



Financial Statements
and Supplemental
Information
as of June 30, 2014
and 2013
Together with
Auditor's Report

EASTERN MICHIGAN UNIVERSITY

June 30, 2014

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Eastern Michigan University

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Independent Auditor's Report

To the Board of Regents
Eastern Michigan University

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Michigan University, a component unit of the State of Michigan (the "University"), and its discretely presented component unit as of and for the years ended June 30, 2014 and 2013 and the related notes to the financial statements, which collectively comprise Eastern Michigan University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The discretely presented component unit was not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Eastern Michigan University and its discretely presented component unit as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Regents
Eastern Michigan University

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 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 which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Michigan University's basic financial statements. The schedules of net position by fund and revenues, expenses, and changes in net position by fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of net position by fund and schedule of revenues, expenses, and changes in net position by fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net position by fund and schedule of revenues, expenses, and changes in net position by fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014 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, grant agreements, and other matters. 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 an opinion 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.

Plante & Moran, PLLC

October 7, 2014

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, 2014, 2013, and 2012. 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 report include three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These 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. 61). 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.

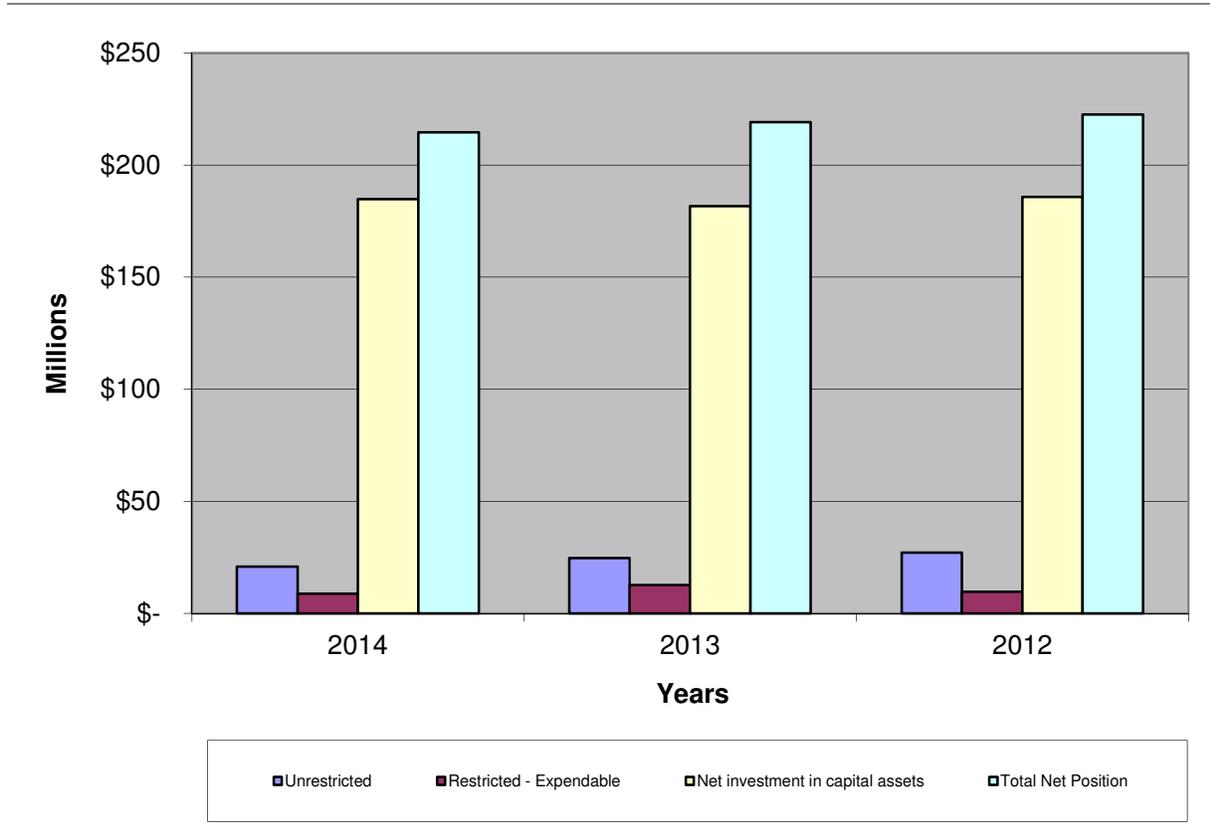
Founded in historic Ypsilanti in 1849, the University occupies 880 acres on the main campus with 122 buildings. In addition, there are six convenient off-campus locations in Brighton, Detroit, Jackson, Livonia, Monroe, and Traverse City for a student body of over 23,000 students.

Financial Highlights

The University's financial position remained strong at June 30, 2014, with assets of \$565 million, liabilities of \$337 million, and deferred inflows of \$13 million.

EASTERN MICHIGAN UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2014, 2013, and 2012.



The University has committed the unrestricted net position 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.

EASTERN MICHIGAN UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements

The University's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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. Net position is one indicator of the current financial condition of the University and is measured by assets plus deferred outflows minus liabilities and deferred inflows.

Following is a summary of the major components of the net position and operating results of the University for the years ended June 30, 2014, 2013, and 2012:

Net Position as of June 30 (In millions)	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current assets	\$ 44.3	\$ 49.2	\$ 43.6
Noncurrent assets:			
Capital assets - Net of depreciation	463.1	465.1	460.9
Other	57.4	68.5	65.4
Total assets	<u>\$ 564.8</u>	<u>\$ 582.8</u>	<u>\$ 569.9</u>
Liabilities			
Current liabilities	\$ 49.8	\$ 53.5	\$ 54.3
Noncurrent liabilities	287.0	292.5	293.1
Total liabilities	<u>\$ 336.8</u>	<u>\$ 346.0</u>	<u>\$ 347.4</u>
Deferred Inflows			
Deferred Inflows	<u>\$ 13.4</u>	<u>\$ 17.7</u>	<u>\$ 0.0</u>
Net Position			
Net Investment in capital assets	184.8	181.7	185.8
Restricted	8.9	12.7	9.6
Unrestricted	20.9	24.7	27.1
Total net position	<u>\$ 214.6</u>	<u>\$ 219.1</u>	<u>\$ 222.5</u>

EASTERN MICHIGAN UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues			
Tuition and fees - Net	\$ 170.1	\$ 168.5	\$ 167.4
Grants and contracts	10.7	11.6	12.9
Auxiliary activities - Net	39.3	37.7	36.4
Other	9.4	9.4	8.4
Total operating revenues	<u>229.5</u>	<u>227.2</u>	<u>225.1</u>
Operating Expenses			
Instruction	120.2	120.0	123.4
Research	4.1	4.0	5.0
Public service	11.9	11.3	11.4
Academic support	31.6	31.7	28.4
Student services	28.1	26.8	28.1
Institutional support	30.1	30.3	31.3
Operations and maintenance of plant	27.6	26.4	25.9
Scholarships and fellowships	37.2	35.4	34.3
Auxiliary activities - Net	31.5	28.4	30.3
Depreciation	15.7	16.5	14.1
Other expenditures	1.0	0.3	0.4
Total operating expenses	<u>339.0</u>	<u>331.1</u>	<u>332.6</u>
Net Operating Loss	(109.5)	(103.9)	(107.5)
Nonoperating Revenues (Expenses)			
State appropriations	67.6	66.5	64.6
Gifts	4.3	4.5	3.9
Change in value of derivative instruments	0.0	0.0	(30.8)
Pell grants	34.3	34.4	34.6
Other nonoperating revenue (expenses)	<u>(2.2)</u>	<u>(5.0)</u>	<u>(7.4)</u>
Net Nonoperating Revenues	<u>104.0</u>	<u>100.4</u>	<u>64.9</u>
Capital Contributions			
Capital appropriations	0.0	0.0	10.5
Capital gifts	<u>0.9</u>	<u>0.1</u>	<u>1.0</u>
Total capital contributions	<u>0.9</u>	<u>0.1</u>	<u>11.5</u>
Decrease in Net Position	(4.5)	(3.4)	(31.1)
Net Position - Beginning of year	219.1	222.5	253.6
Net Position - End of year	<u><u>\$ 214.6</u></u>	<u><u>\$ 219.1</u></u>	<u><u>\$ 222.5</u></u>

EASTERN MICHIGAN UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

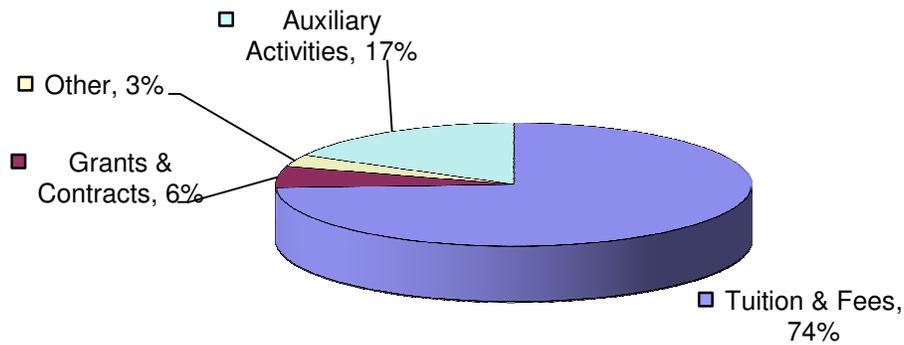
Operating Revenues

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 3.75 percent effective Fall 2013, partially offset by additional scholarships.

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

Operating Revenues by Source



EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

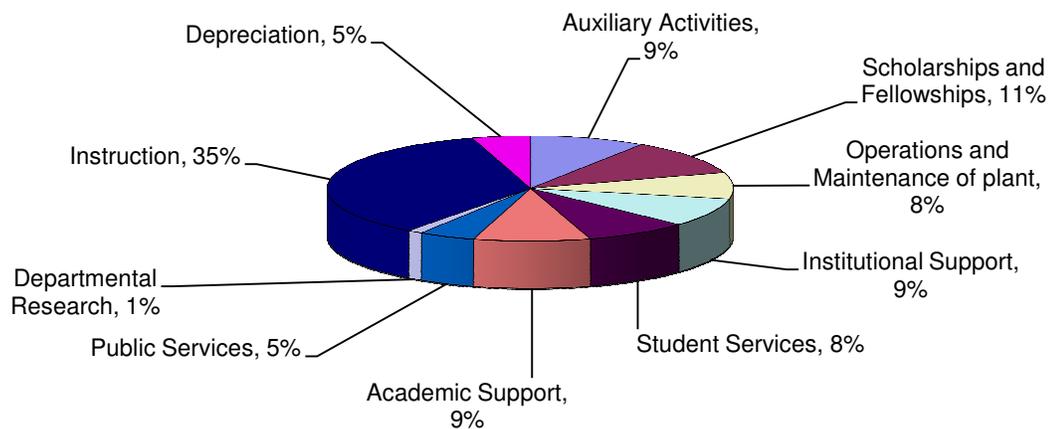
Operating Expenses

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

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:

Operating Expenses



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:

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

- State operating appropriations increased \$1.1 million in 2014 to \$67.6 million and \$1.9 million in 2013 to \$66.5 million due to the State's economy.
- Due to the reassignment of interest rate swaps to the refinanced debt in 2013, the derivative instruments are deemed effective hedging transactions and the change in fair value no longer is recorded in non-operating revenue. In 2014 interest expense was reduced by \$2.6M due to the amortization of the liability related to the interest swaps.
- Investment income increased \$0.2 million to \$4.3 million in 2014 and increased \$1.0 million to \$4.1 million in 2013 due to market conditions and the reassignment of interest rate swaps to the refinanced debt.
- Pell grants decreased \$0.1 million to \$34.3 million in 2014 and \$0.2 million to \$34.4 million in 2013.

