Agendum
Oakland University
Board of Trustees Formal Session
October 11, 2021

FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020
A Recommendation

1. **Division and Department:** Finance and Administration, Controller's Office

2. **Introduction:** The Financial Statements, June 30, 2021 and 2020 for Oakland University (University) have been completed (Attachment A).

The audit opinion of Plante & Moran P.L.L.C. (P&M) states, in part, "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oakland University as of June 30, 2021 and 2020, and the respective changes in its financial position and 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 B) summarizes the audit engagement and required communications. P&M's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Attachment C). Management's Representation Letter (Attachment D) details the representations made by the University Administration to P&M regarding the audit work performed.

Representatives from P&M presented the Financial Statements in draft form to the Board of Trustees' (Board) Audit Committee at the Committee's October 11, 2021 meeting. The Audit Committee unanimously recommended the Financial Statements be presented to the Board at their next formal session.

3. **Previous Board Action:** As a result of a competitive bid process, the public accounting firm of Plante & Moran was appointed by the Board on February 13, 2017, and reappointed on April 9, 2018, April 8, 2019, April 6, 2020, and April 12, 2021.

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 11, 2021 meeting.

8. Recommendation:

RESOLVED, that the Board of Trustees accepts the Financial Statements, June 30, 2021, and 2020, which were audited by the Board of Trustee's public accounting firm, Plante & Moran P.L.L.C.

9. Attachments:

A. Financial Statements, June 30, 2021 and 2020
B. Board of Trustees Letter dated October 7, 2021
C. Government Auditing Standards Report on Internal Controls dated October 7, 2021
D. Representation Letter dated October 7, 2021

Submitted to the President
on 10/7, 2021 by

John W. Beaghan, CMA
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 10/7, 2021
to the Board of Trustees for Approval by

Ora Hirsch Pescovitz, M.D.
President

Reviewed by:

Attachment A

FINANCIAL STATEMENTS
June 30, 2021 *and* 2020




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Independent Auditor's Report

To the Board of Trustees
Oakland University

Report on the Financial Statements

We have audited the accompanying financial statements of Oakland University (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Oakland University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oakland University as of June 30, 2021 and 2020 and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Oakland University

Other Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021 on our consideration of Oakland University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oakland University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 7, 2021

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, 2021 with selected comparative information for the years ended June 30, 2020 and 2019.

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 135 doctoral/high research activity (R2) universities by the Carnegie Foundation for the Advancement of Teaching. The University currently offers 146 baccalaureate degree programs and 134 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.

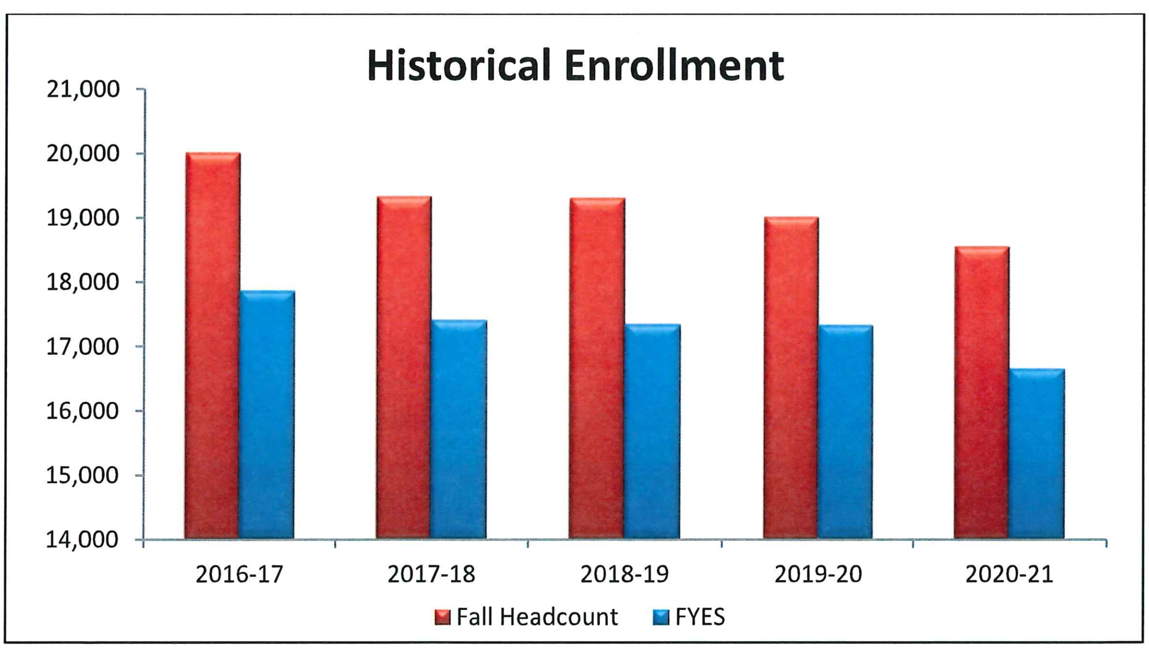
The University is considered a component unit of the State of Michigan (State). Accordingly, the University's financial statements are included in the State's annual comprehensive financial report.

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 2021 Enrollment and Operations Highlights

- In fiscal year 2021, student headcount enrollment for the fall 2020 semester decreased by 2.4% to 18,552. Undergraduate enrollment was 15,100 (81%) and graduate enrollment was 3,452 (19%). In fiscal year 2020, student headcount enrollment for the fall 2019 semester slightly decreased 0.2% to 19,013. Undergraduate enrollment was 15,543 (82%) and graduate enrollment was 3,470 (18%). The enrollment decreases are attributable to the combined effect of the decline in high school graduates from Michigan and the COVID-19 pandemic.

- Enrollment based on Fiscal Year Equated Students (FYES) decreased 3.9% to 16,648 and 0.1% to 17,330 for fiscal years 2021 and 2020 respectively. A five-year summary of historical enrollment is presented below.



- In fiscal year 2021, as people across the nation struggled with the demands of the coronavirus pandemic the Oakland University community came together to address the needs of its students, faculty and staff who were struggling financially. Oakland created 15 programs that received donations to help provide relief to those experiencing financial strains within the OU community. Over 1600 donors contributed more than $400,000 to funds designed to assist others with food, housing, and school expenses. An anonymous Oakland University trustee donated $75,000 to three COVID-19 relief funds including the OU Student Emergency Relief Fund, the Future Heroes Scholarship Fund, and the OU Employee Hardship Fund.

- In June 2021, for the fourth year in a row, Oakland University's School of Business was named to U.S. News & World Report's annual edition of Best Graduate Schools in the Part-Time MBA specialty category. This ranking was based on the following five criteria: average peer assessment scores, average GMAT and GRE scores of part-time MBA students entering fall of 2017, average undergraduate GPA, average number of years of work experience, and the percentage of the total program enrollment that is in the part-time program.

- In May 2021, Oakland University's Honor's College had a record high of 164 graduates. Of the graduating class, eighty-three graduated as Presidential Scholars, demonstrating academic excellence and community engagement at the highest level throughout their time at OU. To be admitted to OU as a Presidential Scholar, individuals must have a 3.90 GPA and a minimum ACT score of 31 or SAT score of 1390.

- In March 2021, Oakland University chemistry professor Dr. Ziming Yang earned the prestigious CAREER award from the National Science Foundation (NSF). The award is presented annually to non-tenured faculty who have demonstrated the potential to serve as academic role models in research and education. Over a five-year period, Professor Yang will receive approximately $600,000 from the NSF, which he plans to use to study the integration of interdisciplinary knowledge and tools from chemistry, geology, and ocean science, to help address important questions in deep carbon cycle, prebiotic synthesis, and early life on Earth.

- Oakland University and Beaumont Health agreed on a twenty year extension to their affiliation agreement. This means that the Oakland University William Beaumont School of Medicine (OUWB) students will continue to train at Beaumont Hospitals in Royal Oak, Troy and Grosse Pointe. The amended agreement also enhances capabilities for researchers from both organizations, allowing them to share data more easily and expand the amount of research conducted. Since OUWB welcomed its first class in 2011, the school has graduated 548 physicians. OUWB currently has about 500 students enrolled. OUWB graduates are recruited to the top residency programs in the country and are a testament to the excellent training environment provided by Oakland University and Beaumont Health.

- In February 2021, the $40 million renovation and expansion project for South Foundation Hall began. As part of the Michigan Capital Outlay Budget, Oakland University will receive $30 million in state funding to support this project. The University issued the 2019 tax exempt bonds to cover the remaining costs. Improvements to the building include renovating the existing 55,000 square feet and a 25,000 square foot addition to extend building capacity. This project will allow Oakland to address the need for more space in academic areas including STEM, health professions, education, humanities, and the arts.

- In January 2021, Oakland was ranked the third safest college campus in the nation by CollegeMagazine.com. The rankings are based on various factors such as on-campus violent crime reported, on-campus housing availability, campus safety resources and total disciplinary incidents. Oakland takes a proactive approach to safety and has been consistently ranked as one of the safest campuses in the nation in the last several years. Oakland's preventative measures include the First Aid Support Team (FAST), courses on preventing campus violence, conflict resolution training, as well as blue light security phones and surveillance cameras located strategically throughout the University.

- In December 2020, the Board of Trustees (Board) approved a $45 million improvement project for Varner Hall. A portion of the 2019 bond proceeds will be used to fund the project. The primary goal of the project will be to upgrade the aging infrastructure and increase functionality for students, faculty and staff. The project will include two, 4,500 square foot additions to the building to the west and south. The western addition will enhance the entrance to the Recital Hall while the square footage in the south will increase the Studio Theatre back-of- house area.

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 19-47 of this financial report.

Required Supplemental Information

The required supplemental information provides additional information relative to the other postemployment benefit liability. The University's required supplemental information can be found on pages 48-49 of this financial report.

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

	June 30, 2021	June 30, 2020	June 30, 2019	%Change 2021-2020	%Change 2020-2019
		(in thousands)			
Assets					
Current assets	**$ 86,289**	$ 83,082	$ 69,427	4%	20%
Capital assets, net	**597,158**	593,599	607,940	1%	-2%
Other noncurrent assets	**445,303**	389,033	294,805	14%	32%
Total assets	**1,128,750**	1,065,714	972,172	6%	10%
Deferred outflows of resources	**19,090**	17,334	12,025	10%	44%
Liabilities					
Current liabilities	**74,475**	73,061	65,026	2%	12%
Noncurrent liabilities	**458,730**	468,952	383,046	-2%	22%
Total liabilities	**533,205**	542,013	448,072	-2%	21%
Deferred inflows of resources	**13,853**	11,855	9,434	17%	26%
Net investment in capital assets	**266,714**	270,068	275,045	-1%	-2%
Restricted nonexpendable	**44,996**	35,829	32,968	26%	9%
Restricted expendable	**71,236**	51,387	50,782	39%	1%
Unrestricted	**217,836**	171,896	167,896	27%	2%
Total net position	**$ 600,782**	$ 529,180	$ 526,691	14%	0%

The University's total assets were $1,128.8 million, $1,065.7 million, and $972.2 million at June 30, 2021, 2020, and 2019 respectively. The University's largest asset is its investment in capital assets, including land, land improvements, infrastructure, buildings, equipment, library acquisitions, and construction in progress. Capital assets represent 53%, 56%, and 63% of the University's total assets at June 30, 2021, 2020 and 2019, respectively. Capital expenditures totaled $31.4 million in 2021, $13.6 million in 2020, and $27.6 million in 2019. Included in capital expenditures for 2021 were $7.6 million for Wilson Hall building expansion, $4.0 million for the purchase of a new off campus research facility, $3.5 million for Fitzgerald House renovations, $3.3 million for Dodge Hall and Varner Hall renovations, and $2.3 million for high temperature hot water energy savings projects. Additional capital expenditures of $10.7 million include other campus enhancement projects. Depreciation expense was $27.5 million in 2021, $27.9 million in 2020 and $26.0 million in 2019.

