SECTION: 18
DATE:
September 21, 2007

BOARD OF REGENTS

EASTERN MICHIGAN UNIVERSITY

RECOMMENDATION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION AS OF JUNE 30, 2007 AND 2006

ACTION REQUESTED

It is recommended that the Board of Regents receive, approve and place on file the University's audited fiscal 2007 Financial Statements.

STAFF SUMMARY

The Financial Statements and Supplementary Information as of June 20, 2007 and 2006 are attached for your review. Representatives from Plante & Moran, PLLC reported that the audit was performed in accordance with Generally Accepted Accounting Standards ("GAAS"), and the internal control environment and overall attitude towards controls at the University continue to be strong. They also reported that there were no disagreements between management and the auditors on the conduct of the audit, and management's accounting judgments and estimates are reasonable.

Representatives of Plante & Moran will attend the Finance, Audit and Investment Committee meeting to discuss any questions concerning the financial statement audit.

FISCAL IMPLICATIONS

None

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer **Date**

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Eastern Michigan University

Contents

June 30, 2007 and 2006

EASTERN MICHIGAN UNIVERSITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Michigan University ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2007, 2006, and 2005. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of University management.

Using the Annual Financial Report

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The financial statements prescribed by GASB Statement No.35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities. Changes in net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

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

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

The University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in 2004. As such, the Eastern Michigan University Foundation ("Foundation") financial statements, footnotes, and management's discussion and analysis have been discretely incorporated into the University's financial statements.

The Foundation, located in Ypsilanti, Michigan, is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. Management's discussion and analysis of the financial performance of the Foundation during the fiscal years ended June 30, 2007, 2006, and 2005 is reflected on pages 10 to 13 of this report.

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Eastern Michigan University
Condensed Statements of Net Assets
as of June 30, 2007, 2006 and 2005 (as restated)
(in thousands)

ASSETS	2007	2006	2005
Current assets	89,939	104,772	79,026
Noncurrent assets	355,965	358,457	352,692
Total assets	$ 445,904	$ 463,229	$ 431,718
LIABILITIES			
Current liabilities:	46,762	49,298	39,426
Noncurrent liabilities:	148,851	151,388	134,734
Total liabilities	$ 195,613	$ 200,686	$ 174,160
NET ASSETS			
Invested in capital assets, net of related debt	$ 170,067	$ 156,560	$ 155,284
Restricted, expendable	34,909	49,917	49,610
Unrestricted, designated	41,301	51,599	48,160
Unrestricted, undesignated	4,014	4,467	4,504
Total net assets	$ 250,291	$ 262,543	$ 257,558

At June 30, 2007, total University assets were $446 million, compared to $463 million in fiscal 2007. The University's largest asset is its investment in physical plant of $320 million at June 30, 2007 compared to $311 million in fiscal 2006, net of accumulated depreciation.

At June 30, 2006, total University assets were $463 million, compared to $432 million in fiscal 2005. The University's largest asset is its investment in physical plant of $311 million at June 30, 2006 compared to $291 million in fiscal 2005, net of accumulated depreciation.

In fiscal 2007, the University's current assets of $90 million were sufficient to cover current liabilities of $47 million (current ratio of 1.91). In fiscal 2006, the University's current assets of $105 million were sufficient to cover current liabilities of $49 million (current ratio of 2.14). The fiscal 2007 decrease in assets of $17 million was primarily due to decreased state appropriations receivable, decreased cash and investments, and fiscal 2007 depreciation expense.

In fiscal 2005, current assets of $79 million were sufficient to cover current liabilities of $39 million (current ratio of 2.03). The fiscal 2006 increase in current assets of $25.8 million was primarily due to increased cash from student tuition and fees and investments in 28-day auction rate securities. The $5.8 million increase in noncurrent assets was primarily due to bond proceeds received for capital projects.

University liabilities total $196 million at June 30, 2007, compared to $201 million in fiscal 2006 and $174 million in fiscal 2005. Long-term debt, consisting of bonds payable, was $145 million, $149 million, and $131 million, as of June 30, 2007, 2006, and 2005, respectively.

Operating revenues increased by $2.1 million in 2007 versus 2006. The increase was primarily from student tuition and fees. In 2006, operating revenues increased by $16.4 million versus 2005 primarily due to student tuition and fees.

Net nonoperating and other revenues decreased by $6.8 million in 2007 and $0.04 million in 2006. The 2007 decrease was primarily due to decreased state appropriations.

Operating and nonoperating expenses by functional classification are presented below:

Eastern Michigan University
Condensed Statements Expenses and Changes in Net Assets
for the years ended June 30, 2007, 2006 and 2005
(in thousands)

	2007	2006	2005 (as restated)
Operating Expenses			
Instruction	105,071	98,737	93,035
Research	5,530	5,208	4,946
Public service	10,831	10,885	10,822
Academic support	20,547	20,769	19,602
Student services	26,764	23,599	24,719
Institutional support	34,944	33,824	32,430
Scholarships and fellowships	17,488	18,778	17,717
Operation and maintenance of plant	24,280	22,741	18,766
Auxiliary activities, net (note 1)	28,124	27,863	27,532
Depreciation and other	17,415	15,886	16,332
Total Operating expenses	290,994	278,290	265,901
Nonoperating Expenses			
Interest expense	6,114	6,245	6,840
Total nonoperating expenses	6,114	6,245	6,840
Total Expenses	$ 297,108	$ 284,535	$ 272,741
Total increase (decrease) in net assets	(12,252)	4,985	741
Net assets, beginning of year	262,543	257,558	256,817
Net assets, end of year	$ 250,291	$ 262,543	$ 257,558

In 2007, the University's operating expenses increased by $12.7 million, primarily due to increased instruction expenses of $6.3 million, $3.2 million in student services, $1.5 million in depreciation, and $1.5 million in operation and maintenance of plant.

In 2006, the University's operating expenses increased by $12.4 million, primarily due to increased instruction expenses of $5.7 million, $4.0 million in operations and maintenance of plant, and $1.0 million in scholarships.

Net Assets as of July 1, 2004 have been restated by ($1,989,730) to correct information technology conversion-related misstatements. The adjustment had no effect on the increase (decrease) in net assets for 2007, 2006 or 2005.

Sarbanes-Oxley Act as recommended by the National Association of College and University Business Officers (NACUBO).

Looking Ahead

Eastern Michigan University emerged as a national leader in science education this year as it unveiled plans for a $100 million science complex – the largest construction project in the University's 158-year history. The Mark Jefferson Science Complex will catapult EMU into a national leadership position in science teaching, curriculum and facilities. The building addition and related renovations will provide a generation of future chemists and biologists an unequalled opportunity to do hands-on research alongside top-notch faculty. When finished in 2010, the complex will fortify the western edge of campus as the place for student learning and engagement. Placed shoulder to shoulder will be the expanded science complex, the Bruce T. Halle Library (opened in 1999) and the EMU Student Center (opened in 2006.)

The project's estimated cost – to be funded through the sale of bonds – includes $26.7 million for renovation of the existing building and $73.3 million for 151,000 square feet of new construction.

Academic innovation occurred across campus as well, with the launch of four programs: a bachelor of science in information assurance; a bachelor of arts/science in cross-disciplinary studies; a master of science in integrated marketing communications; and a master of science in health administration. The College of Business, demonstrating a continued commitment to ethics in business education, hosted its inaugural Ethos Week celebration in March.

Our professors continued to earn national and statewide accolades. Among the most notable were Heather Neff, a professor of English language and literature, who was one of three recipients of the inaugural Michigan Distinguished Professors of the Year Award presented by the Presidents Council, State of Michigan; and Joan M. Abbey, a research scientist with the College of Health and Human Services, who received a $388,870 grant from the U.S Department of Justice to continue a statewide study related to Michigan's Infant Mental Health model.

And following its success with multimillion-dollar grants to provide valuable coatings research for the U.S. Army and the Navy, the Coatings Research Institute (affiliated with the College of Technology) secured a $1 million Air Force contract to conduct research projects at Wright-Patterson Air Force Base.

EMU students demonstrated their ability to excel as well. Student-athletes in 2006-07 were responsible for bringing home a record eight Mid-American Conference (MAC) championships, the most by any school in a single year in MAC history. EMU teams won titles in men's cross country, women's swimming, men's indoor track, men's swimming, women's gymnastics, men's golf, men's outdoor track and women's softball. The award-winning forensics team placed second nationally at the National Forensics Association Tournament. And the student newspaper, the Eastern Echo, won 19 awards at the Michigan Collegiate Press Association contest.

EMU's scholarly and community engagement work also received external validation. The Target Corporation awarded EMU a grant to continue the successful Jumpstart program, which helps develop literacy and social skills in preschool children from local schools. In addition, EMU received a $3.4 million U.S. Department of Education "GEAR-UP" grant to help low-income middle school students raise educational achievement and promote college enrollment. The Upward Bound program received a six-year, $2.3 million renewal grant to continue work in preparing area high school students to succeed at college. EMU also received a $86,000 grant from the American Honda Foundation to help fund an after-school program for about 450 area school children that helps them understand the growing field of environmental product design. And the University received national attention in October when it hosted the National Health Care Forum at the Convocation Center.

In the past year, numerous independent authorities acknowledged excellence at EMU. For the fourth consecutive year, The Princeton Review recognized EMU as a "Best Midwestern College." The Ann Arbor Learning Community, an authorized charter school of EMU, was designated one of the 53 best charter schools in the United States by the Center for Education

EASTERN MICHIGAN UNIVERSITY FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the University annual financial report presents the Foundation management's discussion and analysis of the financial performance of the Foundation during the fiscal years ended June 30, 2007 and 2007. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of Foundation management.

The Consolidated Balance Sheet includes all assets and liabilities. Changes in net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the Foundation's financial health. The Consolidated Statement of Activities and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities include unrestricted, temporarily restricted, or permanently restricted and are reported on a consolidated basis.

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

Eastern Michigan University Foundation
Condensed Statements of Net Assets
as of June 30, 2007, 2006 and 2005
(in thousands)

ASSETS	2007	2006	2005
Assets:			
Cash and cash equivalents	$ 4,171	$ 3,466	$ 2,742
Accounts receivable	335	607	364
Inventories	27	27	27
Loans and advances to affiliates (Note 8)	170		
Accrued interest and dividends	141	124	92
Other assets	142	79	41
Contributions receivable (Note 11)	714	261	759
Life insurance cash surrender value	252	255	233
Property and equipment - Net (Note 12)	2,129	2,171	2,235
Investments (Note 13)	47,088	42,136	37,520
Investments held under split-interest agreements (Note 13)	1,624	1,539	1,524
Total assets	$ 56,793	$ 50,665	$ 45,537
LIABILITIES			
Liabilities:			
Accounts payable	$ 734	$ 301	$ 828
Accrued liabilities	220	210	118
Mortgages payable (Note 14)	2,214	2,235	2,255
Liabilities under split-interest agreements	827	807	869
Total liabilities	$ 3,995	$ 3,553	$ 4,070
NET ASSETS			
Unrestricted (Note 15)	$ 2,203	$ 2,221	$ 1,931
Temporarily restricted (Note 15)	21,642	17,657	13,293
Permanently restricted (Note 15)	28,953	27,234	26,243
Total net assets	$ 52,798	$ 47,112	$ 41,467

The most significant sources of revenues for the Foundation are contributions and investment income, which includes realized and unrealized gains.

In 2007 expenses increased by $0.5 million primarily due to increased fundraising expenses. In 2006 expenses decreased by $0.3 million primarily due to decreased fundraising and ECMC expenses.

Eastern Michigan University Foundation
Condensed Statements of Cash Flows
for the years ended June 30, 2007, 2006 and 2005
(in thousands)

	2007	2006	2005
Cash provided/(used) by:			
Operating activities	$ (1,012)	$ 1,224	$ (310)
Investing activities	134	(1,321)	(834)
Financing activities	1,582	822	1,417
Net Increase in Cash and cash equivalents	704	725	273
Cash and cash equivalents, beginning of year	3,467	2,742	2,469
Cash and cash equivalents, end of year	$ 4,171	$ 3,467	$ 2,742

For 2007, major sources of cash included sales of investments ($13.9 million), and contributions restricted for long term purposes ($1.7 million). The largest uses of cash were purchases of investments ($13.5 million).

For 2006, major sources of cash included sales of investments ($16.6 million), and contributions restricted for long term purposes ($1.0 million). The largest uses of cash were purchases of investments ($17.9 million).

For 2005, major sources of cash included sales of investments ($16.3 million), and contributions restricted for long term purposes ($1.5 million). The largest uses of cash were purchases of investments ($17.1 million).

LOOKING AHEAD:

The mission of the Foundation is to support the students, programs, services, and the educational community of the University through collaborative relationships with individuals, corporations, foundations, and other organizations. Increased focus and energy at the Foundation is expected to continue to produce very positive results to help strengthen the University.

The Foundation has a direct impact on the University's student population, faculty, and programs by growing expendable current-use funding and also providing increased available spending from our endowment. This impact is apparent from the funds that are raised and through our growing relationships with an increased number of alumni, donors, and friends of the University.

We are encouraged that our number of gifts and number of donors increased during fiscal 2007, which means we are reaching more alumni and friends, although overall cash revenue decreased

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EASTERN MICHIGAN UNIVERSITY FOUNDATION

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CONSOLIDATED BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2006)

ASSETS	2007	2006
Cash and cash equivalents	$ 4,171,364	$ 3,466,673
Accounts receivable	335,480	606,554
Inventories	26,809	27,343
Loans and advances to affiliates (Note 8)	170,000	-
Accrued interest and dividends	140,749	123,511
Other assets	142,581	78,544
Contributions receivable (Note 11)	713,523	261,437
Life insurance cash surrender value	252,120	254,591
Property and equipment - Net (Note 12)	2,129,110	2,170,565
Investments (Note 13)	47,087,591	42,136,472
Investments held under split-interest agreements (Note 13)	1,623,592	1,539,225
Total assets	$ 56,792,919	$ 50,664,915
LIABILITIES		
Accounts payable	$ 733,602	$ 300,590
Accrued liabilities	220,560	209,534
Mortgages payable (Note 14)	2,213,728	2,235,253
Liabilities under split-interest agreements	827,284	807,360
Total liabilities	$ 3,995,174	$ 3,552,737
NET ASSETS		
Unrestricted (Note 15)	$ 2,203,150	$ 2,221,075
Temporarily restricted (Note 15)	21,642,258	17,657,377
Permanently restricted (Note 15)	28,952,337	27,233,726
Total net assets	$ 52,797,745	$ 47,112,178
Total liabilities and net assets	$ 56,792,919	$ 50,664,915

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY FOUNDATION

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CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED June 30, 2007 (WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006)

	2007	2006
Revenue, Gains and Other Support		
Contributions	$ 4,108,379	$ 5,836,096
Investment income (Note 13)	1,082,237	893,825
Net realized and unrealized gains (losses) (Note 13)	5,389,667	3,386,456
ECMC revenue	1,599,869	1,710,934
Administrative and management fee (Note 8)	1,837,425	1,630,644
Other revenue	69,729	80,558
Total revenue, gains and other support	14,087,306	13,538,513
Expenses		
Contributions to EMU:		
Expendable contributions	$ 2,529,048	$ 2,623,709
Contributions from endowment income	913,775	931,229
General and administrative - Foundation Management	452,533	510,892
Fund raising	2,890,976	2,187,253
ECMC expenses	$ 1,535,468	$ 1,542,465
Other	3,960	10,289
Total expenses	$ 8,325,760	$ 7,805,837
Increase in Net Assets before other changes in net assets	5,761,546	5,732,676
Other Changes in Net Assets		
Funds transferred from EMU	58,595	-
Change in value of split-interest agreements	(134,574)	(87,003)
Increase (Decrease) in net assets	5,685,567	5,645,673
NET ASSETS, beginning of year	47,112,178	41,466,505
NET ASSETS, end of year	$ 52,797,745	$ 47,112,178

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2007 and 2006
(continued)

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	2007	2006
Reconciliation of net operating revenues (expenses) to net cash (used) by operating activities:		
Operating loss	$ (83,837,379)	$ (73,273,291)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation expense	17,040,470	15,528,664
Change in assets and liabilities:		
Accounts receivable, net	3,162,131	576,596
Inventories	346,393	(400,285)
Deposits and prepaid expenses	(427,001)	124,437
Student loans receivable, net	384,798	254,344
Accounts payable and accrued liabilities	(1,272,680)	5,122,130
Accrued payroll	(65,923)	1,262,983
Payroll taxes and accrued fringe benefits	854,965	194,425
Unearned fees and deposits	(240,419)	1,711,039
Insurance and other claims payable	(1,639,280)	1,175,021
Accrued compensated absences	2,341,010	(1,507,639)
Long-term unearned fees and deposits	(220,000)	(220,000)
Total change in assets and liabilities	3,223,994	8,293,051
Net cash (used) by operating activities	$ (63,572,915)	$ (49,451,576)

The accompanying notes are an integral part of this statement

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EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

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

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

The University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in 2004. As such, the Eastern Michigan University Foundation ("Foundation") financial statements, footnotes, and management's discussion and analysis have been discretely incorporated into the University's financial statements, footnotes, and management's discussion and analysis. Footnotes of the Foundation are found on pages 44 to 50 of this report.

Investments – In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

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

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the university as a whole, with resources classified for accounting and reporting purposes into four net asset categories according to externally imposed restrictions.

The four required net asset categories are as follows:

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted, nonexpendable - Net assets subject to externally-imposed stipulations that must be maintained permanently by the university. These assets are recorded in the Eastern Michigan University Foundation financial statements as permanently restricted net assets.
- Restricted, expendable - Net assets whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by the passage of time.

Auxiliary activities consist of the following as of June 30, 2007 and 2006:

		2007		2006
Operating Revenues:				
Auxiliary Actvities, Gross	$	33,458,090	$	36,868,151
Less: Internal Sales		(2,056,814)		(3,656,316)
Less: Scholarship Allowances		(2,507,502)		(2,973,670)
Auxiliary Activities, Net	$	28,893,774	$	30,238,165
Operating Expenses:				
Auxiliary Actvities, Gross	$	32,688,250	$	34,492,835
Less: Internal Sales		(2,056,814)		(3,656,316)
Less: Scholarship Allowances		(2,507,502)		(2,973,670)
Auxiliary Activities, Net	$	28,123,934	$	27,862,849

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 $32,669,311 from Invested in Capital Assets, Net of Related Debt to Restricted, Expendable Net Assets ($5,938,168) and Unrestricted Net Assets ($26,731,143). The Restricted portion represents unexpended borrowed funds externally limited by debt covenant for capital projects. The Unrestricted portion represents unexpended net assets from operations allocated by the University to capital projects.