Capital Contributions

Capital Contributions 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-Harold renovation amounted to \$0.01 million, and \$10.50 million in 2013, and 2012, respectively, for the first State Building Authority capital outlay from the State of Michigan since 1996. Capital gifts amounted to \$0.9 million in 2014, \$0.1 million in 2013, and \$1.0 million in 2012.

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 the University during a period. The statement of cash flows also helps users assess:

- The University'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)

	2014	2013	2012
Cash Provided by (Used in):			
Operating activities	\$ (91.9)	\$ (92.7)	\$ (102.6)
Noncapital financing activities	107.3	100.7	102.0
Capital and related financing activities	(25.5)	(25.5)	(25.4)
Investing activities	9.6	20.9	30.2
Net Increase (Decrease) in Cash	(0.5)	3.4	4.2
Cash - Beginning of year	11.6	8.2	4.0
Cash - End of year	\$ 11.1	\$ 11.6	\$ 8.2

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash and Investments

Cash and investments, collectively, decreased by \$6.2 million to \$45.9 million as of June 30, 2014 primarily due to spending bond proceeds and reserves 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 \$91.9 million. To offset this, the net cash provided from non-capital financing activities, which consisted primarily of State appropriations, was \$107.3 million. This is compared to net cash used in operating activities in the amount of \$92.7 million and \$102.6 million for the years ended June 30, 2013 and 2012, respectively. Net cash provided by non-capital financing activities was \$100.7 million and \$102.0 million for the years ended June 30, 2013 and 2012, respectively.

Cash used by capital and related financing activities amounted to \$25.5 million in 2014, \$25.5 million in 2013, and \$25.4 million in 2012, primarily on capital additions.

Capital Assets

At June 30, 2014, the University had \$463.1 million invested in capital assets, net of accumulated depreciation of \$315.0 million. Depreciation charges totaled \$15.7 million for 2014 compared to \$16.5 million in 2013. In 2014, the University continued the Rackham renovation and completed the Best Hall renovation, Halle ventilation system, and other projects to improve classrooms, residence halls, technology infrastructure, building energy efficiency, and security. Capital projects in progress at June 30, 2014 primarily include improvements to the Fletcher building, additional Information Technology infrastructure replacements, renovations in auxiliary units, and improvements to classrooms.

At June 30, 2013, the University had \$465.1 million invested in capital assets, net of accumulated depreciation of \$302.7 million. Depreciation charges totaled \$16.5 million for 2013 compared to \$14.0 million in 2012. In 2013, the University completed part of the Rackham renovation and other projects to improve classrooms, residence halls, technology infrastructure, athletics, building energy efficiency, and security. Capital projects in progress at June 30, 2013 primarily include additional work on Rackham, Information Technology infrastructure replacements, renovation of the Best residence hall, and improvements to the Halle ventilation system.

Debt and Derivatives

On November 30, 2012, the University issued \$75,000,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2012A, and \$60,795,000 of General Revenue Variable Rate Demand Revenue and Refunding Bonds, Series 20012B. These bonds refunded \$125,795,000 General Revenue Variable Rate Demand Refunding Bonds, Series 2009A&B, redeemed \$1,685,000 Series 2000 Bonds, redeemed \$250,000 Series 2002B Bonds, and provided \$7,885,500 for capital projects.

At June 30, 2014, the University had \$237.4 million in obligations outstanding, versus \$239.7 million in 2013 and \$234.1 million in 2012. All of the outstanding debt instruments are general revenue obligations of the University. Principal payments of \$2.3 million, \$2.7 million and \$3.2 million were made in 2014, 2013 and 2012, respectively.

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Included in the outstanding obligations are three interest rate swap agreements with notional amounts of \$125.8 million as of June 30, 2014, 2013 and 2012, respectively. In 2013 the swaps were transferred to the Series 2012A and 2012B bonds. Under GASB Statement Number 53, this created a synthetic termination event for the old swap agreements. The new bonds allow the swaps to be reconsidered for hedge accounting, and they were all deemed to be effective hybrid instruments as of June 30, 2014 and 2013, respectively. As a result, the University has posted a \$13.5 million fair value asset, a current liability of \$2.6 million, a noncurrent liability of \$38.3 million, and a deferred inflow of \$13.5 million as of June 30, 2014. The University posted a \$17.7 million fair value asset, a current liability of \$2.7 million, a noncurrent liability of \$41.0 million, and a deferred inflow of \$17.7 million as of June 30, 2013. Conversely in 2012 the swaps were deemed to be ineffective hedges and the fair value liability was \$46,521,031.

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, 2014 and 2013, respectively.

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 2014 from 2013 and 2012. Standard and Poor's ratings (AAA/A-1) were unchanged in 2014 from 2013 and 2012. 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 A1 (uninsured); Standard and Poor's ratings were AAA/A-1 (insured) and BBB+ (uninsured). Standard and Pooors issued their uninsured BBB+ rating, down from A-, on September 10, 2013. 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, 2014.

Deferred Inflows and Outflows

The University had \$13.5, \$17.7 million, and \$0 deferred inflows from interest rate swaps at June 30, 2014, 2013, and 2012, respectively. As of June 30, 2014, 2013, and 2012 the University had \$0 deferred outflows.

Funding for a Successful Future

The University's vision is to be premier public university recognized for student-centered learning, high quality academic programs, and community impact. The University's focus remains on investing in its students and faculty, in academic quality, and in maintaining and improving facilities that enhance the learning environment for its 23,000 students. Through diligent efforts at fiscal stewardship and strategic cost containment measures, the University has been able to set the standard for tuition restraint in the state of Michigan, while still continuing to invest in facilities and programs that help EMU students succeed in today's economy.

In June, the University Board of Regents approved a tuition and mandatory fee increase of 3.2 percent for the upcoming academic year. The increase matches this year's state tuition restraint threshold set by the Michigan legislature for the state's 15 public universities. By setting its tuition at this rate, the University

EASTERN MICHIGAN UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

qualifies for additional state performance funding related to tuition restraint. The additional performance funding allocated from the state for FY15 is expected to be nearly \$4.5 million or 6.7 percent.

The University has had the lowest dollar increase in tuition and fees over the last six years of any of the 15 public universities in the state. The University's tuition increases have averaged 3.1 percent over that time frame. The University has maintained such affordability even in the midst of the State reducing its support by 15 percent three years ago.

The University's Board of Regents approved a \$302.6 million general fund operating revenue budget and a \$301.9 million general fund operating expense budget for fiscal year 2015. The budget includes a \$4.6 million increase in University-sponsored financial aid. The University has more than doubled its financial aid budget from \$21.4 million in fiscal year 2008 to \$43.8 million in fiscal year 2015. The significant trend further underscores the University's commitment to helping students and their families deal with the increasing costs of attending college.

The University's Board of Regents also approved a \$12.6 million capital budget for fiscal year 2015. The biggest investment (\$4.8 million) will be to renovate the Rackham Building. Since fiscal year 2009, the University will have invested over \$230 million in capital improvements, with over two-thirds of that amount going towards academic facilities.

The general and capital fund budgets also reflect an increase of \$1.7 million for strategic safety and security improvements. Some of the upgrades include; the hiring of additional police officers, further installation of surveillance cameras, evacuation signs for all buildings, and additional automated external defibrillators (AEDs).

In order to reach out into an area of interest and need, the Board approved two new academic programs. The first is a new academic program in leadership. This program will be housed in the College of Education. The other is a new master program in taxation. This new program will be housed within the College of Business and graduates will be prepared to provide analysis and insight on challenging tax issues and will be fully prepared for the tax portion of the regulation section of the CPA exam. These two new programs build upon this past spring's successful launch of the new Physician's Assistant Program.

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.

EASTERN MICHIGAN UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted (Note 2)	\$ 11,132,692	\$ 11,563,199
Accounts receivable - net (Note 3)	17,170,134	21,400,437
Appropriation receivable	12,231,895	12,084,827
Inventories	846,878	1,163,375
Deposits and prepaid expenses	2,898,892	2,969,899
Accrued interest receivable	51,068	48,636
Total current assets	44,331,559	49,230,373
Noncurrent assets:		
Student loans receivable - net (Note 3)	9,130,355	10,230,657
Long-term investments - unrestricted (Note 2)	34,657,807	36,621,722
Long-term investments - restricted (Note 2)	146,198	3,931,959
Capital assets - net (Note 4)	463,116,285	465,075,754
Fair value of derivative instruments (Note 5)	13,459,796	17,692,686
Total noncurrent assets	520,510,441	533,552,778
Total assets	\$ 564,842,000	\$ 582,783,151
LIABILITIES		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 2,475,000	\$ 2,330,000
Current portion of interest rate swaps (Note 5)	2,613,852	2,688,527
Accounts payable and accrued liabilities	18,283,292	20,700,145
Accrued payroll, taxes, and fringe benefits	16,753,101	16,861,311
Unearned fees and deposits	6,607,022	7,571,072
Insurance and other claims payable (Note 7)	3,085,308	3,377,504
Total current liabilities	49,817,575	53,528,559
Noncurrent liabilities:		
Accrued compensated absences (Note 6)	2,184,791	2,448,992
Long-term debt (Note 5)	234,875,000	237,350,000
Interest rate swaps (Note 5)	38,349,864	40,963,716
Net other postemployment benefit obligations (Note 6)	1,808,000	904,000
Federal perkins	9,797,441	10,796,240
Total noncurrent liabilities	287,015,096	292,462,948
Total liabilities	\$ 336,832,671	\$ 345,991,507
DEFERRED INFLOWS		
Deferred inflows (Note 5)	\$ 13,459,796	\$ 17,692,686
NET POSITION		
Net Investment in capital assets	\$ 184,802,569	\$ 181,743,511
Restricted—University development and Perkins loans	8,857,859	12,647,620
Unrestricted	20,889,105	24,707,827
Total net position	\$ 214,549,533	\$ 219,098,958

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY FOUNDATION
BALANCE SHEET
As of June 30, 2014 and 2013

