

# 2020 FINANCIAL REPORT



**Michigan  
Technological  
University**



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# THE MICHIGAN TECH *STRATEGIC PLAN*

*We prepare students to create the future.*

## **VISION**

Michigan Tech is a globally recognized technological university that educates students, advances knowledge, and innovates to improve the quality of life and to promote mutual respect and equity for all people within the state, the nation, and the global community.

## **MISSION**

Create solutions for society's challenges by delivering action-based undergraduate and graduate education, discovering new knowledge through research, and launching new technologies through innovation.

## **GOALS**

1. Education: Provide a distinctive and rigorous action-based learning experience grounded in science, engineering, technology, business, sustainability, and an understanding of the social and cultural contexts of our contemporary world.
2. Scholarship: Enhance research, scholarship, entrepreneurship, innovation, and creative activities that promote sustainable economic prosperity, health and safety, ethical conduct, and responsible use of resources.
3. People: Foster and support an exceptional and diverse community of students, faculty, and staff.





## LETTER FROM THE *PRESIDENT*

This past year, we attracted new talent, made remarkable discoveries, and expanded the depth and breadth of our academic and athletic programs -- with a singular focus on advancing Michigan Tech University as a premier national university positioned to lead the nation in the 4th industrial revolution. Our achievements in 2019-20 would not have been possible without dedication and service of our faculty and staff.

We welcomed the third-largest freshman class in the last ten years. I would especially like to thank our admissions team, along with our faculty and staff for recruiting the most diverse and academically accomplished class in our history. The academic caliber of the 2019-20 freshmen class is on level with the previous year, representing two years of all-time high numbers. The University also experienced an increase in the number of underrepresented minority students, which also represents an all-time high.

We also celebrate the remarkable research and scholarship efforts of our faculty as they closed the fiscal year with the highest research expenditures in the University's history.

Other significant milestones for Michigan Tech last year include the formal launch of the College of Computing and a new varsity esports team. Both are firsts of their kind at a public university in Michigan. The Tech

Forward initiatives received their first round of funding, and the University Senate passed a number of important resolutions to enrich the academic experience. From a financial perspective, the University launched several important initiatives including the creation of a five year budget and tuition modeling plan along with planning for a campus master plan.

However, I am most grateful for the courage of our faculty and staff when the University abruptly transitioned to a remote learning environment late last spring due to COVID-19. Our campus community embodies a spirit of resilience and determination, and each person, through their creativity and innovation, propel us toward excellence, no matter the circumstances.

Sincerely,

Rick Koubek  
President



# *ADMINISTRATIVE OFFICERS*

## *BOARD OF TRUSTEES*

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

2020	Robert Jacquart	Linda Kennedy
2022	William Johnson, Vice Chair	Brenda Ryan, Chair
2024	Derhun Sanders	Steven Tomaszewski
2026	John Bacon	Jeffrey Littmann

## *EXECUTIVE AND BOARD OFFICERS*

Richard Koubek  
President

David Reed  
Vice President for Research

Susan Kerry  
Chief Financial Officer and Senior  
Vice President for Administration  
Treasurer of the Board of Trustees

Jacqueline Huntoon  
Provost and Senior Vice President for Academic  
Affairs

William Roberts  
Vice President for Advancement and Alumni  
Engagement

John Lehman  
Vice President for University Relations and Enrollment  
Interim Secretary of the Board of Trustees





# UNIVERSITY *UPDATE*

COVID-19 has been a disruptor unparalleled in our lifetime. Throughout the spring and summer of 2020, the global pandemic taught us that Michigan Tech, as an institution, can respond with flexibility in the face of a crisis. We are bringing that lesson forward to the 2020-21 academic year. Because it's likely that some disruption from COVID-19 will continue, we have developed a proactive response in the MTU Flex initiative.

- In late July and August, Michigan Tech welcomed students, faculty, and staff back to campus.
- We have plans in place to pivot between face-to-face and remote instruction when necessary.
- We developed a comprehensive, strategic health screening process to detect, monitor, and trace the presence of COVID-19 on campus.
- We established Health and Safety Levels to help guide on-campus behavior. The levels are based on the COVID-19 public health situation on campus and in the community, the fall academic calendar, and the strength of the local health care system.

MTU Flex is built on Michigan Tech's institutional agility. It will allow us to make adjustments as required with the least amount of disruption to students, faculty, and staff. This helps ensure continuity of education, teaching, research, and workflow while prioritizing the health and well-being of the Michigan Tech community. It also means the University will be ready to respond to disruptions caused by COVID-19, such as financial changes. Michigan Tech's focus continues to be the education of our students and the safety of our community.



# *MANAGEMENT DISCUSSION AND ANALYSIS*

This discussion and analysis section of the Michigan Technological University ("University") annual financial report provides an overview of its financial activities during the fiscal years ended June 30, 2020, 2019, and 2018. University management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

## *USING THE ANNUAL REPORT*

The University's financial report includes three financial statements: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented to focus on the University as a whole. The financial statements report information about the University using accrual accounting methods similar to those used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## *REPORTING ENTITY*

The Michigan Tech Fund ("Fund") is a component unit of the University and its activity has been blended into the University's financial statements.



## *COVID-19 AND CARES ACT*

The University suspended face-to-face instruction as of March 16, 2020 in response to the COVID-19 pandemic. Instruction was moved to online or remote learning for the remainder of the spring semester 2020 as well as the summer semesters. University housing and campus operations remained open to accommodate students who were not able to move off campus. Students electing to move out between March 18, 2020 and April 12, 2020 were given a credit of \$1,100, which they could receive as a refund or apply to fall 2020 room and board charges. The University refunded housing and meal plans in the total amount of \$2,159,300 related to the spring semester 2020.

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress and signed into law to provide economic relief from COVID-19. The University received \$4,605,779 in CARES Act grants from the U.S. Department of Education. These grants carried certain compliance requirements as to how



funds were spent and recorded. At June 30, 2020, the University recorded the following amounts related to these grants:

- \$2,302,890 was awarded under the Student Portion of the Higher Education Emergency Relief Funding. The purpose of this grant was to award emergency financial aid grants to students. As of June 30, 2020, the University awarded grants to students in the total amount of \$40,269. This is included in nonoperating revenues on the Statement of Revenues, Expenses, and Change in Net Position. After the fiscal-year end, \$1,818,045 of CARES Act funding was distributed to eligible students.
- \$2,302,889 was awarded under the Institutional Portion of the Higher Education Emergency Relief Funding. Requirements state that at least 50 percent of the combined funds of the Higher Education Emergency Relief Funding and Institutional Relief Funding must be used for emergency financial aid grants to students. As of June 30, 2020, the University recognized \$40,269 of revenue, which is included in nonoperating revenues on the Statement of Revenues, Expenses, and Change in Net Position.

In addition, the State of Michigan passed Senate Bill 373 on July 22, 2020 which reduced State Aid funding by \$5,615,100 and replaced it with CARES Act funds. Since this occurred after June 30, 2020, no revenue or receivable was recorded at June 30, 2020 related to the CARES Act funding passed-through the State of Michigan. The University will be able to recognize revenue from the grant equal to allowable expenditures incurred between March 1 and December 31, 2020 during the fiscal year ended June 30, 2021.

## **CONDENSED STATEMENTS OF NET POSITION**

The Statements of Net Position include all assets and liabilities of the University as well as deferred outflows and inflows of resources. Over time, increases and decreases in net position is one indicator of the improvement or erosion of the University's financial health when considered with operating measures such as enrollment levels, research activities, and the physical condition of facilities.

### **CONDENSED STATEMENTS OF NET POSITION AS OF JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
Current assets	\$ 46,853,171	\$ 51,011,521	\$ 48,354,101
Noncurrent assets:			
Capital assets, net	227,503,910	234,218,326	237,277,224
Other	204,634,328	204,960,598	205,785,552
<b>Total assets</b>	<b>478,991,409</b>	<b>490,190,445</b>	<b>491,416,877</b>
<b>Deferred outflows of resources</b>	<b>5,739,106</b>	<b>7,009,187</b>	<b>7,231,195</b>
<b>Liabilities</b>			
Current liabilities	32,524,812	32,454,891	31,368,050
Noncurrent liabilities	182,521,765	186,873,504	185,803,819
<b>Total liabilities</b>	<b>215,046,577</b>	<b>219,328,395</b>	<b>217,171,869</b>
<b>Deferred inflows of resources</b>	<b>2,789,044</b>	<b>4,707,239</b>	<b>3,289,908</b>
<b>Net position</b>			
Net investment in capital assets	138,086,386	141,106,255	144,192,168
Restricted			
Nonexpendable	104,236,751	99,051,271	96,415,785
Expendable	70,460,591	73,420,432	75,515,535
Unrestricted deficit	(45,888,834)	(40,413,960)	(37,937,193)
<b>Total net position</b>	<b>\$ 266,894,894</b>	<b>\$ 273,163,998</b>	<b>\$ 278,186,295</b>



### **Changes from 2019 to 2020**

Current assets decreased by \$4.2 million. Within current assets, cash increased by \$3.1 million, accounts receivable and pledges receivable decreased by \$7.0 million, and other assets decreased by \$305,000.

Capital assets, net decreased by \$6.7 million. Capital asset additions were greater than capital assets disposals by \$8.1 million and the depreciation charge for the year was \$14.8 million. Capital additions for fiscal year 2020 included \$4.0 million for academic and research equipment and \$4.1 million for additional construction costs and renovation of facilities and additions to infrastructure.

Other noncurrent assets decreased by \$326,000, due to a decrease in student loan receivable of \$1.7 million, an increase in investments of \$2.5 million, and a decrease of the rest of the noncurrent assets of \$1.2 million.

Deferred outflows of resources decreased by \$1.3 million.

Current liabilities increased by \$70,000, which was primarily due to accounts payable and other accrued liabilities decreasing by \$475,000, unearned revenue increasing by \$27,000, and other current liabilities increasing by \$518,000.

Noncurrent liabilities decreased by \$4.4 million. Net pension liability caused \$3.7 million of the increase, whereas net OPEB liability decreased by \$3.6 million and long-term debt decreased by \$4.1 million. All other long-term liabilities decreased by \$363,000.

Deferred inflows of resources decreased by \$1.9 million.

Total net position decreased by \$6.3 million. The University's net investment in capital assets decreased by \$3.0 million. Expendable restricted net position decreased by \$3.0 million and nonexpendable restricted net position increased by \$5.2 million. Unrestricted net deficit increased by \$5.5 million.

### **Changes from 2018 to 2019**

Current assets increased by \$2.7 million. Within current assets, cash increased by \$151,000, accounts receivable and pledges receivable increased by \$2.5 million, and other assets decreased by \$8,000.

Capital assets, net decreased by \$3.1 million. Capital asset additions were greater than capital assets disposals by \$11.3 million and the depreciation charge for the year was \$14.9 million. Capital additions for fiscal year 2019 included \$4.6 million for academic and research equipment and \$7.2 million for additional construction costs and renovation of facilities and additions to infrastructure.

Other noncurrent assets decreased by \$825,000, due to a decrease in unspent bond proceeds of \$3.2 million, an increase in investments of \$4.1 million, and a decrease of the rest of the noncurrent assets of \$1.7 million.

Deferred outflows of resources decreased by \$222,000.

Current liabilities increased by \$1.1 million, which was primarily due to accounts payable and other accrued liabilities increasing by \$722,000, unearned revenue increasing by \$75,000, and other current liabilities increasing by \$290,000.

Noncurrent liabilities increased by \$1.1 million. Net pension liability caused \$7.0 million of the increase, whereas net OPEB liability decreased by \$2.6 million and long-term debt decreased by \$3.6 million. All other long-term liabilities increased by \$246,000.

Deferred inflows of resources increased by \$1.4 million.



Total net position decreased by \$5.0 million. The University's net investment in capital assets decreased by \$3.1 million. Expendable restricted net position decreased by \$2.1 million and nonexpendable restricted net position increased by \$2.6 million. Unrestricted net deficit increased by \$2.4 million.

## NET POSITION

Net position represents the residual interest in the University's assets and deferred outflow of resources after liabilities and deferred inflows of resources are deducted. The composition of the University's net position is summarized as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Net investment in capital assets</b>	<b>\$ 138,086,386</b>	<b>\$ 141,106,255</b>	<b>\$ 144,192,168</b>
<b>Restricted-nonexpendable net position</b>			
Corpus of permanent endowment funds	99,797,077	94,345,669	91,730,623
Remainder interests in split-interest agreements and other	4,439,674	4,705,602	4,685,162
<b>Total restricted-nonexpendable net position</b>	<b>104,236,751</b>	<b>99,051,271</b>	<b>96,415,785</b>
<b>Restricted-expendable net position</b>			
Gifts and sponsored programs	29,481,983	27,544,023	25,976,195
Capital projects and debt service	2,551,281	2,048,063	2,986,241
Student loans	10,710,918	13,525,964	13,248,041
Net appreciation on permanent endowment funds and land held for investment	27,716,409	30,302,382	33,305,058
<b>Total restricted-expendable net position</b>	<b>70,460,591</b>	<b>73,420,432</b>	<b>75,515,535</b>
<b>Unrestricted net position (deficit)</b>			
Capital projects and repairs	3,961,572	4,774,232	4,964,969
Auxiliary enterprises	4,589,683	5,673,485	7,322,648
Designated for departmental use	20,989,583	18,406,286	17,607,775
Pension and OPEB plans	(88,365,351)	(88,945,951)	(82,897,647)
Uncommitted	12,935,679	19,677,988	15,065,062
<b>Total unrestricted net deficit</b>	<b>(45,888,834)</b>	<b>(40,413,960)</b>	<b>(37,937,193)</b>
<b>Total net position</b>	<b>\$ 266,894,894</b>	<b>\$ 273,163,998</b>	<b>\$ 278,186,295</b>



Net investment in capital assets represents the University's capital assets plus unspent bond proceeds net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The net change from year to year reflects the University's improvement, maintenance, and usage of its capital assets in accordance with its long-range capital plan.

Restricted nonexpendable net position represents the historical value (corpus) of gifts to the University's permanent endowment funds. Restricted expendable net position is restricted by a party independent of the University or by law. This includes restrictions related to gifts, research contracts, grants, outstanding debt, student-loan programs, and net appreciation of permanent endowment funds.

Unrestricted net position represents those balances from operational activities of the University that have not been restricted by parties independent of the University. This includes designated funds that the Board of Trustees and management have designated for specific purposes, such as public service activities or academic and research initiatives. Unrestricted net position also includes amounts that have been contractually committed for goods and services that have not been received by fiscal year-end.

### **CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the fiscal year. Revenues are reported as either operating or nonoperating. State appropriations and gifts are classified as nonoperating revenues which will always result in operating losses for the University.