(2) Cash and Cash Equivalents:

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

Cash and cash equivalents consist of the following as of June 30, 2007 and 2006:

June 30, 2007:

Deposits:	Fair Market Value	Less than 1	1 - 5	6 - 10	Over 10	Total
		Investment Maturities (in Years)				
Time Deposits	$ 10,256,873	10,256,873				$ 10,256,873
Short-term notes	43,862,506	43,862,506				43,862,506
Government Securities	17,825,040	5,981,514	11,799,420		44,106	17,825,040
Mutual Funds	8,593,201		8,593,201			8,593,201
Total Investments	$ 80,537,620	60,100,893	20,392,621	0	44,106	$ 80,537,620
Less Investments reported as Cash on Statement of Net Assets						(62,714,734)
Total Investments						$ 17,822,886

June 30, 2006:

Deposits:	Fair Market Value	Less than 1	1 - 5	6 - 10	Over 10	Total
		Investment Maturities (in Years)				
Time Deposits	$ 9,699,340	9,699,340				$ 9,699,340
Short-term notes	52,160,049	52,160,049				52,160,049
Government Securities	23,954,648	6,382,976	17,530,350		41,322	23,954,648
Mutual Funds	8,118,961		8,118,961			8,118,961
Total Investments	$ 93,932,998	68,242,365	25,649,311	0	41,322	$ 93,932,998
Less Investments reported as Cash on Statement of Net Assets						(65,676,454)
Total Investments						$ 28,256,544

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. The University does not currently have any direct investments in Eurodollars or any other foreign entity so there is no direct foreign currency risk. Certain mutual funds may contain investments in foreign companies, but the overall foreign currency risk is minimal.

Credit Risk for investments as of June 30, 2006:

		Rating:		
Instrument	Fair Market Value	Moody's	Standard & Poors	Fitch
Federal Home Loan Bank	$99,375.00	Aaa	AAA	n/a
Hopkinsville Kentucky IDR	260,000.00	n/a	n/a	n/a
MKO Properties, LLC	2,500,000.00	n/a	n/a	n/a
Greenpoint Taxable	5,050,049.00	Aaa	n/a	n/a
Nel-Net Taxable Student Loans	6,000,000.00	n/a	AAA	AAA
Nel-Net Taxable Student Loans	3,300,000.00	n/a	AAA	AAA
Educational Funding South	1,700,000.00	Aaa	n/a	n/a
Access Group Loans	3,000,000.00	Aaa	AAA	AAA
Mississippi County Ark.	4,450,000.00	n/a	A+/A-1	n/a
Educational FDG Of The South	2,500,000.00	Aaa	AAA	AAA
Illinois Student Loans	2,000,000.00	Aaa	n/a	AAA
Federal Home Loan Mtg Corp	1,548,713.50	Aaa	AAA	n/a
Federal Home Loan Bank	1,441,835.45	Aaa	AAA	n/a
Federal Home Loan Mtg Corp	826,516.40	Aaa	AAA	n/a
Federal Home Loan Mtg Corp	2,049,512.50	Aaa	AAA	AAA
Federal Natl Mtg Assn Strips	417,022.75	Aaa	AAA	n/a
SLM Student Loan Trust	2,500,000.00	Aaa	AAA	AAA
SLM Student Loan Trust	5,000,000.00	Aaa	AAA	AAA
Union Financial Taxable S.L.	2,300,000.00	Aaa	AAA	n/a
Nel-Net Taxable Student Loans	5,000,000.00	Aaa	AAA	n/a
Nel-Net Taxable Student Loans	5,000,000.00	n/a	AAA	AAA
Educational Funding South	1,600,000.00	Aaa	AAA	n/a
Federal Home Loan Bank	5,808,780.00	Aaa	AAA	n/a
Federal Home Loan Bank	2,948,430.00	Aaa	AAA	n/a
Federal Home Loan Bank	2,953,140.00	Aaa	AAA	n/a
Federal National Mortgage Assn	5,820,000.00	Aaa	AAA	AAA
U.S Treasury Stripped Bonds	41,322.00	n/a	AAA	n/a
Vanguard Fxd Inc Sec Sh Tm	8,118,961.10	n/a	n/a	n/a
Total	$84,233,657.70			

(3) Accounts Receivable:

Accounts receivable consist of the following, as of June 30, 2007 and 2006:

	2007	2006
Sponsor accounts	$ 4,253,201	$ 5,359,592
Student accounts	9,837,703	13,015,906
Charter school appropriation	4,792,879	4,488,362
Third party tuition	748,519	685,444
Other	2,420,460	2,106,913
	22,052,762	25,656,217
Less allowances for possible collection losses	(2,545,966)	(2,987,288)
Accounts receivable, net	$ 19,506,796	$ 22,668,929

In addition, the University has student loans receivable of $10,919,506 and $11,304,304 net of the related allowance of $358,666 for both June 30, 2007 and 2006.

(4) Capital Assets:

Capital assets consist of the following as of June 30, 2007 and 2006:

	2006	Additions/ Transfers	Retirements/ Transfers	2007
Land	$ 10,589,978	$ -	$ -	$ 10,589,978
Construction-in-progress	39,269,271	9,915,353	(39,269,271)	9,915,353
Total Nondepreciable	49,859,249	9,915,353	(39,269,271)	20,505,331
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
Equipment	120,934,811	8,108,021	(19,584,354)	109,458,478
Total Depreciable	485,504,911	55,141,335	(19,584,354)	521,061,892
	535,364,160	65,056,688	(58,853,625)	541,567,223
Accumulated depreciation	(224,519,308)	(17,040,470)	19,514,733	(222,045,045)
	$ 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

(5) Long-term Debt:

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

			Outstanding Principal			
	Interest Rates	Maturity	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

interest based on 62% of the London Interbank Offered Rate (LIBOR) rate 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 swap agreement, the University effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The University will be exposed to variable rates only if the counterparty to the swap defaults or if the swap is terminated. The University can terminate the swap at its sole option, on any date after June 1, 2013. A termination of the swap agreement may also result in the University paying or receiving a termination payment. When the swap was initiated, the University neither received a payment from nor made a payment to the counterparty.

The 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, 2007, the variable interest rate was 3.91%, whereas 62 percent of one-month LIBOR plus 20 basis points was 3.498%.

As of June 30, 2007, the swap agreement had a mark to market fair value of approximately $3,250,000. The swap counterparty was rated Aa3 and A+ by Moody's and Standard & Poor's, respectively, as of June 30, 2007.

If the University's credit rating falls below A3, and of the fair value of the swap exceeds ($10,000,000), the University will be obliged to collateralize the fair value of the 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 swap if the other party fails to perform under the terms of the contract. If the 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 swap's fair value, if it is negative.

Using rates as of June 30, 2007, debt service requirements of the variable rate debt associated with the 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.

June 1, 2027. At June 30, 2007, the total notional principal amount outstanding under this agreement was $40,340,000.

Based on the 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 Bond Market Association (BMA) 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 bonds, however, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The University will be exposed to variable rates only if the counterparty to the swap defaults or if the swap is terminated. The University can terminate the swap at its sole option, on any date after December 1, 2006. A termination of the swap agreement may also result in the University paying or receiving a termination payment. When the swap was initiated, the University received a payment from the counterparty of $1,236,618. Bond issuance costs of $361,027 and $1,187,007 net of accumulated amortization of $68,767 and $1,187,007 at June 30, 2007, for the 2001 and 1997 Bonds, respectively, are included in capitalized bond expenses, net in the accompanying financial statements.

The swap exposes the University to basis risk should the relationship between LIBOR and the variable interest rate on the bonds diverge, changing the effective synthetic rate of the bonds. As of June 30, 2006, the variable interest rate was 3.91 percent, whereas 68 percent of one-month LIBOR was 3.618 percent. The University is also subject to basis risk if the rate on the bonds diverges from the BMA Index. As of June 30, 2007, the BMA Index rate was 3.73%.

As of June 30, 2007, the swap agreement had a mark to market fair value of approximately $3,060,000. The swap counterparty was rated Aaa and AAA by Moody's and Standard & Poor's, respectively, as of June 30, 2007.

If the University's credit rating falls below A3, and if the fair value of the swap exceeds ($2,000,000), the University will be obliged to collateralize the fair value of the 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 swap if the other party fails to perform under the terms of the contract. If the 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 swap's fair value, if it is negative.

Using rates as of June 30, 2006, debt service requirements of the variable rate debt associated with the 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.

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	Principal	Interest	Total
2008	4,665,000	6,158,733	10,823,733
2009	4,865,000	5,930,179	10,795,179
2010	4,800,000	5,699,908	10,499,908
2011	4,600,000	5,468,479	10,068,479
2012	4,830,000	5,252,630	10,082,630
2013 - 2017	25,300,000	22,991,403	48,291,403
2018 - 2022	30,860,000	17,235,302	48,095,302
2023 - 2027	36,490,000	10,533,081	47,023,081
2028 – 2032	25,940,000	3,956,515	29,896,515
2033 – 2036	7,105,000	474,814	7,579,814
Total	$ 149,455,000	$ 83,701,044	$ 233,156,044

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	-
Totals	$ 9,431,972	$ 1,731,325	$ 7,700,647

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, 2007, 2006, and 2005 the University contributed approximately $10,114,000, $9,447,000, and $9,454,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contribution under the TIAA-CREF plan.

In addition, the University provides post-retirement health care benefits to certain eligible retirees. The benefits are provided through a reimbursement of insurance premiums paid by such eligible retirees. The University recognizes the cost of providing these benefits on a pay-as-you-go basis. Expenses incurred for the years ended June 30, 2007, 2006, and 2005 were approximately $111,000, $111,000, and $98,000, respectively.

Certain organizations are required to record the estimated present value of post-retirement benefits as a liability in their financial statements. The University is not required to do so at this time. Based on actuarial assumptions and presuming a continuation of the current level of benefits, the value of those benefits is estimated at $4.8 million.

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 $4,440,000 and $2,126,000 as of June 30, 2007 and 2006, respectively. Approximately $400,000 is included in accrued payroll, taxes, and fringe benefits for the years ended June 30, 2007 and 2006, respectively. The remaining portion is included in accrued compensated absences.

(7) Contingencies and Commitments:

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

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

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

Fundraising:

		2007		2006
Accrual basis contribution revenue	$	4,108,379	$	5,836,096
Gifts-in-kind made directly to University		357,844		1,128,757
Current collections on deferred gifts in excess of gift deferrals and amortization		(452,086)		457,585
Current collections on split-interest agreements in excess of recorded revenue		40,744		6,059
Gifts deposited directly at University		147,566		17,946
Total fund-raising collections	$	4,202,447	$	7,446,443

Fundraising Expenses:

Fund raising expenses are made up of the following:

		2007		2006
Gifts and Records	$	669,038	$	612,930
Other fundraising		2,221,938		1,574,323
	$	2,890,976	$	2,187,253

The Foundation includes Eagle Crest Management Corporation (ECMC), a wholly owned for-profit subsidiary of the Foundation, which was incorporated for the purpose of providing food and beverage and other management services. Effective July 1, 2006 and July 1, 2001, the University renegotiated its 1995 joint operating agreement with the Foundation, resulting in separate operating agreements with the Foundation and ECMC, respectively. Under the agreement between ECMC and the University, ECMC continues to have the responsibility for the management of the Eagle Crest Golf Club and Eagle Crest Conference Center.

The Foundation also includes Planned Real Estate Corporation (PREC), a wholly owned nonprofit subsidiary of the Foundation, which was incorporated as a title holding company for the purpose of owning and managing real estate donated to the Foundation.

(9) - New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions, in 2004.

Statement No. 45 establishes standards for the measurement, recognition, and display of other postretirement benefits (OPEB) and related liabilities, note disclosures, and if applicable, required supplementary information for other plans in which the University participates. GASB 45 will be effective for the University for the year ending June 30,

Note 10 – Nature of Business and Significant Accounting Policies

Significant accounting policies for the Foundation are as follows:

Principles of Consolidation – The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, ECMC and PREC. All significant inter-company transactions have been eliminated in the consolidation.

Classification of Net Assets – Net assets of the Foundation are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings and unrealized and realized gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Contributions – Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. Contributions received with donor-imposed time or purpose restrictions are reported as restricted revenue. All other contributions are reported as unrestricted revenue.

Cash Equivalents – The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Inventory – Inventory is carried at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

Investments – Investments in government and corporate debt and equity securities are stated at current quoted market value. Investments in partnerships, for which a quoted market value is not available, are stated at fair value as determined by the general partner. The real estate holding is recorded at its appraised value. Investments in land are reported at cost, which approximates market. Purchases and sales of investments are recorded as of the trade date. Gain or loss on the sale of investments is computed using income was $16,600 and $87,495 in 2007 and 2006, respectively. Deferred taxes are immaterial.

Fund-Raising – Fund-raising costs are charged to expense as incurred. The majority of all development activities for the benefit of the University and the Foundation are conducted by the Foundation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note consolidation – Foundation notes "Fund-raising Collections" and "Fund-raising Expenses" have been consolidated into University Note 8, "Related Party Transactions".

Note 11 – Contributions Receivable

Included in contributions receivable are the following unconditional promises to give at June 30, 2007 and 2006:

Contributions Receivable:

	2007	2006
Gross contributions promised	$ 1,141,640	$ 537,196
Less allowance for uncollectibles	(280,508)	(177,290)
Subtotal	861,132	359,906
Less unamortized discount	(147,609)	(98,469)
Net unconditional promises to give	$ 713,523	$ 261,437
Amounts due in:		
Less than one year	$ 388,282	$ 240,605
One to five years	708,858	261,691
More than five years	44,500	34,900
Total	$ 1,141,640	$ 537,196

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Net realized and unrealized gains in the accompanying consolidated financial statements have been offset with related losses. Investment income for the year ended June 30, 2007 and 2006 is as follows:

	2007	2006
Dividend and interest income	$ 1,082,237	$ 893,825
Realized gains (losses) - Net	2,675,324	2,353,372
Net realized income and (losses)	3,757,561	3,247,197
Net unrealized gain	2,714,343	1,033,084
Total investment income	$ 6,471,904	$ 4,280,281

Note 14-Mortgages Payable

Mortgages as of June 30, 2007 and 2006 are as follows:

	Interest Rates	Maturity	2006	Additions	Retirements/ defeasance	2007
Unrelated third party Foundation	5.25%	2009	$ 2,031,499	$ -	$ -	$ 2,031,499
Unrelated third party ECMC	6.25%	2007-2009	203,754	-	21,525	182,229
		Totals	$ 2,235,253	$ -	$ 21,525	$ 2,213,728

In 2005, the Foundation entered a mortgage agreement with an unrelated third party and collateralized the obligation with real estate. Monthly interest-only payments at 5.25% are made with a final balloon payment due June 2009.

In 1999, ECMC entered a mortgage agreement with an unrelated third party and collateralized the obligation with real estate. Monthly payments of $2,803 including interest at 6.25% are made with a final balloon payment due June 2009.

Note 16-Defined Contribution Plans

The Foundation sponsors a defined contribution 403(b) plan for all eligible full-time employees, as defined. Employees may make elective contributions to the 403(b) plan in accordance with IRS regulations. The Foundation may make contributions to the 403(b) plan up to 6 percent of the employees' base salaries. In 2007 and 2006, the Foundation contributed 6 percent of the employees' base salaries.

ECMC sponsors a defined contribution 401(k) plan for all eligible full-time employees, as defined. The employees may make elective contributions to the 401(k) plan in accordance with IRS regulations. In 2007 and 2006, the ECMC contributed 5 percent of the employees' base salaries.

Total contributions to the plans were approximately $93,000 and $87,000 in 2007 and 2006, respectively.

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Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Consolidated Total
$ 468,496	$ 1,325,649	$ 27,299,228	$ 1,075,185	$ 62,714,734
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
9,446,075	1,667,158	28,291,604	1,075,185	89,939,458
-	10,919,506	-	-	10,919,506
-	-	17,822,886	-	17,822,886
-	-	319,522,178	-	319,522,178
-	-	7,700,647	-	7,700,647
-	10,919,506	345,045,711	-	355,965,217
$ 9,446,075	$ 12,586,664	$ 373,337,315	$ 1,075,185	$ 445,904,675
$ -	$ -	$ 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
5,185,888	-	10,438,660	1,075,185	46,761,643
7,675	-	-	-	4,062,204
-	-	144,790,000	-	144,790,000
-	-	-	-	-
7,675	-	144,790,000	-	148,852,204
$ 5,193,563	$ -	$ 155,228,660	$ 1,075,185	$ 195,613,847
$ -	$ -	$ 170,067,178	$ -	$ 170,067,178
4,252,512	12,586,664	18,069,499	-	34,908,675
		-	-	
-	-	29,971,978	-	41,299,783
-	-	-	-	4,015,192
$ 4,252,512	$ 12,586,664	$ 218,108,655	$ -	$ 250,290,828

The accompanying notes are an integral part of this schedule.

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
$ 764,887	$ -	$ -	$ -	$ 161,104,933
-	-	-	(18,614,716)	(18,614,716)
764,887	-	-	(18,614,716)	142,490,217
6,891,485	165,903	-	-	7,057,388
13,993,410	-	-	-	13,993,410
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
27,683,892	216,000	247,564	(21,122,218)	207,156,876
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
30,296,936	374,459	15,727,712	(21,122,218)	290,994,255
(2,613,044)	(158,459)	(15,480,148)	-	(83,837,379)
-	-	-	-	69,169,835
1,571,309	-	776	-	3,152,930
-	164,816	1,302,012	-	5,060,751
-	-	(6,113,602)	-	(6,113,602)
199,378	-	2,061	-	201,439
1,770,687	164,816	(4,808,753)	-	71,471,353
-	-	10,432,980	-	-
274,020	-	-	-	-
(289,465)	-	12,333,274	-	-
(15,445)	-	22,766,254	-	-
-	-	114,276	-	114,276
1,755,242	164,816	18,071,777	-	71,585,629
(857,802)	6,357	2,591,629	-	(12,251,750)
5,110,314	12,580,307	215,517,026	-	262,542,578
$ 4,252,512	$ 12,586,664	$ 218,108,655	$ -	$ 250,290,828

The accompanying notes are an integral part of this schedule.