ASSETS	2014	2013
Cash and cash equivalents (Note 2)	\$ 2,499,275	\$ 1,017,935
Investments (Note 1)	64,717,494	56,167,196
Accrued interest and dividends	44,708	46,650
Contributions receivable (Note 3)	518,525	509,480
Life insurance cash surrender value	309,321	294,900
Accounts receivable	10,226	10,767
Property and equipment - Net	1,929,459	1,960,796
Investments held under split-interest agreements (Note 1)	889,230	830,322
	<u>70,918,238</u>	<u>60,838,046</u>
Total assets	<u>\$ 70,918,238</u>	<u>\$ 60,838,046</u>
 LIABILITIES		
Accounts payable	\$ 529,611	\$ 349,085
Liabilities under split-interest agreements	578,310	537,560
Accrued liabilities	8,081	4,474
	<u>1,116,002</u>	<u>891,119</u>
Total liabilities	<u>\$ 1,116,002</u>	<u>\$ 891,119</u>
 NET ASSETS		
Unrestricted	\$ 1,694,090	\$ 1,140,618
Temporarily restricted	25,977,944	17,830,983
Permanently restricted	42,130,202	40,975,326
	<u>69,802,236</u>	<u>59,946,927</u>
Total net assets	<u>\$ 69,802,236</u>	<u>\$ 59,946,927</u>
	<u>70,918,238</u>	<u>60,838,046</u>
Total liabilities and net assets	<u>\$ 70,918,238</u>	<u>\$ 60,838,046</u>

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Student tuition and fees	\$ 215,269,428	\$ 210,753,019
Scholarship allowances	(45,178,526)	(42,288,869)
Net student tuition and fees	<u>170,090,902</u>	<u>168,464,150</u>
Federal grants and contracts	4,961,094	6,797,632
Federal financial aid	1,669,516	1,578,566
State grants and contracts	946,409	624,949
State financial aid	839,455	723,380
Nongovernmental grants and contracts	2,278,973	1,984,099
Departmental activities	6,429,400	6,819,844
Auxiliary activities revenue - Net (Note 1)	39,333,298	37,656,387
Other	2,990,129	2,583,617
Total operating revenues	<u>229,539,176</u>	<u>227,232,624</u>
OPERATING EXPENSES		
Instruction	120,226,674	119,974,535
Research	4,062,082	4,044,763
Public service	11,931,201	11,287,463
Academic support	31,609,081	31,702,396
Student services	28,067,145	26,834,230
Institutional support	30,117,844	30,369,776
Scholarships and fellowships	37,160,945	35,386,073
Operation and maintenance of plant	27,563,433	26,412,450
Auxiliary activities expenses - Net (Note 1)	31,557,291	28,426,924
Depreciation	15,712,871	16,482,011
Other	1,043,526	266,398
Total operating expenses	<u>339,052,093</u>	<u>331,187,019</u>
Operating loss	<u>(109,512,917)</u>	<u>(103,954,395)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	67,595,296	66,526,774
Gifts	4,335,387	4,538,943
Investment Income	4,332,990	4,076,890
Interest expense	(9,619,090)	(11,122,722)
Interest ARRA subsidy	1,731,362	1,880,893
Federal Pell grant program	34,311,524	34,394,008
Other	1,350,689	143,819
Net nonoperating revenues	<u>104,038,158</u>	<u>100,438,605</u>
CAPITAL CONTRIBUTIONS		
Capital Appropriations	-	12,461
Capital gifts	925,334	100,638
Total capital contributions	<u>925,334</u>	<u>113,099</u>
Decrease in net position	(4,549,425)	(3,402,691)
NET POSITION - Beginning of year	219,098,958	222,501,649
NET POSITION - End of year	<u>\$ 214,549,533</u>	<u>\$ 219,098,958</u>

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
Years ended June 30, 2014 and 2013

	2014	2013
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	\$ 5,360,736	\$ 4,144,402
Investment income	1,034,204	1,043,740
Net realized and unrealized gains (losses)	9,346,624	6,397,317
Administrative and management fee	1,793,000	1,828,000
Other revenue	83,018	67,594
Total revenue, gains and other support	17,617,582	13,481,053
EXPENSES		
Contributions to EMU:		
Expendable contributions	\$ 3,153,635	\$ 2,726,733
Contributions from endowment income	1,410,696	1,302,163
General and administrative - Foundation management	572,622	537,211
Fundraising	2,895,202	2,991,879
Total expenses	\$ 8,032,155	\$ 7,557,986
Increase in Net Assets Before Other Changes in Net Assets	9,585,427	5,923,067
OTHER CHANGES IN NET ASSETS		
Funds transferred from EMU	321,826	102,999
Change in value of split-interest agreements	(51,944)	(38,307)
Increase in Net Assets	9,855,309	5,987,759
NET ASSETS - Beginning of year	59,946,927	53,959,168
NET ASSETS - End of year	\$ 69,802,236	\$ 59,946,927

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY
STATEMENT OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 216,403,761	\$ 208,567,265
Cash received from auxiliary activities	46,562,479	42,922,554
Cash received from other sources	9,302,762	12,054,323
Grants and contracts	10,945,846	10,232,064
Student loans granted - Net of repayments	1,061,224	874,573
Scholarship allowances	(51,829,005)	(48,418,767)
Cash paid to suppliers and employees	(241,958,136)	(241,298,080)
Cash paid for financial aid	(82,339,471)	(77,612,186)
Net cash used in operating activities	(91,850,540)	(92,678,254)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	67,448,228	61,725,873
Federal Pell grants	34,311,524	34,394,008
Gifts received from EMU Foundation	5,516,105	4,538,943
Net cash provided by noncapital financing activities	107,275,857	100,658,824
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds	-	10,000,000
Principal payments/defeasance under debt obligations	(2,330,000)	(4,465,000)
Cash received from State Building Authority	-	875,917
Interest paid	(9,619,090)	(11,122,722)
Proceeds from sale of building	1,096,810	-
Purchases of capital assets	(14,625,221)	(20,778,154)
Net cash used in capital and related financing activities	(25,477,501)	(25,489,959)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(74,041,967)	(61,415,551)
Proceeds from sales and maturities of investments	79,335,482	79,430,053
Interest received	4,328,162	2,845,351
Net cash provided by investing activities	9,621,677	20,859,853
Net (decrease) increase in cash and cash equivalents	(430,507)	3,350,464
CASH AND CASH EQUIVALENTS - Beginning of year	11,563,199	8,212,735
CASH AND CASH EQUIVALENTS - End of year	\$ 11,132,692	\$ 11,563,199
SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS		
Disposal of fixed assets, net of depreciation	\$ 871,819	\$ 90,475
Capital gifts received in kind	\$ 925,334	\$ 100,638

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY
STATEMENT OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (109,512,917)	\$ (103,954,395)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	15,712,871	16,482,011
Changes in assets and liabilities:		
Accounts receivable - Net	4,320,830	(1,824,799)
Inventories	316,417	54,732
Deposits and prepaid expenses	352,259	(269,765)
Student loans receivable - Net	1,100,302	926,353
Accounts payable and accrued liabilities	(2,416,324)	(2,993,522)
Accrued payroll	1,817,049	22,626
Payroll taxes and accrued fringe benefits	(2,020,580)	321,977
Unearned fees and deposits	(964,050)	84,733
Insurance and other claims payable	(292,196)	239,272
Accrued compensated absences	(264,201)	(1,767,477)
Total change in assets and liabilities	1,949,506	(5,205,870)
Net cash used in operating activities	\$ (91,850,540)	\$ (92,678,254)

The accompanying notes are an integral part of this statement

EASTERN MICHIGAN UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS
Years ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Increase in net assets	\$ 9,855,309	\$ 5,987,759
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	95,471	110,136
Net realized and unrealized gain on investments	(9,346,624)	(6,397,317)
Change in value of split-interest agreements	51,944	38,307
Change in cash surrender value of life insurance	(14,421)	(11,830)
Contributions restricted for long-term purposes	(1,154,876)	(1,668,756)
Contribution received - land held for investment		-
Changes in assets and liabilities:		
Contributions receivable	(9,045)	397,601
Accrued interest and dividends	1,942	3,282
Other assets	541	(1,754)
Accounts payable	180,526	(239,003)
Accrued and other liabilities	3,607	(4,632)
Net cash used in operating activities	\$ (335,626)	\$ (1,786,207)
Cash Flows from Investing Activities		
Purchases of equipment	\$ (64,134)	\$ (119,931)
Purchases of investments	(21,062,273)	(24,529,963)
Proceeds from the sale of investments	21,799,691	23,655,279
Net cash used in investing activities	\$ 673,284	\$ (994,615)
Cash Flows from Financing Activities		
Payments on split-interest agreements	(70,275)	(72,321)
Proceeds from new split-interest agreements	59,081	13,749
Proceeds from contributions restricted for long-term purposes	1,154,876	1,668,756
Net cash provided by financing activities	\$ 1,143,682	\$ 1,610,184
Net (Decrease) Increase in Cash and Cash Equivalents	1,481,340	(1,170,638)
Cash and Cash Equivalents - Beginning of year	1,017,935	2,188,573
Cash and Cash Equivalents - End of year	\$ 2,499,275	\$ 1,017,935
Supplemental Cash Flow Information - Cash paid for:		
Interest	\$ 108,042	\$ 110,632

The accompanying notes are an integral part of this statement.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of Presentation and Significant Accounting Policies

Organization - 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.

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 has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB’s authoritative literature certain accounting and financial guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting research bulletins of the American Institute of Certified Public Accountants (AICPA), Committee on Accounting Procedure.

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:

- **Net Investment in Capital Assets** - 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 position 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 position not subject to externally imposed constraints. Unrestricted Net position 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 position 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. 61, *Financial Reporting Entity: Omnibus*). These criteria include significant operational or financial relationships with the University. Based on application of the criteria, the University has one component unit.

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 and the University has 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. Total net assets for the Foundation were \$69,802,236, \$59,946,927, and \$53,959,168 for the years ended June 30, 2014, 2013 and 2012, respectively. No modifications have been made to the Foundation financial statements included in the University's financial report. 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.

Summary of Significant Accounting Policies

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 position. 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

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

Interest Rate Swaps – The fair value of interest rate swaps deemed liabilities as of the date of termination of the related debt have been recorded as a liability that is being amortized over the life of the swap contracts using the effective interest method. Amortization for the years ended June 30, 2014 and 2013 was \$2,688,527 and \$1,565,612, respectively, and is recorded as a reduction to interest expense.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

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

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. In 2013 the University modified the sick leave and short-term disability policy to eliminate sick leave accruals and retirement payouts for certain employees. In addition, the revised policy established a new short-term disability plan to provide income protection for certain employees unable to work for an extended period because of non-work-related illness or period of incapacity. The current portions of accrued sick leave and vacation leave were approximately \$400,000 and \$3,575,000 as of June 30, 2014, respectively. The current portions of accrued sick leave and vacation leave were approximately \$400,000 and \$3,374,000 as of June 30, 2013, respectively.

Deferred Inflows – Deferred inflows consist of accumulated changes in the fair value of hedging derivative instruments.