Current assets consist primarily of cash and cash equivalents and receivables due within one year. Cash and cash equivalents decreased $11.4 million to $52.5 million at June 30, 2021 largely due to an increase in supplier payments and decrease in sales of investments. Accounts receivable increased $6.5 million to $15.3 million at June 30, 2021 largely due to a $4.6 million increase in receivables from the OUWB pass through payments from insurance providers, and a $1.9 million increase in other receivables. Pledges receivable increased $1.3 million due to several large pledges from major donors.

Other noncurrent assets consist primarily of restricted cash and cash equivalents, endowment investments, other long-term investments and capital assets. Restricted Cash decreased $25.8 million for bond proceeds spent due to major construction related expenditures during the year. Endowment investments were $147.1 million at June 30, 2021, $109.0 million at June 30, 2020, and $106.5 million at June 30, 2019. The increase in the endowment fair market value was due to favorable outcomes in the market and generous contributions. The total returns, net of fees, on the University's endowment investments were 30.7% for 2021, 4.3% for 2020, and 6.5% for 2019. Other long-term investments were $210.6 million at June 30, 2021, $167.7 million at June 30, 2020, and $172.6 million at June 30, 2019, and include fixed income and equity securities. The increase is primarily attributed to favorable outcomes in the market. The total return on the University's other long-term investments was 6.8% for 2021, 2.2% for 2020, and 5.9% for 2019, net of fees. The University's investments are being managed according to Board policies.

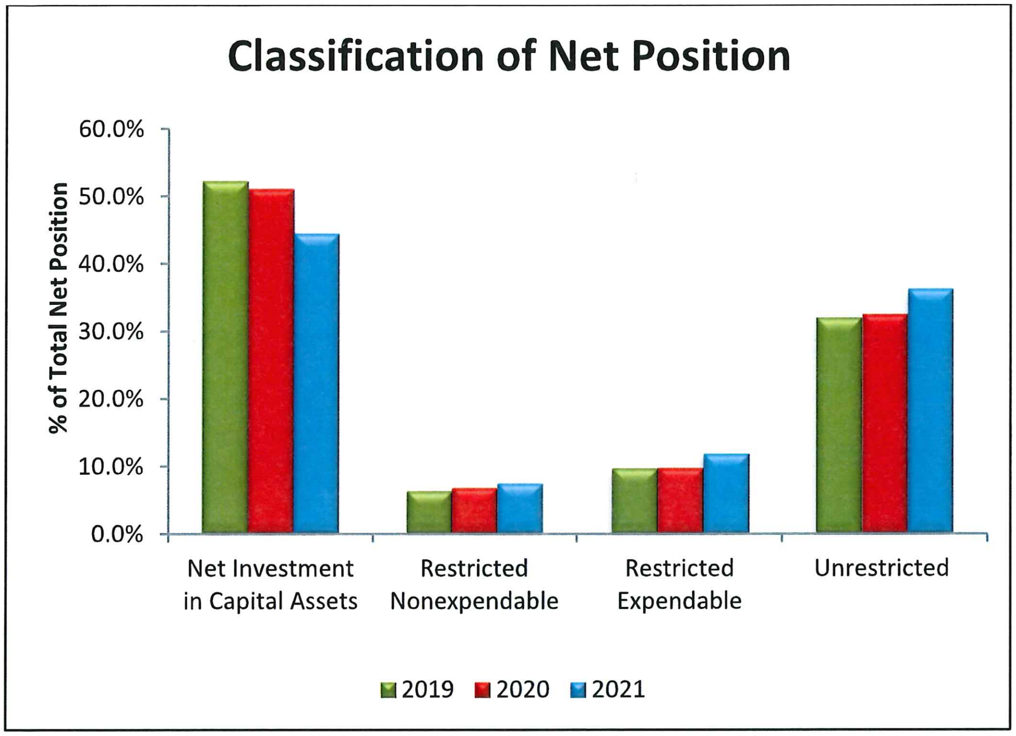
All investments held by the University can be liquidated to cash within 90 days or less without incurring additional fees, with the exception of the private equity holding and hedge funds.

Deferred outflows of resources were $19.1 million at June 30, 2021, $17.3 million as of June 30, 2020, and $12.0 million as of June 30, 2019. 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 increase in the deferred outflows of resources is primarily due to the $4.0 million increase to the retiree health care plan and $1.9 million change in the fair market value of the 2008 Swap.

The University's total liabilities were $533.2 million at June 30, 2021, $542.0 million at June 30, 2020, and $448.1 million at June 30, 2019. 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 $1.4 million increase in current liabilities is largely attributable to an increase in accounts payable due to an increase in construction activity compared to 2020. Noncurrent liabilities are comprised primarily of bonds and notes payable and represent 86% of the University's total liabilities as of June 30, 2021, 87% as of June 30, 2020 and 75% as of June 30, 2019. Noncurrent long-term liabilities decreased by $10.2 million primarily due to a $15.6 million decrease in long term liabilities related to bond principal payments and amortization of bond premiums; and a $1.9 million decrease in derivative instruments consisting of the accumulated change in fair value of the 2008 Swap. This decrease was offset by a $5.5 million increase in other postemployment benefits (OPEB) as a result of actuarial studies used to determine the cost of the current retiree health insurance benefit program; and a $1.8 million increase in unearned revenue.

Deferred inflows of resources were $13.9 million as of June 30, 2021, $11.9 million as of June 30, 2020, and $9.4 million as of June 30, 2019. Deferred inflows of resources consist of $4.3 million in OPEB assumptions in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Additionally, $9.6 million is held in irrevocable split-interest agreements in accordance with GASB Statement No. 81, *Irrevocable Split Interest Agreements*, $5.5 million of which is held by a third party in which the University has a beneficial interest.

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.

The following summarizes the internal designations of unrestricted net position:

	June 30,	
	2021	**2020**
	(in thousands)	
Auxiliary enterprises	**$ 2,725**	$ 3,274
Capital projects and repair reserves	**55,772**	47,140
Funds designated for departmental use	**54,147**	46,668
Funds functioning as endowments	**26,628**	20,385
Gifts and investment income reserves	**61,981**	44,909
Retirement and insurance reserves	**1,193**	(5,334)
Encumbrances and carry forwards	**15,390**	14,854
Total Unrestricted Net Position	**$ 217,836**	$ 171,896

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. The decrease is due to operational losses as a result of COVID-19, which were partially offset by $8.1 million in allocations from the Higher Education Emergency Relief Funds (HEERF) granted by the federal government.

Capital projects and repair reserves consist of the unexpended portion of ongoing capital projects, reserves for plant renewal, and bond sinking funds. The increase is primarily due to an increase in active university funded projects at year end.

Funds designated for departmental use consist of specific projects earmarked by various departments. The increase is primarily due to increased revenue with the School of Medicine combined with conservative spending throughout the university this year.

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 30.7% return 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 6.8% return 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, 2021 was $40.0 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 $33.3 million, earnings from which will be used to offset annual postemployment contributions.

The retirement and insurance balance also includes reserves for unemployment and workers' compensation for which the University is self-insured.

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.

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	2021	2020	2019	% Change 2021-2020	% Change 2020-2019
		(in thousands)			
Operating revenues					
Net tuition	**$ 208,034**	$ 215,415	$ 210,149	-3%	3%
Grants and contracts	**9,503**	10,143	11,072	-6%	-8%
Departmental activities	**11,912**	11,729	12,026	2%	-2%
Auxiliary activities, net	**20,988**	30,434	35,762	-31%	-15%
Other	**104**	559	815	-81%	-31%
Total operating revenues	**250,541**	268,280	269,824	-7%	-1%
Operating expenses	**338,061**	346,830	341,885	-3%	1%
Operating loss	**(87,520)**	(78,550)	(72,061)	11%	9%
Nonoperating revenues (expenses)					
State appropriations	**53,413**	47,476	52,829	13%	-10%
Gifts	**7,593**	5,391	6,445	41%	-16%
Investment income, net	**50,574**	11,598	20,944	336%	-45%
Interest expense	**(15,252)**	(15,568)	(15,064)	-2%	3%
Pell grants	**21,853**	23,307	23,036	-6%	1%
Federal grants	**28,084**	6,065	-	363%	100%
Other	**(133)**	111	117	-220%	-5%
Net nonoperating revenues	**146,132**	78,380	88,307	86%	-11%
Income before other revenues	**58,612**	(170)	16,246	34578%	-101%
Capital grants and gifts	**3,991**	43	73	9181%	-41%
Additions to permanent endowments	**8,999**	2,616	2,277	244%	15%
Total other revenues	**12,990**	2,659	2,350	389%	13%
Increase in net position	**71,602**	2,489	18,596	2777%	-87%
Net position					
Beginning of year	**529,180**	526,691	508,095	0%	4%
End of year	**$ 600,782**	$ 529,180	$ 526,691	14%	0%

Operating revenues were $250.5 million in 2021, $268.3 million in 2020, and $269.8 million in 2019. The $17.7 million, or 7%, decrease in 2021 over 2020 was largely due to a $9.4 million decrease in Auxiliary revenue, and a $7.4 million decline in Net tuition revenue resulting from the impact of COVID-19 combined with a tuition rate freeze for the academic year beginning Fall 2020. The $1.5 million decrease in 2020 over 2019 was largely due to a $5.3 million decrease in Auxiliary revenue due to student housing refunds resulting from early departures related to COVID-19. That decrease was offset by an increase in Net tuition revenue, resulting from tuition rates increasing by an average 4.4% for undergraduates and graduates.

In fiscal year 2021, the University earned $50.6 million in net investment income. This growth is comprised of $18.6 million, a 6.8% rate of return, in University pooled working capital investments and $32.0 million, a 30.7% rate of return, in the endowment investments. In fiscal year 2020, the University earned $11.6 million in net investment income. This growth is comprised of $7.1 million, a 2.2% rate of return, in University pooled working capital investments and $4.5 million, a 4.3% rate of return, in the endowment investments.