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Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Consolidated Total
$ 203,610	$ 888,043	$ 31,994,261	$ 1,854,090	$ 65,676,454
9,779,226	387,578	29,833	-	22,668,929
-	-	-	-	13,846,184
-	-	-	-	895,377
-	-	874,591	-	1,212,229
-	382	220,753	-	472,330
9,982,836	1,276,003	33,119,438	1,854,090	104,771,503
-	11,304,304	-	-	11,304,304
-	-	26,218,622	-	28,256,544
-	-	310,844,852	-	310,844,852
-	-	8,051,550	-	8,051,550
-	11,304,304	345,115,024	-	358,457,250
$ 9,982,836	$ 12,580,307	$ 378,234,462	$ 1,854,090	$ 463,228,753
$ -	$ -	$ 4,830,000	$ -	$ 4,830,000
4,557,577	-	7,992,436	2,935	16,137,827
259,812	-	-	-	9,550,920
38,310	-	-	-	7,551,854
9,148	-	220,000	1,851,155	7,406,044
-	-	-	-	3,821,438
4,864,847	-	13,042,436	1,854,090	49,298,083
7,675	-	-	-	1,713,092
-	-	149,455,000	-	149,455,000
-	-	220,000	-	220,000
7,675	-	149,675,000	-	151,388,092
$ 4,872,522	$ -	162,717,436	$ 1,854,090	$ 200,686,175
$ -	$ -	156,559,852	$ -	$ 156,559,852
5,110,314	12,580,307	32,226,031	-	49,916,652
	-	-	-	
-	-	26,731,143	-	51,599,489
-	-	-	-	4,466,585
$ 5,110,314	$ 12,580,307	$ 215,517,026	$ -	$ 262,542,578

The accompanying notes are an integral part of this schedule

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
$ 709,286	$ -	$ -	$ -	$ 154,539,224
-	-	-	(16,348,058)	(16,348,058)
709,286	-	-	(16,348,058)	138,191,166
6,112,476	146,587	-	-	6,259,063
13,631,569	-	-	-	13,631,569
448,878	-	-	-	448,878
3,249,840	-	-	-	3,249,840
5,133,674	-	-	-	5,187,691
-	-	270,363	-	6,020,043
-	-	-	(2,973,670)	30,238,165
(1,158,859)	-	-	-	-
414,535	152,297	378,238	-	1,790,122
28,541,399	298,884	648,601	(19,321,728)	205,016,537
380,713	-	-	-	98,737,298
3,567,320	-	-	-	5,208,231
6,698,423	-	-	-	10,884,509
578,455	-	-	-	20,769,445
48,604	-	-	-	23,598,925
207,950	-	-	-	33,823,537
17,046,733	-	-	(16,348,058)	18,777,665
-	-	5,534,364	-	22,741,294
-	-	-	(2,973,670)	27,862,849
-	-	15,528,664	-	15,528,664
654,209	-	(4,417,722)	-	-
-	357,411	-	-	357,411
29,182,407	357,411	16,645,306	(19,321,728)	278,289,828
(641,008)	(58,527)	(15,996,705)	-	(73,273,291)
-	-	-	-	76,764,820
1,947,310	-	120,056	-	3,447,515
-	128,842	1,135,884	-	3,403,355
-	-	(6,245,093)	-	(6,245,093)
207,550	-	450,539	-	658,089
2,154,860	128,842	(4,538,614)	-	78,028,686
-	-	9,238,856	-	-
250,939	-	-	-	-
-	-	-	-	-
199,721	-	12,710,605	-	-
450,660	-	21,949,461	-	-
-	-	229,080	-	229,080
2,605,520	128,842	17,639,927	-	78,257,766
1,964,512	70,315	1,643,222	-	4,984,475
3,145,802	12,509,992	213,873,804	-	257,558,103
$ 5,110,314	$ 12,580,307	$ 215,517,026	$ -	$ 262,542,578

The accompanying notes are an integral part of this schedule.

Audit Report Date

Business and Finance Committee
Eastern Michigan University
Ypsilanti, Michigan

We have recently completed our audit of the financial statements of Eastern Michigan University for the year ended June 30, 2007. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the Business and Finance Committee and management of Eastern Michigan University.

Auditor's Responsibility Under Generally Accepted Auditing Standards

We conducted our audit of the general purpose financial statements of Eastern Michigan University in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Business and Finance Committee
Eastern Michigan University

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Auditor's Responsibility for Testing and Reporting on Internal Controls and Compliance with Laws and Regulations

In the audit process, we gain an understanding of the internal control structure of an entity as well as the laws and regulations having a direct and material affect on the entity for the purpose of assisting in determining the nature, timing and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions and observation and review of company documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the entity's internal control structure or the entity's compliance with laws and regulations.

The limited purpose of these tests in a financial statement audit may not meet the needs of some users of auditors' reports who require additional information on internal controls and on compliance with laws and regulations. To meet certain audit report users' needs, laws and regulations often prescribe testing and reporting on internal controls and compliance to supplement the financial statement audit's coverage of these areas. In accordance with regulatory requirements covering federal awards, supplemental testing of and reporting on internal controls and compliance was performed. Nevertheless, even after performing and reporting the results of these additional tests of internal controls and compliance required by laws and regulations, some reasonable needs of report users still may be unmet. We may meet these needs by performing further tests of internal controls and compliance with laws and regulations in either of two ways:

1. Supplemental (or agreed-upon) procedures, or

2. Examination, resulting in an opinion

For the year ended June 30, 2007, we were engaged to perform one agreed-upon procedure engagement related to the National Collegiate Athletic Association Division I guidelines and programs.

In addition to the comments and recommendations in this letter, our observations and comments regarding Eastern Michigan University's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the accompanying *Letter of Significant Deficiencies*. We recommend that the matters we have noted there receive your careful consideration.

Significant Accounting Policies

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

Upcoming Pronouncements

Three new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB 43 and 45 address the accounting and disclosures related to post-employment benefits other than pensions. In short, these pronouncements will require universities to account for and disclose liabilities related to medical and life benefits for retirees, much in the same way that pensions are handled. Starting in fiscal year 2007-2008, the University will be required to measure its retiree health care liability through actuarial valuations that are to be performed biennially. These valuations will compute an "annual required contribution" (ARC). The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. While the ARC does not need to be funded each year, any under funding must be reported as a liability on the financial statements.

In addition to those pronouncements, GASB also issued GASB 49 during 2006. GASB 49 addresses the accounting and financial reporting related to pollution remediation obligations. This pronouncement will require the University to account for and disclose liabilities related to the potential remediation of pollution or other environmental issues. i.e. asbestos. There are five obligating events or circumstances, that if any one of them exist, would require an estimate and the recording of a liability. This pronouncement becomes effective for the University in the year ending June 30, 2009.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you on accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. In this connection, we are reporting the following matters:

Student Accounts Receivable and Loans Receivable - Allowance for Uncollectible Accounts

- The University's management has established the student accounts receivable allowance by estimating an allowance for uncollectible accounts based on a graduated percentage applied to the aging of student accounts receivable. We have evaluated the uncollectible percentages based upon our experience with other universities, available historical information, and discussions with management.

Liability for Medical/Dental/Worker's Compensation Self-Insurance

- The University's management has established an estimated liability for claims incurred but not reported based upon their prior experience and discussions with and reports from their third-party administrators. We have evaluated and concur with the liability for self-insurance based upon our experience with other institutions, available historical information, and discussions with management.

Liability for Unused Sick Days

- The assumptions used by management to calculate the liability for unused sick days are based on the requirements of the plan as of year end. Management accrues the days earned and eligible for pay out upon retirement, in accordance with the applicable union contract, and estimate the probability of actual payout based on employee's age and tenure with the University. We have evaluated and concur with the liability for unused sick days based upon our experience with other institutions, available historical information, and discussions with management.

Audit Adjustments

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. As a result of our audit, no significant adjustments were made to the financial statements.

Auditing standards also require us to inform the audit committee about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of the unrecorded possible financial statement adjustments is included as an attachment to this letter.

Other Information in Documents Containing Audited Financial Statements

When our audit report and the audited financial statements are included in a client document, we have a responsibility to read that document and consider whether anything therein is inconsistent with the information in the audited financial statements. Since the audited financial statements are included in the financial report for the year ended June 30, 2007, we are required to read that document. As indicated above, the purpose was solely to consider whether the information is inconsistent with the audited financial statements. We did not audit any of the information outside the financial statements and cannot provide you with any assurance as to its accuracy.

Disagreements With Management

In the process of conducting an audit, various matters will be discussed with management. In that process, significant differences of opinion may arise regarding the scope of the audit, the application of accounting principles, disclosures to be included in the University's financial statements or the wording of our report. In the interest of keeping you informed of all significant matters, such differences are required to be reported to you even though they are satisfactorily resolved. There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements or the wording of the auditor's report.

Business and Finance Committee
Eastern Michigan University

Consultation With Other Accountants

When management consults with other accountants about significant accounting and auditing matters, auditing standards require that we present our views on those matters to you. To our knowledge, there were no such consultations with other accountants.

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC

Robb Rose, CPA
Partner

Client: Eastern Michigan University
Y/E: 6/30/2007

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to Increase (Decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities	Net Assets	Revenue	Expenses	Change in Net Assets
KNOWN MISSTATEMENTS:									
A1	To adjust retainage payables to actual, for inclusion of improper retainage amount on one contract	$ -	$ -	$ (194,368)	$ -	$ -	$ -	$ (194,368)	$ 194,368
A2	To record net impact on expense and beginning net assets for the amount of prior year costs expensed and depreciation related to IT infrastructure that was caught up in CY					824,055		824,055	(824,055)
A3									
ESTIMATE ADJUSTMENTS:									
B1	To reverse conservative accrual for Insurance Premiums			(150,000)				(150,000)	150,000
B2									
IMPLIED ADJUSTMENTS									
C1	To record projected understatement of accounts payable at year end			108,000				108,000	(108,000)
C2									
		-	-	-	-	-	-	-	-
	Total	$ -	$ -	$ (236,368)	$ -	$ 824,055	$ -	$ 587,687	$ (587,687)

Audit Report Date

Business and Finance Committee
Eastern Michigan University
Ypsilanti, Michigan

Dear Regents:

In planning and performing our audit of the financial statements of Eastern Michigan University as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be significant deficiency in internal control:

> In our testing of construction in process, we noted that one of the projects on the client prepared schedule showed a significant beginning balance, but upon review of the schedule used to compute the prior year balance, it had not been included. The resulting impact was that expenses that had not been capitalized in prior years, were now being capitalized out of current year expenditures. Through discussions with management, we determined that there were not sufficient internal controls in place to ensure that all construction in process projects would be identified and recorded as such in the year of inception, this resulted in an audit adjustment to properly record the prior years' activity.

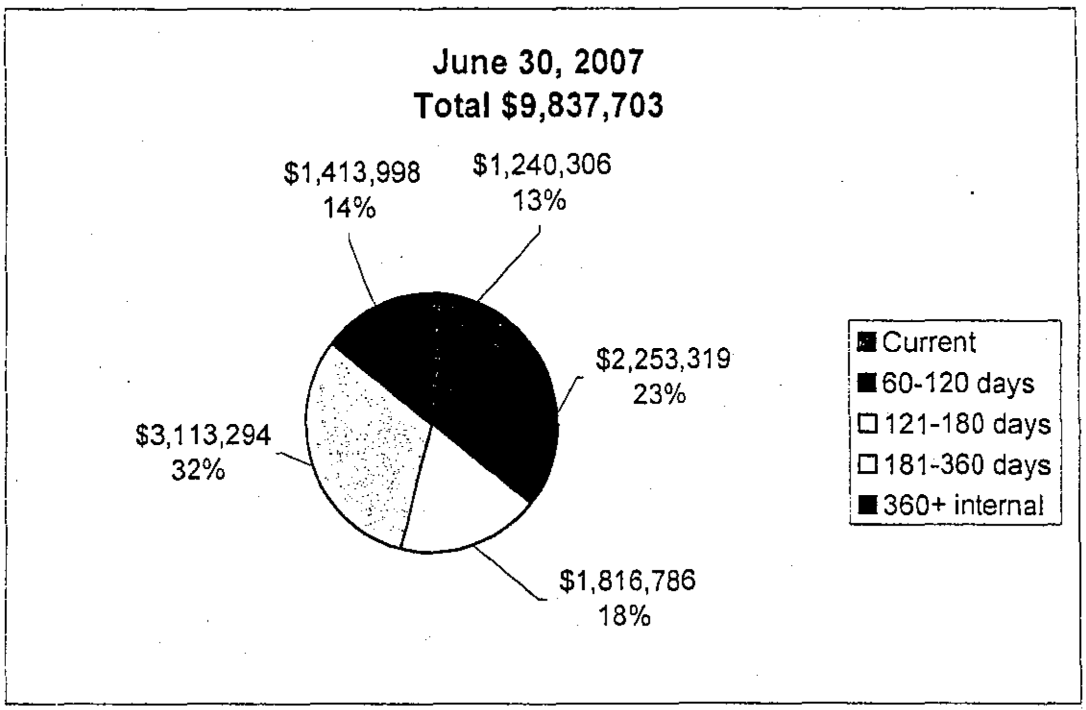
This communication is intended solely for the information and use of management, the Board of Regents, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

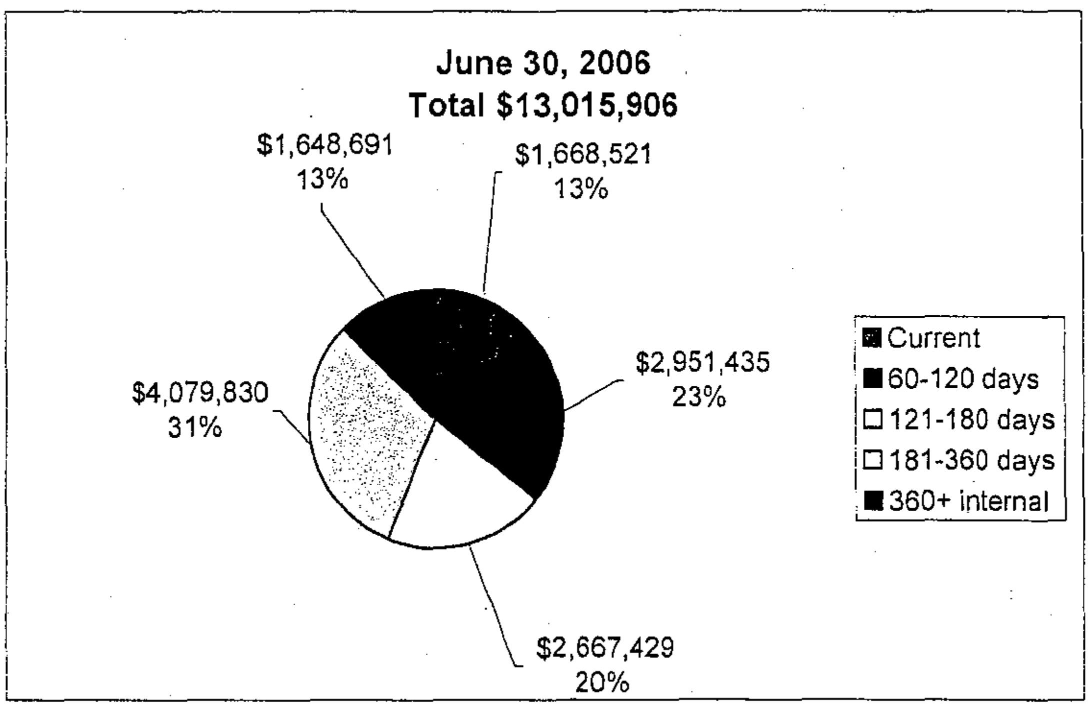
Very truly yours,

PLANTE & MORAN, PLLC

Robb Rose, Partner

EASTERN MICHIGAN UNIVERSITY
Student Accounts Receivable Aging





EASTERN MICHIGAN UNIVERSITY
FY 2007 UNIVERSITY BUDGET STATUS REPORT
June 30, 2007

	Budget			Actual			Variance			Percentage Of Budget To Date		
	FY2007 General Fund Budget	FY2007 Auxiliary Budget	FY2007 Total Budget	FY2007 General Fund 6/30/07	FY2007 Auxiliary 6/30/07	FY2007 Total 6/30/07	FY2007 General Fund 6/30/07	FY2007 Auxiliary 6/30/07	FY2007 Total 6/30/07	FY2007 General Fund 6/30/07	FY2007 Auxiliary 6/30/07	FY2007 Total 6/30/07
	a	b	c	d	e	f						
Student Credit Hour Counts			(a+b)			(d+e)						
Traditional	465,523		465,523	463,919		463,919	(1,604)		(1,604)	99.66%		99.66%
Continuing Education	75,500		75,500	73,799		73,799	(1,701)		(1,701)	97.75%		97.75%
Total Student Credit Hours	541,023		541,023	537,718		537,718	(3,305)		(3,305)	99.39%		99.39%
Operating Revenues												
Student Tuition and Fees	$159,664,864		$159,664,864	$159,142,455	($15,912)	$159,126,543	($522,409)	($15,912)	($538,321)	99.67%		99.66%
Departmental Activities	$1,333,000		$1,333,000	$1,414,805		$1,414,805	$81,805	$0	$81,805	106.14%		106.14%
Auxiliary	$0	$39,052,552	$39,052,552	$0	$33,458,090	$33,458,090	$0	($5,594,462)	($5,594,462)		85.67%	85.67%
Indirect Cost Recovery	$467,184		$467,184	$617,877		$617,877	$150,693	$0	$150,693	132.26%		132.26%
Other	$317,233		$317,233	$956,220		$956,220	$638,987	$0	$638,987	301.43%		301.43%
Total Approved Funding	$161,782,281	$39,052,552	$200,834,833	$162,131,357	$33,442,178	$195,573,535	$349,076	($5,610,374)	($5,261,298)	80.73%	85.63%	97.38%
Operating Expenditures												
Instruction	$103,688,701		$103,688,701	$104,381,872		$104,381,872	$693,171	$0	$693,171	100.67%		100.67%
Research	$1,627,039		$1,627,039	$1,345,883		$1,345,883	($281,156)	$0	($281,156)	82.72%		82.72%
Public service	$2,806,879		$2,806,879	$2,643,744		$2,643,744	($163,135)	$0	($163,135)	94.19%		94.19%
Academic support	$19,412,889		$19,412,889	$19,647,060		$19,647,060	$234,171	$0	$234,171	101.21%		101.21%
Student services	$21,974,850		$21,974,850	$23,774,454		$23,774,454	$1,799,604	$0	$1,799,604	108.19%		108.19%
Institutional support	$35,330,331		$35,330,331	$31,619,180		$31,619,180	($3,711,151)	$0	($3,711,151)	89.50%		89.50%
Scholarships and fellowships	$19,771,536	$1,269,479	$21,041,015	$18,418,442	$ 1,173,692	$19,592,134	($1,353,094)	($95,787)	($1,448,881)	93.16%	92.45%	93.11%
Operation and maintenance	$21,790,688		$21,790,688	$20,148,096		$20,148,096	($1,642,592)	$0	($1,642,592)	92.46%		92.46%
Auxiliary	$0	$32,567,897	$32,567,897		$31,514,558	$31,514,558	$0	($1,053,339)	($1,053,339)		96.77%	96.77%
Capital Additions	$4,700,411		$4,700,411	$4,700,411		$4,700,411	$0	$0	$0	100.00%		100.00%
Other			$0	($144,650)	$ 131,860	($12,790)	($144,650)	$131,860	($12,790)			
Total Operating Expense	$231,103,324	$33,837,376	$264,940,700	$226,534,492	$32,820,110	$259,354,602	($4,568,832)	($1,017,266)	($5,586,098)	98.02%	96.99%	97.89%
Operating Income/Loss	($69,321,043)	$5,215,176	($64,105,867)	($64,403,135)	$622,068	($63,781,067)	$4,917,908	($4,593,108)	$324,800	92.91%	11.93%	99.49%
Nonoperating Revenues (Expenses)												
Appropriations	$78,168,700		$78,168,700	$69,835,735		$69,835,735	($8,332,965)	$0	($8,332,965)	89.34%		89.34%
Appropriations - MPSERS Credit				($665,900)		($665,900)	($665,900)	$0	($665,900)			
Investment Income	$1,429,332	$350,000	$1,779,332	$2,057,474	$456,041	$2,513,515	$628,142	$106,041	$734,183	143.95%		141.26%
Prior year Carry Forward	$4,959,040		$4,959,040	$0		$0	($4,959,040)	$0	($4,959,040)	0.00%		0.00%
Net nonoperating revenues	$84,557,072	$350,000	$84,907,072	$71,227,309	$456,041	$71,683,350	($13,329,763)	$106,041	($13,223,722)	84.24%		84.43%
Transfers In (Out)												
Debt Retirement	$7,596,152	$2,402,483	$9,998,635	$7,596,152	$2,730,872	$10,327,024	$0	$328,389	$328,389	100.00%	113.67%	103.28%
Provision 2005 MJ PH	$4,000,000	$0	$4,000,000	$4,400,000		$4,400,000	$400,000	$0	$400,000	110.00%		110.00%
Asset Preservation	$2,584,189	$2,571,000	$5,155,189	$2,584,189		$2,584,189	$0	($2,571,000)	($2,571,000)	100.00%	0.00%	50.13%
Other Funds and General Fee Obligations	$1,052,319	$375,499	$1,427,818	($2,345,734)	($752,144)	($3,097,878)	($3,398,053)	($1,127,643)	($4,525,696)	-222.91%		
Total Transfers	$15,232,660	$5,348,982	$20,581,642	$12,234,607	$1,978,728	$14,213,335	($2,998,053)	($3,370,254)	($6,368,307)	80.32%	36.99%	69.06%
Total net nonoperating rev (exp)	$69,324,412	($4,998,982)	$64,325,430	$58,992,702	($1,522,687)	$57,470,015	($10,331,710)	$3,476,295	($6,855,415)	85.10%	30.46%	89.34%
Increase in Net Assets	**$3,369**	**$216,194**	**$219,563**	**($5,410,433)**	**($900,619)**	**($6,311,052)**	**($5,413,802)**	**($1,116,813)**	**($6,530,615)**			
Summarized												
Total Revenues	$246,339,353	$39,402,552	$285,741,905	$233,358,666	$33,898,219	$267,256,885	($12,980,687)	($5,504,333)	($18,485,020)	94.73%	86.03%	93.53%
Total Expenditures	$246,335,984	$39,186,358	$285,522,342	$238,769,099	$34,798,838	$273,567,937	($7,566,885)	($4,387,520)	($11,954,405)	96.93%	88.80%	95.81%
Increase In Net Assets	**$3,369**	**$216,194**	**$219,563**	**($5,410,433)**	**($900,619)**	**($6,311,052)**	**($5,413,802)**	**($1,116,813)**	**($6,530,615)**			

*Necessary adjustments occur at year end not reflected above. An example is interdepartmental income for Auxiliaries and allowances for scholarships is removed.