Reclassifications – Certain prior year balances have been reclassified to conform with the current year presentation. In 2014 the Student Center, Autism Center, and Recreation Intramurals General Fund operations were moved to the Auxiliary Fund. Approximately \$1.3 million and \$1.1 million of Departmental Activities revenue were moved to Auxiliary Activities Revenue in 2013 and 2012, respectively. Approximately \$2.3 million and \$2.1 million of Student Services expenses were moved to Auxiliary Activities expenses in 2013 and 2012, respectively. Approximately \$0.2 million of Public Services expenses were moved to Auxiliary Activities Expenses in 2013. In 2014, 2013 and 2012 approximately \$1.8 million, \$0.9 million, and \$0.4 million of Postemployment benefit obligations were reclassified from Accrued payroll, taxes and fringe benefits to Net other postemployment benefit obligations, respectively. In 2014, 2013 and 2012 approximately \$1.3 million, \$1.2 million, and \$1.5 million of health insurance incurred but not reported claims were reclassified from Accrued payroll, taxes and fringe benefits to Insurance and other claims payable, respectively.

Use of estimates - 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, 2014 and 2013:

	2014	2013
<u>Operating Revenues:</u>		
Auxiliary Activities, Gross	\$ 46,368,394	\$ 44,157,114
Less: Internal Sales	(384,617)	(370,829)
Less: Scholarship Allowances	(6,650,479)	(6,129,898)
Auxiliary Activities Revenue - Net	\$ 39,333,298	\$ 37,656,387
 <u>Operating Expenses:</u>		
Auxiliary Activities, Gross	\$ 38,592,387	\$ 34,927,651
Less: Internal Sales	(384,617)	(370,829)
Less: Scholarship Allowances	(6,650,479)	(6,129,898)
Auxiliary Activities Expenses - Net	\$ 31,557,291	\$ 28,426,924

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments

Operating and Nonoperating Revenues - The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position 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. Federal Pell grant revenue is classified as nonoperating due to its nonexchange nature. The amounts received for 2014, 2013, and 2012 are \$34.3 million, \$34.4 million, and \$34.6 million, respectively.

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, 2014:

	Fair Market Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash and cash equivalents:					
Unrestricted:					
Time deposits	\$ 10,339,916	\$ 10,339,916	\$ -	\$ -	\$ -
Money market funds	792,776	792,776	-	-	-
Total unrestricted cash and cash equivalents	\$ 11,132,692	\$ 11,132,692	\$ -	\$ -	\$ -
Long-term investments:					
Unrestricted:					
Corporate bond mutual fund	\$ 23,890,303	\$ -	\$ 23,890,303	\$ -	\$ -
Government bonds	80,353	-	-	80,353	-
Domestic equities	8,965,393	-	-	8,965,393	-
Foreign equities	1,721,758	-	-	1,721,758	-
Total long-term unrestricted investments	\$ 34,657,807	\$ -	\$ 23,890,303	\$ 10,767,504	\$ -
Restricted:					
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Time deposits	146,198	146,198	-	-	-
Government bonds	-	-	-	-	-
Total long-term restricted investments	\$ 146,198	\$ 146,198	\$ -	\$ -	\$ -
Total cash and investments	\$ 45,936,697	\$ 11,278,890	\$ 23,890,303	\$ 10,767,504	\$ -

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, 2013:

	Fair Market Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash and cash equivalents:					
Unrestricted:					
Time deposits	\$ 10,675,634	\$ 10,675,634	\$ -	\$ -	\$ -
Money market funds	887,565	887,565	-	-	-
Total unrestricted cash and cash equivalents	\$ 11,563,199	\$ 11,563,199	\$ -	\$ -	\$ -
Long-term investments:					
Unrestricted:					
Corporate bond mutual fund	\$ 25,394,087	\$ -	\$ 25,394,087	\$ -	\$ -
Government bonds	77,951	-	-	-	77,951
Domestic equities	9,421,167	-	-	9,421,167	-
Foreign equities	1,728,517	-	-	1,728,517	-
Total long-term unrestricted investments	\$ 36,621,722	\$ -	\$ 25,394,087	\$ 11,149,684	\$ 77,951
Restricted:					
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Time deposits	3,931,959	3,931,959	-	-	-
Government bonds	-	-	-	-	-
Total long-term restricted investments	\$ 3,931,959	\$ 3,931,959	\$ -	\$ -	\$ -
Total cash and investments	\$ 52,116,880	\$ 15,495,158	\$ 25,394,087	\$ 11,149,684	\$ 77,951

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.

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, 2014 and 2013, the University's debt instruments (subject to fluctuations in interest rates) and related ratings consisted of the following:

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

	2014		2013	
	Market Value	NRSRO Rating	Market Value	NRSRO Rating
Bond Mutual Funds:				
Corporate Bonds	\$ 23,890,303	AA	\$ 25,394,087	AA
U.S. Government Agency Bonds	80,353	--	77,951	--
Total	\$ 23,970,656		\$ 25,472,038	

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, 2014 and 2013. As of June 30, 2014, the banks reported balances in the disbursement accounts at \$11,797,055. Of these balances, \$318,714 was covered by federal depository insurance and \$11,478,341 was uninsured and uncollateralized. As of June 30, 2013, the banks reported balances in the disbursement accounts at \$11,086,955. Of these balances, \$500,000 was covered by federal depository insurance and \$10,586,955 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.

The following investments comprise more than 5% of the total investments portfolio as of June 30, 2014 and 2013:

June 30, 2014:

<u>Instrument</u>	<u>Fair Market Value</u>
JPMorgan Core Bond Select	\$ 3,434,397
PIMCO Total Return Bond Fund	13,824,257
Loomis Sales Bond Fund Instl	3,668,867
Vanguard Small Cap Index-Signal	1,779,874
Vanguard Inst Index VINIX	7,185,518
Total	\$ 29,892,913

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Cash and Investments (continued)

June 30, 2013

<u>Instrument</u>	<u>Fair Market Value</u>
JPMorgan Core Bond Select	\$ 3,857,806
PIMCO Total Return Bond Fund	14,083,550
Loomis Sales Bond Fund Instl	4,252,091
Vanguard Small Cap Index-Signal	1,877,759
Vanguard Inst Index VINIX	7,543,408
Total	\$ 31,614,614

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, 2014 and 2013, the University had \$1,721,759 and \$1,728,517, 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, 2014 and 2013.

Investments at the Eastern Michigan University Foundation are as follows:

	2014	2013
Corporate stocks	\$ 47,548,411	\$ 40,443,282
Corporate bonds	4,633,251	3,786,769
Treasury/Federal securities	4,339,294	4,705,569
Certificates of Deposit (Long Term)	597,533	573,546
Real estate	55,000	55,000
Mutual funds	7,820,901	6,821,018
Total	\$ 64,994,390	\$ 56,385,184

Net gains/losses from security transactions for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Unrealized gain	\$ 4,839,837	\$ 3,865,645
Realized income	5,540,991	3,575,412
Total	\$ 10,380,828	\$ 7,441,057

Trustee and brokerage fees associated with the maintenance of the endowment securities portfolio were \$455,247 and \$333,517 for the years ended June 30, 2014 and 2013, respectively, for Eastern Michigan University Foundation. For recording purposes, these fees have been netted with investment income.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Receivables

University accounts receivable consist of the following as of June 30, 2014 and 2013:

	2014	2013
Sponsor accounts	\$ 2,934,623	\$ 4,355,480
Student accounts	6,059,396	6,751,478
Charter school appropriation	4,406,885	4,544,112
Third party tuition	328,345	535,384
Other	4,897,043	6,726,377
Subtotal	18,626,292	22,912,831
Less allowances for possible collection losses	(1,456,158)	(1,512,394)
Accounts receivable - Net	\$ 17,170,134	\$ 21,400,437

In addition, the University has student loans receivable of \$9,130,355 and \$10,230,657, net of the related allowance of \$358,666 for both June 30, 2014 and 2013.

Included in contributions receivable for the Foundation are the following unconditional promises to give at June 30, 2014 and 2013:

	2014	2013
Contributions receivable:		
Gross contributions promised	\$ 1,019,093	\$ 1,453,745
Less allowance for uncollectibles	(497,575)	(939,461)
Subtotal	521,518	514,284
Less unamortized discount	(2,993)	(4,804)
Net unconditional promises to give	\$ 518,525	\$ 509,480
Amounts due in:		
Less than one year	\$ 701,563	\$ 1,057,619
One to five years	310,530	360,126
More than five years	7,000	36,000
Total	\$ 1,019,093	\$ 1,453,745

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, 2014:

	2013	Additions/ Transfers	Retirements/ Transfers	2014
Non-depreciable:				
Land	\$ 11,653,978	\$ -	\$ -	\$ 11,653,978
Construction in progress	4,274,179	2,073,363	(4,274,179)	2,073,363
Total non-depreciable	<u>15,928,157</u>	<u>2,073,363</u>	<u>(4,274,179)</u>	<u>13,727,341</u>
Depreciable:				
Infrastructure	38,552,676	2,230,133	-	40,782,809
Leasehold improvements	3,547,565	424,996	-	3,972,561
Buildings	581,163,115	11,183,231	(1,151,781)	591,194,565
Library holdings	47,580,207	645,287	-	48,225,494
Equipment	81,081,240	2,342,390	(3,204,644)	80,218,986
Total depreciable	<u>751,924,803</u>	<u>16,826,037</u>	<u>(4,356,425)</u>	<u>764,394,415</u>
Total capital assets	<u>767,852,960</u>	<u>18,899,400</u>	<u>(8,630,604)</u>	<u>778,121,756</u>
Less: Accumulated depreciation:				
Infrastructure	27,207,693	1,023,948	-	28,231,641
Leasehold improvements	3,422,743	70,238	-	3,492,981
Buildings	159,722,455	9,486,311	(332,578)	168,876,188
Library holdings	42,815,986	1,360,154	-	44,176,140
Equipment	69,608,329	3,772,220	(3,152,028)	70,228,521
Total accumulated depreciation	<u>302,777,206</u>	<u>15,712,871</u>	<u>(3,484,606)</u>	<u>315,005,471</u>
Capital assets - Net	<u>\$ 465,075,754</u>	<u>\$ 3,186,529</u>	<u>\$ (5,145,998)</u>	<u>\$ 463,116,285</u>

In 2014 the University sold the Cooper Building for \$1,096,810. The book value of the building was \$819,203. The economic gain was \$277,607. In 2014 the University retired \$2,512,814 of notebook computers that were purchased between 1999 and 2009 and capitalized when the equipment threshold was \$1,000. The associated accumulated depreciation was \$2,511,814. Currently the equipment capitalization threshold is \$5,000.