Operating expenses were $338.1 million in 2021, $346.8 million in 2020, and $341.9 million in 2019. The operating expense decrease of 3% in 2021 over 2020 primarily resulted from a reduction in auxiliary activities, student services, academic support and institutional support as a result of cost saving measures implemented due to the pandemic. The decrease was offset by an increase in instruction and student aid expenses incurred due to contractual agreements and increased costs related to the shift to a remote learning environment. The operating expense increase of 1% in 2020 over 2019 primarily resulted from supporting student aid and contractual agreements that was offset by a reduction in travel, non-capitalized equipment, supplies and services purchases as a result of cost saving measures implemented during the fourth quarter of fiscal year 2020 due to the pandemic.

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

University Operating Expenses

	2021	2020	2019	% Change 2021-2020	% Change 2020-2019
		(in thousands)			
Education and general					
Instruction	**$ 132,148**	$ 125,579	$ 125,011	5%	0%
Research	**8,960**	9,195	9,338	-3%	-2%
Public service	**3,576**	4,321	4,450	-17%	-3%
Academic support	**50,289**	52,774	52,748	-5%	0%
Student services	**29,749**	33,320	34,820	-11%	-4%
Institutional support	**25,543**	27,802	27,091	-8%	3%
Operations and maintenance of plant	**19,458**	18,620	20,567	5%	-9%
Depreciation	**27,508**	27,921	26,043	-1%	7%
Student aid	**17,260**	15,601	8,796	11%	77%
Total education and general	**314,491**	315,133	308,864	0%	2%
Auxiliary activities	**23,570**	31,697	33,021	-26%	-4%
Total operating expenses	**$ 338,061**	$ 346,830	$ 341,885	-3%	1%

Education and general expenses decreased slightly in 2021 over 2020 and increased 2% in 2020 over 2019. The decrease was mainly attributable to a reduction in travel and purchase of supplies and services that was offset by an increase in student aid.

Instruction for 2021 increased by $6.6 million largely due to $6.2 million to cover costs associated with significant changes to the delivery of instruction due to the coronavirus pandemic. The decreases in Student Services of $3.6 million; Academic Support of $2.5 million; and Institutional Support of $2.3 million are largely due to a decrease in travel, supplies and services. These decreases were offset by a $1.7 million increase in Student Aid over 2020 due to the University's commitment to support students during the pandemic.

Instruction for 2020 increased by $0.5 million largely due to an increase in compensation of $2.1 million due to overall compensation increases for existing faculty offset by a $2.6 million decrease in travel, equipment, supplies and services. Academic Support expense is flat due to overall compensation increases for existing staff offset by a decrease in travel and equipment purchases. The increase in Institutional Support of $0.7 million is primarily due to an increase in one time contracted services. The increase in Depreciation for 2020 is largely due to the completion of projects and equipment purchases placed into service during 2020. The $6.8 million increase in Student Aid over 2019 is due to the University's commitment to support students.

The University's operating loss was $87.5 million in 2021, $78.6 million in 2020, and $72.1 million in 2019. Offsetting these losses were net nonoperating revenues of $139.5 million in 2021, $78.4 million in 2020, and $88.3 million in 2019.

Nonoperating revenue is largely comprised of State appropriations and was $53.4 million in 2021. The increase over 2020 is due to a reduction in State appropriation of $5,956,500 for 2020 as a result of the COVID-19 pandemic. This 2020 reduction was supplemented with a pass through of federal coronavirus Relief Funds from the State recognized as part of Federal grants in 2021.

Nonoperating revenues also include $21.8 million from Federal Pell Grants in 2021. Pell Grant revenue for 2020 and 2019 was $23.3 million and $23.0 million, respectively.

Nonoperating revenues also include Federal Grants of $28.0 million largely due to the Coronavirus Aid, Relief, and Economic Security Act (CARES), including the Coronavirus Relief Funds passed through from the State, and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) funding related to COVID-19 expenses incurred by the University during 2021. The funding provided grants to eligible students and support for incremental institutional expenditures incurred due to the coronavirus. In 2021 and 2020, $8.0 million and $5.8 million was distributed to qualified students.

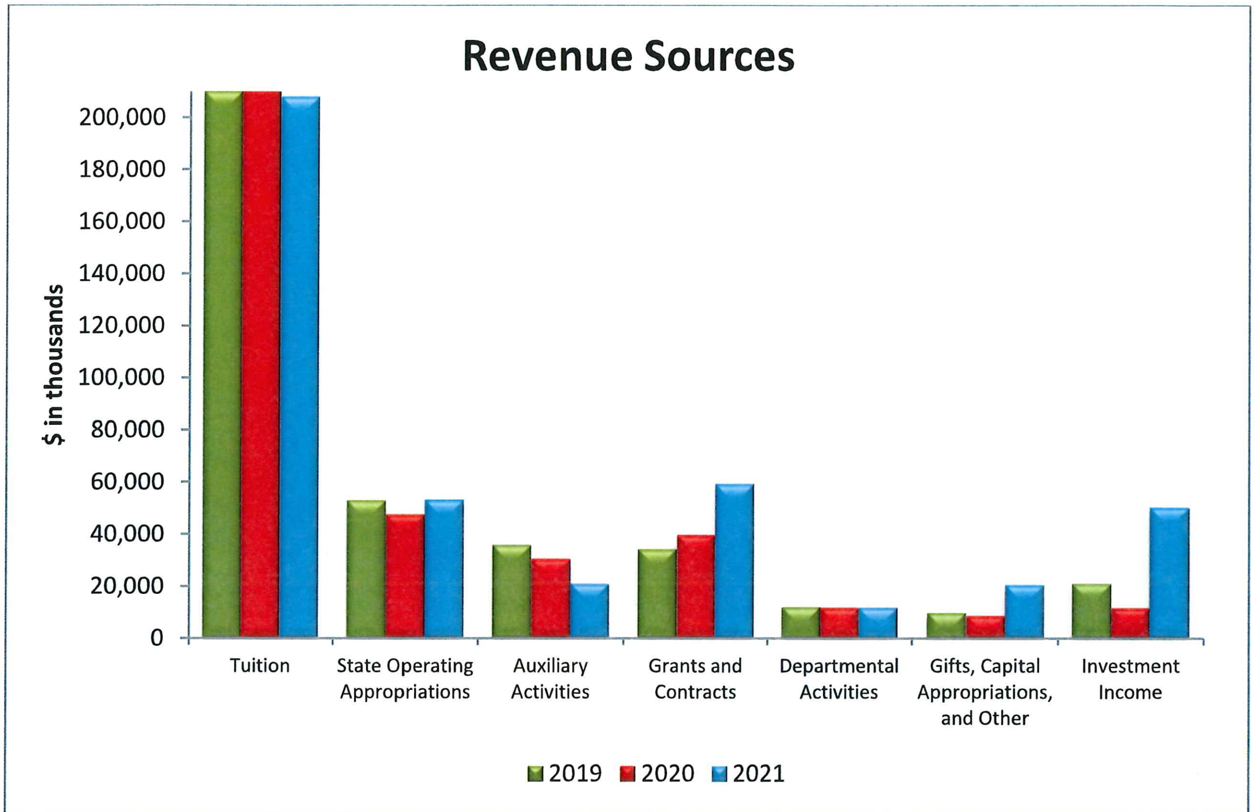
Other revenues primarily consist of $13.0 million of permanent endowments and gifts.

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.

Net position increased $2.5 million during 2020 and is primarily attributed to nonoperating activities including $11.6 million of investment income, $5.4 million in gifts, and $2.6 million of additions to permanent endowments. This increase was offset by a $5.9 million decrease in state appropriations, $5.3 million decrease in auxiliary activity primarily due to student housing COVID-19 refunds, and a $3.2 million increase in scholarship allowances, and a $1.9 million increase in depreciation.

Net position increased $18.6 million during 2019 and is primarily attributed to nonoperating activities including $20.9 million of investment income, $6.4 million in gifts, and $2.3 million in additions to permanent endowments. These increases were offset by an increase of $6.1 million in scholarship allowances and $7.2 million in interest expense.

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

	2021	**2020** *(in thousands)*	**2019**
Cash from			
Operating activities	**$ (71,778)**	**$ (46,925)**	$ (42,341)
Noncapital financing activities	**113,626**	**91,611**	83,120
Capital financing activities	**(49,347)**	**54,238**	(65,553)
Investing activities	**(29,707)**	**13,832**	3,637
Net change in cash and cash equivalents	**(37,206)**	**112,756**	(21,137)
Cash and cash equivalents			
Beginning of year	**169,372**	**56,616**	77,753
End of year	**$ 132,166**	**$ 169,372**	$ 56,616

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 decrease in net cash from operating activities is primarily the result of a decrease in tuition and housing payments which were in excess of reductions in payments to employees and suppliers.

Noncapital financing activities include State appropriation cash receipts of $47.5 million in 2021, $53.3 million in 2020, and $52.5 million in 2019; Pell Grants totaling $21.8 million in 2021, $23.1 million in 2020, and $22.8 million in 2019; Federal COVID-19 relief grants totaling $26.9 million in 2021, and $5.8 million in 2020; and gift cash receipts of $16.4 million in 2021, and $9.1 million in 2020.

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.

Capital financing activities for 2020 include the issuance of the 2019 Bonds for $79.0 million with a $18.1 million premium, debt service payments in the amount of $27.8 million, and capital expenditures of $16.1 million. Cash disbursements for capital expenditures in 2020 included $2.3 million in Ann V. Nicholson building renovations; $1.3 million in South Foundation Hall Expansion; $0.5 million for Wilson Hall Renovations; $0.5 million for Dodge Hall renovations; $0.5 million in East Campus IT Hub; $0.3 million for Vandenberg Hall renovations; $0.2 million for Hillcrest Hall; $3.8 million and $0.2 million in equipment and library books respectively; and $6.5 million in various infrastructure and building improvements and repairs.

Capital financing activities for 2019 include capital expenditures of $39.0 million and debt service payments in the amount of $26.6 million. Cash disbursements for capital expenditures in 2019 included $11.9 million for Hillcrest Hall; $19.8 million for the Oakland Center expansion; $0.6 million for parking lot expansion; $6.1 million and $0.3 million in equipment and library books respectively; and $0.6 million in various infrastructure and building improvements.

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 $116.8 million as of June 30, 2021, due in large part to the construction costs associated with the Varner Hall renovation in the amount of $43.8 million, South Foundation Hall in the amount of $38.3 million, Wilson Hall expansion for $12.3 million, the OU Research Facility for $12.2 million and various campus enhancement projects totaling $10.2 million. The South Foundation Hall project is anticipated to be funded from the State Capital Outlay for $30.0 million and $10.0 million from the 2019 Bonds. The Varner Hall renovation and Wilson Hall expansion will be funded from the 2019 Bonds. The various other campus enhancements are funded from University resources.