EASTERN MICHIGAN UNIVERSITY
FY 2007 UNIVERSITY BUDGET STATUS REPORT
EXPENDITURES BY CATEGORY
June 30, 2007

	Budget			Actual *			Variance			Percentage Of Budget To Date		
	FY2007 General Fund Budget a	FY2007 Auxiliary Budget b	FY2007 Total Budget c	FY2007 General Fund 6/30/07 d	FY2007 Auxiliary 6/30/07 e	FY2007 Total 6/30/07 f	FY2007 General Fund 6/30/07	FY2007 Auxiliary 6/30/07	FY2007 Total 6/30/07	FY2007 General Fund 6/30/07	FY2007 Auxiliary 6/30/07	FY2007 Total 6/30/07
Expenditures By Category:												
Faculty Salaries	$67,049,828	$0	$67,049,828	$66,074,818	$0	$66,074,818	($975,010)	$0	($975,010)	98.55%		98.55%
Staff Salaries	$46,904,126	$5,934,680	$52,838,806	$46,554,627	$5,215,299	$51,769,926	($349,499)	($719,381)	($1,068,880)	99.25%	87.88%	97.98%
Other Personal Services	$2,388,798	$108,556	$2,497,354	$3,089,914	$453,672	$3,543,586	$701,116	$345,116	$1,046,232	129.35%	417.92%	141.89%
Student Help	$7,014,678	$2,782,246	$9,796,924	$6,992,069	$2,727,936	$9,720,005	($22,609)	($54,310)	($76,919)	99.68%	98.05%	99.21%
Benefits	$45,604,458	$2,511,938	$48,116,396	$46,350,036	$2,666,970	$49,017,006	$745,578	$155,032	$900,610	101.63%	106.17%	101.87%
Sub-Total Compensation	$168,961,888	$11,337,420	$180,299,308	$169,061,464	$11,063,877	$180,125,341	$99,576	($273,543)	($173,967)	100.06%	97.59%	99.90%
Cost of Goods Sold	$0	$6,191,472	$6,191,472		$6,539,362	$6,539,362	$0	$347,890	$347,890		105.62%	105.62%
SS&M/Travel/Equipment	$35,638,944	$7,857,058	$43,496,002	$33,518,835	$7,554,824	$41,073,659	($2,120,109)	($302,234)	($2,422,343)	94.05%	96.15%	94.43%
Utilities	$8,337,445	$3,778,711	$12,116,156	$7,159,302	$3,102,818	$10,262,120	($1,178,143)	($675,893)	($1,854,036)	85.87%	82.11%	84.70%
Financial Aid	$19,771,536	$1,269,479	$21,041,015	$18,418,442	$1,173,692	$19,592,134	($1,353,094)	($95,787)	($1,448,881)	93.16%	92.45%	93.11%
Distribution to EMU Foundation	$1,837,425	$0	$1,837,425	$1,837,425	$0	$1,837,425	$0	$0	$0	100.00%		100.00%
Recharges	($3,443,914)	$3,403,236	($40,678)	($3,460,976)	$3,385,537	($75,439)	($17,062)	($17,699)	($34,761)	100.50%	99.48%	185.45%
Transfers	$15,232,660	$5,348,982	$20,581,642	$12,234,607	$1,978,728	$14,213,335	($2,998,053)	($3,370,254)	($6,368,307)	80.32%	36.99%	69.06%
Sub-Total Operating Expense	$77,374,096	$27,848,938	$105,223,034	$69,707,635	$23,734,961	$93,442,596	($7,666,461)	($4,113,977)	($11,780,438)	90.09%	85.23%	88.80%
Total Expenditures	$246,335,984	$39,186,358	$285,522,342	$238,769,099	$34,798,838	$273,567,937	($7,566,885)	($4,387,520)	($11,954,405)	96.93%	88.80%	95.81%

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Eastern Michigan University

Contents

June 30, 2007 and 2006

Independent Auditor's Report

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To the Board of Regents of
Eastern Michigan University

We have audited the accompanying balance sheet of Eastern Michigan University and its discretely presented component unit as of June 30, 2007 and June 30, 2006 and the related statement of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2007 and June 30, 2006, 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 xx, 2007 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 on pages 2 to 9 are not a required part of these financial statements, but are supplementary 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 required supplementary information. However, we did not audit the information and express no opinion on it.

September xx, 2007

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Michigan University ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2007, 2006, and 2005. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of University management.

Using the Annual Financial Report

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The financial statements prescribed by GASB Statement No.35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities. Changes in net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

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

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

The University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* in 2004. As such, the Eastern Michigan University Foundation ("Foundation") financial statements, footnotes, and management's discussion and analysis have been discretely incorporated into the University's financial statements.

The Foundation, located in Ypsilanti, Michigan, is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. Management's discussion and analysis of the financial performance of the Foundation during the fiscal years ended June 30, 2007, 2006, and 2005 is reflected on pages 10 to 13 of this report.

Financial Activity

The University's financial position changed during the fiscal year ended June 30, 2007 as compared to the previous two years as evidenced by:

- The University's current assets decreased by $14.8 million in 2007 versus 2006 primarily due to decreased state appropriations receivable, accounts receivable, and investments in 28-day auction rate securities (cash equivalents). Current assets increased in 2006 by $25.7 million over 2005 primarily due to increased investments in 28-day auction rate securities.

- Total liabilities decreased by $5.1 million in 2007 versus 2006 primarily due to bond payments. Total liabilities increased by $26.5 million in 2006 over 2005 primarily due to the issuance of long-term bonds and payments due on capital projects.

- In 2007 the University's net assets decreased by $12.2 million to $250.3 million, of which $205.0 million was either invested in capital assets or restricted. Of the remaining $45.3 million in unrestricted assets, all but $4.0 million was designated for specific purposes. In 2006, the University's net assets increased by $5.0 million to $262.5 million, of which $206.5 million was either invested in capital assets or restricted. Of the remaining $56.0 million in unrestricted assets, all but $4.5 million was designated for specific purposes.

- Operating revenues increased by $2.1 million in 2007 versus 2006. The increase was primarily from student tuition and fees. In 2006, operating revenues increased by $16.4 million versus 2005 primarily due to student tuition and fees.

- In 2007, the University's operating expenses increased by $12.7 million, primarily due to increased instruction expenses of $6.3 million, $3.2 million in student services, $1.5 million in depreciation, and $1.5 million in operation and maintenance of plant. In 2006, the University's operating expenses increased by $12.4 million, primarily due to increased instruction expenses of $5.7 million, $4.0 million in operations and maintenance of plant, and $1.0 million in scholarships.

- In 2007, State appropriations of $69.2 million were the most significant nonoperating revenue and reflected a base cut of $1.2 million. In addition, $7.1 million has been delayed until 2008. In 2006, State appropriations were $76.8 million and included $0.6 million restored from the 2005 Governors' executive order. In 2005, State appropriations of $79.1 million included $2.4 million from the Governor's tuition restraint pledge.

- In 2007, the $83.8 million operating loss combined with cash requirements (principal and interest payments), totaled $94.7 million which was partially funded by State appropriations. In 2006, the $73.3 million operating loss combined with other cash requirements (principal and interest payments), totaled $84.0 million which was partially funded by State appropriations

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Eastern Michigan University
Condensed Statements of Net Assets
as of June 30, 2007, 2006 and 2005 (as restated)
(in thousands)

ASSETS	**2007**	**2006**	**2005**
Current assets	89,939	104,772	79,026
Noncurrent assets	355,965	358,457	352,692
Total assets	$ 445,904	$ 463,229	$ 431,718
LIABILITIES			
Current liabilities:	46,762	49,298	39,426
Noncurrent liabilities:	148,851	151,388	134,734
Total liabilities	$ 195,613	$ 200,686	$ 174,160
NET ASSETS			
Invested in capital assets, net of related debt	$ 170,067	$ 156,560	$ 155,284
Restricted, expendable	34,909	49,917	49,610
Unrestricted, designated	41,301	51,599	48,160
Unrestricted, undesignated	4,014	4,467	4,504
Total net assets	$ 250,291	$ 262,543	$ 257,558

At June 30, 2007, total University assets were $446 million, compared to $463 million in fiscal 2007. The University's largest asset is its investment in physical plant of $320 million at June 30, 2007 compared to $311 million in fiscal 2006, net of accumulated depreciation.

At June 30, 2006, total University assets were $463 million, compared to $432 million in fiscal 2005. The University's largest asset is its investment in physical plant of $311 million at June 30, 2006 compared to $291 million in fiscal 2005, net of accumulated depreciation.

In fiscal 2007, the University's current assets of $90 million were sufficient to cover current liabilities of $47 million (current ratio of 1.91). In fiscal 2006, the University's current assets of $105 million were sufficient to cover current liabilities of $49 million (current ratio of 2.14). The fiscal 2007 decrease in assets of $17 million was primarily due to decreased state appropriations receivable, decreased cash and investments, and fiscal 2007 depreciation expense.

In fiscal 2005, current assets of $79 million were sufficient to cover current liabilities of $39 million (current ratio of 2.03). The fiscal 2006 increase in current assets of $25.8 million was primarily due to increased cash from student tuition and fees and investments in 28-day auction rate securities. The $5.8 million increase in noncurrent assets was primarily due to bond proceeds received for capital projects.

University liabilities total $196 million at June 30, 2007, compared to $201 million in fiscal 2006 and $174 million in fiscal 2005. Long-term debt, consisting of bonds payable, was $145 million, $149 million, and $131 million, as of June 30, 2007, 2006, and 2005, respectively.

In 2007, total net assets decreased by $12.2 million to $250.3 million. Unrestricted designated assets decreased by $5.0 in the General Fund, $7.6 million in the Designated Fund, and $0.9 million in the Auxiliary fund primarily due to decreased State appropriations, increased operating expenses, and decreased auxiliary operating revenues. Unrestricted designated assets increased $3.2 million in the Plant fund primarily due to tuition allocated to future capital projects. Unrestricted undesignated net assets in the General Fund decreased $0.4 million due to increased operating expenses. Restricted net assets decreased by $0.9 million in the Expendable Restricted due to increased operating expenses. Restricted Net Assets in the Plant fund decreased by $14.1 million and Net Assets in Capital Assets, net of related debt, increased by $13.5 million in 2007, respectively, primarily due to the completion of capital projects funded by bond proceeds.

In 2006, total net assets increased by $5.0 million to $262.5 million. Unrestricted designated assets increased by $3.4 million in 2006, primarily due to tuition allocated to future capital projects.

Unrestricted net assets are designated for ongoing academic and research programs, capital projects and other strategic initiatives.

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the University and is summarized below. Consistent with GASB requirements, revenues are categorized as operating or nonoperating.

Eastern Michigan University
Condensed Statements of Revenues
for the years ended June 30, 2007, 2006 and 2005
(in thousands)

	2007	2006	2005
Operating revenues			
Student Tuition and fees	$ 161,105	$ 154,539	$ 137,652
Less: Scholarship allwances	(18,615)	(16,348)	(14,939)
Net student tuition and fees	142,490	138,191	122,713
Sponsored programs	27,963	28,777	28,382
Other	36,703	38,048	37,483
Total operating revenues	207,156	205,017	188,578
Nonoperating and Other Revenues			
State appropriations	69,170	76,765	79,051
Gifts	3,153	3,448	2,855
Investment Income	5,061	3,403	2,538
Other	316	887	460
Total nonoperating and other revenues	77,700	84,503	84,904
Total Revenues	$ 284,856	$ 289,520	$ 273,482

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

Operating revenues increased by $2.1 million in 2007 versus 2006. The increase was primarily from student tuition and fees. In 2006, operating revenues increased by $16.4 million versus 2005 primarily due to student tuition and fees.

Net nonoperating and other revenues decreased by $6.8 million in 2007 and $0.04 million in 2006. The 2007 decrease was primarily due to decreased state appropriations.

Operating and nonoperating expenses by functional classification are presented below:

Eastern Michigan University
Condensed Statements Expenses and Changes in Net Assets
for the years ended June 30, 2007, 2006 and 2005
(in thousands)

	2007	2006	2005 (as restated)
Operating Expenses			
Instruction	105,071	98,737	93,035
Research	5,530	5,208	4,946
Public service	10,831	10,885	10,822
Academic support	20,547	20,769	19,602
Student services	26,764	23,599	24,719
Institutional support	34,944	33,824	32,430
Scholarships and fellowships	17,488	18,778	17,717
Operation and maintenance of plant	24,280	22,741	18,766
Auxiliary activities, net (note 1)	28,124	27,863	27,532
Depreciation and other	17,415	15,886	16,332
Total Operating expenses	290,994	278,290	265,901
Nonoperating Expenses			
Interest expense	6,114	6,245	6,840
Total nonoperating expenses	6,114	6,245	6,840
Total Expenses	$ 297,108	$ 284,535	$ 272,741
Total increase (decrease) in net assets	(12,252)	4,985	741
Net assets, beginning of year	262,543	257,558	256,817
Net assets, end of year	$ 250,291	$ 262,543	$ 257,558

In 2007, the University's operating expenses increased by $12.7 million, primarily due to increased instruction expenses of $6.3 million, $3.2 million in student services, $1.5 million in depreciation, and $1.5 million in operation and maintenance of plant.

In 2006, the University's operating expenses increased by $12.4 million, primarily due to increased instruction expenses of $5.7 million, $4.0 million in operations and maintenance of plant, and $1.0 million in scholarships.

Net Assets as of July 1, 2004 have been restated by ($1,989,730) to correct information technology conversion-related misstatements. The adjustment had no effect on the increase (decrease) in net assets for 2007, 2006 or 2005.

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Eastern Michigan University
Condensed Statements of Cash Flows
for the years ended June 30, 2007, 2006 and 2007
(in thousands)

	2007	2006	2005
Cash provided/(used) by:			
Operating activities	$ (63,573)	$ (49,452)	$ (62,860)
Noncapital financing activities	80,808	80,017	82,207
Capital and related financing activities	(35,914)	(28,999)	(26,926)
Investing activities:	15,718	24,000	7,621
Net increase (decrease) in cash	(2,961)	25,566	42
Cash and cash equivalents, beginning of year	65,676	40,110	40,068
Cash and cash equivalents, end of year	$ 62,715	$ 65,676	$ 40,110
Supplemental disclosure of noncash items:			
Capital gifts received	$ 114	$ 229	$ 57

For 2007, major sources of operating cash included student tuition and fees ($164.2 million), auxiliary activities ($30.7 million), and grants and contracts ($27.8 million). The largest uses of operating cash were payments for suppliers and employees ($234.2 million) and financial aid ($38.2 million). The most significant source of noncapital financing activities cash was State appropriations ($77.5 million).

For 2006, major sources of operating cash included student tuition and fees ($153.8 million), auxiliary activities ($36.5 million), and grants and contracts ($22.3 million). The largest uses of operating cash were payments for suppliers and employees ($221.6 million) and financial aid ($35.7 million). The most significant source of noncapital financing activities cash was State appropriations ($76.4 million).

For 2005, major sources of operating cash included student tuition and fees ($134.9 million), auxiliary activities ($36.2 million), and grants and contracts ($29.3 million). The largest uses of operating cash were payments for suppliers and employees ($217.9 million) and financial aid ($34.1 million). The most significant source of noncapital financing activities cash was State appropriations ($79.0 million).

Credit Ratings

The University's credit ratings by Moody's Investors Services went from "A2" in 2005 to "Aaa/VMIG 1" in 2006. The "A" credit rating by Standard & Poor's was renewed in 2007. The highest achievable ratings are "Aaa" and "AAA", respectively. The University's capacity to meet its financial obligations is considered strong by bond purchasers based upon these ratings.

Sarbanes-Oxley

The Sarbanes-Oxley Act of 2002 applies only to publicly traded corporations; however, management and the Board of Regents believe many of the principles are also appropriate for institutions of higher education. The University has adopted several of the principles of the

Sarbanes-Oxley Act as recommended by the National Association of College and University Business Officers (NACUBO).

Looking Ahead

Eastern Michigan University emerged as a national leader in science education this year as it unveiled plans for a $100 million science complex – the largest construction project in the University's 158-year history. The Mark Jefferson Science Complex will catapult EMU into a national leadership position in science teaching, curriculum and facilities. The building addition and related renovations will provide a generation of future chemists and biologists an unequalled opportunity to do hands-on research alongside top-notch faculty. When finished in 2010, the complex will fortify the western edge of campus as the place for student learning and engagement. Placed shoulder to shoulder will be the expanded science complex, the Bruce T. Halle Library (opened in 1999) and the EMU Student Center (opened in 2006.)

The project's estimated cost – to be funded through the sale of bonds – includes $26.7 million for renovation of the existing building and $73.3 million for 151,000 square feet of new construction.

