

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 16
DATE: October 30, 2012

RECOMMENDATION
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION AS OF JUNE 30, 2012

ACTION REQUESTED

It is recommended that the Board of Regents receive and place on file the University's audited fiscal year 2011-12 financial statements and auditor's report.

STAFF SUMMARY

The Financial Statements and Supplementary Information as of June 30, 2012 together with the Auditor's report are attached. Plante & Moran has issued its opinion indicating that the statements present fairly, and in conformity with Generally Accepted Accounting Principles, the financial position, results of operations, and cash flows for Eastern and the Foundation.

Financial Statement highlights include:

- Total Net Assets at June 30, 2012 of \$224.7 million including \$185.8 million in Capital Assets (net of debt), \$9.6 million in Restricted-Expendable Net Assets, and \$29.3 million in Unrestricted Net Assets
- A decline in Net Assets for the year ending June 30, 2012 of \$31.1 million reflecting a \$30.8 million decrease in the fair value of Eastern's interest rate swap agreements (non-cash, accounting adjustment) and a small all-funds operating deficit for the year (\$300,000).
- Unrestricted and Restricted-Expendable Net Assets of \$38.9 million, down \$11.6 million year-to-year reflecting the planned investment of the University's accumulated capital tuition earmark in capital asset projects and improvements.

During their audit, Plante & Moran did not identify any significant deficiencies or material weaknesses related to the University's controls, accounting practices, accounting estimates, or financial statement disclosures.

Representatives of Plante & Moran will be attending the Board's Finance, Audit and Investment Committee meeting to present a summary of the results of their audit including benchmark comparisons with other universities and to discuss any comments or questions the Board may have regarding the financial statements or audit.

FISCAL IMPLICATIONS

None

ADMINISTRATIVE RECOMMENDATION

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

University Executive Officer

Date

Draft September 28

Eastern Michigan University

Contents

June 30, 2012 and 2011

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis – University	2
Financial Statements	
University Statement of Net Assets	11
Foundation Consolidated Balance Sheet	12
University Statement of Revenues, Expenses, and Changes in Net Assets	13
Foundation Consolidated Statement of Activities and Changes in Net Assets	14
University Statement of Cash Flows	15
Foundation Consolidated Statement of Cash Flows	17
Notes to the Financial Statements	18
Supplemental Information	
Report of Independent Auditors on Supplemental Data	39
University Schedule of Net Assets by Fund, as of June 30, 2012	41
University Schedule of Revenues, Expenses, and Changes in Net Assets by Fund, for the year ended June 30, 2012	43
University Schedule of Net Assets by Fund, as of June 30, 2011	45
University Schedule of Revenues, Expenses, and Changes in Net Assets by Fund, for the year ended June 30, 2011.....	47
University Notes to Supplemental Schedules	49

Draft September 28

Independent Auditor's Report

To the Board of Trustees
Eastern Michigan University

We have audited the accompanying balance sheet of Eastern Michigan University (a component unit of the State of Michigan) (the "University") and its discretely presented component unit as of June 30, 2012 and 2011 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the basic financial statements were audited in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Michigan University and its discretely presented component unit as of June 30, 2012 and 2011 and the results of its operations and cash flows, if applicable, 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 Opinion Date 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 2 through 10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Opinion Date

Draft September 28

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Eastern Michigan University's ("University") financial statements provides an overview of the University's financial activities for the years ended June 30, 2012, 2011, and 2010. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

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

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

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

Financial Highlights

The University's financial position remained strong at June 30, 2012, with assets of \$572 million and liabilities of \$347 million.

In 2012 the University received \$10.5 million from a capital outlay allocation to replenish operating funds for expenses incurred on the Pray-Harold renovation, the first State Building Authority funding received since 1996. The \$42 million project was placed in service in September 2011 and includes \$20.98 million provided by the State in 2011.

Due to fluctuation in interest rates, the fair value of the derivative liability increased by \$30.8 million in 2012, followed by a decrease of \$6.7 million in 2011, and an increase of \$7.1 million in 2010.

Net assets have decreased \$2.2 million, increased \$0.4 million and increased \$1.3 million in the General fund for the years ended June 30, 2012, 2011 and 2010, respectively, before factoring in the capital appropriation, accounting rule change, and operations in other funds:

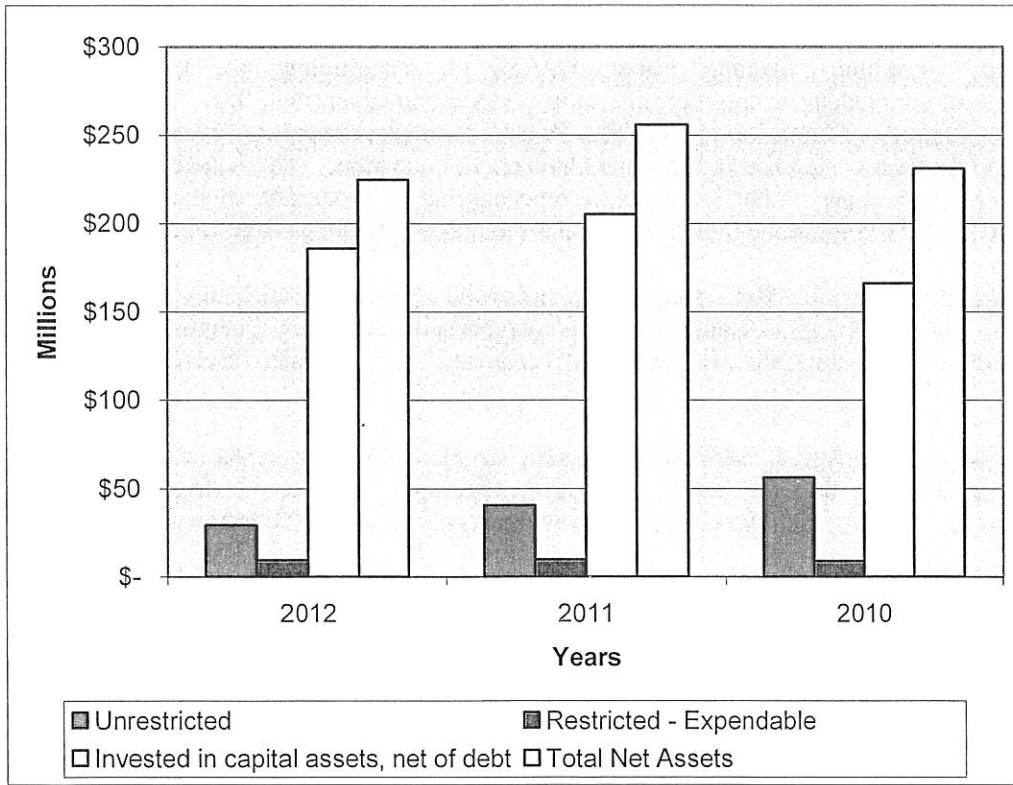
Net Assets as of June 30 (In millions)	<u>2012</u>	<u>2011</u>	<u>2010</u>
Increase (decrease) in net assets from operations:			
General Fund	\$ (2.2)	\$ 0.4	\$ 1.3
Other Funds	1.9	17.6	4.4
Derivatives fair value (increase) decrease	(30.8)	6.7	(7.1)
Overall increase (decrease) in net assets	<u>\$ (31.1)</u>	<u>\$ 24.7</u>	<u>\$ (1.4)</u>

Draft September 28

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart provides a graphical breakdown of net assets by category for the fiscal years ended June 30, 2012, 2011, and 2010.



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

Draft September 28

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

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

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

Following is a summary of the major components of the net assets and operating results of the University for the years ended June 30, 2012, 2011, and 2010:

Net Assets as of June 30 (In millions)	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets			
Current assets	\$ 43.6	\$ 61.9	\$ 90.5
Noncurrent assets:			
Capital assets - Net of depreciation	460.9	433.4	379.2
Other	67.6	91.5	97.0
Total assets	<u>\$ 572.1</u>	<u>\$ 586.8</u>	<u>\$ 566.7</u>
Liabilities			
Current liabilities	\$ 54.7	\$ 65.8	\$ 60.2
Long-term liabilities	292.7	265.2	275.4
Net Assets			
Invested in capital assets	185.8	205.3	166.1
Restricted	9.6	10.0	8.9
Unrestricted	29.3	40.5	56.1
Total net assets	<u>224.7</u>	<u>255.8</u>	<u>231.1</u>
Total liabilities and net assets	<u>\$ 572.1</u>	<u>\$ 586.8</u>	<u>\$ 566.7</u>

Draft September 28

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues			
Tuition and fees - Net	\$ 167.4	\$ 162.7	\$ 160.0
Grants and contracts	12.9	16.4	16.1
Auxiliary activities - Net	35.3	33.4	32.6
Other	9.5	8.9	9.1
Total operating revenues	<u>225.1</u>	<u>221.4</u>	<u>217.8</u>
Operating Expenses			
Instruction	125.3	122.3	114.5
Research	5.0	6.3	5.6
Public service	11.4	12.4	14.3
Academic support	26.5	23.8	23.9
Student services	30.2	31.1	29.7
Institutional support	31.3	32.6	32.4
Operations and maintenance of plant	25.9	28.3	26.7
Scholarships and fellowships	34.3	34.1	28.5
Auxiliary activities - Net	28.2	25.6	25.4
Depreciation	14.1	15.8	15.3
Other expenditures	0.4	0.4	0.5
Total operating expenses	<u>332.6</u>	<u>332.7</u>	<u>316.8</u>
Net Operating Loss	(107.5)	(111.3)	(99.0)
Nonoperating Revenues (Expenses)			
State appropriations	64.6	76.0	76.0
Gifts	3.9	4.3	4.5
Change in value of derivative instruments	(30.8)	6.7	(7.1)
Pell grants	34.6	35.3	29.9
Other nonoperating expenses	(7.4)	(7.7)	(5.8)
Net Nonoperating Revenues	<u>64.9</u>	<u>114.6</u>	<u>97.5</u>
Other Revenues			
Capital appropriations	10.5	21.0	0.0
Capital gifts	1.0	0.4	0.1
Total other revenues	<u>11.5</u>	<u>21.4</u>	<u>0.1</u>
Increase (Decrease) in Net Assets	(31.1)	24.7	(1.4)
Net Assets - Beginning of year	255.8	231.1	232.5
Net Assets - End of year	<u>\$ 224.7</u>	<u>\$ 255.8</u>	<u>\$ 231.1</u>

