

**Agendum
Oakland University
Board of Trustees Formal Session
December 4, 2023**

**FINANCIAL STATEMENTS, JUNE 30, 2023 AND 2022
A Recommendation**

1. **Division and Department:** Finance and Administration, Controller's Office
2. **Introduction:** The Financial Statements, June 30, 2023 and 2022 for Oakland University (University) have been completed (Attachment B).

The audit opinion of Plante & Moran P.L.L.C. (P&M) states, in part, "In our opinion, the financial statements present fairly, in all material respects, the respective financial position of Oakland University as of June 30, 2023 and 2022 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America."

P&M's Board of Trustees Letter (Attachment A) summarizes the audit engagement and required communications.

Representatives from P&M presented the Financial Statements in draft form to the Board of Trustees' (Board) Audit Committee at the Committee's October 23, 2023 meeting. The Audit Committee unanimously recommended the Financial Statements be accepted by the Board at their next formal session.

3. **Previous Board Action:** As a result of a competitive bid process, the public accounting firm Plante & Moran was appointed by the Board on February 13, 2017, and reappointed on April 9, 2018, April 8, 2019, April 6, 2020, April 12, 2021, April 14, 2022, and April 20, 2023.
4. **Budget Implications:** The annual financial audits are budgeted for in the General Fund. No budget variances have occurred or are expected.
5. **Educational Implications:** None.
6. **Personnel Implications:** None.
7. **University Reviews/Approvals:** The Financial Statements were prepared by the Controller's Office and reviewed by the Vice President for Finance and Administration, and President, audited by P&M, and presented to the Board's Audit Committee at its October 23, 2023 meeting.

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8. **Recommendation:**

RESOLVED, that the Board of Trustees accepts the Financial Statements, June 30, 2023, and 2022, which were audited by the Board of Trustee's public accounting firm, Plante & Moran P.L.L.C.

9. **Attachments:**

- A. Board of Trustees Letter dated October 23, 2023
- B. Draft Financial Statements, June 30, 2023 and 2022

Submitted to the President
on 11/22/2023, 2023 by



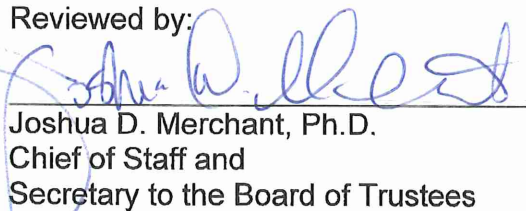
Stephen W. Mackey
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 11/28, 2023
to the Board of Trustees for approval by



Ora Hirsch Pescovitz, M.D.
President

Reviewed by:



Joshua D. Merchant, Ph.D.
Chief of Staff and
Secretary to the Board of Trustees

October 23, 2023

To the Board of Trustees
Oakland University

We have audited the financial statements of Oakland University (the "University") as of and for the year ended June 30, 2023 and have issued our report thereon dated October 23, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 20, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the University. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the University's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the University, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 23, 2023 regarding our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 20, 2023.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the University are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, the University adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement requires recognition of certain subscription-based information technology arrangement assets and liabilities for subscriptions that previously were classified as prepaid assets and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for subscription-based informational technology arrangement accounting based on the foundational principle that these subscriptions are financings of the right to use an underlying asset. Under this statement, a subscriber is required to recognize a subscription liability and an intangible right-to-use lease asset. Our opinion is not modified with respect to this matter.

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are as follows:

- **Allowances for Uncollectible Accounts** - Management estimates the fair value of tuition accounts receivable and pledges receivable by establishing an allowance for estimated uncollectible amounts. We evaluated the allowance for uncollectible accounts to determine the amounts recorded are reasonable in relation to the financial statements taken as a whole.
- **Investment Valuation** - The valuation of investments held by the University is a significant accounting estimate. Management's estimate of these investments is based on valuations provided by a third-party investment manager. We evaluated the key factors and assumptions used to develop the valuations of these investments in determining that they are reasonable in relation to the financial statements taken as a whole.
- **Fair Value of Derivative Instruments** - The University is party to a derivative financial instrument (interest rate swap) that is reported at fair value on the statements of net position. Management established an estimate of the fair value of the interest rate swap based upon the calculation provided by the counterparty to the transactions. We evaluated the key factors and assumptions used to develop the valuations of these derivatives in determining that they are reasonable in relation to the financial statements taken as a whole.
- **Other Postemployment Benefit Obligations** - The University's management has contracted with an independent actuary to calculate the OPEB obligation based on benefit cost, participant data, and funding status. We have evaluated the key factors, actuarial assumptions, and the underlying census data in determining that they are reasonable in relation to the financial statements taken as a whole.
- **Scholarship Allowances** - Management estimates the scholarship allowances for tuition revenue using an assumed relationship between financial aid awarded and tuition revenue. We evaluated this estimate to determine it was reasonable in relation to the overall financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the University, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports does not extend beyond the financial statements, and we do not express an opinion or any form of assurance on the other information. However, we read management's discussion and analysis, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially misstated or materially inconsistent with the information or manner of its presentation appearing in the financial statements.

This information is intended solely for the use of the board of trustees and management of Oakland University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Dana M. Coomes, CPA
Partner

Stephen C. Bondar, CPA
Senior Manager

Appendix A - Upcoming Changes

New Auditing Standards - Effective for fiscal year 2024, auditors are implementing the AICPA's Statement on Auditing Standards (SAS) Nos. 143 and 145. SAS No. 143 addresses auditor's responsibilities relating to accounting estimates. SAS No. 145 revises guidance on significant risks, evaluation of internal control design (including IT controls), and audit documentation. Both standards will require expanded documentation specific to significant estimates and controls in place. For higher education, the focus will be on estimates involving receivables collectibility, certain investment valuations, and pension/OPEB liabilities. In addition, updated control environment documentation related to areas such as tuition and other significant revenue streams, employee compensation, and investments. Overall, additional implementation time will be required as part of the fiscal year 2024 audit.

Department of Education - Continue Changes for Student Financial Assistance Cluster - Each year, the Department of Education (ED) continues to modify and expand the compliance requirements to be audited as part of the single audit subject to the Uniform Guidance. These additional tests range from expanded enrollment reporting on NSLDS and GLBA policy requirements in prior years to most recently, testing incentive compensation and certain banking arrangements with financial institutions. We continue to monitor ED's activities and expect to see additional testing requirements in the future. We will work together with you to keep you informed of upcoming changes, which will require additional testing as part of the fiscal year 2024 audit and future.

Compensated Absences - GASB Statement No. 101 is effective for the year ending June 30, 2025. The standard allows for all compensated absences to be reported under a unified model. Under the standard, all compensated absences that meet three criteria are to be recorded based on the employee's pay rate at the reporting date. The three criteria are when the absence accumulates, the absence is attributed to services already performed, and the absence is more likely than not to be either paid or settled through other means. The most significant change from prior guidance is related to treatment of nonvesting leave, in which the institution will now have to record an obligation for the portion of nonvesting leave that is more likely than not to be used for time off in the future or will eventually be paid out once the employee meets the vesting criteria. More likely than not means a likelihood of more than 50 percent. It is recommended that the University begin to gather information about existing policies to identify potential areas for additional analysis. Overall, the liability will likely increase and potentially by a significant amount.

Oakland University

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June 30, 2023 and 2022

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Oakland University
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Independent Auditor's Report

To the Board of Trustees
Oakland University

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Oakland University (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Oakland University

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary 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 audits 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 on our consideration of the 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 solely 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 effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

October 23, 2023

Oakland University

Management's Discussion and Analysis (unaudited)

June 30, 2023 and 2022

Introduction

Following is Management's Discussion and Analysis of the financial activities of Oakland University (University, Oakland or OU) for the fiscal year ended June 30, 2023 with selected comparative information for the years ended June 30, 2022 and 2021.

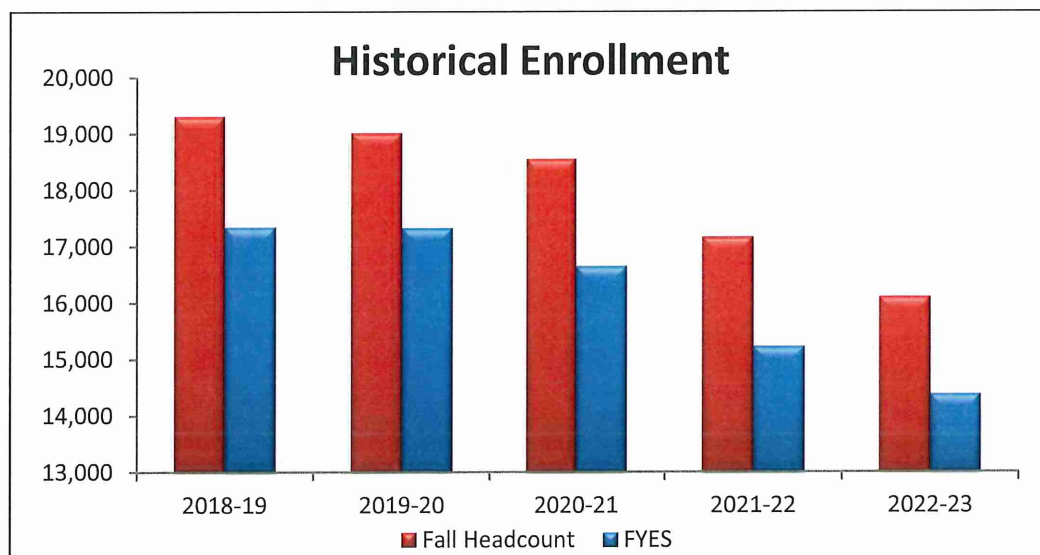
The University is a state-supported institution offering a diverse set of academic programs, from baccalaureate to doctoral levels, as well as programs in continuing education. The University is recognized as one of the country's 133 doctoral/high research activity (R2) universities by the Carnegie Foundation for the Advancement of Teaching. The University currently offers 127 baccalaureate degree programs and 121 graduate and certificate programs. The University's student-centered education offers students opportunities to work directly on research projects with expert faculty who bring current knowledge into the classroom.

The University is considered a component unit of the State of Michigan (State). Accordingly, the University's financial statements are included in the State's annual comprehensive financial report.

This analysis is designed to focus on current financial activities; it should be read in conjunction with the University's financial statements and footnotes to the financial statements. This discussion, financial statements, and related footnotes have been prepared by and are the responsibility of University management.

Fiscal Year 2023 Enrollment and Operations Highlights

- In fiscal year 2023, student headcount enrollment for the fall 2022 semester decreased by 6.2% to 16,108. Undergraduate enrollment was 12,841 (80%) and graduate enrollment was 3,267 (20%). In fiscal year 2022, student headcount enrollment for the fall 2021 semester decreased 7.4% to 17,170. Undergraduate enrollment was 13,771 (80%) and graduate enrollment was 3,399 (20%). The enrollment decreases are attributable to the decline in high school graduates from Michigan. Projections indicate a continual decline of high school graduates through 2030.
- Enrollment based on Fiscal Year Equated Students (FYES) decreased 5.5% to 14,386 and 8.5% to 15,228 for fiscal years 2023 and 2022 respectively. A five-year summary of historical enrollment is presented below.



Oakland University
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

- In September 2022, Oakland University began offering a Master of Social Work (MSW) program in response to the increasing need for social workers in Southeast Michigan. The MSW program offers a unique advanced generalist integrated curriculum that combines clinical and macro social work practice roles in a more contemporary and transformative approach. For more intensive training in a specialized area, students will have the option to complete one of three specializations: integrated health, community and organizational leadership, or school social work. MSW students will be uniquely trained through an integrated curriculum with both clinical and macro social work training.
- In December 2022, Oakland University and Corewell Health entered into a new partnership focused on increasing the number of nurses graduating from OU to help meet the critical demand for nurses in Michigan. Through this collaboration, Corewell Health will provide Oakland University with financial resources totaling approximately \$20.8 million over the next five years for the Corewell Health East Nurse Scholars program. This investment includes \$10.4 million for student financial assistance grants and \$10.4 million for infrastructure investments. Infrastructure funding will be used to expand lab and classroom space, add additional instructional equipment and hire new faculty.
- In April 2023, Oakland University earned a spot on the Times Higher Education World University Rankings for 2023. In the rankings, Oakland University placed 4th in the state of Michigan and tied for 161st in the United States. Rankings analyzed data from 1,799 universities across 104 countries and were based on performance indicators that measure an institution's performance across four main areas: teaching, research, knowledge transfer and international outlook.
- In April 2023, the opening of the Augmented Reality Center (ARC) was celebrated. ARC is a collaboration between the School of Engineering and Computer Science (SECS) and the College for Creative Studies (CCS), a top-ranked art and design school in Detroit. Working in partnership with several corporate sponsors, the center is creating educational opportunities for students who are interested in exploring how to develop immersive technology applications. The ARC Lab, located in the Engineering Center building, is the center's space for showcasing the latest immersive technologies.
- In May 2023, the University partnered with Notre Dame Preparatory School and Marist Academy for a new program that offers qualified students guaranteed admission to OU. The new admissions agreement complements the International Baccalaureate Diploma Programme that has been implemented at Notre Dame Preparatory School and Marist Academy, a nonprofit, non-public school for students in Pre-Kindergarten through 12th grade. The International Baccalaureate Diploma Programme provides engaging and challenging curriculum that encourages critical thinking, intercultural understanding and respect.
- In June 2023, the University Katke-Cousins Golf Course hosted the Hall Financial Michigan Open. This 106th edition of the state championship for Michigan golfers was hosted under a new two-year agreement. First played in 1916, the Michigan Open annually attracts the top professional and amateur golfers in the state. Katke-Cousins is one of two courses at Oakland University, which serves as the home to the Oakland University men's and women's golf programs and has a state-of-the-art practice facility.

Oakland University
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

- In June 2023, Oakland University partnered with eCampus.com in a shared mission of fostering student success through accessible and affordable education. By leveraging cost-effective course materials and a focus on student achievement, this partnership demonstrates a mutual dedication to expanding learning opportunities and empowering Oakland University students to excel in their academic endeavors.

Overview of the Financial Statements

This annual report consists of financial statements which have been prepared in accordance with the “business-type” activities requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The fundamental objective of the financial statements is to provide an overview of the University's economic condition. The statements and their primary purpose are discussed below.

- Statement of Net Position: This statement presents information on the University's assets, deferred outflows, liabilities, deferred inflows, and net position (assets plus deferred outflows less liabilities and deferred inflows) as of the end of the fiscal year. Net position is displayed in four components – net investment in capital assets; restricted nonexpendable; restricted expendable; and unrestricted. Net position is one indicator of the current financial condition of the University, while the change in net position serves as a useful indicator of whether the financial position is improving or deteriorating.
- Statement of Revenues, Expenses, and Changes in Net Position: This statement presents the operating results of the University, as well as nonoperating revenues and expenses. The statement also presents information that shows how the University's net position has changed during the fiscal year.
- Statement of Cash Flows: This statement presents information about the University's cash receipts and cash payments during its fiscal year. Cash activities are classified in the following categories: operating activities, noncapital financing activities, capital financing activities, and investing activities.