Academic innovation occurred across campus as well, with the launch of four programs: a bachelor of science in information assurance; a bachelor of arts/science in cross-disciplinary studies; a master of science in integrated marketing communications; and a master of science in health administration. The College of Business, demonstrating a continued commitment to ethics in business education, hosted its inaugural Ethos Week celebration in March.

Our professors continued to earn national and statewide accolades. Among the most notable were Heather Neff, a professor of English language and literature, who was one of three recipients of the inaugural Michigan Distinguished Professors of the Year Award presented by the Presidents Council, State of Michigan; and Joan M. Abbey, a research scientist with the College of Health and Human Services, who received a $388,870 grant from the U.S Department of Justice to continue a statewide study related to Michigan's Infant Mental Health model.

And following its success with multimillion-dollar grants to provide valuable coatings research for the U.S. Army and the Navy, the Coatings Research Institute (affiliated with the College of Technology) secured a $1 million Air Force contract to conduct research projects at Wright-Patterson Air Force Base.

EMU students demonstrated their ability to excel as well. Student-athletes in 2006-07 were responsible for bringing home a record eight Mid-American Conference (MAC) championships, the most by any school in a single year in MAC history. EMU teams won titles in men's cross country, women's swimming, men's indoor track, men's swimming, women's gymnastics, men's golf, men's outdoor track and women's softball. The award-winning forensics team placed second nationally at the National Forensics Association Tournament. And the student newspaper, the Eastern Echo, won 19 awards at the Michigan Collegiate Press Association contest.

EMU's scholarly and community engagement work also received external validation. The Target Corporation awarded EMU a grant to continue the successful Jumpstart program, which helps develop literacy and social skills in preschool children from local schools. In addition, EMU received a $3.4 million U.S. Department of Education "GEAR-UP" grant to help low-income middle school students raise educational achievement and promote college enrollment. The Upward Bound program received a six-year, $2.3 million renewal grant to continue work in preparing area high school students to succeed at college. EMU also received a $86,000 grant from the American Honda Foundation to help fund an after-school program for about 450 area school children that helps them understand the growing field of environmental product design. And the University received national attention in October when it hosted the National Health Care Forum at the Convocation Center.

In the past year, numerous independent authorities acknowledged excellence at EMU. For the fourth consecutive year, The Princeton Review recognized EMU as a "Best Midwestern College." The Ann Arbor Learning Community, an authorized charter school of EMU, was designated one of the 53 best charter schools in the United States by the Center for Education

Reform. And the University was recognized as one of the 100 Best Campuses for lesbian, gay, bisexual, and transgendered (LGBT) students by The Advocate College Guide for LGBT Students.

As productive as the year was, EMU encountered and addressed several challenges to its operations. A months-long impasse in contract negotiations with its faculty union led to the hiring of a labor mediator, who helped the parties reach a new four-year agreement through 2010. In addition, the murder of a student in December led to a series of internal and external investigations regarding how well University policies were followed in the aftermath. In response, EMU created a 16-point campus safety and security plan that may become a national collegiate model when fully implemented. Then in July, the Board of Regents voted to terminate the contract of John A. Fallon, III, as president; Provost Don Loppnow was assigned a new role as executive vice president and made day-to-day leader of EMU until a presidential search could be completed.

EMU solidified its executive leadership through the appointment of five senior administrators, all of whom now serve as members of the Strategic Operations Council. The appointees are: Freman Hendrix as chief government relations officer; Janice M. Stroh as vice president for business and finance; Thomas C. Green as vice president for enrollment management; Sharon L. Abraham as director of diversity; and Theodore G. Coutilish as associate vice president for marketing and communications.

In addition, Michigan Gov. Jennifer Granholm named four regents: Ismael Ahmed of Dearborn; Gary D. Hawks of Okemos; Francine Parker of St. Clair Shores; and James F. Stapleton of Ann Arbor.

The full eight-member board, working side by side with the new senior leadership team, is already working on a range of issues to strengthen the University in 2007-08 and beyond. Those issues include: strengthening academic programming and scholarly and creative activities; increasing enrollment; continuing to improve safety and security measures and awareness on campus; enhancing student life through intercollegiate athletics, student organizations, community service and fine and performing arts; improving instructional facilities; preparing for a comprehensive fundraising campaign; improving institutional effectiveness, communication and collaboration among constituents; and strengthening community engagement as well as support from legislative and government agencies.

EASTERN MICHIGAN UNIVERSITY FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the University annual financial report presents the Foundation management's discussion and analysis of the financial performance of the Foundation during the fiscal years ended June 30, 2007 and 2007. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of Foundation management.

The Consolidated Balance Sheet includes all assets and liabilities. Changes in net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the Foundation's financial health. The Consolidated Statement of Activities and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities include unrestricted, temporarily restricted, or permanently restricted and are reported on a consolidated basis.

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

Eastern Michigan University Foundation
Condensed Statements of Net Assets
as of June 30, 2007, 2006 and 2005
(in thousands)

ASSETS		2007		2006		2005
Assets:						
Cash and cash equivalents	$	4,171	$	3,466	$	2,742
Accounts receivable		335		607		364
Inventories		27		27		27
Loans and advances to affiliates (Note 8)		170				
Accrued interest and dividends		141		124		92
Other assets		142		79		41
Contributions receivable (Note 11)		714		261		759
Life insurance cash surrender value		252		255		233
Property and equipment - Net (Note 12)		2,129		2,171		2,235
Investments (Note 13)		47,088		42,136		37,520
Investments held under split-interest agreements (Note 13)		1,624		1,539		1,524
Total assets	$	56,793	$	50,665	$	45,537
LIABILITIES						
Liabilities:						
Accounts payable	$	734	$	301	$	828
Accrued liabilities		220		210		118
Mortgages payable (Note 14)		2,214		2,235		2,255
Liabilities under split-interest agreements		827		807		869
Total liabilities	$	3,995	$	3,553	$	4,070
NET ASSETS						
Unrestricted (Note 15)	$	2,203	$	2,221	$	1,931
Temporarily restricted (Note 15)		21,642		17,657		13,293
Permanently restricted (Note 15)		28,953		27,234		26,243
Total net assets	$	52,798	$	47,112	$	41,467

At June 30, 2007, total Foundation assets were $56.8 million, compared to $50.7 million in 2006, and $45.5 million in fiscal 2005. The Foundation's largest asset is its investments of $48.7 million at June 30, 2007 compared to $43.7 million at June 30, 2006 and $39.0 million in 2005.

Foundation liabilities total $4.0 million at June 30, 2007, compared to $3.6 million at June 30, 2006, and $4.1 million in 2005. Mortgages payable of $2.2 million is the largest liability for 2006, 2005, and 2004.

In 2007, total net assets increased by $5.7 million to $52.8 million primarily due to a return of 15.5% on the investment portfolio. In 2006, total net assets increased by $5.6 million to $47.1 million primarily due to increased gifts to the endowment and a return of 11.6% on the investment portfolio. Unrestricted net assets are designated for ongoing advancement programs, capital projects and other strategic initiatives.

Eastern Michigan University Foundation

Condensed Statements of Activities and Changes in Net Assets

for the years ended June 30, 2007, 2006 and 2005

(in thousands)

	2007	2006	2005
Revenue, Gains and Other Support:			
Contributions	$ 4,108	$ 5,836	$ 3,677
Investment income	1,082	894	719
Net realized and unrealized gains (losses)	5,390	3,386	3,062
ECMC revenue	1,600	1,711	1,744
Administrative and management fee	1,837	1,631	1,720
Other revenue	70	81	85
Total Revenue, Gains, and Other Support	14,087	13,539	11,007
Expenses:			
Contributions to EMU:			
Expendable contributions	2,529	2,624	2,447
Contributions from endowment income	914	931	1,227
General and administrative - Foundation Management	452	511	417
Fund raising	2,891	2,187	2,299
ECMC expenses	1,535	1,543	1,727
Other	4	10	12
Total expenses	8,325	7,806	8,129
Increase in Net Assets before other changes in net assets	5,762	5,733	2,878
Other Changes in Net Assets			
Funds transferred from EMU	59		42
Changes in value of split interest agreement	(135)	(88)	(25)
Increase (Decrease) in Net Assets	5,686	5,645	2,895
Net assets, beginning of year	47,112	41,467	38,572
Net assets, end of year	$ 52,798	$ 47,112	$ 41,467

The most significant sources of revenues for the Foundation are contributions and investment income, which includes realized and unrealized gains.

In 2007 expenses increased by $0.5 million primarily due to increased fundraising expenses. In 2006 expenses decreased by $0.3 million primarily due to decreased fundraising and ECMC expenses.

Eastern Michigan University Foundation
Condensed Statements of Cash Flows
for the years ended June 30, 2007, 2006 and 2005
(in thousands)

	2007	2006	2005
Cash provided/(used) by:			
Operating activities	$ (1,012)	$ 1,224	$ (310)
Investing activities	134	(1,321)	(834)
Financing activities	1,582	822	1,417
Net Increase in Cash and cash equivalents	704	725	273
Cash and cash equivalents, beginning of year	3,467	2,742	2,469
Cash and cash equivalents, end of year	$ 4,171	$ 3,467	$ 2,742

For 2007, major sources of cash included sales of investments ($13.9 million), and contributions restricted for long term purposes ($1.7 million). The largest uses of cash were purchases of investments ($13.5 million).

For 2006, major sources of cash included sales of investments ($16.6 million), and contributions restricted for long term purposes ($1.0 million). The largest uses of cash were purchases of investments ($17.9 million).

For 2005, major sources of cash included sales of investments ($16.3 million), and contributions restricted for long term purposes ($1.5 million). The largest uses of cash were purchases of investments ($17.1 million).

LOOKING AHEAD:

The mission of the Foundation is to support the students, programs, services, and the educational community of the University through collaborative relationships with individuals, corporations, foundations, and other organizations. Increased focus and energy at the Foundation is expected to continue to produce very positive results to help strengthen the University.

The Foundation has a direct impact on the University's student population, faculty, and programs by growing expendable current-use funding and also providing increased available spending from our endowment. This impact is apparent from the funds that are raised and through our growing relationships with an increased number of alumni, donors, and friends of the University.

We are encouraged that our number of gifts and number of donors increased during fiscal 2007, which means we are reaching more alumni and friends, although overall cash revenue decreased from a record-breaking $7.5 million in fiscal 2006 to $4.2 million in fiscal 2007. Financial performance is on the rise, however. The market value of our endowment exceeded $50 million, which will allow for an increased amount of endowment spending on both students and programs.

During fiscal year 2008, the Foundation will continue its work with the University community as planning continues for a comprehensive campaign, which will focus on scholarship support for students, program support for faculty and infrastructure needs across campus. This next year of campaign planning will focus on priority setting, volunteer leadership, internal readiness, and communications planning.

In preparing for this campaign last fiscal year, three new positions—programmer/analyst, manager of donor relations, and development associate—were added to the foundation. These additional resources have enabled the foundation to improve donor reporting and stewardship services, and give necessary support to development officers to allow increased donor contacts.

The campaign will allow for the tracking of a number of important metrics, in addition to dollars raised. These additional measurements will include tracking the number and dollar value of multi-year pledges, documented estate commitments, donor participation rates by constituent groups, development officer efforts including contact and proposal activity, and volunteer solicitation results.

In addition to our fundraising efforts, the Foundation continues to raise the visibility of the University through active public engagement. Through numerous activities and events, both on and off campus, the Foundation seeks to broaden the University's base of supporters and extend its reach, particularly throughout southeastern Michigan. Dedicated alumni, donors, and friends are vital to the University's success, and in turn enhance our ability to provide much needed support to students, faculty, and programs to strengthen the University.

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EASTERN MICHIGAN UNIVERSITY

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STATEMENTS OF NET ASSETS

As of June 30, 2007 and 2006

		2007		2006
ASSETS				
Current assets:				
Cash and cash equivalents (note 2)	$	62,714,734	$	65,676,454
Accounts receivable, net (note 3)		19,506,796		22,668,929
Appropriation receivable		5,559,995		13,846,184
Inventories		548,984		895,377
Deposits and prepaid expenses		1,359,649		1,212,229
Accrued interest receivable		249,300		472,330
Total current assets		89,939,458		104,771,503
Noncurrent assets:				
Student loans receivable, net (note 3)		10,919,506		11,304,304
Long-term investments (note 2)		17,822,886		28,256,544
Capital assets, net (note 4)		319,522,178		310,844,852
Capitalized Bond Expenses, net (note 5)		7,700,647		8,051,550
Total noncurrent assets		355,965,217		358,457,250
Total assets	$	445,904,675	$	463,228,753
LIABILITIES				
Current liabilities:				
Current portion of long-term debt (note 5)	$	4,665,000	$	4,830,000
Accounts payable and accrued liabilities		14,865,147		16,137,827
Accrued payroll, taxes and fringe benefits		17,845,401		17,102,774
Unearned fees and deposits		7,165,626		7,406,044
Insurance and other claims payable (note 7)		2,220,469		3,821,438
Total current liabilities		46,761,643		49,298,083
Noncurrent liabilities:				
Accrued compensated absences (note 6)		4,062,204		1,713,092
Long-term debt (note 5)		144,790,000		149,455,000
Long-term unearned fees and deposits		-		220,000
Total noncurrent liabilities		148,852,204		151,388,092
Total liabilities	$	195,613,847	$	200,686,175
NET ASSETS				
Invested in capital assets, net of related debt	$	170,067,178	$	156,559,852
Restricted, expendable		34,908,675		49,916,652
Unrestricted		45,314,975		56,066,074
Total net assets	$	250,290,828	$	262,542,578

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY FOUNDATION
CONSOLIDATED BALANCE SHEET
JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2006)

ASSETS	2007	2006
Cash and cash equivalents	$ 4,171,364	$ 3,466,673
Accounts receivable	335,480	606,554
Inventories	26,809	27,343
Loans and advances to affiliates (Note 8)	170,000	-
Accrued interest and dividends	140,749	123,511
Other assets	142,581	78,544
Contributions receivable (Note 11)	713,523	261,437
Life insurance cash surrender value	252,120	254,591
Property and equipment - Net (Note 12)	2,129,110	2,170,565
Investments (Note 13)	47,087,591	42,136,472
Investments held under split-interest agreements (Note 13)	1,623,592	1,539,225
Total assets	$ 56,792,919	$ 50,664,915
LIABILITIES		
Accounts payable	$ 733,602	$ 300,590
Accrued liabilities	220,560	209,534
Mortgages payable (Note 14)	2,213,728	2,235,253
Liabilities under split-interest agreements	827,284	807,360
Total liabilities	$ 3,995,174	$ 3,552,737
NET ASSETS		
Unrestricted (Note 15)	$ 2,203,150	$ 2,221,075
Temporarily restricted (Note 15)	21,642,258	17,657,377
Permanently restricted (Note 15)	28,952,337	27,233,726
Total net assets	$ 52,797,745	$ 47,112,178
Total liabilities and net assets	$ 56,792,919	$ 50,664,915

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the years ended June 30 2007 and 2006

	2007	2006
OPERATING REVENUES		
Student tuition and fees	$ 161,104,933	$ 154,539,224
Scholarship allowances	(18,614,716)	(16,348,058)
Net student tuition and fees	142,490,217	138,191,166
Federal grants and contracts	7,057,388	6,259,063
Federal financial aid	13,993,410	13,631,569
State grants and contracts	392,290	448,878
State financial aid	3,211,215	3,249,840
Nongovernmental grants and contracts	3,308,899	5,187,691
Departmental activities	6,033,759	6,020,043
Auxiliary activities, net (note 1)	28,893,774	30,238,165
Other	1,775,924	1,790,122
Total operating revenues	207,156,876	205,016,537
OPERATING EXPENSES		
Instruction	105,071,177	98,737,298
Research	5,529,533	5,208,231
Public service	10,831,212	10,884,509
Academic support	20,547,450	20,769,445
Student services	26,764,373	23,598,925
Institutional support	34,944,059	33,823,537
Scholarships and fellowships	17,488,042	18,777,665
Operation and maintenance of plant	24,279,546	22,741,294
Auxiliary activities, net (note 1)	28,123,934	27,862,849
Depreciation	17,040,470	15,528,664
Other	374,459	357,411
Total operating expenses	290,994,255	278,289,828
Operating loss	(83,837,379)	(73,273,291)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	69,169,835	76,764,820
Gifts	3,152,930	3,447,515
Investment income	5,060,751	3,403,355
Interest expense	(6,113,602)	(6,245,093)
Other	201,439	658,089
Net nonoperating revenues before capital items	71,471,353	78,028,686
Capital gifts	114,276	229,080
Total net nonoperating revenues (expenses)	71,585,629	78,257,766
Increase (Decrease) in net assets	(12,251,750)	4,984,475
NET ASSETS, beginning of year	262,542,578	257,558,103
NET ASSETS, end of year	$ 250,290,828	$ 262,542,578

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY FOUNDATION

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CONSOLIDATED STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
YEAR ENDED June 30, 2007
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006)

	2007	2006
Revenue, Gains and Other Support		
Contributions	$ 4,108,379	$ 5,836,096
Investment income (Note 13)	1,082,237	893,825
Net realized and unrealized gains (losses) (Note 13)	5,389,667	3,386,456
ECMC revenue	1,599,869	1,710,934
Administrative and management fee (Note 8)	1,837,425	1,630,644
Other revenue	69,729	80,558
Total revenue, gains and other support	14,087,306	13,538,513
Expenses		
Contributions to EMU:		
Expendable contributions	$ 2,529,048	$ 2,623,709
Contributions from endowment income	913,775	931,229
General and administrative - Foundation Management	452,533	510,892
Fund raising	2,890,976	2,187,253
ECMC expenses	$ 1,535,468	$ 1,542,465
Other	3,960	10,289
Total expenses	$ 8,325,760	$ 7,805,837
Increase in Net Assets before other changes in net assets	5,761,546	5,732,676
Other Changes in Net Assets		
Funds transferred from EMU	58,595	-
Change in value of split-interest agreements	(134,574)	(87,003)
Increase (Decrease) in net assets	5,685,567	5,645,673
NET ASSETS, beginning of year	47,112,178	41,466,505
NET ASSETS, end of year	$ 52,797,745	$ 47,112,178

The accompanying notes are an integral part of this statement.

