

Eastern Michigan University

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June 30, 2008 and 2007

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Independent Auditor's Report

To the Board of Regents
Eastern Michigan University

We have audited the accompanying statements of net assets of Eastern Michigan University (a component unit of the State of Michigan) and its discretely presented component unit as of June 30, 2008 and 2007 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Eastern Michigan University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Michigan University and its discretely presented component unit as of June 30, 2008 and 2007 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008 on our consideration of Eastern Michigan University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 2 through 13 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 30, 2008

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

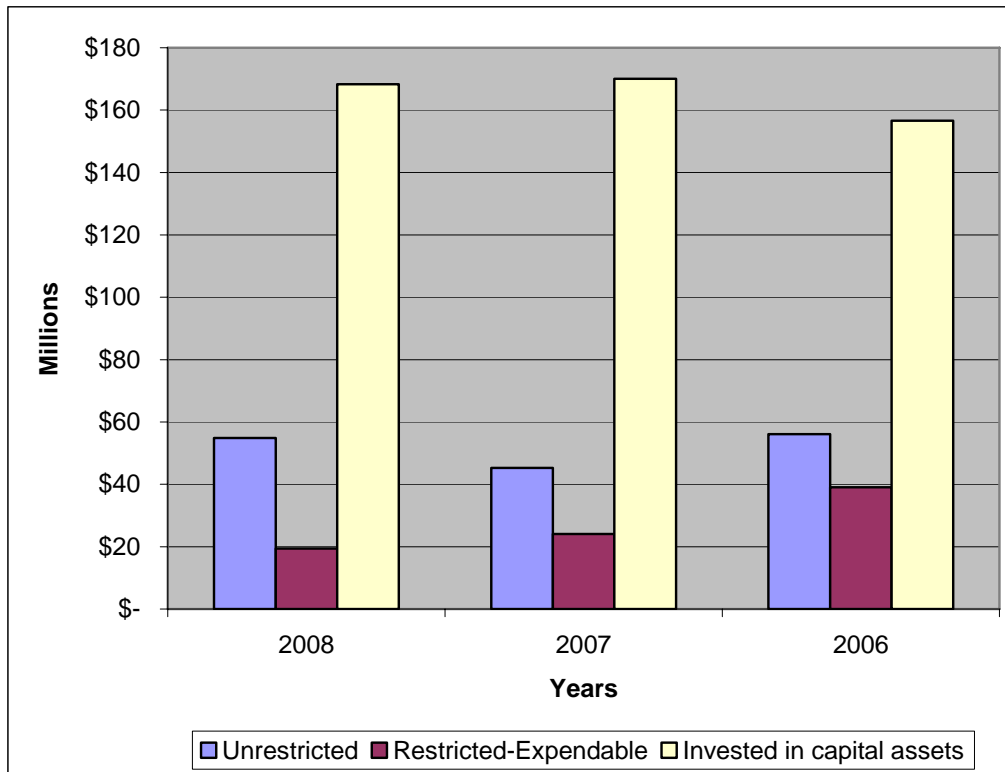
The following discussion and analysis of Eastern Michigan University's ("University") financial statements provides an overview of the University's financial activities for the years ended June 30, 2008, 2007, and 2006. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

Eastern Michigan University offers an extraordinarily practical, supportive, accessible, affordable, and quality learning and living environment. The University's distinct mix of comprehensive academic resources, strong community initiatives, focus on education first, and nationally recognized undergraduate research achievements set it apart.

Founded in historic Ypsilanti in 1849, the University occupies 880 acres on the main campus with 122 buildings. In addition, there are 7 convenient off-campus locations in Brighton, Detroit, Flint, Jackson, Livonia, Monroe, and Traverse City for a student body of almost 23,000 students.

Financial Highlights

The University's financial position remained strong at June 30, 2008, with assets of \$448 million and liabilities of \$205 million. Net assets increased \$3.0 million during the past fiscal year primarily due to \$7.1 million of 2007 State appropriations received in 2008. The University's holdings are mostly invested long-term duration assets. The following chart provides a graphical breakdown of net assets by category for the fiscal years ended June 30, 2008, 2007, and 2006.



EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The University has committed the unrestricted net assets to provide for indentified future needs. These needs include contractual obligations, debt service, student loans, capital outlay, insurance reserves, and academic programming needs.

The University's financial statements were prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity (GASB Statement No. 39). These criteria include significant operational or financial relationships. Based on the application of the criteria, the University has one component unit -- The Eastern Michigan University Foundation. The Foundation's statements are discretely presented as part of the University's reporting entity in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB).

The Balance Sheet and the Statement Revenues, Expenses, and Changes in Net Assets

The University's financial report includes three financial statements; the balance sheet, the statement of revenues, expenses, and changes in assets, and the statement of cash flows.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Following is a summary of the major components of the net assets and operating results of the University for the years ended June 30, 2008, 2007, and 2006:

Net Assets as of June 30 (In millions)	2008	2007	2006
Assets			
Current assets	\$ 120.5	\$ 89.9	\$ 107.3
Non current assets:			
Capital assets-Net of depreciation	314.7	319.5	310.8
Other	12.6	36.5	45.1
Total assets	<u>\$ 447.8</u>	<u>\$ 445.9</u>	<u>\$ 463.2</u>
Liabilities			
Current liabilities	\$ 49.2	\$ 46.8	\$ 49.3
Long-term liabilities	156.1	159.6	162.2
Net Assets			
Invested in capital assets	168.3	170.1	156.5
Restricted	19.4	24.1	39.1
Unrestricted	54.8	45.3	56.1
Total net assets	<u>242.5</u>	<u>239.5</u>	<u>251.7</u>
Total liabilities and net assets	<u>\$ 447.8</u>	<u>\$ 445.9</u>	<u>\$ 463.2</u>

EASTERN MICHIGAN UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results for the Years Ended June 30 (in Millions)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues			
Tuition and fees-Net	\$ 147.2	\$ 142.5	\$ 138.2
Grants and contracts	16.2	15.9	17.2
Auxiliary activities-Net	29.6	28.9	30.2
Other	8.4	7.8	7.8
Total Operating Revenues	<u>201.4</u>	<u>195.1</u>	<u>193.4</u>
Operating Expenses			
Instruction	104.6	105.1	98.7
Research	5.1	5.5	5.2
Public Service	10.7	10.8	10.9
Academic support	21.0	20.5	20.8
Student services	26.9	26.8	23.6
Institutional support	36.1	35.0	33.8
Operations and maintenance of plant	26.8	24.3	22.7
Scholarships and fellowships	19.5	17.5	18.8
Auxiliary activities-Net	25.2	28.1	27.9
Depreciation	15.8	17.0	15.5
Other expenditures	6.6	0.4	0.4
Total operating expenses	<u>298.3</u>	<u>291.0</u>	<u>278.3</u>
Net Operating Loss	(96.9)	(95.9)	(84.9)
Nonoperating Revenues (Expenses)			
State appropriations	84.9	69.1	76.8
Gifts	3.3	3.2	3.4
Pell grants	14.8	12.1	11.6
Other nonoperating revenues (expenses)	(3.2)	(0.8)	(2.2)
Net Nonoperating Revenues	<u>99.8</u>	<u>83.6</u>	<u>89.6</u>
Other Revenues			
Capital gifts	0.1	0.1	0.2
Total other revenues	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>
Increase (Decrease) in Net Assets	3.0	(12.2)	4.9
Net Assets-Beginning of year, as restated	<u>239.5</u>	<u>251.7</u>	<u>246.8</u>
Net Assets-End of year	\$ <u>242.5</u>	\$ <u>239.5</u>	\$ <u>251.7</u>

EASTERN MICHIGAN UNIVERSITY

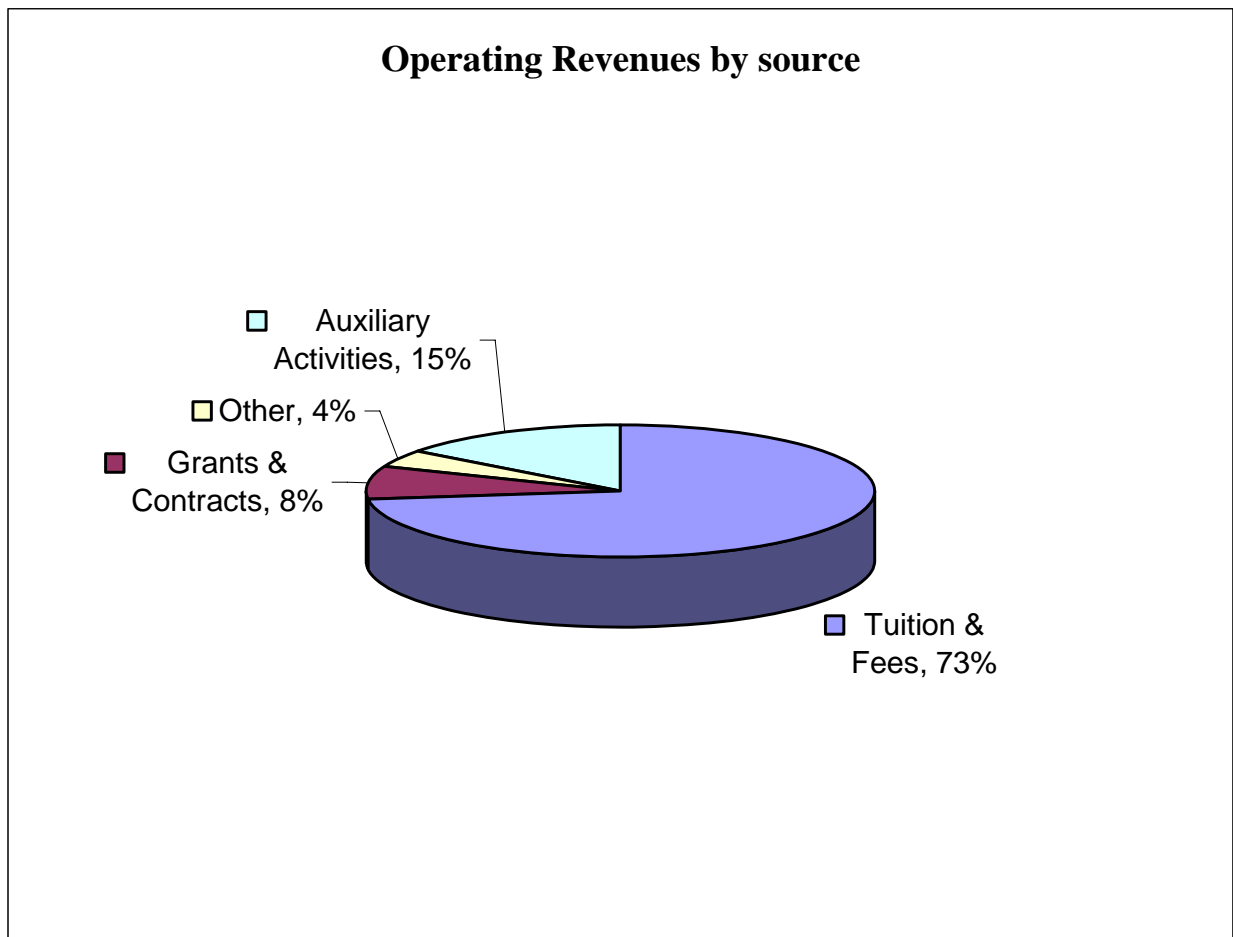
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and other auxiliary units. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Student tuition and fees revenue increased as a result of the Board of Regents raising the rates by 8 percent for resident undergraduate and 9 percent for nonresident master and doctoral undergraduate students.