Draft September 28

EASTERN MICHIGAN UNIVERSITY

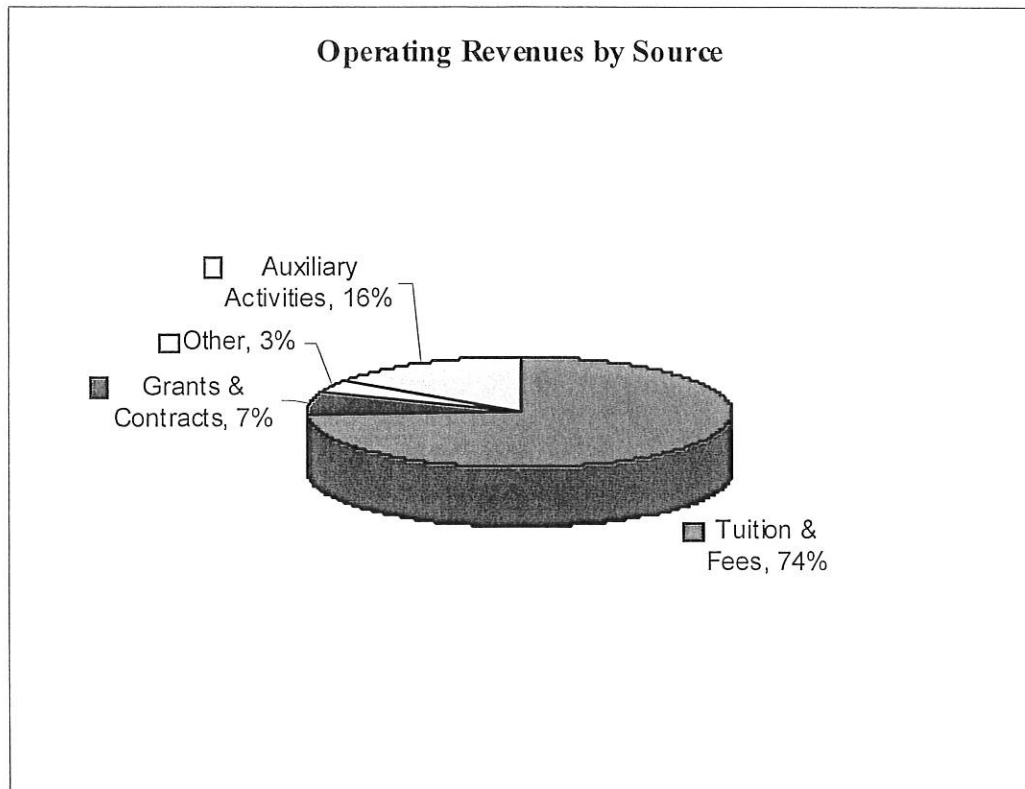
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues

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

Student tuition and fees revenue increased as a result of a Board of Regents approved tuition and mandatory fee weighted average increase of 4.25 percent effective Fall 2011, partially offset by additional scholarships.

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



Draft September 28

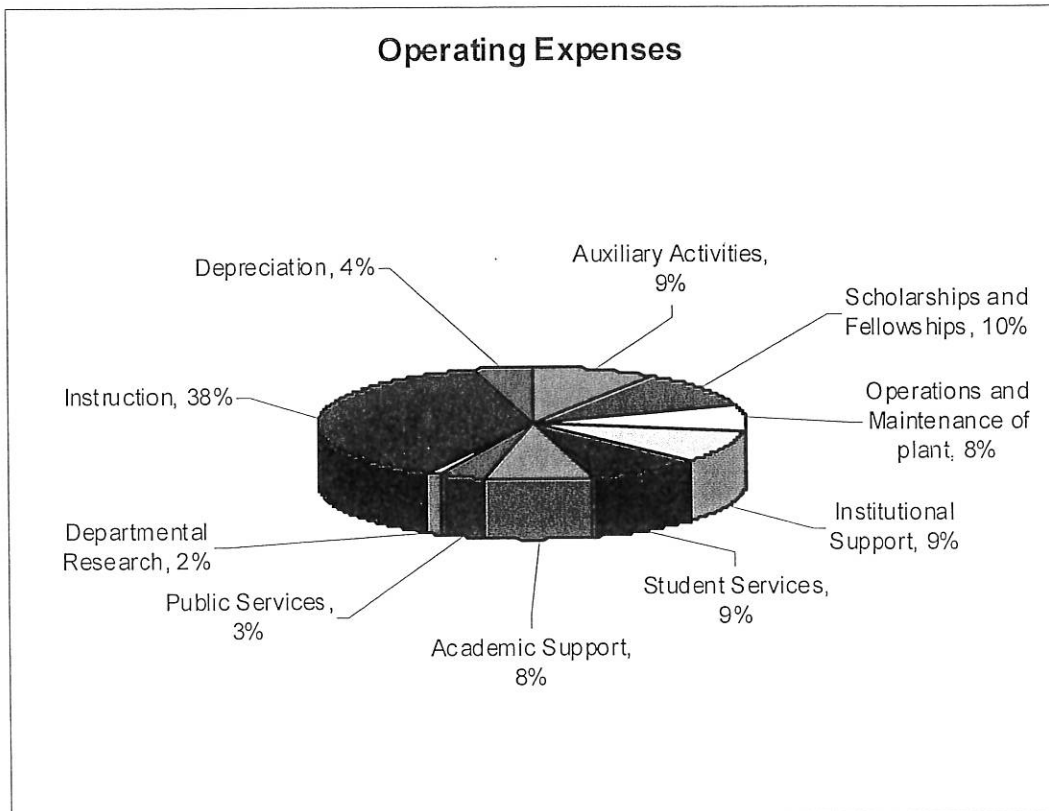
EASTERN MICHIGAN UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

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

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

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



Draft September 28

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating Revenues

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

Nonoperating revenue was significantly impacted by the following factors:

- State operating appropriations decreased \$11.4 million in 2012 to \$64.6 million due to the State's economy.
- Investment income decreased \$3.6 million to \$3.1 million in 2012 due to market conditions.
- The fair market value of derivative liability increased \$30.8 million in 2012, following a \$6.7 million decrease in 2011, also due to market conditions.
- In 2011, the University retired \$7.5 million of expired library subscriptions with accumulated depreciation of \$4.1 million purchased between 2003 and 2011.
- Pell grants decreased \$0.7 million to \$34.6 million in 2012.

Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the University. Examples would be capital gifts, capital appropriations from the state or federal government, and transfers from related entities. Capital appropriations for the Pray-Harrold renovation amounted to \$10.50 million and \$20.98 million in 2012 and 2011, respectively, for the first State Building Authority capital outlay from the State of Michigan since 1996. Capital gifts amounted to \$1.0 million in 2012, \$0.4 million in 2011, and \$0.1 million in 2010.

Statement of Cash Flows

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

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

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

	2012	2011	2010
Cash Provided by (Used in):			
Operating activities	\$ (102.6)	\$ (87.6)	\$ (71.4)
Noncapital financing activities	102.0	116.6	113.2
Capital and related financing activities	(25.4)	(111.6)	(86.2)
Investing activities	30.2	53.1	49.1
Net Increase (Decrease) in Cash	4.2	(29.5)	4.7
Cash - Beginning of year	4.0	33.5	28.8
Cash - End of year	<u>\$ 8.2</u>	<u>\$ 4.0</u>	<u>\$ 33.5</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash and Investments

Cash and investments, collectively, decreased by \$18.6 million to \$62.5 million as of June 30, 2012 primarily due to spending bond proceeds on capital projects.

The most significant components of cash flows provided from operating activities are tuition and fees, auxiliary activities, grants, and contracts. Net cash used in operating activities was \$108.9 million. To offset this, the net cash provided from noncapital financing activities, which consisted primarily of State appropriations, was \$102.0 million. This is compared to net cash used in operating activities in the amount of \$87.6 million and \$71.4 million for the years ended June 30, 2011 and 2010, respectively. Net cash provided by non-capital financing activities was \$116.6 million and \$113.2 million for the years ended June 30, 2011 and 2010, respectively.

Cash used by capital and related financing activities amounted to \$25.4 million in 2012, \$111.6 million in 2011, and \$86.2 million in 2010, primarily on capital additions.

Capital Assets

At June 30, 2012, the University had \$460.9 million invested in capital assets, net of accumulated depreciation of \$287.5 million. Depreciation charges totaled \$14.0 million for 2012 compared to \$15.8 million in 2011. In 2012 the University completed the Science Complex and Pray-Harrold renovations and projects to improve auxiliary building energy efficiency, security, and classrooms. Capital projects in progress at June 30, 2012 primarily include the Rackham renovation, Information Technology infrastructure replacements, and improvements to the Hoyt residence hall.

At June 30, 2011, the University had \$433.4 million invested in capital assets, net of accumulated depreciation of \$274.9 million. Depreciation charges totaled \$15.8 million for 2011 compared to \$15.3 million in 2010. In 2011 the University completed the Science Complex addition and projects to improve auxiliary building energy efficiency, security, and classrooms. Capital projects in progress at June 30, 2011 primarily include the Science Complex renovation, Pray-Harrold renovation, and additional improvements to Sherzer, residence halls, and energy efficiencies.

Debt

At June 30, 2012, the University had \$234.1 million in obligations outstanding, versus \$237.35 million in 2011 and \$241.0 million in 2010. All of the outstanding debt instruments are general revenue obligations of the University. Principal payments of \$3.2 million, \$3.6 million and \$3.8 million were made in 2012, 2011 and 2010, respectively. Included in the outstanding obligations are three interest rate swap agreements with notional amounts of \$126.9 million, \$125.8 million, and \$125.8 million as of June 30, 2012, 2011 and 2010, respectively. The terms of the swap agreements call for the University to post collateral to the counterparty under certain conditions tied to the prevailing rating of the University and the mark to market valuations of the swaps. The University posted collateral of \$5 million to the counterparty as of June 30, 2012. The collateral is reflected in long-term restricted investments. No collateral was required to be posted as of June 30, 2011 and 2010, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the University's \$125,795,000 of enhanced variable rate debt refinanced in 2009, the credit ratings assigned by Moody's Investor Services (Aaa/VMIG-1) were unchanged in 2012 from 2011 and 2010. Standard and Poor's ratings were AAA/A-1 for 2012 and 2011, and AAA/A1+ for 2010. For the University's \$102,380,000 of fixed rate debt, separate ratings were assigned by each agency for the insured portion of the debt and the uninsured portion. Moody's ratings were Aa2 (insured) and A2 (uninsured); Standard and Poor's ratings were AAA/A-1 (insured) and A- (uninsured). The highest achievable ratings are "Aaa" and "AAA", respectively. The University's capacity to meet its financial obligations is considered to be strong by the rating agency and reflects limited additional borrowing capacity as of June 30, 2012.

Funding for a Successful Future

Eastern Michigan University's focus remains on investing in its students, in academic quality, and in maintaining and improving facilities that help educate students. Through diligent efforts at fiscal stewardship and cost containment, Eastern has set a national standard for tuition restraint in recent years while still continuing to invest in facilities and programs that help EMU students succeed in today's economy.

For the fourth consecutive year, the University has taken a statewide leadership position in keeping higher education affordable for Michigan students and their families while still focusing on the strengths and growth of the institution. The Board of Regents approved a tuition and mandatory fee increase of 3.95 percent for fall 2012.

The University's \$290.6 million budget for fiscal 2013 reflects a \$2 million increase in University-sponsored financial aid. Over the last five years, financial aid has grown by more than 65 percent. Eastern remains strongly committed to helping students and their families cope with the costs of attending college. The budget also includes \$1.5 million in funding for new academic programs and initiatives to support continued enrollment growth.