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EASTERN MICHIGAN UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	$ 164,191,872	$ 153,771,937
Cash received from auxiliary activities	30,690,292	36,487,565
Cash received from other sources	6,786,792	14,072,398
Grants and contracts	27,775,860	22,322,188
Federal student loan funds received	165,903	146,587
Student loans granted, net of repayments	315,446	357,210
Scholarship allowances	(21,122,218)	(19,321,728)
Cash paid to suppliers and employees	(234,219,564)	(221,583,203)
Cash paid for financial aid	(38,157,298)	(35,704,530)
Net cash (used) by operating activities	(63,572,915)	(49,451,576)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	77,456,024	76,361,616
Gifts received from EMU Foundation	3,352,307	3,655,069
Net cash provided by noncapital financing activities	80,808,331	80,016,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments/defeasance under debt obligations	(4,830,000)	18,788,250
Interest paid	(6,113,602)	(6,245,093)
Purchases of capital assets	(25,603,520)	(35,363,998)
Other payments	632,536	(6,178,270)
Net cash (used) by capital and related financing activities	(35,914,586)	(28,999,111)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(896,271,623)	(712,692,938)
Proceeds from sales and maturities of investments	906,705,289	733,366,538
Interest received	5,283,784	3,326,542
Net cash provided/(used) by investing activities	15,717,450	24,000,142
Net increase/(decrease) in cash and cash equivalents	(2,961,720)	25,566,140
CASH AND CASH EQUIVALENTS, beginning of year	65,676,454	40,110,314
CASH AND CASH EQUIVALENTS, end of year	$ 62,714,734	$ 65,676,454
SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS		
Capital gifts received	$ 114,276	$ 229,080

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2007 and 2006
(continued)

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	2007	2006
Reconciliation of net operating revenues (expenses) to net cash (used) by operating activities:		
Operating loss	$ (83,837,379)	$ (73,273,291)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation expense	17,040,470	15,528,664
Change in assets and liabilities:		
Accounts receivable, net	3,162,131	576,596
Inventories	346,393	(400,285)
Deposits and prepaid expenses	(427,001)	124,437
Student loans receivable, net	384,798	254,344
Accounts payable and accrued liabilities	(1,272,680)	5,122,130
Accrued payroll	(65,923)	1,262,983
Payroll taxes and accrued fringe benefits	854,965	194,425
Unearned fees and deposits	(240,419)	1,711,039
Insurance and other claims payable	(1,639,280)	1,175,021
Accrued compensated absences	2,341,010	(1,507,639)
Long-term unearned fees and deposits	(220,000)	(220,000)
Total change in assets and liabilities	3,223,994	8,293,051
Net cash (used) by operating activities	$ (63,572,915)	$ (49,451,576)

The accompanying notes are an integral part of this statement

EASTERN MICHIGAN UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities		
Increase in net assets	$ 5,685,567	$ 5,645,673
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	119,923	140,661
Net realized and unrealized (gains) on investments	(5,389,667)	(3,386,456)
Change in value of split-interest agreements	134,574	87,003
Change in cash surrender value of life insurance	(25,772)	(21,623)
Contributions restricted for long-term purposes	(1,718,611)	(991,033)
Changes in assets and liabilities:		
Accounts receivable	271,074	(242,341)
Contributions receivable	(452,086)	497,585
Inventories	534	(829)
Accrued interest and dividends	(17,238)	(31,576)
Other assets	(64,037)	(37,410)
Accounts payable	433,012	(527,621)
Accrued and other liabilities	11,026	91,618
Net cash (used in) provided by operating activities	$ (1,011,701)	$ 1,223,651
Cash Flows from Investing Activities		
Cash surrender value of life insurance	$ 28,243	$ -
Purchases of equipment	(78,468)	(76,081)
Purchases of investments	(13,523,075)	(17,868,058)
Proceeds from the sale of investments	13,877,256	16,622,463
Advances to related parties	(170,000)	-
Net cash provided by (used in) investing activities	$ 133,956	$ (1,321,676)
Cash Flows from Financing Activities		
Payments on mortgage and notes payable	$ (21,525)	$ (20,220)
Payments on split-interest agreements	(155,394)	(154,613)
Proceeds from new split-interest agreements	70,000	10,000
Proceeds from contributions restricted for long-term purposes	1,689,355	987,092
Net cash provided by financing activities	$ 1,582,436	$ 822,259
Net Increase in Cash and Cash Equivalents	704,691	724,234
Cash and Cash Equivalents - Beginning of Year	3,466,673	2,742,439
Cash and Cash Equivalents - End of Year	$ 4,171,364	$ 3,466,673
Supplemental Cash Flow Information - Cash paid for:		
Interest	$ 118,769	$ 120,073
Income Taxes	77,000	20,095

The accompanying notes are an integral part of this statement.

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EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

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

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

The University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in 2004. As such, the Eastern Michigan University Foundation ("Foundation") financial statements, footnotes, and management's discussion and analysis have been discretely incorporated into the University's financial statements, footnotes, and management's discussion and analysis. Footnotes of the Foundation are found on pages 44 to 50 of this report.

Investments – In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

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

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the university as a whole, with resources classified for accounting and reporting purposes into four net asset categories according to externally imposed restrictions.

The four required net asset categories are as follows:

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted, nonexpendable - Net assets subject to externally-imposed stipulations that must be maintained permanently by the university. These assets are recorded in the Eastern Michigan University Foundation financial statements as permanently restricted net assets.
- Restricted, expendable - Net assets whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by the passage of time.

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

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

Investments in marketable securities are carried at fair market value as established by the major securities markets. Inventories are stated at the lower of cost (first in, first out basis) or market. Bond issuance costs are capitalized and expensed over the using the effective interest method over the maturities of the related bonds. Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation.

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 include 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. These current portion of accrued sick leave and vacation leave were approximately $400,000 and $3,210,000 as of June 30, 2007, respectively. The current portion of accrued sick leave and vacation leave were approximately $400,000 and $2,953,000 as of June 30, 2006, respectively.

State appropriations are recognized when received or made available. Restricted funds are recognized as revenue only to the extent expended. Investment income includes realized and unrealized gains and losses on investments, interest income and dividends. Gifts and interest on student loans are recognized when received

For the purposes of the Statements of Cash Flows, highly liquid investments, excluding noncurrent investments, with an original maturity of three months or less are considered cash equivalents. The University follows the "business-type" activities reporting requirements of GASB Statement No. 34. The University does not currently have any direct investments in Eurodollars or any other foreign entity so there is no direct foreign currency risk. Certain mutual funds may contain investments in foreign companies, but the overall foreign currency risk is minimal.

Auxiliary activities consist of the following as of June 30, 2007 and 2006:

		2007		2006
Operating Revenues:				
Auxiliary Actvities, Gross	$	33,458,090	$	36,868,151
Less: Internal Sales		(2,056,814)		(3,656,316)
Less: Scholarship Allowances		(2,507,502)		(2,973,670)
Auxiliary Activities, Net	$	28,893,774	$	30,238,165

		2007		2006
Operating Expenses:				
Auxiliary Actvities, Gross	$	32,688,250	$	34,492,835
Less: Internal Sales		(2,056,814)		(3,656,316)
Less: Scholarship Allowances		(2,507,502)		(2,973,670)
Auxiliary Activities, Net	$	28,123,934	$	27,862,849

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 $32,669,311 from Invested in Capital Assets, Net of Related Debt to Restricted, Expendable Net Assets ($5,938,168) and Unrestricted Net Assets ($26,731,143). The Restricted portion represents unexpended borrowed funds externally limited by debt covenant for capital projects. The Unrestricted portion represents unexpended net assets from operations allocated by the University to capital projects.

(2) Cash and Cash Equivalents:

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

Cash and cash equivalents consist of the following as of June 30, 2007 and 2006:

	2007	2006
Disbursement accounts	$ 10,256,873	$ 9,699,340
U.S. Treasuries/Agencies	43,864,660	47,858,153
Mutual Funds	8,593,201	8,118,961
	$ 62,714,734	$ 65,676,454

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

All cash and cash equivalents are held in the University's name as of June 30, 2007 and 2006. 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. As of June 30, 2006, the banks reported balances in the disbursement accounts at $8,088,713. Of these balances, $217,802 was covered by federal depository insurance and $7,870,911 was uninsured and uncollateralized.

Long-term investments consist of Mutual Funds and U.S. Treasuries/Agencies valued at $17,822,886 and $28,256,544 as of June 30, 2007 and 2006, respectively.

Interest 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:

Type of Securities	Target
Domestic Equities	87%
International Equities	13%

Investment maturities in years are reflected below as of June 30, 2007 and 2006, respectively:

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NOTES TO FINANCIAL STATEMENTS
(continued)

June 30, 2007:

Deposits:	Fair Market Value	Less than 1	1 - 5	6 - 10	Over 10	Total
		Investment Maturities (in Years)				
Time Deposits	$ 10,256,873	10,256,873				$ 10,256,873
Short-term notes	43,862,506	43,862,506				43,862,506
Government Securities	17,825,040	5,981,514	11,799,420		44,106	17,825,040
Mutual Funds	8,593,201		8,593,201			8,593,201
Total Investments	$ 80,537,620	60,100,893	20,392,621	0	44,106	$ 80,537,620
Less Investments reported as						
Cash on Statement of Net Assets						(62,714,734)
Total Investments						$ 17,822,886

June 30, 2006:

Deposits:	Fair Market Value	Less than 1	1 - 5	6 - 10	Over 10	Total
		Investment Maturities (in Years)				
Time Deposits	$ 9,699,340	9,699,340				$ 9,699,340
Short-term notes	52,160,049	52,160,049				52,160,049
Government Securities	23,954,648	6,382,976	17,530,350		41,322	23,954,648
Mutual Funds	8,118,961		8,118,961			8,118,961
Total Investments	$ 93,932,998	68,242,365	25,649,311	0	41,322	$ 93,932,998
Less Investments reported as						
Cash on Statement of Net Assets						(65,676,454)
Total Investments						$ 28,256,544

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. The University does not currently have any direct investments in Eurodollars or any other foreign entity so there is no direct foreign currency risk. Certain mutual funds may contain investments in foreign companies, but the overall foreign currency risk is minimal.

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Credit Risk for investments as of June 30, 2007:

		Rating:		
			Standard &	
Instrument	Fair Market Value	Moody's	Poors	Fitch
U.S Treasury Stripped Bonds	$44,106.00	n/a	AAA	n/a
Federal National Mortgage Assn # 3	5,906,280.00	Aaa	AAA	AAA
Federal Home Loan Bank	2,989,680.00	Aaa	AAA	n/a
Federal Home Loan Bank	2,989,680.00	Aaa	AAA	n/a
Federal Home Loan Bank	5,893,140.00	Aaa	AAA	n/a
Educational Funding South	1,600,000.00	Aaa	n/a	AAA
SLM Student Loan Trust	5,000,000.00	Aaa	AAA	AAA
Penn Higher Ed	3,350,000.00	Aaa	n/a	AAA
Missouri Higher Ed Loan Auth.	1,650,000.00	Aaa	n/a	AAA
Missouri Student Loan	2,000,000.00	Aaa	n/a	AAA
Nel Net Student Loan	2,000,000.00	Aaa	AAA	n/a
Iowa Student Loan	2,000,000.00	Aaa	AAA	AAA
Collegiate CFS	2,000,000.00	Aaa	AAA	n/a
Utah Student Loan	5,000,000.00	Aaa	AAA	n/a
Vanguard Fxd Inc Sec Sh Tm	8,593,201.03	n/a	n/a	n/a
Educational Funding South	1,700,000.00	Aaa	n/a	AAA
Nel Net Student Loan	3,300,000.00	Aaa	AAA	n/a
Access Group Loans	3,000,000.00	Aaa	AAA	AAA
Wisconsin St.	2,000,000.00	Aaa	AAA	AAA
Access Group Loans	3,000,000.00	Aaa	AAA	AAA
Greenpoint Taxable	5,064,660.00	Aaa	AAA	n/a
Penn Higher Ed	1,000,000.00	Aaa	n/a	AAA
Hopkinsville Kentucky IDR	200,000.00	n/a	n/a	n/a
Total	$70,280,747.03			

Credit Risk for investments as of June 30, 2006:

		Rating:		
Instrument	Fair Market Value	Moody's	Standard & Poors	Fitch
Federal Home Loan Bank	$99,375.00	Aaa	AAA	n/a
Hopkinsville Kentucky IDR	260,000.00	n/a	n/a	n/a
MKO Properties, LLC	2,500,000.00	n/a	n/a	n/a
Greenpoint Taxable	5,050,049.00	Aaa	n/a	n/a
Nel-Net Taxable Student Loans	6,000,000.00	n/a	AAA	AAA
Nel-Net Taxable Student Loans	3,300,000.00	n/a	AAA	AAA
Educational Funding South	1,700,000.00	Aaa	n/a	n/a
Access Group Loans	3,000,000.00	Aaa	AAA	AAA
Mississippi County Ark.	4,450,000.00	n/a	A+/A-1	n/a
Educational FDG Of The South	2,500,000.00	Aaa	AAA	AAA
Illinois Student Loans	2,000,000.00	Aaa	n/a	AAA
Federal Home Loan Mtg Corp	1,548,713.50	Aaa	AAA	n/a
Federal Home Loan Bank	1,441,835.45	Aaa	AAA	n/a
Federal Home Loan Mtg Corp	826,516.40	Aaa	AAA	n/a
Federal Home Loan Mtg Corp	2,049,512.50	Aaa	AAA	AAA
Federal Natl Mtg Assn Strips	417,022.75	Aaa	AAA	n/a
SLM Student Loan Trust	2,500,000.00	Aaa	AAA	AAA
SLM Student Loan Trust	5,000,000.00	Aaa	AAA	AAA
Union Financial Taxable S.L.	2,300,000.00	Aaa	AAA	n/a
Nel-Net Taxable Student Loans	5,000,000.00	Aaa	AAA	n/a
Nel-Net Taxable Student Loans	5,000,000.00	n/a	AAA	AAA
Educational Funding South	1,600,000.00	Aaa	AAA	n/a
Federal Home Loan Bank	5,808,780.00	Aaa	AAA	n/a
Federal Home Loan Bank	2,948,430.00	Aaa	AAA	n/a
Federal Home Loan Bank	2,953,140.00	Aaa	AAA	n/a
Federal National Mortgage Assn	5,820,000.00	Aaa	AAA	AAA
U.S Treasury Stripped Bonds	41,322.00	n/a	AAA	n/a
Vanguard Fxd Inc Sec Sh Tm	8,118,961.10	n/a	n/a	n/a
Total	$84,233,657.70			

Custodial Credit Risk – The University investments are all in the name of the University. Therefore, the custodial risk is limited.

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.

The following investments comprise more than 5% of the total investments portfolio as of June 30, 2007 and 2006:

June 30, 2007:

Instrument	Fair Market Value
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	$35,457,281.03

June 30, 2006:

Instrument	Fair Market Value
Mississippi County Ark.	$ 4,450,000
Nel-Net Taxable Student Loans	5,000,000
Nel-Net Taxable Student Loans	5,000,000
SLM Student Loan Trust	5,000,000
Greenpoint Taxable	5,050,049
Federal Home Loan Bank	5,808,780
Federal National Mortgage Assn	5,820,000
Nel-Net Taxable Student Loans	6,000,000
Vanguard Fxd Inc Sec Sh Tm	8,118,961
Total	$ 50,247,790

(3) Accounts Receivable:

Accounts receivable consist of the following, as of June 30, 2007 and 2006:

	2007	2006
Sponsor accounts	$ 4,253,201	$ 5,359,592
Student accounts	9,837,703	13,015,906
Charter school appropriation	4,792,879	4,488,362
Third party tuition	748,519	685,444
Other	2,420,460	2,106,913
	22,052,762	25,656,217
Less allowances for possible collection losses	(2,545,966)	(2,987,288)
Accounts receivable, net	$ 19,506,796	$ 22,668,929

In addition, the University has student loans receivable of $10,919,506 and $11,304,304 net of the related allowance of $358,666 for both June 30, 2007 and 2006.

(4) Capital Assets:

Capital assets consist of the following as of June 30, 2007 and 2006:

	2006	Additions/ Transfers	Retirements/ Transfers	2007
Land	$ 10,589,978	$ -	$ -	$ 10,589,978
Construction-in-progress	39,269,271	9,915,353	(39,269,271)	9,915,353
Total Nondepreciable	49,859,249	9,915,353	(39,269,271)	20,505,331
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
Equipment	120,934,811	8,108,021	(19,584,354)	109,458,478
Total Depreciable	485,504,911	55,141,335	(19,584,354)	521,061,892
	535,364,160	65,056,688	(58,853,625)	541,567,223
Accumulated depreciation	(224,519,308)	(17,040,470)	19,514,733	(222,045,045)
	$ 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.

Capital assets consist of the following as of June 30, 2006 and 2005:

	2005	Additions/ Transfers	Retirements/ Transfers	2006
Land	$ 10,589,978	$ -	$ -	$ 10,589,978
Construction-in-progress	12,195,863	39,269,271	(12,195,863)	39,269,271
Total Nondepreciable	22,785,841	39,269,271	(12,195,863)	49,859,249
Infrastructure	30,022,625	948,490	-	30,971,115
Leasehold improvements	3,408,874	-	-	3,408,874
Buildings	329,208,977	1,642,484	(661,350)	330,190,111
Equipment	116,561,646	6,202,342	(1,829,177)	120,934,811
Total Depreciable	479,202,122	8,793,316	(2,490,527)	485,504,911
	501,987,963	48,062,587	(14,686,390)	535,364,160
Accumulated depreciation	(211,207,525)	(15,528,664)	2,216,881	(224,519,308)
	$ 290,780,438	$ 32,533,923	$ (12,469,509)	$ 310,844,852

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

Classification	Life
Infrastructure	12 to 60 years
Leasehold improvements	12 to 20 years
Buildings	40 to 60 years
Equipment	5 to 10 years

The University has encumbrances of $2,481,303 on various construction projects in progress as of June 30, 2007.

(5) Long-term Debt:

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

	Interest Rates	Maturity	2006	Additions	Retirements/ Retirements	2007
			Outstanding Principal			
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

Long-term debt consists of the following as of June 30, 2006 and 2005:

	Interest Rates	Maturity	2005	Additions	Retirements/ defeasance	2006
Refunding Bonds of 2006	variable	2007-2036	$ -	$85,680,000	$ -	$ 85,680,000
Refunding Bonds of 2003A	2.00 - 5.00	2006-2014	53,000,000	-	45,635,000	7,365,000
General Revenue Bonds of 2002B	3.00-5.00	2006-2013	6,395,000	-	4,835,000	1,560,000
General Revenue Bonds of 2002A	5.8	2006-2014	15,485,000	-	1,980,000	13,505,000
General Revenue Bonds of 2001	variable	2006-2027	40,620,000	-	85,000	40,535,000
General Revenue Bonds of 2000B	4.50-5.875	2006-2011	12,095,000	-	10,665,000	1,430,000
General Revenue Bonds of 2000	5.00-6.00	2006-2024	7,260,000	-	3,050,000	4,210,000
General Revenue Bonds of 1997	3.60-5.50	2006	100,000	-	100,000	-
Bank One	4.96	2006	541,750	-	541,750	-
			135,496,750	85,680,000	66,891,750	154,285,000
Less current portion long-term debt			4,461,750			4,830,000
Long-term debt			$ 131,035,000			$149,455,000

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 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 swap is June 1, 2036. At June 30, 2007, the total notional principal amount outstanding under this agreement was $84,785,000. The refunding resulted in a reduction of total debt service payments of approximately $10.2 million and an economic gain (difference between the present values of the debt service payments on the old and new debt) of $6,591,394. Bond issuance costs of $511,660 and $6,450,709 in escrow for future interest expenses net of accumulated amortization of $17,055 and $215,024, respectively, at June 30, 2007, for the 2006 bonds are included in capitalized bond expenses, net in the accompanying financial statements.