The following is a graphic illustration of operating revenues by source:



EASTERN MICHIGAN UNIVERSITY

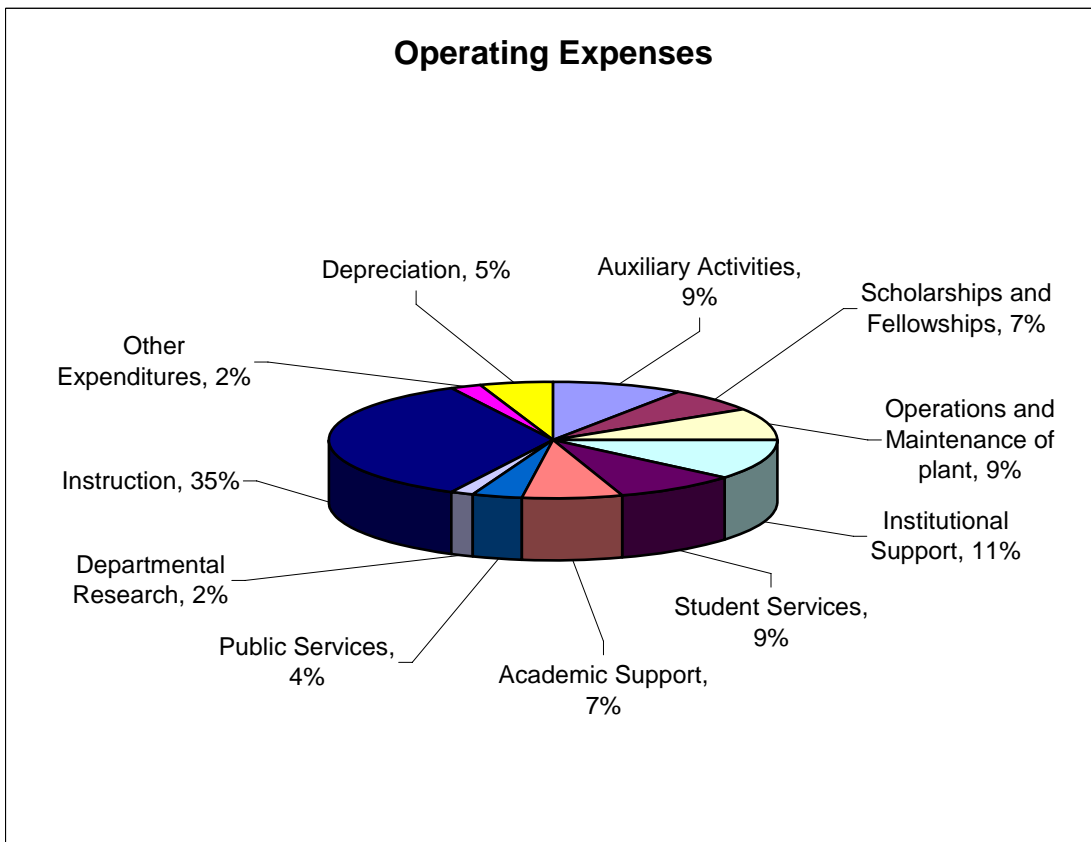
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

Operating expenses are all costs necessary to perform and conduct the programs and primary purposes of the University. Operating expenses were significantly impacted by increases in the costs of compensation, utilities, student financial aid, library acquisitions, and academic programming.

The University is equally committed to providing financial support to students. The University has long sponsored its prestigious National Scholars program which attracts some of the brightest and most promising students.

The following is a graphic illustration of operating expenses by source:



EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They would consist primarily of state appropriations, pell grant reimbursements, investment income (including realized and unrealized gains and losses), and restricted development funds that do not require any services to be performed.

Nonoperating revenue was significantly impacted by the following factors:

- The state appropriation increased approximately 23 percent from the prior year, or \$15.7 million. The state appropriation for fiscal year 2007 had decreased 10 percent, or \$7.6 million from the prior year, and for fiscal year 2006, it had decreased \$2.3 million, or 3 percent. Approximately \$7 million from the 2007 allocation was remitted to the University in 2008 and recorded as revenue.
- Pell grants increased by \$2.7 million to \$14.8 million in 2008.
- Primarily due to market conditions and spending on capital projects, investment income decreased approximately \$757,000 in 2008.

Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the University. Examples would be capital gifts, capital appropriations from the state or federal government, and transfers from related entities. Capital gifts amounted to \$0.1 million in 2008, \$0.1 million in 2007, and \$0.2 million in 2006.

Statement of Cash Flow

Another way to assess the financial health of the University is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet obligations as they come due
- Its needs for external financing

Cash Flows for the Years Ended June 30 (in millions)

	2008	2007	2006
Cash Provided by (Used in):			
Operating activities	\$ (74.3)	\$ (75.7)	\$ (49.5)
Noncapital financing activities	94.6	92.9	91.4
Capital and related financing activities	(22.0)	(35.9)	(29.0)
Investing activities	5.7	19.3	(9.5)
Net Increase (Decrease) in Cash	4.0	0.6	3.4
Cash-Beginning of year	10.3	9.7	6.3
Cash-End of year	\$ 14.3	\$ 10.3	\$ 9.7

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash and Investments

Cash and investments, collectively, increased by \$2.8 million to \$83.3 million as of June 30, 2008. Approximately \$69 million in auction rate securities were classified as short-term investments in 2008. These securities are priced at par as of June 30, 2008.

The most significant components of cash flows provided from operating activities are tuition and fees, auxiliary activities, and grants, and contracts. Net cash used in operating activities was \$74.3 million. To offset this, the net cash provided from noncapital financing activities, which consisted primarily of state appropriations, was \$94.6 million. This is compared to net cash used in operating activities in the amount of \$75.7 million and \$61.0 million for the years ended June 30, 2007 and 2006, respectively. Net cash provided by non-capital financing activities was \$92.9 million and \$91.6 million for the years ended June 30, 2007 and 2006, respectively.

Cash used in capital and related financing activities amounted to \$22.0 million in 2008, primarily the result of capital additions during the year in the amount of \$20.4 million.

Capital Assets

At June 30, 2008, the University had \$314.7 million invested in capital assets, net of accumulated depreciation of \$237.1 million. Depreciation charges totaled \$15.8 million for the current fiscal year compared to \$17.0 million last year. The University completed renovations to McKenny Hall in 2008 along with improving campus security, classrooms, and auxiliary facilities.

In 2007, depreciable assets and accumulated depreciation of approximately \$19 million were retired. This represents fully-depreciated equipment purchased when the University capitalization threshold was \$500 and later \$1,000. Currently the threshold is \$5,000 for equipment.

Debt

At June 30, 2008, the University had \$146.4 million in obligations outstanding versus \$149.5 million in the previous year, a decrease of 2.1 percent. At June 30, 2007, the debt obligations decreased 3.1 percent, from a balance of \$154.3 million at June 30, 2006. The University issued \$125.8M of general revenue bonds in 2008 to refinance existing variable-rate debt issued in 2006 (\$84.8M) and 2001 (\$40.3M). The 2006 issuance was to finance the renovation of classroom buildings on campus and to refinance existing debt. All of the outstanding debt instruments are general revenue obligations of the University. In addition, principle payments of \$3.8 million were made.

The University's "Aaa/VMIG 1" credit rating by Moody's Investors Services was renewed in 2008. The "A" credit rating by Standard & Poor's was changed to "AAA/A-1+" in 2008. The highest achievable ratings are "Aaa" and "AAA", respectively. The University's capacity to meet its financial obligations is considered to be strong by the rating agency.

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors that Will Affect the Future

The University entered a new era that promises to move the University forward, beginning with a new president. Dr. Susan Martin took office as EMU's 22nd president July 7, 2008. Dr. Martin has spent more than 20 years in higher education, most recently as provost and vice-chancellor of academic affairs at the University of Michigan-Dearborn.

Among EMU's priorities for the 2008-09 academic year are increasing enrollment, improving academic facilities, and enhancing student life. A solid base of successes in 2007-08 will help lay the groundwork for new initiatives in those areas. They include:

- For the sixth straight year, Eastern Michigan University has received a "Best in the Midwest" designation in 2009 Best Colleges: Region by Region, published by the PrincetonReview.com. The teacher preparation program in the College of Education, meanwhile, was declared "Exemplary" by the Michigan Department of Education.
- Pray-Harrod, a seven-story classroom building that is the largest on campus and among the most heavily used in the state (10,000 students per day), sits near the top of a list of projects in the state's capital outlay budget. Plans call for a renovation/modernization of the building, which has had no major renovations since it opened in 1969.
- The Board of Regents selected Christman/Dumas to oversee the approximately \$90 million renovation/addition of the Mark Jefferson Science Complex – the largest self-funded construction project in University history.
- Four new degree programs have been added, including the nation's first special education master's degree for autism spectrum disorders and a doctoral program with a concentration in nursing education that will be the only program of its kind in the Midwest.
- The University is carrying out a comprehensive safety and security improvement plan. A \$3.9 million renovation of Hoyt Conference Center will place the Department of Safety in a more visible and modern location, and a university-wide text messaging alert service will notify students, faculty, and staff if an emergency occurs on campus.

Acting in its July meeting, the Eastern Michigan University Board of Regents adopted a \$262.7 million General Fund operating budget for the 2008-2009 year as well as a tuition and fees rate increase.

The new budget reflects that the University's state appropriation for the 2008-2009 year is expected to be \$78.6 million. Tuition and fees for resident undergraduate students will increase 7.7 percent. Additional revenue from this rate increase, as well as enrollment changes, will result in a projected net revenue increase of \$7.2 million for the 2008-2009 year. Budgeted expenses have increased for compensation, utilities, financial aid, debt services, and library acquisitions.

Eastern Michigan University's successful future depends on the collective efforts of its stakeholders. These efforts build on a solid foundation of exceptional academic programs that prepare students for real-world experience.