The University's financial statements can be found on pages 16, 17, and 18 of this financial report.

Notes to the Financial Statements

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The University's notes to the financial statements can be found on pages 19-49 of this financial report.

Required Supplementary Information

The required supplementary information provides additional information relative to the other postemployment benefit liability. The University's required supplementary information can be found on page 50 of this financial report.

Oakland University
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

University Financial Statement Summaries

University Statements of Net Position

The University's net position is summarized in the following Condensed Statements of Net Position:

Condensed Statements of Net Position

	2023	June 30, 2022 (as restated) (in thousands)	2021	%Change 2023-2022	%Change 2022-2021
Assets					
Current assets, restated	\$ 102,495	\$ 113,121	\$ 86,797	-9%	30%
Capital assets, net	667,597	623,261	597,158	7%	4%
Other noncurrent assets	357,178	371,277	448,189	-4%	-17%
Total assets	1,127,270	1,107,659	1,132,144	2%	-2%
Deferred outflows of resources	7,700	11,632	19,090	-34%	-39%
Liabilities					
Current liabilities	94,645	90,138	74,475	5%	20%
Noncurrent liabilities	402,427	428,919	458,730	-6%	-6%
Total liabilities	497,072	519,057	533,205	-4%	-3%
Deferred inflows of resources	22,678	19,922	17,247	14%	16%
Net investment in capital assets	288,132	259,364	266,714	11%	-3%
Restricted nonexpendable	49,923	48,190	44,996	4%	7%
Restricted expendable	67,054	60,213	71,236	11%	-15%
Unrestricted	210,111	212,545	217,836	-1%	-2%
Total net position	\$ 615,220	\$ 580,312	\$ 600,782	6%	-3%

The University's total assets were \$1,127.3 million, \$1,107.7 million, and \$1,132.1 million at June 30, 2023, 2022, and 2021 respectively. The University's largest asset is its investment in capital assets, including land, land improvements, infrastructure, buildings, equipment, library acquisitions, construction in progress, and right to use subscription assets. Capital assets represent 59%, 56%, and 53% of the University's total assets at June 30, 2023, 2022 and 2021 respectively. Capital expenditures totaled \$72.6 million in 2023, \$53.7 million in 2022, \$31.4 million in 2021. Included in capital expenditures for 2023 were \$22.7 million for South Foundation Hall renovation and expansion, \$21.8 million for Varner Hall renovations, \$10.2 million for West Campus, \$5.6 million for the renovation of a new off-campus research facility, \$4.4 million in right to use subscription assets, \$4.0 million allocated to land acquisition, and \$1.2 million for the Wilson Hall expansion. Additional capital expenditures of \$2.7 million include other campus enhancement projects. Depreciation expense was \$28.2 million in 2023, \$27.5 million in 2022, and \$27.5 million in 2021. The financial statements for the year ended June 30, 2022 have been restated in order to adopt GASB Statement No. 96. The adoption of GASB 96 is further described in Note 1.

Oakland University
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

Current assets consist primarily of cash and cash equivalents and receivables due within one year. Cash and cash equivalents decreased \$12.2 million to \$67.2 million at June 30, 2023 largely due to a decrease in sales of investments and an increase in supplier payments. Accounts receivable decreased slightly to \$15.6 million. Other current assets of \$19.7 million include a State operating appropriation receivable of \$11.0 million, pledges receivable of \$1.2 million, \$5.0 million in deposits, and \$1.7 million in inventory.

Other noncurrent assets consist primarily of restricted cash and cash equivalents, endowment investments, other long-term investments and capital assets. Restricted Cash decreased \$34.5 million for bond proceeds spent due to major construction related expenditures during the year. Endowment investments were \$136.7 million at June 30, 2023, \$124.9 million at June 30, 2022, and \$147.1 million at June 30, 2021. The increase in the endowment fair market value was due to favorable market returns. The total returns, net of fees, on the University's endowment investments were 13.7% for 2023, -15.1% for 2022, and 30.7% for 2021. Other long-term investments were \$199.0 at June 30, 2023, \$190.9 million at June 30, 2022, and \$210.6 million at June 30, 2021, and include fixed income and equity securities. The increase is primarily attributed to favorable market conditions. The total return on the University's other long-term investments was 3.6% for 2023, -4.6% for 2022, and 6.8% for 2021, net of fees. The University's investments are being managed according to Board policies.

All investments held by the University can be liquidated to cash within 90 days or less without incurring additional fees, with the exception of the private equity holding and hedge funds.

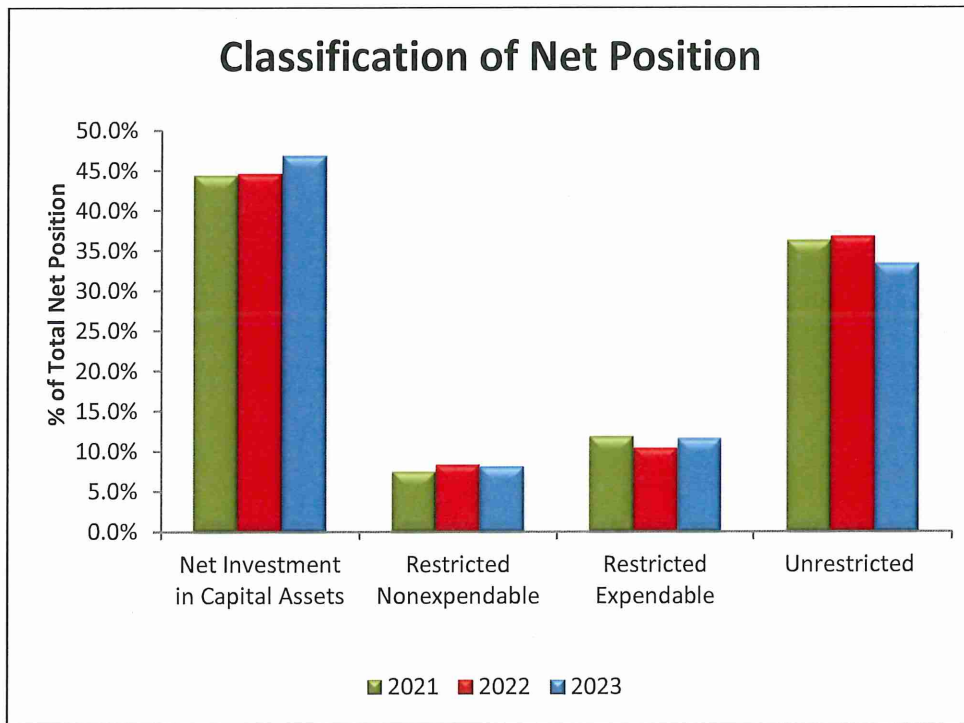
Deferred outflows of resources were \$7.7 million at June 30, 2023, \$11.6 million at June 30, 2022, and \$19.1 million at June 30, 2021. Deferred outflows of resources consists of the accumulated change in fair value of the 2008 Swap, early extinguishment of debt, the deferral of swap termination costs for the 2001 Bonds, and changes to the University's retiree health care plan for postemployment benefits in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The decrease in the deferred outflows of resources is primarily due to the \$1.7 million change in the fair market value of the 2008 Swap, and a \$1.1 million decrease to the retiree health care valuation.

The University's total liabilities were \$497.1 million at June 30, 2023, \$519.1 million at June 30, 2022, and \$533.2 million at June 30, 2021. Current liabilities consist primarily of accounts payable, accrued expenses, current portion of long-term liabilities, current portion of other postemployment benefits, and unearned revenue. The \$4.5 million increase in current liabilities is largely attributable to an increase in current portion of long-term liabilities due to the anticipated payoff of the 1998 variable rate demand bonds, and an increase in subscription liability compared to 2022. Noncurrent liabilities are comprised primarily of bonds and notes payable and represent 81.0% of the University's total liabilities as of June 30, 2023, 83% as of June 30, 2022, and 86% as of June 30, 2021. Noncurrent long-term liabilities decreased by \$26.5 million primarily due to a \$20.0 million decrease in long term liabilities related to bond principal payments and amortization of bond premiums; \$4.1 million decrease in other postemployment benefits (OPEB) as a result of actuarial analysis used to determine the cost of the current retiree health insurance benefit program; \$1.7 million decrease in derivative instruments consisting of the accumulated change in fair value of the 2008 Swap; and \$0.7 million decrease in unearned revenue.

Oakland University
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Deferred inflows of resources were \$22.7 million as of June 30, 2023, \$19.9 million as of June 30, 2022, and \$17.2 million as of June 30, 2021. Deferred inflows of resources consist of \$11.2 million in OPEB assumptions in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; \$8.0 million is held in irrevocable split-interest agreements in accordance with GASB Statement No. 81, *Irrevocable Split Interest Agreements*, \$4.7 million of which is held by a third party in which the University has a beneficial interest; \$1.2 million in early extinguishment of debt, and \$2.3 million in recognition of leases in accordance with GASB Statement No. 87 *Leases*.

The following graph shows net position by classification and restriction:



The University’s net position consists of net investment in capital assets, restricted and unrestricted. Restricted expendable net position represents assets whose use is restricted by a party independent of the University, including restrictions related to grants, contracts, and gifts. Restricted nonexpendable net position consists of gifts that have been received for endowment purposes. Unrestricted net position represents assets of the University that have not been restricted by parties independent of the University.

Unrestricted net position includes funds the Board and University management have designated for specific purposes, as well as amounts that have been contractually committed for goods and services that have not been received as of the end of the fiscal year.

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The following summarizes the internal designations of unrestricted net position:

	June 30,	
	2023	2022
		(as restated)
	(in thousands)	
Auxiliary enterprises	\$ 2,082	\$ 3,804
Capital projects and repair reserves	64,714	68,646
Funds designated for departmental use	65,373	74,084
Funds functioning as endowments	24,267	22,834
Gifts and investment income reserves	52,997	47,404
Retirement and insurance reserves	678	(4,227)
Total Unrestricted Net Position	\$ 210,111	\$ 212,545

Auxiliary enterprises consist of the operating fund balances at year end for the various auxiliary units, the largest of which are University Housing, Meadow Brook Estate, Golf & Learning Center, and Oakland Center.

Capital projects and repair reserves consist of the unexpended portion of ongoing capital projects, reserves for plant renewal, and bond sinking funds. The decrease is primarily due to the utilization of repair reserves to fund capital project expenditures during the year.

Funds designated for departmental use consist of specific projects earmarked by various departments. Beginning in fiscal year 2023 balances previously characterized as encumbrances and carryforward are now included in this category. Encumbrances represent financial commitments (i.e. purchase orders) for which the ordered items have not been received or paid by fiscal year end. Carryforwards are funds for departmental use in the upcoming fiscal year for which financial commitments have not been executed but have been planned. The decrease is primarily due to the School of Medicine funding a major capital project from departmental funds combined with lower year end balances due to decreased departmental budgets.

Funds functioning as endowments were created by the Board utilizing University resources. These funds are invested in the endowment pool to achieve long-term growth. The funds consist of endowments for scholarships, excellence in teaching and research, and deferred plant renewal. The increase was due to a 13.7% gain on endowment investments this year.

Gifts and investment income reserves include the University's unrestricted gifts, and realized and unrealized investment income reserves. The increase was due to a 3.6% gain on working capital investments this year.

Retirement and insurance reserves include the University's reserves and liability recorded for OPEB. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The actuarially determined liability at June 30, 2023 was \$29.0 million. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately \$30.3 million, earnings from which will be used to offset annual postemployment contributions. The increase was primarily due to favorable returns in the endowment investments this year. The retirement and insurance balance also include reserves for unemployment and workers' compensation for which the University is self-insured.

Oakland University
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

University Statements of Revenues, Expenses, and Changes in Net Position

The University's revenues, expenses, and changes in net position are summarized in the following Condensed Statements of Revenues, Expenses, and Changes in Net Position:

Condensed Statements of Revenues, Expenses, and Changes in Net Position	2023	2022 (as restated) <i>(in thousands)</i>	2021	% Change 2023-2022	% Change 2022-2021
Operating revenues					
Net tuition	\$ 195,842	\$ 197,548	\$ 208,034	-1%	-5%
Grants and contracts	20,800	14,797	9,503	41%	56%
Departmental activities	18,193	18,487	11,912	-2%	55%
Auxiliary activities, net	33,007	32,301	20,988	2%	54%
Other	199	305	104	-35%	193%
Total operating revenues	<u>268,041</u>	<u>263,438</u>	<u>250,541</u>	2%	5%
Operating expenses					
Operating loss	<u>(75,401)</u>	<u>(107,987)</u>	<u>(87,520)</u>	-8%	10%
Nonoperating revenues (expenses)					
State appropriations	60,761	56,098	53,413	8%	5%
Gifts	7,062	6,801	7,593	4%	-10%
Investment income, net	26,340	(32,423)	50,574	181%	-164%
Interest expense	(13,450)	(14,828)	(15,252)	-9%	-3%
Pell grants	19,343	20,324	21,853	-5%	-7%
Federal grants	-	48,313	28,084	-100%	72%
Other	765	118	(133)	548%	-189%
Net nonoperating revenues	<u>100,822</u>	<u>84,403</u>	<u>146,132</u>	19%	-42%
Income (loss) before other revenues	<u>25,421</u>	<u>(23,584)</u>	<u>58,612</u>	208%	-140%
Capital appropriations					
Capital grants and gifts	7,647	-	-	N/A	0%
Additions to permanent endowments	126	170	3,991	-26%	-96%
Total other revenues	<u>1,714</u>	<u>2,944</u>	<u>8,999</u>	-42%	-67%
Increase (decrease) in net position	<u>9,487</u>	<u>3,114</u>	<u>12,990</u>	205%	-76%
Net position					
Beginning of year	34,908	(20,470)	71,602	271%	-129%
End of year	<u>\$ 615,220</u>	<u>\$ 580,312</u>	<u>\$ 600,782</u>	6%	-3%

Operating revenues were \$268.0 million in 2023, \$263.4 million in 2022, and \$250.5 million in 2021. The \$4.6 million, or 2%, increase in 2023 over 2022 was largely due to a \$6.0 million increase in grants and contracts, and \$0.7 million increase in Auxiliary activities. The increase was offset by a \$1.7 million decline in Net tuition revenue resulting from enrollment decreases attributable to a decline in high school graduates from Michigan. The \$12.9 million, or 5%, increase in 2022 over 2021 was largely due to an \$11.3 million increase in Auxiliary revenue, \$6.6 million increase in Departmental activities, and \$5.3 million increase in grants and contracts primarily the result of increased campus activity due to relaxed pandemic restrictions. The increase was offset by a \$10.5 million decline in Net tuition revenue resulting from the impact of COVID-19 combined with enrollment decreases attributable to a decline in high school graduates from Michigan.