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, 2013:

	2012	Additions/ Transfers	Retirements/ Transfers	2013
Non-depreciable:				
Land	\$ 11,653,978	\$ -	\$ -	\$ 11,653,978
Construction in progress	5,489,522	4,274,179	(5,489,522)	4,274,179
Total non-depreciable	<u>17,143,500</u>	<u>4,274,179</u>	<u>(5,489,522)</u>	<u>15,928,157</u>
Depreciable:				
Infrastructure	37,387,443	1,165,233	-	38,552,676
Leasehold improvements	3,408,874	138,691	-	3,547,565
Buildings	564,357,221	16,805,894	-	581,163,115
Library holdings	46,496,097	1,084,110	-	47,580,207
Equipment	79,565,299	2,799,547	(1,283,606)	81,081,240
Total depreciable	<u>731,214,934</u>	<u>21,993,475</u>	<u>(1,283,606)</u>	<u>751,924,803</u>
Total capital assets	<u>748,358,434</u>	<u>26,267,654</u>	<u>(6,773,128)</u>	<u>767,852,960</u>
Less: Accumulated depreciation:				
Infrastructure	26,238,680	969,013	-	27,207,693
Leasehold improvements	3,408,874	13,869	-	3,422,743
Buildings	149,333,433	10,389,022	-	159,722,455
Library holdings	41,300,394	1,515,592	-	42,815,986
Equipment	67,206,945	3,594,515	(1,193,131)	69,608,329
Total accumulated depreciation	<u>287,488,326</u>	<u>16,482,011</u>	<u>(1,193,131)</u>	<u>302,777,206</u>
Capital assets - Net	<u>\$ 460,870,108</u>	<u>\$ 9,785,643</u>	<u>\$ (5,579,997)</u>	<u>\$ 465,075,754</u>

The University has encumbrances of \$1,169,735 on various construction projects in progress as of June 30, 2014.

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 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.

EASTERN MICHIGAN UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt

Long-term debt consists of the following as of June 30, 2014 and 2013:

	Interest Rates	Maturity	2013	Outstanding Principal		2014	Current Portion
				Additions	Retirements/ Defeasance		
Refunding Bonds							
of 2012B	variable	2037-2049	\$ 60,795,000	\$ -	\$ -	\$ 60,795,000	\$ -
Refunding Bonds							
of 2012A	variable	2038-2049	75,000,000	-	-	75,000,000	-
Build America							
Bonds of 2009D	4.21 - 7.21	2014-2038	79,220,000	-	825,000	78,395,000	2,475,000
General Revenue							
Bonds of 2009C	4.00 - 5.00	2022-2027	23,160,000	-	-	23,160,000	-
Refunding Bonds							
of 2003A	2.00 - 5.00	2014	1,040,000	-	1,040,000	-	-
General Revenue							
Bonds of 2002A	5.8	2014	465,000	-	465,000	-	-
			239,680,000	\$ -	\$ 2,330,000	237,350,000	\$ 2,475,000
Less current portion long-term debt			2,330,000			2,475,000	
Long-term debt			<u>\$ 237,350,000</u>			<u>\$ 234,875,000</u>	

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

Long-term debt consists of the following as of June 30, 2013 and 2012:

	Interest Rates	Maturity	<u>Outstanding Principal</u>				
			2012	Additions	Retirements/ Defeasance	2013	Current Portion
Refunding Bonds of 2012B	variable	2037-2049	\$ -	\$ 60,795,000	\$ -	\$ 60,795,000	\$ -
Refunding Bonds of 2012A	variable	2038-2049	-	75,000,000	-	75,000,000	-
Build America Bonds of 2009D	4.21 - 7.21	2014-2038	79,220,000	-	-	79,220,000	825,000
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	2013-2014	2,040,000	-	1,000,000	1,040,000	1,040,000
General Revenue Bonds of 2002B	3.00-5.00	2013	250,000	-	250,000	-	-
General Revenue Bonds of 2002A	5.8	2013-2014	1,995,000	-	1,530,000	465,000	465,000
General Revenue Bonds of 2000	5.00-6.00	2013	1,685,000	-	1,685,000	-	-
			234,145,000	\$ 135,795,000	\$ 130,260,000	239,680,000	\$ 2,330,000
Less current portion long-term debt			2,965,000			2,330,000	
Long-term debt			\$ 231,180,000			\$ 237,350,000	

On November 30, 2012, the University issued \$75,000,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2012A, and \$60,795,000 of General Revenue Variable Rate Demand Revenue and Refunding Bonds, Series 20012B. These bonds refunded \$125,795,000 General Revenue Variable Rate Demand Refunding Bonds, Series 2009A&B, redeemed \$1,685,000 Series 2000 Bonds, redeemed \$250,000 Series 2002B Bonds, and provided \$7,885,500 for capital projects. 2012 Series A&B bonds amortize over 37 years with principal payments beginning June 30, 2038 and June 30, 2037, respectively. The refunding resulted in a reduction of total interest payments of \$53.9 million and an economic gain (difference between the present values of the interest payments on the old and new debt) of \$3,119,479.

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

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

Bonds, Series 2009B. These bonds refunded \$125,795,000 General Revenue Variable Rate Demand Refunding Bonds, Series 2008. 2009 Series A&B bonds were refunded on November 30, 2012.

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 29.9% of the total coupon interest paid by the University.

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, 2014 and 2013, the aggregate amount of outstanding principal on all bonds which have been defeased is \$0 and \$70,000, 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>
2015	2,475,000	12,211,094	14,686,094
2016	2,560,000	12,074,243	14,634,243
2017	2,660,000	11,878,886	14,538,886
2018	2,775,000	11,681,630	14,456,630
2019	2,895,000	11,471,041	14,366,041
2020 – 2024	16,635,000	53,895,964	70,530,964
2025 – 2029	22,320,000	47,887,626	70,207,626
2030 – 2034	28,010,000	39,340,172	67,350,172
2035 – 2039	39,975,000	28,434,004	68,409,004
2040 – 2044	52,975,000	18,641,978	71,616,978
2045 – 2049	64,070,000	7,782,881	71,852,881
Total	<u>\$ 237,350,000</u>	<u>\$ 255,299,519</u>	<u>\$ 492,649,519</u>

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. The 2001 swap, the 2006 swap, and the 2009 swap were reallocated by the University to the 2012A and 2012B bonds.

Interest rate swaps are classified as hedging derivative instruments, if the hedging instruments meet the criteria outlined in GASB 53, paragraph 27a and b, or as investment derivative instruments if they do not meet the criteria. Based on regression analysis, all of the swap agreements have been determined to be effective hedging derivative instruments as of June 30, 2014 and 2013. Regression analysis evaluated effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item. The changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item when certain criteria were met. All of the University's hedging relationships in fiscal year 2012 were terminated in fiscal year 2013 and designed into new hedging relationships. In accordance with GASB 53 these swaps are considered hybrid instruments consisting of a financing element (\$40,963,716 and \$43,652,243 for June 30, 2014 and 2013, respectively) and an embedded derivative (\$13,459,796 and \$17,692,686 for June 30, 2014 and 2013, respectively). The financing element is reported as an interest rate swap liability and the embedded derivative is reported as a fair value of derivative instrument asset with an offsetting deferred inflow within the Statement of Net Position. For fiscal year ending June 30, 2014, the fair value of hedging derivative instruments increased \$4,232,890.

As of June 30, 2014 and 2013, the swap agreements can be summarized as follows:

At June 30, 2014:

Effective Date	Type	Objective	Notional Amount	Pay terms	Receive terms	Liability Amount	Fair Value and deferred inflows	Maturity date	Counterparty credit rating	
									Moody's	Standard & Poor's
8/29/2001	Pay-fixed, Receive variable	Cash flow hedge for Series 2001, refunded by 2012A&B bond series.	\$15,020,000	4.465%	40% - Variable 60% - 68% of LIBOR	\$3,622,808	\$602,148 \$915,871	6/1/2026	Aa3	A+
			\$22,530,000							
2/22/2006	Pay-fixed, Receive variable	Cash flow hedge for Series 2006, refunded by 2012A&B bond series.	\$77,385,000	3.317%	62% LIBOR + 20 bps	\$14,709,141	\$3,970,347	5/1/2036	Baa2	A-
6/2/2009	Pay-fixed, Receive variable	Cash flow hedge for Series 2009, refunded by 2012A&B bond series.	\$10,860,000	3.096%	68% LIBOR	<u>\$16,786,753</u>	<u>\$7,971,430</u>	3/1/2049	A2	A
Total						\$40,963,716	\$13,459,796			
Less Current Interest Rate Swaps						2,613,852				
Noncurrent Interest Rate Swaps						<u>\$38,349,864</u>				

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

At June 30, 2013:

Effective Date	Type	Objective	Notional Amount	Pay terms	Receive terms	Liability Amount	Fair Value and deferred inflows	Maturity date	Counterparty credit rating	
									Moody's	Standard & Poor's
8/29/2001	Pay-fixed, Receive variable	Cash flow hedge for Series 2001, refunded by 2012A&B bond series.	\$15,620,000 \$23,430,000	4.465%	40% - Variable 60% - 68% of LIBOR	\$4,120,286 \$6,647,640	\$839,837 \$1,278,960	6/1/2026	Aa3	A+
2/22/2006	Pay-fixed, Receive variable	Cash flow hedge for Series 2006, refunded by 2012A&B bond series.	\$79,015,000	3.317%	62% LIBOR + 20 bps	\$16,046,317	\$5,280,003	5/1/2036	Baa1	A-
6/2/2009	Pay-fixed, Receive variable	Cash flow hedge for Series 2009, refunded by 2012A&B bond series.	\$7,730,000	3.096%	68% LIBOR	<u>\$16,838,000</u>	<u>\$10,293,886</u>	3/1/2049	A2	A
					Total	\$43,652,243	\$17,692,686			
					Less Current Interest Rate Swaps	2,688,527				
					Noncurrent Interest Rate Swaps	<u>\$40,963,716</u>				

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, 2014 and 2013, respectively.

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 swaps decrease, the University's net payment on the swaps 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. In December 2012, the University amended a portion of the 2001 fixed payer swap by changing the received rate from Securities Industry and Financial Markets Association (SIFMA) to a percentage of LIBOR. This amendment effectively decreased the swap fixed pay leg from 4.72% to 4.465%. Additionally, this mitigates basis risk between the swap receiving leg and the variable rate resets of the 2012A and 2012B bonds. Since the 2001, 2006, and 2009 swap agreements receive a percentage of LIBOR from the counterparty and pay a percentage of LIBOR for the Series 2012A and 2012B bonds, basis risk is mitigated. As of June 30, 2014, the variable interest rate was 0.11%, whereas 68 percent of one-month LIBOR was 0.10%. As of June 30, 2014, 62 percent of one-month LIBOR plus 20 basis points was 0.30%. As of June 30, 2013, the variable interest rate was 0.14%, whereas 68 percent of one-month LIBOR was 0.13%. As of June 30, 2013, 62 percent of one-month LIBOR plus 20 basis points was 0.321%.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Long-term Debt (continued)

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, 2014, 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.