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EASTERN MICHIGAN UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2008 and 2007

	2008	2007
A S S E T S		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 14,312,827	\$ 10,256,873
Short-term investments (Note 2)	68,951,643	52,457,861
Accounts receivable- net (Note 3)	19,533,616	19,506,796
Appropriation receivable	14,140,746	5,559,995
Inventories	1,768,339	548,984
Deposits and prepaid expenses	1,704,274	1,359,649
Accrued interest receivable	63,845	249,300
Total current assets	120,475,290	89,939,458
Noncurrent assets:		
Student loans receivable- net (Note 3)	11,421,981	10,919,506
Long-term investments (Note 2)	50,337	17,822,886
Capital assets- net (Note 4)	314,658,041	319,522,178
Capitalized Bond Expenses- net (Note 5)	1,240,099	7,700,647
Total noncurrent assets	327,370,458	355,965,217
Total assets	\$ 447,845,748	\$ 445,904,675
LIABILITIES		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 5,790,000	\$ 4,665,000
Accounts payable and accrued liabilities	15,166,917	14,865,147
Accrued payroll, taxes, and fringe benefits	18,952,226	17,845,401
Unearned fees and deposits	7,714,644	7,165,626
Insurance and other claims payable (Note 7)	1,630,634	2,220,469
Total current liabilities	49,254,421	46,761,643
Noncurrent liabilities:		
Accrued compensated absences (Note 6)	4,713,621	4,062,204
Long-term debt (Note 5)	140,560,000	144,790,000
Federal Perkins (Note 1)	10,796,240	10,796,240
Total noncurrent liabilities	156,069,861	159,648,444
Total liabilities	\$ 205,324,282	\$ 206,410,087
NET ASSETS		
Invested in capital assets- Net of related debt	\$ 168,308,041	\$ 170,067,178
Restricted, expendable as restated (Note 1)	19,461,559	24,112,435
Unrestricted	54,751,866	45,314,975
Total net assets	\$ 242,521,466	\$ 239,494,588

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY FOUNDATION
BALANCE SHEET
As of June 30, 2008 and 2007

A S S E T S	2008	2007
Cash and cash equivalents (Note 2)	\$ 5,741,253	\$ 4,171,364
Accounts receivable	515,010	335,480
Inventories	22,797	26,809
Loans and advances to affiliates	230,000	170,000
Accrued interest and dividends	146,993	140,749
Other assets	60,929	142,581
Contributions receivable (Note 3)	928,047	713,523
Life insurance cash surrender value	250,649	252,120
Property and equipment - Net	2,045,742	2,129,110
Investments (Note 1)	44,035,003	47,087,591
Investments held under split-interest agreements (Note 1)	<u>1,372,829</u>	<u>1,623,592</u>
Total assets	<u>\$ 55,349,252</u>	<u>\$ 56,792,919</u>
 LIABILITIES		
Accounts payable	\$ 638,071	\$ 733,602
Accrued liabilities	166,322	220,560
Mortgages payable	2,190,902	2,213,728
Liabilities under split-interest agreements	<u>791,990</u>	<u>827,284</u>
Total liabilities	<u>\$ 3,787,285</u>	<u>\$ 3,995,174</u>
 NET ASSETS		
Unrestricted	\$ 2,039,754	\$ 2,203,150
Temporarily restricted	18,701,939	21,642,258
Permanently restricted	<u>30,820,274</u>	<u>28,952,337</u>
Total net assets	<u>\$ 51,561,967</u>	<u>\$ 52,797,745</u>
Total liabilities and net assets	<u>\$ 55,349,252</u>	<u>\$ 56,792,919</u>

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the years ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Student tuition and fees	\$ 169,831,418	\$ 161,104,933
Scholarship allowances	(22,639,400)	(18,614,716)
Net student tuition and fees	147,192,018	142,490,217
Federal grants and contracts	7,156,274	7,057,388
Federal financial aid	2,374,679	1,851,082
State grants and contracts	462,265	392,290
State financial aid	3,507,706	3,211,215
Nongovernmental grants and contracts	2,744,732	3,308,899
Departmental activities	6,068,172	6,033,759
Auxiliary activities- Net (Note 1)	29,591,300	28,893,774
Other	2,277,620	1,775,924
Total operating revenues	201,374,766	195,014,548
OPERATING EXPENSES		
Instruction	104,607,585	105,071,177
Research	5,067,404	5,529,533
Public service	10,748,842	10,831,212
Academic support	20,991,379	20,547,450
Student services	26,868,896	26,764,373
Institutional support	36,058,584	34,944,059
Scholarships and fellowships	19,540,452	17,488,042
Operation and maintenance of plant	26,827,082	24,279,546
Auxiliary activities- Net (Note 1)	25,221,442	28,123,934
Depreciation	15,755,856	17,040,470
Other	6,608,175	374,459
Total operating expenses	298,295,697	290,994,255
Operating loss	(96,920,931)	(95,979,707)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	84,880,347	69,169,835
Gifts	3,286,049	3,152,930
Investment income	4,303,788	5,060,751
Interest expense	(7,628,521)	(6,113,602)
Pell grants	14,778,165	12,142,328
Other	232,657	201,439
Net nonoperating revenues before capital items	99,852,485	83,613,681
Capital gifts	95,324	114,276
Total net nonoperating revenues (expenses)	99,947,809	83,727,957
Increase (Decrease) in net assets	3,026,878	(12,251,750)
NET ASSETS- Beginning of year as restated (Note 1)	239,494,588	251,746,338
NET ASSETS- End of year	\$ 242,521,466	\$ 239,494,588

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
Year ended June 30, 2008
(With comparative totals for year ended June 30, 2007)

	2008	2007
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	\$ 7,123,351	\$ 4,108,379
Investment income	1,162,818	1,082,237
Net realized and unrealized gains (losses)	(4,680,481)	5,389,667
ECMC revenue	1,700,611	1,599,869
Administrative and management fee	1,832,138	1,837,425
Other revenue	101,209	69,729
Total revenue, gains and other support	7,239,646	14,087,306
EXPENSES		
Contributions to EMU:		
Expendable contributions	\$ 2,387,194	\$ 2,529,048
Contributions from endowment income	1,053,923	913,775
General and administrative - Foundation Management	472,208	452,533
Fund raising	2,874,782	2,890,976
ECMC expenses	1,700,538	1,535,468
Other	8,498	3,960
Total expenses	\$ 8,497,143	\$ 8,325,760
Increase in Net Assets Before Other Changes in Net Assets	(1,257,497)	5,761,546
OTHER CHANGES IN NET ASSETS		
Funds transferred from EMU	117,817	58,595
Change in value of split-interest agreements	(96,098)	(134,574)
Increase (Decrease) in Net Assets	(1,235,778)	5,685,567
NET ASSETS- Beginning of year	52,797,745	47,112,178
NET ASSETS- End of year	\$ 51,561,967	\$ 52,797,745

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY
STATEMENT OF CASH FLOWS
For the years ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 171,376,023	\$ 164,191,872
Cash received from auxiliary activities	32,184,468	30,690,292
Cash received from other sources	8,672,251	6,786,792
Grants and contracts	14,937,086	15,633,532
Federal student loan funds received	126,890	165,903
Student loans granted- Net of repayments	(606,899)	315,446
Scholarship allowances	(25,653,642)	(21,122,218)
Cash paid to suppliers and employees	(231,077,492)	(234,219,564)
Cash paid for financial aid	(44,247,549)	(38,157,298)
Net cash (used) by operating activities	(74,288,864)	(75,715,243)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	76,299,596	77,456,024
Pell grants	14,778,165	12,142,328
Gifts received from EMU Foundation	3,518,486	3,352,307
Net cash provided by noncapital financing activities	94,596,247	92,950,659
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments/defeasance under debt obligations	(128,900,000)	(4,830,000)
Proceeds from capital debt	125,795,000	-
Interest paid	(7,628,521)	(6,113,602)
Purchases of capital assets	(10,796,395)	(25,603,520)
Other payments	(489,534)	632,536
Net cash (used) by capital and related financing activities	(22,019,450)	(35,914,586)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,044,836,328)	(948,729,484)
Proceeds from sales and maturities of investments	1,046,115,106	906,705,289
Interest received	4,489,243	5,283,784
Net cash provided/(used) by investing activities	5,768,021	(36,740,411)
Net increase/(decrease) in cash and cash equivalents	4,055,954	(55,419,581)
CASH AND CASH EQUIVALENTS- Beginning of year	10,256,873	65,676,454
CASH AND CASH EQUIVALENTS- End of year	\$ 14,312,827	\$ 10,256,873
SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS		
Capital gifts received	\$ 95,324	\$ 114,276

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY
STATEMENT OF CASH FLOWS
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of net operating revenues (expenses) to net cash (used) by operating activities:		
Operating loss	\$ (96,920,931)	\$ (95,979,707)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation expense	15,755,856	17,040,470
Change in assets and liabilities:		
Accounts receivable- Net	(26,822)	3,162,131
Inventories	(1,219,355)	346,393
Deposits and prepaid expenses	6,385,665	(427,001)
Student loans receivable- Net	(502,475)	384,798
Accounts payable and accrued liabilities	301,770	(1,272,680)
Accrued payroll	529,656	(65,923)
Payroll taxes and accrued fringe benefits	577,169	854,965
Unearned fees and deposits	769,017	(240,419)
Insurance and other claims payable	(589,835)	(1,639,280)
Accrued compensated absences	651,421	2,341,010
Long-term unearned fees and deposits	-	(220,000)
Total change in assets and liabilities	<u>6,876,211</u>	<u>3,223,994</u>
Net cash used by operating activities	<u>\$ (74,288,864)</u>	<u>\$ (75,715,243)</u>

The accompanying notes are an integral part of this statement

EASTERN MICHIGAN UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS
Years ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ (1,235,778)	\$ 5,685,567
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	117,813	119,923
Loss on sale of property and equipment	4,022	-
Net realized and unrealized (gain) loss on investments	4,680,481	(5,389,667)
Change in value of split-interest agreements	96,098	134,574
Change in cash surrender value of life insurance	1,471	(25,772)
Contributions restricted for long-term purposes	(1,867,937)	(1,718,611)
Changes in assets and liabilities:		
Accounts receivable	(179,530)	271,074
Contributions receivable	(214,524)	(452,086)
Inventories	4,012	534
Accrued interest and dividends	(6,244)	(17,238)
Other assets	81,652	(64,037)
Accounts payable	(95,531)	433,012
Accrued and other liabilities	(54,238)	11,026
Net cash (used in) provided by operating activities	\$ 1,331,767	\$ (1,011,701)
Cash Flows from Investing Activities		
Cash surrender value of life insurance	\$ -	\$ 28,243
Purchases of equipment	(45,467)	(78,468)
Purchases of investments	(23,446,255)	(13,523,075)
Proceeds from the sale of investments	22,069,124	13,877,256
Proceeds from disposition of property and equipment	7,000	-
Advances to related parties	(60,000)	(170,000)
Net cash provided by (used in) investing activities	\$ (1,475,598)	\$ 133,956
Cash Flows from Financing Activities		
Payments on mortgage and notes payable	\$ (22,826)	\$ (21,525)
Payments on split-interest agreements	(153,495)	(155,394)
Proceeds from new split-interest agreements	42,500	70,000
Proceeds from contributions restricted for long-term purposes	1,847,541	1,689,355
Net cash provided by financing activities	\$ 1,713,720	\$ 1,582,436
Net Increase in Cash and Cash Equivalents	1,569,889	704,691
Cash and Cash Equivalents - Beginning of Year	4,171,364	3,466,673
Cash and Cash Equivalents - End of Year	\$ 5,741,253	\$ 4,171,364
Supplemental Cash Flow Information - Cash paid for:		
Interest	\$ 117,760	\$ 118,769
Income taxes	(7,464)	77,000

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1-Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The financial statements of Eastern Michigan University (the “University”) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The University follows the “business-type” activities reporting requirements of GASB Statement No. 34.