Oakland University
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

In fiscal year 2023, the University earned \$26.3 million in net investment income. This growth is comprised of \$11.1 million, a 3.6% rate of return, in University pooled working capital investments and \$15.2 million, a 13.7% rate of return, in the endowment investments.

In fiscal year 2022, the University experienced a \$32.4 million Investment loss as a result of market conditions. This decline is comprised of -\$13.7 million, a -4.6% rate of return, in University pooled working capital investments and -\$18.7 million, a -15.1% rate of return, in the endowment investments

Operating expenses were \$343.4 million in 2023, \$371.5 million in 2022, and \$338.1 million in 2021. The operating expense decrease of 8% in 2023 over 2022 primarily resulted from a decrease in student aid attributable to the 2022 distribution of Higher Education Emergency Relief Funds (HEERF) earmarked for direct student support. Additional decreases in instruction, academic support, and institutional support are attributable to the implementation of cost containment measures during a period of declining enrollment. The operating expense increase of 10% in 2022 over 2021 primarily resulted from an increase in auxiliary activities, student aid, student services, academic support, and research as a result of increased campus activity due to relaxing of COVID-19 restrictions.

A breakdown of the University's operating expenses by functional classification follows:

University Operating Expenses

	2023	2022 (as restated) <i>(in thousands)</i>	2021	% Change 2023-2022	% Change 2022-2021
Education and general					
Instruction	\$128,503	\$ 132,865	\$ 132,148	-3%	1%
Research	14,688	12,484	8,960	18%	39%
Public service	3,704	3,739	3,576	-1%	5%
Academic support	48,754	53,908	50,289	-10%	7%
Student services	33,781	34,276	29,749	-1%	15%
Institutional support	23,701	25,945	25,543	-9%	2%
Operations and maintenance of plant	22,491	22,343	19,458	1%	15%
Depreciation and amortization	28,222	27,540	27,508	2%	0%
Student aid	7,687	27,031	17,260	-72%	57%
Total education and general	<u>311,531</u>	<u>340,131</u>	<u>314,491</u>	-8%	8%
Auxiliary activities	<u>31,911</u>	<u>31,294</u>	<u>23,570</u>	2%	33%
Total operating expenses	<u>\$ 343,442</u>	<u>\$ 371,425</u>	<u>\$ 338,061</u>	-8%	10%

Total education and general expenses decreased 8% in 2023 over 2022 and increased 8% in 2022 over 2021. The decrease in 2023 was mainly attributable to the 2022 distribution of HEERF awards earmarked for direct student support and the implementation of cost containment measures during a period of declining enrollment.

Instruction for 2023 decreased \$4.4 million as a result of cost containment measures during a period of declining enrollment. Additional decreases in Academic support of \$5.2 million; and Institutional support of \$2.2 million are largely due to a cost containment measures, including reductions in staffing, decrease in travel, and supplies. Student aid decreased \$19.3 million in 2023 primarily due to the 2022 distribution of HEERF funds earmarked for direct student support.

Oakland University
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June 30, 2023 and 2022

Instruction for 2022 increased slightly and continues to support changes to the delivery of instruction implemented during the coronavirus pandemic. Student aid increased \$9.8 million due additional HEERF awards earmarked for direct student support during the pandemic. Additional increases in Student Services of \$4.5 million; Academic Support of \$3.6 million; and Operations and maintenance of plant of \$3.6 million are largely due to an increase in travel, supplies and services.

The University's operating loss was \$75.4 million in 2023, \$108.0 million in 2022, and \$87.5 million in 2021. Offsetting these losses were net nonoperating revenues of \$100.8 million in 2023, \$84.4 million in 2022, and \$146.1 million in 2021.

Nonoperating revenue is largely comprised of State appropriations and, as reflected in the State's approved appropriations bills, was \$60.8 million in 2023, \$56.1 million in 2022, and \$53.4 million in 2021. The increase over 2022 is due to a Fiscal Year Equated Student (FYES) funding floor supplemental appropriation of \$7.3 million included as part of the 2022-2023 State of Michigan budget bill. This is a direct result of the University's "Strive for 45" campaign to get a minimum appropriation of \$4,500 per each FYES.

Nonoperating revenues also include \$19.3 million from Federal Pell Grants in 2023. Pell Grant revenue for 2022 and 2021 was \$20.3 million and \$21.8 million, respectively.

Other revenues primarily consist of \$7.6 million in capital appropriations from the State Building Authority for the completion of South Foundation Hall and \$1.8 million of permanent endowments and gifts.

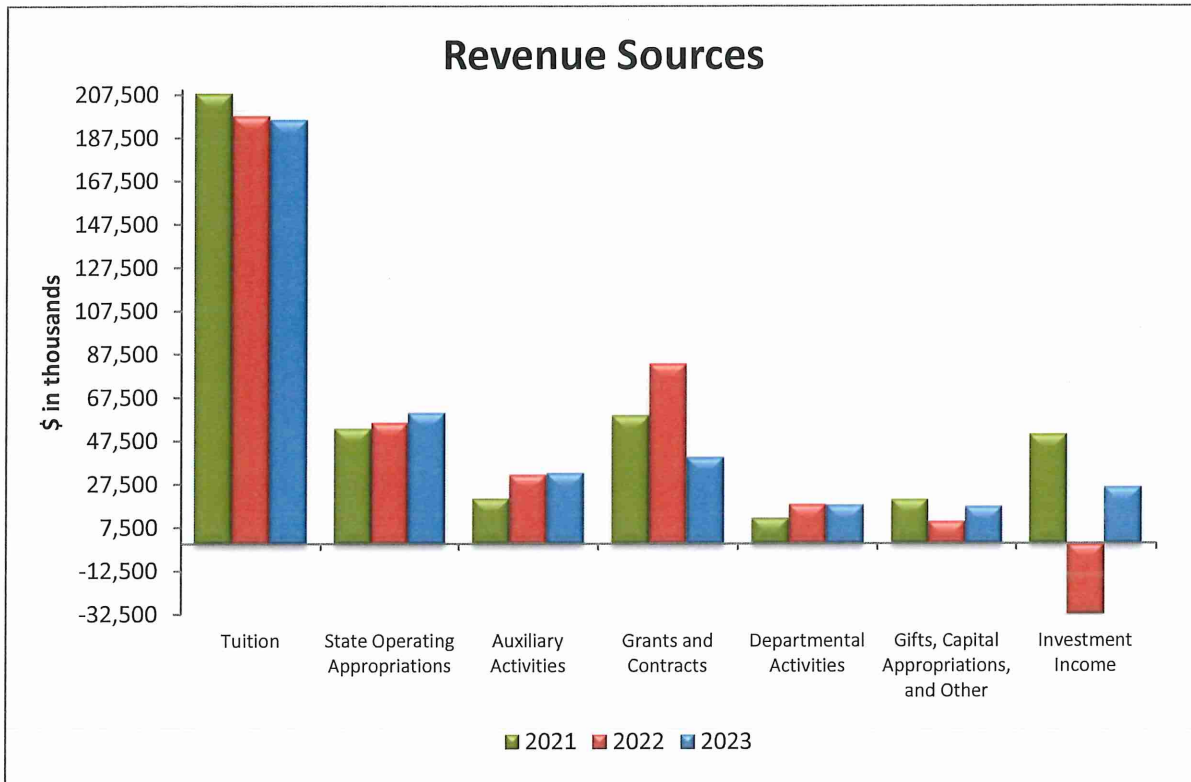
Net position increased \$34.9 million during 2023 and is primarily attributed to nonoperating activities including \$26.3 million of investment income, \$7.6 million of capital appropriations, \$4.7 million increase in state appropriations, and \$1.7 million of additions to permanent endowments. This increase was offset by a \$1.7 million decline in tuition revenue.

Net position decreased \$20.5 million during 2022 and is primarily attributed to a \$32.4 million investment loss, a \$10.5 million decline in tuition revenue, a \$9.8 million increase in scholarship allowances, a \$6.1 million decline in additions to permanent endowments, a \$4.5 million increase in student services provided, a \$3.6 million increase in academic support, and a \$3.8 million decline in capital gifts. The decrease was offset by \$48.3 million in federal grants and a \$2.1 million one-time operational support payment provided by the State of Michigan as part of the 2022 state appropriations.

Net position increased \$71.6 million during 2021 and is primarily attributed to nonoperating activities including \$50.6 million of investment income, \$7.6 million in gifts, \$9.0 million of additions to permanent endowments, \$5.9 million increase in state appropriations, and \$4.0 million in capital gifts and grants. This increase was offset by a \$7.4 million decline in tuition revenue.

Oakland University
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

A graphic illustration of each revenue source is as follows:



University Statements of Cash Flows

The University's cash flows are summarized in the following Condensed Statements of Cash Flows:

Condensed Statements of Cash Flows

	2023	2022 (as restated)	2021
	<i>(in thousands)</i>		
Cash from			
Operating activities	\$ (44,626)	\$ (70,201)	\$ (71,979)
Noncapital financing activities	87,909	133,705	113,626
Capital financing activities	(96,438)	(79,345)	(49,146)
Investing activities	6,416	9,494	(29,707)
Net change in cash and cash equivalents	(46,739)	(6,347)	(37,206)
Cash and cash equivalents			
Beginning of year	125,819	132,166	169,372
End of year	\$ 79,080	\$ 125,819	\$ 132,166

Oakland University
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

The primary cash receipts from operating activities consist of tuition, auxiliary activities, and grant and contract revenues. Cash disbursements primarily include salaries and wages, benefits, supplies, utilities, and scholarships. The increase in net cash from operating activities is primarily the result of an increase in grant and contract receipts that were in excess of the increases in payments to employees and suppliers and a decrease in scholarships payments in 2023.

Noncapital financing activities include State appropriation cash receipts of \$59.5 million in 2023, \$56.0 million in 2022, and \$47.5 million in 2021; Pell Grants totaling \$19.3 million in 2023, \$20.3 million in 2022, and \$21.8 million in 2021; Federal HEERF grants totaling \$49.8 million in 2022 and \$26.9 million in 2021; and gift cash receipts of \$8.4 million in 2023, \$9.0 million in 2022, and \$16.4 million in 2021.

Capital financing activities for 2023 include the issuance of the 2022B Bonds for \$44.8 million with a \$4.7 million premium, the refunding of the 2013A Bonds for \$48.2 million, capital expenditures of \$70.8 million and debt service payments in the amount of \$28.0 million. Cash disbursements for capital expenditures in 2023 included \$21.8 million in Varner Hall renovations; \$17.8 million for South Foundation Hall expansion; \$9.4 million for West Campus; \$7.9 million in Research Facility renovations; \$4.0 million for Wilson Hall expansion and parking lot; \$4.7 million and \$0.1 million in equipment and library books respectively; and \$5.1 million in various infrastructure and building improvements and repairs.

Capital financing activities for 2022 include the issuance of the 2022A Bonds for \$32.1 million with a \$5.3 million premium, the refunding of the 2012 Bonds for \$36.8 million, capital expenditures of \$49.4 million and debt service payments in the amount of \$30.6 million. Cash disbursements for capital expenditures in 2022 included \$15.1 million in Varner Hall renovations; \$12.3 million for Wilson Hall building expansion; \$7.3 million in Research Facility renovations; \$2.2 million in high temperature hot water energy savings projects; \$0.8 million for South Foundation Hall expansion; \$0.8 million for Sharf Patio expansion; \$5.3 million and \$0.1 million in equipment and library books respectively; and \$5.5 million in various infrastructure and building improvements and repairs.

Capital financing activities for 2021 include capital expenditures of \$20.7 million. Cash disbursements for capital expenditures in 2021 included \$4.0 million for the purchase of an off campus research facility, \$2.6 million for Fitzgerald House renovations, \$3.8 million for Wilson Hall building expansion, \$2.3 million for Dodge Hall and Varner Hall renovations, and \$1.8 million for high temperature hot water energy savings projects, and \$6.1 million and \$0.1 million in equipment and library books respectively.

Cash from investing activities is due to the timing variations of purchases, sales, and investment income.

Commitments

The estimated costs to complete construction projects in progress is \$62.4 million as of June 30, 2023, due in large part to the construction costs associated with the renovation of South Foundation Hall in the amount of \$18.4 million, West Campus for \$14.3 million, improvements to O'Dowd Hall, Dodge Hall, and Kresge Library in the amount of \$11.1 million for the School of Medicine, Meadow Brook Hall Visitor Center for \$5.1 million, Varner Hall renovations for \$3.7 million, and various campus enhancement projects totaling \$9.8 million. The South Foundation Hall project will be funded from the State Capital Outlay for \$30.0 million, \$10.0 million from the 2019 Bonds, and \$4.2 million from University resources. The Varner Hall renovation expansion will be funded from the 2019 Bonds.

Oakland University
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University Credit Rating

On March 10, 2022, Moody's Investors Service reaffirmed the University's underlying credit rating as A1 - Stable.

Deferred Plant Renewal

The University annually surveys campus to identify deferred plant renewal, adding new items and deleting items that were addressed during the year. Each year, general revenues are allocated to address deferred plant renewal items. In addition, the University has established a quasi-endowment that provides investment earnings that are used to address deferred plant renewal needs.

