

**BOARD OF REGENTS**  
**EASTERN MICHIGAN UNIVERSITY**

SECTION: 14

DATE:  
December 6, 2012

**RECOMMENDATION**

**FINANCE, AUDIT & INVESTMENT COMMITTEE**

**ACTION REQUESTED**

It is recommended that the Board of Regents receive and place on file the minutes from the October 30, 2012 Finance, Audit, and Investment Committee meeting, the Working Agenda for the December 6, 2012 meeting, and the Informational Reports and Financial Updates.

**STAFF SUMMARY**

October 30, 2012

Agenda items discussed at the October 30, 2012 Finance, Audit, and Investment Committee meeting included financial updates on general fund revenue and expenses through September 30, 2012, auxiliary fund operating budget through September 30, 2012, grants and contracts through August 31, 2012, fundraising through September 30, 2012, and cash and investments through September 30, 2012. In addition, three staff members were awarded Emeritus Staff Status. The committee also reviewed recommendations to the Board for:

- Consolidated Financial Statements and Supplementary Information as of 6.30.12
- FY13-14 General Fund Scholarships, Awards and Grants Request
- Refunding Portions of Current Debt and New Borrowing

December 6, 2012 Meeting Agenda

Agenda items will include an informational report and financial updates as of October 30, 2012. The committee also will review recommendations to the Board for:

- OMB Circular A-133 Supplementary Financial Reports for Year Ending June 30, 2012
- Amended FY2012-13 Capital Budget and Three Year Capital Plan
- HIPAA Board Policy
- Emeritus Staff Recommendations

**FISCAL IMPLICATIONS**

None

**ADMINISTRATIVE RECOMMENDATION**

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

\_\_\_\_\_  
University Executive Officer

\_\_\_\_\_  
Date

**BOARD OF REGENTS**  
**Eastern Michigan University**

201 Welch Hall  
(734) 487-2410

**FINANCE, AUDIT and INVESTMENT COMMITTEE**

Thursday, December 6, 2012  
11:00 a.m.

**REGULAR AGENDA**

- Minutes from October 30, 2012
- December 6, 2012 Finance, Audit, and Investment Committee Agenda
  - Informational Reports and Financial Updates
  - OMB Circular A-133 Supplementary Financial Reports for Year Ending June 30, 2012
  - Amended FY12-13 Capital Budget and Three Year Capital Plan
  - HIPAA Board Policy
  - Emeritus Staff Recommendation (Consent)

**Eastern Michigan University**  
**Finance, Audit, and Investment Committee**  
**Meeting Minutes**  
**October 30, 2012**

The meeting was called to order by Board Chairman Wilbanks, at 11:00 a.m. Finance Committee Chairman Morris joined the meeting from Korea by conference phone.

**Section 15 Recommendation: Monthly Reports – Finance, Audit, and Investment Committee, Information Reports and Financial Updates**

A motion was made, seconded and approved to accept the minutes from the September 18, 2012 Board of Regents meeting.

John Lumm presented a financial update.

General Fund Revenues and Expenditures (Slide 1)

The FY13 budget is balanced at \$290.6M. As of September 30, 2012, the first quarter of the fiscal year, we are on track to budget with the revenues at \$106.1M and expenditures of \$81.6M.

Auxiliaries Fund Revenues and Expenditures (Slide 2)

Our Auxiliaries are on track to meet the \$42.1M balanced budget for the full year. Through September 30, 2012, we are at \$12.4M revenue and \$6.9M of expenses.

Grants and Contracts Awarded (Slide 3)

For the first two months of the year, we have been awarded \$2.9M or 26% of the full year target of \$11.3M compared to 22% or \$2.3M awarded through August 31, 2011.

Fundraising (Slide 4)

As of September 30, 2012, \$1.1M has been raised compared to \$5.9M for the same time frame last year. There were 1,450 donors through September 30<sup>th</sup> in 2012 compared to 1,767 in 2011. The fundraising goal for the full year is \$8.5M. We will have a full Foundation report on fundraising at the December 6<sup>th</sup> Board meeting.