University Credit Rating

On August 23, 2019, 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:

- Impact of COVID-19 pandemic
- Enrollment Management
- Demographics, including number of high school graduates
- Stability of State appropriations (including performance funding)
- Increased globalization and mobilization of student population
- Program growth and development
- New initiatives
- New and emergent technologies
- Productivity improvements
- Cost of inflation

Oakland University
Statements of Net Position
June 30, 2020 and 2021

	2021	2020
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$ 52,451,979	$ 63,872,559
Accounts receivable, net (Note 3)	15,348,434	8,856,628
Appropriations receivable (Note 4)	9,711,542	3,758,496
Pledges receivable, net (Note 5)	2,014,875	712,140
Inventories	1,655,940	1,378,945
Deposits and prepaid expenses	4,781,309	4,091,801
Student loans receivable, net (Note 6)	324,558	411,138
Total current assets	86,288,637	83,081,707
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	79,713,544	105,499,211
Endowment investments (Note 2)	147,144,540	109,034,791
Other long-term investments (Note 2)	210,643,078	167,684,422
Pledges receivable, net (Note 5)	1,133,855	708,481
Student loans receivable, net (Note 6)	628,758	619,846
Derivative instruments - swap asset (Note 7)	-	787,261
Beneficial interest in assets held by others (Note 15)	5,456,482	4,118,775
Capital assets, net (Note 8)	597,157,981	593,598,908
Other assets (Note 10)	583,295	580,046
Total noncurrent assets	1,042,461,533	982,631,741
Total assets	1,128,750,170	1,065,713,448
Deferred outflows of resources (Note 11)	19,090,269	17,334,474
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	23,322,127	21,361,977
Accrued payroll	10,573,528	12,013,012
Long-term liabilities - current portion (Note 12)	16,425,238	14,616,614
Other postemployment benefits - current portion (Note 13)	1,829,202	1,759,915
Unearned revenue	18,824,213	20,105,133
Deposits	3,501,319	3,204,860
Total current liabilities	74,475,627	73,061,511
Noncurrent liabilities		
Unearned revenue	7,657,002	5,907,178
Derivative instruments - swap liability (Note 7)	6,311,514	8,183,765
Long-term liabilities (Note 12)	406,555,302	422,153,134
Other postemployment benefits (Note 13)	38,205,994	32,707,991
Total noncurrent liabilities	458,729,812	468,952,068
Total liabilities	533,205,439	542,013,579
Deferred inflows of resources (Note 15)	13,853,168	11,854,652
Net position		
Net investment in capital assets	266,713,753	270,068,428
Restricted nonexpendable	44,996,261	35,828,727
Restricted expendable	71,235,349	51,386,935
Unrestricted	217,836,469	171,895,601
Total net position	$ 600,781,832	$ 529,179,691

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

Oakland University
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2021 and 2020

	2021	2020
Operating revenues		
Tuition (net of scholarship allowances of $69,004,317 in 2021 and $70,946,000 in 2020)	$ 208,034,256	$ 215,415,174
Federal grants and contracts	7,502,214	7,778,547
State, local, and private grants and contracts	2,000,229	2,364,011
Departmental activities	11,912,062	11,729,417
Auxiliary activities (net of scholarship allowances of $3,777,370 in 2021 and $6,110,600 in 2020)	20,987,667	30,433,535
Other operating revenues	104,167	559,269
Total operating revenues	250,540,595	268,279,953
Operating expenses		
Education and general		
Instruction	132,148,598	125,579,062
Research	8,959,876	9,194,926
Public service	3,575,647	4,321,354
Academic support	50,289,611	52,773,680
Student services	29,748,812	33,319,674
Institutional support	25,542,981	27,802,291
Operations and maintenance of plant	19,457,725	18,620,066
Depreciation	27,508,081	27,920,783
Student aid	17,259,710	15,601,004
Auxiliary activities	23,569,996	31,697,146
Total operating expenses (Note 18)	338,061,037	346,829,986
Operating loss	(87,520,442)	(78,550,033)
Nonoperating revenues (expenses)		
State appropriations (Note 4)	53,413,500	47,476,000
Gifts	7,592,687	5,391,085
Investment income (net of investment expenses of $372,696 in 2021 and $496,944 in 2020)	50,573,999	11,597,960
Interest on capital asset related debt	(15,251,503)	(15,567,739)
Pell grants	21,852,812	23,306,541
Federal grants	28,083,595	6,065,220
Other	(132,985)	110,846
Net nonoperating revenues	146,132,105	78,379,913
Income before other revenues	58,611,663	(170,120)
Capital grants and gifts	3,991,249	42,775
Additions to permanent endowments	8,999,229	2,616,174
Total other revenues	12,990,478	2,658,949
Increase in net position	71,602,141	2,488,829
Net position		
Beginning of year	529,179,691	526,690,862
End of year	$ 600,781,832	$ 529,179,691

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

Oakland University
Statements of Cash Flows
June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Tuition	$ 202,912,851	$ 215,809,188
Grants and contracts	7,836,646	10,646,435
Payments to suppliers	(66,324,401)	(62,248,769)
Payments to employees	(232,223,283)	(234,901,425)
Payments for scholarships and fellowships	(17,259,710)	(15,601,004)
Loans issued to students	(96,437)	(70,589)
Collection of loans from students	181,949	288,832
Federal direct lending receipts	94,671,638	105,748,056
Federal direct lending disbursements	(94,671,638)	(105,748,056)
Auxiliary enterprise charges	22,009,343	30,597,910
Other receipts	11,184,486	8,554,603
Net cash from operating activities (Note 19)	(71,778,556)	(46,924,819)
Cash flows from noncapital financing activities		
State appropriations	47,460,454	53,320,992
Gifts and grants for other than capital purposes	55,664,751	35,939,704
Endowment gifts	10,500,980	2,350,432
Net cash from noncapital financing activities	113,626,185	91,611,128
Cash flows from capital financing activities		
Proceeds from capital debt	-	98,191,496
Purchases of capital assets	(20,726,559)	(16,147,888)
Principal paid on capital debt and leases	(10,418,382)	(10,801,357)
Interest paid on capital debt and leases	(18,201,789)	(17,004,289)
Net cash from capital financing activities	(49,346,730)	54,237,962
Cash flows from investing activities		
Proceeds from sales and maturities of investments	52,199,374	100,160,487
Investment income	3,697,283	4,818,467
Purchase of investments	(85,603,803)	(91,147,259)
Net cash from investing activities	(29,707,146)	13,831,695
Net change in cash and cash equivalents	(37,206,247)	112,755,966
Cash and cash equivalents		
Beginning of year	169,371,770	56,615,804
End of year	$ 132,165,523	$ 169,371,770

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

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.

2. 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. In addition, direct lending is not reported as federal revenue and scholarship expenditures but is instead treated as an agency transaction.

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 consists 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 2021 inventory includes six homes in the Meadow Brook Subdivision owned by the University valued at $1,219,500. In 2020 there were five valued at $949,500.

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:

Classifications	Life
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 consists 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 consists of other postemployment benefit (OPEB) assumption changes, beneficial interest in assets held by others, and split interest agreements.

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.

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 2017, the GASB issued Statement No. 87, *Leases*, as amended by GASB No. 95, which improves accounting and financial reporting for leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University is currently evaluating the impact this statement will have on the financial statements when adopted during the University's fiscal year ending June 30, 2022.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.

Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; Clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for the University's fiscal year ending June 30, 2020. All other requirements of this Statement are effective for the University's fiscal year ending June 30, 2022.

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

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

of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the University's financial statements for the year ending June 30, 2022. Early adoption is permitted subject to specific requirements.

Adoption of New Standards

During the year ended June 30, 2021, the College adopted GASB statement No. 84, Fiduciary Activities. This statement established criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. There was no impact on the University financial statements as a result of adopting the new standard.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The adoption of this guidance by the University did not have a material impact on the financial statements.

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, 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 $28.1 million and $6,1 million for the years ended June 30, 2021 and 2020 respectively. The severity of the continued impact due to COVID-19 on the University's financial condition will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent of the impact on the University's community, all of which are uncertain and cannot be predicted.

2. 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, 2021 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.

2. Investments and Deposits with Financial Institutions (continued)

The University's working capital consists of the following as of June 30, 2021 and 2020:

		Investment Maturities (In Years)				
June 30, 2021	**Fair Market Value**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
University Working Capital						
Cash and Cash Equivalents	**$ 52,451,979**	**$ 52,451,979**	**$ -**	**$ -**	**$ -**	**$ -**
Commonfund						
Intermediate Bond Fund	**60,760,704**	**7,431,034**	**51,859,261**	**1,130,149**	**340,260**	**-**
High Quality Bond Fund	**41,856,950**	**2,515,603**	**21,162,874**	**9,175,043**	**9,003,430**	**-**
Contingent Asset Portfolio	**44,258,036**	**16,109,925**	**26,585,802**	**1,292,335**	**269,974**	**-**
Core Equity Fund	**25,527,909**	**-**	**-**	**-**	**-**	**25,527,909**
Strategic Equity Fund	**38,239,479**	**-**	**-**	**-**		**38,239,479**
Cash with Trustees	**79,713,544**	**79,713,544**	**-**	**-**	**-**	**-**
Operating investments	**$ 342,808,601**	**$ 158,222,085**	**$ 99,607,937**	**$ 11,597,527**	**$ 9,613,664**	**$ 63,767,388**

As Reported on the Statement of Net Position	
Cash and cash equivalents	**$ 52,451,979**
Restricted cash and cash equivalents	**79,713,544**
Other long-term investments	**210,643,078**
	$ 342,808,601

		Investment Maturities (In Years)				
June 30, 2020	**Fair Market Value**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
University Working Capital						
Cash and Cash Equivalents	$ 63,872,559	$ 63,872,559	$ -	$ -	$ -	$ -
Commonfund						
Intermediate Bond Fund	47,341,643	9,307,367	36,675,571	1,121,997	236,708	-
High Quality Bond Fund	36,392,849	2,551,139	17,836,135	8,788,873	7,216,702	-
Contingent Asset Portfolio	35,981,658	12,629,562	21,905,633	1,122,628	323,835	-
Core Equity Fund	18,936,971	-	-	-	-	18,936,971
Strategic Equity Fund	29,031,301	-	-	-		29,031,301
Cash with Trustees	105,499,211	74,777,411	30,721,800	-	-	-
Operating investments	$ 337,056,192	$ 163,138,038	$107,139,139	$ 11,033,498	$ 7,777,245	$ 47,968,272

As Reported on the Statement of Net Position	
Cash and cash equivalents	$ 63,872,559
Restricted cash and cash equivalents	105,499,211
Other long-term investments	167,684,422
	$ 337,056,192

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, 2021 The Commonfund Intermediate Term Bond Fund had a duration of 1.7 years and an average credit quality of AA. The Commonfund Contingent Asset Portfolio had a duration of 1.1 years and an average credit quality of AA. The Commonfund High Quality Bond Fund had a duration of 6.6 years and average credit quality of AA-. At June 30, 2020 the Commonfund Intermediate Term Bond Fund had a duration of 1.9 years and an average credit quality of AA. The Commonfund Contingent Asset Portfolio had a duration of 1.5 years and an average credit quality of AA+. The Commonfund High Quality Bond fund had a duration of 5.5 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 those classified as investments, was $26,130,241 at June 30, 2021 and $42,630,777 at June 30, 2020. The deposits were reflected in the accounts of the banks at $27,352,016 at June 30, 2021 and $43,713,219 at June 30, 2020. Of the bank balance, $26,831,832 at June 30, 2021 and $43,151,077 at June 30, 2020, was uninsured and uncollateralized.