Variable Rate Bonds Associated with 2012 Bonds Swap Agreement

Fiscal Year	Principal	Fixed Interest Paid	Variable Interest Paid	Net Counterparty Interest Exchanged	Total Paid
2015	-	4,579,694	138,375	(367,191)	4,350,878
2016	-	4,544,315	138,375	(358,286)	4,324,404
2017	-	4,507,322	138,375	(349,129)	4,296,568
2018	-	4,468,414	138,375	(339,395)	4,267,394
2019	-	4,427,733	138,375	(329,377)	4,236,731
2020-2024	-	21,460,398	691,873	(1,487,671)	20,664,600
2025-2029	-	20,181,455	691,873	(1,199,329)	19,673,999
2030-2034	-	19,604,881	691,873	(813,875)	19,482,879
2035-2039	14,465,000	19,285,235	684,998	(630,677)	33,804,556
2040-2044	48,295,000	14,402,592	511,720	(465,200)	62,744,112
2045-2049	63,035,000	6,062,278	215,391	(195,813)	69,116,856
Total	\$ 125,795,000	\$ 123,524,317	\$ 4,179,603	\$ (6,535,943)	\$ 246,962,977

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.

MPERS contribution rates are determined by the retirement plan's actuaries as a percentage University member and non-member payroll. Contribution rates were 16.61%, 13.41%, and 13.41% for the years ended June 30, 2014, 2013, and 2012, respectively. Covered payrolls were \$11,734,000, \$12,633,000,

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Retirement Benefits (continued)

and \$13,449,000 for the years ended June 30, 2014, 2013, and 2012, respectively. The cost of the MPSERS plan allocated to the University, all of which was contributed in the applicable year, was approximately \$6,725,000, \$6,529,000, and \$6,655,000 for the years ended June 30, 2014, 2013, and 2012, 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. Average contribution rates were 10.5%, 11.2%, and 10.6%, for the years ended June 30, 2014, 2013, and 2012, respectively. Total covered payroll was \$125,158,000, \$123,274,000, and \$123,544,000, for the years ended June 30, 2014, 2013, and 2012, respectively. The University contributed approximately \$13,131,000, \$13,740,000, and \$13,132,000 for the years ended June 30, 2014, 2013, and 2012, respectively. The University has no liability beyond its own contribution under the TIAA-CREF plan.

The University provides termination benefits upon retirement resulting from unused sick days. The University calculates its sick pay liability in accordance with the provisions of GASB Statement No.16, *Accounting for Compensated Absences*. In 2013 the University modified the sick leave and short-term disability policy to eliminate sick leave accruals and retirement payouts for certain employees. In addition, the revised policy established a new short-term disability plan to provide income protection for certain employees unable to work for an extended period because of non-work-related illness or period of incapacity. The liability is approximately \$2,585,000 and \$2,849,000 as of June 30, 2014 and 2013, respectively. Approximately \$400,000 is included in accrued payroll, taxes, and fringe benefits for the years ended June 30, 2014 and 2013. The remaining portion is included in accrued compensated absences.

Other Postemployment Benefits

The University has a single-employer plan that provides certain healthcare (medical, dental, and prescription drug coverage) and life insurance benefits for retired faculty and staff. The plan covers 1,313 members as of July 1, 2012 for healthcare, 892 members for life insurance, and currently does not require active members to contribute to the plan.

Plan Description - Substantially all of the University's employees may become eligible for certain healthcare benefits if they reach retirement age while working for the University, are vested in a University-sponsored retirement plan, and their years of University service and age total a minimum of 70 - age 55 + 15 years of service or age 60 + 10 years of service. Eligibility for life insurance benefits are vested in a University-sponsored plan when of service and age total a minimum of 70 - age 55 + 15 years of service or age 60 + 10 years of service for certain employees or 60 - age 50 + 10 years of service for other employees.

Funding Policy - The plan requirements are established and may be amended by the University's management.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Retirement Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation - The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's OPEB obligation:

	2014	2013	2012
Annual required contribution	\$ 1,166,000	\$ 904,000	\$ 88,000
Interest on net OPEB obligation	-	-	-
Adjustment to the annual required contribution	-	-	-
Annual OPEB cost	<u>1,166,000</u>	<u>904,000</u>	<u>88,000</u>
Contributions made	<u>(262,000)</u>	<u>(440,000)</u>	<u>-</u>
Increase in net OPEB obligations	904,000	464,000	88,000
Net OPEB obligation - Beginning of year	904,000	440,000	352,000
Net OPEB obligation - End of year	<u><u>\$ 1,808,000</u></u>	<u><u>\$ 904,000</u></u>	<u><u>\$ 440,000</u></u>

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$9,382,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,382,000. The covered payroll (annual payroll of active employees covered by the plan) was \$98,403,000 for 2012 and the ratio of all UAAL to covered payroll was 9.5 percent for 2012.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age actuarial method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses) based on the expected long-term investment returns on the University's own investments and a salary inflation rate of 2%. The UAAL is being amortized as a projected unit credit level dollar, closed on a 30-year basis. The remaining amortization period at June 30, 2014 was 28 years.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

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 \$48,000 and \$297,000 for the years ended June 30, 2014 and 2013, respectively.

Claims activity for the year ended June 30, 2014 is as follows:

	Liability - Beginning of Year	Claims incurred, including changes in estimates	Claims Payments	Liability - End of Year
Medical claims	\$ 1,244,730	\$ 21,053,721	\$ (21,014,125)	\$ 1,284,326
Property, General Liability, Errors & Omissions	1,841,092	(257,318)	(74,474)	1,509,300
Worker's Compensation, Unemployment Compensation and Other	291,682	615,156	(615,156)	291,682
Total	<u>3,377,504</u>	<u>21,411,559</u>	<u>(21,703,755)</u>	<u>3,085,308</u>

Claims activity for the year ended June 30, 2013 is as follows:

	Liability - Beginning of Year	Claims incurred, including changes in estimates	Claims Payments	Liability - End of Year
Medical claims	\$ 1,486,361	\$ 23,600,048	\$ (23,841,679)	\$ 1,244,730
Property, General Liability, Errors & Omissions	1,601,819	687,306	(448,033)	1,841,092
Worker's Compensation, Unemployment Compensation and Other	291,682	777,766	(777,766)	291,682
Total	<u>3,379,862</u>	<u>25,065,120</u>	<u>(25,067,478)</u>	<u>3,377,504</u>

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Issued but not adopted accounting pronouncements

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

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 \$75 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 this new accounting pronouncement on the University's financial statements for adoption in fiscal 2015.

Note 9 – Subsequent Events

On August 20, 2014 the University issued approximately \$9.9 million of General Revenue Refunding Bonds, Series 2014. The proceeds were used to pay issuance costs and refund \$7.1 million of series 2009C General Revenue bonds, and \$2.5 million of series 2009D General Revenue bonds.

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EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET POSITION
BY FUND GROUP
as of June 30, 2014

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Auxiliary Activities Fund</u>	<u>Expendable Restricted Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents - unrestricted	\$ (11,005,118)	\$ 5,631,555	\$ 6,802,941	\$ 4,766,795
Accounts receivable - Net	6,403,170	630,147	2,765,000	7,281,288
Appropriation receivable	12,231,895	-	-	-
Inventories	313,624	-	533,254	-
Deposits and prepaid expenses	2,017,838	281,326	114,412	9,366
Accrued interest receivable	50,689	-	-	-
Total current assets	<u>10,012,098</u>	<u>6,543,028</u>	<u>10,215,607</u>	<u>12,057,449</u>
Noncurrent assets:				
Student loans receivable - Net	-	-	-	-
Long-term investments - unrestricted	34,577,454	-	-	80,353
Long-term investments - restricted	-	-	-	-
Capital assets - Net	-	-	-	-
Fair value of derivative instruments	-	-	-	-
Total noncurrent assets	<u>34,577,454</u>	<u>-</u>	<u>-</u>	<u>80,353</u>
Total assets	<u>\$ 44,589,552</u>	<u>\$ 6,543,028</u>	<u>\$ 10,215,607</u>	<u>\$ 12,137,802</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -
Current portion of interest rate swaps	-	-	-	-
Accounts payable and accrued liabilities	5,046,178	218,493	3,631,804	4,595,574
Accrued payroll	8,633,868	-	-	-
Payroll taxes and accrued fringe benefits	7,700,103	-	419,130	-
Unearned fees and deposits	5,033,957	131,535	227,306	616,772
Insurance and other claims payable	2,356,762	-	691,046	-
Total current liabilities	<u>28,770,868</u>	<u>350,028</u>	<u>4,969,286</u>	<u>5,212,346</u>
Noncurrent liabilities:				
Accrued compensated absences	2,035,726	-	149,065	-
Long-term debt	-	-	-	-
Interest rate swaps	-	-	-	-
Federal perkins	-	-	-	-
Net other postemployment benefit obligations	1,808,000	-	-	-
Total noncurrent liabilities	<u>3,843,726</u>	<u>-</u>	<u>149,065</u>	<u>-</u>
Total liabilities	<u>\$ 32,614,594</u>	<u>\$ 350,028</u>	<u>\$ 5,118,351</u>	<u>\$ 5,212,346</u>
DEFERRED INFLOWS				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net Investment in capital assets	\$ -	\$ -	\$ -	\$ -
Restricted-University development and Perkins loans	-	-	-	6,925,456
Unrestricted				
Designated	-	6,193,000	5,097,256	-
Undesignated	11,974,958	-	-	-
Total net position	<u>\$ 11,974,958</u>	<u>\$ 6,193,000</u>	<u>\$ 5,097,256</u>	<u>\$ 6,925,456</u>

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET POSITION
BY FUND GROUP
as of June 30, 2014