GASB 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following categories:

- **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 in those assets.
- **Restricted, expendable** - Net assets subject to externally imposed constraints that they may be maintained permanently by the University, or net assets whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
- **Unrestricted** - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designed for specific purposes by action of management or the Board of Regents (the “Board”) or may otherwise be limited by contractual agreements with outside parties. The University has committed the unrestricted net assets to provide for identified future needs, such as debt service, contractual obligations, capital outlay, academic programming, and postemployment benefits.

These statements have also been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity (GASB Statement No. 39). These criteria include significant operational or financial relationships with the University. Based on application of the criteria, the University has one component unit.

Summary of Significant Accounting Policies

Component Unit - The University is an institution of higher education located in Ypsilanti, Michigan, and is considered to be a component unit of the State of Michigan (the “State”) because its Board of Regents is appointed by the governor of the state of Michigan. Accordingly, the University is included in the State’s financial statements as a discrete component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various state agencies, and payments to state retirement programs for the benefit of University employees.

Component Units of the University - The Eastern Michigan University Foundation financial statements are discretely presented as part of the University’s reporting entity. These statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). The officers of Eastern Michigan University Foundation include certain University administrative officials, but the University does not have controlling interest in the Foundation’s board. The Internal Revenue Service has determined that the Foundation is tax exempt under Section 501 (c) (3) of the Internal Revenue Code.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1-Basis of Presentation and Significant Accounting Policies (continued)

The Eastern Michigan University Foundation exists for the sole purpose of soliciting, collecting, and investing donations for the benefit of Eastern Michigan University. A complete copy of the audited financial statements of Eastern Michigan University Foundation is available at the Foundation offices located near the campus of the University.

Cash and Investments - As a matter of cash management, the University invests substantially all of its cash in interest-bearing instruments. Investments are reported at fair value, based on quoted market prices, with changes in fair value reported as investment income in the statement of revenue, expenses, and changes in net assets. Cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Inventories - Inventories consist primarily of supplies, food, pharmaceuticals, and bookstore items, and are stated at the lower of cost or market, with cost determined by the retail method.

Capital Assets - Capital assets are stated at cost if purchased or at appraised value at the date of the gift for donated property. Certain net assets have been designated to provide for significant repair and maintenance costs to residence facilities. Physical properties, with the exception of land, are depreciated on the straight-line method over the estimated useful service lives of the respective assets. Estimated service lives are as follows:

Land improvements	12 to 60 years
Leasehold improvements	12 to 20 years
Buildings	40 to 60 years
Equipment	5 to 10 years
Library holdings	5 to 10 years

Bond Issuance Costs - Bond issuance costs are amortized over the life of the related bonds using the straight-line method.

Unearned Fees and Deposits – unearned fees and deposits primarily include deferred tuition and fee revenue for future semesters, exclusivity contract deferred revenue, and agency fund balances held in custody for others. Retirement benefit costs are funded as accrued.

Accrued Compensated Absences – Accrued compensated absences comprised of the portion of unused sick leave accrued as of June 30 but not expected to be paid within one year. The portion of sick leave expected to be paid within one year and all accrued vacation leave are included in accrued payroll, taxes, and fringe benefits. The current portions of accrued sick leave and vacation leave were approximately \$400,000 and \$3,200,000 as of June 30, 2008, respectively. The current portion of accrued sick leave and vacation leave were approximately \$400,000 and \$3,210,000 as of June 30, 2007, respectively.

Restatements – Certain prior year balances have been reclassified to conform with the current year presentation. Net assets as of June 30, 2006 reflect a reclassification of \$10,796,240 from restricted, expendable net assets to a noncurrent liability. This represents the Federal portion of the revolving loan fund for students that would be payable to the US Department of Education if the Perkins program is discontinued. Pell grant revenue is classified as nonoperating due its nonexchange nature. The amounts received for 2008, 2007, and 2006 are \$14.8 million, \$12.1 million, and \$11.6 million, respectively.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1-Basis of Presentation and Significant Accounting Policies (continued)

Auxiliary Activities – Auxiliary activities consist of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
<u>Operating Revenues:</u>		
Auxiliary Activities, Gross	\$ 33,654,687	\$ 33,458,090
Less: Internal Sales	(1,049,145)	(2,056,814)
Less: Scholarship Allowances	(3,014,242)	(2,507,502)
Auxiliary Activities- Net	<u>\$ 29,591,300</u>	<u>\$ 28,893,774</u>
 <u>Operating Expenses:</u>		
Auxiliary Activities, Gross	\$ 29,284,829	\$ 32,688,250
Less: Internal Sales	(1,049,145)	(2,056,814)
Less: Scholarship Allowances	(3,014,242)	(2,507,502)
Auxiliary Activities- Net	<u>\$ 25,221,442</u>	<u>\$ 28,123,934</u>

Operating and Nonoperating Revenues – The University’s policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all the University’s expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statement No. 34, including State appropriations and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the University’s department within the guidelines of donor restrictions, if any.

Note 2 - Cash and Investments

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 agencies, corporate bonds and notes, commercial paper, time savings deposits, Eurodollars and certain external mutual funds, separate managed funds and other pooled funds.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

Cash and investments consist of the following as of June 30, 2008:

	Fair Market Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash and Cash Equivalents:					
Time deposits	\$ 4,138,495	\$ 4,138,495	\$ -	\$ -	\$ -
Money market funds	10,174,332	10,174,332	-	-	-
Cash and Equivalents Total	14,312,827	14,312,827	-	-	-
Investments:					
Corporate bond funds	68,887,220	68,887,220	-	-	-
Intermediate-term mutual funds	64,423	64,423	-	-	-
Bond funds	50,337	-	-	-	50,337
Investments Total	69,001,980	68,951,643	-	-	50,337
Total	\$ 83,314,807	\$ 83,264,470	\$ -	\$ -	\$ 50,337

Cash and investments consist of the following as of June 30, 2007:

	Fair Market Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash and Cash Equivalents:					
Time deposits	\$ 3,367,743	\$ 3,367,743	\$ -	\$ -	\$ -
Money market funds	6,889,130	6,889,130	-	-	-
Cash and Equivalents Total	10,256,873	10,256,873	-	-	-
Investments:					
Corporate bond funds	43,862,506	26,083,726	17,778,780	-	-
Intermediate-term mutual funds	8,593,201	8,593,201	-	-	-
Bond funds	17,825,040	17,780,934	-	-	44,106
Investments Total	70,280,747	52,457,861	17,778,780	-	44,106
Total	\$ 80,537,620	\$ 62,714,734	\$ 17,778,780	\$ -	\$ 44,106

Interest Rate Risk- As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's operating investment policy provides for a diversified portfolio comprised of short, intermediate-, and long-term investments. The investment policy does not specifically limit or restrict asset allocation except for the long-term investment pool. The asset allocation, as a percentage of the total market value of the long-term investment pool, is targeted as follows:

<u>Asset Category</u>	<u>Target</u>
Domestic equities	87%
International equities	13%

The University is also exposed to risk indirectly since its mutual fund investees hold investments such as futures, options, and collateralized mortgage obligations (generally referred to as "derivatives"). This risk is minimal.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

Credit Risk - Investment policies for cash and investments as set forth by the Board of Regents shall be to preserve investment principal while deriving a reasonable return consistent with the prevailing market and economic conditions. The University is not currently restricted to a minimum rating by Moody's Investor Service or equivalent rating. At June 30, 2008 and 2007, the University's debt instruments (subject to fluctuations in interest rates) and related ratings consisted of the following:

	2008		2007	
	Market Value	NRSRO Rating	Market Value	NRSRO Rating
Bond Mutual Funds:				
Vanguard Short Term Investment- Grade Fund Admiral	\$ 64,423	A3	\$ 8,593,201	A3
Corporate Bonds	68,887,220	Aaa	43,862,506	Aaa
U.S. Government Agency Bonds	50,337	Aaa	17,825,040	Aaa
Total	\$ 69,001,980		\$ 70,280,747	

The nationally recognized statistical rating organization (NRSRO) utilized was primarily Moody's Investors Services. The corporate bonds NRSRO rating is based on a weighted average of the individual investment ratings.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the University will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The University's cash investment policy does not limit the value of deposits or investments that may be held by an outside party. Investments in external investment pools and in open-ended mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. All cash and cash equivalents are held in the University's name as of June 30, 2008 and 2007. As of June 30, 2008, the banks reported balances in the disbursement accounts at \$12,675,430. Of these balances, \$200,000 was covered by federal depository insurance and \$12,475,430 was uninsured and uncollateralized. As of June 30, 2007, the banks reported balances in the disbursement accounts at \$12,499,116. Of these balances \$200,000 was covered by federal depository insurance and \$12,299,116 was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy provides that investments will be diversified within equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and of the factors that may influence them.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

The following investments comprise more than 5% of the total investments portfolio as of June 30, 2008 and 2007:

June 30, 2008:

<u>Instrument</u>	<u>Fair Market Value</u>
Access to Loans for Learning Students	4,925,000.00
Brazos Student Fin Corp Student Loan	5,000,000.00
Educational Funding South Inc Tenn E	8,000,000.00
Nelnet Ed Ln Fund	4,935,000.00
Northstart Ed Fin Inc	5,000,000.00
Pennsylvania St Higher Education	4,350,000.00
Pennsylvania St Higher Education	4,000,000.00
Utah State Brd Regents Student Loan	5,000,000.00
Vermont State Student Assistance	3,650,000.00
Total	<u><u>\$44,860,000.00</u></u>

June 30, 2007:

<u>Instrument</u>	<u>Fair Market Value</u>
Federal National Mortgage Assn # 3	5,906,280.00
Federal Home Loan Bank	5,893,140.00
SLM Student Loan Trust	5,000,000.00
Utah Student Loan	5,000,000.00
Vanguard Fxd Inc Sec Sh Tm	8,593,201.03
Greenpoint Taxable	5,064,660.00
Total	<u><u>\$35,457,281.03</u></u>

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2008 and 2007, the University had approximately \$64,423 and \$8,593,201, respectively, invested in mutual funds that have funds invested in various countries throughout the world and therefore, exposes the University to foreign currency risk indirectly. The University did not have any direct investments or deposits denominated in foreign currencies at June 30, 2008 and 2007.

