | 1,568,400             |
| Capital grants and gifts  | -                   | -                   | -                               | -                                | -                       | 3,341,283             | -                  | 3,341,283             |
| Increase in net assets  | <u>66,366</u>       | <u>190,331</u>      | <u>248,350</u>                  | <u>(334,084)</u>                 | <u>243,137</u>          | <u>8,795,630</u>      | <u>-</u>           | <u>9,209,730</u>      |
| <b>NET ASSETS, beginning of year</b>                                | <u>8,526,964</u>    | <u>8,633,048</u>    | <u>2,612,157</u>                | <u>2,134,945</u>                 | <u>9,999,372</u>        | <u>190,907,059</u>    | <u>-</u>           | <u>222,813,545</u>    |
| <b>NET ASSETS, end of year</b>                                      | <u>\$ 8,593,330</u> | <u>\$ 8,823,379</u> | <u>\$ 2,860,507</u>             | <u>\$ 1,800,861</u>              | <u>\$ 10,242,509</u>    | <u>\$ 199,702,689</u> | <u>\$ -</u>        | <u>\$ 232,023,275</u> |

The accompanying notes are an integral part of this schedule.

**EASTERN MICHIGAN UNIVERSITY**  
**NOTES TO THE SUPPLEMENTARY SCHEDULES**

**Basis of Presentation:**

To observe limitations and restrictions placed on the use of available resources, Eastern Michigan University ("University") maintains accounts in accordance with principles of fund accounting. The University utilizes four current and three noncurrent fund groupings for internal operating purposes, as follows:

Current Fund Groupings:

General Fund is used to account for general operating activities.

Designated Fund is used to account for funds designated by University policy.

Auxiliary Activities Fund is used to account for services and facilities provided to students, faculty, staff and the public.

Expendable Restricted Fund is used to account for funds restricted by donor or supporting agency.

Noncurrent Fund Groupings:

Student Loan Fund is used to account for transactions related to loans to students.

Plant Fund is used to account for transactions relating to investments in physical properties, indebtedness incurred in the financing thereof and reserves for maintenance, replacement, insurance and debt service.

Agency Fund is used to account for amounts withheld from payrolls and amounts held in custody for students, University-related organizations and others.

The eliminations on the Schedule of Activities by Fund represent the reclass of scholarship allowances as required by Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.