As of June 30, 2021 and June 30, 2020 the University's working capital is not exposed to foreign currency risk.

These working capital funds produced net rate of return of 6.8% and 2.2% for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2020, the University had an investment derivative with a fair value of $787,261. The investment derivative was terminated in April 2021, for a termination value of $1,069,000. It is included in non-current assets in the Statements of Net Position as of June 30, 2020. See Notes 7 for further disclosures.

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 30.7% and 4.3% for the years ended June 30, 2021 and 2020, respectively.

2. Investments and Deposits with Financial Institutions (continued)

University endowment funds consist of the following as of June 30, 2021 and 2020:

		Investment Maturities (In Years)				
June 30, 2021	**Total**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
UBS Endowment Investment Pool						
Large Cap Value	**$ 21,788,197**	**$ 313,504**	**$ -**	**$ -**	**$ -**	**$ 21,474,693**
Large Cap Growth	**30,122,305**	**113,851**	**-**	**-**	**-**	**30,008,454**
Mid Cap Value	**4,881,021**	**-**	**-**	**-**	**-**	**4,881,021**
Mid Cap Growth	**13,608,432**	**-**	**-**	**-**	**-**	**13,608,432**
Small Cap Core	**9,859,446**	**-**	**-**	**-**	**-**	**9,859,446**
Small Cap Growth	**4,905,302**	**-**	**-**	**-**	**-**	**4,905,302**
International Value	**4,674,048**	**-**	**-**	**-**	**-**	**4,674,048**
International Growth	**12,122,976**	**-**	**-**	**-**	**-**	**12,122,976**
Developing Markets	**6,547,351**	**-**	**-**	**-**	**-**	**6,547,351**
Fixed Income Core	**11,308,713**	**266,837**	**2,404,292**	**7,056,317**	**1,581,267**	**-**
Fixed Income Mutual Fund	**4,573,963**	**-**	**-**	**-**	**-**	**4,573,963**
High Yield Bonds	**2,446,665**	**213,175**	**970,143**	**1,097,380**	**165,967**	**-**
Fixed Income TIPS	**3,412,765**	**-**	**-**	**-**	**-**	**3,412,765**
Hedge Funds	**6,438,443**	**-**	**-**	**-**	**-**	**6,438,443**
Private Equity	**8,859,060**	**102,095**	**-**	**-**	**-**	**8,756,965**
Money Market Funds	**1,595,853**	**1,595,853**	**-**	**-**	**-**	**-**
	$ 147,144,540	**$ 2,605,315**	**$ 3,374,435**	**$ 8,153,697**	**$ 1,747,234**	**$131,263,859**

		Investment Maturities (In Years)				
June 30, 2020	**Total**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
UBS Endowment Investment Pool						
Large Cap Value	$ 13,671,692	$ 327,070	$ -	$ -	$ -	$ 13,344,622
Large Cap Growth	21,747,870	47,357	-	-	-	21,700,513
Mid Cap Value	3,263,337	-	-	-	-	3,263,337
Mid Cap Growth	9,351,179	-	-	-	-	9,351,179
Small Cap Core	6,071,380	-	-	-	-	6,071,380
Small Cap Growth	3,501,647	-	-	-	-	3,501,647
International Value	3,742,775	-	-	-	-	3,742,775
International Growth	8,468,884	-	-	-	-	8,468,884
Developing Markets	4,699,348	-	-	-	-	4,699,348
Fixed Income Core	11,151,417	185,601	1,972,677	6,812,087	2,181,052	-
Fixed Income Mutual Fund	4,128,048	-	-	-	-	4,128,048
High Yield Bonds	1,286,516	70,885	652,926	432,766	129,939	-
Fixed Income TIPS	3,218,269	-	-	-	-	3,218,269
Hedge Funds	6,480,671	-	-	-	-	6,480,671
Private Equity	7,259,026	4,990	-	-	-	7,254,036
Money Market Funds	992,732	992,732	-	-	-	-
	$ 109,034,791	$ 1,628,635	$ 2,625,603	$ 7,244,853	$ 2,310,991	$ 95,224,709

The fixed income investments within the Endowment pool have a fair market value of $21.7 million as of June 30, 2021. The breakdown of market value, related percentage of the overall endowment pool and associated credit quality for the fixed income investments is as follows: $8 million (5.4%) rated AAA, $6.8 million (4.6%) rated A-, $3.3 million (2.2%) rated BBB, $2.3 million (1.6%) rated BB and $1.3 million (1.0%) rated B. Money market funds carry credit ratings of A-1, P-1, and F-1.

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, 2021.

The private equity investment's estimated net asset value is $8,859,060 as of June 30, 2021 with an active total commitment by the University of $11,610,000. Hedge fund investments are estimated at a net asset value of $6,438,443 as of June 30, 2021. As of June 30, 2020, the private equity investment's estimated net asset value is $7,259,026 with an active total commitment by the University of $11,610,000. Hedge fund investments are estimated at a net asset value of $6,480,671. 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, 2021. 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 (94%) 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, 2021 and 2020 was determined primarily on Level 1 and 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.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.

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.

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, 2021	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	$ 60,760,704	$ 2,114,473	$ 58,549,014	$ 97,217
High Quality Bond Fund	41,856,950	1,305,937	40,551,013	-
Contingent Asset Portfolio	44,258,036	2,991,843	41,128,993	137,200
Core Equity Fund	24,828,443	24,828,443	-	-
Strategic Equity Fund	38,239,478	38,239,478	-	-
	209,943,611	69,480,174	140,229,020	234,417
Endowment Investment:				
Large Cap Value	21,788,197	21,788,197	-	-
Large Cap Growth	30,122,305	30,122,305	-	-
Mid Cap Value	4,881,021	4,881,021	-	-
Mid Cap Growth	13,608,432	13,608,432	-	-
Small Cap Core	9,859,446	9,859,446	-	-
Small Cap Growth	4,905,302	4,905,302	-	-
International Value	4,674,048	4,674,048	-	-
International Growth	12,122,977	12,122,977	-	-
Developing Markets	6,547,351	6,547,351	-	-
Fixed Income Core	11,308,714	11,308,714	-	-
Fixed Income Mutual Fund	4,573,963	4,573,963	-	-
High Yield Bonds	2,446,665	2,446,665	-	-
Fixed Income TIPS	3,412,765	3,412,765	-	-
Money Market Funds	1,595,853	1,595,853	-	-
	$ 131,847,039	131,847,039	-	-
Total investments by fair value level	$ 341,790,650	$ 201,327,213	$ 140,229,020	$ 234,417

Investments measured at the net asset value (NAV)

	June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Core Equity Fund	$ 699,465	$ -	Weekly	5 Days
Hedge Funds	6,438,443	-	Quarterly	7-105 Days
Private Equity	8,859,060	3,522,615	Not Applicable	Not Applicable
Total investments measured at NAV	15,996,968	3,522,615		
Total	$ 357,787,618	$ 3,522,615		

As Reported on the Statement of Net Position	
Endowment investments	$ 147,144,540
Other long-term investments	210,643,078
Derivative instruments	-
Total	$ 357,787,618

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, 2020	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:				
Commonfund				
Intermediate Bond Fund	$ 47,341,643	$ 2,116,171	$ 45,225,472	$ -
High Quality Bond Fund	36,392,849	451,271	35,868,792	72,786
Contingent Asset Fund	35,981,658	2,392,780	33,542,102	46,776
Core Equity Fund	13,505,848	13,500,167	-	5,681
Strategic Equity Fund	29,031,301	29,031,301	-	-
	162,253,299	47,491,690	114,636,366	125,243
Endowment Investment:				
Large Cap Value	13,671,692	13,671,692	-	-
Large Cap Growth	21,747,870	21,747,870	-	-
Mid Cap Value	3,263,337	3,263,337	-	-
Mid Cap Growth	9,351,179	9,351,179	-	-
Small Cap Core	6,071,380	6,071,380	-	-
Small Cap Growth	3,501,647	3,501,647	-	-
International Value	3,742,775	3,742,775	-	-
International Growth	8,468,884	8,468,884	-	-
Developing Markets	4,699,348	4,699,348	-	-
Fixed Income Core	11,151,417	11,151,417	-	-
Fixed Income Mutual Fund	4,128,048	4,128,048	-	-
High Yield Bonds	1,286,516	1,286,516	-	-
Fixed Income TIPS	3,218,269	3,218,269	-	-
Money Market Mutual Funds	992,732	992,732	-	-
	95,295,094	95,295,094	-	-
Investment Derivative Instruments:				
Constant Maturity Swap	787,261	-	787,261	-
Total by fair value level	$ 258,335,654	$ 142,786,784	$ 115,423,627	$ 125,243

Investments measured at the net asset value (NAV)

	June 30, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Core Equity Fund	$ 5,431,123	$ -	Weekly	5 Days
Hedge Funds	6,480,671	-	Quarterly	7-105 Days
Private Equity	7,259,026	4,175,315	Not Applicable	Not Applicable
Total investments measured at NAV	19,170,820	4,175,315		
Total	$ 277,506,474	$ 4,175,315		

As Reported on the Statement of Net Position	
Endowment investments	$ 109,034,791
Other long-term investments	167,684,422
Derivative instruments	787,261
Total	$ 277,506,474

3. Accounts Receivable

Accounts receivable consist of the following as of June 30, 2021 and 2020:

	2021	2020
Tuition	**$ 5,901,095**	$ 6,347,740
Auxiliary enterprises	**655,881**	1,357,206
Contracts and grants	**3,354,771**	1,236,493
Other receivables	**7,536,400**	3,658,062
Total accounts receivable	**17,448,147**	12,599,501
Less: Allowance for doubtful accounts	**(2,099,713)**	(3,742,873)
Total accounts receivable, net	**$ 15,348,434**	$ 8,856,628

4. Appropriations Receivable

In fiscal year 2021, the annual State operating appropriation paid to the University was made in 11 monthly installments from October through August. 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, 2021, the accrual of the July and August State operating appropriation payments created an appropriation receivable of $9,711,542.

In fiscal year 2020, the annual State operating appropriation anticipated making 11 monthly installments to the University from October through August, as approved in the State of Michigan 2019-2020 Higher Education Appropriation Act totaling $53,432,500. Subsequent to June 30, 2020 the State of Michigan legislature passed senate bill SB373 which reduced the fiscal year 2020 annual appropriation by $5,956,500, or 11%. This reduction was supplemented with a pass through of federal Coronavirus Relief Funds from the State in the amount $5,956,500 that was recognized in fiscal year 2021 as part of nonoperating Federal grants. As of June 30, 2020, the accrual for the original remaining appropriation created an appropriation receivable of $3,758,496.

5. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2021 and 2020:

	2021	2020
Pledges outstanding		
Unrestricted	**$ 30,740**	$ 29,927
Restricted expendable	**3,695,446**	1,735,918
Total pledges outstanding	**3,726,186**	1,765,845
Less:		
Allowance for doubtful pledges	**(372,618)**	(176,584)
Present value discount	**(204,838)**	(168,640)
Total pledges outstanding, net	**3,148,730**	1,420,621
Less: Current portion, net	**(2,014,875)**	(712,140)
Noncurrent portion, net	**$ 1,133,855**	$ 708,481

5. Pledges Receivable (continued)

Pledges receivable from donors are recorded at net present value less allowances for doubtful accounts. As of June 30, 2021 and 2020, 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, 2021 and 2020.

Payments on pledges receivable as of June 30, 2021 are expected to be received in the following years:

Past due	**$ 312,965**
Due in one year	**1,925,662**
Due in two-five years	**1,387,559**
Thereafter	**100,000**
Total	**$ 3,726,186**

Bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their realizability and valuation. As of June 30, 2021 and 2020, the University had $27,921,268 and $25,373,768, respectively, in conditional pledge commitments receivable not included in the accompanying financial statements.

6. Student Loans Receivable

Student loans receivable consist of the following as of June 30, 2021 and 2020:

	2021	**2020**
Student loans		
Federal loan programs	**$ 738,599**	$ 810,328
University loan funds	**215,717**	221,656
	954,316	1,031,984
Less: Allowance for doubtful loans	**(1,000)**	(1,000)
Total student loans, net	**953,316**	1,030,984
Less: Current portion, net	**(324,558)**	(411,138)
Noncurrent portion, net	**$ 628,758**	$ 619,846

In addition, the University distributed $94,671,638 and $105,748,056 for the years ended June 30, 2021 and 2020, 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.

7. 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.

Investment Derivative Instrument:

2007 Constant Maturity Swap Agreement
In June 2007, the University executed a Constant Maturity Swap (CMS) in an initial notional amount of $34,370,000 effective October 1, 2007, the purpose of which was to reduce interest costs. Under the CMS, the University pays the counterparty the SIFMA Municipal Swap Index and receives 90.39% of the ten-year SIFMA Swap Rate until March 1, 2031. No amounts were paid or received when the CMS was initiated.

On April 26, 2021 the University elected to terminate the CMS with the swap counterpart, JPMorgan. The termination value of the swap was calculated at $1,069,000 which was paid to the University in a lump sum payout. The estimated fair value of the CMS as of June 30, 2020 was $787,261. These fair values are reported as Derivative Instruments – swap asset in the Statements of Net Position with the change in fair value of $787,260 and $189,298 for fiscal years ended June 30, 2021 and 2020, respectively, included in Investment income in the Statements of Revenues, Expenses, and Changes in Net Position. The fair value represents the estimated amount that the University would receive to terminate the CMS, taking into account current interest rates and creditworthiness of the underlying counterparty.

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. The notional amount declines over time and terminates March 1, 2031. The notional amount as of June 30, 2021 was $37,860,000. 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, 2021 and 2020 was ($6,311,514) and ($8,183,765), 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 2021 and 2020 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), taking into account 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.

7. Hedging Derivative Instruments (continued)

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. As of June 30, 2021, the University posted $970,000 of collateral with the counterparty which was required under the agreement when fair value is less than a negative $5,000,000 at the University's current credit rating. At June 30, 2020 the University posted $3,550,000 collateral based on the fair value. As of June 30, 2021, the counterparty's credit rating from Moody's Investors Service was Baa3.

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.

8. Capital Assets

The following tables present the changes in the various capital asset categories for the University for fiscal years 2021 and 2020:

Asset Classification	Balance June 30, 2020	Additions	Reductions/ Transfers	Balance June 30, 2021
Land	$ 4,624,914	$ -	$ -	$ 4,624,914
Land improvements and infrastructure	91,977,869	1,098,783	-	93,076,652
Buildings	736,853,545	4,608,677	-	741,462,222
Equipment	70,962,870	3,086,568	2,016,840	72,032,598
Library acquisitions	26,315,059	110,933	588,644	25,837,348
Construction in progress	10,104,294	23,839,069	1,377,012	32,566,351
Total	940,838,551	32,744,030	3,982,496	969,600,085
Accumulated depreciation				
Land improvements and infrastructure	(50,822,423)	(3,882,319)	-	(54,704,742)
Buildings	(223,268,117)	(17,499,454)	-	(240,767,571)
Equipment	(51,086,786)	(6,109,452)	(1,716,975)	(55,479,263)
Library acquisitions	(22,062,317)	(16,856)	(588,645)	(21,490,528)
Total	(347,239,643)	(27,508,081)	(2,305,620)	(372,442,104)
Total capital assets, net	$ 593,598,908	$ 5,235,949	$ 1,676,876	$ 597,157,981

8. Capital Assets (continued)

Asset Classification	Balance June 30, 2019	Additions	Reductions/ Transfers	Balance June 30, 2020
Land	$ 4,624,914	$ -	$ -	$ 4,624,914
Land improvements and infrastructure	90,317,315	1,660,554	-	91,977,869
Buildings	732,561,884	4,457,504	165,843	736,853,545
Equipment	68,449,451	3,825,694	1,312,275	70,962,870
Library acquisitions	26,567,715	161,773	414,429	26,315,059
Construction in progress	6,571,230	9,655,707	6,122,643	10,104,294
Total	929,092,509	19,761,232	8,015,190	940,838,551
Accumulated depreciation				
Land improvements and infrastructure	(46,761,889)	(4,060,534)	-	(50,822,423)
Buildings	(206,030,146)	(17,387,230)	(149,259)	(223,268,117)
Equipment	(45,985,167)	(6,371,583)	(1,269,964)	(51,086,786)
Library acquisitions	(22,375,312)	(101,434)	(414,429)	(22,062,317)
Total	(321,152,514)	(27,920,781)	(1,833,652)	(347,239,643)
Total capital assets, net	$ 607,939,995	($ 8,159,549)	$ 6,181,538	$ 593,598,908

9. State Building Authority

The University has lease agreements with the State Building Authority (SBA) and the State of Michigan for the School of Education and Human Services Building (Pawley Hall) expiring November 30, 2037, the Mathematics and Science Center expiring October 31, 2032, the Business and Technology Building (Elliott Hall) expiring February 29, 2036, the Human Health Building expiring June 30, 2048, and the Engineering Center expiring July 31, 2050. The buildings were financed with SBA revenue bonds, State capital appropriations, and University general revenue bonds.

The SBA bond issues are collateralized by a pledge of rentals to be received from the State pursuant to the lease agreements between the SBA, the State, and the University. During the lease terms, the SBA will hold title to the facilities; the State will make all annual lease payments to the SBA; and the University will pay all operating and maintenance costs of the facilities.

At the expiration of the leases, the SBA has agreed to sell each facility to the University for one dollar. The cost and accumulated depreciation for these facilities is included in the accompanying Statements of Net Position.

10. Cash Surrender Value of Life Insurance Policies

Included in other assets are the cash surrender value of life insurance policies in the amount of $583,295 and $580,046 for 2021 and 2020, respectively. The face value of these life insurance policies totaled $8,033,072 and $7,933,072 in 2021 and 2020, respectively.

11. Deferred Outflows of Resources

The University accounts for deferred outflows of resources in accordance with authoritative guidance. The University recorded deferred outflows of $19,090,269 as of June 30, 2021, which includes $3,373,704 from an early extinguishment of general revenue bonds, 2014 Bonds, 2013B Bonds, and 2008 Bonds, a deferral of swap termination costs for the 2001 Bonds, $6,311,514 for the accumulated change in fair value of the 2008 Swap, and $9,405,051 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 13. As of June 30, 2020, the University recorded deferred outflows of $17,334,474, which includes $3,733,973 from an early extinguishment of general revenue bonds, 2014 Bonds, 2013B Bonds, and 2008 Bonds, a deferral of swap termination costs for the 2001 Bonds, $8,183,765 for the accumulated change in fair value of the 2008 Swap, and $5,416,736 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 13.

12. Long-Term Liabilities

Long-term liabilities consist of the following as of June 30, 2021 and 2020:

	Balance June 30, 2020	Additions/ Transfers	Reductions	Balance June 30, 2021	Current Portion
Note and installment purchase agreements payable	$ 8,494,239	$ -	$ 998,382	$ 7,495,857	$ 1,036,833
General revenue bonds:					
Series 2019 bonds	79,205,000	-	-	79,205,000	1,325,000
Unamortized premium	18,130,450	-	1,034,636	17,095,814	1,041,680
Series 2016 bonds	109,410,000	-	2,000,000	107,410,000	2,100,000
Unamortized premium	16,123,550	-	1,089,959	15,033,591	1,049,177
Series 2014 bonds	23,785,000	-	780,000	23,005,000	815,000
Unamortized premium	2,562,067	-	267,953	2,294,114	250,786
Series 2013A bonds	52,215,000	-	1,295,000	50,920,000	1,345,000
Unamortized premium	4,081,823	-	351,491	3,730,332	335,698
Series 2013B bonds	12,280,000	-	1,890,000	10,390,000	1,945,000
Series 2012 bonds	38,840,000	-	1,010,000	37,830,000	1,060,000
Unamortized premium	2,714,467	-	246,339	2,468,128	229,852
Series 2008 bonds	39,700,000	-	1,840,000	37,860,000	1,915,000
Series 1998 variable rate demand bonds	3,720,000	-	-	3,720,000	-
2014 Certificates of participation	12,870,000	-	605,000	12,265,000	725,000
Unamortized premium	1,061,535	-	127,365	934,170	132,227
Total note, installment agreement, and bonds payable	425,193,131	-	13,536,125	411,657,006	15,306,253
Other liabilities:					
Compensated absences	7,592,243	1,385,042	1,223,694	7,753,591	548,216
Annuities payable and other	3,228,245	317,895	570,769	2,975,371	570,769
Federal portion of Perkins loan program	756,128	-	161,556	594,572	-
Total other liabilities	11,576,616	1,702,937	1,956,019	11,323,534	1,118,985
Total long-term liabilities	$ 436,769,747	$ 1,702,937	$ 15,492,145	$ 422,980,540	$ 16,425,238

	June 30, 2020	June 30, 2021
Total long-term liabilities	$ 436,769,747	$ 422,980,540
Less current portion	14,616,614	16,425,238
Noncurrent portion	$ 422,153,134	$ 406,555,302