EASTERN MICHIGAN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

Investments at the Eastern Michigan University Foundation are as follows:

	Eastern Michigan University Foundation	
	2008	2007
Corporate stocks	33,082,538	36,818,555
Corporate bonds	4,817,229	3,883,505
Treasury/Federal securities	4,892,285	5,135,027
Venture capital	14,128	15,658
Real estate	650,000	650,000
Mutual funds	1,951,652	2,208,438
Total	<u>\$ 45,407,832</u>	<u>\$ 48,711,183</u>

Net gains/losses from security transactions for the years ended June 30, 2008 and 2007 are as follows:

	Eastern Michigan University Foundation	
	2008	2007
Unrealized appreciation (depreciation)	(6,682,727)	2,714,343
Realized gains	2,002,246	2,675,324
Total	<u>\$ (4,680,481)</u>	<u>\$ 5,389,667</u>

Trustee and brokerage fees associated with the maintenance of the endowment securities portfolio were \$468,477 and \$432,317 for the years ended June 30, 2008 and 2007 for Eastern Michigan University Foundation. For recording purposes, these fees have been netted with investment income.

EASTERN MICHIGAN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Accounts Receivable

Accounts receivable consist of the following, as of June 30, 2008 and 2007:

	2008	2007
Sponsor accounts	\$ 4,497,826	\$ 4,253,201
Student accounts	10,454,309	9,837,703
Charter school appropriation	5,056,207	4,792,879
Third party tuition	700,268	748,519
Other	1,971,231	2,420,460
Subtotal	22,679,841	22,052,762
Less allowances for possible collection losses	(3,146,225)	(2,545,966)
Accounts receivable - Net	\$ 19,533,616	\$ 19,506,796

In addition, the University has student loans receivable of \$11,421,981 and \$10,919,506, net of the related allowance of \$358,666 for both June 30, 2008 and 2007.

Included in contributions receivable for the Foundation are the following unconditional promises to give at June 30, 2008 and 2007:

	2008	2007
Contributions Receivable:		
Gross contributions promised	\$ 2,060,508	\$ 1,141,640
Less allowance for uncollectibles	(995,502)	(280,508)
Subtotal	1,065,006	861,132
Less unamortized discount	(136,959)	(147,609)
Net unconditional promises to give	\$ 928,047	\$ 713,523
Amounts due in:		
Less than one year	\$ 964,295	\$ 388,282
One to five years	1,080,713	708,858
More than five years	15,500	44,500
Total	\$ 2,060,508	\$ 1,141,640

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 4 - Capital Assets

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2008:

	2007	Additions/ Transfers	Retirements/ Transfers	2008
Non-depreciable:				
Land	\$ 10,589,978	\$ 489,090	\$ -	\$ 11,079,068
Construction-in-progress	9,915,353	3,163,248	(9,915,353)	3,163,248
Total non-depreciable	<u>20,505,331</u>	<u>3,652,338</u>	<u>(9,915,353)</u>	<u>14,242,316</u>
Depreciable:				
Infrastructure	32,068,069	413,616	-	32,481,685
Leasehold improvements	3,408,874	-	-	3,408,874
Buildings	376,126,471	11,028,319	-	387,154,790
Library holdings	41,260,142	2,306,153	-	43,566,295
Equipment	68,198,336	3,537,310	(790,230)	70,945,416
Total depreciable	<u>521,061,892</u>	<u>17,285,398</u>	<u>(790,230)</u>	<u>537,557,060</u>
Total capital assets	<u>541,567,223</u>	<u>20,937,736</u>	<u>(10,705,583)</u>	<u>551,799,376</u>
Less: Accumulated depreciation:				
Infrastructure	21,352,973	940,608	-	22,293,581
Leasehold improvements	2,982,200	170,444	-	3,152,644
Buildings	115,449,088	6,341,943	-	121,791,031
Library holdings	31,398,626	3,042,169	-	34,440,795
Equipment	50,862,158	5,260,692	(659,566)	55,463,284
Total accumulated depreciation	<u>222,045,045</u>	<u>15,755,856</u>	<u>(659,566)</u>	<u>237,141,335</u>
Capital assets - Net	<u>\$ 319,522,178</u>	<u>\$ 5,181,880</u>	<u>\$ (10,046,017)</u>	<u>\$ 314,658,041</u>

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 4 - Capital Assets (continued)

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2007:

	2006	Additions/ Transfers	Retirements/ Transfers	2007
Non-depreciable:				
Land	\$ 10,589,978	\$ -	\$ -	\$ 10,589,978
Construction-in-progress	39,269,271	9,915,353	(39,269,271)	9,915,353
Total non-depreciable	49,859,249	9,915,353	(39,269,271)	20,505,331
Depreciable:				
Infrastructure	30,971,115	1,096,954	-	32,068,069
Leasehold improvements	3,408,874	-	-	3,408,874
Buildings	330,190,111	45,936,360	-	376,126,471
Library holdings	38,790,137	2,470,005	-	41,260,142
Equipment	82,144,674	5,638,016	(19,584,354)	68,198,336
Total depreciable	485,504,911	55,141,335	(19,584,354)	521,061,892
Total capital assets	535,364,160	65,056,688	(58,853,625)	541,567,223
Less: Accumulated depreciation:				
Infrastructure	20,414,505	938,468	-	21,352,973
Leasehold improvements	2,811,756	170,444	-	2,982,200
Buildings	108,728,766	6,720,322	-	115,449,088
Library holdings	28,522,989	2,875,637	-	31,398,626
Equipment	64,041,292	6,335,599	(19,514,733)	50,862,158
Total accumulated depreciation	224,519,308	17,040,470	(19,514,733)	222,045,045
Capital assets - Net	\$ 310,844,852	\$ 48,016,218	\$ (39,338,892)	\$ 319,522,178

In 2007, depreciable assets and accumulated depreciation of approximately \$19 million were retired. This represents fully-depreciated equipment purchased when the University capitalization threshold was \$500 and later \$1,000. Currently the capitalization threshold is \$5,000 for equipment.

The University has encumbrances of \$9,570,453 on various construction projects in progress as of June 30, 2008.

EASTERN MICHIGAN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt

Long-term debt consists of the following as of June 30, 2008 and 2007:

	Interest Rates	Maturity	<u>Outstanding Principal</u>			
			2007	Additions	Retirements/ defeasance	2008
Refunding Bonds of 2008	variable	2009-2036	\$ -	\$125,795,000	\$ -	\$ 125,795,000
Refunding Bonds of 2006	variable	2008	84,785,000	-	84,785,000	-
Refunding Bonds of 2003A	2.00 - 5.00	2008-2014	6,540,000	-	850,000	5,690,000
General Revenue Bonds of 2002B	3.00-5.00	2008-2013	1,360,000	-	200,000	1,160,000
General Revenue Bonds of 2002A	5.8	2008-2014	11,500,000	-	1,985,000	9,515,000
General Revenue Bonds of 2001	variable	2008	40,340,000	-	40,340,000	-
General Revenue Bonds of 2000B	4.50-5.875	2008-2011	1,170,000	-	270,000	900,000
General Revenue Bonds of 2000	5.00-6.00	2008-2024	3,760,000	-	470,000	3,290,000
			<u>149,455,000</u>	<u>\$125,795,000</u>	<u>\$ 128,900,000</u>	<u>146,350,000</u>
Less current portion long-term debt			<u>4,665,000</u>			<u>5,790,000</u>
Long-term debt			<u>\$ 144,790,000</u>			<u>\$140,560,000</u>

EASTERN MICHIGAN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

Long-term debt consists of the following as of June 30, 2007 and 2006:

	Interest Rates	Maturity	<u>Outstanding Principal</u>			
			2006	Additions	Retirements/ Retirements	2007
Refunding Bonds						
of 2006	variable	2007-2036	\$ 85,680,000	\$ -	\$ 895,000	\$ 84,785,000
General Revenue						
Bonds of 2003A	2.00 - 5.00	2007-2014	7,365,000	-	825,000	6,540,000
General Revenue						
Bonds of 2002B	3.00-5.00	2007-2013	1,560,000	-	200,000	1,360,000
General Revenue						
Bonds of 2002A	5.8	2007-2014	13,505,000	-	2,005,000	11,500,000
General Revenue						
Bonds of 2001	variable	2007-2027	40,535,000	-	195,000	40,340,000
General Revenue						
Bonds of 2000B	4.50-5.875	2007-2011	1,430,000	-	260,000	1,170,000
General Revenue						
Bonds of 2000	5.00-6.00	2007-2024	4,210,000	-	450,000	3,760,000
			154,285,000	\$ -	\$ 4,830,000	149,455,000
Less current portion long-term debt			4,830,000			4,665,000
Long-term debt			\$ 149,455,000			\$144,790,000

On August 29, 2001, the University entered into a twenty-six year interest rate swap agreement with a single counterparty for \$41,395,000 in connection with the issuance of variable rate 2001 Series General Revenue Bonds. The 2001 bonds were issued to refund and defease in-substance \$38,460,000 of the General Revenue Bonds of 1997. The intention of the 2001 swap was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate of 4.72 percent. The stated maturity date of the 2001 swap is June 1, 2027. At June 30, 2008, the total notional amount outstanding under the 2001 swap agreement was \$40,340,000. Bond issuance costs of \$361,027 net of accumulated amortization of \$361,027 at June 30, 2008, are included in capitalized bond expenses, net in the accompanying financial statements.

On February 1, 2006, the University entered into a thirty year interest rate swap agreement with a single counterparty for \$85,680,000 in connection with the issuance of variable rate General Revenue Bonds, Series 2006. The 2006 bonds were issued to finance project costs and to refund and defease in-substance \$2,595,000 of General Revenue Bonds, Series 2000, \$10,415,000 of General Revenue Bonds, Series 2000B, \$4,635,000 of General Revenue Bonds, Series 2002B, and \$44,785,000 of General Revenue Bonds, Series 2003. The intention of the 2006 swap was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate of 3.317 percent. The stated maturity date of the 2006 swap is June 1, 2036. At June 30, 2008, the total notional amount outstanding under the 2006 swap

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

agreement was \$84,785,000. Bond issuance costs of \$511,660 and \$6,450,709 formerly in escrow for future interest expenses net of accumulated amortization of \$511,660 and \$6,450,709 at June 30, 2008, are included in capitalized bond expenses, net in the accompanying financial statements.

On April 10, 2008 the University issued \$125,795,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2008. The 2008 bonds were issued to refund the 2001 bonds and the 2006 bonds. The 2001 swap and the 2006 swap were reallocated by the University to the 2008 bonds. The debt service requirements to maturity for the 2008 bonds, as presented in this note, are based on the fixed rates payable under the 2001 swap and the 2006 swap. Bond issuance costs of \$670,000 net of accumulated amortization of \$0 at June 30, 2008, are included in capitalized bond expenses, net in the accompanying financial statements.