Factors or Conditions Impacting Future Periods

Financial and budget planning is directly related to and supportive of the University's mission, strategic plan, and operational needs. The ability to plan effectively is influenced by an understanding of the following factors which impact the University's finances:

- Enrollment Management
- Demographics, including number of high school graduates
- Stability of State appropriations (including floor funding)
- Increased globalization and mobilization of student population
- New program growth and development
- New and emergent technologies
- Productivity improvements
- Inflationary and supply chain pressures
- Alternative sources of revenue

Oakland University
Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (as restated)
Assets		
Current assets		
Cash and cash equivalents (Note 2)	\$ 67,217,188	\$ 79,416,548
Accounts receivable, net (Note 3)	15,626,109	15,741,374
Leases receivable (Note 4)	452,342	529,458
Appropriations receivable (Note 5)	11,047,616	9,820,524
Pledges receivable, net (Note 6)	1,223,014	1,286,105
Inventories	1,654,149	1,865,833
Deposits and prepaid expenses	4,964,882	4,087,818
Student loans receivable, net (Note 7)	309,987	373,242
Total current assets	<u>102,495,287</u>	<u>113,120,902</u>
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	11,863,267	46,402,794
Endowment investments (Note 2)	136,683,871	124,893,354
Other long-term investments (Note 2)	198,994,585	190,861,573
Leases receivable (Note 4)	1,903,091	2,355,433
Pledges receivable, net (Note 6)	1,757,140	978,935
Student loans receivable, net (Note 7)	699,051	652,227
Beneficial interest in assets held by others (Note 16)	4,658,593	4,536,471
Capital assets, net (Note 9)	667,596,545	623,261,248
Other assets (Note 11)	617,983	596,514
Total noncurrent assets	<u>1,024,774,126</u>	<u>994,538,549</u>
Total assets	<u>1,127,269,413</u>	<u>1,107,659,451</u>
Deferred outflows of resources (Note 12)	7,700,370	11,631,421
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	32,132,537	36,174,247
Accrued payroll	12,964,812	12,107,649
Long-term liabilities - current portion (Note 13)	21,875,263	17,440,856
Other postemployment benefits - current portion (Note 14)	1,617,974	1,482,718
Unearned revenue	21,704,467	19,192,143
Deposits	4,349,834	3,740,458
Total current liabilities	<u>94,644,887</u>	<u>90,138,071</u>
Noncurrent liabilities		
Unearned revenue	5,219,821	5,973,208
Derivative instruments - swap liability (Note 8)	1,039,846	2,694,818
Long-term liabilities (Note 13)	368,832,840	388,858,324
Other postemployment benefits (Note 14)	27,334,965	31,392,841
Total noncurrent liabilities	<u>402,427,472</u>	<u>428,919,191</u>
Total liabilities	<u>497,072,359</u>	<u>519,057,262</u>
Deferred inflows of resources (Note 16)	22,677,807	19,921,761
Net position		
Net investment in capital assets	288,131,827	259,363,972
Restricted:		
Nonexpendable	49,923,092	48,189,477
Expendable:		
Research and gifts	41,212,001	39,486,080
Quasi and term endowments	25,235,278	19,947,728
Debt service and capital projects	324,259	427,579
Student loans	282,089	351,519
Unrestricted	210,111,071	212,545,494
Total net position	<u>\$ 615,219,617</u>	<u>\$ 580,311,849</u>

The accompanying notes are an integral part of these financial statements.

Oakland University
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (as restated)
Operating revenues		
Tuition (net of scholarship allowances of \$61,750,125 in 2023 and \$66,917,683 in 2022)	\$ 195,841,829	\$ 197,547,887
Federal grants and contracts	13,100,385	11,924,223
State, local, and private grants and contracts	7,700,402	2,872,934
Departmental activities	18,193,052	18,486,940
Auxiliary activities (net of scholarship allowances of \$5,100,719 in 2023 and \$5,067,776 in 2022)	33,006,848	32,301,662
Other operating revenues	198,938	304,754
Total operating revenues	<u>268,041,454</u>	<u>263,438,400</u>
Operating expenses		
Education and general		
Instruction	128,502,650	132,864,942
Research	14,687,865	12,484,109
Public service	3,704,208	3,738,974
Academic support	48,754,332	53,908,255
Student services	33,781,233	34,275,839
Institutional support	23,700,468	25,944,888
Operations and maintenance of plant	22,491,183	22,343,732
Depreciation	28,222,178	27,539,783
Student aid	7,687,190	27,031,055
Auxiliary activities	31,911,107	31,293,939
Total operating expenses (Note 19)	<u>343,442,414</u>	<u>371,425,516</u>
Operating loss	<u>(75,400,960)</u>	<u>(107,987,116)</u>
Nonoperating revenues (expenses)		
State appropriations (Note 5)	60,761,900	56,097,700
Gifts	7,061,908	6,800,781
Investment income (net of investment expenses of \$582,658 in 2023 and \$646,014 in 2022)	26,339,428	(32,423,004)
Interest on capital asset related debt	(13,449,645)	(14,827,836)
Pell grants	19,343,439	20,324,010
Federal grants	-	48,312,877
Other	765,234	118,289
Net nonoperating revenues	<u>100,822,264</u>	<u>84,402,817</u>
Income (loss) before other revenues	<u>25,421,304</u>	<u>(23,584,299)</u>
Capital appropriations	7,646,445	-
Capital grants and gifts	126,337	170,258
Additions to permanent endowments	1,713,682	2,944,058
Total other revenues	<u>9,486,464</u>	<u>3,114,316</u>
Increase (decrease) in net position	<u>34,907,768</u>	<u>(20,469,983)</u>
Net position		
Beginning of year	580,311,849	600,781,832
End of year	<u>\$ 615,219,617</u>	<u>\$ 580,311,849</u>

The accompanying notes are an integral part of these financial statements.

Oakland University
Statements of Cash Flows
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (as restated)
Cash flows from operating activities		
Tuition	\$ 193,143,192	\$ 194,801,030
Grants and contracts	24,936,393	15,988,605
Payments to suppliers	(76,176,555)	(67,411,668)
Payments to employees	(236,947,702)	(237,644,381)
Payments for scholarships and fellowships	(7,687,190)	(27,031,055)
Loans issued to students	(188,880)	(245,103)
Collection of loans from students	214,629	165,805
Federal direct lending receipts	83,091,741	84,959,367
Federal direct lending disbursements	(83,091,741)	(84,959,367)
Auxiliary enterprise charges	32,912,450	32,182,096
Other receipts	25,167,773	18,993,832
Net cash from operating activities (Note 20)	<u>(44,625,890)</u>	<u>(70,200,839)</u>
Cash flows from noncapital financing activities		
State appropriations	59,534,808	55,988,718
Gifts and grants for other than capital purposes	26,336,965	76,426,428
Endowment gifts	2,037,099	1,290,543
Net cash from noncapital financing activities	<u>87,908,872</u>	<u>133,705,689</u>
Cash flows from capital financing activities		
Proceeds from capital debt	49,538,299	39,268,965
Capital appropriations	437,624	-
Proceeds from leases	626,491	624,549
Purchases of capital assets	(70,831,532)	(51,302,177)
Principal paid on capital debt	(58,661,705)	(49,555,821)
Interest paid on capital debt	(17,546,946)	(18,380,189)
Net cash from capital financing activities	<u>(96,437,769)</u>	<u>(79,344,673)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	6,085,537	66,588,046
Investment income	22,276,189	11,087,706
Purchase of investments	(21,945,826)	(68,182,110)
Net cash from investing activities	<u>6,415,900</u>	<u>9,493,642</u>
Net change in cash and cash equivalents	<u>(46,738,887)</u>	<u>(6,346,181)</u>
Cash and cash equivalents		
Beginning of year	125,819,342	132,165,523
End of year	<u>\$ 79,080,455</u>	<u>\$ 125,819,342</u>

The accompanying notes are an integral part of these financial statements.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

1. Organization, Basis of Presentation, and Significant Accounting Policies

Organization

Oakland University (University) is an institution of higher education and is considered to be a component unit of the State of Michigan (State). Its Board of Trustees (Board) is appointed by the Governor of the State. Accordingly, the University is included in the State's financial statements as a discretely presented component unit. Transactions with the State relate primarily to appropriations for operations, capital improvements and grants from various Federal and State agencies.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. The statements incorporate all fund groups utilized internally by the University. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The University follows the "business-type" activities requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These statements require the following components of the University's financial statements:

- Management's Discussion and Analysis
- Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows
- Notes to the financial statements

GASB Statements No. 34 and 35 establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following four net asset 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 of those assets.
- Restricted:
 - Nonexpendable – Net position subject to externally imposed constraints which permanently restrict the University from expending such assets. Such assets include the University's permanent endowment funds.

Expendable – Net position where use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

- Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties. Substantially all of the unrestricted net position is designated for academic, research, and outreach programs and initiatives, postemployment benefits, operating and stabilization reserves, capital projects and capital asset renewals, and replacements.

GASB Statements No. 34 and 35 also require the University to report revenues net of discounts and allowances. Gift and grant revenues are recognized at the later of the pledge date or when the eligibility requirement of the gifts and grants are met.

Significant Accounting Policies

Cash and Cash Equivalents

The University considers all investments with an original maturity of 90 days or less when purchased to be cash equivalents. Restricted cash and cash equivalents consist of unexpended bond proceeds which are restricted for use as noted in the bond documents.

Cash Flow Reporting

For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents includes restricted cash.

Investments

Investments are stated at fair value.

Inventories

Inventories are stated at actual cost. The 2023 inventory includes five homes in the Meadow Brook Subdivision owned by the University valued at \$1,061,500. In 2022, there were six valued at \$1,335,500.

Physical Properties

Physical properties are stated at cost or, if acquired by gift, at acquired value at the date of acquisition. A capitalization threshold of \$5,000 is used for equipment. In addition, all equipment under a unit cost of \$5,000 purchased in bulk for a newly constructed building is capitalized and depreciated over seven years. Depreciation is computed using the straight-line method over the estimated useful life of the property. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The costs of maintenance and repairs are expended as incurred. The University does not capitalize certain works of art or historical treasures that are held for exhibition, education, research or public service. The following are asset classifications and the respective estimated useful lives:

<u>Classifications</u>	<u>Life</u>
Buildings	40 years
Land improvements and infrastructure	20 years
Library acquisitions	10 years
Equipment and software	7 years

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

Deferred Outflows of Resources

The Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. Deferred outflows of resources consist of differences between expected and actual experiences in the OPEB valuation in addition to contributions remitted to the University's retiree health care plan after the measurement date of the plan, interest rate swap accumulated change in fair value, deferred amortization on refunding of debt, and the deferral of the swap termination cost for the 2001 Bonds.

Unearned Revenue

Unearned revenue consists primarily of summer semester tuition not earned during the current year and contractual advances.

Deferred Inflows of Resources

The Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. Deferred inflows of resources consist of other postemployment benefit (OPEB) assumption changes, beneficial interest in assets held by others, split interest agreements, deferred amortization on refunding of debt, and leasing arrangements.

Revenue Recognition

Operating revenues represent revenue earned from exchange transactions and consist of tuition, certain grants and contracts, departmental activities, auxiliary activities, and other miscellaneous revenues. Nonoperating revenues include State appropriations, gifts, certain grants, and investment income. When an expense is incurred for which both restricted and unrestricted net position are available, the University applies the restricted or unrestricted resources at its discretion.

Tuition revenue related to the summer semester is recognized in the fiscal year in which the semester is conducted.

Scholarship allowance is the difference between the stated charge for tuition and the amount paid by the student or third parties making payments on behalf of the student. Student financial aid such as fee waivers, Pell grants, and scholarship awards are considered to be scholarship allowances if used to pay tuition and room and board. These allowances are netted against tuition and auxiliary revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

Funds are appropriated to the University for operations by the State covering the State's fiscal year, October 1 through September 30. The appropriation is for the University's fiscal year ending June 30 and is considered earned when appropriated.

Bond Issuance Costs

Bond issuance costs are expensed when incurred.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

Income Tax Status

The University is classified as a political subdivision of the State of Michigan under Section 115 of the Internal Revenue Code and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income.

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for each type of accounting change and error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which replaces GASB 16, *Accounting Compensated Absences* to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2025.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

Adoption of New Standards

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The adoption of this guidance by the University did not have a material impact on the financial statements.

During the year ended June 30, 2023, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. As a result, the University now includes a subscription liability and an intangible right-to-use subscription asset for SBITAs. Subscription activity is further described in Note 13. The financial statements for the year ended June 30, 2022 have been restated in order to adopt GASB Statement No. 96.

The effect of this new standard was as follows:

	June 30, 2022	GASB No. 96	June 30, 2022
	As previously reported	Adoption	As restated
Deposits and prepaid expenses	\$ 4,673,926	\$ (586,108)	\$ 4,087,818
Capital assets, net	621,311,927	1,949,321	623,261,248
Long-term liabilities-current portion	16,909,366	531,490	17,440,856
Long-term liabilities	388,076,962	781,362	388,858,324
Net position	580,261,488	50,361	580,311,849

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

Impact of Global Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and “shelter-at-home” guidelines for individuals. As a result, the global economy has been negatively affected. The University's operations were also impacted. Due to the continuance of “shelter-at-home” guidelines during fiscal year 2021, the University shifted to offering courses primarily online and in hybrid formats to optimize student learning, as well as to keep students, faculty, and staff as safe as possible. The University also had events cancelled or temporarily postponed which resulted in lost revenues for Oakland for the years ended June 30, 2022, 2021 and 2020. To offset the financial impact to students and the losses incurred by Oakland due to the disruption caused by COVID-19, the University received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security Act (CARES), The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and the American Rescue Plan Act (ARP). These grants are collectively referred to as Higher Education Emergency Relief Funds (HEERF) by the Department of Education. The University was allocated HEERF grants totaling \$75.6 million with \$33.6 million earmarked for direct student support, the remaining \$42.0 million was granted to the University to defray expenses associated with the coronavirus. In addition, the University received Coronavirus Relief Fund (CRF) grants from the State of Michigan to replace a reduction in State appropriations for 2020. The University recognized HEERF and CRF revenue totaling \$48.3 million for the year ended June 30, 2022.

1. Investments and Deposits with Financial Institutions

Operating cash is pooled into investments and deposits, which are uninsured and uncollateralized. This pool is administered according to the University's “Working Capital Management and Investment Policy.” The University's working capital is divided into three investment groups: short-term, intermediate-term, and long-term investments. Short-term investments are immediately available for use and have an average maturity of one year or less. Intermediate-term investments are liquid within five business days or less and have an average maturity of no more than five years. Long-term investments are liquid within 20 business days or less and have average maturities over five years. The long-term investment asset class is limited to 30% of the total investment pool and includes equities. All investment classes are rated investment grade or better by at least one rating agency.