	<u>Student Loan Fund</u>	<u>Plant Fund</u>	<u>Agency Fund</u>	<u>Consolidated Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents - unrestricted	\$ 2,452,912	\$ 1,865,158	\$ 618,449	\$ 11,132,692
Accounts receivable - Net	-	90,529	-	17,170,134
Appropriation receivable	-	-	-	12,231,895
Inventories	-	-	-	846,878
Deposits and prepaid expenses	-	475,950	-	2,898,892
Accrued interest receivable	379	-	-	51,068
Total current assets	<u>2,453,291</u>	<u>2,431,637</u>	<u>618,449</u>	<u>44,331,559</u>
Noncurrent assets:				
Student loans receivable - Net	9,130,355	-	-	9,130,355
Long-term investments - unrestricted	-	-	-	34,657,807
Long-term investments - restricted	-	146,198	-	146,198
Capital assets - Net	-	463,116,285	-	463,116,285
Fair value of derivative instruments	-	13,459,796	-	13,459,796
Total noncurrent assets	<u>9,130,355</u>	<u>476,722,279</u>	<u>-</u>	<u>520,510,441</u>
Total assets	<u>\$ 11,583,646</u>	<u>\$ 479,153,916</u>	<u>\$ 618,449</u>	<u>\$ 564,842,000</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 2,475,000	\$ -	\$ 2,475,000
Current portion of interest rate swaps	-	2,613,852	-	2,613,852
Accounts payable and accrued liabilities	-	4,770,246	20,997	18,283,292
Accrued payroll	-	-	-	8,633,868
Payroll taxes and accrued fringe benefits	-	-	-	8,119,233
Unearned fees and deposits	-	-	597,452	6,607,022
Insurance and other claims payable	-	37,500	-	3,085,308
Total current liabilities	<u>-</u>	<u>9,896,598</u>	<u>618,449</u>	<u>49,817,575</u>
Noncurrent liabilities:				
Accrued compensated absences	-	-	-	2,184,791
Long-term debt	-	234,875,000	-	234,875,000
Interest rate swaps	-	38,349,864	-	38,349,864
Federal perkins	9,797,441	-	-	9,797,441
Net other postemployment benefit obligations	-	-	-	1,808,000
Total noncurrent liabilities	<u>9,797,441</u>	<u>273,224,864</u>	<u>-</u>	<u>287,015,096</u>
Total liabilities	<u>\$ 9,797,441</u>	<u>\$ 283,121,462</u>	<u>\$ 618,449</u>	<u>\$ 336,832,671</u>
DEFERRED INFLOWS	<u>-</u>	<u>13,459,796</u>	<u>-</u>	<u>13,459,796</u>
NET POSITION				
Net Investment in capital assets	\$ -	\$ 184,802,569	\$ -	\$ 184,802,569
Restricted-University development and Perkins loans	1,786,205	146,198	-	8,857,859
Unrestricted				
Designated	-	(2,376,109)	-	8,914,147
Undesignated	-	-	-	11,974,958
Total net position	<u>\$ 1,786,205</u>	<u>\$ 182,572,658</u>	<u>\$ -</u>	<u>\$ 214,549,533</u>

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
BY FUND GROUP
For June 30, 2014

	General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund
OPERATING REVENUES				
Student tuition and fees	\$ 213,903,358	\$ 595,094	\$ -	\$ 770,976
Scholarship allowances	-	-	-	-
Net student tuition and fees	<u>213,903,358</u>	<u>595,094</u>	<u>-</u>	<u>770,976</u>
Federal grants and contracts	-	-	-	4,915,203
Federal financial aid	-	-	-	1,669,516
State grants and contracts	-	-	-	946,409
State financial aid	-	-	-	839,455
Nongovernmental grants and contracts	-	-	-	2,278,973
Departmental activities	2,339,274	4,090,126	-	-
Auxiliary activities - Net	-	-	45,983,777	-
Indirect cost recovery (deduction)	430,486	458,309	-	(888,795)
Other	2,503,211	-	-	441,189
Total operating revenues	<u>219,176,329</u>	<u>5,143,529</u>	<u>45,983,777</u>	<u>10,972,926</u>
OPERATING EXPENSES				
Instruction	119,325,330	678,297	-	223,047
Research	2,482,778	78,195	-	1,501,109
Public service	3,874,205	410,497	-	7,646,499
Academic support	30,546,122	1,032,348	-	30,611
Student services	25,425,739	2,598,345	-	43,061
Institutional support	29,307,365	652,091	-	158,388
Scholarships and fellowships	41,412,608	-	-	40,926,863
Operation and maintenance of plant	25,244,812	130,951	-	-
Auxiliary activities expenses - Net	-	-	38,207,770	-
Depreciation	-	-	-	-
Capital additions - Net	1,065,460	42,805	237,277	97,388
Other	-	-	-	-
Total operating expenses	<u>278,684,419</u>	<u>5,623,529</u>	<u>38,445,047</u>	<u>50,626,966</u>
Operating income (loss)	<u>(59,508,090)</u>	<u>(480,000)</u>	<u>7,538,730</u>	<u>(39,654,040)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	67,595,296	-	-	-
Gifts	-	(1,897)	-	4,335,184
Investment income	4,156,342	-	-	2,402
Change in value of derivative instruments	-	-	-	-
Interest expense	-	-	-	-
Interest ARRA subsidy	-	-	-	-
Pell grants	-	-	-	34,311,524
Other	1,096,810	-	-	252,981
Net nonoperating revenues (expenses) before transfers and capital items	<u>72,848,448</u>	<u>(1,897)</u>	<u>-</u>	<u>38,902,091</u>
TRANSFERS IN (OUT)				
Mandatory:				
Funds for debt service	(5,945,619)	-	(2,572,885)	-
Matching funds	(379,281)	37,589	-	321,176
Non-mandatory:				
Other	(9,412,298)	417,125	(5,034,973)	335,045
Total transfers	<u>(15,737,198)</u>	<u>454,714</u>	<u>(7,607,858)</u>	<u>656,221</u>
CAPITAL CONTRIBUTIONS				
Capital Appropriations	-	-	-	-
Capital grants and gifts	-	-	-	-
Total net nonoperating and other revenues (expenses)	<u>57,111,250</u>	<u>452,817</u>	<u>(7,607,858)</u>	<u>39,558,312</u>
Increase (Decrease) in net position	(2,396,840)	(27,183)	(69,128)	(95,728)
NET POSITION, Beginning of year	14,371,798	6,220,183	5,166,384	7,021,184
NET POSITION, End of year	<u>\$ 11,974,958</u>	<u>\$ 6,193,000</u>	<u>\$ 5,097,256</u>	<u>\$ 6,925,456</u>

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
BY FUND GROUP
For June 30, 2014

	Student Loan Fund	Plant Fund	Eliminations	Consolidated
OPERATING REVENUES				
Student tuition and fees	\$ -	\$ -	\$ -	215,269,428
Scholarship allowances	-	-	(45,178,526)	(45,178,526)
Net student tuition and fees	-	-	(45,178,526)	170,090,902
Federal grants and contracts	45,891	-	-	4,961,094
Federal financial aid	-	-	-	1,669,516
State grants and contracts	-	-	-	946,409
State financial aid	-	-	-	839,455
Nongovernmental grants and contracts	-	-	-	2,278,973
Departmental activities	-	-	-	6,429,400
Auxiliary activities - Net	-	-	(6,650,479)	39,333,298
Indirect cost recovery (deduction)	-	-	-	-
Other	45,729	-	-	2,990,129
Total operating revenues	<u>91,620</u>	<u>-</u>	<u>(51,829,005)</u>	<u>229,539,176</u>
OPERATING EXPENSES				
Instruction	-	-	-	120,226,674
Research	-	-	-	4,062,082
Public service	-	-	-	11,931,201
Academic support	-	-	-	31,609,081
Student services	-	-	-	28,067,145
Institutional support	-	-	-	30,117,844
Scholarships and fellowships	-	-	(45,178,526)	37,160,945
Operation and maintenance of plant	-	2,187,670	-	27,563,433
Auxiliary activities expenses - Net	-	-	(6,650,479)	31,557,291
Depreciation	-	15,712,871	-	15,712,871
Capital additions - Net	-	(1,442,930)	-	-
Other	194,654	848,872	-	1,043,526
Total operating expenses	<u>194,654</u>	<u>17,306,483</u>	<u>(51,829,005)</u>	<u>339,052,093</u>
Operating income (loss)	<u>(103,034)</u>	<u>(17,306,483)</u>	<u>-</u>	<u>(109,512,917)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	-	-	-	67,595,296
Gifts	-	2,100	-	4,335,387
Investment income	174,246	-	-	4,332,990
Change in value of derivative instruments	-	-	-	-
Interest expense	-	(9,619,090)	-	(9,619,090)
Interest ARRA subsidy	-	1,731,362	-	1,731,362
Pell grants	-	-	-	34,311,524
Other	-	2	896	1,350,689
Net nonoperating revenues (expenses) before transfers and capital items	<u>174,246</u>	<u>(7,885,626)</u>	<u>896</u>	<u>104,038,158</u>
TRANSFERS IN (OUT)				
Mandatory:				
Funds for debt service	-	8,518,504	-	-
Matching funds	20,516	-	-	-
Non-mandatory:				
Other	-	13,695,997	(896)	-
Total transfers	<u>20,516</u>	<u>22,214,501</u>	<u>(896)</u>	<u>-</u>
CAPITAL CONTRIBUTIONS				
Capital Appropriations	-	-	-	-
Capital grants and gifts	-	925,334	-	925,334
Total net nonoperating and other revenues (expenses)	<u>194,762</u>	<u>15,254,209</u>	<u>-</u>	<u>104,963,492</u>
Increase (Decrease) in net position	91,728	(2,052,274)	-	(4,549,425)
NET POSITION, Beginning of year	1,694,477	184,624,932	-	219,098,958
NET POSITION, End of year	<u>\$ 1,786,205</u>	<u>\$ 182,572,658</u>	<u>\$ -</u>	<u>\$ 214,549,533</u>

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET POSITION
BY FUND GROUP
as of June 30, 2013

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Auxiliary Activities Fund</u>	<u>Expendable Restricted Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents - unrestricted	\$ (11,877,409)	\$ 5,907,484	\$ 6,628,823	\$ 4,342,917
Accounts receivable - Net	7,878,453	591,137	3,258,430	8,803,794
Appropriation receivable	12,084,827	-	-	-
Inventories	532,120	80	631,175	-
Deposits and prepaid expenses	2,341,275	154	93,599	18,395
Accrued interest receivable	48,257	-	-	-
Total current assets	<u>11,007,523</u>	<u>6,498,855</u>	<u>10,612,027</u>	<u>13,165,106</u>
Noncurrent assets:				
Student loans receivable - Net	-	-	-	-
Long-term investments - unrestricted	36,543,771	-	-	77,951
Long-term investments - restricted	-	-	-	-
Capital assets - Net	-	-	-	-
Fair value of derivative instruments	-	-	-	-
Total noncurrent assets	<u>36,543,771</u>	<u>-</u>	<u>-</u>	<u>77,951</u>
Total assets	<u>\$ 47,551,294</u>	<u>\$ 6,498,855</u>	<u>\$ 10,612,027</u>	<u>\$ 13,243,057</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -
Current portion of interest rate swaps	-	-	-	-
Accounts payable and accrued liabilities	5,954,128	189,319	3,599,763	4,837,194
Accrued payroll	8,031,422	-	-	-
Payroll taxes and accrued fringe benefits	7,925,452	-	904,437	-
Unearned fees and deposits	5,374,907	89,353	142,034	1,384,679
Insurance and other claims payable	2,677,210	-	662,794	-
Total current liabilities	<u>29,963,119</u>	<u>278,672</u>	<u>5,309,028</u>	<u>6,221,873</u>
Noncurrent liabilities:				
Accrued compensated absences	2,312,377	-	136,615	-
Long-term debt	-	-	-	-
Interest rate swaps	-	-	-	-
Federal perkins	-	-	-	-
Net other postemployment benefit obligations	904,000	-	-	-
Total noncurrent liabilities	<u>3,216,377</u>	<u>-</u>	<u>136,615</u>	<u>-</u>
Total liabilities	<u>\$ 33,179,496</u>	<u>\$ 278,672</u>	<u>\$ 5,445,643</u>	<u>\$ 6,221,873</u>
DEFERRED INFLOWS				
	-	-	-	-
NET POSITION				
Net Investment in capital assets	\$ -	\$ -	\$ -	\$ -
Restricted-University development and Perkins loans	-	-	-	7,021,184
Unrestricted				
Designated	-	6,220,183	5,166,384	-
Undesignated	14,371,798	-	-	-
Total net position	<u>\$ 14,371,798</u>	<u>\$ 6,220,183</u>	<u>\$ 5,166,384</u>	<u>\$ 7,021,184</u>