As an initiative to help support enrollment growth, Eastern has instituted the Come Home to Eastern - Come Home to Michigan Award. It is designed to welcome home Eastern alumni and their children by providing a tuition differential award for the difference between in-state and out-of-state tuition. This initiative builds upon the efforts of the Governor and the Michigan Economic Development Corporation to bring Michigan's legacy of talent back to the state.

Even during its period of significant tuition restraint, Eastern Michigan has continued to reinvest in academics and facilities. The university's \$210 million, five-year capital plan includes this fall's scheduled completion of the next phase of the \$90-million, self-funded Science Complex, which is the complete reopening of Jefferson Hall. The breakdown for that total is 67 percent for enhancing academic facilities; 8 percent for housing improvements; 5 percent for IT infrastructure; 4 percent for athletic facilities, with the balance of 16 percent for safety and security, energy savings, parking and infrastructure projects.

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

Draft September 28

EASTERN MICHIGAN UNIVERSITY

STATEMENT OF NET ASSETS

As of June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted (Note 2)	\$ 8,212,735	\$ 4,019,621
Accounts receivable - net (Note 3)	18,712,762	20,353,354
Appropriation receivable	12,612,382	34,801,332
Inventories	1,218,107	949,711
Deposits and prepaid expenses	2,703,779	1,525,660
Accrued interest receivable	116,765	206,563
Total current assets	43,576,530	61,856,241
Noncurrent assets:		
Student loans receivable - net (Note 3)	11,157,010	12,125,323
Long-term investments - unrestricted (Note 2)	43,341,834	52,170,484
Long-term investments - restricted (Note 2)	10,974,439	24,932,084
Capital assets - net (Note 4)	460,870,108	433,437,781
Capitalized bond expenses - net (Note 5)	2,159,099	2,241,378
Total noncurrent assets	528,502,490	524,907,050
Total assets	\$ 572,079,020	\$ 586,763,291
LIABILITIES		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 2,965,000	\$ 3,205,000
Accounts payable and accrued liabilities	23,694,246	30,192,717
Accrued payroll, taxes, and fringe benefits	18,665,438	21,540,030
Unearned fees and deposits	7,486,339	8,955,537
Insurance and other claims payable (Note 7)	1,893,502	1,924,475
Total current liabilities	54,704,525	65,817,759
Noncurrent liabilities:		
Accrued compensated absences (Note 6)	4,216,476	4,504,086
Long-term debt (Note 5)	231,180,000	234,145,000
Fair value of derivative instruments (Notes 5 and 8)	46,521,031	15,734,165
Federal Perkins	10,796,240	10,796,240
Total noncurrent liabilities	292,713,747	265,179,491
Total liabilities	\$ 347,418,272	\$ 330,997,250
NET ASSETS		
Invested in capital assets - Net of related debt	\$ 185,757,787	\$ 205,293,222
Restricted—University development and Perkins loans	9,588,044	10,001,486
Unrestricted	29,314,917	40,471,333
Total net assets	\$ 224,660,748	\$ 255,766,041

The accompanying notes are an integral part of this statement.

Draft September 28

EASTERN MICHIGAN UNIVERSITY FOUNDATION BALANCE SHEET As of June 30, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents (Note 2)	\$ 2,188,573	\$ 2,147,902
Accrued interest and dividends	49,932	46,020
Accounts receivable	9,013	15,489
Contributions receivable (Note 3)	907,081	3,506,263
Life insurance cash surrender value	283,070	276,780
Property and equipment - Net	1,951,001	2,020,223
Investments (Note 1)	48,874,561	45,242,754
Investments held under split-interest agreements (Note 1)	850,956	1,105,190
	<u>55,114,187</u>	<u>54,360,621</u>
Total assets	<u>\$ 55,114,187</u>	<u>\$ 54,360,621</u>
 LIABILITIES		
Accounts payable	\$ 588,088	\$ 799,886
Accrued liabilities	9,106	8,926
Liabilities under split-interest agreements	557,825	794,927
	<u>1,155,019</u>	<u>1,603,739</u>
Total liabilities	<u>\$ 1,155,019</u>	<u>\$ 1,603,739</u>
 NET ASSETS		
Unrestricted	\$ 299,010	\$ 999,309
Temporarily restricted	14,353,588	16,318,848
Permanently restricted	39,306,570	35,438,725
	<u>53,959,168</u>	<u>52,756,882</u>
Total net assets	<u>\$ 53,959,168</u>	<u>\$ 52,756,882</u>
Total liabilities and net assets	<u>\$ 55,114,187</u>	<u>\$ 54,360,621</u>

The accompanying notes are an integral part of this statement.

Draft September 28

EASTERN MICHIGAN UNIVERSITY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the years ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Student tuition and fees	\$ 205,261,228	\$ 199,208,625
Scholarship allowances	(37,907,177)	(36,460,589)
Net student tuition and fees	167,354,051	162,748,036
Federal grants and contracts	7,245,487	9,550,088
Federal financial aid	2,274,675	2,669,020
State grants and contracts	292,917	452,447
State financial aid	658,130	428,532
Nongovernmental grants and contracts	2,500,058	3,230,617
Departmental activities	7,161,685	7,178,278
Auxiliary activities revenue - Net (Note 1)	35,333,355	33,433,115
Other	2,296,425	1,691,934
Total operating revenues	225,116,783	221,382,067
OPERATING EXPENSES		
Instruction	125,299,662	122,248,658
Research	5,032,390	6,253,890
Public service	11,441,475	12,400,042
Academic support	26,543,859	23,785,560
Student services	30,212,938	31,108,399
Institutional support	31,350,414	32,585,530
Scholarships and fellowships	34,275,204	34,124,549
Operation and maintenance of plant	25,891,160	28,282,188
Auxiliary activities expenses - Net (Note 1)	28,222,868	25,646,781
Depreciation	14,010,211	15,827,688
Other	344,893	423,132
Total operating expenses	332,625,074	332,686,417
Operating loss	(107,508,291)	(111,304,350)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	64,619,095	76,026,203
Federal stabilization funds (ARRA)	-	332,368
Gifts	3,895,174	4,285,059
Investment Income	3,098,096	6,716,471
Change in value of derivative instruments	(30,786,866)	6,705,791
Interest expense	(12,551,502)	(13,540,544)
Interest ARRA subsidy	1,880,893	1,880,893
Pell grants	34,627,248	35,345,729
Writeoff of library subscriptions	-	(3,391,299)
Other	160,532	276,138
Net nonoperating revenues before capital items	64,942,670	114,636,809
Capital Appropriations	10,509,153	20,978,386
Capital gifts	951,175	382,940
Total net nonoperating revenues	76,402,998	135,998,135
(Decrease) increase in net assets	(31,105,293)	24,693,785
NET ASSETS - Beginning of year	255,766,041	231,072,256
NET ASSETS - End of year	\$ 224,660,748	\$ 255,766,041

The accompanying notes are an integral part of this statement.

Draft September 28

EASTERN MICHIGAN UNIVERSITY FOUNDATION STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2012

(With comparative totals for year ended June 30, 2011)

	2012	2011
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	\$ 7,215,434	\$ 6,876,117
Investment income	779,139	750,687
Net realized and unrealized gains (losses)	(1,034,138)	8,533,396
Administrative and management fee	1,903,000	1,175,000
Other revenue	78,737	86,394
Total revenue, gains and other support	8,942,172	17,421,594
EXPENSES		
Contributions to EMU:		
Expendable contributions	\$ 3,025,963	\$ 3,179,090
Contributions from endowment income	1,456,024	1,383,425
General and administrative - Foundation management	564,592	559,552
Fundraising	3,034,639	3,056,136
Total expenses	\$ 8,081,218	\$ 8,178,203
Increase in Net Assets Before Other Changes in Net Assets	860,954	9,243,391
OTHER CHANGES IN NET ASSETS		
Funds transferred from EMU	126,150	2,659
Change in value of split-interest agreements	215,182	(141,109)
Increase in Net Assets	1,202,286	9,104,941
NET ASSETS - Beginning of year	52,756,882	43,651,941
NET ASSETS - End of year	\$ 53,959,168	\$ 52,756,882

The accompanying notes are an integral part of this statement.

Draft September 28

EASTERN MICHIGAN UNIVERSITY

STATEMENT OF CASH FLOWS

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 203,128,493	\$ 198,990,858
Cash received from auxiliary activities	39,688,272	37,177,820
Cash received from other sources	10,317,684	14,702,995
Grants and contracts	15,076,998	16,298,815
Student loans granted - Net of repayments	870,287	319,566
Scholarship allowances	(42,908,721)	(41,061,867)
Cash paid to suppliers and employees	(256,580,423)	(240,956,285)
Cash paid for financial aid	(72,182,381)	(73,047,008)
Net cash used in operating activities	<u>(102,589,791)</u>	<u>(87,575,106)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	63,488,115	76,347,555
Cash received from Federal stabilization funds (ARRA)	-	332,368
Pell grants	34,627,248	35,345,729
Gifts received from EMU Foundation	3,895,174	4,530,658
Net cash provided by noncapital financing activities	<u>102,010,537</u>	<u>116,556,310</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments/defeasance under debt obligations	(3,205,000)	(3,610,000)
Cash received from State Building Authority	30,624,083	(20,978,371)
Interest paid	(12,551,502)	(13,540,540)
Purchases of capital assets	(40,257,197)	(73,462,728)
Net cash used in capital and related financing activities	<u>(25,389,616)</u>	<u>(111,591,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(106,203,417)	(88,772,658)
Proceeds from sales and maturities of investments	133,195,013	135,065,519
Interest received	3,170,388	6,865,914
Net cash provided by investing activities	<u>30,161,984</u>	<u>53,158,775</u>
Net increase (decrease) in cash and cash equivalents	4,193,114	(29,451,679)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>4,019,621</u>	<u>33,471,300</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 8,212,735</u>	<u>\$ 4,019,621</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS		
Disposal of fixed assets, net of depreciation	\$ 83,103	\$ 3,420,289
Capital gifts received in kind	\$ 951,175	\$ 382,940

The accompanying notes are an integral part of this statement.