Cash and Investments (excl. Bond Proceeds) (Slide 5)

As of September 30, 2012, Eastern has \$73M in cash and investments. This is broken down into \$17.3M or 24% in cash and short-term investments, \$15.1M or 21% in intermediate-term investments, and \$40.6M or 55% in long-term investments. In addition, the long-term pool is dispersed into - \$28.3M or 69.8% fixed income, \$10.2M or 25.2% domestic equities, and \$2.M or 5.0% international equities. This is all consistent with the University's investment policy.

The portfolio was budgeted to earn \$800K through September 30, 2012 and actually earned \$1.4M.

**Section 16 Recommendation: Consolidated Financial Statements and Supplementary Information as of June 30, 2012**

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

Vicki VanDenBerg, a partner with Plante Moran, our external auditor, gave a summary presentation on the June 30, 2012 completed audit. During their audit, Plante Moran did not identify any significant deficiencies or material weaknesses related to the University's controls, accounting practices, accounting estimates, or financial statement disclosures. Plante Moran issued a clean, unqualified opinion which is the highest level of assurance they can give the University.

Eastern ended the year with net assets of \$225M consisting of \$186M of capital net of related debt and \$39M of unrestricted and restricted expendable net assets. Total net assets decreased by \$31.1M during the fiscal year due to a change in the mark-to-market value of Eastern's interest rate swap agreements (non-cash accounting adjustments).

**Section 17 Recommendation: FY2013-14 General Fund, Scholarships, Awards and Grant Requests**

It is recommended that the Board of Regents approve the 2013-14 General Fund Scholarship, Awards, and Grants proposal for \$38,085,000, an increase of \$2.65M or 7.5% over the current year.

CFO Lumm indicated this proposal would support 2,600 FTIAC's and 550,000 credit hours and underscores our significant financial investment in our students' education. In comparison to FY 2007-08, the University sponsored financial aid will have increased \$16.7M or 78% over the six years.

Regent Wilbanks suggested that for the sake of time, the committee not discuss the Capital Outlay item (Section 18) or the two leases (Sections 20 and 21) which had been discussed previously.

**Section 19 Recommendation: Refunding Portions of Current Debt and New Borrowing**

It is recommended that the Board of Regents approve the attached resolution authorizing the re-financing of portions of the University's current debt and new borrowing of up to \$10 million.

CFO Lumm indicated the Task Force, created by the Board at its September 18 meeting (Regent Morris, President Martin, CFO Lumm) in consultation with EMU's financial advisor and bond counsel, were recommending that the Board of Regents authorize the University enter into a direct placement with JPM Chase for \$136M, for a three year period at a variable interest rate equivalent to 1.0% at current interest rates. The funds would be utilized as follows:

- \$126M to refund the existing variable rate bonds issued in 2009
- \$2M to retire higher-rate callable bonds issued in 2000 and 2002
- \$8M in additional borrowing to fund campus capital projects

Emeritus Staff Status was awarded to three (3) staff members: James J. Chance, Database Specialist Senior in the Division of Information Technology, who retired on September 7, 2012 with 28 years; and Mary Murphy, Library Administration Office Supervisor in the University Library, who retired on June 30, 2012 with 27 years; and Jim Streeter, Associate Athletic Director for Media Relations, who retired with 39 years of service on October 19, 2012.

The meeting was adjourned at 11:44.