#### **CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Operating revenues</b>			
Tuition and fees, net	\$ 101,082,940	\$ 102,821,248	\$ 98,449,561
Grants and contracts	49,635,791	52,016,788	48,021,795
Educational activities	3,643,172	5,363,254	5,445,165
Auxiliary and departmental activities, net	26,965,146	28,554,894	29,303,467
<b>Total operating revenues</b>	<b>181,327,049</b>	<b>188,756,184</b>	<b>181,219,988</b>
<b>Operating expenses</b>	255,722,546	269,163,023	256,975,915
<b>Operating loss</b>	<b>(74,395,497)</b>	<b>(80,406,839)</b>	<b>(75,755,927)</b>
<b>Nonoperating revenues (expenses)</b>			
Federal Pell grants	5,383,769	6,293,211	6,128,727
State appropriations	44,953,000	49,949,600	49,081,629
Capital grants and gifts for all purposes	12,870,013	16,202,029	17,752,620
Other nonoperating revenues and expenses, net	4,919,611	2,939,702	8,409,329
<b>Net nonoperating revenues</b>	<b>68,126,393</b>	<b>75,384,542</b>	<b>81,372,305</b>
<b>Net increase (decrease) in net position</b>	<b>(6,269,104)</b>	<b>(5,022,297)</b>	<b>5,616,378</b>
<b>Net position</b>			
Beginning of year	273,163,998	278,186,295	272,569,917
<b>End of year</b>	<b>\$ 266,894,894</b>	<b>\$ 273,163,998</b>	<b>\$ 278,186,295</b>



### **Changes from 2019 to 2020**

Operating revenues decreased by a total of \$7.4 million. Tuition and fees, net of scholarship allowances, decreased by \$1.7 million. Grant and contract revenues decreased by \$2.4 million, educational activities revenues decreased by \$1.7 million, and auxiliary and departmental activities revenues, net of scholarship allowances, decreased by \$1.6 million.

Operating expenses decreased by \$13.4 million. Compensation decreased by \$545,000 and fringe benefits decreased by \$3.9 million. Supplies and services, student financial support, and utilities decreased in total by \$8.8 million and depreciation decreased by \$165,000.

Net nonoperating revenues and expenses decreased by \$7.3 million. Investment performance caused a \$1.5 million increase, State appropriations decreased by \$5.0 million, capital grants and gifts to the University, including gifts for capital and endowment purposes, decreased by \$3.3 million, federal grants decreased by \$729,000, and interest expense decreased by \$95,000. As a result of the flood that occurred in June 2018, the University incurred approximately \$1.1 million in expenses that were covered by \$1.8 million in insurance recoveries, resulting in a net \$677,000 extraordinary item.

Overall, the net financial result for fiscal year 2020 was approximately \$1.2 million less than the net result for fiscal year 2019.

### **Changes from 2018 to 2019**

Operating revenues increased by a total of \$7.5 million. Tuition and fees, net of scholarship allowances, increased by \$4.4 million. Grant and contract revenues increased by \$4.0 million, educational activities revenues decreased by \$82,000, and auxiliary and departmental activities revenues, net of scholarship allowance, decreased by \$749,000.



Operating expenses increased by \$12.2 million. Compensation increased by \$2.3 million and fringe benefits increased by \$3.0 million. Supplies and services, student financial support, and utilities increased in total by \$6.5 million and depreciation increased by \$342,000.

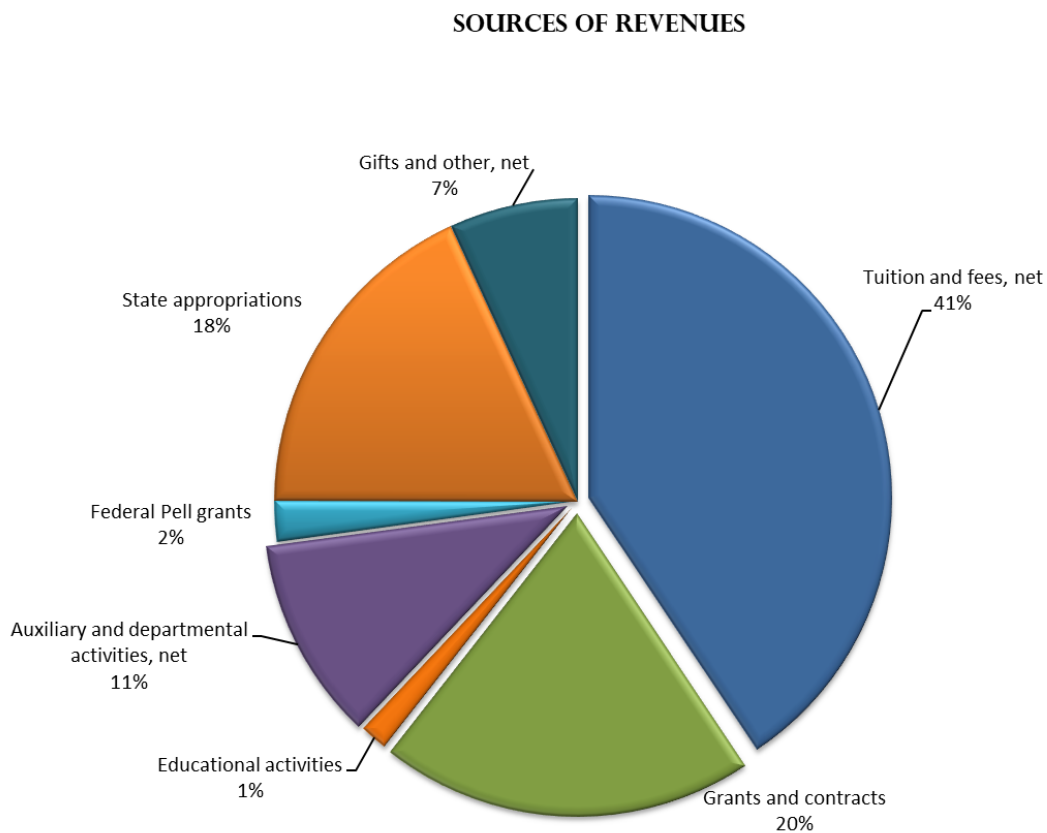
Net nonoperating revenues and expenses decreased by \$6.0 million. Investment performance caused a \$6.8 million decrease, State appropriations increased by \$868,000, capital grants and gifts to the University, including gifts for capital and endowment purposes, decreased by \$1.6 million, federal grants increased by \$156,000, and interest expense decreased by \$138,000. As a result of the flood that occurred in June 2018, the University incurred approximately \$2.0 million in expenses that were covered by \$2.5 million in insurance recoveries, resulting in a net \$507,000 extraordinary item.

Overall, the net financial result for fiscal year 2019 was approximately \$10.6 million less than the net result for fiscal year 2018.

### Revenue Diversification

The University relies on multiple sources of revenues to supplement student tuition. The University continues to aggressively increase funding from other sources consistent with its mission.

The following graph illustrates the fiscal year 2020 revenues by source:

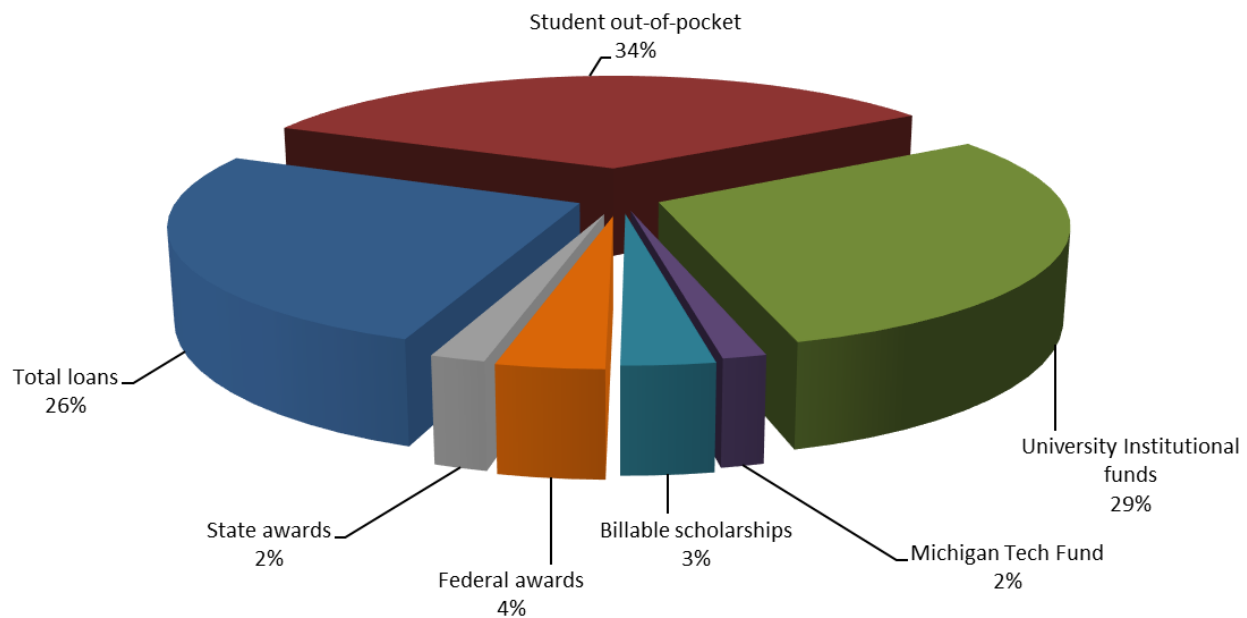




## **TUITION AND FEES REVENUE**

The University provides students with the opportunity to obtain a quality education at a price that is subsidized by state funding. For fiscal year 2020, the University implemented a 2% average increase in tuition and mandatory fees for Michigan resident undergraduates. Graduate students saw a 6% increase in tuition and mandatory fees. The following graph identifies the source of funds used to pay student tuition and fees for the fiscal year ended June 30, 2020. The graph shows that 40% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.

### **STUDENT FINANCIAL AID REPORT**



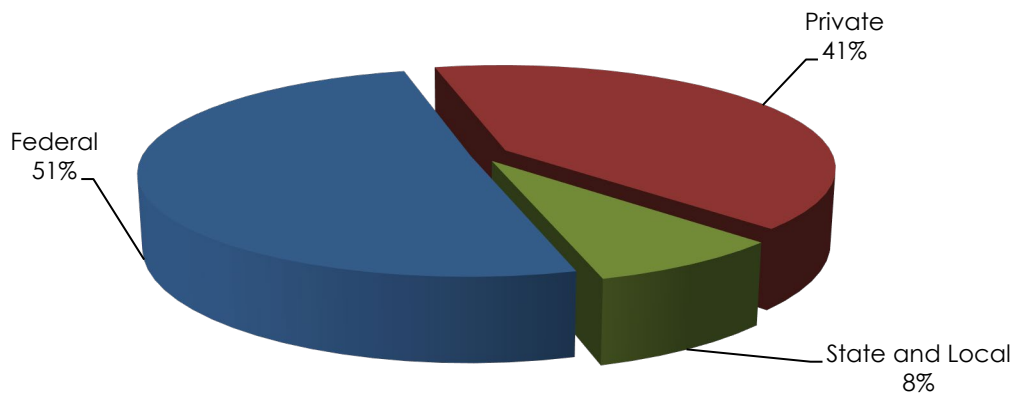
## **GRANT AND CONTRACT REVENUE**

The University receives revenues for sponsored programs from governmental and private sources, which provide for the direct and indirect costs of performing sponsored activities. The University also receives revenues from the federal government and its agencies for student grants. There were \$71.8 and \$63.8 million of research and sponsored programs awarded to the University in fiscal years 2020 and 2019, respectively. The University currently has 19 interdisciplinary research institutes and centers that have enabled the University to maintain its growing recognition as a research institution. The University also operates off-campus research facilities in Hancock, Michigan and Ann Arbor, Michigan.

**GRANT AND CONTRACT REVENUE  
YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Federal sources:</b>			
Department of Agriculture	\$ 2,098,683	\$ 2,032,158	\$ 2,338,876
Department of Defense	8,476,314	8,496,921	7,803,830
Department of Education	568,952	499,381	527,269
Department of Energy	1,526,756	1,561,490	1,572,267
Department of Interior	799,761	1,045,332	1,248,345
Department of Transportation	363,017	93,775	223,695
Environmental Protection Agency	126,813	355,377	467,538
National Aeronautics and Space Administration	4,210,025	5,099,718	3,700,916
National Science Foundation	6,126,328	6,525,749	7,164,442
Health and Human Services	2,662,718	2,461,387	2,210,028
Other federal sources	740,607	670,920	364,131
Repayments	(2,585,315)	-	(790,622)
<b>Total federal sources</b>	<b>25,114,659</b>	<b>28,842,208</b>	<b>26,830,715</b>
<b>Non-federal sources:</b>			
State and local	4,076,024	4,377,969	4,034,915
Private	20,445,108	18,796,611	17,156,165
<b>Total non-federal sources</b>	<b>24,521,132</b>	<b>23,174,580</b>	<b>21,191,080</b>
<b>Total all sources</b>	<b>\$ 49,635,791</b>	<b>\$ 52,016,788</b>	<b>\$ 48,021,795</b>

The following graph illustrates the fiscal year 2020 grant and contract revenue by source.





## CONDENSED STATEMENTS OF CASH FLOWS

Another way to assess the financial health of an institution is to look at its Statement of Cash Flows. Its primary purpose is to provide relevant information about sources and uses of cash of an entity during a period. The Statements of Cash Flows also help users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing. The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

### CONDENSED STATEMENTS OF CASH FLOWS YEAR ENDED JUNE 30

	2020	2019	2018
<b>Cash (used in) provided by</b>			
Operating activities	\$ (58,131,529)	\$ (57,924,435)	\$ (58,983,578)
Noncapital financing activities	62,051,730	68,823,274	64,660,456
Capital and related financing activities	(7,904,720)	(16,865,349)	(15,698,949)
Investing activities	7,121,156	2,958,460	5,342,919
<b>Net change in cash and cash equivalents</b>	<b>3,136,637</b>	<b>(3,008,050)</b>	<b>(4,679,152)</b>
Cash and cash equivalents, beginning of the year	26,506,494	29,514,544	34,193,696
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 29,643,131</b>	<b>\$ 26,506,494</b>	<b>\$ 29,514,544</b>

### Changes from 2019 to 2020

Cash from operations decreased by \$207,000. Tuition and student residence fees increased cash provided by operations by \$59,000, and grants and contracts revenue decreased by \$3.0 million. Significant changes in cash used in operations include an increase in payments to employees and for employee benefits of \$2.3 million. The other components of operating activities contributed \$5.0 million to a cash increase.

Cash from noncapital financing activities decreased by \$6.8 million. Gift income decreased by \$6.8 million, State appropriations increased by \$685,000 and all other receipts decreased by \$691,000.

Cash from capital and related financing activities increased by \$8.9 million compared to the previous year. During fiscal year 2020, \$2.9 million less cash was used to purchase capital assets, \$2.9 million more was received in capital gifts and grants, and \$91,000 less was paid for interest and principal on capital debt. Also increasing was the net amount of \$2.2 million paid for flood repairs.

Cash from investing activities increased by \$4.2 million.

Overall, cash and cash equivalents, including restricted cash, increased by \$3.1 million for the fiscal year ended June 30, 2020.