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF NET POSITION
BY FUND GROUP
as of June 30, 2013

	<u>Student Loan Fund</u>	<u>Plant Fund</u>	<u>Agency Fund</u>	<u>Consolidated Total</u>
A S S E T S				
Current assets:				
Cash and cash equivalents - unrestricted	\$ 1,391,578	\$ 4,576,820	\$ 592,986	\$ 11,563,199
Accounts receivable - Net	868,623	-	-	21,400,437
Appropriation receivable	-	-	-	12,084,827
Inventories	-	-	-	1,163,375
Deposits and prepaid expenses	-	516,476	-	2,969,899
Accrued interest receivable	379	-	-	48,636
Total current assets	<u>2,260,580</u>	<u>5,093,296</u>	<u>592,986</u>	<u>49,230,373</u>
Noncurrent assets:				
Student loans receivable - Net	10,230,657	-	-	10,230,657
Long-term investments - unrestricted	-	-	-	36,621,722
Long-term investments - restricted	-	3,931,959	-	3,931,959
Capital assets - Net	-	465,075,754	-	465,075,754
Fair value of derivative instruments	-	17,692,686	-	17,692,686
Total noncurrent assets	<u>10,230,657</u>	<u>486,700,399</u>	<u>-</u>	<u>533,552,778</u>
Total assets	<u>\$ 12,491,237</u>	<u>\$ 491,793,695</u>	<u>\$ 592,986</u>	<u>\$ 582,783,151</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 2,330,000	\$ -	\$ 2,330,000
Current portion of interest rate swaps	-	2,688,527	-	2,688,527
Accounts payable and accrued liabilities	520	6,106,334	12,887	20,700,145
Accrued payroll	-	-	-	8,031,422
Payroll taxes and accrued fringe benefits	-	-	-	8,829,889
Unearned fees and deposits	-	-	580,099	7,571,072
Insurance and other claims payable	-	37,500	-	3,377,504
Total current liabilities	<u>520</u>	<u>11,162,361</u>	<u>592,986</u>	<u>53,528,559</u>
Noncurrent liabilities:				
Accrued compensated absences	-	-	-	2,448,992
Long-term debt	-	237,350,000	-	237,350,000
Interest rate swaps	-	40,963,716	-	40,963,716
Federal perkins	10,796,240	-	-	10,796,240
Net other postemployment benefit obligations	-	-	-	904,000
Total noncurrent liabilities	<u>10,796,240</u>	<u>278,313,716</u>	<u>-</u>	<u>292,462,948</u>
Total liabilities	<u>\$ 10,796,760</u>	<u>289,476,077</u>	<u>\$ 592,986</u>	<u>\$ 345,991,507</u>
DEFERRED INFLOWS	<u>-</u>	<u>17,692,686</u>	<u>-</u>	<u>17,692,686</u>
NET POSITION				
Net Investment in capital assets	\$ -	181,743,511	\$ -	\$ 181,743,511
Restricted-University development and Perkins loans	1,694,477	3,931,959	-	12,647,620
Unrestricted				
Designated	-	(1,050,538)	-	10,336,029
Undesignated	-	-	-	14,371,798
Total net position	<u>\$ 1,694,477</u>	<u>\$ 184,624,932</u>	<u>\$ -</u>	<u>\$ 219,098,958</u>

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
BY FUND GROUP
For June 30, 2013

	General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund
OPERATING REVENUES				
Student tuition and fees	\$ 209,424,377	\$ 529,736	\$ -	\$ 798,906
Scholarship allowances	-	-	-	-
Net student tuition and fees	<u>209,424,377</u>	<u>529,736</u>	<u>-</u>	<u>798,906</u>
Federal grants and contracts	-	-	-	6,747,485
Federal financial aid	-	-	-	1,578,566
State grants and contracts	-	-	-	624,949
State financial aid	-	-	-	723,380
Nongovernmental grants and contracts	-	7	-	1,984,092
Departmental activities	3,835,481	4,290,971	-	-
Auxiliary activities revenue, net	-	-	42,473,577	-
Indirect cost recovery (deduction)	559,852	662,824	-	(1,222,676)
Other	2,157,777	-	-	385,997
Total operating revenues	<u>215,977,487</u>	<u>5,483,538</u>	<u>42,473,577</u>	<u>11,620,699</u>
OPERATING EXPENSES				
Instruction	118,220,933	529,578	-	1,224,024
Research	933,958	34,914	-	3,075,891
Public service	3,754,393	237,137	-	7,457,002
Academic support	31,015,348	629,133	-	57,915
Student services	26,506,849	2,511,207	-	109,812
Institutional support	29,434,011	800,634	-	135,131
Scholarships and fellowships	37,974,917	62,756	-	39,637,269
Operation and maintenance of plant	24,622,971	71,692	-	-
Auxiliary activities expenses, net	-	-	32,102,115	-
Depreciation	-	-	-	-
Capital additions, net	1,393,267	50,131	8,645	382,265
Other	-	-	-	-
Total operating expenses	<u>273,856,647</u>	<u>4,927,182</u>	<u>32,110,760</u>	<u>52,079,309</u>
Operating income (loss)	<u>(57,879,160)</u>	<u>556,356</u>	<u>10,362,817</u>	<u>(40,458,610)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	66,526,774	-	-	-
Gifts	-	34,938	-	4,504,005
Investment income	2,614,293	-	-	(3,507)
Interest expense	-	-	-	-
Interest ARRA subsidy	-	-	-	-
Pell grants	-	-	-	34,394,008
Other	-	-	-	138,162
Net nonoperating revenues (expenses) before transfers and capital items	<u>69,141,067</u>	<u>34,938</u>	<u>-</u>	<u>39,032,668</u>
TRANSFERS IN (OUT)				
Mandatory:				
Funds for debt service	(6,459,431)	-	(2,860,063)	-
Matching funds	(394,020)	1,596	-	392,424
Non-mandatory:				
Other	(6,370,279)	22,965	(6,865,712)	85,129
Total transfers	<u>(13,223,730)</u>	<u>24,561</u>	<u>(9,725,775)</u>	<u>477,553</u>
CAPITAL CONTRIBUTIONS				
Capital Appropriations	-	-	-	-
Capital grants and gifts	-	-	-	-
Total net nonoperating and other revenues (expenses)	<u>55,917,337</u>	<u>59,499</u>	<u>(9,725,775)</u>	<u>39,510,221</u>
Increase (Decrease) in net position	<u>(1,961,823)</u>	<u>615,855</u>	<u>637,042</u>	<u>(948,389)</u>
NET POSITION, Beginning of year	<u>16,333,621</u>	<u>5,604,328</u>	<u>4,529,342</u>	<u>7,969,573</u>
NET POSITION, End of year	<u>\$ 14,371,798</u>	<u>\$ 6,220,183</u>	<u>\$ 5,166,384</u>	<u>\$ 7,021,184</u>

EASTERN MICHIGAN UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
BY FUND GROUP
For June 30, 2013

	Student Loan Fund	Plant Fund	Eliminations	Consolidated
OPERATING REVENUES				
Student tuition and fees	\$ -	\$ -	\$ -	\$ 210,753,019
Scholarship allowances	-	-	(42,288,869)	(42,288,869)
Net student tuition and fees	-	-	(42,288,869)	168,464,150
Federal grants and contracts	50,147	-	-	6,797,632
Federal financial aid	-	-	-	1,578,566
State grants and contracts	-	-	-	624,949
State financial aid	-	-	-	723,380
Nongovernmental grants and contracts	-	-	-	1,984,099
Departmental activities	-	-	(1,306,608)	6,819,844
Auxiliary activities revenue, net	-	-	(4,817,190)	37,656,387
Indirect cost recovery (deduction)	-	-	-	-
Other	45,943	-	(6,100)	2,583,617
Total operating revenues	<u>96,090</u>	<u>-</u>	<u>(48,418,767)</u>	<u>227,232,624</u>
OPERATING EXPENSES				
Instruction	-	-	-	119,974,535
Research	-	-	-	4,044,763
Public service	-	-	(161,069)	11,287,463
Academic support	-	-	-	31,702,396
Student services	-	-	(2,293,638)	26,834,230
Institutional support	-	-	-	30,369,776
Scholarships and fellowships	-	-	(42,288,869)	35,386,073
Operation and maintenance of plant	-	1,717,787	-	26,412,450
Auxiliary activities expenses, net	-	-	(3,675,191)	28,426,924
Depreciation	-	16,482,011	-	16,482,011
Capital additions, net	-	(1,834,308)	-	-
Other	183,007	83,391	-	266,398
Total operating expenses	<u>183,007</u>	<u>16,448,881</u>	<u>(48,418,767)</u>	<u>331,187,019</u>
Operating income (loss)	<u>(86,917)</u>	<u>(16,448,881)</u>	<u>-</u>	<u>(103,954,395)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	-	-	-	66,526,774
Gifts	-	-	-	4,538,943
Investment income	162,923	1,303,181	-	4,076,890
Interest expense	-	(11,122,722)	-	(11,122,722)
Interest ARRA subsidy	-	1,880,893	-	1,880,893
Pell grants	-	-	-	34,394,008
Other	-	7	5,650	143,819
Net nonoperating revenues (expenses) before transfers and capital items	<u>162,923</u>	<u>(7,938,641)</u>	<u>5,650</u>	<u>100,438,605</u>
TRANSFERS IN (OUT)				
Mandatory:				
Funds for debt service	-	9,319,494	-	-
Matching funds	-	-	-	-
Non-mandatory:				
Other	-	13,133,547	(5,650)	-
Total transfers	<u>-</u>	<u>22,453,041</u>	<u>(5,650)</u>	<u>-</u>
CAPITAL CONTRIBUTIONS				
Capital Appropriations	-	12,461	-	12,461
Capital grants and gifts	-	100,638	-	100,638
Total net nonoperating and other revenues (expenses)	<u>162,923</u>	<u>14,627,499</u>	<u>-</u>	<u>100,551,704</u>
Increase (Decrease) in net position	76,006	(1,821,382)	-	(3,402,691)
NET POSITION, Beginning of year	<u>1,618,471</u>	<u>186,446,314</u>	<u>-</u>	<u>222,501,649</u>
NET POSITION, End of year	<u>\$ 1,694,477</u>	<u>\$ 184,624,932</u>	<u>\$ -</u>	<u>\$ 219,098,958</u>

University Notes to Supplemental 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 the University.

Auxiliary Activities Fund is used to account for services and facilities provided to students, faculty, staff, and the public and is managed to operate as a self-supporting activity.

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 Position 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*.

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