12. Long-Term Liabilities (continued)

	Balance June 30, 2019	Additions/ Transfers	Reductions	Balance June 30, 2020	Current Portion
Note and installment purchase agreements payable	$ 9,455,596	$ -	$ 961,357	$ 8,494,239	$ 998,382
General revenue bonds:					
Series 2019 bonds	-	79,205,000	-	79,205,000	-
Unamortized premium	-	18,986,496	856,046	18,130,450	1,034,636
Series 2016 bonds	111,320,000	-	1,910,000	109,410,000	2,000,000
Unamortized premium	17,253,929	-	1,130,379	16,123,550	1,089,959
Series 2014 bonds	24,525,000	-	740,000	23,785,000	780,000
Unamortized premium	2,847,884	-	285,817	2,562,067	267,953
Series 2013A bonds	53,445,000	-	1,230,000	52,215,000	1,295,000
Unamortized premium	4,454,625	-	372,802	4,081,823	351,492
Series 2013B bonds	14,130,000	-	1,850,000	12,280,000	1,890,000
Series 2012 bonds	39,810,000	-	970,000	38,840,000	1,010,000
Unamortized premium	2,971,789	-	257,322	2,714,467	246,339
Series 2008 bonds	41,465,000	-	1,765,000	39,700,000	1,840,000
Series 1998 variable rate demand bonds	4,600,000	-	880,000	3,720,000	-
2014 Certificates of participation	13,365,000	-	495,000	12,870,000	605,000
Unamortized premium	1,184,921	-	123,386	1,061,535	127,365
Total note, installment agreement, and bonds payable	340,828,744	98,191,496	13,827,109	425,193,131	13,536,126
Other liabilities:					
Compensated absences	6,225,297	1,957,103	590,157	7,592,243	509,719
Annuities payable and other	3,097,652	701,362	570,769	3,228,245	570,769
Federal portion of Perkins loan program	1,021,359	-	265,230	756,128	-
Total other liabilities	10,344,308	2,658,465	1,426,157	11,576,616	1,080,488
Total long-term liabilities	$ 351,173,052	$ 100,849,961	$ 15,253,266	$ 436,769,747	$ 14,616,614

	2019	2020
Total long-term liabilities	$ 351,173,052	$ 436,769,747
Less current portion	13,151,042	14,616,614
Noncurrent portion	$ 338,022,010	$ 422,153,134

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.

12. Long-Term Liabilities (continued)

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

	Principal	Interest	Total
2022	$ 1,036,833	$ 265,854	$ 1,302,687
2023	1,076,766	225,922	1,302,688
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
2027-2028	1,896,690	57,341	1,954,031
Total	$ 7,495,857	$ 971,611	$ 8,467,468

General Revenue Bonds Payable

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 $4.8 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 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

12. Long-Term Liabilities (continued)

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 lease 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.

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.

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 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, 2019 and 2018 were 1.91% and 1.52%, 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. Due to volatile markets during the third quarter of fiscal year 2020, outstanding bonds totaling $880,000 were redeemed due to unsuccessful remarketing activity.

12. Long-Term Liabilities (continued)

The following table summarizes debt service requirements for the outstanding bonds and certificates payable as of June 30, 2021:

	Principal	Interest	Hedging Derivative, Net	Total
2022	$ 11,230,000	$ 15,907,122	$ 1,220,871	$ 28,357,993
2023	11,765,000	15,491,849	1,157,184	28,414,033
2024	15,885,000	15,034,679	1,090,819	32,010,498
2025	12,820,000	14,560,955	1,021,665	28,402,620
2026	13,510,000	14,055,972	949,669	28,515,641
2027-2031	81,395,000	62,519,646	2,474,104	146,388,750
2032-2036	59,240,000	48,364,500	-	107,604,500
2037-2041	71,555,000	32,097,250	-	103,652,250
2042-2046	59,515,000	14,772,250	-	74,287,250
2047-2050	25,690,000	2,734,250	-	28,424,250
	362,605,000	$ 235,538,473	$ 7,914,312	$ 606,057,785
Unamortized premium	41,556,148			
	$ 404,161,148			

Other Liabilities
Accrued compensated absences include accrued vacation and sick pay for University employees.

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.

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 $2.3 million and $2.5 million as of June 30, 2021 and 2020 respectively.

13. Postemployment Benefits Other than Pensions

Plan Description

In addition to the employee benefits discussed in Note 14, 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, 2021, the University had 1,832 active employees in the plan and 213 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.

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, 2021, the University and plan members receiving benefits contributed $1.8 million and $0.6 million, respectively, to the plan. Approximately 74% of total premiums were paid by the University with the remaining 26% paid by plan members. Required contributions for plan members ranged from $24 to $713 per month for retiree-only coverage, and from $60 to $1,710 per month for retiree and spouse coverage.

For the year ended June 30, 2020, the University and plan members receiving benefits contributed $1.8 million and $0.8 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 $27 to $753 per month for retiree-only coverage, and from $60 to $1,808 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 $33.3 million, which will be used to offset annual OPEB contributions. Other postemployment health care benefits are financed on a pay-as-you-go basis.

13. Postemployment Benefits Other than Pensions (continued)

OPEB Liability and Actuarial Assumptions

As of June 30, 2021, the University reported a liability for OPEB totaling $40.0 million. The liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019, which used updated procedures to roll forward the liability to June 30, 2021.

As of June 30, 2020, the University reported a liability for OPEB totaling $34.5 million. The liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019, which used updated procedures to roll forward the liability to June 30, 2020.

The liability was calculated based on the following actuarial assumptions:

	2021	2020
Discount Rate/investment rate of return*	2.21%	3.50%
Salary increases including inflation	3.00%	3.00%
Mortality basis	Pri-2012 White Collar Mortality Table with generational projection using Projection Scale MP-2019	Pri-2012 White Collar Mortality Table with generational projection using Projection Scale MP-2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Health Care Trend Rate	3.7% - 7.9% over 60 years	3.7% - 7.9% 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.

13. Postemployment Benefits Other than Pensions (continued)

Schedule of Changes in Total OPEB Liability and Related Ratios

Total OPEB Liability	2021	2020
	In thousands	
Service Cost	$ 933	$ 791
Interest on total OPEB liability	1,208	1,289
Changes of benefit terms	-	-
Effect of economic/demographic gains or (losses)	-	4,226
Effect of assumption changes or inputs	5,186	(3,503)
Benefit payments	(1,760)	(1,693)
Net Change in total OPEB liability	**5,567**	**1,110**
Total OPEB Liability, beginning	34,468	33,358
Total OPEB Liability, ending	**$ 40,035**	**$ 34,468**
Covered Payroll	$ 133,224	$ 134,662
Total OPEB liability as a % of covered payroll	30.05%	25.59%

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

The University recognized OPEB expense of $2.2 million and $1.5 million at June 30, 2021 and June 30, 2020, respectively.

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

	2021		2020	
	Deferred Outflow	**Deferred Inflow**	**Deferred Outflow**	**Deferred Inflow**
Differences between expected and actual experience	$ 3,088,109	$ -	$ 3,656,821	$ -
Change of assumptions	$ 4,487,740	$ 4,287,870	$ -	$ 5,381,686
Contributions made after measurement date	$ 1,829,202	$ -	$ 1,759,915	$ -

Changes of assumptions: For 2021 and 2020 the discount rate decreased to 2.21% and 3.50% respectively. The discount rate was 3.87% and 3.58% in 2019 and 2018, respectively.

13. Postemployment Benefits Other than Pensions (continued)

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

Year ending June 30	
2022	$ 172,834
2023	172,834
2024	396,566
2025	710,655
2026	795,208
Thereafter	1,039,882
Total	**$ 3,287,979**

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:

	Year ending June 30, 2021		
	1% Decrease	**Current Rate**	**1% Increase**
Discount Rate:			
Total OPEB Liability	$ 44,890,035	$ 40,035,196	$ 35,923,372
Health Care Trend Rate:			
Total OPEB Liability	$ 38,729,846	$ 40,035,196	$ 41,554,021

	Year ending June 30, 2020		
	1% Decrease	**Current Rate**	**1% Increase**
Discount Rate:			
Total OPEB Liability	$ 38,407,767	$ 34,467,906	$ 31,108,788
Health Care Trend Rate:			
Total OPEB Liability	$ 33,448,351	$ 34,467,906	$ 35,640,321

13. Postemployment Benefits Other than Pensions (continued)

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.

14. 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, 2021 and 2020 were $18,810,833 and $18,708,616, respectively.

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, 2021, the date of the most recent actuarial valuation, the plan had a total liability of approximately $51,884 and was over funded by approximately $54,808.

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 2021, 2020, and 2019 were considered current and are as follows:

	2021	**2020**	**2019**
Balance, beginning of year	**$ 313,430**	$ 399,191	$ 372,382
Claims incurred and changes in estimates	**373,088**	82,435	334,267
Claim payments	**(412,057)**	(168,196)	(307,458)
Balance, end of year	**$ 274,461**	$ 313,430	$ 399,191

15. Deferred Inflows of Resources

The University accounts for deferred inflows of resources in accordance with authoritative guidance. The University recorded deferred inflows of $ 13,853,168 as of June 30, 2021. This amount is comprised of $4,287,870 from changes in OPEB assumptions, an irrevocable split-interest agreement where the University acts as the trustee in the amount of $5,456,482, and an additional irrevocable split-interest agreement held by a third party in which the University has $4,108,816 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,

15. Deferred Inflows of Resources (continued)

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, 2020, the University recorded deferred inflows of $11,854,652, which includes $5,381,686 from changes in OPEB assumptions, an irrevocable split-interest agreement where the University acts as the trustee in the amount of $2,354,191, and an additional irrevocable split-interest agreement held by a third party in which the University has $4,118,775 beneficial interest in assets held by others.

16. 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.

17. 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, 2021, the amount subject to guarantee by the University was $2,102,296.

The estimated costs to complete construction projects in progress is $116.8 million as of June 30, 2021, due in large part to the construction costs associated with the Varner Hall renovation in the amount of $43.8 million, South Foundation Hall in the amount of $38.3 million, Wilson Hall expansion for $12.3 million, a Research Facility for $12.2 million and various campus enhancement projects totaling $10.2 million. The South Foundation Hall project is anticipated to be funded from the State Capital Outlay for $30.0 million and $10.0 million from the 2019 Bonds. The Varner Hall and Wilson Hall expansions will be funded from the 2019 Bonds. The various other campus enhancements are funded from University resources.