### Changes from 2018 to 2019

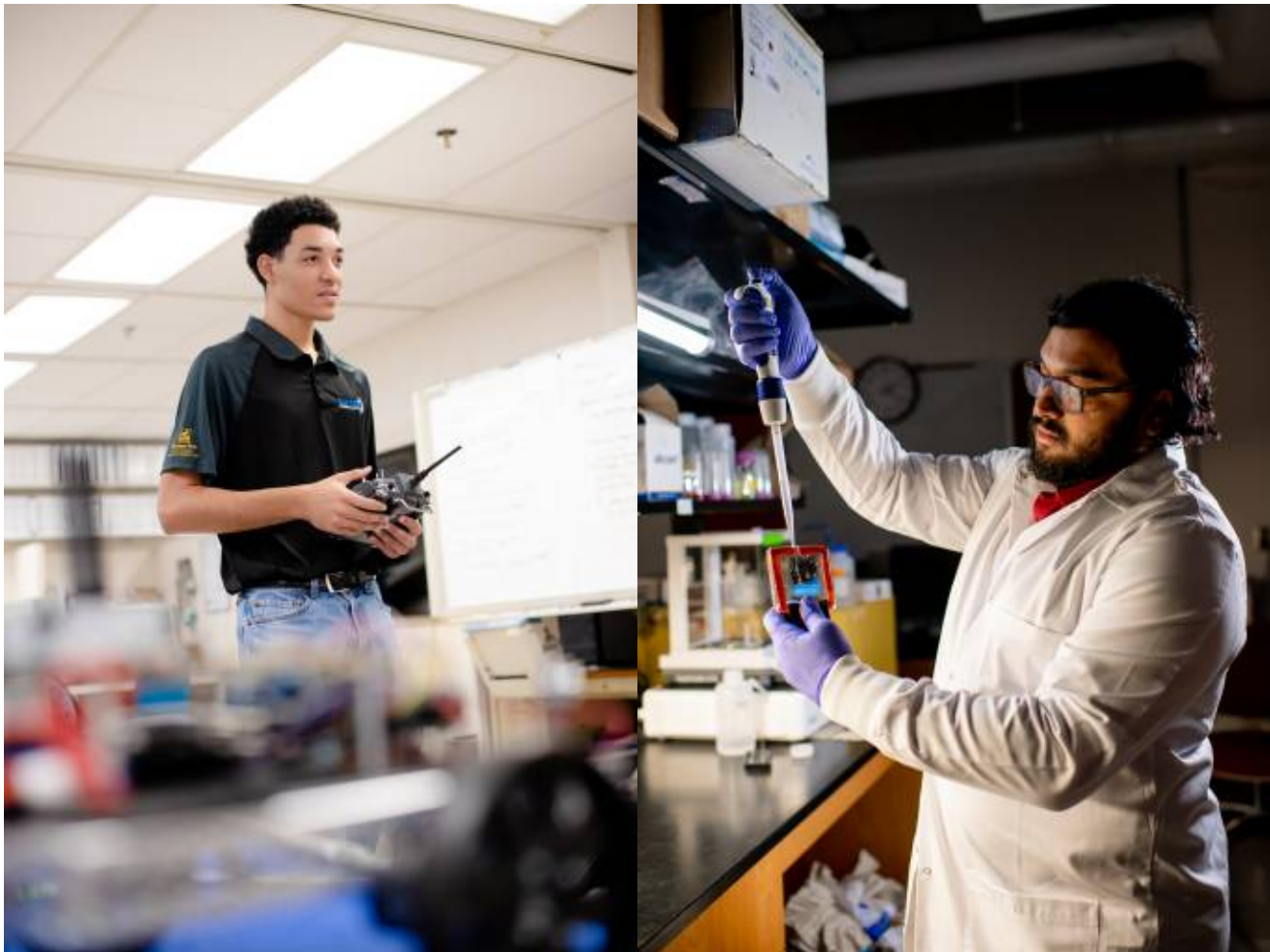
Cash from operations increased by \$1.1 million. Tuition and student residence fees increased cash provided by operations by \$3.4 million, and grants and contracts revenue increased by \$4.2 million. Significant changes in cash used in operations include an increase in payments to employees and for employee benefits of \$3.2 million. The other components of operating activities contributed \$3.3 million to a cash decrease.

Cash from noncapital financing activities increased by \$4.2 million. Gift income increased by \$4.0 million, State appropriations increased by \$247,000 and all other receipts decreased by \$62,000.

Cash from capital and related financing activities decreased by \$1.2 million compared to the previous year. During fiscal year 2019, \$3.4 million less cash was used to purchase capital assets, \$25,000 more cash was received for disposals, \$3.8 million less was received in capital gifts and grants, and \$244,000 less was paid for interest and principal on capital debt. Also decreasing cash was the net \$993,000 paid for flood repairs.

Cash from investing activities decreased by \$2.4 million.

Overall, cash and cash equivalents, including restricted cash, decreased by \$3.0 million for the fiscal year ended June 30, 2019.





## FACTORS IMPACTING FUTURE PERIODS

### Enrollment

Admission is open to all students on a competitive basis. The University's incoming first-year students consistently have average ACT scores greater than the national average. The following tables show that about 29% of accepted students enroll at the University. Michigan residents account for 69% of the University's enrollment. Enrollment has been a priority of the University and is a part of its Strategic Plan.

ACCEPTED STUDENTS SUMMER AND FALL TERMS					
	2019	2018	2017	2016	2015
First-Year Students	4,442	4,313	4,074	4,272	4,063
Transfer Students	310	298	342	377	345
Graduate Students	1,655	1,566	1,616	1,327	1,665
<b>Total</b>	<b>6,407</b>	<b>6,177</b>	<b>6,032</b>	<b>5,976</b>	<b>6,073</b>

### AVERAGE ACT SCORES FOR INCOMING FIRST-YEAR STUDENTS, FALL

	Michigan	
	Tech	National
<b>2019</b>	27.6	20.7
<b>2018</b>	27.3	20.8
<b>2017</b>	27.2	21.0
<b>2016</b>	27.2	20.8
<b>2015</b>	26.8	21.0

### SELECTED ENROLLMENT DATA\* SUMMER AND FALL TERMS

	2019	2018	2017	2016	2015
First-Year Students	1,301	1,245	1,323	1,381	1,277
New Transfer Students	159	156	189	199	184
Graduate Students	389	396	434	378	468
<b>Total</b>	<b>1,849</b>	<b>1,797</b>	<b>1,946</b>	<b>1,958</b>	<b>1,929</b>

### ENROLLMENT BY RESIDENCY\*

	2019	2018	2017	2016	2015
Resident	4,755	4,746	4,766	4,644	4,544
Non-Resident	1,389	1,470	1,478	1,498	1,455
International	768	900	1,000	1,056	1,156
<b>Total</b>	<b>6,912</b>	<b>7,116</b>	<b>7,244</b>	<b>7,198</b>	<b>7,155</b>

\*Does not include Distance Learning

**FULL-TIME EQUIVALENT STUDENTS BY RESIDENCY\***

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Resident	4,475	4,482	4,471	4,361	4,270
Non-Resident	1,324	1,401	1,393	1,416	1,372
International	730	858	936	990	1,068
<b>Total</b>	<b>6,529</b>	<b>6,741</b>	<b>6,800</b>	<b>6,767</b>	<b>6,710</b>

*\*Does not include Distance Learning*

**Degrees Awarded**

The University awards four levels of degrees: Associate's, Bachelor's, Master's, and Doctoral/Professional. Listed below is a five-year history of degrees awarded.

**DEGREES AWARDED**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Associate	2	1	1	1	3
Bachelor's	1,170	1,160	1,120	1,066	1,065
Master's	357	448	438	489	416
Doctoral	85	86	93	88	86
<b>Total</b>	<b>1,614</b>	<b>1,695</b>	<b>1,652</b>	<b>1,644</b>	<b>1,570</b>



## Report of Independent Auditors

Board of Trustees  
Michigan Technological University  
Houghton, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Michigan Technological University (University), a component unit of the State of Michigan, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's 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.

### ***Auditors' 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 audit 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 financial position of Michigan Technological University as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information (Schedule of the University's Proportionate Share of the Net Pension Liability, Schedule of University Pension Contributions, Schedule of the University's Proportionate Share of the Net OPEB Liability, Schedule of University OPEB Contributions, and Notes to Required Supplementary Information) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 Supplementary Information***

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

The introductory sections listed in the table of contents on pages 2 through 5 have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of Michigan Technological University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Michigan Technological University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan Technological University's internal control over financial reporting and compliance.

*Andrews Hooper Pavlik PLC*

Bay City, Michigan  
November 30, 2020

**MICHIGAN TECHNOLOGICAL UNIVERSITY**  
**STATEMENTS OF NET POSITION**

	June 30	
	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 29,543,709	\$ 26,429,190
Accounts receivable, net	14,490,942	19,884,566
Insurance receivable	-	1,500,000
Pledges receivable, net	849,449	923,492
Other assets	1,969,071	2,274,273
<b>Total current assets</b>	<b>46,853,171</b>	<b>51,011,521</b>
<b>Noncurrent assets</b>		
Student loans receivable, net	7,958,867	9,717,147
Pledges receivable, net of allowance and current portion	798,115	1,712,253
Restricted cash for capital projects - unspent bond proceeds	99,422	77,304
Investments	177,762,468	175,235,888
Beneficial interest in charitable remainder trusts	6,110,969	6,273,104
Land held for investment	9,889,597	9,943,597
Capital assets, net	227,503,910	234,218,326
Other assets	2,014,890	2,001,305
<b>Total noncurrent assets</b>	<b>432,138,238</b>	<b>439,178,924</b>
<b>Total assets</b>	<b>478,991,409</b>	<b>490,190,445</b>
<b>Deferred outflows of resources</b>		
Deferred pension amounts	4,322,626	5,191,516
Deferred OPEB amounts	1,416,480	1,817,671
<b>Total deferred outflows of resources</b>	<b>5,739,106</b>	<b>7,009,187</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	6,420,086	7,153,663
Other accrued liabilities	14,613,925	14,355,699
Unearned revenue	5,855,839	5,828,342
Annuity obligations, current portion	385,279	428,477
Insurance and benefit reserves	1,332,756	940,371
Long-term debt, current portion	3,916,927	3,748,339
<b>Total current liabilities</b>	<b>32,524,812</b>	<b>32,454,891</b>
<b>Noncurrent liabilities</b>		
Funds held for others	635,651	775,451
Annuity obligations, net of current portion	5,390,313	5,613,091
Long-term debt, net of current portion	85,180,388	89,237,063
Net pension liability	75,502,509	71,833,414
Net OPEB liability	15,812,904	19,414,485
<b>Total noncurrent liabilities</b>	<b>182,521,765</b>	<b>186,873,504</b>
<b>Total liabilities</b>	<b>215,046,577</b>	<b>219,328,395</b>
<b>Deferred inflows of resources</b>		
Deferred pension amounts	1,829,282	2,885,087
Deferred OPEB amounts	959,762	1,822,152
<b>Total deferred inflows of resources</b>	<b>2,789,044</b>	<b>4,707,239</b>
<b>Net position</b>		
Net investment in capital assets	138,086,386	141,106,255
Restricted:		
Nonexpendable	104,236,751	99,051,271
Expendable	70,460,591	73,420,432
Unrestricted deficit	(45,888,834)	(40,413,960)
<b>Total net position</b>	<b>\$ 266,894,894</b>	<b>\$ 273,163,998</b>

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



MICHIGAN TECHNOLOGICAL UNIVERSITY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended June 30	
	2020	2019
<b>Revenues</b>		
<b>Operating revenues</b>		
Student tuition and fees (net of scholarship allowances of \$41,545,008 and \$38,744,959 in 2020 and 2019, respectively)	\$ 101,082,940	\$ 102,821,248
Federal grants and contracts	25,114,659	28,842,208
State and local grants and contracts	4,076,024	4,377,969
Nongovernmental grants and contracts	20,445,108	18,796,611
Educational activities	3,643,172	5,363,254
Departmental activities	8,933,470	9,734,257
Student residence fees (net of scholarship allowances of \$8,120,273 and \$7,683,991 in 2020 and 2019, respectively)	18,031,676	18,820,637
<b>Total operating revenues</b>	<b>181,327,049</b>	<b>188,756,184</b>
<b>Expenses</b>		
<b>Operating expenses</b>		
Compensation and benefits	174,337,667	178,836,147
Supplies and services	49,073,033	55,035,855
Student financial support	11,240,114	13,567,107
Utilities	6,303,890	6,790,677
Depreciation	14,767,842	14,933,237
<b>Total operating expenses</b>	<b>255,722,546</b>	<b>269,163,023</b>
<b>Operating loss</b>	<b>(74,395,497)</b>	<b>(80,406,839)</b>
<b>Nonoperating revenues (expenses)</b>		
Federal Pell grants	5,383,769	6,293,211
Federal grants, other	583,526	483,764
Federal grants, CARES Act	80,538	-
State appropriations	44,953,000	49,949,600
Gifts	6,601,957	11,904,921
Investment return	7,671,386	6,211,502
Interest on capital asset-related debt	(4,123,654)	(4,218,557)
Loss on disposal of capital assets	(75,492)	(138,434)
<b>Net nonoperating revenues</b>	<b>61,075,030</b>	<b>70,486,007</b>
<b>Loss before other revenues</b>	<b>(13,320,467)</b>	<b>(9,920,832)</b>
<b>Other revenues</b>		
Capital grants and gifts	800,332	1,721,462
Gifts for permanent endowment purposes	5,467,724	2,575,646
Other nonoperating revenues	106,313	94,427
<b>Total other revenues</b>	<b>6,374,369</b>	<b>4,391,535</b>
<b>Extraordinary items due to flood</b>		
Other flood expenses	(1,079,909)	(1,993,000)
Other realized insurance recoveries	1,756,903	2,500,000
<b>Net extraordinary items due to flood</b>	<b>676,994</b>	<b>507,000</b>
<b>Change in net position</b>	<b>(6,269,104)</b>	<b>(5,022,297)</b>
<b>Net position</b>		
Beginning of year	273,163,998	278,186,295
<b>End of year</b>	<b>\$ 266,894,894</b>	<b>\$ 273,163,998</b>

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



**MICHIGAN TECHNOLOGICAL UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Student tuition and fees	\$ 103,117,848	\$ 102,064,188
Grants and contracts	48,548,342	51,533,013
Payments to employees	(132,016,169)	(132,573,001)
Payments for benefits	(42,738,843)	(39,923,939)
Payments to suppliers	(50,401,533)	(54,854,159)
Payments for utilities	(6,415,671)	(6,535,858)
Payments for financial aid	(11,240,114)	(13,567,107)
Loans issued to students	(198,542)	(214,711)
Collection of loans to students	1,956,822	2,069,640
Departmental activities	8,926,886	9,709,039
Educational activities	4,292,475	5,653,938
Student residence fees	17,901,541	18,895,937
Other receipts (disbursements)	135,429	(181,415)
<b>Net cash from operating activities</b>	<b>(58,131,529)</b>	<b>(57,924,435)</b>
<b>Cash flows from noncapital financing activities</b>		
Federal Pell grants	5,461,226	6,301,682
Federal grants, other	583,526	483,764
State appropriations	50,918,475	50,233,028
Gifts and grants for other than capital purposes	5,384,175	12,150,074
Payments to annuitants	(419,459)	(412,845)
Other receipts	106,313	94,427
William D. Ford direct lending cash received	27,905,375	28,935,945
William D. Ford direct lending cash disbursed	(27,887,901)	(28,962,801)
<b>Net cash from noncapital financing activities</b>	<b>62,051,730</b>	<b>68,823,274</b>
<b>Cash flows from capital and related financing activities</b>		
Grants and gifts received for capital and endowment purposes	5,844,687	2,992,429
Proceeds from sale of capital assets	6,584	25,218
Purchases of capital assets	(7,889,904)	(10,823,280)
Proceeds from issuance of debt refinancing	4,725,000	-
Principal paid on capital debt and leases	(8,418,339)	(3,626,197)
Interest paid on capital debt and leases	(4,349,742)	(4,440,519)
Payments for flood repairs	(1,079,909)	(1,993,000)
Proceeds from insurance recoveries	3,256,903	1,000,000
<b>Net cash from capital and related financing activities</b>	<b>(7,904,720)</b>	<b>(16,865,349)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	41,402,976	165,371,038
Purchase of investments	(37,579,131)	(166,319,716)
Income on investments	3,297,311	3,907,138
<b>Net cash from investing activities</b>	<b>7,121,156</b>	<b>2,958,460</b>
Net change in cash and cash equivalents	3,136,637	(3,008,050)
Cash and cash equivalents, beginning of year	26,506,494	29,514,544
<b>Cash and cash equivalents, end of year</b>	<b>\$ 29,643,131</b>	<b>\$ 26,506,494</b>
Cash and cash equivalents per statement of net position	\$ 29,543,709	\$ 26,429,190
Restricted cash for capital projects - unspent bond proceeds	99,422	77,304
<b>Total cash and cash equivalents per statement of net position</b>	<b>\$ 29,643,131</b>	<b>\$ 26,506,494</b>

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



**MICHIGAN TECHNOLOGICAL UNIVERSITY  
STATEMENTS OF CASH FLOWS (CONTINUED)**

	<b>Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Reconciliation of operating loss to net cash from operating activities</b>		
Operating loss	\$ (74,395,497)	\$ (80,406,839)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	14,767,842	14,933,237
Noncash gifts	(540,484)	(187,831)
Changes in operating assets and liabilities:		
Receivables, net	2,401,057	(1,164,131)
Other assets	291,258	(165,407)
Student loans receivable	1,758,280	1,854,929
Accounts payable	(2,396,694)	163,806
Other accrued liabilities	258,226	670,808
Unearned revenue	52,498	75,457
Funds held for others	(139,800)	238,501
Insurance and benefit reserves	392,385	14,731
Change in net pension and OPEB liability and deferred amounts	(580,600)	6,048,304
<b>Net cash from operating activities</b>	<b>\$ (58,131,529)</b>	<b>\$ (57,924,435)</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

## (1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION

#### Reporting Entity

Michigan Technological University ("University") is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Trustees is appointed by the Governor of the State of Michigan. Accordingly, the University is included in the State's financial statements as a discretely presented component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various state agencies, State Building Authority (SBA) revenues, and payments to the state retirement system for University employees.