Draft September 28

EASTERN MICHIGAN UNIVERSITY STATEMENT OF CASH FLOWS

For the years ended June 30, 2011 and 2010

	2012	2011
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (107,508,291)	\$ (111,304,350)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	14,010,211	15,827,688
Changes in assets and liabilities:		
Accounts receivable - Net	1,641,168	60,717
Inventories	(268,312)	(40,906)
Deposits and prepaid expenses	(1,174,404)	(83,980)
Student loans receivable - Net	968,313	407,466
Accounts payable and accrued liabilities	(6,499,049)	4,135,105
Accrued payroll	373,958	784,838
Payroll taxes and accrued fringe benefits	(3,248,550)	2,395,149
Unearned fees and deposits	(528,753)	599,558
Insurance and other claims payable	(68,474)	(97,194)
Accrued compensated absences	(287,608)	(259,197)
Total change in assets and liabilities	(9,091,711)	7,901,556
Net cash used in operating activities	\$ (102,589,791)	\$ (87,575,106)

The accompanying notes are an integral part of this statement

Draft September 28

EASTERN MICHIGAN UNIVERSITY FOUNDATION STATEMENT OF CASH FLOWS Years ended June 30, 2011 and 2010

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,202,286	\$ 9,104,941
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	110,276	110,811
Net realized and unrealized (gain) loss on investments	1,034,138	(8,533,396)
Change in value of split-interest agreements	(215,182)	141,109
Change in cash surrender value of life insurance	(6,290)	(6,784)
Contributions restricted for long-term purposes	(3,867,845)	(3,046,543)
Contribution received - land held for investment	-	(31,000)
Changes in assets and liabilities:		
Contributions receivable	2,599,182	(2,502,043)
Accrued interest and dividends	(3,912)	12,623
Other assets	6,476	84,962
Accounts payable	(211,798)	(54,625)
Accrued and other liabilities	180	291
Net cash provided by (used in) operating activities	<u>\$ 647,511</u>	<u>\$ (4,719,654)</u>
Cash Flows from Investing Activities		
Purchases of equipment	\$ (41,054)	\$ (153,817)
Purchases of investments	(24,066,592)	(16,894,638)
Proceeds from the sale of investments	19,654,881	16,795,515
Net cash used in investing activities	<u>\$ (4,452,765)</u>	<u>\$ (252,940)</u>
Cash Flows from Financing Activities		
Payments on split-interest agreements	(91,695)	(162,025)
Proceeds from new split-interest agreements	69,775	32,161
Proceeds from contributions restricted for long-term purposes	3,867,845	3,046,543
Net cash provided by financing activities	<u>\$ 3,845,925</u>	<u>\$ 2,916,679</u>
Net Increase (Decrease) in Cash and Cash Equivalents	40,671	(2,055,915)
Cash and Cash Equivalents - Beginning of year	<u>2,147,902</u>	<u>4,203,817</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 2,188,573</u></u>	<u><u>\$ 2,147,902</u></u>
Supplemental Cash Flow Information - Cash paid for:		
Interest	\$ 113,075	\$ 115,382

The accompanying notes are an integral part of this statement.

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The financial statements of Eastern Michigan University (the “University”) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The University follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The University follows the “business-type” activities reporting requirements of GASB Statement No. 34. GASB 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following categories:

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

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

Summary of Significant Accounting Policies

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

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

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

Component Units of the University - The Eastern Michigan University Foundation financial statements are discretely presented as part of the University's reporting entity. These statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). The officers of Eastern Michigan University Foundation include certain University administrative officials, but the University does have controlling interest in the Foundation's board. The Internal Revenue Service has determined that the Foundation is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

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

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

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

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

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

Bond Issuance Costs - Bond issuance costs are amortized over the life of the bonds based on the outstanding balance of the related debt using the straight-line method.

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

Accrued Compensated Absences - Accrued compensated absences are comprised of the portion of unused sick leave accrued as of June 30 but not expected to be paid within one year. The portion of sick leave expected to be paid within one year and all accrued vacation leave are included in accrued payroll, taxes, and fringe benefits. The current portions of accrued sick leave and vacation leave were approximately \$400,000 and \$3,468,000 as of June 30, 2012, respectively.

Draft ~~September~~ 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

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

The current portions of accrued sick leave and vacation leave were approximately \$400,000 and \$3,781,000 as of June 30, 2011, respectively.

Reclassifications - Certain prior year balances have been reclassified to conform with the current year presentation. In 2011, approximately \$4.8 million of restricted cash and cash equivalents and approximately \$20.1 million of restricted short-term investments were reclassified as long-term restricted investments. 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.

Auxiliary Activities - Auxiliary activities consist of the following as of June 30, 2012 and 2011:

	2012	2011
<u>Operating Revenues:</u>		
Auxiliary Activities, Gross	\$ 40,688,121	\$ 38,529,346
Less: Internal Sales	(353,222)	(494,953)
Less: Scholarship Allowances	(5,001,544)	(4,601,278)
Auxiliary Activities Revenue - Net	\$ 35,333,355	\$ 33,433,115
 <u>Operating Expenses:</u>		
Auxiliary Activities, Gross	\$ 33,577,634	\$ 30,743,012
Less: Internal Sales	(353,222)	(494,953)
Less: Scholarship Allowances	(5,001,544)	(4,601,278)
Auxiliary Activities Expenses - Net	\$ 28,222,868	\$ 25,646,781

Operating and Nonoperating Revenues - The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statement No. 34, including State appropriations and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the University's department within the guidelines of donor restrictions, if any. Pell grant revenue is classified as nonoperating due to its nonexchange nature. The amounts received for 2012, 2011, and 2010 are \$34.6 million, \$35.3 million, and \$29.9 million, respectively.

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments

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

Cash and investments consisted of the following as of June 30, 2012:

	Fair Market Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash and cash equivalents:					
Unrestricted:					
Time deposits	\$ 7,393,950	\$ 7,393,950	\$ -	\$ -	\$ -
Money market funds	818,785	818,785	-	-	-
Total unrestricted cash and cash equivalents	\$ 8,212,735	\$ 8,212,735	\$ -	\$ -	\$ -
Long-term investments:					
Unrestricted:					
Corporate bond mutual fund	\$ 30,438,297	\$ -	\$ 30,438,297	\$ -	\$ -
Government bonds	81,458	-	-	-	81,458
Domestic equities	10,756,905	-	-	10,756,905	-
Foreign equities	2,065,174	-	-	2,065,174	-
Total long-term unrestricted investments	\$ 43,341,834	\$ -	\$ 30,438,297	\$ 12,822,079	\$ 81,458
Restricted:					
Certificates of deposit	\$ 4,833,959	\$ 4,833,959	\$ -	\$ -	\$ -
Time deposits	5,000,058	5,000,058	-	-	-
Government bonds	1,140,422	1,140,422	-	-	-
Total long-term restricted investments	\$ 10,974,439	\$ 10,974,439	\$ -	\$ -	\$ -
Total cash and investments	\$ 62,529,008	\$ 19,187,174	\$ 30,438,297	\$ 12,822,079	\$ 81,458

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

Cash and investments consisted of the following as of June 30, 2011:

	Fair Market Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash and cash equivalents:					
Unrestricted:					
Time deposits	\$ 3,780,619	\$ 3,780,619	\$ -	\$ -	\$ -
Money market funds	239,002	239,002	-	-	-
Total unrestricted cash and cash equivalents	\$ 4,019,621	\$ 4,019,621	\$ -	\$ -	\$ -
Long-term investments:					
Unrestricted:					
Corporate bond mutual fund	\$ 38,264,997	\$ -	\$ 38,264,997	\$ -	\$ -
Government bonds	63,949	-	-	-	63,949
Domestic equities	11,535,311	-	-	11,535,311	-
Foreign equities	2,306,227	-	-	2,306,227	-
Total long-term unrestricted investments	\$ 52,170,484	\$ -	\$ 38,264,997	\$ 13,841,538	\$ 63,949
Restricted:					
Certificates of deposit	\$ 9,262,518	\$ 4,404,933	\$ 4,857,585	\$ -	\$ -
Government bonds	9,996,546	-	9,996,546	-	-
Corporate bond mutual fund	5,673,020	4,510,916	1,162,104	-	-
Total long-term restricted investments	\$ 24,932,084	\$ 8,915,848	\$ 16,016,235	\$ -	\$ -
Total cash and investments	\$ 81,122,189	\$ 12,935,469	\$ 54,281,232	\$ 13,841,538	\$ 63,949

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

<u>Asset Category</u>	<u>Target</u>
Fixed Income Securities	70%
Domestic Large Cap equities	15%
Domestic Mid Cap equities	7%
Domestic Small Cap equities	4%
Global/International equities	4%

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

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

Credit Risk - Investment policies for cash and investments as set forth by the Board of Regents shall be to preserve investment principal while deriving a reasonable return consistent with the prevailing market and economic conditions. The University is not currently restricted to a minimum rating by Moody's Investor Service or equivalent rating. At June 30, 2012 and 2011, the University's debt instruments (subject to fluctuations in interest rates) and related ratings consisted of the following:

	<u>2012</u>		<u>2011</u>	
	Market Value	NRSRO Rating	Market Value	NRSRO Rating
Bond Mutual Funds:				
Corporate Bonds	\$ 30,438,297	AA	\$ 43,938,017	AA
U.S. Government Agency Bonds	81,458	--	10,060,495	Aaa
Total	<u>\$ 30,519,755</u>		<u>\$ 53,998,512</u>	

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the University will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The University's cash investment policy does not limit the value of deposits or investments that may be held by an outside party. Investments in external investment pools and in open-ended mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. All cash and cash equivalents are held in the University's name as of June 30, 2012 and 2011. As of June 30, 2012, the banks reported balances in the disbursement accounts at \$8,228,042. Of these balances, \$500,058 was covered by federal depository insurance and \$7,727,984 was uninsured and uncollateralized. As of June 30, 2011, the banks reported balances in the disbursement accounts at \$6,889,882. Of these balances, \$474,066 was covered by federal depository insurance and \$6,415,816 was uninsured and uncollateralized.

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.

Draft September 28

EASTERN MICHIGAN UNIVERSITY NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

The following investments comprise more than 5% of the total investments portfolio as of June 30, 2012 and 2011:

June 30, 2012:

<u>Instrument</u>	<u>Fair Market Value</u>
JPMorgan Core Bond Select	\$ 4,599,304
PIMCO Total Return Bond Fund	18,075,918
Loomis Sales Bond Fund Instl	4,623,427
Barclay's Capital	5,000,000
Vanguard Inst Index VINIX	8,551,855
Total	<u>\$ 40,850,504</u>

June 30, 2011:

<u>Instrument</u>	<u>Fair Market Value</u>
JPMorgan Core Bond Select	\$ 5,520,372
PIMCO Total Return Bond Fund	18,586,527
Loomis Sales Bond Fund Instl	5,215,038
Total	<u>\$ 29,321,937</u>

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2012 and 2011, the University had \$2,065,174 and \$2,306,227, respectively, invested in mutual funds that have funds invested in various countries throughout the world and therefore, exposes the University to foreign currency risk indirectly. The University did not have any direct investments or deposits denominated in foreign currencies at June 30, 2012 and 2011.

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

Investments at the Eastern Michigan University Foundation are as follows:

	<u>2012</u>	<u>2011</u>
Corporate stocks	\$ 33,561,915	\$ 30,733,874
Corporate bonds	3,920,207	3,765,624
Treasury/Federal securities	4,704,404	4,475,814
Venture capital	-	9,107
Certificates of Deposit (Long Term)	603,018	-
Real estate	55,000	55,000
Mutual funds	6,268,639	6,665,191
Total	<u>\$ 49,113,183</u>	<u>\$ 45,704,610</u>

Net gains/losses from security transactions for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Unrealized gain (loss)	\$ (2,038,265)	\$ 6,259,817
Realized income	1,783,266	3,024,266
Total	<u>\$ (254,999)</u>	<u>\$ 9,284,083</u>

Trustee and brokerage fees associated with the maintenance of the endowment securities portfolio were \$405,760 and \$326,959 for the years ended June 30, 2012 and 2011, respectively, for Eastern Michigan University Foundation. For recording purposes, these fees have been netted with investment income.