If the University's credit rating falls below A3, and if the fair value of the 2001 swap exceeds (\$2,000,000), the University will be obliged to collateralize the fair value of the 2001 swap with a minimum transfer amount of \$100,000 with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian. The University or the counterparty may terminate the 2001 swap if the other party fails to perform under the terms of the contract. If the 2001 swap is terminated, the variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the 2001 swap's fair value, if it is negative.

Based on the 2001 swap agreement, the University owes interest calculated at a fixed rate of 4.72% to the counterparty to the swap. In return, the counterparty owes the University interest based on two indices: (1) the counterparty pays 68% of the London Interbank Offered Rate (LIBOR) rate on 60% of the notional amount; and (2) the counterparty pays the Securities Industry and Financial Markets Association (SIFMA) Index rate on 40% of the notional amount. Only the net difference in interest payments is actually exchanged with the counterparty. The University continues to pay interest to the bondholders at the variable rate provided by the 2008 bonds; however, during the term of the 2001 swap agreement, the University effectively pays a fixed rate on the debt. The University will be exposed to variable rates if the counterparty to the 2001 swap defaults or if the 2001 swap is terminated. The University can terminate the 2001 swap at its sole option, on any date. A termination of the 2001 swap agreement may also result in the University paying or receiving a termination payment. When the 2001 swap was initiated, the University received a payment from the counterparty of \$1,236,618.

The 2001 swap exposes the University to basis risk should the relationship between LIBOR and the variable interest rate on the 2008 bonds diverge, changing the effective synthetic rate of the bonds. As of June 30, 2008, the variable interest rate was 1.55 percent, whereas 68 percent of one-month LIBOR was 1.67 percent. The University is also subject to basis risk if the rate on the bonds diverges from the SIFMA Index. As of June 30, 2008, the SIFMA Index rate was 2.46%. As of June 30, 2008, the 2001 swap agreement had a mark to market fair value of approximately (\$5,219,416.18). The swap counterparty was rated Aaa and AAA by Moody's and Standard & Poor's, respectively, as of June 30, 2008.

Based on the 2006 swap agreement, the University owes interest calculated at a fixed rate of 3.317% to the counterparty to the 2006 swap. In return, the counterparty owes the University interest based on 62% of the London Interbank Offered Rate (LIBOR) plus 20 basis points. Only the net difference in interest payments is actually exchanged with the counterparty. The University continues to pay interest to the bondholders at the variable rate provided by the bonds; however, during the term of the 2006 swap

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

agreement, the University effectively pays a fixed rate on the debt. The University will be exposed to variable rates if the counterparty to the 2006 swap defaults or if the swap is terminated. The University can terminate the 2006 swap at its sole option, on any date after June 1, 2013. A termination of the 2006 swap agreement may also result in the University paying or receiving a termination payment. When the 2006 swap was initiated, the University neither received a payment from nor made a payment to the counterparty.

The 2006 swap exposes the University to basis risk should the relationship between LIBOR and the variable interest rates on the bonds diverge, changing the effective synthetic rate of the bonds. As of June 30, 2008, the variable interest rate was 1.55%, whereas 62 percent of one-month LIBOR plus 20 basis points was 1.73%.

As of June 30, 2008, the 2006 swap agreement had a mark to market fair value of approximately (\$1,590,329.82). The 2006 swap counterparty was rated Aa3 and A+ by Moody's and Standard & Poor's, respectively, as of June 30, 2008.

If the University's credit rating falls below A3, and if the fair value of the 2006 swap exceeds (\$10,000,000), the University will be obliged to collateralize the fair value of the 2006 swap with a minimum transfer amount of \$100,000 with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian. The University or the counterparty may terminate the 2006 swap if the other party fails to perform under the terms of the contract. If the 2006 swap is terminated, the variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the 2006 swap's fair value, if it is negative.

Using rates as of June 30, 2008, debt service requirements of the variable rate debt associated with the 2001 swap agreement and the 2006 swap agreement and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

2006 Bonds Swap Agreement

Fiscal Year	Principal	Interest	Interest Rate Swaps-Net	Total
2009	\$ 1,415,000	\$ 1,314,168	\$ 1,348,082	\$ 4,077,250
2010	755,000	1,292,235	1,325,583	3,372,818
2011	770,000	1,280,533	1,313,579	3,364,112
2012	1,400,000	1,268,598	1,301,336	3,969,934
2013	1,430,000	1,246,898	1,279,076	3,955,974
2014-2018	13,710,000	5,751,430	5,899,854	25,361,284
2019-2023	16,115,000	4,523,133	4,639,859	25,277,992
2024-2028	21,815,000	3,185,483	3,267,689	28,268,172
2029-2033	24,870,000	1,454,753	1,492,295	27,817,048
2034-2036	2,505,000	295,746	303,372	3,104,118
Total	\$ 84,785,000	\$ 21,612,977	\$ 22,170,725	\$ 128,568,702

EASTERN MICHIGAN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Note 5 – Long-term Debt (continued)

2001 Bonds Swap Agreement

Fiscal Year	Principal	Interest	Interest Rate Swaps-Net	Total
2009	\$ 405,000	\$ 396,946	\$ 404,207	\$ 1,206,153
2010	210,000	392,960	400,149	1,003,109
2011	220,000	390,894	398,045	1,008,939
2012	225,000	388,729	395,840	1,009,569
2013	230,000	386,515	393,586	1,010,101
2014-2018	10,650,000	1,732,578	1,764,272	14,146,850
2019-2023	14,240,000	1,130,616	1,151,298	16,521,914
2024-2027	14,160,000	356,700	363,225	14,879,925
Total	<u>\$ 40,340,000</u>	<u>\$ 5,175,938</u>	<u>\$ 5,270,622</u>	<u>\$ 50,786,560</u>

In February 2003, the University issued \$53,000,000 of General Revenue and Refunding Bonds, Series 2003A. The bonds are secured by general revenues of the University. Total proceeds of the debt issue, including the net original issue premium of \$1,071,869 were \$54,071,869. Bond proceeds of \$12,800,428 were used to refund General Revenue Bonds, Series 1993. The remaining proceeds were used to construct a new Student Center and renovate the existing McKenny Hall. The refunding resulted in an accounting gain of \$106,335 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$104,543. Bond issuance costs of \$241,385 net of accumulated amortization of \$54,815 at June 30, 2008, are included in capitalized bond expenses, net in the accompanying financial statements.

In March 2002, the University issued \$21,100,000 of General Revenue Bonds, Series 2002A, to refund the \$20,615,000 1992 General Revenue Refunding Bonds. The bonds are secured by general revenues of the University. The refunding resulted in an accounting gain of \$662,298 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,159,108. Bond issuance costs of \$285,616 net of accumulated amortization of \$73,189 at June 30, 2008, are included in capitalized bond expenses, net in the accompanying financial statements.

In March 2002, the University issued \$6,860,000 of General Revenue Bonds, Series 2002B, to fund capital additions and improvements. The bonds are secured by general revenues of the University. Bond issuance costs of \$185,556 net of accumulated amortization of \$50,365 at June 30, 2008, are included in capitalized bond expenses, net in the accompanying financial statements.

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 \$63,145 net of accumulated amortization of \$19,177 at June 30, 2008 are included in capitalized bond expenses, net in the accompanying financial statements.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 –Long-term Debt (continued)

In February 2000, the University issued \$9,555,000 of General Revenue Bonds, Series 2000 to partially defease in-substance the Series 1992 General Revenue Bonds and to fund various capital additions and improvements. The bonds are secured by general revenues of the University. Bond issuance costs of \$145,867 net of accumulated amortization of \$74,393 at June 30, 2008 are included in capitalized bond expenses, net in the accompanying financial statements.

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 trust account assets and the liability for the defeased bonds are not recorded as assets or liabilities in the financial statements of the University. At June 30, 2008 and 2007, the aggregate amount of outstanding principal on all bonds which have been defeased is \$61,280,370 and \$62,484,390, respectively.

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

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>
2009	\$ 5,790,000	\$ 6,368,125	\$ 12,158,125
2010	4,815,000	6,100,228	10,915,228
2011	4,620,000	5,865,364	10,485,364
2012	4,850,000	5,648,610	10,498,610
2013	4,645,000	5,403,890	10,048,890
2014 - 2018	26,595,000	23,673,935	50,268,935
2019 - 2023	31,225,000	17,217,931	48,442,931
2024 - 2028	36,265,000	9,686,842	45,951,842
2029 – 2033	24,945,000	3,213,242	28,158,242
2034 – 2036	<u>2,600,000</u>	<u>198,653</u>	<u>2,798,653</u>
Total	<u>\$ 146,350,000</u>	<u>\$ 83,376,820</u>	<u>\$ 229,726,820</u>

Subsequent to June 30, 2008, the University secured a line of credit not to exceed \$25 million through Comerica Bank.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 –Long-term Debt (continued)

Capitalized Bond Expenses, Net as of June 30, 2008 include:

Series	Capitalized Amount	Accumulated Amortization	Capitalized Bond Expenses, Net
2008	\$ 670,000	\$ -	\$ 670,000
2006	6,450,709	6,450,709	-
2006	511,660	511,660	-
2003	241,385	81,467	159,918
2002A	285,616	103,536	182,080
2002B	185,556	72,897	112,659
2001	361,027	361,027	-
2000A	63,145	19,177	43,968
2000B	145,867	74,393	71,474
1997	1,187,007	1,187,007	-
Total	<u>\$ 10,101,972</u>	<u>\$ 8,861,873</u>	<u>\$ 1,240,099</u>

Capitalized Bond Expenses, Net as of June 30, 2007 include:

Series	Capitalized Amount	Accumulated Amortization	Capitalized Bond Expenses, Net
2006	\$ 6,450,709	\$ 215,024	\$ 6,235,685
2006	511,660	17,055	494,605
2003	241,385	54,815	186,570
2002A	285,616	73,189	212,427
2002B	185,556	50,365	135,191
2001	361,027	68,767	292,260
2000A	63,145	16,429	46,716
2000B	145,867	48,674	97,193
1997	1,187,007	1,187,007	-
Total	<u>\$ 9,431,972</u>	<u>\$ 1,731,325</u>	<u>\$ 7,700,647</u>

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 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. The University's costs for the MPSERS plan include 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.

A MPSERS credit of \$665,900 was issued to the University on June 6, 2007 due to a change in assumptions. This credit was used to reduce contributions to the plan in June, July, and August 2007. The cost of the MPSERS plan allocated to the University, all of which was contributed in the applicable year, was approximately \$5,080,000, \$5,870,000, and \$5,242,000 for the years ended June 30, 2008, 2007, and 2006, 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, 2008, 2007, and 2006 the University contributed approximately \$10,725,000, \$10,114,000, and \$9,447,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contribution under the TIAA-CREF plan.

The University 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 is approximately \$5,113,000 and \$4,440,000 as of June 30, 2008 and 2007, respectively. Approximately \$400,000 is included in accrued payroll, taxes, and fringe benefits for the years ended June 30, 2008 and 2007, respectively. The remaining portion is included in accrued compensated absences.