The University has two component units which are described below. The descriptions include the impact that each component unit has on the University.

The Michigan Tech Fund ("Fund") is a legally separate tax-exempt component unit of the University. The primary purpose of the Fund is to receive, invest, and disburse gifts received on behalf of the University. The Fund provides services entirely to the University and has substantially the same governing body. The Fund is blended into the University's financial statements because management of the University has operational responsibility for the Fund and the Fund exclusively benefits the University. The June 30, 2020, audited financial statements of the Fund can be obtained from its office at 1400 Townsend Drive, Houghton, MI 49931, or at [www.mtu.edu/giving/about/tech-fund/](http://www.mtu.edu/giving/about/tech-fund/).

The Michigan Tech Entrepreneurial Support Corporation (MTEESC) is a legally separate tax-exempt component unit of the University. The primary purpose of the MTEESC is to support the entrepreneurial and commercial development efforts of the University. The MTEESC meets the criteria for blending its financial activity into the University's financial statements. The MTEESC provides services entirely to the University and has substantially the same governing body. The University, however, has excluded the MTEESC's financial activity from the financial statements due to insignificance.

The financial statements include the operations of the University and the Fund, collectively known as the University's financial statements. All significant accounts and transactions between the Fund and the University have been eliminated.





Condensed financial information for the Michigan Tech Fund is provided below:

**MICHIGAN TECH FUND  
CONDENSED STATEMENTS OF NET POSITION  
AS OF JUNE 30**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets	\$ 11,035,400	\$ 8,178,611
Noncurrent assets:		
Investments	139,991,855	139,637,161
Accounts receivable from the University	485,000	485,000
Other	8,110,430	9,227,118
<b>Total assets</b>	<b>159,622,685</b>	<b>157,527,890</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable to the University	10,367	998,789
Other	526,943	510,297
Noncurrent liabilities	5,390,313	5,613,091
<b>Total liabilities</b>	<b>5,927,623</b>	<b>7,122,177</b>
<b>Net position</b>		
Restricted		
Nonexpendable	104,236,751	99,051,271
Expendable	41,072,805	43,622,679
Unrestricted	8,385,506	7,731,763
<b>Total net position</b>	<b>\$ 153,695,062</b>	<b>\$ 150,405,713</b>



**MICHIGAN TECH FUND**  
**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>
<b>Operating expenses</b>		
Supplies and services	\$ 12,201,478	\$ 12,189,077
Student financial support	2,524,897	2,825,649
<b>Total operating expenses</b>	<u>14,726,375</u>	<u>15,014,726</u>
<b>Operating loss</b>	<b>(14,726,375)</b>	<b>(15,014,726)</b>
<b>Nonoperating revenues and expenses</b>		
Gifts	6,563,448	11,177,042
Investment return	5,148,169	3,042,451
Gifts for capital and permanent endowment purposes	6,197,794	3,433,258
Other nonoperating revenues	106,313	94,427
<b>Net nonoperating revenues</b>	<u>18,015,724</u>	<u>17,747,178</u>
<b>Change in net position</b>	3,289,349	2,732,452
<b>Net position</b>		
Beginning of year	150,405,713	147,673,261
<b>End of year</b>	<u>\$ 153,695,062</u>	<u>\$ 150,405,713</u>

**MICHIGAN TECH FUND**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from</b>		
Operating activities	\$ (15,109,153)	\$ (14,191,311)
Noncapital financing activities	5,516,829	9,361,667
Capital and related financing activities	5,785,653	3,608,937
Investing activities	6,744,432	2,195,116
<b>Net increase in cash and cash equivalents</b>	<u>2,937,761</u>	<u>974,409</u>
Cash and cash equivalents, beginning of year	7,233,184	6,258,775
<b>Cash and cash equivalents, end of year</b>	<u>\$ 10,170,945</u>	<u>\$ 7,233,184</u>

**Basis of Presentation**

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. In accordance with governmental accounting standards, the University follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. In applying these accounting pronouncements, the University follows the guidance for special-purpose governments engaged only in "business type" activities rather than issuing financial statements that focus on accountability of individual funds.



## **Use of Estimates**

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the allowance for doubtful accounts and pledges receivable, accrued compensated absences, net pension and other post employment benefits (OPEB) liabilities, insurance claims incurred but not reported, fair value of investments that are not readily marketable, and life expectancies for split-interest gift agreements.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Cash and Cash Equivalents**

The University considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. On the Statements of Net Position, restricted cash (unspent bond proceeds) is segregated from cash and cash equivalents and included in noncurrent assets. For the Statements of Cash Flows, however, restricted cash is included in the beginning and ending balances of cash and cash equivalents.

### **Pledges Receivable and Gifts**

Pledges receivable and gifts are recognized at their fair values as revenues in the periods received. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All pledges receivable are recorded at their net realizable values.

### **Investments**

The University's investments in marketable securities are carried at quoted fair market value whenever possible. The University also holds land for investment purposes which functions as an endowment and is recorded at fair value. Fair value is arrived at through independent appraisals of the land and of the timber holdings.

Fund investments in marketable securities including hedge funds are carried at quoted fair market value whenever possible. Hedge funds' fair values are based on information provided by the administrators of each underlying fund. Real estate and natural resources are accounted for on the equity method. Private equity funds and global credit funds that do not have readily determinable market values as of June 30 are valued based on the most recent available partner capital account balances as reported by the partnerships to the Fund. The partnership valuations involve assumptions and methods that are reviewed by the Fund. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity funds' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Precious metals are carried at quoted fair market value. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by custodial institutions responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment advisor to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced as necessary. The Fund's Investment Committee of the Board of Directors provides oversight of the investment advisor and makes recommendations to the Board of Directors concerning any changes in the asset allocation. Each month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) on nonexpendable restricted, expendable restricted, and unrestricted net position to departmental funds based on an average of each fund's beginning and ending monthly balances.

## Capital Assets

The University currently uses a \$5,000 capitalization threshold for capital assets acquired with an estimated useful life in excess of one year. Physical properties are stated at cost when purchased. Other acquisitions are stated at appraised value on date of receipt. Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property, generally as follows:

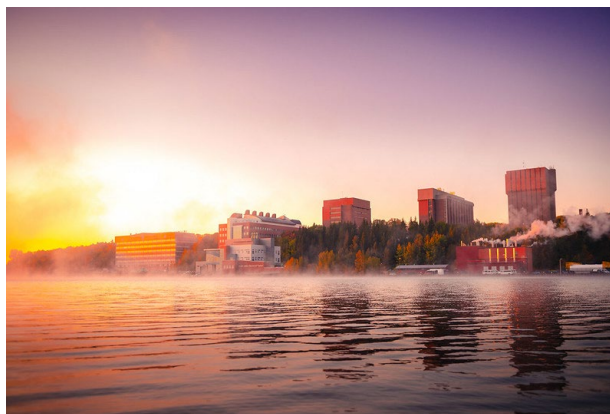
<u>Classification</u>	<u>Life</u>
Land improvements and infrastructure	20 years
Buildings	40 years
Computer equipment	5 years
Equipment	7 years
Library books	5 years

## Goodwill

The University purchased the assets of Environmental and Emerging Technologies Division (EETD) (a division of Altarum Institute) for a price of \$1.4 million. The University operates this research center under the name of Michigan Tech Research Institute (MTRI). The purchase price exceeded the value of net assets by \$978,544 and was considered goodwill. The University does not amortize goodwill. Management annually analyzes the goodwill for impairment. At year end, management concluded there is no impairment of goodwill. Goodwill is included with other assets (noncurrent) on the Statements of Net Position.

## Revenue Recognition

Revenues are recognized when earned. State appropriation revenue is recognized in the period for which it is appropriated. Restricted grant revenue is recognized only to the extent expended. Restricted and unrestricted resources are allocated to the appropriate departments within the University that are responsible for adhering to any donor restrictions.



## Classification of Revenues

The University and the Fund classify revenues as either operating or nonoperating revenues according to the following criteria:

### Operating Revenues

Operating revenues of the University include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) auxiliary enterprises net; and (3) most federal, state, and local grants and contracts.



### **Nonoperating Revenues**

Nonoperating revenues of the University include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, interest on institutional student loans, and other revenue sources that are defined as nonoperating revenues by governmental accounting standards.

### **Classification of Expenses**

Expenses are recognized when the service is provided or when materials are received. The University and the Fund have classified expenses as either operating or nonoperating expenses according to the following criteria:

#### **Operating Expenses**

Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation expense related to University capital assets.

#### **Nonoperating Expenses**

Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and other expenses that are defined as nonoperating expenses by governmental accounting standards.

### **Income Taxes**

The University is classified as a political subdivision of the State of Michigan under Internal Revenue Code Section 115(A) and is, therefore, exempt from federal income taxes. Certain activities of the University, to the extent profitable, may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514. No such taxes were incurred for either fiscal year presented in this report. The Fund is exempt from federal income taxes under Internal Revenue Code section 501(c)(3).

### **Net Position**

The University's net position is classified as follows:

#### **Net investment in capital assets**

Capital assets, net of accumulated depreciation, unspent bond proceeds, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

#### **Restricted for nonexpendable purposes**

Net position from gifts and other inflows of assets that represent permanent endowments. Use of these gifts is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University.

#### **Restricted for expendable purposes**

Net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Such net position includes net appreciation of permanent endowment funds and funds designated for student financial aid and other University programs.

#### **Unrestricted**

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the University's Board of Trustees or may otherwise be limited by contractual agreements with outside parties.



### **Deferred Outflows of Resources**

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The University reports deferred outflows of resources for certain pension and OPEB related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 9.

### **Deferred Inflows of Resources**

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources for certain pension and OPEB related amounts, such as the difference between projected and actual earnings of the pension plan's investments and appropriations received for the pension plan subsequent to the measurement date. More detailed information can be found in Note 9.

### **Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Postemployment Benefits Other Than Pensions**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.





## **(2) CASH AND INVESTMENTS**

### **Authorizations**

The University utilizes the “pooled cash” method of accounting for substantially all of its cash and cash equivalents. The University investment policies are governed and authorized by University Bylaws and the Board of Trustees. The Fund’s investment policies are governed by its Board of Directors and the performance of its investments is monitored by its Investment Committee.

### **Interest rate risk**

Neither the University nor the Fund has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### **Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment policies for cash and cash equivalents, as set forth by the Board of Trustees, authorize the University to invest, with limitations, in commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services. Investments may also be made in securities of the US Treasury and federal agencies, or in mutual funds holding securities of the US Treasury and federal agencies, and in time savings accounts. University policies regarding investments and marketable securities, as set forth by the Board of Trustees, authorize the University to invest in US Treasury obligations; commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services; federal agency securities; certificates of deposit issued by FDIC insured banks or an NCUA credit union member; or Eurodollar time deposits in Tier 1, 2, or 3 banks.

### **Custodial credit risk: deposits**

For deposits, custodial credit risk is present if the University’s deposits would not be covered by depository insurance or collateralized by the bank. State law does not require, and the University does not have, a policy for deposit custodial credit risk. Deposits were reflected in the accounts of the banks of \$29,697,296 and \$27,082,919 as of June 30, 2020 and 2019, respectively. The University had \$14,396,621 and \$12,238,706 exposed to custodial credit risk because the deposits were uninsured or uncollateralized, as of June 30, 2020 and 2019, respectively.

### **Custodial credit risk: investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the University nor the Fund has a policy for investment custodial risk. However, all investments are in the name of the University or the Fund, as applicable, and the investments are held in accounts with each financial institution from which they were purchased.

### **Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Neither the University’s nor the Fund’s investment policy has specific limits on concentration of credit risk. The majority of the University’s and Fund’s investments are in mutual funds; accordingly, concentration of credit risk is considered to be insignificant.

### **Foreign currency risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University and Fund invest in mutual funds whose underlying investments are in foreign currency; however, management of the University and Fund does not believe that there is significant risk as a result of these investments.

**Investments and Investment Return**

Investments, carried at fair value, at June 30, are categorized as follows:

**INVESTMENT PORTFOLIO**

	<b>2020</b>	<b>2019</b>
<b>Marketable securities</b>		
Equities	\$ 22,266,664	\$ 21,366,471
Equity mutual funds	59,164,566	63,206,300
Fixed income mutual funds	70,414,136	69,729,132
<b>Total marketable securities</b>	<b>151,845,366</b>	<b>154,301,903</b>
<b>Alternative investments</b>		
Hedge funds	5,937,439	5,114,979
Real estate and natural resources	7,848,804	7,199,218
Private equity limited partnerships	11,056,346	6,804,866
Global credit	1,054,513	-
<b>Total alternative investments</b>	<b>25,897,102</b>	<b>19,119,063</b>
Precious metals	-	1,794,922
Closely-held stock	20,000	20,000
<b>Total investments</b>	<b>\$ 177,762,468</b>	<b>\$ 175,235,888</b>

The University's net investment return is comprised of the following for the years ended June 30:

**INVESTMENT RETURN**

	<b>2020</b>	<b>2019</b>
Dividends and interest	\$ 3,763,045	\$ 4,654,792
Net (loss) gain on sale of investments	(208,413)	9,272,751
Net increase (decrease) in the fair value of investments	4,582,847	(7,109,095)
Investment fees	(466,093)	(606,946)
<b>Total investment return</b>	<b>\$ 7,671,386</b>	<b>\$ 6,211,502</b>





The following tables present information about the University's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the University to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the University has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset.