Draft September 28

EASTERN MICHIGAN UNIVERSITY NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Accounts Receivable

Accounts receivable consist of the following as of June 30, 2011 and 2010:

	<u>2012</u>	<u>2011</u>
Sponsor accounts	\$ 3,571,815	\$ 5,535,242
Student accounts	6,531,595	6,389,252
Charter school appropriation	4,072,428	4,422,607
Third party tuition	660,228	741,569
Other	5,354,594	4,672,949
Subtotal	<u>20,190,660</u>	<u>21,761,619</u>
Less allowances for possible collection losses	<u>(1,477,898)</u>	<u>(1,408,265)</u>
Accounts receivable - Net	<u>\$ 18,712,762</u>	<u>\$ 20,353,354</u>

In addition, the University has student loans receivable of \$11,157,010 and \$12,532,789, net of the related allowance of \$358,666 for both June 30, 2012 and 2011. Included in contributions receivable for the Foundation are the following unconditional promises to give at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Contributions receivable:		
Gross contributions promised	\$ 1,655,121	\$ 4,513,735
Less allowance for uncollectibles	<u>(740,365)</u>	<u>(980,767)</u>
Subtotal	914,756	3,532,968
Less unamortized discount	<u>(7,675)</u>	<u>(26,705)</u>
Net unconditional promises to give	<u>\$ 907,081</u>	<u>\$ 3,506,263</u>
Amounts due in:		
Less than one year	\$ 1,266,978	\$ 4,227,469
One to five years	333,143	219,766
More than five years	55,000	66,500
Total	<u>\$ 1,655,121</u>	<u>\$ 4,513,735</u>

Draft September 28

EASTERN MICHIGAN UNIVERSITY NOTES TO THE FINANCIAL STATEMENTS

Note 4 - Capital Assets

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2012:

	2011	Additions/ Transfers	Retirements/ Transfers	2012
Non-depreciable:				
Land	\$ 11,653,978	\$ -	\$ -	\$ 11,653,978
Construction in progress	42,927,407	5,489,522	(42,927,407)	5,489,522
Total non-depreciable	54,581,385	5,489,522	(42,927,407)	17,143,500
Depreciable:				
Infrastructure	34,726,276	2,661,167	-	37,387,443
Leasehold improvements	3,408,874	-	-	3,408,874
Buildings	491,127,675	73,229,546	-	564,357,221
Library holdings	45,038,194	1,457,903	-	46,496,097
Equipment	79,457,927	1,614,910	(1,507,538)	79,565,299
Total depreciable	653,758,946	78,963,526	(1,507,538)	731,214,934
Total capital assets	708,340,331	84,453,048	(44,434,945)	748,358,434
Less: Accumulated depreciation:				
Infrastructure	25,261,869	976,811	-	26,238,680
Leasehold improvements	3,408,874	-	-	3,408,874
Buildings	142,071,590	7,261,843	-	149,333,433
Library holdings	39,553,391	1,747,003	-	41,300,394
Equipment	64,606,826	4,024,555	(1,424,436)	67,206,945
Total accumulated depreciation	274,902,550	14,010,212	(1,424,436)	287,488,326
Capital assets - Net	\$ 433,437,781	\$ 70,442,836	\$ (43,010,509)	\$ 460,870,108

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 4 - Capital Assets (continued)

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2011:

	2010	Additions/ Transfers	Retirements/ Transfers	2011
Non-depreciable:				
Land	\$ 11,654,068	\$ -	\$ (90)	\$ 11,653,978
Construction in progress	48,414,516	42,927,407	(48,414,516)	42,927,407
Total non-depreciable	60,068,584	42,927,407	(48,414,606)	54,581,385
Depreciable:				
Infrastructure	33,926,663	799,613	-	34,726,276
Leasehold improvements	3,408,874	-	-	3,408,874
Buildings	418,588,800	72,538,875	-	491,127,675
Library holdings	50,177,585	2,320,038	(7,459,429)	45,038,194
Equipment	78,160,606	3,291,401	(1,994,080)	79,457,927
Total depreciable	584,262,528	78,949,927	(9,453,509)	653,758,946
Total capital assets	644,331,112	121,877,334	(57,868,115)	708,340,331
Less: Accumulated depreciation:				
Infrastructure	24,247,077	1,014,792	-	25,261,869
Leasehold improvements	3,408,592	282	-	3,408,874
Buildings	134,753,533	7,318,057	-	142,071,590
Library holdings	40,700,558	2,920,963	(4,068,130)	39,553,391
Equipment	61,998,232	4,573,594	(1,965,000)	64,606,826
Total accumulated depreciation	265,107,992	15,827,688	(6,033,130)	274,902,550
Capital assets - Net	\$ 379,223,120	\$ 106,049,646	\$ (51,834,985)	\$ 433,437,781

The University has encumbrances of \$6,108,742 on various construction projects in progress as of June 30, 2012.

Certain University facilities, including the Bruce T. Halle Library, John W. Porter College of Education, Boone Hall, Everett L. Marshall College of Health and Human Services Building, the William H. Smart Physical Plant, the Student Center, and the Pray-Harrod Building have been or are scheduled to be financed in whole or in part by State Building Authority ("SBA") bond issues which are secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements between the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to the respective buildings, the State of Michigan will make all lease payments to the SBA, and the University will pay all operating and maintenance costs. At the expiration of the individual leases, the SBA has agreed to sell each building to the University for one dollar.

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt

Long-term debt consists of the following as of June 30, 2012 and 2011:

	Interest Rates	Maturity	Outstanding Principal				2012	Current Portion
			2011	Additions	Retirements/ Defeasance			
Build America								
Bonds of 2009D	4.21 - 7.21	2014-2038	\$ 79,220,000	\$ -	\$ -	\$ 79,220,000	\$ -	
General Revenue								
Bonds of 2009C	4.00 - 5.00	2022-2027	23,160,000	-	-	23,160,000	-	
Refunding Bonds								
of 2009B	variable	2038-2049	50,795,000	-	-	50,795,000	-	
Refunding Bonds								
of 2009A	variable	2038-2049	75,000,000	-	-	75,000,000	-	
Refunding Bonds								
of 2003A	2.00 - 5.00	2012-2014	3,015,000	-	975,000	2,040,000	1,000,000	
General Revenue								
Bonds of 2002B	3.00-5.00	2012-2013	490,000	-	240,000	250,000	250,000	
General Revenue								
Bonds of 2002A	5.8	2012-2014	3,785,000	-	1,790,000	1,995,000	1,530,000	
General Revenue								
Bonds of 2000	5.00-6.00	2012-2024	1,885,000	-	200,000	1,685,000	185,000	
			<u>237,350,000</u>	<u>\$ -</u>	<u>\$ 3,205,000</u>	<u>234,145,000</u>	<u>\$ 2,965,000</u>	
Less current portion long-term debt			3,205,000			2,965,000		
Long-term debt			<u>\$ 234,145,000</u>			<u>\$ 231,180,000</u>		

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

Long-term debt consists of the following as of June 30, 2011 and 2010:

	Interest Rates	Maturity	2010	Additions	Retirements/ Defeasance	2011	Current Portion
Build America							
Bonds of 2009D	4.21 - 7.21	2014-2038	\$ 79,220,000	\$ -	\$ -	\$ 79,220,000	\$ -
General Revenue							
Bonds of 2009C	4.00 - 5.00	2022-2027	23,160,000	-	-	23,160,000	-
Refunding Bonds of 2009B	variable	2038-2049	50,795,000	-	-	50,795,000	-
Refunding Bonds of 2009A	variable	2038-2049	75,000,000	-	-	75,000,000	-
Refunding Bonds of 2003A	2.00 - 5.00	2011-2014	3,940,000	-	925,000	3,015,000	975,000
General Revenue Bonds of 2002B	3.00-5.00	2011-2013	720,000	-	230,000	490,000	240,000
General Revenue Bonds of 2002A	5.8	2011-2014	5,480,000	-	1,695,000	3,785,000	1,790,000
General Revenue Bonds of 2000B	4.50-5.875	2011	315,000	-	315,000	-	-
General Revenue Bonds of 2000	5.00-6.00	2011-2024	2,330,000	-	445,000	1,885,000	200,000
			<u>240,960,000</u>	<u>\$ -</u>	<u>\$ 3,610,000</u>	<u>237,350,000</u>	<u>\$ 3,205,000</u>
Less current portion long-term debt			<u>3,610,000</u>			<u>3,205,000</u>	
Long-term debt			<u>\$ 237,350,000</u>			<u>\$ 234,145,000</u>	

On May 5, 2009, the University issued \$75,000,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2009A, and \$50,795,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2009B. These bonds refunded \$125,795,000 General Revenue Variable Rate Demand Refunding Bonds, Series 2009. 2009 Series A&B bonds amortize over 40 years with principal payments beginning June 30, 2038.

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

On June 10, 2009, the University issued \$102,380,000 of General Revenue Bonds, Series 2009C and 2009D, to fund capital projects. Series 2009C for \$23,160,000 are tax-exempt bonds. Series 2009D for \$79,220,000 are taxable issuer Build America Bonds authorized by Section 1531 of the American Recovery and Reinvestment Act of 2009. The University will receive payments from the Federal Treasury equal to 35% of the total coupon interest paid by the University.

On April 10, 2008, the University issued \$125,795,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2008. These were issued to refund the \$41,395,000 General Revenue and Refunding Bonds 2001 and the \$85,680,000 General Revenue and Refunding Bonds Series 2006A bonds.

The Series 2008 bonds were refunded during fiscal year 2009 as indicated above due to market conditions.

As bonds are defeased, certain funds that will be paid to bondholders are deposited in trust and distributions are made by the trustee accordingly. 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, 2012 and 2011, the aggregate amount of outstanding principal on all bonds which have been defeased is \$41,201,930 and \$46,446,330, respectively.

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2,965,000	13,985,126	16,950,126
2014	2,460,000	13,827,765	16,287,765
2015	2,580,000	13,678,301	16,258,301
2016	2,670,000	13,519,580	16,189,580
2017	2,780,000	13,333,852	16,113,852
2018 - 2022	15,875,000	63,304,206	79,179,206
2023 - 2027	20,185,000	57,364,004	77,549,004
2028 - 2032	25,660,000	49,800,994	75,460,994
2033 - 2037	32,020,000	39,588,742	71,608,742
2038 - 2042	43,040,000	27,704,290	70,744,290
2043 - 2047	56,665,000	15,178,773	71,843,773
2048 - 2049	<u>27,245,000</u>	<u>1,752,702</u>	<u>28,997,702</u>
Total	<u>\$ 234,145,000</u>	<u>\$ 323,038,335</u>	<u>\$ 557,183,335</u>

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

Interest Rate Swaps:

The University currently holds three interest rate swap instruments. The University entered into three of the agreements at the same time and for the same amount as the issuance of certain variable rate debt with the intent of creating a synthetic fixed rate debt, at an interest rate that is lower than if fixed rate debt were to have been issued directly. The University entered into a single mini-swap while refunding \$125,795,000 in variable rate debt for a notional amount of \$2,490,000 to replace, over time, the amortizing notional amounts of the 2001 swap and the 2006 swap. The intention of the 2009 swap was to retain an effective synthetic fixed rate for the 2009A and 2009B bonds. All of the swap agreements are deemed ineffective hedges at June 30, 2012 and 2011. The ineffective swap agreements did not utilize consistent critical terms as the underlying variable rate debt and a calculation of the actual cash flows demonstrates a difference from fixed rate cash flows.