Respectfully submitted,

# Board of Regents

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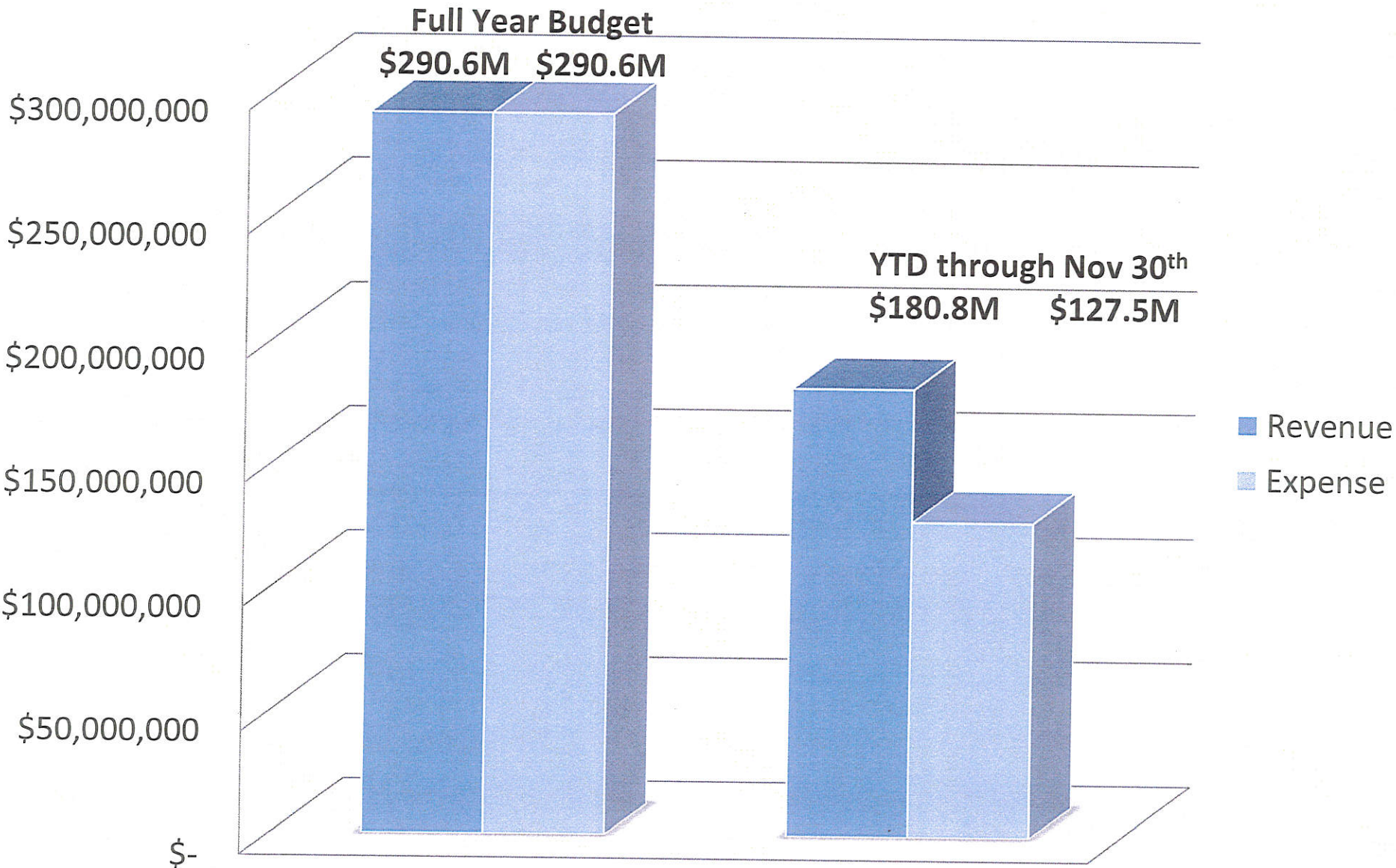
Finance, Audit & Investment