The University's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

The fair values of investments measured on a recurring basis at June 30, 2020 are as follows:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Equities	\$ 22,266,664	\$ 22,266,664	\$ -	\$ -
Equity mutual funds	43,273,993	43,273,993	-	-
Fixed income mutual funds	48,534,096	48,115,574	418,522	-
Closely-held stock	20,000	-	-	20,000
<b>Total investments by fair value level</b>	<b>114,094,753</b>	<b>\$ 113,656,231</b>	<b>\$ 418,522</b>	<b>\$ 20,000</b>

Investments measured at the net asset value:

Commonfund equity funds	15,890,573
Commonfund fixed income funds	21,880,040
Hedge funds	5,937,439
Real estate and natural resources	7,848,804
Private equity limited partnerships	11,056,346
Global credit	1,054,513
<b>Total investments at the net asset value</b>	<b>63,667,715</b>
<b>Total investments</b>	<b>\$ 177,762,468</b>

## 2020 Financial Report

The fair values of investments measured on a recurring basis at June 30, 2019 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 21,366,471	\$ 21,366,471	\$ -	\$ -
Equity mutual funds	47,916,249	47,916,249	-	-
Fixed income mutual funds	49,420,456	49,190,930	229,526	-
Precious metals	1,794,922	1,794,922	-	-
Closely-held stock	20,000	-	-	20,000
<b>Total investments by fair value level</b>	<b>120,518,098</b>	<b>\$ 120,268,572</b>	<b>\$ 229,526</b>	<b>\$ 20,000</b>

Investments measured at the net asset value:

Commonfund equity funds	15,290,051
Commonfund fixed income funds	20,308,676
Hedge funds	5,114,979
Real estate and natural resources	7,199,218
Private equity limited partnerships	6,804,866
<b>Total investments at the net asset value</b>	<b>54,717,790</b>
<b>Total investments</b>	<b>\$ 175,235,888</b>

The University holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset values per share (or its equivalent) of the investment companies. At year-end, the net asset value, the unfunded commitments, and redemptions rules of those investments are as follows:

	Net Asset Value FY 2020	Net Asset Value FY 2019	Unfunded Commitments FY 2020	Unfunded Commitments FY 2019	Redemption Frequency	Redemption Notice Period
Commonfund equity funds	\$ 15,890,573	\$ 15,290,051	\$ -	\$ -	Monthly	5 business days
Commonfund fixed income funds	21,880,040	20,308,676	-	-	Monthly	5 business days
Hedge funds	5,937,439	5,114,979	-	-	Quarterly	90 calendar days + 5 business days
Real estate and natural resources	7,848,804	7,199,218	1,694,376	139,436	Quarterly	10 business days
Private equity limited partnerships	11,056,346	6,804,866	14,071,337	7,384,643	NA	NA
Global credit	1,054,513	-	-	-	Semi-annually	90 calendar days
<b>Total</b>	<b>\$ 63,667,715</b>	<b>\$ 54,717,790</b>	<b>\$ 15,765,713</b>	<b>\$ 7,524,079</b>		





**(3) RECEIVABLES**

Accounts receivable of the University are summarized as follows as of June 30:

<b>ACCOUNTS RECEIVABLE</b>		
	<b>2020</b>	<b>2019</b>
Student tuition and fees	\$ 1,108,419	\$ 746,559
State appropriations		
Operating	3,579,098	9,081,742
Capital	70,751	129,785
Grants and contracts	8,901,956	9,025,101
Auxiliary activities	290,728	358,796
Other	660,666	663,236
Less allowance for doubtful accounts	(120,676)	(120,653)
<b>Accounts receivable, net</b>	<b>\$ 14,490,942</b>	<b>\$ 19,884,566</b>

In addition, the University has student loans receivable in the amount of \$7,958,867 and \$9,717,147, recorded at June 30, 2020 and 2019, respectively. These amounts are net of an allowance for uncollectible accounts of \$174,000 at June 30, 2020 and 2019.

The University had an insurance receivable of \$0 and \$1,500,000 at June 30, 2020 and 2019, respectively.

Pledges receivable of the University are summarized as follows as of June 30:

<b>PLEDGES RECEIVABLE</b>		
	<b>2020</b>	<b>2019</b>
Pledges receivable in less than one year	\$ 1,656,840	\$ 1,945,898
Pledges receivable in one to five years	888,677	1,846,497
Pledges receivable in more than five years	30,000	52,000
Less:		
Allowance for uncollectible pledges	(807,391)	(1,022,406)
Present value discount	(120,562)	(186,244)
<b>Net pledges receivable</b>	<b>\$ 1,647,564</b>	<b>\$ 2,635,745</b>

The present value of future cash flows were estimated using .25% over the risk-adjusted rate at the date of the gift. For fiscal year 2020, rates range from .41% to .91%.



**(4) CAPITAL ASSETS**

The following table presents the changes in the capital asset class categories for the year ended June 30, 2020:

<b>CHANGES IN CAPITAL ASSETS</b>				
	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Disposals/ Transfers</b>	<b>Ending Balance</b>
<b>Nondepreciable capital assets</b>				
Land	\$ 10,762,548	\$ -	\$ -	\$ 10,762,548
Mineral collections	6,221,172	-	-	6,221,172
Timber holdings	376,088	-	-	376,088
Construction in progress	780,410	4,101,144	(890,194)	3,991,360
<b>Cost of nondepreciable capital assets</b>	<b>18,140,218</b>	<b>4,101,144</b>	<b>(890,194)</b>	<b>21,351,168</b>
<b>Depreciable capital assets</b>				
Land improvements	1,739,083	-	(305,104)	1,433,979
Infrastructure	7,874,550	-	(1,095,660)	6,778,890
Buildings	392,173,956	890,194	(137,308)	392,926,842
Equipment	52,146,755	3,998,914	(20,392,412)	35,753,257
Library books	364,513	9,061	(227,189)	146,385
<b>Cost of depreciable capital assets</b>	<b>454,298,857</b>	<b>4,898,169</b>	<b>(22,157,673)</b>	<b>437,039,353</b>
<b>Total cost of capital assets</b>	<b>472,439,075</b>	<b>8,999,313</b>	<b>(23,047,867)</b>	<b>458,390,521</b>
<b>Less: accumulated depreciation</b>				
Land improvements	766,586	72,387	(305,104)	533,869
Infrastructure	3,887,093	341,610	(1,095,660)	3,133,043
Buildings	196,898,994	9,621,304	(93,268)	206,427,030
Equipment	36,365,627	4,705,312	(20,380,759)	20,690,180
Library books	302,449	27,229	(227,189)	102,489
<b>Total accumulated depreciation</b>	<b>238,220,749</b>	<b>14,767,842</b>	<b>(22,101,980)</b>	<b>230,886,611</b>
<b>Capital assets, net</b>	<b>\$ 234,218,326</b>	<b>\$ (5,768,529)</b>	<b>\$ (945,887)</b>	<b>\$ 227,503,910</b>





The following table presents the changes in the capital asset class categories for the year ended June 30, 2019:

<b>CHANGES IN CAPITAL ASSETS</b>				
	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Disposals/ Transfers</b>	<b>Ending Balance</b>
<b>Nondepreciable capital assets</b>				
Land	\$ 9,962,548	\$ 800,000	\$ -	\$ 10,762,548
Mineral collections	6,221,172	-	-	6,221,172
Timber holdings	376,088	-	-	376,088
Construction in progress	1,475,727	6,590,512	(7,285,829)	780,410
<b>Cost of nondepreciable capital assets</b>	<b>18,035,535</b>	<b>7,390,512</b>	<b>(7,285,829)</b>	<b>18,140,218</b>
<b>Depreciable capital assets</b>				
Land improvements	1,368,679	370,404	-	1,739,083
Infrastructure	7,474,022	400,528	-	7,874,550
Buildings	385,659,059	6,514,897	-	392,173,956
Equipment	48,219,864	4,612,012	(685,121)	52,146,755
Library books	354,264	10,249	-	364,513
<b>Cost of depreciable capital assets</b>	<b>443,075,888</b>	<b>11,908,090</b>	<b>(685,121)</b>	<b>454,298,857</b>
<b>Total cost of capital assets</b>	<b>461,111,423</b>	<b>19,298,602</b>	<b>(7,970,950)</b>	<b>472,439,075</b>
<b>Less: accumulated depreciation</b>				
Land improvements	702,111	64,475	-	766,586
Infrastructure	3,566,369	320,724	-	3,887,093
Buildings	187,243,989	9,655,005	-	196,898,994
Equipment	32,047,864	4,864,450	(546,687)	36,365,627
Library books	273,866	28,583	-	302,449
<b>Total accumulated depreciation</b>	<b>223,834,199</b>	<b>14,933,237</b>	<b>(546,687)</b>	<b>238,220,749</b>
<b>Capital assets, net</b>	<b>\$ 237,277,224</b>	<b>\$ 4,365,365</b>	<b>\$ (7,424,263)</b>	<b>\$ 234,218,326</b>





**Construction in Progress**

One of the critical factors in continuing the quality of the University's academic programs, research programs, and residential life is the development and renewal of its capital assets. The University continues to maintain and amend its long-range capital plan to modernize its complement of older facilities balanced with new construction. Construction in progress reflects multiyear projects which, once completed and placed into service, are categorized as buildings, land improvements, and infrastructure. At June 30, construction in progress consisted of several building renovation projects and the costs of one new building as detailed below.

**CONSTRUCTION IN PROGRESS**

<b>Project</b>	<b>2020</b>	<b>2019</b>
McNair Residence Hall renovations	\$ -	\$ 97,000
Athletic Facilities upgrades	1,734,079	444,316
H-STEM Building planning	723,631	68,500
Elevator replacements	1,245,771	-
Infrastructure and other projects	287,879	170,594
<b>Total</b>	<b>\$ 3,991,360</b>	<b>\$ 780,410</b>

The estimate to complete the above construction projects approximated \$6.8 million at June 30, 2020. The expected sources of financing for these projects are private gifts and other University resources.





**(5) LINE OF CREDIT**

The University has an unused line of credit arrangement with one bank, under which it may borrow up to \$20 million. This agreement is set at variable rates of interest, based on the 30-day London Interbank Offered Rate ("LIBOR") plus 135 basis points. There were no amounts outstanding under the line of credit at June 30, 2020 and 2019. There are no restrictive covenants associated with this line of credit. The line of credit expires on October 15, 2022.

**(6) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES**

Accounts payable and other accrued liabilities of the University are summarized as follows as of June 30:

**ACCOUNTS PAYABLE**

	<b>2020</b>	<b>2019</b>
Vendors for supplies and services	\$ 2,790,163	\$ 4,272,131
Employee benefits	1,183,447	1,109,751
Construction payables	2,446,476	1,771,781
<b>Total accounts payable</b>	<b>\$ 6,420,086</b>	<b>\$ 7,153,663</b>

**OTHER ACCRUED LIABILITIES**

	<b>2020</b>	<b>2019</b>
Payroll and payroll taxes	\$ 8,506,790	\$ 8,083,876
Compensated absences	4,983,381	5,316,736
Deposits payable	1,123,754	955,087
<b>Total other accrued liabilities</b>	<b>\$ 14,613,925</b>	<b>\$ 14,355,699</b>



**(7) NONCURRENT LIABILITIES**

NONCURRENT LIABILITIES					
AS OF JUNE 30, 2020					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>General revenue bonds</b>					
General revenue and refunding bonds, 2008	\$ 5,090,000	\$ -	\$ 4,825,000	\$ 265,000	\$ 10,000
General revenue bonds, 2009A/2009B	14,750,000	-	445,000	14,305,000	465,000
General revenue bonds, 2010A	7,890,000	-	235,000	7,655,000	245,000
General revenue and refunding bonds, 2012A	26,350,000	-	1,365,000	24,985,000	1,415,000
General revenue refunding bonds, 2013A	11,235,000	-	665,000	10,570,000	690,000
General revenue bonds, 2015A	22,990,000	-	465,000	22,525,000	490,000
General revenue refunding bonds, 2020A	-	4,725,000	-	4,725,000	165,000
<b>Total bonds payable</b>	<b>88,305,000</b>	<b>4,725,000</b>	<b>8,000,000</b>	<b>85,030,000</b>	<b>3,480,000</b>
Bond premium	3,390,343	-	194,748	3,195,595	-
Capital lease	1,290,059	-	418,339	871,720	436,927
<b>Total debt</b>	<b>92,985,402</b>	<b>4,725,000</b>	<b>8,613,087</b>	<b>89,097,315</b>	<b>3,916,927</b>
<b>Other liabilities</b>					
Insurance reserves	940,371	17,920,160	17,527,775	1,332,756	1,332,756
Funds held for others	775,451	185,200	325,000	635,651	-
Annuity and pooled income obligations	6,041,568	517,886	783,862	5,775,592	385,279
<b>Total</b>	<b>\$ 100,742,792</b>	<b>\$ 23,348,246</b>	<b>\$ 27,249,724</b>	<b>\$ 96,841,314</b>	<b>\$ 5,634,962</b>
Due within one year				(5,634,962)	
<b>Total noncurrent liabilities (excluding net pension and OPEB liabilities)</b>				<b>\$ 91,206,352</b>	

NONCURRENT LIABILITIES					
AS OF JUNE 30, 2019					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>General revenue bonds</b>					
General revenue and refunding bonds, 2008	\$ 5,090,000	\$ -	\$ -	\$ 5,090,000	\$ 155,000
General revenue bonds, 2009A/2009B	15,180,000	-	430,000	14,750,000	445,000
General revenue bonds, 2010A	8,120,000	-	230,000	7,890,000	235,000
General revenue and refunding bonds, 2012A	27,660,000	-	1,310,000	26,350,000	1,365,000
General revenue refunding bonds, 2013A	12,025,000	-	790,000	11,235,000	665,000
General revenue bonds, 2015A	23,435,000	-	445,000	22,990,000	465,000
<b>Total bonds payable</b>	<b>91,510,000</b>	<b>-</b>	<b>3,205,000</b>	<b>88,305,000</b>	<b>3,330,000</b>
Bond premium	3,585,091	-	194,748	3,390,343	-
Capital lease	1,223,356	487,900	421,197	1,290,059	418,339
<b>Total debt</b>	<b>96,318,447</b>	<b>487,900</b>	<b>3,820,945</b>	<b>92,985,402</b>	<b>3,748,339</b>
<b>Other liabilities</b>					
Insurance reserves	925,640	14,731	-	940,371	940,371
Funds held for others	759,950	199,001	183,500	775,451	-
Annuity and pooled income obligations	5,788,476	800,286	547,194	6,041,568	428,477
<b>Total</b>	<b>\$ 103,792,513</b>	<b>\$ 1,501,918</b>	<b>\$ 4,551,639</b>	<b>\$ 100,742,792</b>	<b>\$ 5,117,187</b>
Due within one year				(5,117,187)	
<b>Total noncurrent liabilities (excluding net pension and OPEB liabilities)</b>				<b>\$ 95,625,605</b>	



## Bonds

The principal and interest on bonds are payable only from certain general revenues. The obligations are generally callable. Premiums on bonds payable are recorded in total and amortized over the life of the bonds using straight line amortization.

All bonds of the University, unless otherwise specified, have received an underlying rating of A1 from Moody's.