The working capital at June 30, 2023 does not involve any concentration of credit risk as investments in any one entity, except the United States Government or its agencies, may not exceed 5% of the total investment pool. For non-amortizing securities, the maturity of any single debt instrument shall not exceed 15 years. No more than 50% of equity and bond investments are assigned to a single investment manager.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

2. Investments and Deposits with Financial Institutions (continued)

The University's working capital consists of the following as of June 30, 2023 and 2022:

June 30, 2023	Fair Market Value	Investment Maturities (In Years)				
		<1 Year	1-5 years	6-10 years	>10 years	N/A
University Working Capital						
Cash and Cash Equivalents	\$ 67,217,188	\$ 67,217,188	\$ -	\$ -	\$ -	\$ -
Commonfund						
Intermediate Bond Fund	54,794,791	8,531,549	43,857,751	1,994,530	410,961	-
High Quality Bond Fund	39,330,768	1,549,632	11,811,030	16,833,569	9,136,537	-
Contingent Asset Portfolio	39,881,993	14,321,624	17,994,755	5,017,155	2,548,459	-
Core Equity Fund	25,137,170	-	-	-	-	25,137,170
Strategic Equity Fund	39,728,065	-	-	-	-	39,728,065
Fidelity	121,798	-	-	-	-	121,798
Cash with Trustees	11,863,267	11,863,267	-	-	-	-
Operating investments	<u>\$ 278,075,040</u>	<u>\$ 103,483,260</u>	<u>\$ 73,663,536</u>	<u>\$ 23,845,254</u>	<u>\$ 12,095,957</u>	<u>\$ 64,987,033</u>

As Reported on the Statement of Net Position

Cash and cash equivalents	\$ 67,217,188
Restricted cash and cash equivalents	11,863,267
Other long-term investments	198,994,585
	<u>\$ 278,075,040</u>

June 30, 2022	Fair Market Value	Investment Maturities (In Years)				
		<1 Year	1-5 years	6-10 years	>10 years	N/A
University Working Capital						
Cash and Cash Equivalents	\$ 79,416,548	\$ 79,416,548	\$ -	\$ -	\$ -	\$ -
Commonfund						
Intermediate Bond Fund	54,441,668	7,529,283	42,845,592	3,299,165	767,628	-
High Quality Bond Fund	39,697,938	1,703,042	12,492,941	16,145,151	9,356,804	-
Contingent Asset Portfolio	39,279,964	14,682,851	18,410,519	4,242,236	1,944,358	-
Core Equity Fund	21,230,176	-	-	-	-	21,230,176
Strategic Equity Fund	36,186,256	-	-	-	-	36,186,256
Fidelity	25,571	-	-	-	-	25,571
Cash with Trustees	46,402,794	46,402,794	-	-	-	-
Operating investments	<u>\$ 316,680,915</u>	<u>\$ 149,734,518</u>	<u>\$ 73,749,052</u>	<u>\$ 23,686,552</u>	<u>\$ 12,068,790</u>	<u>\$ 57,442,003</u>

As Reported on the Statement of Net Position

Cash and cash equivalents	\$ 79,416,548
Restricted cash and cash equivalents	46,402,794
Other long-term investments	190,861,573
	<u>\$ 316,680,915</u>

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

2. Investments and Deposits with Financial Institutions (continued)

Investment duration describes the level of interest rate risk in the portfolio. Changes in interest rates over time can impact the market value of the fixed income portion of the portfolio. At June 30, 2023 the Commonfund Intermediate Term Bond Fund had a duration of 2 years and an average credit quality of AA. The Commonfund Contingent Asset Portfolio had a duration of 1.8 years and an average credit quality of AA. The Commonfund High Quality Bond Fund had a duration of 6.7 years and average credit quality of AA-. At June 30, 2022 the Commonfund Intermediate Term Bond Fund had a duration of 2 years and an average credit quality of AA. The Commonfund Contingent Asset Portfolio had a duration of 1.3 years and an average credit quality of AA. The Commonfund High Quality Bond fund had a duration of 6.8 years and an average credit quality of AA-.

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name. The carrying amount of deposits, excluding investments classified as cash equivalents, was \$42,031,237 at June 30, 2023 and \$40,367,326 at June 30, 2022. The deposits were reflected in the accounts of the banks at \$44,150,738 at June 30, 2023 and \$41,200,347 at June 30, 2022. Of the bank balance, \$43,724,085 at June 30, 2023 and \$40,671,838 at June 30, 2022 was uninsured and uncollateralized.

As of June 30, 2023 and June 30, 2022, the University's working capital is not exposed to foreign currency risk.

These working capital funds produced net rate of return of 3.6% and -4.62% for the years ended June 30, 2023 and 2022, respectively.

The University's endowment investments are administered according to the University's "Endowment Management and Investment Policy." The investment policy seeks to diversify investments among asset classes to provide a strategic asset allocation that enhances total returns and avoids undue credit risk exposure in any single asset class or investment category. The "Endowment Management and Investment Policy" restricts fixed income investments to "high quality" (primarily A to AAA rated) corporate bonds, U.S. Treasury, and agency securities or issues of supranational organizations and foreign sovereigns and no more than 20% of the fixed income portfolio may be invested in securities rated less than BBB or that are illiquid.

These endowment investment funds are uninsured and uncollateralized and produced a total net return of 13.7% and -15.1% for the years ended June 30, 2023 and 2022, respectively.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

2. Investments and Deposits with Financial Institutions (continued)

University endowment funds consist of the following as of June 30, 2023 and 2022:

June 30, 2023	Total	Investment Maturities (In Years)				N/A
		<1 Year	1-5 years	6-10 years	>10 years	
UBS Endowment Investment Pool						
Large Cap Value	\$ 23,312,904	\$ 503,715	\$ -	\$ -	\$ -	\$ 22,809,188
Large Cap Growth	34,129,950	272,984	-	-	-	33,856,966
Mid Cap Value	5,983,008	-	-	-	-	5,983,008
Mid Cap Growth	11,859,562	-	-	-	-	11,859,562
Small Cap Core	8,031,375	-	-	-	-	8,031,375
Small Cap Growth	3,743,191	-	-	-	-	3,743,191
International Value	3,854,708	-	-	-	-	3,854,708
International Growth	6,305,633	-	-	-	-	6,305,633
Developing Markets	4,860,429	-	-	-	-	4,860,429
Fixed Income Core	14,896,807	852,874	3,673,945	5,876,651	2,645,488	1,847,849
Fixed Income Mutual Fund	3,552,525	-	-	-	-	3,552,524
High Yield Bonds	2,448,307	166,971	1,384,509	715,783	181,046	-
Hedge Funds	3,047,274	-	-	-	-	3,047,274
Private Equity	10,599,070	-	-	-	-	10,599,070
Money Market Funds	59,128	59,128	-	-	-	-
	<u>\$ 136,683,871</u>	<u>\$ 1,855,672</u>	<u>\$ 5,058,454</u>	<u>\$ 6,592,434</u>	<u>\$ 2,826,534</u>	<u>\$120,350,777</u>

June 30, 2022	Total	Investment Maturities (In Years)				N/A
		<1 Year	1-5 years	6-10 years	>10 years	
UBS Endowment Investment Pool						
Large Cap Value	\$ 20,717,731	\$ -	\$ -	\$ -	\$ -	\$ 20,717,731
Large Cap Growth	23,372,635	-	-	-	-	23,372,635
Mid Cap Value	4,564,766	-	-	-	-	4,564,766
Mid Cap Growth	10,484,719	-	-	-	-	10,484,719
Small Cap Core	8,067,687	-	-	-	-	8,067,687
Small Cap Growth	3,751,885	-	-	-	-	3,751,885
International Value	3,626,441	-	-	-	-	3,626,441
International Growth	8,689,218	-	-	-	-	8,689,218
Developing Markets	4,622,855	-	-	-	-	4,622,855
Fixed Income Core	10,032,395	292,742	2,167,489	6,210,055	1,362,109	-
Fixed Income Mutual Fund	4,189,764	-	-	-	-	4,189,764
High Yield Bonds	2,150,999	160,524	876,453	939,066	174,956	-
Fixed Income TIPS	3,232,646	-	-	-	-	3,232,646
Hedge Funds	3,947,408	-	-	-	-	3,947,408
Private Equity	11,871,498	9,982	-	-	-	11,861,516
Money Market Funds	1,570,707	1,570,707	-	-	-	-
	<u>\$ 124,893,354</u>	<u>\$ 2,033,955</u>	<u>\$ 3,043,942</u>	<u>\$ 7,149,121</u>	<u>\$ 1,537,065</u>	<u>\$111,129,271</u>

The fixed income investments within the Endowment pool have a fair market value of \$20.9 million as of June 30, 2023. The breakdown of market value, related percentage of the overall endowment pool and associated credit quality for the fixed income investments is as follows: \$4.9 million (3.6%) rated AAA, \$8.3 million (6.1%) rated A, \$1.8 million (1.4%) rated AA-, \$3.6 million (2.6%) rated A- and \$2.3 million (1.7%) rated BB. Money market funds carry credit ratings of A-1, P-1, and F-1.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

2. Investments and Deposits with Financial Institutions (continued)

The University is not exposed to foreign currency risk within the endowment investment balance as of June 30, 2023.

The private equity investment's estimated fair value as measured by net asset value is \$10,599,070 as of June 30, 2023. Hedge fund investments are estimated at a net asset value of \$3,047,274 as of June 30, 2023. As of June 30, 2022, the private equity investment's estimated net asset value is \$11,871,498. Hedge fund investments are estimated at a net asset value of \$3,947,408. Estimated net asset values and returns are reviewed by the UBS Alternative Investments U.S. Team through the University's endowment investment adviser UBS Financial Services, Inc.

Fair value is most often determined by open market prices except for the private equity and hedge funds. The estimated fair values are provided by external investment managers and advisers as of June 30, 2023. Alternative investments are not readily marketable; therefore, their estimated value may differ from the value that would have been used had a ready market value for such investments existed.

For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan, permits the University to appropriate an amount of realized and unrealized endowment appreciation as determined to be prudent.

The majority (92%) of the endowment investment pool can be liquidated within 90 days or less at fair market value.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs that reflect a company's own assessment about the assumptions that market participants would use in pricing an asset or liability.

The fair value of various equity and debt securities held at June 30, 2023 and 2022 was determined primarily on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The investment objective of the Core Equity Fund is to outperform its benchmark, the S&P 500 Index, over a full market cycle while managing risk through diversification of manager allocations. The Core Equity Fund consists principally of investments where the emphasis is on companies that the managers perceive to have values not fully reflected in current market prices. This fund uses Sub-Advisers who select stocks using quantitative and bottom-up fundamental analysis. The fund will provide access to large capitalization and, to a lesser extent, mid-capitalization companies.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

2. Investments and Deposits with Financial Institutions (continued)

Hedge funds in the Endowment portfolio utilize a diversified strategy approach by mixing managers focused on Fund of Funds investments, to managers focused on specific sectors, such as credit or commodities. Within the Fund of Funds, manager's investment intent is further marginalized into event driven, opportunistic trading, as well as industry specific preferences.

Most of the funds align into the low volatility category with the objective to participate consistently in up markets and provide favorable performance to the broader markets during depressed or down market cycles.

	Fair Value as of June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Other Long-term Investments:				
Commonfund				
Intermediate Bond Fund	\$ 54,794,791	\$ 1,934,256	\$ 52,860,535	\$ -
High Quality Bond Fund	39,246,993	669,803	38,577,190	-
Contingent Asset Portfolio	39,881,993	1,124,672	38,757,321	-
Core Equity Fund	24,350,377	24,350,377	-	-
Strategic Equity Fund	39,728,065	39,728,065	-	-
Fidelity	121,798	121,798	-	-
	<u>198,124,017</u>	<u>67,928,971</u>	<u>130,195,046</u>	<u>-</u>
Endowment Investment:				
Large Cap Value	23,312,903	23,312,903	-	-
Large Cap Growth	34,129,950	34,129,950	-	-
Mid Cap Value	5,983,008	5,983,008	-	-
Mid Cap Growth	11,859,562	11,859,562	-	-
Small Cap Core	8,031,375	8,031,375	-	-
Small Cap Growth	3,743,191	3,743,191	-	-
International Value	3,854,708	3,854,708	-	-
International Growth	6,305,633	6,305,633	-	-
Developing Markets	4,860,429	4,860,429	-	-
Fixed Income Core	14,896,807	14,896,807	-	-
Fixed Income Mutual Fund	3,552,524	3,552,524	-	-
High Yield Bonds	2,448,309	2,448,309	-	-
Money Market Funds	59,128	59,128	-	-
	<u>123,037,527</u>	<u>123,037,527</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 321,161,544</u>	<u>\$ 190,966,498</u>	<u>\$ 130,195,046</u>	<u>\$ -</u>

Investments measured at the net asset value (NAV)

	June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
High Quality Bond Fund	\$ 83,775	\$ -	Weekly	5 Days
Core Equity Fund	786,793	-	Weekly	5 Days
Hedge Funds	3,047,274	-	Quarterly	7-105 Days
Private Equity	10,599,070	1,452,785	Not Applicable	Not Applicable
Total investments measured at NAV	<u>14,516,912</u>	<u>1,452,785</u>		
Total	<u>\$ 335,678,456</u>	<u>\$ 1,452,785</u>		

As Reported on the Statement of Net Position

Endowment investments	\$ 136,683,871
Other long-term investments	198,994,585
Total	<u>\$ 335,678,456</u>

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2. Investments and Deposits with Financial Institutions (continued)

Private Equity (PE) strategies in the Endowment portfolio are divided into five fund types, with varying investment objectives. A Fund of Funds approach is utilized by one of the managers that provide the University access to numerous PE investment deals in multiple industries. This strategy provides built in diversification within this sector and helps mitigate downside exposure to the overall PE asset class. The investment strategy for the remaining PE investments is to provide additional layers of diversity to the pool. Specifically, these investments span markets or industries that cover the aviation industry, technology and healthcare, and distressed debt opportunities.

	Fair Value as of June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other Long-term Investments:				
Common fund				
Intermediate Bond Fund	\$ 54,441,668	\$ 1,012,615	\$ 53,429,053	\$ -
High Quality Bond Fund	39,697,938	1,258,425	38,395,845	43,668
Contingent Asset Fund	39,279,964	2,423,574	36,856,390	-
Core Equity Fund	20,635,731	20,635,731	-	-
Strategic Equity Fund	36,186,256	36,186,256	-	-
Fidelity	25,571	25,571	-	-
	<u>190,267,128</u>	<u>61,542,172</u>	<u>128,681,288</u>	<u>43,668</u>
Endowment Investment:				
Large Cap Value	20,717,731	20,717,731	-	-
Large Cap Growth	23,372,635	23,372,635	-	-
Mid Cap Value	4,564,766	4,564,766	-	-
Mid Cap Growth	10,484,719	10,484,719	-	-
Small Cap Core	8,067,687	8,067,687	-	-
Small Cap Growth	3,751,885	3,751,885	-	-
International Value	3,626,441	3,626,441	-	-
International Growth	8,689,218	8,689,218	-	-
Developing Markets	4,622,855	4,622,855	-	-
Fixed Income Core	10,032,395	10,032,395	-	-
Fixed Income Mutual Fund	4,189,764	4,189,764	-	-
High Yield Bonds	2,150,999	2,150,999	-	-
Fixed Income TIPS	3,232,646	3,232,646	-	-
Money Market Mutual Funds	1,570,707	1,570,707	-	-
	<u>109,074,448</u>	<u>109,074,448</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 299,341,576</u>	<u>\$ 170,616,620</u>	<u>\$ 128,681,288</u>	<u>\$ 43,668</u>

Investments measured at the net asset value (NAV)

	June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Core Equity Fund	\$ 594,445	\$ -	Weekly	5 Days
Hedge Funds	3,947,408	-	Quarterly	7-105 Days
Private Equity	11,871,498	1,614,678	Not Applicable	Not Applicable
Total investments measured at NAV	<u>16,413,351</u>	<u>1,614,678</u>		
Total	<u>\$ 315,754,927</u>	<u>\$ 1,614,678</u>		

As Reported on the Statement of Net Position

Endowment investments	\$ 124,893,354
Other long-term investments	190,861,573
Total	<u>\$ 315,754,927</u>

Oakland University
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3. Accounts Receivable

Accounts receivable consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Tuition	\$ 6,154,182	\$ 5,047,085
Auxiliary enterprises	980,629	844,168
Contracts and grants	1,953,429	2,310,843
Other receivables	9,613,675	10,236,249
Total accounts receivable	<u>18,701,915</u>	<u>18,438,345</u>
Less: Allowance for doubtful accounts	<u>(3,075,806)</u>	<u>(2,696,971)</u>
Total accounts receivable, net	<u>\$ 15,626,109</u>	<u>\$ 15,741,374</u>

4. Leases Receivable

As prescribed in GASB 87, the University includes a receivable for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. The University leases certain assets to various third parties. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable. As of June 30, 2023, and 2022 the University had \$2,355,433 and \$2,884,891 in leases receivable, respectively.