Note 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.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 7 - Contingencies and Commitments (continued)

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.

Note 8 - New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, in 2006.

Statement No. 49 requires estimation of expected pollution remediation outlays, when specified obligating events occur, and to determine whether these outlays should be accrued for as a liability. GASB 49 will be effective for the University for the year ending June 30, 2009. The University will continue to assess the impact of this new accounting pronouncement on the University's financial statements as more information becomes available.

The Governmental Accounting Standards Board (GASB) issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, in 2008. Statement No. 53 is intended to improve the reporting of derivative instruments, specifically requiring measuring most derivative instruments at fair value in financial statements that are prepared using the accrual basis of accounting. The Statement also addresses hedge accounting requirements. The fair value of the derivative instrument will be reported on the balance sheet and the change in fair value will be reported in the statement of revenue, expenses and changes in net assets as investment gains or losses. Changes in fair value of hedging derivative instruments will be reported as deferred inflows or outflows in the statement of revenue, expenses and changes in net assets. The Statement is effective for financial statements for reporting periods beginning after June 15, 2009, therefore for the fiscal year ending June 30, 2010. The University will continue to assess the impact of this new accounting pronouncement on the University's financial statements as more information becomes available.

Report of Independent Auditors on Supplemental Information

To the Board of Regents
Eastern Michigan University

The report on our audit of the financial statements of Eastern Michigan University (the "University") as of June 30, 2008 and 2007 and for the years then ended appears on page I of this document. This audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules accompanying the financial statements are not necessary for a fair presentation of the statements of net assets and the related statements of revenues, expenses, and changes in net assets and cash flows of the University in conformity with accounting principles generally accepted in the United States of America. The supplemental schedules are presented only for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

September 30, 2008

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EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET ASSETS
BY FUND
as of June 30, 2008

	General Fund	Designated Fund	Auxiliary Activities Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ (33,669,380)	\$ 5,560,978	\$ 2,794,146
Short-term investments	58,001,643	-	-
Accounts receivable - Net	8,174,567	448,869	889,066
Appropriation receivable	14,140,746	-	-
Inventories	979,669	-	788,670
Deposits and prepaid expenses	936,227	29,787	449,438
Accrued interest receivable	45,421	3,798	-
Total current assets	48,608,893	6,043,432	4,921,320
Noncurrent assets:			
Student loans receivable - Net	-	-	-
Long-term investments	-	-	-
Capital assets - Net	-	-	-
Capitalized bond expenses - Net	-	-	-
Total noncurrent assets	-	-	-
Total assets	\$ 48,608,893	\$ 6,043,432	\$ 4,921,320
 LIABILITIES			
Current liabilities:			
Current portion of long-term debt	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	4,134,109	165,782	2,587,206
Accrued payroll	9,238,275	35,697	435,499
Payroll taxes and accrued fringe benefits	8,236,442	6,901	655,920
Unearned fees and deposits	6,216,442	47,382	148,185
Insurance and other claims payable	1,145,335	-	485,299
Total current liabilities	28,970,603	255,762	4,312,109
Noncurrent liabilities:			
Accrued compensated absences	4,437,254	263	268,429
Long-term debt	-	-	-
Federal Perkins (note 1)	-	-	-
Long-term unearned fees and deposits	-	-	-
Total noncurrent liabilities	4,437,254	263	268,429
Total liabilities	\$ 33,407,857	\$ 256,025	\$ 4,580,538
 NET ASSETS			
Invested in capital assets - Net of related debt	\$ -	\$ -	\$ -
Restricted, expendable as restated (Note 1)	-	-	-
Unrestricted			
Designated	-	5,787,407	340,782
Undesignated	15,201,036	-	-
Total net assets	\$ 15,201,036	\$ 5,787,407	\$ 340,782

The accompanying notes are an integral part of this schedule.

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET ASSETS
BY FUND
as of June 30, 2008

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Consolidated Total
\$ 3,030,593	\$ 732,957	\$ 34,641,015	\$ 1,222,518	\$ 14,312,827
-	-	10,950,000	-	68,951,643
9,492,781	354,786	173,547	-	19,533,616
-	-	-	-	14,140,746
-	-	-	-	1,768,339
-	-	288,822	-	1,704,274
	379	14,247		63,845
12,523,374	1,088,122	46,067,631	1,222,518	120,475,290
-	11,421,981	-	-	11,421,981
50,337	-	-	-	50,337
-	-	314,658,041	-	314,658,041
-	-	1,240,099	-	1,240,099
50,337	11,421,981	315,898,140	-	327,370,458
\$ 12,573,711	\$ 12,510,103	\$ 361,965,771	\$ 1,222,518	\$ 447,845,748
\$ -	\$ -	\$ 5,790,000	\$ -	\$ 5,790,000
5,184,608	-	3,093,032	2,180	15,166,917
305,182	-	-	-	10,014,653
38,310	-	-	-	8,937,573
82,297	-	-	1,220,338	7,714,644
-	-	-	-	1,630,634
5,610,397	-	8,883,032	1,222,518	49,254,421
7,675	-	-	-	4,713,621
-	-	140,560,000	-	140,560,000
-	10,796,240	-	-	10,796,240
-	-	-	-	-
7,675	10,796,240	140,560,000	-	156,069,861
\$ 5,618,072	\$ 10,796,240	\$ 149,443,032	\$ 1,222,518	\$ 205,324,282
\$ -	\$ -	\$ 168,308,041	\$ -	\$ 168,308,041
6,955,639	1,713,863	10,792,057	-	19,461,559
-	-	-	-	-
-	-	33,422,641	-	39,550,830
-	-	-	-	15,201,036
\$ 6,955,639	\$ 1,713,863	\$ 212,522,739	\$ -	\$ 242,521,466

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 June 30, 2008

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Auxiliary Fund</u>
OPERATING REVENUES			
Student tuition and fees	\$ 168,580,699	\$ 475,277	\$ -
Scholarship allowances	-	-	-
Net student tuition and fees	<u>168,580,699</u>	<u>475,277</u>	-
Federal grants and contracts	-	-	-
Federal financial aid	-	-	-
State grants and contracts	-	-	-
State financial aid	-	-	-
Nongovernmental grants and contracts	-	-	-
Departmental activities	2,262,183	3,805,989	-
Auxiliary activities - Net	-	-	32,605,542
Indirect cost recovery (deduction)	604,722	744,593	-
Other	1,182,558	-	-
Total operating revenues	<u>172,630,162</u>	<u>5,025,859</u>	<u>32,605,542</u>
OPERATING EXPENSES			
Instruction	103,482,353	365,895	-
Research	1,225,131	665,697	-
Public service	3,361,729	522,918	-
Academic support	19,432,941	661,431	-
Student services	23,943,605	2,748,171	-
Institutional support	34,615,725	1,038,202	-
Scholarships and fellowships	20,995,506	29,638	-
Operation and maintenance of plant	22,064,485	36,539	-
Auxiliary activities - Net	-	-	28,235,684
Depreciation	-	-	-
Capital additions - Net	4,573,045	154,890	58,179
Other	-	-	-
Total operating expenses	<u>233,694,520</u>	<u>6,223,381</u>	<u>28,293,863</u>
Operating income (loss)	<u>(61,064,358)</u>	<u>(1,197,522)</u>	<u>4,311,679</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	84,880,347	-	-
Gifts	-	521,660	-
Investment income	2,174,104	-	543,525
Interest expense	-	-	-
Pell grants	-	-	-
Other	-	-	-
Net nonoperating revenues before transfers & capital items	<u>87,054,451</u>	<u>521,660</u>	<u>543,525</u>
TRANSFERS IN (OUT)			
Mandatory:			
Funds for debt service	(9,560,358)	-	(2,841,500)
Matching funds	(526,096)	-	-
Non-mandatory:			
Other	(4,717,795)	(2,656,846)	(3,880,612)
Total transfers	<u>(14,804,249)</u>	<u>(2,656,846)</u>	<u>(6,722,112)</u>
Capital grants and gifts	-	-	-
Total net nonoperating revenues (expenses)	<u>72,250,202</u>	<u>(2,135,186)</u>	<u>(6,178,587)</u>
Increase (Decrease) in net assets	11,185,844	(3,332,708)	(1,866,908)
NET ASSETS, Beginning of year, as restated (Note 1)	4,015,192	9,120,115	2,207,690
NET ASSETS, End of year	<u>\$ 15,201,036</u>	<u>\$ 5,787,407</u>	<u>\$ 340,782</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 June 30, 2008

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
\$ 775,442	\$ -	\$ -	\$ -	169,831,418
-	-	-	(22,639,400)	(22,639,400)
<u>775,442</u>	<u>-</u>	<u>-</u>	<u>(22,639,400)</u>	<u>147,192,018</u>
7,029,384	126,890	-	-	7,156,274
2,374,679	-	-	-	2,374,679
462,265	-	-	-	462,265
3,507,706	-	-	-	3,507,706
2,744,732	-	-	-	2,744,732
-	-	-	-	6,068,172
-	-	-	(3,014,242)	29,591,300
(1,349,315)	-	-	-	-
603,263	36,120	455,679	-	2,277,620
<u>16,148,156</u>	<u>163,010</u>	<u>455,679</u>	<u>(25,653,642)</u>	<u>201,374,766</u>
759,337	-	-	-	104,607,585
3,176,576	-	-	-	5,067,404
6,864,195	-	-	-	10,748,842
897,007	-	-	-	20,991,379
177,120	-	-	-	26,868,896
404,657	-	-	-	36,058,584
21,154,708	-	-	(22,639,400)	19,540,452
2,353	-	4,723,705	-	26,827,082
-	-	-	(3,014,242)	25,221,442
-	-	15,755,856	-	15,755,856
511,017	-	(5,297,131)	-	-
-	372,490	6,235,685	-	6,608,175
<u>33,946,970</u>	<u>372,490</u>	<u>21,418,115</u>	<u>(25,653,642)</u>	<u>298,295,697</u>
<u>(17,798,814)</u>	<u>(209,480)</u>	<u>(20,962,436)</u>	<u>-</u>	<u>(96,920,931)</u>
-	-	-	-	84,880,347
2,754,289	-	10,100	-	3,286,049
-	132,919	1,453,240	-	4,303,788
-	-	(7,628,521)	-	(7,628,521)
14,778,165	-	-	-	14,778,165
232,441	-	216	-	232,657
<u>17,764,895</u>	<u>132,919</u>	<u>(6,164,965)</u>	<u>-</u>	<u>99,852,485</u>
-	-	12,401,858	-	-
526,096	-	-	-	-
2,210,950	-	9,044,303	-	-
<u>2,737,046</u>	<u>-</u>	<u>21,446,161</u>	<u>-</u>	<u>-</u>
-	-	95,324	-	95,324
20,501,941	132,919	15,376,520	-	99,947,809
2,703,127	(76,561)	(5,585,916)	-	3,026,878
4,252,512	1,790,424	218,108,655	-	239,494,588
<u>\$ 6,955,639</u>	<u>\$ 1,713,863</u>	<u>\$ 212,522,739</u>	<u>\$ -</u>	<u>\$ 242,521,466</u>

The accompanying notes are an integral part of this schedule.