As of June 30, 2012 and 2011, the swap agreements can be summarized as follows:

	Changes in Fair Value of derivative instruments at June 30:		Fair Value of derivative instruments at June 30:		Outstanding Notional Amount at June 30:
	2012	\$	2012	\$	
Cash flow hedges: Pay fixed interest rate swap (receive variable)	2012	\$ (30,786,866)	2012	\$ (46,521,031)	\$ 126,855,000
	2011	\$ 6,705,791	2011	\$ (15,734,165)	\$ 125,795,000

Due to the swaps being considered ineffective hedges, the change in fair value annually is recorded as a component of nonoperating revenue in the statement of revenues, expenses and changes in net assets.

The fair values of the interest rate swaps were estimated on midmarket values and do not include bid/offer spread that would be reflected in an actual price quotation. Such mid-market values attempt to approximate the current economic value of a given position using prices and rates at the average of the estimated bid and offer for respective underlying asset(s) or reference rate(s) and/or mathematical models, as we have deemed appropriate. In absence of sufficient or meaningful market information available to us, such valuations, or the components thereof, may be theoretical in whole or in part. Discussions of the trade values in general, and indicative or firm price quotations and actual trade prices in particular, may vary significantly from these written estimated values as a result of various factors, which may include (but not limited to) prevailing credit spreads, market liquidity, position size, transaction and financing costs.

<u>Effective Date</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Pay terms</u>	<u>Receive terms</u>	<u>Maturity date</u>	<u>Counterparty credit rating</u>
8/29/2001	Pay-fixed, Receive variable	Cash flow hedge for Series 2001	\$16,136,000 \$24,204,000	4.72%	40% - SIFMA 60% - 68% of LIBOR	6/1/2026	Aa3 (Moody's) A+ (Standard & Poor's)
2/22/2006	Pay-fixed, Receive variable	Cash flow hedge for Series 2006	\$80,445,000	3.317%	62% LIBOR + 20 bps	5/1/2036	Baa1 (Moody's) A- (Standard & Poor's)
6/2/2009	Pay-fixed, Receive variable	Cash flow hedge for Series 2009	\$6,070,000	3.096%	68% LIBOR	3/1/2049	A2 (Moody's) A+ (Standard & Poor's)

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

The terms of the swap contracts call for the University to post collateral to the counterparty under certain conditions tied to the prevailing rating of the University and the mark to market valuations of the swaps. As of June 30, 2012 the University posted collateral of \$5 million to the counterparty. No collateral was required to be posted as of June 30, 2011 and 2010, respectively.

In June 2011, GASB issued Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. This Statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider and sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The University has not replaced the swap counterparty or the swap counterparty's credit support provider.

Credit Risk The University is not exposed to credit risk on the hedging derivative instruments because they are in a liability position.

Interest Rate Risk The University is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR or the Securities Industry and Financial Markets Association (SIFMA) swap decreases, the University's net payment on the swap increases.

Basis Risk The University is exposed to basis risk on its LIBOR-based swaps due to variable-rate payments received by the University on these instruments based on a rate of index other than interest rates the University pays on its variable-rate debt, which is remarketed every 30 days. As of June 30, 2012, the weighted average interest rate on the University's hedged variable-rate debt is 0.16 percent, while the SIFMA swap index rate is 0.18 percent and 68 percent of LIBOR is 0.17 percent. As of June 30, 2011, the weighted average interest rate on the University's hedged variable-rate debt was 0.10 percent, while the SIFMA swap index rate was 0.09 percent and 68 percent of LIBOR was 0.126 percent.

Termination Risk The University may terminate a derivative instrument on any business day and terminate and cash settle the instrument by providing prior written notice to the counterparty. Additional termination events will apply if either party fails to maintain the appropriate long-term senior debt credit ratings; or if the University fails to post collateral in accordance with the terms and conditions set forth in the ISDA Credit Support Annex.

Using rates as of June 30, 2012, debt service requirements of the variable rate debt associated with the 2001 swap agreement, 2006 swap agreement, and the 2009 swap agreement and net swap payments, assuming current interest rates remain the same for term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Draft September 28

EASTERN MICHIGAN UNIVERSITY NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

Variable Rate Bonds Associated with 2009 Bonds Swap Agreement

Fiscal Year	Principal	Fixed Interest Paid	Variable Interest Paid	Net Counterparty Interest Exchanged	Total Paid
2013	-	4,710,304	201,272	(352,179)	4,559,397
2014	-	4,703,408	201,272	(349,739)	4,554,941
2015	-	4,675,446	201,272	(346,908)	4,529,810
2016	-	4,634,649	201,272	(341,987)	4,493,934
2017	-	4,591,969	201,272	(336,925)	4,456,316
2018-2022	-	22,240,935	1,006,360	(1,598,702)	21,648,593
2023-2027	-	20,838,424	1,006,360	(1,452,837)	20,391,947
2028-2032	-	19,572,588	998,888	(1,249,092)	19,322,384
2033-2037	-	18,921,640	976,472	(1,058,199)	18,839,913
2038-2042	41,885,000	17,117,165	884,609	(939,896)	58,946,878
2043-2047	56,665,000	9,666,950	499,584	(530,808)	66,300,726
2048-2049	27,245,000	1,276,481	65,968	(70,091)	28,517,358
Total	\$ 125,795,000	\$ 132,949,959	\$ 6,444,601	\$ (8,627,363)	\$ 256,562,197

Capitalized Bond Expenses, Net as of June 30, 2012 include:

Series	Capitalized Amount	Accumulated Amortization	Capitalized Bond Expenses, Net
2009C&D	\$ 1,453,516	\$ -	\$ 1,453,516
2009A&B	536,076	-	536,076
2003	241,385	188,079	53,306
2002A	285,616	224,923	60,693
2002B	185,556	163,024	22,532
2000B	145,867	112,891	32,976
Total	\$ 2,848,016	\$ 688,917	\$ 2,159,099

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

Capitalized Bond Expenses, Net as of June 30, 2011 include:

Series	Capitalized Amount	Accumulated Amortization	Capitalized Bond Expenses, Net
2009C&D	\$ 1,453,516	\$ -	\$ 1,453,516
2009A&B	536,076	-	536,076
2003	241,385	159,533	81,852
2002A	285,616	194,576	91,040
2002B	185,556	140,492	45,064
2000A	63,145	63,145	-
2000B	145,867	112,037	33,830
Total	\$ 2,911,161	\$ 669,783	\$ 2,241,378

Note 6 - Retirement Benefits

Through December 31, 1995, the University offered participation in one of two retirement plans for all qualified employees: the Michigan Public School Employees' Retirement System ("MPERS") 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 MPERS to new employees due to the Michigan Public Act 272 of 1995 which enabled the University to withdraw from MPERS.

MPERS is a cost-sharing, multiple-employer noncontributory defined benefit retirement plan through the Michigan State Employees' Retirement System. The University's costs for the MPERS 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 MPERS.

The cost of the MPERS plan allocated to the University, all of which was contributed in the applicable year, was approximately \$5,634,000, \$6,128,000, and \$5,945,000 for the years ended June 30, 2012, 2011, and 2010, 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, 2012, 2011, and 2010, the University contributed approximately \$13,132,000, \$12,480,000, and \$12,184,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contribution under the TIAA-CREF plan.

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Retirement Benefits (continued)

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 \$4,616,000 and \$4,904,000 as of June 30, 2012 and 2011, respectively. Approximately \$400,000 is included in accrued payroll, taxes, and fringe benefits for the years ended June 30, 2012 and 2011. The remaining portion is included in accrued compensated absences.

Note 7 - Contingencies and Commitments

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

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.

Under current accounting standards, the University is required to estimate expected pollution remediation outlays, when specified obligating events occur, and to determine whether these outlays should be accrued for as a liability. As a result, the University has accrued an abatement liability for approximately \$426,000 and \$43,000 for the years ended June 30, 2012 and 2011, respectively.

Note 8 – Issued but not adopted accounting pronouncements

The Governmental Accounting Standings Board (GASB) has issued the following Statements for future implementation:

Service concession arrangements: In December 2010 the GASB issued statement number 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. An SCA is an agreement between a University and another legally-separate University or private sector entity in which two things happen. First, the University transfers to the other entity the right and related obligation to provide public services through the use of a public asset (such as using a part of a university facility as a bookstore) in exchange for significant consideration from the other entity. In the context of these agreements the University that transfers rights and obligations is referred to as the transferor. The entity to which these rights and obligations are transferred is referred to as the operator. Second, this operator—

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Issued but not adopted accounting pronouncements (continued)

whether it is in the public or private sector—collects fees from the users or customers of the public asset (for example, students at the university). Finally, the transferor maintains control over the services provided. For example, the University has the ability to modify or approve the rates that can be charged for the services and the type of services that are provided.

For an SCA that involves an existing facility, the transferor should continue to report the capital asset. For a new facility or an improvement to an existing facility, the transferor should report the new facility or the improvement as a capital asset at fair value when the facility is placed in operation. The transferor should also report any related contractual obligations as liabilities. Finally, the transferor should report the difference between those two amounts as a deferred inflow of resources. The provisions of this Statement are effective for financial statements for the year ended June 30, 2013.

Reporting Entity Standards: In December 2010, the GASB issued statement number 61, *Financial Reporting Entity: Omnibus*. This standard is intended to improve the information presented about the financial reporting entity, which is made up of the University financial reporting entity and related entities (component units). The statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criteria, a financial benefit or burden relationship is also needed between the University and that organization for it to be included in the reporting entity as a component unit. The statement also modifies the criteria for reporting component units as if they were part of the University (ie: blending). Blending should be used when the University and the component unit have a financial benefit or burden relationship, or management has operational responsibility for the component units. Additionally, for equity interests in legally separate organizations, the entity is required to report its interest as “restricted net assets – nonspendable.” The provisions of this Statement are effective for financial statements for the year ended June 30, 2013.

Private sector accounting rules: In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This changes the requirement for the University to apply any private sector accounting guidance that existed as of November 30, 1989 and instead incorporates all such guidance in this statement. The University will no longer have the ability to choose to continue to follow FASB statements written after that date, although such guidance still qualifies as “other accounting literature” in the GAAP hierarchy. The provisions of this Statement are effective for financial statements for the year ended June 30, 2013.