In January 2015, the University entered into a lease for its Sports Dome. Under the lease, the lessee pays the University \$30,519 monthly in exchange for operating its business within a 107,800 square foot multipurpose domed athletic facility to provide youth and adult teams, leagues, clubs, organizations, and individuals an area for indoor sports practices, sports camps and events, and athletic performance training. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.67%. In fiscal year 2023, the University recognized \$314,156 in lease revenue and \$83,276 of interest revenue under the lease. As of June 30, 2023, and 2022 the University had \$2,114,980 and \$2,397,932 in leases receivable, respectively for the Sports Dome.

In October 2014, the University entered into a lease for its Amphitheater. Under the lease, the lessee pays the University \$165,000 annually in exchange for operating its business within a certain area on the University's campus that is commonly known as the Amphitheater to provide a variety of live entertainment attractions. The Amphitheater includes all of the University's buildings, fixtures, furnishings, dedicated equipment, grounds and parking areas contained thereon. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.67%. In fiscal year 2023, the University recognized \$154,621 in lease revenue and \$11,885 of interest revenue under the lease. As of June 30, 2023, and 2022 the University had \$240,453 and \$393,568 in leases receivable, respectively for the Amphitheater.

In July 2012, the University entered into a lease for its Meadow Brook Theatre. Under the lease, the lessee pays the University \$2,532.46 per production week with a minimum of 37 productions annually in exchange for operating its business within the Meadow Brook Theatre auditorium and related spaces to present theatre productions and operate the Meadow Brook Theatre as a local

Oakland University
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4. Leases Receivable (continued)

producing house and as a member of the League of Resident Theatres. Fixed Rent increased by 2% on September 1, 2021 and will increase an additional 2% at July 1 each Agreement Year thereafter. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.67%. In fiscal year 2023, the University recognized \$90,948 in lease revenue and \$1,872 of interest revenue under the lease. As of June 30, 2023, and 2022 the University had \$0.00 and \$93,391 in leases receivable, respectively for the Meadow Brook Theatre.

Variable payments received related to the University's lease agreements during 2023 and 2022 were not significant. The University does not have any significant agreements to lease assets from other entities. Future principal and interest payment requirements related to the University's leases receivable at June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	452,342	78,886	531,228
2025	386,092	62,636	448,728
2026	315,831	50,396	366,227
2027	327,619	38,609	366,228
2028	339,847	26,381	366,228
2029-2030	533,702	15,640	549,342
Total	<u>\$ 2,355,433</u>	<u>\$ 272,548</u>	<u>\$ 2,627,981</u>

5. Appropriations Receivable

In fiscal year 2023, the annual State operating appropriation paid to the University was made in 11 monthly installments from October through August, as approved in the State of Michigan 2022-2023 Higher Education Appropriation Act totaling \$60,761,900. Consistent with State of Michigan legislation, the University accrued, as of the end of its fiscal year, the payments to be received in July and August. As of June 30, 2023, the accrual of the July and August State operating appropriation payments created an appropriation receivable of \$11,047,616.

Capital appropriation is paid to the University on a cost reimbursement basis for the renovation of South Foundation Hall from the State Building Authority. The University incurred \$7,646,445 of reimbursable cost for the year ended June 30, 2023.

In fiscal year 2022, the annual State operating appropriation paid to the University was made in 11 monthly installments from October through August, as approved in the State of Michigan 2021-2022 Higher Education Appropriation Act totaling \$54,012,900. In addition, a one-time operational support payment of \$2,084,800 was included as part of the 2021-2022 State of Michigan budget bill and recognized in fiscal year 2022. Consistent with State of Michigan legislation, the University accrued, as of the end of its fiscal year, the payments to be received in July and August. As of June 30, 2022, the accrual of the July and August State operating appropriation payments created an appropriation receivable of \$9,820,524.

Oakland University
Notes to Financial Statements
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6. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Pledges outstanding		
Unrestricted	\$ 3,260	\$ 3,510
Restricted expendable	<u>3,663,874</u>	<u>2,703,244</u>
Total pledges outstanding	<u>3,667,134</u>	<u>2,706,754</u>
Less:		
Allowance for doubtful pledges	(366,714)	(270,675)
Present value discount	<u>(320,266)</u>	<u>(171,039)</u>
Total pledges outstanding, net	<u>2,980,154</u>	<u>2,265,040</u>
Less: Current portion, net	<u>(1,223,014)</u>	<u>(1,286,105)</u>
Noncurrent portion, net	<u>\$ 1,757,140</u>	<u>\$ 978,935</u>

Pledges receivable from donors are recorded at net present value less allowances for doubtful accounts. As of June 30, 2023 and 2022, the interest rate used to discount pledges to present value was 5%. The aggregate allowance for doubtful accounts was 10% net of discount at June 30, 2023 and 2022. Payments on pledges receivable as of June 30, 2023 are expected to be received in the following years:

Past due	\$ 171,160
Due in one year	1,187,582
Due in two-five years	2,290,392
Thereafter	<u>18,000</u>
Total	<u>\$ 3,667,134</u>

Bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their reliability and valuation. As of June 30, 2023, and 2022, the University had \$34,521,188 and \$30,121,265, respectively, in conditional pledge commitments receivable not included in the accompanying financial statements.

7. Student Loans Receivable

Student loans receivable consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Student loans		
Federal loan programs	\$ 795,076	\$ 813,680
University loan funds	<u>214,962</u>	<u>212,789</u>
	<u>1,010,038</u>	<u>1,026,469</u>
Less: Allowance for doubtful loans	(1,000)	(1,000)
Total student loans, net	<u>1,009,038</u>	<u>1,025,469</u>
Less: Current portion, net	<u>(309,987)</u>	<u>(373,242)</u>
Noncurrent portion, net	<u>\$ 699,051</u>	<u>\$ 652,227</u>

Oakland University
Notes to Financial Statements
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7. Student Loans Receivable (continued)

In addition, the University distributed \$83,091,741 and \$84,959,367 for the years ended June 30, 2023 and 2022, respectively, for student loans through the U.S. Department of Education Federal Direct Loan program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements, but are reflected in the University's Statements of Cash Flows.

The Perkins loan program expired on September 30, 2017, which ended the issuance of new loans under this program, and disallowed any new disbursements after June 30, 2018. The University plans to continue servicing outstanding loans in accordance with program specifications as permitted by the Federal government.

8. Hedging Derivative Instruments

The University follows the provisions of GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The derivatives are valued using an independent pricing service. The following provides a description of each swap agreement.

2008 Interest Rate Swap Agreement

In connection with the 2008 Bonds, the University entered into an interest rate hedging swap agreement (2008 Swap) with Dexia Credit Local, New York Branch in an initial notional amount of \$53,280,000 effective June 13, 2008, the purpose of which is to synthetically fix interest rates on the 2008 Bonds. The agreement swaps the University's variable rate for a fixed rate of 3.37% and is based on 67% of U.S. Dollar LIBOR. Effective July 1, 2023 the LIBOR rate will be replaced with the Secured Overnight Financing Rate. The notional amount declines over time and terminates March 1, 2031. The notional amount as of June 30, 2023 was \$33,950,000. Under the 2008 Swap agreement, the University pays a synthetic fixed rate of 3.37%. No amounts were paid or received when the 2008 Swap was initiated.

The University is currently making payments under the 2008 Swap agreement. The estimated fair value of the 2008 Swap as of June 30, 2023 and 2022 was (\$1,039,846) and (\$2,694,638), respectively. These fair values are reflected as Derivative Instruments – swap liability on the Statements of Net Position. The fair value of the hedging derivative instrument classified as Level 2 (significant other observable inputs) at June 2023 and 2022 was valued based on 67% of U.S. Dollar LIBOR and represents the estimated amount that the University would pay to terminate the 2008 Swap (termination risk), considering current interest rates and creditworthiness of the underlying counterparty. In accordance with GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the 2008 Swap is treated as an Effective Hedging Derivative Instrument. The accumulated change in fair value is recorded as a deferred outflow of resources.

The University is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations. The 2008 Swap includes collateral requirements intended to mitigate credit risk. The University is required to post collateral under the agreement when the fair value is less than a negative \$5,000,000 at the University's current credit rating. As of June 30, 2023, and June 30, 2022 there was no collateral posted by the University. The counterparty's credit rating from Moody's Investors Service was Baa3.

Oakland University
Notes to Financial Statements
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8. Hedging Derivative Instruments (continued)

Additionally, the 2008 Swap exposes the University to basis risk, which is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instruments are based on different indexes. The University is also exposed to interest rate risk which is the risk that as the swap index decreases, the University's net payment on the 2008 Swap increases.

The 2008 Swap is based on an International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard termination events such as failure to pay and bankruptcy, or termination risk. In addition, the Master Agreement includes additional termination events. If the 2008 Swap is terminated, the 2008 Bonds will no longer carry a synthetic interest rate, and the University may be required to pay an amount equal to the fair value if it is negative.

9. Capital Assets

The following tables present the changes in the various capital asset categories for the University for fiscal years 2023 and 2022:

Asset Classification	Balance June 30, 2022 (as restated)	Additions	Reductions/ Transfers	Balance June 30, 2023
Land	\$ 4,624,914	\$ 4,033,385	\$ -	\$ 8,658,299
Land improvements and infrastructure	93,246,925	5,629,709	-	98,876,634
Buildings	752,674,553	43,816,272	-	796,490,825
Equipment	75,244,026	4,809,814	1,192,305	78,861,535
Library acquisitions	25,197,355	98,431	408,250	24,887,536
Right to use subscriptions	2,632,194	4,369,528	-	7,001,722
Construction in progress	67,475,212	64,942,043	55,061,262	77,355,993
Total	1,021,095,179	127,699,182	56,661,817	1,092,132,544
Accumulated depreciation				
Land improvements and infrastructure	(58,351,441)	(3,611,211)	-	(61,962,652)
Buildings	(258,335,238)	(18,114,584)	-	(276,449,822)
Equipment	(59,515,276)	(4,601,971)	(1,111,860)	(63,005,387)
Library acquisitions	(20,949,103)	(323,631)	(408,250)	(20,864,484)
Right to use subscriptions	(682,873)	(1,570,781)		(2,253,654)
Total	(397,833,931)	(28,222,178)	(1,520,110)	(424,535,999)
Total capital assets, net	\$ 623,261,248	\$ 99,477,004	\$ 55,141,707	\$ 667,596,545

Oakland University
Notes to Financial Statements
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9. Capital Assets (continued)

Asset Classification	Balance June 30, 2021 (as restated)	Additions	Reductions/ Transfers	Balance June 30, 2022 (as restated)
Land	\$ 4,624,914	\$ -	\$ -	\$ 4,624,914
Land improvements and infrastructure	93,076,652	170,273	-	93,246,925
Buildings	741,462,222	11,212,331	-	752,674,553
Equipment	72,032,598	4,514,568	1,303,140	75,244,026
Library acquisitions	25,837,348	240,933	880,926	25,197,355
Right to use subscriptions	1,305,334	1,326,859	-	2,632,194
Construction in progress	32,566,351	46,081,758	11,172,897	67,475,212
Total	970,905,419	63,546,722	13,356,963	1,021,095,179
Accumulated depreciation				
Land improvements and infrastructure	(54,704,742)	(3,646,699)	-	(58,351,441)
Buildings	(240,767,571)	(17,567,667)	-	(258,335,238)
Equipment	(55,479,263)	(5,303,042)	(1,267,030)	(59,515,276)
Library acquisitions	(21,490,528)	(339,501)	(880,926)	(20,949,103)
Right to use subscriptions	-	(682,873)	-	(682,873)
Total	(372,442,104)	(27,539,782)	(2,147,956)	(397,833,931)
Total capital assets, net	\$ 598,463,315	\$ 36,006,940	\$ 11,209,007	\$ 623,261,248

10. State Building Authority

Certain University facilities, including South Foundation Hall, the School of Education and Human Services Building (Pawley Hall), the Business and Technology Building (Elliott Hall), the Human Health Building, and the Engineering Center have been financed in part by State Building Authority (SBA) bond issuances, which are secured by a pledge of rentals to be received by the State of Michigan pursuant to an arrangement between the SBA, the State of Michigan, and the Institution. While the SBA bonds are outstanding, the SBA will hold title to the respective buildings, the State of Michigan will make annual payments to the SBA for SBA's bond payments, and the University records the building and pays all operating and maintenance costs. Once the SBA bonds are fully paid, the SBA transfers title of the building to the institution.

11. Cash Surrender Value of Life Insurance Policies

Included in other assets are the cash surrender value of life insurance policies in the amount of \$617,983 and \$596,514 for 2023 and 2022, respectively. The face value of these life insurance policies totaled \$7,933,072 and \$8,033,072 in 2023 and 2022, respectively.

Oakland University
Notes to Financial Statements
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12. Deferred Outflows of Resources

As of June 30, 2023, the University recorded deferred outflows of \$7,700,370, which includes \$1,039,847 for the accumulated change in fair value of the 2008 Swap, and \$6,660,523 for differences between expected and actual experiences in the OPEB valuation in addition to contributions remitted to the University's retiree health care plan after the measurement date of the plan as discussed in Note 14. As of June 30, 2022, the University recorded deferred outflows of \$11,631,421, which includes \$1,144,685 from an early extinguishment of general revenue bonds, \$2,694,818 for the accumulated change in fair value of the 2008 Swap, and \$7,791,917 for differences between expected and actual experiences in the OPEB valuation in addition to contributions remitted to the University's retiree health care plan after the measurement date of the plan as discussed in Note 14.