During fiscal year 2009, the University's Board of Trustees approved the issuance of General Revenue and Refunding Bonds, Series 2008 in the amount of \$15.88 million. The proceeds of this bond issue were used to refund the \$10 million of Series 1998 bonds outstanding with the remainder funding the remodeling of the Michigan Tech Lakeshore Center building, remodeling of the Memorial Union ballroom and providing initial construction funds for the Keweenaw Research Center. These bonds bear fixed interest rates at 3.0% to 5.25% and mature at various dates from October 2009 through October 2038. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture. Outstanding principal of \$11.55 million was refunded with the series 2013A bonds and outstanding principal of \$4.67 million was refunded with the series 2020a bonds.

During fiscal year 2010, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2009A and 2009B. The combined amount of bonds issued was \$18.235 million. Series 2009A, in the amount of \$17.885 million, was issued as taxable Build America Bonds. Under this federal program, 35% of the interest related to this bond issue in the principal and interest amounts due is anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of \$3.580 million with maturities of October 2011 through October 2019 and interest rates ranging from 2.58% to 5.30%. Two term bonds totaling \$14.305 million were also issued in this series. The first term bond in the amount of \$5.650 million matures in October 2029 and bears an interest rate of 6.44%. The second term bond in the amount of \$8.655 million matures in October 2039 and bears an interest rate of 6.69%. Series 2009B, issued as a tax-exempt bond in the amount of \$350,000 matured in October 2010. The proceeds of this bond issue were used to construct a student residential facility and for the construction of a new facility at the Keweenaw Research Center. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

During fiscal year 2011, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2010A in the amount of \$10.975 million. The Series 2010A bonds were issued as taxable Build America Bonds. Under this federal program, 35% of the interest related to this bond issue in the principal and interest amounts due is anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of \$2.855 million with maturities of October 2011 through October 2017 and interest rates ranging from 1.37% to 3.84%. Three term bonds totaling \$8.12 million were also issued in this series. The first term bond in the amount of \$2.085 million matures in October 2025 and bears an interest rate of 5.569%. The second term bond in the amount of \$1.66 million matures in October 2030 and bears an interest rate of 6.2%. The



third term bond in the amount of \$4.375 million matures in October 2040 and bears an interest rate of 6.55%. The proceeds of this bond issue were used to construct, acquire, and equip new research facilities and to construct and equip a new museum building. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as Aa3 by Moody's.

During fiscal year 2012, the University's Board of Trustees approved the issuance of General Revenue and Refunding Bonds, Series 2012A in the amount of \$33.070 million. The proceeds of this bond issue were used to partially refund Series 2003 bonds in the amount of \$3.965 million, to partially refund Series 2004 bonds in the amount of \$27.150 million with the remainder funding the replacement of the ice plant and rink slab in the hockey arena and partial replacement of the roof of the Student Development Center. The Series 2003 bonds refunded were called for redemption on April 1, 2013 and the Series 2004 bonds refunded were called for redemption on October 1, 2013 each at a redemption price equal to 100% of the principal amount plus accrued interest. The 2012A bond series consists of serial bonds in the amount of \$19.75 million with maturities of October 2012 through October 2027 and interest rates ranging from 3.0% to 5.0%. The issue also included two term bonds totaling \$13.32 million. The first term bond in the amount of \$5.32 million matures in October 2030 and bears an interest rate of 4.0%. The second term bond in the amount of \$8.0 million matures in October 2034 and bears an interest rate of 5.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as Aa3 by Moody's.

During fiscal year 2013, the University's Board of Trustees approved the issuance of General Revenue Refunding Bonds, Series 2013A in the amount of \$14.265 million. The proceeds of this bond issue were used to refund Series 2006 bonds in the amount of \$2.715 million and to partially refund Series 2008 bonds in the amount of \$11.550 million. The Series 2006 bonds to be refunded were called for redemption on April 1, 2016 at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date. Principal and interest on the Series 2008 bonds will be paid at maturity on October 1, 2016, October 1, 2017, and October 1, 2018, respectively. The advance refunding of the \$2.715 million of Series 2006 bonds and the \$11.550 million of Series 2008 bonds provided resources to purchase US

government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$14.265 million of refunded debt. The 2013A bond series consists of serial bonds in the amount of \$8.325 million with maturities of October 2013 through October 2026 and interest rates ranging from 2.0% to 5.0%. The issue also included three term bonds totaling \$5.940 million. The first term bond in the amount of \$2.200 million matures in October 2025 and bears an interest rate of 3.0%. The second term bond in the amount of \$2.470 million matures in October 2028 and bears an interest rate of 3.25%. The third term bond in the amount of \$1.270 million matures in October 2036 and bears an interest rate of 4.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

During fiscal year 2015, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2015A in the amount of \$24.295 million. The proceeds of this bond issue were used to





renovate Daniell Heights student apartments, construct a fuel storage tank facility, renovate a campus dining facility, upgrade information technology and safety systems, renovate a chemical storage facility and undergraduate laboratories, and renovate bathrooms in the McNair Hall dormitory. The bonds bear fixed interest rates ranging from 2.0% to 5.0%, and mature at various dates from October 2016 through October 2045. All bonds of this issuance are rated A1 by Moody's; \$8.605 million of the issuance are insured and rated AA by Standard & Poor's.

During fiscal year 2020, the University's Board of Trustees approved the issuance of General Revenue Refunding Bonds Series 2020A in the amount of \$4.725 million. The Series 2020A bonds bear a fixed interest rate of 2.190% and mature on October 1, 2038. The proceeds of this bond issue were used to refund certain portions of the outstanding Series 2008 bond in the aggregate principal amount of \$4.670 million, maturing on October 1 of the years 2020 (4.375% interest rate), 2023 (4.500% interest rate), 2028 (4.750% interest rate), and 2038 (5.000% interest rate). The refunded Series 2008 bonds were called for redemption on June 8, 2020. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

**PRINCIPAL AND INTEREST AMOUNTS DUE ON BONDED DEBT  
FOR FISCAL YEARS ENDING JUNE 30**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,480,000	\$ 3,960,508	\$ 7,440,508
2022	3,640,000	3,806,576	7,446,576
2023	3,800,000	3,630,539	7,430,539
2024	3,970,000	3,447,746	7,417,746
2025	4,155,000	3,256,726	7,411,726
<b>Total 5 years</b>	<b>19,045,000</b>	<b>18,102,095</b>	<b>37,147,095</b>
2026 to 2030	22,285,000	13,351,912	35,636,912
2031 to 2035	21,845,000	8,378,176	30,223,176
2036 to 2040	13,830,000	3,806,892	17,636,892
2041 to 2045	6,615,000	1,154,919	7,769,919
2046	1,410,000	35,250	1,445,250
<b>Total bonds</b>	<b>\$ 85,030,000</b>	<b>\$ 44,829,244</b>	<b>\$ 129,859,244</b>

**Capital and Operating Lease Obligations**

At June 30, 2020, the capitalized cost of equipment purchased under capital leases was \$730,348, and its net book value was \$326,748.

Commitments and related rental expenses for the University under operating leases with initial or remaining noncancelable lease terms in excess of one year as of and for the years ended June 30, 2020 and 2019 are insignificant.

**SCHEDULED MATURITIES OF CAPITAL LEASES  
FOR FISCAL YEARS ENDING JUNE 30**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 436,927	\$ 31,959	\$ 468,886
2022	325,897	12,527	338,424
2023	18,875	2,827	21,702
2024	19,408	2,294	21,702
2025	19,969	1,734	21,703
2026 to 2028	50,644	1,806	52,450
<b>Total lease payments</b>	<b>\$ 871,720</b>	<b>\$ 53,147</b>	<b>\$ 924,867</b>

**(8) INSURANCE****Self-Insurance**

The University is essentially self-insured for medical benefits claims, unemployment compensation, and workers' compensation. Stop-loss coverage has been purchased by the University for its workers' compensation coverage. Liabilities for estimates of losses retained by the University under self-insurance programs have been determined and accrued for and included in insurance and benefit reserves on the accompanying Statements of Net Position. Changes in the estimated liability for self-insured plans during the past two fiscal years are as follows:

**SELF-INSURED CLAIMS LIABILITY**

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 940,371	\$ 925,640
Claims incurred, including changes in estimates	17,927,775	14,731,317
Less: claims paid	(17,535,390)	(14,716,586)
<b>Balance, end of year</b>	<b>\$ 1,332,756</b>	<b>\$ 940,371</b>

**Liability and Property Insurance**

The University participates with eleven other Michigan universities in the Michigan Universities Self-Insurance Corporation ("MUSIC"). MUSIC's purpose is to provide indemnity to members against auto, comprehensive general liability, errors and omissions, and property losses commonly covered by insurance. Premiums are assessed annually for (1) insurance risks retained by MUSIC, (2) costs related to excess coverage, and (3) general and administrative expenses. MUSIC also provides risk-management and loss control services and programs.

Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer of losses, and commercial carriers covering the third layer.

Comprehensive general liability coverage is provided on a per-occurrence basis; errors and omissions coverage is provided on a claims-made basis. In the event of excess assets, MUSIC will return the surplus, credit the surplus toward future payments, or provide for increased coverage. Recommended reserves for both MUSIC and each member are actuarially determined on an annual basis. MUSIC will be self-sustaining through member payments and will purchase commercial coverage for claims in excess of established annual limits for each line of coverage. Members may fund their respective reserves as they deem appropriate.

**(9) POSTEMPLOYMENT BENEFITS****Retirement Plans**

The University has a defined contribution retirement plan and a defined benefit retirement plan for qualified employees. The defined benefit plan is closed to new participants, unless they were previously enrolled in the plan at the University or enrolled in the plan at one of the other six participating universities in Michigan.

**Defined Contribution Plan**

The University has a defined contribution plan with Teachers Insurance and Annuities Association College Retirement Equities Fund (TIAA-CREF) and Fidelity. Any regular employee who works in a position of half-time or greater is eligible to participate in the defined contribution plan.



Plan participants maintain individual investment accounts with TIAA-CREF and/or with Fidelity Investments. At June 30, 2020, the University had approximately 3,704 plan participants. Employees may also deposit supplemental retirement funds into 403(b) and/or 457(b) plans up to permissible limits. The University contributes a specified percentage of employee wages up to 7.5%, and has no liability beyond its own contribution. University contributions to this program are summarized in the Retirement Plan Contributions table for the years ended June 30.

**DEFINED CONTRIBUTION RETIREMENT PLAN CONTRIBUTIONS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
University contributions to TIAA-CREF/Fidelity	\$ 7,209,900	\$ 7,042,336	\$ 6,966,911
Payroll covered under TIAA-CREF/Fidelity	\$ 101,220,224	\$ 99,832,956	\$ 97,399,656

**Defined Benefit Plan**

The University contributes to the Michigan Public Schools Employees Retirement System (MPERS), a cost-sharing multi-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services. Benefit provisions are established and may be amended by state statute. Due to State of Michigan House Bill HB4047, University employees hired after December 31, 1995 can no longer participate in this retirement plan, unless they were previously enrolled in the plan at the University or one of the other six universities that are part of MPERS. The Office of Retirement Services (ORS) issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

University participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Defined Contribution	Defined Contribution	Open

The MIP includes additional subgroups based on hire date. The MIP Fixed plan includes members hired prior to January 1, 1990. The MIP Graded plan includes members first hired from January 1, 1990 through December 31, 1995. The MIP Plus plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the MIP 7% plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the Pension Plus plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (Basic 4%). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPERS on or after September 4, 2012 may elect to enroll in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.



## Benefits Provided

MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation multiplied by the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

<u>Plan Name</u>	<u>Eligibility Based on Years of Service</u>	<u>Vesting</u>
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or age 60 with 10 years	10 years
Defined Contribution	---	4 years

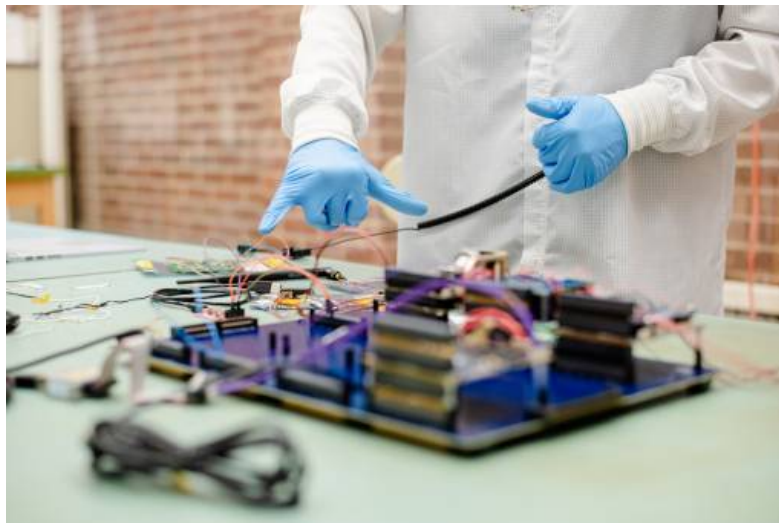
## Contributions

Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. Contribution rates are adjusted annually by the ORS. The rates from October 1 to September 30 are as follows:

<u>Fiscal Year Ended</u>	<u>Funded Portion</u>	<u>Unfunded Portion</u>
June 30, 2020	6.29%	19.74%
June 30, 2019	5.29%	19.74%

Depending on the plan selected, plan member contributions range from 0.0% to 7.0% of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The University's contributions to MPSERS under all pension plans as described above for the years ended June 30, 2020 and 2019 were \$5,635,665 and \$5,683,916, respectively, equal to the required contributions for each year.





**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020 and 2019, the University reported a liability of \$75.503 million and \$71.833 million respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 and 2017, respectively. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating universities, actuarially determined. At September 30, 2019 and 2018, the University's proportion (as calculated by MPSERS) was 11.27592% and 11.24088%, respectively.

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$8.832 million and \$14.050 million, respectively. At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to measurement date	\$ 4,322,626	\$ -
Rate stabilization appropriations received subsequent to the measurement date	-	462,831
Net difference between projected and actual earnings on pension plan investments	-	1,366,451
<b>Total</b>	<b>\$ 4,322,626</b>	<b>\$ 1,829,282</b>

	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 55,713
Changes of assumptions	576,176	-
Contributions subsequent to measurement date	4,592,388	-
Rate stabilization appropriations received subsequent to the measurement date	-	446,592
Changes in proportionate share and differences between contributions and proportionate share of contributions	22,952	6,617
Net difference between projected and actual earnings on pension plan investments	-	2,376,165
<b>Total</b>	<b>\$ 5,191,516</b>	<b>\$ 2,885,087</b>



The amount of deferred outflows of resources related to University contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending June 30, 2021. The amount of deferred inflows of resources related to rate stabilization appropriations received subsequent to the measurement date will be recognized as an increase in revenue for the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ (678,554)
2022	(734,542)
2023	(182,517)
2024	229,162
<b>Total</b>	<b><u><u>\$ (1,366,451)</u></u></b>

### Actuarial Assumptions

The total pension liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	2.75%
Salary increases	2.75% -- 11.55%, including wage inflation at 2.75%
Investment rate of return	6.80% (6% for the Pension-Plus 2 plan), net of pension plan investment expenses, including inflation
Cost of living adjustments	3.0% annual, non-compounded for MIP members

The mortality table used in this valuation was the RP-2014 Male and Female Healthy Annuitant Mortality Tables. For active members, 100% of the table rates were used. For retirees, 82% of the table rates were used for males and 78% of the table rates were used for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity pools	28.0%	5.5%
Private equity pools	18.0%	8.6%
International equity pools	16.0%	7.3%
Fixed income pools	10.5%	1.2%
Real estate and infrastructure pools	10.0%	4.2%
Absolute return pools	15.5%	5.4%
Short-term investment pools	2.0%	0.8%
<b>Total</b>	<b><u><u>100.0%</u></u></b>	



### Discount Rate

The discount rate used to measure the total pension liability was 6.80% for June 30, 2020 (7.05% for June 30, 2019). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the University's contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the University, calculated using the discount rate of 6.80% for fiscal year 2020 and 7.05% for fiscal year 2019, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

NET PENSION LIABILITY			
	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
<u>Fiscal Year</u> 2020	\$ 88,899,676	\$ 75,502,509	\$ 64,088,832
	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
<u>Fiscal Year</u> 2019	\$ 84,919,884	\$ 71,833,414	\$ 60,669,703

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### Other Postemployment Benefits

#### Plan Description

The University offers postemployment benefits to its retirees through a single-employer plan, administered by the University, and through a multi-employer cost sharing plan, administered by the State of Michigan.