Based on the swap agreement, the University owes interest calculated at a fixed rate of 3.317% to the counterparty to the swap. In return, the counterparty owes the University interest based on 62% of the London Interbank Offered Rate (LIBOR) rate 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 swap agreement, the University effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The University will be exposed to variable rates only if the counterparty to the swap defaults or if the swap is terminated. The University can terminate the swap at its sole option, on any date after June 1, 2013. A termination of the swap agreement may also result in the University paying or receiving a termination payment. When the swap was initiated, the University neither received a payment from nor made a payment to the counterparty.

The 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, 2007, the variable interest rate was 3.91%, whereas 62 percent of one-month LIBOR plus 20 basis points was 3.498%.

As of June 30, 2007, the swap agreement had a mark to market fair value of approximately $3,250,000. The swap counterparty was rated Aa3 and A+ by Moody's and Standard & Poor's, respectively, as of June 30, 2007.

If the University's credit rating falls below A3, and of the fair value of the swap exceeds ($10,000,000), the University will be obliged to collateralize the fair value of the 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 swap if the other party fails to perform under the terms of the contract. If the 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 swap's fair value, if it is negative.

Using rates as of June 30, 2007, debt service requirements of the variable rate debt associated with the 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.

Variable Rate Bonds Associated with 2006 Bonds Swap Agreement

Fiscal Year	Principal	Interest	Interest Rate Swaps-Net	Total
2008	690,000	3,315,094	(153,461)	3,851,633
2009	725,000	3,288,115	(152,212)	3,860,903
2010	755,000	3,259,767	(150,900)	3,863,867
2011	770,000	3,230,247	(149,533)	3,850,714
2012	1,400,000	3,200,140	(148,139)	4,452,001
2013-2017	11,940,000	14,975,300	(693,230)	26,222,070
2018-2022	16,600,000	12,059,027	(558,231)	28,100,796
2023-2027	18,860,000	8,773,063	(406,119)	27,226,944
2028-2032	25,940,000	4,501,388	(208,376)	30,233,012
2033-2036	7,105,000	1,206,437	(55,848)	8,255,589
Totals	84,785,000	57,808,578	(2,676,049)	139,917,529

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 Union building. 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, 2007, 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, 2007, 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, 2007, are included in capitalized bond expenses, net in the accompanying financial statements.

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 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 swap is

June 1, 2027. At June 30, 2007, the total notional principal amount outstanding under this agreement was $40,340,000.

Based on the 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 Bond Market Association (BMA) 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 bonds, however, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The University will be exposed to variable rates only if the counterparty to the swap defaults or if the swap is terminated. The University can terminate the swap at its sole option, on any date after December 1, 2006. A termination of the swap agreement may also result in the University paying or receiving a termination payment. When the swap was initiated, the University received a payment from the counterparty of $1,236,618. Bond issuance costs of $361,027 and $1,187,007 net of accumulated amortization of $68,767 and $1,187,007 at June 30, 2007, for the 2001 and 1997 Bonds, respectively, are included in capitalized bond expenses, net in the accompanying financial statements.

The swap exposes the University to basis risk should the relationship between LIBOR and the variable interest rate on the bonds diverge, changing the effective synthetic rate of the bonds. As of June 30, 2006, the variable interest rate was 3.91 percent, whereas 68 percent of one-month LIBOR was 3.618 percent. The University is also subject to basis risk if the rate on the bonds diverges from the BMA Index. As of June 30, 2007, the BMA Index rate was 3.73%.

As of June 30, 2007, the swap agreement had a mark to market fair value of approximately $3,060,000. The swap counterparty was rated Aaa and AAA by Moody's and Standard & Poor's, respectively, as of June 30, 2007.

If the University's credit rating falls below A3, and if the fair value of the swap exceeds ($2,000,000), the University will be obliged to collateralize the fair value of the 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 swap if the other party fails to perform under the terms of the contract. If the 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 swap's fair value, if it is negative.

Using rates as of June 30, 2006, debt service requirements of the variable rate debt associated with the 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.

Fiscal Year	Principal	Interest	Interest Rate Swaps-Net	Total
2008	200,000	1,577,294	444,547	2,221,841
2009	205,000	1,569,474	442,343	2,216,817
2010	210,000	1,561,459	440,084	2,211,543
2011	220,000	1,553,248	437,770	2,211,018
2012	225,000	1,544,646	435,345	2,204,991
2013-2017	8,425,000	7,213,950	2,033,190	17,672,140
2018-2022	13,565,000	5,022,982	1,415,684	20,003,666
2023-2027	17,290,000	2,093,414	590,011	19,973,425
Totals	40,340,000	22,136,467	6,238,974	68,715,441

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 $16,429 at June 30, 2007 are included in capitalized bond expenses, net in the accompanying financial statements.

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 $48,674 at June 30, 2007 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, 2007 and 2006, the aggregate amount of outstanding principal on all bonds which have been defeased is $62,484,390 and $102,707,732, 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:

	Principal	Interest	Total
2008	4,665,000	6,158,733	10,823,733
2009	4,865,000	5,930,179	10,795,179
2010	4,800,000	5,699,908	10,499,908
2011	4,600,000	5,468,479	10,068,479
2012	4,830,000	5,252,630	10,082,630
2013 - 2017	25,300,000	22,991,403	48,291,403
2018 - 2022	30,860,000	17,235,302	48,095,302
2023 - 2027	36,490,000	10,533,081	47,023,081
2028 – 2032	25,940,000	3,956,515	29,896,515
2033 – 2036	7,105,000	474,814	7,579,814
Total	$ 149,455,000	$ 83,701,044	$ 233,156,044

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	-
Totals	$ 9,431,972	$ 1,731,325	$ 7,700,647

Capitalized Bond Expenses, Net as of June 30, 2006 include:

Series	Capitalized Amount	Accumulated Amortization	Capitalized Bond Expenses, Net
2006	$ 6,450,709	$ -	$ 6,450,709
2006	511,660	-	511,660
2003	241,385	28,162	213,223
2002A	285,616	42,842	242,774
2002B	185,556	27,833	157,723
2001	361,027	54,154	306,873
2000A	63,145	13,681	49,464
2000B	145,867	26,743	119,124
1997	1,187,007	1,187,007	-
Totals	$ 9,431,972	$ 1,380,422	$ 8,051,550

(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 is being 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 $5,289,000, $5,242,000, and $4,798,000 for the years ended June 30, 2007, 2006, and 2005, 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, 2007, 2006, and 2005 the University contributed approximately $10,114,000, $9,447,000, and $9,454,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contribution under the TIAA-CREF plan.

In addition, the University provides post-retirement health care benefits to certain eligible retirees. The benefits are provided through a reimbursement of insurance premiums paid by such eligible retirees. The University recognizes the cost of providing these benefits on a pay-as-you-go basis. Expenses incurred for the years ended June 30, 2007, 2006, and 2005 were approximately $111,000, $111,000, and $98,000, respectively.

Certain organizations are required to record the estimated present value of post-retirement benefits as a liability in their financial statements. The University is not required to do so at this time. Based on actuarial assumptions and presuming a continuation of the current level of benefits, the value of those benefits is estimated at $4.8 million.

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 $4,440,000 and $2,126,000 as of June 30, 2007 and 2006, respectively. Approximately $400,000 is included in accrued payroll, taxes, and fringe benefits for the years ended June 30, 2007 and 2006, respectively. The remaining portion is included in accrued compensated absences.

(7) Contingencies and Commitments:

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

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

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

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits. Liabilities for estimates of losses retained by the University under MUSIC and reserves for claims incurred but not reported under self-insurance programs have been established.

(8) Related Party Transactions:

The Foundation, located in Ypsilanti, Michigan, is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundation's financial information in the University's financial reporting entity for these differences.

The Foundation is a legally separate, tax-exempt component unit of the University that acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its students and programs. The Foundation receives, holds, invests, and administers funds for the purpose of contributing to and making expenditures on behalf of the University. The board of the Foundation is self-perpetuating and consists of alumni and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the university and is discretely presented in the University's financial statements. In order to support fund-raising activities on behalf of the University, the University will pay to the Foundation an amount to be determined annually. For the years ended June 30, 2007 and 2006, the amounts paid to the Foundation were approximately $2,456,000 and $2,178,000, respectively for support and related expenses.

As of June 30, 2007 and 2006, assets totaling $56,792,919 and $50,664,915, respectively, are held by the Foundation. Amounts recognized, both cash and in-kind, to the University from the Foundation are included in gifts and capital gifts in the accompanying University financial statements and totaled $3,267,205 and $3,676,595 at June 30, 2007 and 2006, respectively.

Fund-raising efforts of the Foundation result in both currently collectible gifts and pledged gifts for the benefit of the University that are recorded as revenue in the Foundation's financial statements but are collectible over a period of years. The Foundation's fund-raising efforts also result in current gifts made directly to the University that are not reported as contributions by the Foundation. Total fund-raising collections for the year June 30, 2007 and 2006 were as follows:

NOTES TO FINANCIAL STATEMENTS
(continued)

Fundraising:

	2007	2006
Accrual basis contribution revenue	$ 4,108,379	$ 5,836,096
Gifts-in-kind made directly to University	357,844	1,128,757
Current collections on deferred gifts in excess of gift deferrals and amortization	(452,086)	457,585
Current collections on split-interest agreements in excess of recorded revenue	40,744	6,059
Gifts deposited directly at University	147,566	17,946
Total fund-raising collections	$ 4,202,447	$ 7,446,443

Fundraising Expenses:

Fund raising expenses are made up of the following:

	2007	2006
Gifts and Records	$ 669,038	$ 612,930
Other fundraising	2,221,938	1,574,323
	$ 2,890,976	$ 2,187,253

The Foundation includes Eagle Crest Management Corporation (ECMC), a wholly owned for-profit subsidiary of the Foundation, which was incorporated for the purpose of providing food and beverage and other management services. Effective July 1, 2006 and July 1, 2001, the University renegotiated its 1995 joint operating agreement with the Foundation, resulting in separate operating agreements with the Foundation and ECMC, respectively. Under the agreement between ECMC and the University, ECMC continues to have the responsibility for the management of the Eagle Crest Golf Club and Eagle Crest Conference Center.

The Foundation also includes Planned Real Estate Corporation (PREC), a wholly owned nonprofit subsidiary of the Foundation, which was incorporated as a title holding company for the purpose of owning and managing real estate donated to the Foundation.

(9) - New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions, in 2004.

Statement No. 45 establishes standards for the measurement, recognition, and display of other postretirement benefits (OPEB) and related liabilities, note disclosures, and if applicable, required supplementary information for other plans in which the University participates. GASB 45 will be effective for the University for the year ending June 30,

2008. The University is beginning to assess how this standard will affect future financial statements.

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.

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Note 10 – Nature of Business and Significant Accounting Policies

Significant accounting policies for the Foundation are as follows:

Principles of Consolidation – The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, ECMC and PREC. All significant inter-company transactions have been eliminated in the consolidation.

Classification of Net Assets – Net assets of the Foundation are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings and unrealized and realized gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Contributions – Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. Contributions received with donor-imposed time or purpose restrictions are reported as restricted revenue. All other contributions are reported as unrestricted revenue.

Cash Equivalents – The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Inventory – Inventory is carried at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

Investments – Investments in government and corporate debt and equity securities are stated at current quoted market value. Investments in partnerships, for which a quoted market value is not available, are stated at fair value as determined by the general partner. The real estate holding is recorded at its appraised value. Investments in land are reported at cost, which approximates market. Purchases and sales of investments are recorded as of the trade date. Gain or loss on the sale of investments is computed using the average cost method. Investment income is recorded on the accrual basis and is reported in the consolidated statement of activities and changes in net assets, net of related expenses. These expenses amounted to approximately $432,317 and $383,109 in 2007 and 2006, respectively.

Endowed funds use an investment pool approach, under which each restricted-purpose endowment has a specific unit interest based on its capital contributions to the pool. Income earned in the pool is allocated quarterly to unrestricted funds for general operations and to the individual endowments in proportion to the unit interests as of the end of the quarter. Gains and losses from the sale of pooled investments and unrealized gains and losses on investments held are allocated in the same manner.

Accounts Receivable – Accounts receivable consists primarily of amounts due to ECMC for providing food and beverage and other management services and is presented net of an allowance for uncollectible accounts of $2,500 for both 2007 and 2006. The allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that the determination is made.

Contributions Receivable – Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Life Insurance Cash Surrender Value – The Foundation is the owner of certain life insurance policies on various donors who have named the Foundation as beneficiary.

Property and Equipment – Property and equipment are recorded at cost when purchased and at estimated fair market value when donated. Depreciation on property and equipment is provided on a straight-line or accelerated basis over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2007 amounted to $119,923 and $140,661 in 2007 and 2006, respectively.

Split-interest Agreements – The Foundation is remainder beneficiary of several charitable annuity and unitrusts. In 2007, required distributions to other beneficiaries ranged from 5 percent to 11.9 percent of gift or market value, as defined by each agreement. The discount rates used to calculate the present value range from 3.2 percent to 10 percent in 2007 and 2006.

Tax Status – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. PREC is exempt from federal income taxes under Section 501(c) (2) of the United States Internal Revenue Code. ECMC is subject to federal income taxes and accounts for them in accordance with SFAS No. 109, *Accounting for Income Taxes*. Total federal income tax expense on ECMC income was $16,600 and $87,495 in 2007 and 2006, respectively. Deferred taxes are immaterial.

Fund-Raising – Fund-raising costs are charged to expense as incurred. The majority of all development activities for the benefit of the University and the Foundation are conducted by the Foundation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note consolidation – Foundation notes "Fund-raising Collections" and "Fund-raising Expenses" have been consolidated into University Note 8, "Related Party Transactions".

Note 11 – Contributions Receivable

Included in contributions receivable are the following unconditional promises to give at June 30, 2007 and 2006:

Contributions Receivable:

	2007	2006
Gross contributions promised	$ 1,141,640	$ 537,196
Less allowance for uncollectibles	(280,508)	(177,290)
Subtotal	861,132	359,906
Less unamortized discount	(147,609)	(98,469)
Net unconditional promises to give	$ 713,523	$ 261,437
Amounts due in:		
Less than one year	$ 388,282	$ 240,605
One to five years	708,858	261,691
More than five years	44,500	34,900
Total	$ 1,141,640	$ 537,196

Note 12- Property and Equipment

The following is a summary of property and equipment at June 30, 2007 and 2006:

	2006	Net Additions/ (Depreciation)	2007
Building	$ 2,125,871	$ -	$ 2,125,871
Land improvements	50,383	-	50,383
Equipment and software	1,771,632	78,468	1,850,100
Total	3,947,886	78,468	4,026,354
Less accumulated depreciation	(1,777,321)	(119,923)	(1,897,244)
Net carrying amount	$ 2,170,565	$ (41,455)	$ 2,129,110

Note 13-Investments

The following is a summary of all investments held as of June 30, 2007 and 2006, including investments held under split-interest agreements:

	2007 Market	2006 Market
Foundation:		
U.S. government securities	$ 5,135,027	$ 4,424,762
Corporate stock securities	36,818,555	34,120,466
Mutual funds	2,208,438	633,235
Corporate bonds	3,883,505	3,822,231
Venture capital partnership	15,658	25,003
Real estate holding	55,000	55,000
Total Foundation	48,116,183	43,080,697
ECMC - Land	595,000	595,000
Consolidated Total	$ 48,711,183	$ 43,675,697

Net realized and unrealized gains in the accompanying consolidated financial statements have been offset with related losses. Investment income for the year ended June 30, 2007 and 2006 is as follows:

	2007	2006
Dividend and interest income	$ 1,082,237	$ 893,825
Realized gains (losses) - Net	2,675,324	2,353,372
Net realized income and (losses)	3,757,561	3,247,197
Net unrealized gain	2,714,343	1,033,084
Total investment income	$ 6,471,904	$ 4,280,281

Note 14-Mortgages Payable

Mortgages as of June 30, 2007 and 2006 are as follows:

	Interest Rates	Maturity	2006	Additions	Retirements/ defeasance	2007
Unrelated third party Foundation	5.25%	2009	$ 2,031,499	$ -	$ -	$ 2,031,499
Unrelated third party ECMC	6.25%	2007-2009	203,754	-	21,525	182,229
		Totals	$ 2,235,253	$ -	$ 21,525	$ 2,213,728

In 2005, the Foundation entered a mortgage agreement with an unrelated third party and collateralized the obligation with real estate. Monthly interest-only payments at 5.25% are made with a final balloon payment due June 2009.

In 1999, ECMC entered a mortgage agreement with an unrelated third party and collateralized the obligation with real estate. Monthly payments of $2,803 including interest at 6.25% are made with a final balloon payment due June 2009.

The scheduled future principle payments of the mortgages are as follows:

Years Ending June 30	Amount
2008	22,898
2009	2,190,830
	$ 2,213,728

Total mortgage interest expense for the year ended June 30, 2007 was approximately $119,000.

Note 15-Net Assets

Unrestricted net assets consist of the following:	2007	2006
Designated to support underfunded University priorities - Endowments that support scholarships, academic programs, and departments:		
Funds functioning as endowments for specific purposes	$ 298,128	$ 205,162
Funds not yet allocated	138,753	154,399
Total designated	436,881	359,561
Undesignated:		
Net equity of ECMC	1,175,991	1,116,177
Foundation operations	590,278	745,337
Total undesignated	1,766,269	1,861,514
Total unrestricted net assets	$ 2,203,150	$ 2,221,075

Temporarily restricted net assets are available for the following purposes:

Purpose-restricted:	2007	2006
Scholarships	$ 11,420,193	$ 9,428,965
Specific program use	9,425,755	7,496,546
Time-restricted:		
Annuity trust agreements	796,310	731,866
Total	$ 21,642,258	$ 17,657,377

Permanently restricted net assets are endowments invested in perpetuity, the income from which is expendable for distributions to the University for scholarships and other programs.

Note 16-Defined Contribution Plans

The Foundation sponsors a defined contribution 403(b) plan for all eligible full-time employees, as defined. Employees may make elective contributions to the 403(b) plan in accordance with IRS regulations. The Foundation may make contributions to the 403(b) plan up to 6 percent of the employees' base salaries. In 2007 and 2006, the Foundation contributed 6 percent of the employees' base salaries.

ECMC sponsors a defined contribution 401(k) plan for all eligible full-time employees, as defined. The employees may make elective contributions to the 401(k) plan in accordance with IRS regulations. In 2007 and 2006, the ECMC contributed 5 percent of the employees' base salaries.

Total contributions to the plans were approximately $93,000 and $87,000 in 2007 and 2006, respectively.

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Report of Independent Auditors on Supplemental Information

To the Board of Regents of
Eastern Michigan University

The report on our audit of the financial statements of Eastern Michigan University (the "University") as of June 30, 2007 and 2006, and for the years then ended, appears on page 1 of this document. These audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary 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 supplementary schedules are presented only for purposes 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 audit 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.

September xx, 2007

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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	$ 19,360,875	$ 8,939,269	$ 4,246,032
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	9,486,127	5,862,985
Noncurrent assets:			
Student loans receivable, net	-	-	-
Long-term investments	-	-	-
Capital assets, net	-	-	-
Capitalized bond expenses, net	-	-	-
Total noncurrent assets	-	-	-
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	-	-	-
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	-	-	-
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.