13. Long-Term Liabilities

Long-term liabilities consist of the following as of June 30, 2023 and 2022:

	Balance June 30, 2022 (as restated)	Additions/ Transfers	Reductions	Balance June 30, 2023	Current Portion
Note and installment purchase agreements payable	\$ 6,459,024	\$ -	\$ 1,076,766	\$ 5,382,258	\$ 1,118,236
General revenue bonds:					
Series 2022B bonds	-	44,795,000	-	44,795,000	1,125,000
Unamortized premium	-	4,743,299	221,008	4,522,291	389,857
Series 2022A bonds	32,155,000	-	765,000	31,390,000	440,000
Unamortized premium	5,201,603	-	403,836	4,797,767	393,040
Series 2019 bonds	77,880,000	-	1,325,000	76,555,000	1,380,000
Unamortized premium	16,054,134	-	1,015,062	15,039,072	988,225
Series 2016 bonds	105,310,000	-	2,205,000	103,105,000	2,315,000
Unamortized premium	13,984,414	-	1,008,236	12,976,178	966,387
Series 2014 bonds	22,190,000	-	860,000	21,330,000	900,000
Unamortized premium	2,043,327	-	234,017	1,809,310	217,157
Series 2013A bonds	49,575,000	-	49,575,000	-	-
Unamortized premium	3,394,634	-	3,394,634	-	-
Series 2013B bonds	8,445,000	-	2,010,000	6,435,000	2,075,000
Series 2008 bonds	35,945,000	-	1,995,000	33,950,000	2,080,000
Series 1998 variable rate demand bonds	3,720,000	-	-	3,720,000	3,720,000
2014 Certificates of participation	11,540,000	-	845,000	10,695,000	760,000
Unamortized premium	801,944	-	138,054	663,890	127,945
Total note, installment agreement, and bonds payable	<u>394,699,080</u>	<u>49,538,299</u>	<u>67,071,613</u>	<u>377,165,766</u>	<u>18,995,847</u>
Other liabilities:					
Subscription liability	1,312,852	3,566,029	1,570,969	3,307,912	1,418,579
Compensated absences	7,291,195	1,214,065	1,003,714	7,501,546	884,355
Annuities payable and other	2,545,563	26,125	161,361	2,410,327	576,482
Federal portion of Perkins loan program	450,490	-	127,938	322,552	-
Total other liabilities	<u>11,600,100</u>	<u>4,806,219</u>	<u>2,863,982</u>	<u>13,542,337</u>	<u>2,879,416</u>
Total long-term liabilities	<u>\$ 406,299,180</u>	<u>\$ 54,344,518</u>	<u>\$ 69,935,595</u>	<u>\$ 390,708,103</u>	<u>\$ 21,875,263</u>
Total long-term liabilities	<u>\$ 406,299,180</u>			<u>\$ 390,708,103</u>	
Less current portion	<u>17,440,856</u>			<u>21,875,263</u>	
Noncurrent portion	<u>\$ 388,858,324</u>			<u>\$ 368,832,840</u>	

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13. Long-Term Liabilities (continued)

	Balance June 30, 2021 (as restated)	Additions/ Transfers	Reductions	Balance June 30, 2022 (as restated)	Current Portion
Note and installment purchase agreements payable	\$ 7,495,857	\$ -	\$ 1,036,833	\$ 6,459,024	\$ 1,076,766
General revenue bonds:					
Series 2022A bonds	-	32,155,000	-	32,155,000	765,000
Unamortized premium	-	5,282,125	80,522	5,201,603	403,836
Series 2019 bonds	79,205,000	-	1,325,000	77,880,000	1,325,000
Unamortized premium	17,095,814	-	1,041,680	16,054,134	1,015,062
Series 2016 bonds	107,410,000	-	2,100,000	105,310,000	2,205,000
Unamortized premium	15,033,591	-	1,049,177	13,984,414	1,008,237
Series 2014 bonds	23,005,000	-	815,000	22,190,000	860,000
Unamortized premium	2,294,114	-	250,787	2,043,327	234,018
Series 2013A bonds	50,920,000	-	1,345,000	49,575,000	1,415,000
Unamortized premium	3,730,332	-	335,698	3,394,634	312,446
Series 2013B bonds	10,390,000	-	1,945,000	8,445,000	2,010,000
Series 2012 bonds	37,830,000	-	37,830,000	-	-
Unamortized premium	2,468,128	-	2,468,128	-	-
Series 2008 bonds	37,860,000	-	1,915,000	35,945,000	1,995,000
Series 1998 variable rate demand bonds	3,720,000	-	-	3,720,000	-
2014 Certificates of participation	12,265,000	-	725,000	11,540,000	845,000
Unamortized premium	934,170	-	132,226	801,944	138,054
Total note, installment agreement, and bonds payable	411,657,006	37,437,125	54,395,051	394,699,080	15,608,417
Other liabilities:					
Subscription liability	1,105,335	726,505	518,988	1,312,852	531,490
Compensated absences	7,753,591	1,167,287	1,629,683	7,291,195	730,180
Annuities payable and other	2,975,371	140,961	570,769	2,545,563	570,769
Federal portion of Perkins loan program	594,572	-	144,082	450,490	-
Total other liabilities	12,428,869	2,034,753	2,863,522	11,600,100	1,832,437
Total long-term liabilities	<u>\$ 424,085,875</u>	<u>\$ 39,471,878</u>	<u>\$ 57,258,573</u>	<u>\$ 406,299,180</u>	<u>\$ 17,440,856</u>
Total long-term liabilities	\$ 424,085,875			\$ 406,299,180	
Less current portion	16,766,125			17,440,856	
Noncurrent portion	<u>\$ 407,319,750</u>			<u>\$ 388,858,324</u>	

Note and Installment Purchase Agreements Payable

In December 2005, the University entered into a general revenue note payable over 264 months in the amount of \$18,253,776 at a fixed interest rate of 3.785% to finance Phase II of its Energy Service Agreement projects.

Required annual payments for the notes payable for the fiscal years ending June 30 are as follows:

	Principal	Interest	Total
2024	\$ 1,118,236	\$ 184,452	\$ 1,302,688
2025	1,161,303	141,384	1,302,687
2026	1,206,029	96,658	1,302,687
2027	1,252,477	50,210	1,302,687
2028	644,213	7,131	651,344
Total	<u>\$ 5,382,258</u>	<u>\$ 479,835</u>	<u>\$ 5,862,093</u>

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

13. Long-Term Liabilities (continued)

General Revenue Bonds Payable

In March 2022, the University entered into a Forward Delivery Bond Purchase Agreement whereby the University agreed to issue \$44,795,000 of general revenue refunding bonds (2022B Bonds). The 2022B Bonds were priced on April 19, 2022 with a Forward Delivery on December 8, 2022. The 2022B Bonds have an average coupon of 5% and a net original premium of \$4,743,299, with a final maturity date of March 1, 2043. The pricing resulted in a 3.93% true interest cost. The proceeds of the 2022B Bonds were utilized to refund the Series 2013A Bonds which funded the construction of Oak View Hall; a facilities management building; a 1,240 space parking structure; road improvements; and an athletic and recreation complex. The refunding will reduce the aggregate debt service payments over the remaining 20-year period by approximately \$4,855,000 and resulted in an economic gain of \$4,234,000. The aggregate outstanding principal on the 2013A Bonds totaled \$48,160,000, and was redeemed on March 1, 2023 leaving a zero balance as of June 30, 2023.

In March 2022, the University issued 32,155,000 of general revenue refunding bonds (2022A Bonds), with an average coupon rate of 5.0% and a net original issue premium of \$5,282,125. The 2022A Bonds were issued with a final maturity date of March 1, 2042. The proceeds were utilized to refund the Series 2012 general revenue bonds (2012 Bonds) which funded a portion of the Engineering Center. As a result of the refunding, the University will reduce its aggregate debt service payments over the remaining 20-year period by approximately \$5,791,000. The refunding will result in an economic gain of \$5,222,000. The aggregate outstanding principal on the 2012 Bonds totaled \$36,770,000, and was redeemed April 19, 2022 leaving a zero balance as of June 30, 2022. The pricing resulted in a 3.42% true interest cost.

In September 2019, the University issued \$79,205,000 of general revenue bonds (2019 Bonds), with an average coupon rate of 5.00% and a net original issue premium of \$18,986,496. The proceeds of the bond will be used to fund renovations for the following; South Foundation Hall in the amount of \$10.0 million, Varner Hall for \$45.0 million, Wilson Hall totaling \$14.8 million, an off campus research facility for \$8.5 million, Central Heating Infrastructure in the amount of \$5.0 million, renovations at Dodge Hall for \$3.0 million, and other capital projects. The 2019 Bonds were issued with a final maturity of March 1, 2050. The pricing resulted in a 3.29% true interest cost.

In June 2016, the University issued \$113,130,000 of general revenue bonds (2016 Bonds), with an average coupon rate of 5.00% and a net original issue premium of \$20,773,191. The proceeds were utilized to fund the construction of a new 750 bed student residence complex (Hillcrest Hall), expansion of the Oakland Center, and other capital projects. The 2016 Bonds were issued with a final maturity of March 1, 2047. The pricing resulted in a 3.66% true interest cost.

In October 2014, the University issued \$28,060,000 of general revenue refunding bonds (2014 Bonds), with an average coupon rate of 4.98% and a net original issue premium of \$4,383,960. The 2014 Bonds were issued with a final maturity date of March 1, 2039. The proceeds were utilized to refund the Series 2009 Taxable-Build America Bonds (2009 Bonds) which funded a portion of the Human Health Building and several infrastructure projects. The refunding of the 2009 Bonds was subject to a redemption price equal to 103% of the par value of Bonds redeemed, or \$924,450 to be amortized over the term of the 2014 Bonds and is recorded as a deferred outflow. As a result of the refunding, the University will reduce its aggregate debt service payments over the remaining 24 year

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

13. Long-Term Liabilities (continued)

period by approximately \$3,016,000. The refunding will result in an economic gain of \$2,251,000. The aggregate outstanding principal on the 2009 Bonds totaled \$30,815,000, and was redeemed November 28, 2014 leaving a zero balance as of June 30, 2015. The pricing resulted in a 3.56% true interest cost.

In December 2014, the University partnered with UMB Bank to issue Certificates of Participation (2014 Certificates) for \$14,225,000 at a net original issue premium of \$1,729,013. The proceeds were used to finance the construction and installation of a combined heat and power cogeneration system at the central heating plant on the University's campus. The 2014 Certificates consist of four term certificates with maturity dates ranging from July 1, 2022 to July 1, 2031, yield rates ranging from 2.45% to 3.45%. The pricing resulted in a 3.88% true interest cost. The debt service on the 2014 Certificates will be funded by monthly payments the University will make through July 2031.

In June 2013, the University issued \$57,860,000 of general revenue bonds (2013A Bonds), with an average coupon rate of 4.98% and a net original issue premium of \$7,141,047. The proceeds were utilized to fund the construction of Oak View Hall; a facilities management building; a 1,240 space parking structure; road improvements; and an athletic and recreation complex. The 2013A Bonds were issued with a final maturity of March 1, 2043. The pricing resulted in a 4.03% true interest cost. The 2013A Bonds were refunded with the issuances of the 2022B Bonds.

In June 2013, the University issued \$23,290,000 of federally taxable general revenue refunding bonds (2013B Bonds), with an average coupon rate of 2.99%. The proceeds were utilized to refund the Series 2004 general revenue refunding bonds (2004 Bonds) with an average coupon rate of 5.12%. The advance refunding of the 2004 Bonds resulted in a deferral on early extinguishment of \$1,134,224 that will be amortized over the term of the 2013B Bonds and is recorded as a deferred outflow. The 2013 Bonds were issued with a final maturity date of May 15, 2026. The pricing resulted in a 2.99% true interest cost.

In August 2012, the University issued \$44,155,000 of general revenue bonds (2012 Bonds), with an average coupon interest rate of 4.96% and a net original issue premium of \$4,970,795. The proceeds were utilized to fund a portion of the Engineering Center. The 2012 Bonds were issued with a final maturity of March 1, 2042. The pricing resulted in a 4.08% true interest cost. The 2012 Bonds were refunded with the 2022A Bonds.

In June 2008, the University issued \$53,280,000 of general revenue refunding bonds (2008 Bonds) to refund the 2001 general revenue bonds (2001 Bonds). The 2008 Bonds are variable-rate demand obligations with a maturity date of March 1, 2031. In conjunction with this issue, the University terminated the related 2001 Swap at a termination value of \$4,860,000 paid to the counterparty and reissued a new 2008 Swap synthetically fixing the rate on the full amount of the issue to 3.37%. The 2001 Swap termination cost has been deferred and will be amortized over the term of the refunding bonds and is recorded as a deferred outflow. The 2008 Bonds were issued with a final maturity date of March 1, 2031.

In September 1998, on behalf of the Oakland University Foundation (Foundation), the Economic Development Corporation of the County of Oakland issued limited-obligation revenue variable-rate

Oakland University
Notes to Financial Statements
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13. Long-Term Liabilities (continued)

demand bonds in the amount of \$4,600,000 to finance the R&S Sharf golf course project. These bonds bear interest at a variable or fixed rate, as determined from time to time in accordance with the indenture (the variable rates as of June 30, 2023 and 2022 were 4.02% and 0.92%, respectively; the maximum variable rate is 12%). The bonds mature on September 1, 2023 subject to optional early redemption. Within this bond offering, the Foundation executed a Loan Agreement, which obligated it to make all payments in connection with this bond financing including interest, principal, remarketing fees, and letter of credit fees. On February 1, 2006, the University Board and the Foundation Board of Directors agreed to transfer Foundation assets and liabilities to the University. As a result, this Foundation loan was transferred to the University in the amount of \$4,600,000.

The following table summarizes debt service requirements for the outstanding bonds and certificates payable as of June 30, 2023:

	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivative, Net</u>	<u>Total</u>
2024	14,795,000	15,483,188	256,409	30,534,597
2025	11,680,000	14,997,026	240,154	26,917,180
2026	12,320,000	14,495,253	223,230	27,038,483
2027	12,985,000	13,938,612	198,648	27,122,260
2028	14,340,000	13,412,441	159,147	27,911,588
2029-2033	71,840,000	57,531,831	223,769	129,595,600
2034-2038	65,310,000	42,290,000	-	107,600,000
2039-2043	71,895,000	24,859,000	-	96,754,000
2044-2048	47,070,000	9,014,000	-	56,084,000
2049-2050	9,740,000	736,500	-	10,476,500
	<u>331,975,000</u>	<u>\$ 206,757,851</u>	<u>\$ 1,301,357</u>	<u>\$ 540,034,208</u>
Unamortized premium	39,808,508			
	<u>\$ 371,783,508</u>			

Other Liabilities

Accrued compensated absences include accrued vacation and sick pay for University employees. University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation. Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination. Unused hours exceeding these limitations are forfeited.

Charitable gift annuities are arrangements in which donors contribute assets to the University in exchange for a promise by the University to pay a fixed amount for a specified period of time (typically for the life of the donor or other beneficiary). Annuities payable are established based on the present value of the estimated annuity payouts over the life expectancy of the donor or other beneficiary.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

13. Long-Term Liabilities (continued)

In September 2013, the University received a charitable gift annuity (CGA) totaling \$7.0 million as a result of realizing a donor's bequest. Based on the life expectancy of the annuitant at the time the CGA was received, the University's obligation, or present value liability, of the annuity payments approximated \$3.7 million. The annuity payable was approximately \$1.9 million and \$2.0 million as of June 30, 2023 and 2022 respectively.