#### Retiree Benefits Program

The University offers health coverage to its retirees and their covered dependents. The plan provides health, dental, and vision insurance benefits to eligible participants. To be eligible, a retiree from the University must be at least 60 years old and his or her years of service plus age must be equal to, or greater than, 80. Retirees are responsible for the full cost of insurance premiums which are set at COBRA rates. Prior to January 1, 2014, the University subsidized the insurance premium costs for retirees. The phasing-out of subsidies for new retirees occurred from January 1, 2007 to December 31, 2013. The OPEB liability recognized by the University is associated with retirees and covered dependents who continue to receive subsidized premiums.

#### MPSERS

MPSERS is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists

of twelve members—eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the ORS within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### **Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the MPSERS, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

### **Contributions**

#### *Retiree Benefits Program*

The contribution requirements of the plan members are established annually by the University. The required contribution is based on annual projected pay-as-you go financing requirements. Prior to 2007, the University utilized its COBRA rates as the full cost value of early retiree medical and dental benefits. Depending upon specific fiscal years of retirement, these non-Medicare retirees paid a certain percentage of this COBRA rate. Even for those early retirees where their contribution requirement was 100% of the COBRA rate, there was an implied subsidy as the age-adjusted full cost for pre-Medicare eligible retirees is significantly higher. Beginning in 2007, the University began a seven year phase out of the subsidy implied when utilizing the COBRA rates so that starting on January 1, 2014 retiree contributions

were established on the expected full cost of the retiree medical and dental plans (pre-Medicare and Medicare eligible populations). The University has not prefunded any of its OPEB liability, nor does it presently intend to prefund its OPEB liability. Therefore, as of June 30, 2019, the most recent actuarial valuation date, the Plan was 0% funded.

**MPSERS**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period for the 2019 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2020.

**OPEB CONTRIBUTION RATES**

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer (10/1/18 to 9/30/19)</u>	<u>Employer (10/1/19 to 9/30/20)</u>
Premium Subsidy	3.00%	6.42%	6.57%
Personal Healthcare Fund	0.00%	5.99%	5.99%

Required contributions to the OPEB plan from the University were \$1,466,062 and \$1,465,359 for the years ended June 30, 2020 and June 30, 2019, respectively.



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

#### Retiree Benefits Program

At June 30, 2020 and 2019, the University reported a liability of \$5,445,459 and \$6,019,259 respectively, for its Retiree Benefit Program. The net OPEB liability was measured as of June 30, 2020, rolled forward from a valuation date of July 1, 2019. Changes in the OPEB liability for the years ended June 30 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 6,019,259	\$ 6,077,123
Interest cost	203,034	226,484
Differences between expected and actual experience	(292,608)	-
Changes in assumptions	(47,634)	165,281
Benefit payments	(436,592)	(449,629)
Balance, end of year	<u>\$ 5,445,459</u>	<u>\$ 6,019,259</u>

On the above, there were no benefit changes. The decrease in the liability from June 30, 2019 to June 30, 2020 is due to the net impact of the changes in the trend, mortality assumptions and the removal of the excise tax which were largely offset by the decrease in the assumed discount rate from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

The below charts summarize the change in the plan fiduciary net position for the fiscal years ended June 30, and show the plan fiduciary net position as a percentage of net OPEB liability and the net OPEB liability as a percentage of covered payroll.

	<u>2020</u>	<u>2019</u>
Plan fiduciary net position, beginning of year	\$ -	\$ -
University contributions	436,592	449,629
Participant contributions	182,800	202,321
Benefit payments	(619,392)	(651,950)
Plan fiduciary net position, end of year	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability	\$ 5,445,459	\$ 6,019,259
Plan fiduciary net position as a percentage of net OPEB liability	0%	0%
University's covered payroll	\$ 132,557,288	\$ 133,097,512
Net OPEB liability as a percentage of covered payroll	4%	5%

The June 30, 2020 OPEB liability is based on participant census data as of July 1, 2019. The number of plan participants consisted of the following:

Retirees younger than 65 years old	2
Retirees 65 years old or older	<u>112</u>
Total inactive participants	<u>114</u>



### MPSERS

At June 30, 2020 and 2019, the University reported a liability of \$10,367,445 and \$13,395,226 respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018 and 2017, respectively. The University's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period. At September 30, 2019 and 2018, The University's proportion was 11.29560% and 11.29059% respectively.



For the years ended June 30, 2020 and June 30, 2019, the University recognized OPEB expense of (\$2,222,351) and (\$183,465) respectively. At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 640,269
Changes of assumptions	257,377	-
Net difference between projected and actual earnings on OPEB plan investments	-	319,434
Changes in proportion and differences between employer contributions and proportionate share of contributions	981	59
Employer contributions subsequent to the measurement date	1,158,122	-
<b>Total</b>	<b>\$ 1,416,480</b>	<b>\$ 959,762</b>

	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,053,909
Changes of assumptions	572,215	-
Net difference between projected and actual earnings on OPEB plan investments	-	763,205
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,072	5,038
Employer contributions subsequent to the measurement date	1,220,384	-
<b>Total</b>	<b>\$ 1,817,671</b>	<b>\$ 1,822,152</b>



Employer contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ (550,291)
2022	(168,321)
2023	(37,954)
2024	55,162
<b>Total</b>	<b><u>\$ (701,404)</u></b>

### Actuarial Assumptions

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 each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

#### SUMMARY OF ACTUARIAL ASSUMPTIONS

	<u>MPERS</u>	<u>Retiree Benefits Program</u>
Valuation Date	September 30, 2018	July 1, 2019
Actuarial Cost Method	Entry Age, Normal	Entry Age, Normal
Wage Inflation Rate	2.75%	N/A
Investment Rate of Return	6.95%	N/A
Projected Salary Increases	2.75 - 11.55%, including wage inflation at 2.75%	4.00%
Healthcare Cost Trend	7.5% Year 1 graded to 3.5% year 12	S&P Healthcare Economic Index and internal trend guidance
Mortality: Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projections scale MP-2017 from 2006.	Pri.H-2012 Fully Generational Scale MP headcount-weighted
Other Assumptions:		
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.	N/A
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.	N/A
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.	N/A



## Long-Term Expected Return on Plan Assets

### MPSERS

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity pools	28.0%	5.5%
Private equity pools	18.0%	8.6%
International equity pools	16.0%	7.3%
Fixed income pools	10.5%	1.2%
Real estate and infrastructure pools	10.0%	4.2%
Absolute return pools	15.5%	5.4%
Short-term investment pools	2.0%	0.8%
<b>Total</b>	<b>100.0%</b>	

## Rate of Return

### MPSERS

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



## Discount Rate

### Retiree Benefits Program

A discount rate of 2.21% was used to measure the total OPEB liability for June 30, 2020 (3.50% for June 30, 2019). The discount rate was determined using the interest rate reported under the 20-YEAR Municipal Bond Index on the last Friday prior to the June 30, 2019 measurement date.

### MPSERS

A discount rate of 6.95% was used to measure the total OPEB liability for June 30, 2020 (7.15% for June 30, 2019). This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

## Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 6.95% and 2.21% for fiscal year 2020 and 7.15% and 3.50% for fiscal year 2019, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	2020					
	1% Decrease		Current Discount Rate		1% Increase	
MPSERS	5.95%	\$ 13,028,027	6.95%	\$ 10,367,445	7.95%	\$ 8,102,601
Retiree Benefits Program	1.21%	5,885,816	2.21%	5,445,459	3.21%	5,062,200
<b>Total</b>		<b>\$ 18,913,843</b>		<b>\$ 15,812,904</b>		<b>\$ 13,164,801</b>
	2019					
	1% Decrease		Current Discount Rate		1% Increase	
MPSERS	6.15%	\$ 16,114,627	7.15%	\$ 13,395,226	8.15%	\$ 11,073,186
Retiree Benefits Program	2.50%	6,511,653	3.50%	6,019,259	4.50%	5,591,155
<b>Total</b>		<b>\$ 22,626,280</b>		<b>\$ 19,414,485</b>		<b>\$ 16,664,341</b>





### Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the University's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the University's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	<b>2020</b>		
	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
MPSERS	\$ 7,949,889	\$ 10,367,445	\$ 13,137,641
Retiree Benefits Program	5,018,787	5,445,459	5,926,161
<b>Total</b>	<b>\$ 12,968,676</b>	<b>\$ 15,812,904</b>	<b>\$ 19,063,802</b>

	<b>2019</b>		
	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
MPSERS	\$ 10,902,786	\$ 13,395,226	\$ 16,246,919
Retiree Benefits Program	5,483,977	6,019,259	6,625,568
<b>Total</b>	<b>\$ 16,386,763</b>	<b>\$ 19,414,485</b>	<b>\$ 22,872,487</b>

### OPEB Plan Fiduciary Net Position

Detailed information about the MPSERS OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### Retirement Supplemental Voluntary Plan

The University has a Retirement Supplemental Voluntary Plan (RSVP) to facilitate the voluntary retirement of eligible employees. The RSVP is not an early retirement program. The decision to retire is left to the discretion of the individual employee and remains entirely voluntary. However, if an employee decides to retire, the RSVP provides several options upon retirement: a monetary option; a phased retirement option; a combination of the monetary and phased retirement options; and a program for employment after retirement. The University recognizes the related costs in the year the employee decides to retire. There was no RSVP liability at June 30, 2020 and 2019.

### (10) COMMITMENTS AND CONTINGENCIES

The University has internally funded reserves for certain employee benefits. Accrued liabilities are generally based on actuarial valuations and represent the present value of unpaid expected claims, including estimates of claims incurred but not reported.

The University receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. University administration believes there is no liability for reimbursement which may arise as the result of audits.

The University has an arrangement with the State of Michigan and the SBA to finance a large portion of the Great Lakes Research Center. The arrangement is based upon a lease agreement that is signed by the University which stipulates that the SBA will hold title to the building and the State will make all the lease payments to the SBA on behalf of the University, and the University will pay all operating and maintenance costs. At the expiration of the lease, the SBA has agreed to sell the building to the University for \$1.

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.

## (11) FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

The University's operating expenses by functional classification were as follows for years ended June 30:

### OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

	<u>2020</u>	<u>2019</u>
Instruction	\$ 68,520,081	\$ 68,849,760
Research	59,159,329	60,969,147
Public service	9,768,499	11,163,433
Academic support	22,555,415	24,568,081
Student services	15,985,526	16,161,647
Institutional support	24,913,814	26,221,651
Operations and maintenance of plant	13,738,173	14,850,798
Student financial support	12,470,722	14,307,807
Departmental activities	6,838,574	8,514,434
Student residents	7,004,571	8,623,028
Depreciation	14,767,842	14,933,237
<b>Total</b>	<b><u>\$ 255,722,546</u></b>	<b><u>\$ 269,163,023</u></b>





## ***(12) EXTRAORDINARY ITEMS DUE TO FLOOD***

On June 17, 2018, Houghton County, Michigan experienced a massive rainfall event which produced flash flooding and caused substantial damage throughout the county. The University suffered flood damage to its five-story main administration building, affecting office space, mechanical areas, electrical equipment, and the campus mailroom and print shop. Other areas of campus were affected as well, although not as severely as the administration building. The facilities building, golf course retaining wall, and Keweenaw Research Center test course were all damaged by moving water, as was Mont Ripley, the University-owned ski hill, which suffered a resulting landslide that damaged snow-making equipment and destroyed two ski runs.

As required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the University recognized a loss on capital asset impairment of \$744,170 on the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2018. The June 2018 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence, and as such, the loss on capital asset impairment is shown as an extraordinary item due to flood on the Statements of Revenues, Expenses, and Changes in Net Position.

The University has received insurance recoveries and FEMA funding to restore or replace the impaired capital assets and to recover other costs associated with flood damages. Damages not covered under the University's insurance policies are eligible for FEMA funding that is being passed-through the State of Michigan. Under the State of Michigan's Public Assistance Grant Program, the University will be responsible for a 25% cost share.

During fiscal year 2020, the University incurred \$1,079,909 in expenses associated with flood damages and recognized \$1,756,903 in insurance recoveries, netting to a \$676,994 extraordinary item due to flood. During fiscal year 2019, the University incurred \$1,993,000 in expenses associated with flood damages and recognized \$2,500,000 in insurance recoveries (\$1,500,000 of which was recorded as a receivable at June 30, 2019), netting to a \$507,000 extraordinary item due to flood.

## ***(13) IMPACT OF COVID-19***

On March 13, 2020, the President of the United States of America issued a proclamation, "Declaring a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak." On March 10, 2020, the governor of the State of Michigan issued executive order 2020-04 declaring a state of emergency due to COVID-19 and on March 23 issued a statewide stay-at-home order to fight the outbreak of COVID-19. Effective Monday, March 16, 2020, the University suspended face-to-face instruction for lecture and discussion classes and moved to online or remote instruction for the balance of spring semester 2020. Summer semester instruction was also online or remote. Effective March 18, 2020, many faculty and staff began working from home and then on March 23, 2020, all but essential workers moved to working from home. The following represent some of the impacts of COVID-19 on University operations and the financial statements.

### **Auxiliary Operations - Housing & Meal Plan Refunds**

University housing and campus dining remained open through the spring semester to accommodate students who were not able to move off campus. Students electing to move out of University housing between March 18, 2020 and April 12, 2020 were given a credit of \$1,100, which they could receive as a refund or apply to fall 2020 room and board charges. The University refunded housing and meal plans in the total amount of \$2,159,300 related to the spring semester 2020.

### CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress and signed into law to provide economic relief from COVID-19. The University received the following grants under the CARES Act through the US Department of Education:

- \$2,302,890 Student Portion of the Higher Education Emergency Relief Fund
- \$2,302,889 Institutional Portion of the Higher Education Emergency Relief Fund

The Higher Education Emergency Relief Funding provided funding to universities to use for emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. As of June 30, 2020, the University had awarded grants totaling \$40,269 to students. This is included in nonoperating revenues on the Statement of Revenues, Expenses, and Change in Net Position.