Committee Meeting

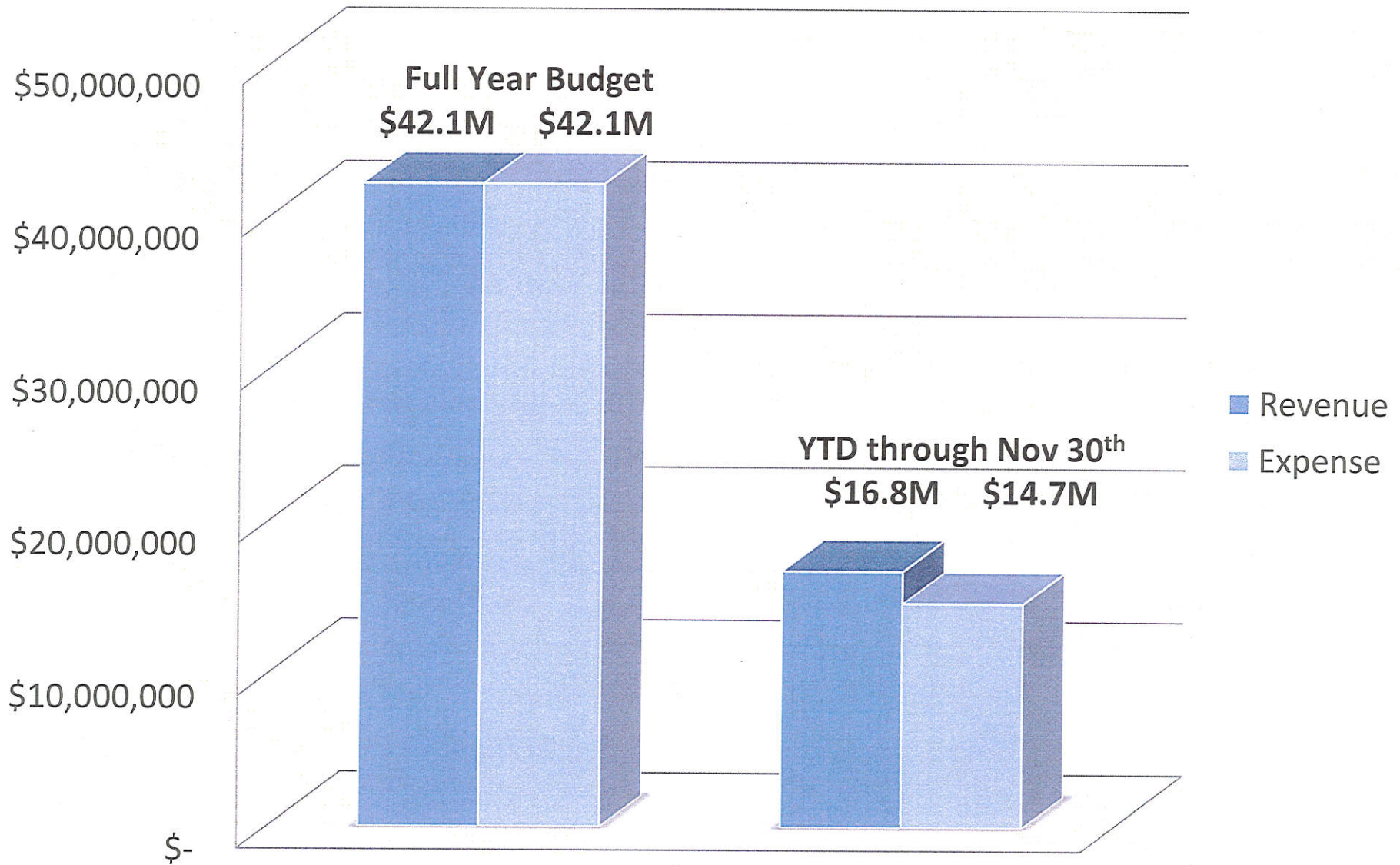
Financial Update

December 6, 2012

# General Fund Revenues and Expenditures

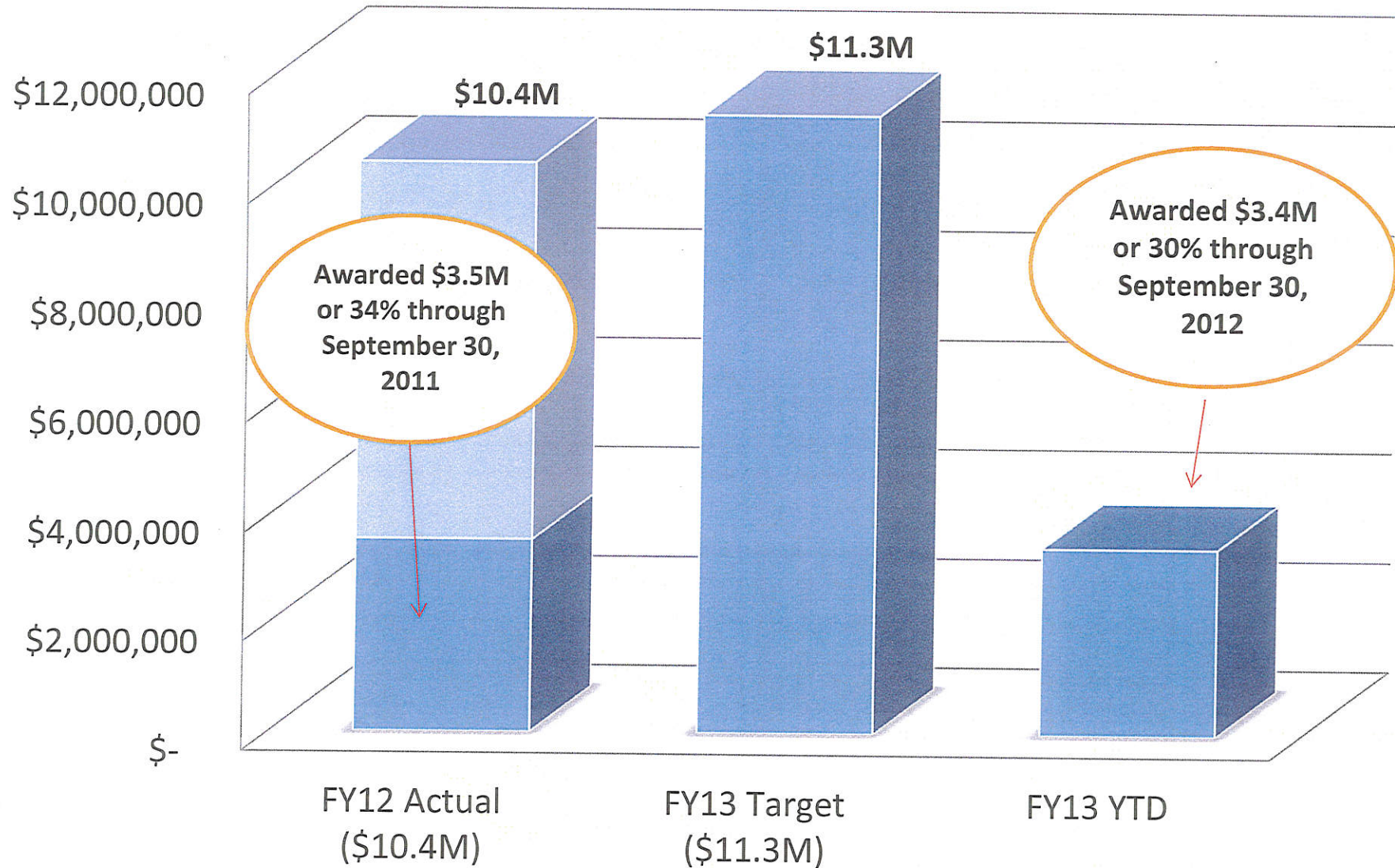


# Auxiliaries Fund Revenues and Expenditures

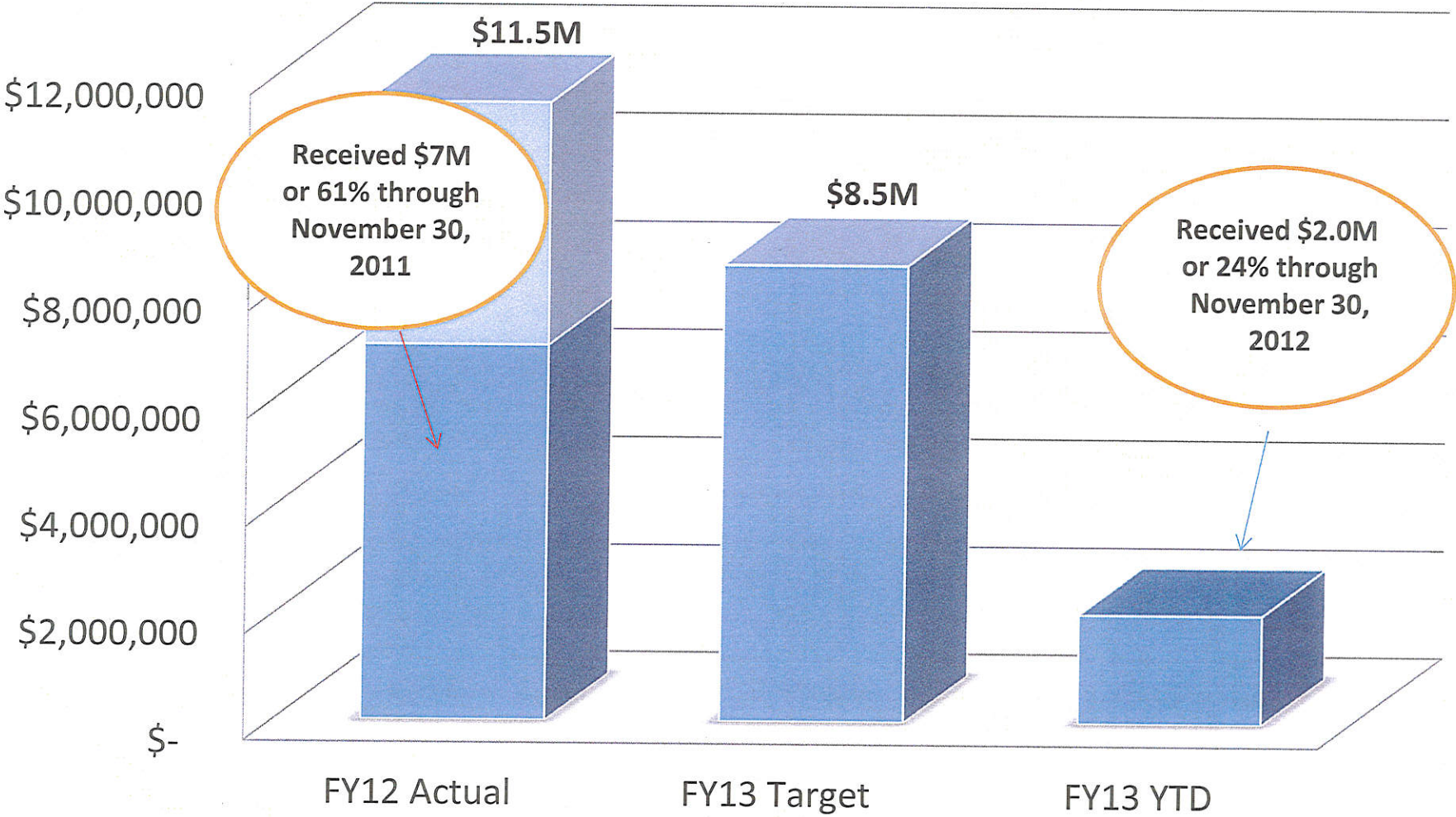




# Grants and Contracts Awarded



# Fundraising

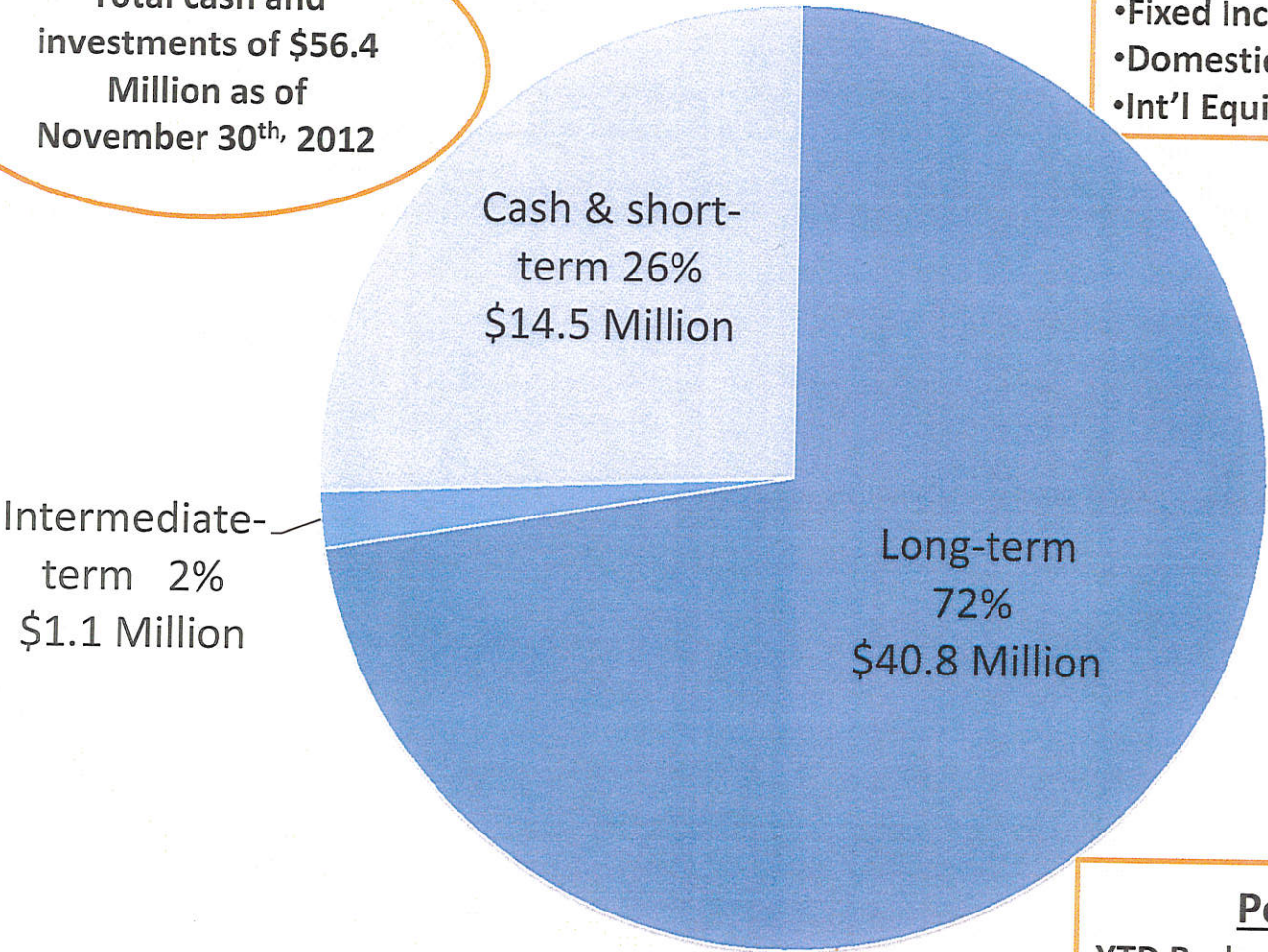


Number of Donors thru November 30<sup>th</sup> 2011 = 4,083; 2012 = 4,225  
Number of Gifts thru November 30<sup>th</sup> 2011 = 5,781; 2012 = 5,925

# Cash and Investments

Total cash and investments of \$56.4 Million as of November 30<sup>th</sup>, 2012

**Long-term Investments**  
•Fixed Income - \$28.6M, 70.0%  
•Domestic Equities - \$10.1M, 24.8%  
•Int'l Equities - \$2.1, 5.2%



**Portfolio Returns**  
YTD Budget \$1.3M thru Nov '12  
YTD Actual \$1.7M thru Nov '12

# Information Technology Report

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- **Wireless Upgrades**
  - Installation of enhanced wireless systems in the science complex and Rynearson are complete.
  - Additional installation scheduled for early 2013 include Marshall, Porter, Quirk, and Roosevelt.
- **Voice over (VoIP) Telephone Conversion**
  - Conversion of phone services to the new Cisco VoIP system is underway for Pierce, Sill, and Strong.
  - Ten additional buildings are scheduled for phone conversion in the first half of 2013.
- **Admissions Process Improvement Project**
  - Undergraduate auto-admit process is operational.
  - Development of a streamlined online graduate application continues, with implementation scheduled for January.
  - Testing of electronic transcripts to/from WCC is underway, with implementation scheduled for January.