Subscriptions

The university obtains the right to use vendors' information technology software through various long-term contracts. Payments are fixed annually. Subscription asset activity of the University is included in Note 9. As of June 30, 2023, and 2022 the University had \$3,307,912 and \$1,312,852 in subscription liability, respectively.

Future principal and interest payment requirements related to the University's subscription liability at June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	1,418,578	87,499	1,506,077
2025	1,255,153	42,928	1,298,081
2026	554,846	11,575	566,421
2027	79,335	2,144	81,479
Total	<u>\$ 3,307,912</u>	<u>\$ 144,146</u>	<u>\$ 3,452,058</u>

14. Postemployment Benefits Other than Pensions

Plan Description

In addition to the employee benefits discussed in Note 15, the University provides postemployment healthcare benefits to eligible University retirees and their spouses as part of a single-employer defined benefit plan. The plan is administered by the University. Substantially all University employees may become eligible for coverage if they meet retirement eligibility requirements. In general, retirees at least 62 years of age with 15 years of service who were hired before July 1, 2005, depending on the employee group, are eligible for medical benefits in accordance with various labor agreements or within the provisions of University policy. Employees with 25 years of service are eligible for retirement at any age. Except for certain prior retirees, the University shares the cost of coverage with retirees, charging the retirees a contribution equal to the excess of the prevailing premium cost of coverage over a stipulated University subsidy amount. At June 30, 2023, the University had 1,722 active employees in the plan and 192 retirees currently receiving postemployment healthcare benefits. Certain employees hired after July 1, 2005, depending on the employee group, may be eligible for participation in the University's postemployment health care benefits as "access only" for retirees and spouses, at retiree rates, paid in full by the retiree.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

14. Postemployment Benefits Other than Pensions (continued)

Contributions

The contribution requirements of plan members and the University are established in accordance with various labor agreements or within the provisions of University policy. For the year ended June 30, 2023, the University and plan members receiving benefits contributed \$1.5 million and \$0.9 million, respectively, to the plan. Approximately 63% of total premiums were paid by the University with the remaining 37% paid by plan members. Required contributions for plan members ranged from \$40 to \$994 per month for retiree-only coverage, and from \$101 to \$2,385 per month for retiree and spouse coverage.

For the year ended June 30, 2022, the University and plan members receiving benefits contributed \$1.5 million and \$0.7 million, respectively, to the plan. Approximately 69% of total premiums were paid by the University with the remaining 31% paid by plan members. Required contributions for plan members ranged from \$26 to \$758 per month for retiree-only coverage, and from \$65 to \$1,818 per month for retiree and spouse coverage.

Funded Status and Funding Progress

GASB Statement No. 75 requires the measurement of OPEB expense as it is incurred, rather than as it is funded. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately \$30.3 million, which will be used to offset annual OPEB contributions. Other postemployment health care benefits are financed on a pay-as-you-go basis.

OPEB Liability and Actuarial Assumptions

As of June 30, 2023, the University reported a liability for OPEB totaling \$29.0 million. The liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021, which used updated procedures to roll forward the liability to June 30, 2023.

As of June 30, 2022, the University reported a liability for OPEB totaling \$32.9 million. The liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021, which used updated procedures to roll forward the liability to June 30, 2022.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

14. Postemployment Benefits Other than Pensions (continued)

The liability was calculated based on the following actuarial assumptions:

	2023	2022
Discount Rate/investment rate of return*	3.54%	2.16%
Salary increases including inflation	3.00%	3.00%
Mortality basis	Pri-2012 White Collar Mortality Table with generational projection using Projection Scale MP-2021	Pri-2012 White Collar Mortality Table with generational projection using Projection Scale MP-2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Health Care Trend Rate	3.7% - 5.8% over 60 years	3.7% - 5.8% over 60 years

* 20 Year Tax-Exempt Municipal Bond Yield based on the 20-year Bond Buyer GO Index.

The plan has not had a formal actuarial experience study performed.

Schedule of Changes in Total OPEB Liability and Related Ratios

	2023	2022
	<i>In thousands</i>	
Total OPEB Liability		
Service Cost	\$ 1,108	\$ 1,261
Interest on total OPEB liability	718	893
Changes of benefit terms	-	-
Effect of economic/demographic gains or (losses)	-	(2,006)
Effect of assumption changes or inputs	(4,266)	(5,478)
Benefit payments	(1,483)	(1,829)
Net Change in total OPEB liability	(3,923)	(7,159)
Total OPEB Liability, beginning	32,876	40,035
Total OPEB Liability, ending	\$ 28,953	\$ 32,876
Covered Payroll	\$ 130,098	\$ 133,657
Total OPEB liability as a % of covered payroll	22.25%	24.60%

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

14. Postemployment Benefits Other than Pensions (continued)

OPEB Expense, Deferred Outflows and Inflows of Resources Related to OPEB

The University recognized OPEB expense of \$0.3 and \$1.7 million at June 30, 2023 and June 30, 2022, respectively.

The University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 1,950,685	\$ 1,463,491	\$ 2,519,397	\$ 1,734,508
Change of assumptions	\$ 3,091,864	\$ 9,787,498	\$ 3,789,802	\$ 7,932,003
Contributions made after measurement date	\$ 1,617,974	\$ -	\$ 1,482,718	\$ -

Changes of assumptions: For 2023 the discount rate increased to 3.54% and decreased in 2022 to 2.16%. The discount rate was 2.21% and 3.50% in 2021 and 2020, respectively. The decrease in liability is primarily due to a decrease in the health care trend rate and plan participation.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as a reduction of the University's OPEB expense as follows:

	Year ending June 30
2024	(1,191,258)
2025	(877,169)
2026	(792,616)
2027	(848,054)
2028	(1,287,712)
Thereafter	(1,211,631)
Total	\$ (6,208,440)

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

14. Postemployment Benefits Other than Pensions (continued)

Sensitivity of the OPEB Liability to Changes in the Discount and Healthcare Cost Trend Rates

The following presents the OPEB liability of the University, calculated using the current discount and healthcare rates. The following also reflects what the University's OPEB liability would be if it were calculated using rates that are one percentage point lower or one percentage point higher than the current rate:

	<u>Year ending June 30, 2023</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Discount Rate:			
Total OPEB Liability	\$ 31,956,126	\$ 28,952,939	\$ 25,982,162
Health Care Trend Rate:			
Total OPEB Liability	\$ 27,960,439	\$ 28,952,939	\$ 30,090,675

	<u>Year ending June 30, 2022</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Discount Rate:			
Total OPEB Liability	\$ 36,593,653	\$ 32,875,559	\$ 29,683,922
Health Care Trend Rate:			
Total OPEB Liability	\$ 31,836,764	\$ 32,875,559	\$ 34,064,106

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

15. Employee Benefits

The University has contributory, defined-contribution retirement plans for all qualified employees. The plans consist of employee-owned retirement contracts funded on a current basis by employer contributions. Participants may elect to contribute additional amounts to the plan within specified limits. The plans are administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Contributions by the University for the years ended June 30, 2023 and 2022 were \$17,942,951 and \$18,487,466, respectively.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

15. Employee Benefits (continued)

The University also maintains a noncontributory, defined-benefit retirement plan, which is not open to new participants. The plan is administered by TIAA-CREF. At January 1, 2023, the date of the most recent actuarial valuation, the plan had a total liability of approximately \$63,078 and was over funded by approximately \$52,270.

The University provides benefits to eligible employees for unused sick days upon retirement and unused vacation days upon termination. This liability is accounted for as part of accrued compensated absences.

The University is self-insured for workers' compensation and unemployment compensation. Liabilities for claims incurred but not reported under these self-insurance programs have been established. Changes in the self-insured employee benefit liabilities during 2023, 2022, and 2021 were considered current and are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 423,646	\$ 274,461	\$ 313,430
Claims incurred and changes in estimates	(48,251)	267,308	373,088
Claim payments	<u>(215,250)</u>	<u>(118,123)</u>	<u>(412,057)</u>
Balance, end of year	<u>\$ 160,145</u>	<u>\$ 423,646</u>	<u>\$ 274,461</u>

16. Deferred Inflows of Resources

The University accounts for deferred inflows of resources in accordance with authoritative guidance. The University recorded deferred inflows of \$22,677,807 as of June 30, 2023. This amount is comprised of \$11,250,989 from changes in OPEB assumptions, \$1,150,515 from an early extinguishment of general revenue bonds, \$2,273,946 from lease agreements, irrevocable split-interest agreements where the University acts as the trustee in the amount of \$3,343,764 and an additional irrevocable split-interest agreement held by a third party in which the University has \$4,658,593 beneficial interest in assets held by others. The University's beneficial interest in this charitable remainder trust is held by Morgan Stanley and also recognized as an asset at fair value. Beneficial interest in assets held by others are classified in Level 3 of the fair value hierarchy, is not traded on an open market, and is valued using an approach that utilizes the present value of annuity payments based on the life expectancy of the annuitant.

As of June 30, 2022, the University recorded deferred inflows of \$19,921,761, which includes \$9,666,511 from changes in OPEB assumptions, \$2,833,670 from lease agreements, an irrevocable split-interest agreement where the University acts as the trustee in the amount of \$2,885,110, and an additional irrevocable split-interest agreement held by a third party in which the University has \$4,536,470 beneficial interest in assets held by others.

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

17. Liability and Property Insurance

The University is one of 11 Michigan universities participating in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.) which provides insurance coverage for errors and omissions liability, commercial general liability, property loss, automobile liability, and automobile physical damage coverage. M.U.S.I.C. provides coverage for claims in excess of agreed-upon deductibles.

Loss coverages, except for the automobile physical damage program, are structured on a three-layer basis with each member retaining a portion of its losses, M.U.S.I.C. covering the second layer, and commercial carriers covering the third. Automobile physical damage coverage is structured on a two-layer basis with no excess coverage from a commercial carrier. Commercial general liability and property coverage are provided on an occurrence basis. Errors and omissions coverage is provided on a claims-made basis. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the claims experience of each university. Property insurance coverage is provided outside of the M.U.S.I.C. program.

18. Contingencies and Commitments

In the normal course of its activities, the University is a party in various legal actions. Although some actions have been brought for large amounts, the University has not experienced any significant losses or costs. The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

The University is the guarantor on certain faculty and staff residence mortgages. As of June 30, 2023, the amount subject to guarantee by the University was \$2,768,530.

The estimated costs to complete construction projects in progress is \$62.4 million as of June 30, 2023, due in large part to the construction costs associated with the renovation of South Foundation Hall in the amount of \$18.4 million, West Campus for \$14.3 million, improvements to O'Dowd Hall, Dodge Hall, and Kresge Library in the amount of \$11.1 million for the School of Medicine, Meadow Brook Hall Visitor Center for \$5.1 million, Varner Hall renovations for \$3.7 million, and various campus enhancement projects totaling \$9.8 million. The South Foundation Hall project will be funded from the State Capital Outlay for \$30.0 million, \$10.0 million from the 2019 Bonds, and \$4.2 million from University resources. The Varner Hall renovation expansion will be funded from the 2019 Bonds. The various other campus enhancements are funded from University resources.

19. Expenditures by Natural Classification

Operating expenses by natural classification for the years ended June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Employee compensation and benefits	\$ 236,808,468	\$ 238,548,243
Supplies and other services	70,724,576	78,306,435
Student aid	7,687,190	27,031,055
Depreciation	28,222,178	27,539,783
Total	<u>\$ 343,442,412</u>	<u>\$ 371,425,516</u>

Oakland University
Notes to Financial Statements
June 30, 2023 and 2022

20. Cash Flow Statement

The table below details the reconciliation of the net operating loss to net cash used by operating activities:

	<u>2023</u>	<u>2022</u>
Operating loss	\$ (75,400,960)	\$ (107,987,116)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	28,222,178	27,539,783
Changes in assets and liabilities:		
Accounts receivable, net	6,764,361	(952,665)
Inventories	211,684	(209,893)
Deposits and prepaid expense	(877,064)	693,492
Student loans receivable	16,431	(72,153)
Accounts payable and accrued expenses	(5,663,663)	11,104,657
Accrued payroll	857,165	1,534,121
Compensated absences	210,351	(462,396)
Unearned revenue	1,758,937	(1,315,864)
Deposits	609,376	239,139
Federal portion of student loan program	(127,938)	(144,082)
OPEB liability	(3,922,620)	(7,159,637)
Deferred outflow of resources	1,131,394	5,378,641
Deferred inflow of resources	1,584,478	1,613,134
Net cash used by operating activities	<u><u>\$ (44,625,890)</u></u>	<u><u>\$ (70,200,839)</u></u>

21. Related-Party Transactions

The Oakland University Foundation (Foundation) is a related party of the University. The Foundation had net assets of \$247,720 and \$229,069 as of June 30, 2023 and 2022 respectively, consisting of three endowment funds. The University's financial statements do not include the Foundation's assets or activity.

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

	2023	2022	2021	2020	2019	2018
Total OPEB Liability	<i>In thousands</i>					
Service Cost	\$ 1,108	\$ 1,261	\$ 933	\$ 791	\$ 814	\$ 940
Interest on total OPEB liability	718	893	1,208	1,289	1,218	1,050
Changes of benefit terms	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(2,006)	-	4,226	-	-
Effect of assumption changes or inputs	(4,266)	(5,478)	5,186	(3,503)	(1,079)	(2,973)
Benefit payments	(1,483)	(1,829)	(1,760)	(1,693)	(1,592)	(1,831)
Net Change in total OPEB liability	(3,923)	(7,159)	5,567	1,110	(639)	(2,814)
Total OPEB Liability, beginning	32,876	40,035	34,468	33,358	33,997	36,811
Total OPEB Liability, ending	\$ 28,953	\$ 32,876	\$ 40,035	\$ 34,468	\$ 33,358	\$ 33,997
Covered Payroll	\$ 130,098	\$ 133,657	\$ 133,224	\$ 134,662	\$ 129,568	\$ 125,045
Total OPEB liability as a % of covered payroll	22.25%	24.60%	30.05%	25.59%	25.75%	27.19%

Changes of benefit terms: There were no changes in the benefit terms in 2023, 2022, 2021, 2020, 2019, or 2018.

Changes of assumptions: For 2023 the discount rate increased to 3.54% and decreased to 2.16% in 2022. The discount rate was 2.21%, 3.50%, 3.87% and 3.58% in 2021, 2020, 2019 and 2018, respectively. The decrease in liability is primarily due to a decrease in the health care trend rate and plan participation.

GASB Statement No. 75 requires the measurement of OPEB expense as it is incurred, rather than as it is funded. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately \$30.3 million, which will be used to offset annual postemployment benefit contributions.

Note: GASB 75 was implemented in fiscal year 2018. These schedules are being built prospectively. Ultimately 10 years of data will be presented.