Deferred inflows/outflows and Net Position: In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides financial reporting guidance for deferred inflows and outflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the University that is applicable to a future reporting period, and an acquisition of net assets by the University that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement

Draft September 28

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Issued but not adopted accounting pronouncements (continued)

elements, which are distinct from assets and liabilities. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for the year ended June 30, 2013.

Items Previously Reported as Assets and Liabilities: In March 2012, the GASB issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for the year ended June 30, 2014.

Pensions: In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The university is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. However, if we approximate the liability based on the actuarial accrued liability and allocate based on covered payroll, this computes to a liability of \$55 million. The provisions of this Statement are effective for financial statements for the year ended June 30, 2015.

The University will continue to assess the impact of these new accounting pronouncements on the University's financial statements for adoption in fiscal 2013, 2014, or 2015, respectively.

Draft September 28

Report of Independent Auditors on Supplemental Information

To the Board of Regents

Eastern Michigan University

We have audited the financial statements of Eastern Michigan University as of and for the years ended June 30, 2012 and 2011. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Net Assets by Fund and Statement of Revenues, Expenses, and Changes in Net Assets by Fund are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

September xx, 2012

Draft September 28

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Draft September 28

EASTERN MICHIGAN UNIVERSITY

SCHEDULE OF NET ASSETS

BY FUND as of June 30, 2012

	General Fund	Designated Fund	Auxiliary Activities Fund
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted	\$ (14,562,713)	\$ 5,340,849	\$ 5,661,711
Accounts receivable - Net	6,104,108	589,224	3,823,724
Appropriation receivable	11,748,926	-	-
Inventories	623,100	80	594,927
Deposits and prepaid expenses	2,124,464	3,799	21,306
Accrued interest receivable	116,386	-	-
Total current assets	6,154,271	5,933,952	10,101,668
Noncurrent assets:			
Student loans receivable - Net	-	-	-
Long-term investments - unrestricted	43,260,376	-	-
Long-term investments - restricted	-	-	-
Capital assets - Net	-	-	-
Capitalized bond expenses - Net	-	-	-
Total noncurrent assets	43,260,376	-	-
Total assets	\$ 49,414,647	\$ 5,933,952	\$ 10,101,668
LIABILITIES			
Current liabilities:			
Current portion of long-term debt	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	4,320,605	236,750	3,569,210
Accrued payroll	12,071,268	-	-
Payroll taxes and accrued fringe benefits	5,811,753	-	782,417
Unearned fees and deposits	5,767,270	92,874	258,351
Insurance and other claims payable	1,267,575	-	588,427
Total current liabilities	29,238,471	329,624	5,198,405
Noncurrent liabilities:			
Accrued compensated absences	3,842,555	-	373,921
Long-term debt	-	-	-
Fair value of derivative instruments	-	-	-
Federal Perkins	-	-	-
Total noncurrent liabilities	3,842,555	-	373,921
Total liabilities	\$ 33,081,026	\$ 329,624	\$ 5,572,326
NET ASSETS			
Invested in capital assets - Net of related debt	\$ -	\$ -	\$ -
Restricted-University development and Perkins loans	-	-	-
Unrestricted			
Designated	-	5,604,328	4,529,342
Undesignated	16,333,621	-	-
Total net assets	\$ 16,333,621	\$ 5,604,328	\$ 4,529,342

Draft September 28

EASTERN MICHIGAN UNIVERSITY SCHEDULE OF NET ASSETS BY FUND

as of June 30, 2012

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Consolidated Total
\$ 5,434,191	\$ 486,424	\$ 5,236,383	\$ 615,890	\$ 8,212,735
7,424,230	771,476	-	-	18,712,762
-	-	863,456	-	12,612,382
-	-	-	-	1,218,107
500	-	553,710	-	2,703,779
-	379	-	-	116,765
<u>12,858,921</u>	<u>1,258,279</u>	<u>6,653,549</u>	<u>615,890</u>	<u>43,576,530</u>
-	11,157,010	-	-	11,157,010
81,458	-	-	-	43,341,834
-	-	10,974,439	-	10,974,439
-	-	460,870,108	-	460,870,108
-	-	2,159,099	-	2,159,099
<u>81,458</u>	<u>11,157,010</u>	<u>474,003,646</u>	<u>-</u>	<u>528,502,490</u>
\$ <u>12,940,379</u>	\$ <u>12,415,289</u>	\$ <u>480,657,195</u>	\$ <u>615,890</u>	\$ <u>572,079,020</u>
\$ -	\$ -	\$ 2,965,000	\$ -	\$ 2,965,000
4,202,107	578	11,348,251	16,745	23,694,246
-	-	-	-	12,071,268
-	-	-	-	6,594,170
768,699	-	-	599,145	7,486,339
-	-	37,500	-	1,893,502
<u>4,970,806</u>	<u>578</u>	<u>14,350,751</u>	<u>615,890</u>	<u>54,704,525</u>
-	-	-	-	4,216,476
-	-	231,180,000	-	231,180,000
-	-	46,521,031	-	46,521,031
-	10,796,240	-	-	10,796,240
-	<u>10,796,240</u>	<u>277,701,031</u>	<u>-</u>	<u>292,713,747</u>
\$ <u>4,970,806</u>	\$ <u>10,796,818</u>	\$ <u>292,051,782</u>	\$ <u>615,890</u>	\$ <u>347,418,272</u>
\$ -	\$ -	\$ 185,757,787	\$ -	\$ 185,757,787
7,969,573	1,618,471	-	-	9,588,044
-	-	2,847,626	-	12,981,296
-	-	-	-	16,333,621
<u>7,969,573</u>	<u>1,618,471</u>	<u>188,605,413</u>	<u>-</u>	<u>224,660,748</u>

Draft September 28
EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

BY FUND

For June 30, 2012

	General Fund	Designated Fund	Auxiliary Fund
OPERATING REVENUES			
Student tuition and fees	\$ 203,848,781	\$ 661,743	\$ -
Scholarship allowances	-	-	-
Net student tuition and fees	203,848,781	661,743	-
Federal grants and contracts	-	-	-
Federal financial aid	-	-	-
State grants and contracts	-	-	-
State financial aid	-	-	-
Nongovernmental grants and contracts	-	-	-
Departmental activities	4,032,149	3,129,536	-
Auxiliary activities - Net	-	-	40,334,899
Indirect cost recovery (deduction)	622,719	745,740	-
Other	1,647,388	-	-
Total operating revenues	210,151,037	4,537,019	40,334,899
OPERATING EXPENSES			
Instruction	123,941,816	737,289	-
Research	1,176,542	45,114	-
Public service	3,791,540	237,757	-
Academic support	25,634,413	639,281	-
Student services	27,680,432	2,298,027	-
Institutional support	30,250,095	990,208	-
Scholarships and fellowships	32,533,252	-	-
Operation and maintenance of plant	24,047,151	50,415	-
Auxiliary activities expenses - Net	-	-	33,224,412
Depreciation	-	-	-
Capital additions - Net	1,633,697	89,136	101,123
Other	-	-	-
Total operating expenses	270,688,938	5,087,227	33,325,535
Operating income (loss)	(60,537,901)	(550,208)	7,009,364
NONOPERATING REVENUES (EXPENSES)			
State appropriations	64,619,095	-	-
Gifts	-	(20,013)	-
Investment income	2,963,237	-	-
Change in value of derivative instruments	-	-	-
Interest expense	-	-	-
Interest ARRA subsidy	-	-	-
Federal stabilization funds (ARRA)	-	-	-
Pell grants	-	-	-
Other	-	-	-
Net nonoperating revenues (expenses) before transfers and capital items	67,582,332	(20,013)	-
TRANSFERS IN (OUT)			
Mandatory:			
Funds for debt service	(6,701,247)	-	(2,654,119)
Matching funds	(357,092)	-	-
Non-mandatory:			
Other	(2,184,938)	(908,507)	(6,308,353)
Total transfers	(9,243,277)	(908,507)	(8,962,472)
Capital Appropriations	-	-	-
Capital grants and gifts	-	-	-
Total net nonoperating revenues (expenses)	58,339,055	(928,520)	(8,962,472)
Increase (Decrease) in net assets	(2,198,846)	(1,478,728)	(1,953,108)
NET ASSETS, Beginning of year	18,532,467	7,083,056	6,482,450
NET ASSETS, End of year	\$ 16,333,621	\$ 5,604,328	\$ 4,529,342

Draft September 28

EASTERN MICHIGAN UNIVERSITY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

BY FUND

For June 30, 2012

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
\$ 750,704	\$ -	\$ -	\$ -	\$ 205,261,228
-	-	-	(37,907,177)	(37,907,177)
<u>750,704</u>	<u>-</u>	<u>-</u>	<u>(37,907,177)</u>	<u>167,354,051</u>
7,210,443	35,044	-	-	7,245,487
2,274,675	-	-	-	2,274,675
292,917	-	-	-	292,917
658,130	-	-	-	658,130
2,500,058	-	-	-	2,500,058
-	-	-	-	7,161,685
-	-	-	(5,001,544)	35,333,355
(1,368,459)	-	-	-	-
608,219	39,328	1,490	-	2,296,425
<u>12,926,687</u>	<u>74,372</u>	<u>1,490</u>	<u>(42,908,721)</u>	<u>225,116,783</u>
620,557	-	-	-	125,299,662
3,810,734	-	-	-	5,032,390
7,412,178	-	-	-	11,441,475
270,165	-	-	-	26,543,859
234,479	-	-	-	30,212,938
110,111	-	-	-	31,350,414
39,649,129	-	-	(37,907,177)	34,275,204
-	-	1,793,594	-	25,891,160
-	-	-	(5,001,544)	28,222,868
-	-	14,010,211	-	14,010,211
77,203	-	(1,901,159)	-	-
-	201,147	143,746	-	344,893
<u>52,184,556</u>	<u>201,147</u>	<u>14,046,392</u>	<u>(42,908,721)</u>	<u>332,625,074</u>
<u>(39,257,869)</u>	<u>(126,775)</u>	<u>(14,044,902)</u>	<u>-</u>	<u>(107,508,291)</u>
-	-	-	-	64,619,095
3,880,429	-	34,758	-	3,895,174
17,509	160,886	(43,536)	-	3,098,096
-	-	(30,786,866)	-	(30,786,866)
-	-	(12,551,502)	-	(12,551,502)
-	-	1,880,893	-	1,880,893
-	-	-	-	-
34,627,248	-	-	-	34,627,248
<u>160,526</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>160,532</u>
<u>38,685,712</u>	<u>160,886</u>	<u>(41,466,247)</u>	<u>-</u>	<u>64,942,670</u>
-	-	9,355,366	-	-
357,092	-	-	-	-
(232,488)	-	9,634,286	-	-
<u>124,604</u>	<u>-</u>	<u>18,989,652</u>	<u>-</u>	<u>-</u>
-	-	10,509,153	-	10,509,153
-	-	951,175	-	951,175
<u>38,810,316</u>	<u>160,886</u>	<u>(11,016,267)</u>	<u>-</u>	<u>76,402,998</u>
(447,553)	34,111	(25,061,169)	-	(31,105,293)
8,417,126	1,584,360	213,666,582	-	255,766,041
<u>\$ 7,969,573</u>	<u>\$ 1,618,471</u>	<u>\$ 188,605,413</u>	<u>\$ -</u>	<u>\$ 224,660,748</u>