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET ASSETS
BY FUND
as of June 30, 2007

	General Fund	Designated Fund	Auxiliary Activities Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ (5,753,652)	\$ 8,895,163	\$ 4,246,032
Short-term investments	25,114,527	-	-
Accounts receivable - Net	8,406,827	526,381	1,082,466
Appropriation receivable	5,559,995	-	-
Inventories	144,323	-	404,661
Deposits and prepaid expenses	407,431	16,679	129,826
Accrued interest receivable	230,873	3,798	-
Total current assets	34,110,324	9,442,021	5,862,985
Noncurrent assets:			
Student loans receivable - Net	-	-	-
Long-term investments	-	44,106	-
Capital assets - Net	-	-	-
Capitalized bond expenses - Net	-	-	-
Total noncurrent assets	-	44,106	-
Total assets	\$ 34,110,324	\$ 9,486,127	\$ 5,862,985
 LIABILITIES			
Current liabilities:			
Current portion of long-term debt	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	3,199,681	174,009	967,353
Accrued payroll	8,775,832	130,489	401,468
Payroll taxes and accrued fringe benefits	7,576,101	6,901	739,092
Unearned fees and deposits	5,053,506	54,350	762,659
Insurance and other claims payable	1,597,893	-	622,576
Total current liabilities	26,203,013	365,749	3,493,148
Noncurrent liabilities:			
Accrued compensated absences	3,892,119	263	162,147
Long-term debt	-	-	-
Federal Perkins (Note 1)	-	-	-
Long-term unearned fees and deposits	-	-	-
Total noncurrent liabilities	3,892,119	263	162,147
Total liabilities	\$ 30,095,132	\$ 366,012	\$ 3,655,295
 NET ASSETS			
Invested in capital assets - Net of related debt	\$ -	\$ -	\$ -
Restricted, expendable as restated (Note 1)	-	-	-
Unrestricted			
Designated	-	9,120,115	2,207,690
Undesignated	4,015,192	-	-
Total net assets	\$ 4,015,192	\$ 9,120,115	\$ 2,207,690

The accompanying notes are an integral part of this schedule

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET ASSETS
BY FUND
as of June 30, 2007

<u>Expendable Restricted Fund</u>	<u>Student Loan Fund</u>	<u>Plant Fund</u>	<u>Agency Fund</u>	<u>Consolidated Total</u>
\$ 468,496	\$ 1,325,649	\$ -	\$ 1,075,185	\$ 10,256,873
-	-	27,343,334	-	52,457,861
8,977,579	341,127	172,416	-	19,506,796
-	-	-	-	5,559,995
-	-	-	-	548,984
-	-	805,713	-	1,359,649
-	382	14,247	-	249,300
<u>9,446,075</u>	<u>1,667,158</u>	<u>28,335,710</u>	<u>1,075,185</u>	<u>89,939,458</u>
-	10,919,506	-	-	10,919,506
-	-	17,778,780	-	17,822,886
-	-	319,522,178	-	319,522,178
-	-	7,700,647	-	7,700,647
-	10,919,506	345,001,605	-	355,965,217
<u>\$ 9,446,075</u>	<u>\$ 12,586,664</u>	<u>\$ 373,337,315</u>	<u>\$ 1,075,185</u>	<u>\$ 445,904,675</u>
\$ -	\$ -	\$ 4,665,000	\$ -	\$ 4,665,000
4,966,188	-	5,553,660	4,256	14,865,147
177,208	-	-	-	9,484,997
38,310	-	-	-	8,360,404
4,182	-	220,000	1,070,929	7,165,626
-	-	-	-	2,220,469
<u>5,185,888</u>	<u>-</u>	<u>10,438,660</u>	<u>1,075,185</u>	<u>46,761,643</u>
7,675	-	-	-	4,062,204
-	-	144,790,000	-	144,790,000
-	10,796,240	-	-	10,796,240
-	-	-	-	-
<u>7,675</u>	<u>10,796,240</u>	<u>144,790,000</u>	<u>-</u>	<u>159,648,444</u>
<u>\$ 5,193,563</u>	<u>\$ 10,796,240</u>	<u>\$ 155,228,660</u>	<u>\$ 1,075,185</u>	<u>\$ 206,410,087</u>
\$ -	\$ -	170,067,178	\$ -	\$ 170,067,178
4,252,512	1,790,424	18,069,499	-	24,112,435
-	-	-	-	-
-	-	29,971,978	-	41,299,783
-	-	-	-	4,015,192
<u>\$ 4,252,512</u>	<u>\$ 1,790,424</u>	<u>\$ 218,108,655</u>	<u>\$ -</u>	<u>\$ 239,494,588</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 June 30, 2007

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Auxiliary Fund</u>
OPERATING REVENUES			
Student tuition and fees	\$ 159,142,455	\$ 1,213,503	\$ (15,912)
Scholarship allowances	-	-	-
Net student tuition and fees	<u>159,142,455</u>	<u>1,213,503</u>	<u>(15,912)</u>
Federal grants and contracts	-	-	-
Federal financial aid	-	-	-
State grants and contracts	-	-	-
State financial aid	-	-	-
Nongovernmental grants and contracts	-	62,051	-
Departmental activities	1,414,805	4,583,293	-
Auxiliary activities, net	-	-	31,401,276
Indirect cost recovery (deduction)	617,877	756,070	-
Other	956,220	-	-
Total operating revenues	<u>162,131,357</u>	<u>6,614,917</u>	<u>31,385,364</u>
OPERATING EXPENSES			
Instruction	104,381,872	379,098	-
Research	1,345,883	436,476	-
Public service	2,643,744	1,097,097	-
Academic support	19,647,060	771,138	-
Student services	23,774,454	2,421,199	-
Institutional support	31,619,180	3,070,682	-
Scholarships and fellowships	18,273,792	12,690	-
Operation and maintenance of plant	20,148,096	85,126	-
Auxiliary activities, net	-	-	30,631,436
Depreciation	-	-	-
Capital additions, net	4,700,411	146,072	131,860
Other	-	-	-
Total operating expenses	<u>226,534,492</u>	<u>8,419,578</u>	<u>30,763,296</u>
Operating income (loss)	<u>(64,403,135)</u>	<u>(1,804,661)</u>	<u>622,068</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	69,169,835	-	-
Gifts	-	1,580,845	-
Investment income	2,057,474	1,080,408	456,041
Interest expense	-	-	-
Pell grants	-	-	-
Other	-	-	-
Net nonoperating revenues before transfers & capital items	<u>71,227,309</u>	<u>2,661,253</u>	<u>456,041</u>
TRANSFERS IN (OUT)			
Mandatory:			
Funds for debt service	(7,596,152)	(105,956)	(2,730,872)
Matching funds	(274,020)	-	-
Non-mandatory:			
Other	(4,364,435)	(8,431,518)	752,144
Total transfers	<u>(12,234,607)</u>	<u>(8,537,474)</u>	<u>(1,978,728)</u>
Capital grants and gifts	-	-	-
Total net nonoperating revenues (expenses)	<u>58,992,702</u>	<u>(5,876,221)</u>	<u>(1,522,687)</u>
Increase (Decrease) in net assets	(5,410,433)	(7,680,882)	(900,619)
NET ASSETS, Beginning of year, as restated (Note 1)	<u>9,425,625</u>	<u>16,800,997</u>	<u>3,108,309</u>
NET ASSETS, End of year	<u>\$ 4,015,192</u>	<u>\$ 9,120,115</u>	<u>\$ 2,207,690</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 June 30, 2007

<u>Expendable Restricted Fund</u>	<u>Student Loan Fund</u>	<u>Plant Fund</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 764,887	\$ -	\$ -	\$ -	\$ 161,104,933
-	-	-	(18,614,716)	(18,614,716)
<u>764,887</u>	<u>-</u>	<u>-</u>	<u>(18,614,716)</u>	<u>142,490,217</u>
6,891,485	165,903	-	-	7,057,388
1,851,082	-	-	-	1,851,082
392,290	-	-	-	392,290
3,211,215	-	-	-	3,211,215
3,246,848	-	-	-	3,308,899
-	-	35,661	-	6,033,759
-	-	-	(2,507,502)	28,893,774
(1,373,947)	-	-	-	-
557,704	50,097	211,903	-	1,775,924
<u>15,541,564</u>	<u>216,000</u>	<u>247,564</u>	<u>(21,122,218)</u>	<u>195,014,548</u>
310,207	-	-	-	105,071,177
3,747,174	-	-	-	5,529,533
7,090,371	-	-	-	10,831,212
129,252	-	-	-	20,547,450
568,720	-	-	-	26,764,373
254,197	-	-	-	34,944,059
17,816,276	-	-	(18,614,716)	17,488,042
2,541	-	4,043,783	-	24,279,546
-	-	-	(2,507,502)	28,123,934
-	-	17,040,470	-	17,040,470
378,198	-	(5,356,541)	-	-
-	374,459	-	-	374,459
<u>30,296,936</u>	<u>374,459</u>	<u>15,727,712</u>	<u>(21,122,218)</u>	<u>290,994,255</u>
<u>(14,755,372)</u>	<u>(158,459)</u>	<u>(15,480,148)</u>	<u>-</u>	<u>(95,979,707)</u>
-	-	-	-	69,169,835
1,571,309	-	776	-	3,152,930
-	164,816	1,302,012	-	5,060,751
-	-	(6,113,602)	-	(6,113,602)
12,142,328	-	-	-	12,142,328
199,378	-	2,061	-	201,439
<u>13,913,015</u>	<u>164,816</u>	<u>(4,808,753)</u>	<u>-</u>	<u>83,613,681</u>
-	-	10,432,980	-	-
274,020	-	-	-	-
(289,465)	-	12,333,274	-	-
<u>(15,445)</u>	<u>-</u>	<u>22,766,254</u>	<u>-</u>	<u>-</u>
-	-	114,276	-	114,276
<u>13,897,570</u>	<u>164,816</u>	<u>18,071,777</u>	<u>-</u>	<u>83,727,957</u>
-	-	-	-	-
(857,802)	6,357	2,591,629	-	(12,251,750)
5,110,314	1,784,067	215,517,026	-	251,746,338
<u>\$ 4,252,512</u>	<u>\$ 1,790,424</u>	<u>\$ 218,108,655</u>	<u>\$ -</u>	<u>\$ 239,494,588</u>

The accompanying notes are an integral part of this schedule.

University Notes to Supplementary Schedules

Basis of Presentation:

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 held in custody for students, University-related organizations, and others.

The eliminations on the Schedules of Revenues, Expenses, and Changes in Net Assets 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*.