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Consolidated Total
$ 468,496	$ 1,325,649	$ 27,299,228	$ 1,075,185	$ 62,714,734
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
9,446,075	1,667,158	28,291,604	1,075,185	89,939,458
-	10,919,506	-	-	10,919,506
-	-	17,822,886	-	17,822,886
-	-	319,522,178	-	319,522,178
-	-	7,700,647	-	7,700,647
-	10,919,506	345,045,711	-	355,965,217
$ 9,446,075	$ 12,586,664	$ 373,337,315	$ 1,075,185	$ 445,904,675
$ -	$ -	$ 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
5,185,888	-	10,438,660	1,075,185	46,761,643
7,675	-	-	-	4,062,204
-	-	144,790,000	-	144,790,000
-	-	-	-	-
7,675	-	144,790,000	-	148,852,204
$ 5,193,563	$ -	$ 155,228,660	$ 1,075,185	$ 195,613,847
$ -	$ -	$ 170,067,178	$ -	$ 170,067,178
4,252,512	12,586,664	18,069,499	-	34,908,675
		-	-	
-	-	29,971,978	-	41,299,783
-	-	-	-	4,015,192
$ 4,252,512	$ 12,586,664	$ 218,108,655	$ -	$ 250,290,828

The accompanying notes are an integral part of this schedule.

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BY FUND
as of June 30, 2007

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	General Fund	Designated Fund	Auxiliary Fund
OPERATING REVENUES			
Student tuition and fees	$ 159,142,455	$ 1,213,503	$ (15,912)
Scholarship allowances	-	-	-
Net student tuition and fees	159,142,455	1,213,503	(15,912)
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	162,131,357	6,614,917	31,385,364
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	226,534,492	8,419,578	30,763,296
Operating income (loss)	(64,403,135)	(1,804,661)	622,068
NONOPERATING REVENUES (EXPENSES)			
State appropriations	69,169,835	-	-
Gifts	-	1,580,845	-
Investment income	2,057,474	1,080,408	456,041
Interest expense	-	-	-
Other	-	-	-
Net nonoperating revenues before transfers & capital items	71,227,309	2,661,253	456,041
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	(12,234,607)	(8,537,474)	(1,978,728)
Capital grants and gifts	-	-	-
Total net nonoperating revenues (expenses)	58,992,702	(5,876,221)	(1,522,687)
Increase (Decrease) in net assets	(5,410,433)	(7,680,882)	(900,619)
NET ASSETS, beginning of year	9,425,625	16,800,997	3,108,309
NET ASSETS, end of year	$ 4,015,192	$ 9,120,115	$ 2,207,690

The accompanying notes are an integral part of this schedule.

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
$ 764,887	$ -	$ -	$ -	$ 161,104,933
-	-	-	(18,614,716)	(18,614,716)
764,887	-	-	(18,614,716)	142,490,217
6,891,485	165,903	-	-	7,057,388
13,993,410	-	-	-	13,993,410
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
27,683,892	216,000	247,564	(21,122,218)	207,156,876
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
30,296,936	374,459	15,727,712	(21,122,218)	290,994,255
(2,613,044)	(158,459)	(15,480,148)	-	(83,837,379)
-	-	-	-	69,169,835
1,571,309	-	776	-	3,152,930
-	164,816	1,302,012	-	5,060,751
-	-	(6,113,602)	-	(6,113,602)
199,378	-	2,061	-	201,439
1,770,687	164,816	(4,808,753)	-	71,471,353
-	-	10,432,980	-	-
274,020	-	-	-	-
(289,465)	-	12,333,274	-	-
(15,445)	-	22,766,254	-	-
-	-	114,276	-	114,276
1,755,242	164,816	18,071,777	-	71,585,629
(857,802)	6,357	2,591,629	-	(12,251,750)
5,110,314	12,580,307	215,517,026	-	262,542,578
$ 4,252,512	$ 12,586,664	$ 218,108,655	$ -	$ 250,290,828

The accompanying notes are an integral part of this schedule.

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET ASSETS
BY FUND
as of June 30, 2006

	General Fund	Designated Fund	Auxiliary Activities Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ 10,337,065	$ 14,505,231	$ 5,894,154
Accounts receivable, net	11,743,314	467,713	261,265
Appropriation receivable	13,846,184	-	-
Inventories	414,871	-	480,506
Deposits and prepaid expenses	166,808	50,471	120,359
Accrued interest receivable		251,195	-
Total current assets	36,508,242	15,274,610	6,756,284
Noncurrent assets:			
Student loans receivable, net	-	-	-
Long-term investments	-	2,037,922	-
Capital assets, net	-	-	-
Capitalized bond expenses, net	-	-	-
Total noncurrent assets	-	2,037,922	-
Total assets	$ 36,508,242	$ 17,312,532	$ 6,756,284
LIABILITIES			
Current liabilities:			
Current portion of long-term debt	$ -	$ -	$ -
Accounts payable and accrued liabilities	2,385,904	207,006	991,969
Accrued payroll	8,603,881	128,003	559,224
Payroll taxes and accrued fringe benefits	6,968,720	25,624	519,200
Unearned fees and deposits	4,522,828	150,472	652,441
Insurance and other claims payable	3,014,018	-	807,420
Total current liabilities	25,495,351	511,105	3,530,254
Noncurrent liabilities:			
Accrued compensated absences	1,587,266	430	117,721
Long-term debt	-	-	-
Long-term unearned fees and deposits	-	-	-
Total noncurrent liabilities	1,587,266	430	117,721
Total liabilities	$ 27,082,617	$ 511,535	$ 3,647,975
NET ASSETS			
Invested in capital assets, net of related debt	$ -	$ -	$ -
Restricted, expendable	-	-	-
Unrestricted			
Designated	4,959,040	16,800,997	3,108,309
Undesignated	4,466,585	-	-
Total net assets	$ 9,425,625	$ 16,800,997	$ 3,108,309

The accompanying notes are an integral part of this schedule

DRAFT

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Consolidated Total
$ 203,610	$ 888,043	$ 31,994,261	$ 1,854,090	$ 65,676,454
9,779,226	387,578	29,833	-	22,668,929
-	-	-	-	13,846,184
-	-	-	-	895,377
-	-	874,591	-	1,212,229
-	382	220,753	-	472,330
9,982,836	1,276,003	33,119,438	1,854,090	104,771,503
-	11,304,304	-	-	11,304,304
-	-	26,218,622	-	28,256,544
-	-	310,844,852	-	310,844,852
-	-	8,051,550	-	8,051,550
-	11,304,304	345,115,024	-	358,457,250
$ 9,982,836	$ 12,580,307	$ 378,234,462	$ 1,854,090	$ 463,228,753
$ -	$ -	$ 4,830,000	$ -	$ 4,830,000
4,557,577	-	7,992,436	2,935	16,137,827
259,812	-	-	-	9,550,920
38,310	-	-	-	7,551,854
9,148	-	220,000	1,851,155	7,406,044
-	-	-	-	3,821,438
4,864,847	-	13,042,436	1,854,090	49,298,083
7,675	-	-	-	1,713,092
-	-	149,455,000	-	149,455,000
-	-	220,000	-	220,000
7,675	-	149,675,000	-	151,388,092
$ 4,872,522	$ -	162,717,436	$ 1,854,090	$ 200,686,175
$ -	$ -	156,559,852	$ -	$ 156,559,852
5,110,314	12,580,307	32,226,031	-	49,916,652
	-	-	-	
-	-	26,731,143	-	51,599,489
-	-	-	-	4,466,585
$ 5,110,314	$ 12,580,307	$ 215,517,026	$ -	$ 262,542,578

The accompanying notes are an integral part of this schedule

EASTERN MICHIGAN UNIVERSITY

DRAFT

SCHEDULE OF
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BY FUND
as of June 30, 2006

	General Fund	Designated Fund	Auxiliary Fund
OPERATING REVENUES			
Student tuition and fees	$ 133,743,672	$ 19,991,470	$ 94,796
Scholarship allowances	-	-	-
Net student tuition and fees	133,743,672	19,991,470	94,796
Federal grants and contracts	-	-	-
Federal financial aid	-	-	-
State grants and contracts	-	-	-
State financial aid	-	-	-
Nongovernmental grants and contracts	-	54,017	-
Departmental activities	136,781	5,612,899	-
Auxiliary activities, net	-	-	33,211,835
Indirect cost recovery (deduction)	526,870	631,989	-
Other	845,052	-	-
Total operating revenues	135,252,375	26,290,375	33,306,631
OPERATING EXPENSES			
Instruction	96,979,449	1,377,136	-
Research	1,122,157	518,754	-
Public service	2,365,839	1,820,247	-
Academic support	19,075,165	1,115,825	-
Student services	18,496,006	5,054,315	-
Institutional support	29,948,715	3,666,872	-
Scholarships and fellowships	18,069,356	9,634	-
Operation and maintenance of plant	17,038,297	168,633	-
Auxiliary activities, net	-	-	30,836,519
Depreciation	-	-	-
Capital additions, net	3,415,980	228,619	118,914
Other	-	-	-
Total operating expenses	206,510,964	13,960,035	30,955,433
Operating income (loss)	(71,258,589)	12,330,340	2,351,198
NONOPERATING REVENUES (EXPENSES)			
State appropriations	76,764,820	-	-
Gifts	-	1,380,149	-
Investment income	-	2,138,629	-
Interest expense	-	-	-
Other	-	-	-
Net nonoperating revenues before transfers & capital items	76,764,820	3,518,778	-
TRANSFERS IN (OUT)			
Mandatory:			
Funds for debt service	(3,014,668)	(3,691,764)	(2,532,424)
Matching funds	(250,939)	-	-
Perkins match	-	-	-
Non-mandatory:			
Other	(1,989,859)	(10,638,422)	(282,045)
Total transfers	(5,255,466)	(14,330,186)	(2,814,469)
Capital grants and gifts	-	-	-
Total net nonoperating revenues (expenses)	71,509,354	(10,811,408)	(2,814,469)
Increase in net assets	250,765	1,518,932	(463,271)
NET ASSETS, beginning of year as restated	9,174,860	15,282,065	3,571,580
NET ASSETS, end of year	$ 9,425,625	$ 16,800,997	$ 3,108,309

The accompanying notes are an integral part of this schedule.

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
$ 709,286	$ -	$ -	$ -	$ 154,539,224
-	-	-	(16,348,058)	(16,348,058)
709,286	-	-	(16,348,058)	138,191,166
6,112,476	146,587	-	-	6,259,063
13,631,569	-	-	-	13,631,569
448,878	-	-	-	448,878
3,249,840	-	-	-	3,249,840
5,133,674	-	-	-	5,187,691
-	-	270,363	-	6,020,043
-	-	-	(2,973,670)	30,238,165
(1,158,859)	-	-	-	-
414,535	152,297	378,238	-	1,790,122
28,541,399	298,884	648,601	(19,321,728)	205,016,537
380,713	-	-	-	98,737,298
3,567,320	-	-	-	5,208,231
6,698,423	-	-	-	10,884,509
578,455	-	-	-	20,769,445
48,604	-	-	-	23,598,925
207,950	-	-	-	33,823,537
17,046,733	-	-	(16,348,058)	18,777,665
-	-	5,534,364	-	22,741,294
-	-	-	(2,973,670)	27,862,849
-	-	15,528,664	-	15,528,664
654,209	-	(4,417,722)	-	-
-	357,411	-	-	357,411
29,182,407	357,411	16,645,306	(19,321,728)	278,289,828
(641,008)	(58,527)	(15,996,705)	-	(73,273,291)
-	-	-	-	76,764,820
1,947,310	-	120,056	-	3,447,515
-	128,842	1,135,884	-	3,403,355
-	-	(6,245,093)	-	(6,245,093)
207,550	-	450,539	-	658,089
2,154,860	128,842	(4,538,614)	-	78,028,686
-	-	9,238,856	-	-
250,939	-	-	-	-
-	-	-	-	-
199,721	-	12,710,605	-	-
450,660	-	21,949,461	-	-
-	-	229,080	-	229,080
2,605,520	128,842	17,639,927	-	78,257,766
1,964,512	70,315	1,643,222	-	4,984,475
3,145,802	12,509,992	213,873,804	-	257,558,103
$ 5,110,314	$ 12,580,307	$ 215,517,026	$ -	$ 262,542,578

The accompanying notes are an integral part of this schedule.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE 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.*

Audit Report Date

Business and Finance Committee
Eastern Michigan University
Ypsilanti, Michigan

We have recently completed our audit of the financial statements of Eastern Michigan University for the year ended June 30, 2007. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the Business and Finance Committee and management of Eastern Michigan University.

Auditor's Responsibility Under Generally Accepted Auditing Standards

We conducted our audit of the general purpose financial statements of Eastern Michigan University in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Business and Finance Committee
Eastern Michigan University

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Auditor's Responsibility for Testing and Reporting on Internal Controls and Compliance with Laws and Regulations

In the audit process, we gain an understanding of the internal control structure of an entity as well as the laws and regulations having a direct and material affect on the entity for the purpose of assisting in determining the nature, timing and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions and observation and review of company documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the entity's internal control structure or the entity's compliance with laws and regulations.

The limited purpose of these tests in a financial statement audit may not meet the needs of some users of auditors' reports who require additional information on internal controls and on compliance with laws and regulations. To meet certain audit report users' needs, laws and regulations often prescribe testing and reporting on internal controls and compliance to supplement the financial statement audit's coverage of these areas. In accordance with regulatory requirements covering federal awards, supplemental testing of and reporting on internal controls and compliance was performed. Nevertheless, even after performing and reporting the results of these additional tests of internal controls and compliance required by laws and regulations, some reasonable needs of report users still may be unmet. We may meet these needs by performing further tests of internal controls and compliance with laws and regulations in either of two ways:

1. Supplemental (or agreed-upon) procedures, or

2. Examination, resulting in an opinion

For the year ended June 30, 2007, we were engaged to perform one agreed-upon procedure engagement related to the National Collegiate Athletic Association Division I guidelines and programs.

In addition to the comments and recommendations in this letter, our observations and comments regarding Eastern Michigan University's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the accompanying *Letter of Significant Deficiencies*. We recommend that the matters we have noted there receive your careful consideration.

Significant Accounting Policies

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

Upcoming Pronouncements

Three new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB 43 and 45 address the accounting and disclosures related to post-employment benefits other than pensions. In short, these pronouncements will require universities to account for and disclose liabilities related to medical and life benefits for retirees, much in the same way that pensions are handled. Starting in fiscal year 2007-2008, the University will be required to measure its retiree health care liability through actuarial valuations that are to be performed biennially. These valuations will compute an "annual required contribution" (ARC). The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. While the ARC does not need to be funded each year, any under funding must be reported as a liability on the financial statements.

In addition to those pronouncements, GASB also issued GASB 49 during 2006. GASB 49 addresses the accounting and financial reporting related to pollution remediation obligations. This pronouncement will require the University to account for and disclose liabilities related to the potential remediation of pollution or other environmental issues, i.e. asbestos. There are five obligating events or circumstances, that if any one of them exist, would require an estimate and the recording of a liability. This pronouncement becomes effective for the University in the year ending June 30, 2009.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you on accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. In this connection, we are reporting the following matters:

Student Accounts Receivable and Loans Receivable - Allowance for Uncollectible Accounts

- The University's management has established the student accounts receivable allowance by estimating an allowance for uncollectible accounts based on a graduated percentage applied to the aging of student accounts receivable. We have evaluated the uncollectible percentages based upon our experience with other universities, available historical information, and discussions with management.

Liability for Medical/Dental/Worker's Compensation Self-Insurance

- The University's management has established an estimated liability for claims incurred but not reported based upon their prior experience and discussions with and reports from their third-party administrators. We have evaluated and concur with the liability for self-insurance based upon our experience with other institutions, available historical information, and discussions with management.

Liability for Unused Sick Days

- The assumptions used by management to calculate the liability for unused sick days are based on the requirements of the plan as of year end. Management accrues the days earned and eligible for pay out upon retirement, in accordance with the applicable union contract, and estimate the probability of actual payout based on employee's age and tenure with the University. We have evaluated and concur with the liability for unused sick days based upon our experience with other institutions, available historical information, and discussions with management.

Audit Adjustments

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. As a result of our audit, no significant adjustments were made to the financial statements.

Auditing standards also require us to inform the audit committee about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of the unrecorded possible financial statement adjustments is included as an attachment to this letter.

Other Information in Documents Containing Audited Financial Statements

When our audit report and the audited financial statements are included in a client document, we have a responsibility to read that document and consider whether anything therein is inconsistent with the information in the audited financial statements. Since the audited financial statements are included in the financial report for the year ended June 30, 2007, we are required to read that document. As indicated above, the purpose was solely to consider whether the information is inconsistent with the audited financial statements. We did not audit any of the information outside the financial statements and cannot provide you with any assurance as to its accuracy.

Disagreements With Management

In the process of conducting an audit, various matters will be discussed with management. In that process, significant differences of opinion may arise regarding the scope of the audit, the application of accounting principles, disclosures to be included in the University's financial statements or the wording of our report. In the interest of keeping you informed of all significant matters, such differences are required to be reported to you even though they are satisfactorily resolved. There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements or the wording of the auditor's report.

Business and Finance Committee
Eastern Michigan University

Consultation With Other Accountants

When management consults with other accountants about significant accounting and auditing matters, auditing standards require that we present our views on those matters to you. To our knowledge, there were no such consultations with other accountants.

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC

Robb Rose, CPA
Partner

Client: **Eastern Michigan University**
Y/E: **6/30/2007**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to Increase (Decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities	Net Assets	Revenue	Expenses	Change in Net Assets
KNOWN MISSTATEMENTS:									
A1	To adjust retainage payables to actual, for inclusion of improper retainage amount on one contract	$ -	$ -	$ (194,368)	$ -	$ -	$ -	$ (194,368)	$ 194,368
A2	To record net impact on expense and beginning net assets for the amount of prior year costs expensed and depreciation related to IT infrastructure that was caught up in CY					824,055		824,055	(824,055)
A3									
ESTIMATE ADJUSTMENTS:									
B1	To reverse conservative accrual for Insurance Premiums			(150,000)				(150,000)	150,000
B2									
IMPLIED ADJUSTMENTS									
C1	To record projected understatement of accounts payable at year end			108,000				108,000	(108,000)
C2									
		-	-	-	-	-	-	-	-
	Total	$ -	$ -	$ (236,368)	$ -	$ 824,055	$ -	$ 587,687	$ (587,687)

Audit Report Date

Business and Finance Committee
Eastern Michigan University
Ypsilanti, Michigan

Dear Regents:

In planning and performing our audit of the financial statements of Eastern Michigan University as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be significant deficiency in internal control:

> In our testing of construction in process, we noted that one of the projects on the client prepared schedule showed a significant beginning balance, but upon review of the schedule used to compute the prior year balance, it had not been included. The resulting impact was that expenses that had not been capitalized in prior years, were now being capitalized out of current year expenditures. Through discussions with management, we determined that there were not sufficient internal controls in place to ensure that all construction in process projects would be identified and recorded as such in the year of inception, this resulted in an audit adjustment to properly record the prior years' activity.

This communication is intended solely for the information and use of management, the Board of Regents, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PLANTE & MORAN, PLLC

Robb Rose, Partner