Draft September 28

EASTERN MICHIGAN UNIVERSITY SCHEDULE OF NET ASSETS

BY FUND
as of June 30, 2011

	General Fund	Designated Fund	Auxiliary Activities Fund
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted	\$ (18,507,948)	\$ 6,437,822	\$ 7,440,388
Accounts receivable - Net	5,881,852	818,884	3,285,197
Appropriation receivable	13,822,946	-	-
Inventories	463,240	-	486,475
Deposits and prepaid expenses	740,785	431	188,746
Accrued interest receivable	144,602	3,798	-
Total current assets	2,545,477	7,260,935	11,400,806
Noncurrent assets:			
Student loans receivable - Net	-	-	-
Long-term investments - unrestricted	52,106,535	-	-
Long-term investments - restricted	-	-	-
Capital assets - Net	-	-	-
Capitalized bond expenses - Net	-	-	-
Total noncurrent assets	52,106,535	-	-
Total assets	\$ 54,652,012	\$ 7,260,935	\$ 11,400,806
 LIABILITIES			
Current liabilities:			
Current portion of long-term debt	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	2,392,334	60,390	2,641,748
Accrued payroll	11,697,310	-	-
Payroll taxes and accrued fringe benefits	8,935,631	-	907,089
Unearned fees and deposits	7,668,777	117,489	366,451
Insurance and other claims payable	1,317,967	-	606,508
Total current liabilities	32,012,019	177,879	4,521,796
Noncurrent liabilities:			
Accrued compensated absences	4,107,526	-	396,560
Long-term debt	-	-	-
Fair value of derivative instruments	-	-	-
Federal Perkins	-	-	-
Total noncurrent liabilities	4,107,526	-	396,560
Total liabilities	\$ 36,119,545	\$ 177,879	\$ 4,918,356
 NET ASSETS			
Invested in capital assets - Net of related debt restated	\$ -	\$ -	\$ -
Restricted-University development and Perkins loans	-	-	-
Unrestricted			
Designated	-	7,083,056	6,482,450
Undesignated	18,532,467	-	-
Total net assets	\$ 18,532,467	\$ 7,083,056	\$ 6,482,450

Draft September 28

EASTERN MICHIGAN UNIVERSITY SCHEDULE OF NET ASSETS

BY FUND

as of June 30, 2011

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Consolidated Total
\$ 3,339,628	\$ (378,644)	\$ 5,079,859	\$ 608,516	\$ 4,019,621
9,736,749	633,542	(2,870)	-	20,353,354
-	-	20,978,386	-	34,801,332
-	-	(2)	-	949,713
585	-	595,111	-	1,525,658
	379	57,784		206,563
<u>13,076,962</u>	<u>255,277</u>	<u>26,708,268</u>	<u>608,516</u>	<u>61,856,241</u>
-	12,125,323	-	-	12,125,323
63,949	-	-	-	52,170,484
-	-	24,932,084	-	24,932,084
-	-	433,437,781	-	433,437,781
-	-	2,241,378	-	2,241,378
63,949	12,125,323	460,611,243	-	524,907,050
<u>\$ 13,140,911</u>	<u>\$ 12,380,600</u>	<u>\$ 487,319,511</u>	<u>\$ 608,516</u>	<u>\$ 586,763,291</u>
\$ -	\$ -	\$ 3,205,000	\$ -	\$ 3,205,000
4,529,081	-	20,568,764	400	30,192,717
-	-	-	-	11,697,310
-	-	-	-	9,842,720
194,704	-	-	608,116	8,955,537
-	-	-	-	1,924,475
<u>4,723,785</u>	<u>-</u>	<u>23,773,764</u>	<u>608,516</u>	<u>65,817,759</u>
-	-	-	-	4,504,086
-	-	234,145,000	-	234,145,000
-	-	15,734,165	-	15,734,165
-	10,796,240	-	-	10,796,240
-	10,796,240	249,879,165	-	265,179,491
<u>\$ 4,723,785</u>	<u>\$ 10,796,240</u>	<u>273,652,929</u>	<u>\$ 608,516</u>	<u>\$ 330,997,250</u>
\$ -	\$ -	205,293,222	\$ -	\$ 205,293,222
8,417,126	1,584,360	-	-	10,001,486
-	-	8,373,360	-	21,938,866
-	-	-	-	18,532,467
<u>\$ 8,417,126</u>	<u>\$ 1,584,360</u>	<u>\$ 213,666,582</u>	<u>\$ -</u>	<u>\$ 255,766,041</u>

Draft September 28

EASTERN MICHIGAN UNIVERSITY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

BY FUND

For June 30, 2011

	General Fund	Designated Fund	Auxiliary Fund
OPERATING REVENUES			
Student tuition and fees	\$ 198,308,995	\$ 151,386	\$ -
Scholarship allowances	-	-	-
Net student tuition and fees	198,308,995	151,386	-
Federal grants and contracts	-	-	-
Federal financial aid	-	-	-
State grants and contracts	-	-	-
State financial aid	-	-	-
Nongovernmental grants and contracts	-	3,643	-
Departmental activities	3,147,505	4,030,773	-
Auxiliary activities revenue, net	-	-	38,034,393
Indirect cost recovery (deduction)	674,669	869,717	-
Other	901,553	-	-
Total operating revenues	<u>203,032,722</u>	<u>5,055,519</u>	<u>38,034,393</u>
OPERATING EXPENSES			
Instruction	121,295,428	567,862	-
Research	952,016	187,124	-
Public service	4,224,703	213,208	-
Academic support	22,737,386	488,412	-
Student services	28,479,677	1,988,972	-
Institutional support	31,887,382	513,350	-
Scholarships and fellowships	30,678,581	6,735	-
Operation and maintenance of plant	26,461,127	19,255	-
Auxiliary activities expenses, net	-	-	30,248,059
Depreciation	-	-	-
Capital additions, net	3,618,422	94,066	72,291
Other	-	-	-
Total operating expenses	<u>270,334,722</u>	<u>4,078,984</u>	<u>30,320,350</u>
Operating income (loss)	<u>(67,302,000)</u>	<u>976,535</u>	<u>7,714,043</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	76,026,203	-	-
Gifts	-	(56,994)	-
Investment income	5,759,489	-	937,714
Change in value of derivative instruments	-	-	-
Interest expense	-	-	-
Interest ARRA subsidy	-	-	-
Federal stabilization funds (ARRA)	-	-	-
Pell grants	-	-	-
Write off of library subscriptions	-	-	-
Other	-	-	-
Net nonoperating revenues (expenses) before transfers and capital items	<u>81,785,692</u>	<u>(56,994)</u>	<u>937,714</u>
TRANSFERS IN (OUT)			
Mandatory:			
Funds for debt service	(11,768,000)	-	(3,141,027)
Matching funds	(374,537)	1,150	-
Non-mandatory:			
Other	(1,945,794)	(1,786,713)	447,957
Total transfers	<u>(14,088,331)</u>	<u>(1,785,563)</u>	<u>(2,693,070)</u>
Capital Appropriations	-	-	-
Capital grants and gifts	-	-	-
Total net nonoperating revenues (expenses)	<u>67,697,361</u>	<u>(1,842,557)</u>	<u>(1,755,356)</u>
Increase (Decrease) in net assets	395,361	(866,022)	5,958,687
NET ASSETS, Beginning of year	18,137,106	7,949,078	523,763
NET ASSETS, End of year	<u>\$ 18,532,467</u>	<u>\$ 7,083,056</u>	<u>\$ 6,482,450</u>

EASTERN MICHIGAN UNIVERSITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

BY FUND

For June 30, 2011

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
\$ 748,244	\$ -	\$ -	\$ -	\$ 199,208,625
-	-	-	(36,460,589)	(36,460,589)
<u>748,244</u>	-	-	(36,460,589)	<u>162,748,036</u>
9,481,572	68,516	-	-	9,550,088
2,669,020	-	-	-	2,669,020
452,447	-	-	-	452,447
428,532	-	-	-	428,532
3,226,974	-	-	-	3,230,617
-	-	-	-	7,178,278
-	-	-	(4,601,278)	33,433,115
(1,544,386)	-	-	-	-
743,911	44,438	2,032	-	1,691,934
<u>16,206,314</u>	<u>112,954</u>	<u>2,032</u>	<u>(41,061,867)</u>	<u>221,382,067</u>
385,368	-	-	-	122,248,658
5,114,750	-	-	-	6,253,890
7,962,131	-	-	-	12,400,042
559,762	-	-	-	23,785,560
639,750	-	-	-	31,108,399
184,798	-	-	-	32,585,530
39,899,822	-	-	(36,460,589)	34,124,549
178,087	-	1,623,719	-	28,282,188
-	-	-	(4,601,278)	25,646,781
-	-	15,827,688	-	15,827,688
444,383	-	(4,229,162)	-	-
-	240,521	182,611	-	423,132
<u>55,368,851</u>	<u>240,521</u>	<u>13,404,856</u>	<u>(41,061,867)</u>	<u>332,686,417</u>
<u>(39,162,537)</u>	<u>(127,567)</u>	<u>(13,402,824)</u>	<u>-</u>	<u>(111,304,350)</u>
-	-	-	-	76,026,203
4,311,362	-	30,691	-	4,285,059
-	168,571	(149,303)	-	6,716,471
-	-	6,705,791	-	6,705,791
-	-	(13,540,544)	-	(13,540,544)
-	-	1,880,893	-	1,880,893
332,368	-	-	-	332,368
35,345,729	-	-	-	35,345,729
-	-	(3,391,299)	-	(3,391,299)
276,138	-	-	-	276,138
<u>40,265,597</u>	<u>168,571</u>	<u>(8,463,771)</u>	<u>-</u>	<u>114,636,809</u>
-	-	14,909,027	-	-
373,387	-	-	-	-
<u>(394,806)</u>	<u>-</u>	<u>3,679,356</u>	<u>-</u>	<u>-</u>
<u>(21,419)</u>	<u>-</u>	<u>18,588,383</u>	<u>-</u>	<u>-</u>
-	-	20,978,386	-	20,978,386
-	-	382,940	-	382,940
<u>40,244,178</u>	<u>168,571</u>	<u>31,485,938</u>	<u>-</u>	<u>135,998,135</u>
1,081,641	41,004	18,083,114	-	24,693,785
7,335,485	1,543,356	195,583,468	-	231,072,256
<u>\$ 8,417,126</u>	<u>\$ 1,584,360</u>	<u>\$ 213,666,582</u>	<u>\$ -</u>	<u>\$ 255,766,041</u>

Draft September 28

University Notes to Supplementary Schedules

Basis of Presentation:

The University utilizes four current and three noncurrent fund groupings for internal operating purposes, as follows:

Current Fund Groupings:

General Fund is used to account for general operating activities.

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

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

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

Noncurrent Fund Groupings:

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

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

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

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