18. Expenditures by Natural Classification

Operating expenses by natural classification for the years ended June 30, 2021 and 2020 are summarized as follows:

	2021	2020
Employee compensation and benefits	**$ 231,430,305**	$ 235,391,210
Supplies and other services	**61,862,941**	67,916,989
Student aid	**17,259,710**	15,601,004
Depreciation	**27,508,081**	27,920,783
Total	**$ 338,061,037**	$ 346,829,986

19. Cash Flow Statement

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

	2021	2020
Operating loss	**$ (87,520,442)**	$ (78,550,033)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	**27,508,081**	27,920,783
Changes in assets and liabilities:		
Accounts receivable, net	**(6,491,806)**	(1,177,628)
Inventories	**(276,995)**	(221,089)
Deposits and prepaid expense	**(701,425)**	(2,684,313)
Student loans receivable	**77,668**	219,267
Accounts payable and accrued expenses	**(4,184,466)**	5,889,309
Accrued payroll	**(1,439,484)**	(671,883)
Compensated absences	**161,347**	1,366,947
Unearned revenue	**468,904**	1,144,212
Deposits	**296,459**	310,118
Federal portion of student loan program	**(161,556)**	(265,230)
OPEB liability	**5,567,290**	1,109,810
Deferred outflow of resources	**(1,093,816)**	2,408,995
Deferred inflow of resources	**(3,988,315)**	(3,724,084)
Net cash used by operating activities	**$ (71,778,556)**	$ (46,924,819)

20. Related-Party Transactions

The Oakland University Foundation (Foundation) is a related party of the University. The Foundation had net assets of $275,150 and $217,581 as of June 30, 2021 and 2020 respectively, consisting of three endowment funds. The University's financial statements do not include the Foundation's assets or activity.

Required Supplemental Information

Schedule of Changes in Total OPEB Liability and Related Ratios

	2021	2020	2019	2018
Total OPEB Liability		*In thousands*		
Service Cost	$ 933	$ 791	$ 814	$ 940
Interest on total OPEB liability	1,208	1,289	1,218	1,050
Changes of benefit terms	-	-	-	-
Effect of economic/demographic gains or (losses)	-	4,226	-	-
Effect of assumption changes or inputs	5,186	(3,503)	(1,079)	(2,973)
Benefit payments	(1,760)	(1,693)	(1,592)	(1,831)
Net Change in total OPEB liability	**5,567**	**1,110**	**(639)**	**(2,814)**
Total OPEB Liability, beginning	34,468	33,358	33,997	36,811
Total OPEB Liability, ending	**$ 40,035**	**$ 34,468**	**$ 33,358**	**$ 33,997**
Covered Payroll	$ 133,224	$ 134,662	$ 129,568	$ 125,045
Total OPEB liability as a % of covered payroll	30.05%	25.59%	25.75%	27.19%

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

Changes of assumptions: For 2021 and 2020 the discount rate decreased to 2.21% and 3.50% respectively. The discount rate was 3.87% and 3.58% in 2019 and 2018, respectively.

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 $33.3 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.

OAKLAND UNIVERSITY™

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October 7, 2021

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, 2021 and have issued our report thereon dated October 7, 2021. 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 26, 2021, 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 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 7, 2021 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 12, 2021.

To the Board of Trustees
Oakland University

October 7, 2021

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.

Management adopted the provisions of GASB Statement No. 84, *Fiduciary Activities,* and certain paragraphs of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The impact of the adoption of these statements was not significant.

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

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.

- **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 statement 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 difficulties in dealing with management 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. The University has an uncorrected misstatement of the financial statements to increase both federal grant revenue and receivable by $8.9 million related to the HEERF grants and lost revenue. The federal grant revenue will be recorded on the Fiscal Year (FY) 2022 financial statements. The recording of this in the current fiscal year was discussed with Management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, and concluded not to record in the FY 2021 financial statements.

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 7, 2021.

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.

To the Board of Trustees
Oakland University

October 7, 2021

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the University's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the 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 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 - Other Recommendations and Related Information

In addition to the matters discussed above, there are a number of financial reporting and recent legislative changes that may impact the University in future years. Please find a summary of these matters below:

Accounting for Leases - In June 2017, the GASB issued Statement No. 87, *Leases*, as amended by GASB No. 95, which improves accounting and financial reporting for leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University is currently evaluating the impact this statement will have on the financial statements when adopted during the University's fiscal year ending June 30, 2022.

Accounting for Public-Private and Public-Public Partnerships - 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 provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees
Oakland University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oakland University (the "University"), a component unit of the State of Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Oakland University's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

To Management and the Board of Trustees
Oakland University

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 7, 2021

OAKLAND UNIVERSITY

Office of the Vice President for Finance and Administration and Treasurer to the Board of Trustees

October 7, 2021

Plante & Moran, PLLC
19176 Hall Road, Suite 300
Clinton Township

Auditors:

We are providing this letter in connection with your audit of the basic financial statements of Oakland University (the "University") as of June 30, 2021 and 2020 and for the years then ended with the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Oakland University in conformity with generally accepted accounting principles accepted in the United States (U.S. GAAP). We accept responsibility for the preparation and fair presentation of the basic statements of financial position, results of operations, and cash flows in accordance with U.S. GAAP. We also confirm that we are responsible for the presentation of any required supplemental (RSI) to which you have provided an opinion in relation to the financial statements as a whole. We believe that this information, including its form and content, is fairly presented in accordance with the applicable criteria.

We acknowledge our responsibility for the completeness of the financial statements, and 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 and for the design, implementation, and maintenance of internal control to prevent and detect fraud. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We also acknowledge our responsibility for providing you with all relevant information and access.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

For purposes of disclosure in this letter, individual matters related to financial amounts and disclosures should be considered material if in excess of $4,000,000. However, materiality limits do not apply to representations that are not directly related to amounts included in the financial statements or to any item regarding fraud by management or employees who have significant roles in internal control.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of the date of this letter, the following representations made to you during your audit.

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Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 2, 2021, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We are unaware of any violations of U.S. GAAP in the University's accounting principles and the practices and methods followed in applying them.
3. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
4. There have been no changes during the year in the University's accounting principles and practices or in the methods of applying them.
5. We are not aware of any litigation, claims, unasserted claims or assessments that should be accrued or disclosed in the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Accounting Standards Codification Topic Section 450, "*Contingencies*".
6. The University has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
7. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
8. There are no:
   a. Guarantees and pledges of University assets as collateral, whether written or oral, under which the University is contingently liable.
   b. Unrecorded related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing agreements, guarantees and pledges of University assets as collateral, including the provision of products or services without charge.
   c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
   d. Lines-of-credit or similar arrangements.
   e. Agreements to repurchase assets previously sold.
   f. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
   g. Circumstances that we are aware of that make it reasonably possible that the University would be named a responsible party in a significant remediation of environmental contamination.
   h. Other material liabilities or loss contingencies for which the risk that the University will suffer a loss in excess of $4,000,000 is more than remote.
9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
10. Adequate provision has been made to cover possible losses that may result from:
    a. The collection of receivables.
    b. Significant excess or obsolete inventory.
    c. Purchase or sales commitments.

d. Permanent declines in the value of investments.

e. Impairments of long-lived assets.

11. The University has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged except for the State Building Authority buildings which has been disclosed in the footnotes of the financial statements .

12. Deposits and investment securities are properly classified by category of custodial credit risk

13. All significant contracts and contracts not in the normal course of business entered into by the University have been presented to you for your evaluation.

14. The University has no deferred compensation plans or share based compensation plans sponsored by the University, or any related party.

15. The University is responsible for the identification of and compliance with all aspects of laws, regulations, contracts, or grants, and donor restrictions that could have a material effect on the basic financial statement amounts in the event of noncompliance including legal and contractual provisions for reporting specific activities in separate funds and has disclosed those aspects of laws, regulations, contracts, grants, and donor restrictions to you.

16. All significant estimates and material concentrations, as hereinafter defined, known to us have been disclosed to you. Significant estimates are those estimates used in the development of accounting information that could change materially within the next year. Material concentrations refer to concentrations in the volume of business, revenue sources, the sources of supply, and markets in which we operate, that make us vulnerable to events that could occur within the next year that would have a significant disruptive effect on the University.

17. All borrowings are in accordance with State of Michigan requirements.

18. The University has transferred certain risks to third-party insurance carriers and shared-risk insurance pools and the financial statements reflect assessments or other liabilities, if any, related to these transactions. The University also retains the risk for certain insurance liabilities and any liabilities related to such risks are properly reflected in the financial statements.

19. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable depreciated in accordance with University policy.

20. The University has identified and properly accounted for all non-exchange transactions.

21. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the basic financial statements:

    a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance sheet credit risk and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

22. There are no component units of the University as defined by GASB No. 14, 39, and 61. There are no investments in joint ventures in which the University holds an equity interest.

23. The basic financial statements properly classify all activities.

24. Net asset components (net investment in capital; restricted; and unrestricted) are properly classified and, if applicable, approved.

25. The University has complied with all tax and debt limits and with debt related covenants.

26. The University has complied with all applicable laws and regulations in adopting, approving and amending budgets, if applicable.
27. The University has defined contribution retirement plans with TIAA-CREF and Fidelity, as well as defined benefits plan covering certain employees as disclosed in the Financial Statements.
28. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under the Internal Revenues Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that could jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.
29. Receivables reported in the basic financial statements represent valid claims arising on or before the date of the statement of net assets and have been appropriately reduced to their estimated net realizable value.
30. The University has identified, recorded and made the appropriate disclosures for all derivative instruments reported at fair value in the financial statements in accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.
31. We have disclosed the impact of COVID-19 and the risks and uncertainties relating to the nature of the University's operations and its estimates.
32. We agree with the findings of specialists in evaluating the Other Postemployment benefits (OPEB) liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instruction to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
33. In accordance with *Government Auditing Standards*, we have identified to you the significant findings and recommendations from previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of this audit and have accurately communicated to you the related corrective actions taken to address the findings.
34. We will only use the unprotected PDF of the financial statements to either include in another PDF that will be protected before distribution or to upload to a secure web portal for board/committee use.
35. There are no interim financial statements available as of a date subsequent to the date of the statements you are auditing.
36. If we publish our financial statements in any manner that includes your auditor's report or any other reference to Plante Moran, it is understood that we will allow you to review such publication prior to production.

Information Provided

1. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
    b. Additional information that you have requested from us for the purpose of the audit;
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

   a. Management;

   b. Employees who have significant roles in internal control; or

   c. Others when the fraud could have a material effect on the financial statements.

4. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

5. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

6. Management has identified and disclosed to the auditor the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on the determination of financial statement amounts. Management has made available all documentation related to the compliance requirements. Management's interpretations of any compliance requirements that have varying interpretations have been provided.

7. Management identified and disclosed to the auditor violations (or possible violations) of laws, regulations, and provisions of contracts and grant agreements or questioned costs whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency or for the auditor reporting on noncompliance.

8. Management has a process to track the status of audit findings and recommendations, if there are any.

9. Management has provided views on the auditors' reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report, if there are any.

Ora Pescovitz

Ora Hirsch Pescovitz, M.D.
President

John W. Beaghan
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

James L. Hargett
Associate Vice President and Controller

October 7, 2021

Corrected and Uncorrected Misstatements

The University has an uncorrected misstatement of the financial statements to increase both federal grant revenue and receivable by $8.9 million related to the HEERF grants and lost revenue. The federal grant revenue will be recorded on the Fiscal Year (FY) 2022 financial statements.

The recording of this in the current fiscal year was discussed with Management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, and concluded not to record in the FY 2021 financial statements.

Ora Pescovitz

Ora Hirsch Pescovitz, M.D.
President

John W. Beaghan
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

James L. Hargett

Associate Vice President and Controller