The Higher Education Emergency Relief Funds are awarded under Section 18004(a)(1) of the CARES Act. There is a requirement that of the combined funds, at the end of the grant period, at least 50 percent must be used for emergency financial aid grants to students. As a result of this grant condition at June 30, 2020, the University is only able to recognize revenue from the Institutional Portion equal to the amount recognized for the Student Portion. Accordingly, the University recognized \$40,269 of revenue which is included in nonoperating revenues on the Statement of Revenues, Expenses, and Change in Net Position.

### State Appropriations - CARES Act Pass Through Funds

On July 22, 2020, the State of Michigan passed Senate Bill 373 which reduced the state appropriations funding for the University for the fiscal year ended June 30, 2020 by \$5,615,100. Accordingly, the accounts receivable, net on the Statement of Net Position and the state appropriations nonoperating revenue on the Statement of Revenues, Expenses, and Changes in Net Position, have been reduced to reflect that subsequent reduction.

At that same time, the State allocated \$5,615,100 from the federal funding awarded to the State under the CARES Act to the University. Since that award was made after June 30, 2020, no revenue from that allocation can be reflected in the University's financial statements as of and for the fiscal year ended June 30, 2020. The federal pass through funding has the same restrictions as noted in the CARES Act for the funds awarded to the State. During the fiscal year ended June 30, 2021, the University will be able to recognize revenue from the pass-through funds equal to allowable expenditures incurred between March 1 and December 31, 2020.

### Accounting Standards Delayed

GASB and the Financial Accounting Standards Board (FASB) each delayed the effective implementation dates of select accounting and financial reporting standards that would have been effective initially for the fiscal year ended June 30, 2020 for the University. The University elected to delay implementation of those standards.





# REQUIRED SUPPLEMENTARY INFORMATION

## MPSERS Cost-sharing Multiple Employer Plan

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY						
	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	11.27592%	11.24088%	11.26247%	11.20220%	10.00520%	9.64907%
University's proportionate share of the net pension liability	\$75,502,509	\$71,833,414	\$ 64,788,673	\$ 62,759,225	\$ 54,888,547	\$ 36,194,241
University's covered payroll	\$24,004,000	\$23,533,179	\$ 23,879,000	\$ 8,943,572	\$ 9,118,081	\$ 9,156,216
University's proportionate share of the net pension liability as a percentage of its covered payroll	314.54%	305.24%	271.32%	701.72%	601.97%	252.97%
Plan fiduciary net position as a percentage of the total pension liability	44.24%	45.87%	47.42%	46.77%	47.45%	63.00%

SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS						
	2020	2019	2018	2017	2016	2015
Contractually required pension contributions	\$ 5,635,665	\$ 5,683,916	\$ 4,919,399	\$ 4,283,370	\$ 4,150,666	\$ 3,395,404
Contributions in relation to the contractually required contribution	\$ 5,635,665	\$ 5,683,916	\$ 4,919,399	\$ 4,283,370	\$ 4,150,666	\$ 3,395,404
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$24,364,060	\$23,886,295	\$23,619,500	\$ 8,526,091	\$ 8,606,261	\$ 8,877,145
Contributions as a percentage of covered payroll	23.13%	23.80%	20.83%	50.24%	48.23%	38.25%

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY			
	2020	2019	2018
University's proportion of the net OPEB liability	11.29560%	11.29059%	11.22486%
University's proportionate share of the net OPEB liability	\$10,367,445	\$13,395,226	\$ 15,973,138
University's covered payroll	\$24,004,000	\$23,533,179	\$ 23,879,000
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	43.19%	56.92%	66.89%
Plan fiduciary net position as a percentage of the total OPEB liability	61.07%	51.90%	44.11%

SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS			
	2020	2019	2018
Contractually required OPEB contributions	\$ 1,466,062	\$ 1,465,359	\$ 1,608,346
Contributions in relation to the contractually required contribution	\$ 1,466,062	\$ 1,465,359	\$ 1,608,346
Contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered payroll	\$24,364,060	\$23,886,295	\$23,619,500
Contributions as a percentage of covered payroll	6.02%	6.13%	6.81%

### Notes to Required Supplementary Information

The amounts presented for the fiscal year in the above Schedule of the University's Proportionate Share of the Net Pension and OPEB Liability were determined as of September 30 of the preceding year.

GASB 68 was implemented in fiscal year 2015 and GASB 75 was implemented in fiscal year 2018. These schedules are being built prospectively. Ultimately, 10 years of data will be presented.

Changes of benefit terms: There were no changes of benefit terms from 2015 to 2020.

Changes of assumptions:

*Pension:* The discount rate was reduced to 6.85% for the September 30, 2019 valuation from 7.05% at September 30, 2018. In addition, the September 30, 2017 discount rate was reduced from 8.00%, which was the discount rate for the years ending September 30, 2016, 2015, and 2014.

*OPEB:* The discount rate was reduced to 6.95% for the September 30, 2019 valuation from 7.15% at September 30, 2018, which was reduced from 7.50% at September 30, 2017.

The required supplementary information for the University's Retiree Benefits Program is included in Footnote 9, Postemployment Benefits, of this document.



# SUPPLEMENTARY *INFORMATION*





MICHIGAN TECHNOLOGICAL UNIVERSITY  
SCHEDULE OF NET POSITION BY FUND AT JUNE 30, 2020

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Michigan Tech Fund	Eliminations	Combined Total 2020	Combined Total 2019
<b>Assets</b>													
<b>Current assets:</b>													
Cash and cash equivalents	\$ (13,798,484)	\$ 21,817,254	\$ 4,500,273	\$ (9,162,208)	\$ 2,459,987	\$ 5,816,822	\$ 2,470,733	\$ 7,698,111	\$ 3,387,098	\$ 10,170,945	\$ -	\$ 29,543,709	\$ 26,429,190
Accounts receivable, net	4,672,308	9,935	269,332	25,662	9,324,850	14,302,087	-	70,751	128,471	-	(10,367)	14,490,942	19,884,566
Insurance receivable	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000
Pledges receivable, net	-	-	-	-	-	-	-	-	-	849,449	-	849,449	923,492
Other assets	331,213	13,525	1,078,404	530,923	-	1,954,065	-	-	-	15,006	-	1,969,071	2,274,273
<b>Total current assets</b>	<b>(8,794,963)</b>	<b>21,840,714</b>	<b>5,848,009</b>	<b>(8,605,623)</b>	<b>11,784,837</b>	<b>22,072,974</b>	<b>2,470,733</b>	<b>7,768,862</b>	<b>3,515,569</b>	<b>11,035,400</b>	<b>(10,367)</b>	<b>46,853,171</b>	<b>51,011,521</b>
<b>Noncurrent assets:</b>													
Student loans receivable, net	-	-	-	-	-	-	7,958,867	-	-	-	-	7,958,867	9,717,147
Pledges receivable, net	-	-	-	-	-	-	-	-	-	798,115	-	798,115	1,712,253
Restricted cash for capital projects	-	-	-	-	-	-	-	99,422	-	-	-	99,422	77,304
Investments	15,615,806	-	-	22,154,807	-	37,770,613	-	-	-	139,991,855	-	177,762,468	175,235,888
Beneficial interest in charitable remainder trusts	-	-	-	-	-	-	-	-	-	6,110,969	-	6,110,969	6,273,104
Land held for investment	-	-	-	-	-	-	-	9,724,597	-	165,000	-	9,889,597	9,943,597
Capital assets, net	-	-	-	-	-	-	-	227,503,910	-	-	-	227,503,910	234,218,326
Other assets	-	-	-	-	-	-	-	978,544	-	1,521,346	(485,000)	2,014,890	2,001,305
<b>Total noncurrent assets</b>	<b>15,615,806</b>	<b>-</b>	<b>-</b>	<b>22,154,807</b>	<b>-</b>	<b>37,770,613</b>	<b>7,958,867</b>	<b>238,306,473</b>	<b>-</b>	<b>148,587,285</b>	<b>(485,000)</b>	<b>432,138,238</b>	<b>439,178,924</b>
<b>Total assets</b>	<b>6,820,843</b>	<b>21,840,714</b>	<b>5,848,009</b>	<b>13,549,184</b>	<b>11,784,837</b>	<b>59,843,587</b>	<b>10,429,600</b>	<b>246,075,335</b>	<b>3,515,569</b>	<b>159,622,685</b>	<b>(495,367)</b>	<b>478,991,409</b>	<b>490,190,445</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,739,106</b>	<b>-</b>	<b>5,739,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,739,106</b>	<b>7,009,187</b>
<b>Liabilities</b>													
<b>Current liabilities</b>													
Accounts payable	1,193,244	366,131	260,367	1,183,447	738,800	3,741,989	-	2,446,476	89,957	152,031	(10,367)	6,420,086	7,153,663
Other accrued liabilities	6,069,633	-	132,038	4,985,184	-	11,186,855	-	1,458	3,425,612	-	-	14,613,925	14,355,699
Unearned revenue	139,138	-	795,300	-	4,715,151	5,649,589	-	206,250	-	-	-	5,855,839	5,828,342
Annuity obligations, current portion	-	-	-	-	-	-	-	-	-	385,279	-	385,279	428,477
Insurance and benefit reserves, current portion	-	-	-	1,332,756	-	1,332,756	-	-	-	-	-	1,332,756	940,371
Long-term debt, current portion	-	-	-	-	-	-	-	3,916,927	-	-	-	3,916,927	3,748,339
<b>Total current liabilities</b>	<b>7,402,015</b>	<b>366,131</b>	<b>1,187,705</b>	<b>7,501,387</b>	<b>5,453,951</b>	<b>21,911,189</b>	<b>-</b>	<b>6,571,111</b>	<b>3,515,569</b>	<b>537,310</b>	<b>(10,367)</b>	<b>32,524,812</b>	<b>32,454,891</b>
<b>Noncurrent liabilities</b>													
Funds held for others	635,651	485,000	-	-	-	1,120,651	-	-	-	-	(485,000)	635,651	775,451
Annuity obligations, net of current portion	-	-	-	-	-	-	-	-	-	5,390,313	-	5,390,313	5,613,091
Long-term debt, net of current portion	-	-	-	-	-	-	-	85,180,388	-	-	-	85,180,388	89,237,063
Net pension liability	-	-	-	75,502,509	-	75,502,509	-	-	-	-	-	75,502,509	71,833,414
Net OPEB liability	-	-	-	15,812,904	-	15,812,904	-	-	-	-	-	15,812,904	19,414,485
<b>Total noncurrent liabilities</b>	<b>635,651</b>	<b>485,000</b>	<b>-</b>	<b>91,315,413</b>	<b>-</b>	<b>92,436,064</b>	<b>-</b>	<b>85,180,388</b>	<b>-</b>	<b>5,390,313</b>	<b>(485,000)</b>	<b>182,521,765</b>	<b>186,873,504</b>
<b>Total liabilities</b>	<b>8,037,666</b>	<b>851,131</b>	<b>1,187,705</b>	<b>98,816,800</b>	<b>5,453,951</b>	<b>114,347,253</b>	<b>-</b>	<b>91,751,499</b>	<b>3,515,569</b>	<b>5,927,623</b>	<b>(495,367)</b>	<b>215,046,577</b>	<b>219,328,395</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,789,044</b>	<b>-</b>	<b>2,789,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,789,044</b>	<b>4,707,239</b>
<b>Net position</b>													
Net investment in capital assets	-	-	-	-	-	-	-	138,086,386	-	-	-	138,086,386	141,106,255
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	-	-	104,236,751	-	104,236,751	99,051,271
Expendable	(517)	-	70,621	-	6,330,886	6,400,990	10,710,918	12,275,878	-	41,072,805	-	70,460,591	73,420,432
Unrestricted (deficit)	(1,216,306)	20,989,583	4,589,683	(82,317,554)	-	(57,954,594)	(281,318)	3,961,572	-	8,385,506	-	(45,888,834)	(40,413,960)
<b>Total net position</b>	<b>\$ (1,216,823)</b>	<b>\$ 20,989,583</b>	<b>\$ 4,660,304</b>	<b>\$ (82,317,554)</b>	<b>\$ 6,330,886</b>	<b>\$ (51,553,604)</b>	<b>\$ 10,429,600</b>	<b>\$ 154,323,836</b>	<b>\$ -</b>	<b>\$ 153,695,062</b>	<b>\$ -</b>	<b>\$ 266,894,894</b>	<b>\$ 273,163,998</b>

# 2020 Financial Report

**MICHIGAN TECHNOLOGICAL UNIVERSITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY OBJECT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech		2020	2019
									Fund	Eliminations		
<b>Revenues</b>												
<b>Operating revenues</b>												
Student tuition and fees, net	\$ 141,455,582	\$ 900	\$ 1,153,625	\$ -	\$ 17,841	\$ 142,627,948	\$ -	\$ -	\$ -	\$ (41,545,008)	\$ 101,082,940	\$ 102,821,248
Federal grants and contracts	41,633	-	-	-	27,658,341	27,699,974	(2,585,315)	-	-	-	25,114,659	28,842,208
State and local grants and contracts	-	-	-	-	4,076,024	4,076,024	-	-	-	-	4,076,024	4,377,969
Nongovernmental grants and contracts	-	-	-	-	20,445,108	20,445,108	-	-	-	-	20,445,108	18,796,611
Indirect cost recoveries	14,393,214	-	-	-	(14,393,214)	-	-	-	-	-	-	-
Educational activities	427,651	2,138,147	594,327	-	482,963	3,643,088	84	-	-	-	3,643,172	5,363,254
Departmental activities	49,626	72,802	8,758,352	(16)	1,805	8,882,569	-	50,901	-	-	8,933,470	9,734,257
Student residence fees, net	-	-	26,119,247	-	-	26,119,247	-	32,702	-	(8,120,273)	18,031,676	18,820,637
<b>Total operating revenues</b>	<b>156,367,706</b>	<b>2,211,849</b>	<b>36,625,551</b>	<b>(16)</b>	<b>38,288,868</b>	<b>233,493,958</b>	<b>(2,585,231)</b>	<b>83,603</b>	<b>-</b>	<b>(49,665,281)</b>	<b>181,327,049</b>	<b>188,756,184</b>
<b>Expenses</b>												
<b>Operating expenses</b>												
Salaries and wages	93,056,715	6,964,701	8,757,939	3,309,311	20,345,353	132,434,019	-	5,062	-	-	132,439,081	132,984,061
Fringe benefits	32,950,564	1,919,794	2,544,682	(265,656)	4,748,543	41,897,927	-	659	-	-	41,898,586	45,852,086
Supplies and services	14,219,795	6,578,373	13,864,858	1,330,333	14,140,734	50,134,093	66,406	5,604,340	12,201,478	(18,933,284)	49,073,033	55,035,855
Student financial support	49,280,430	557,629	2,991	-	11,064,345	60,905,395	-	-	2,524,897	(52,190,178)	11,240,114	13,567,107
Utilities	3,841,790	199,868	2,232,261	3,046	26,925	6,303,890	-	-	-	-	6,303,890	6,790,677
Depreciation	-	-	-	-	-	-	-	14,767,842	-	-	14,767,842	14,933,237
<b>Total operating expenses</b>	<b>193,349,294</b>	<b>16,220,365</b>	<b>27,402,731</b>	<b>4,377,034</b>	<b>50,325,900</b>	<b>291,675,324</b>	<b>66,406</b>	<b>20,377,903</b>	<b>14,726,375</b>	<b>(71,123,462)</b>	<b>255,722,546</b>	<b>269,163,023</b>
<b>Operating (loss) income</b>	<b>(36,981,588)</b>	<b>(14,008,516)</b>	<b>9,222,820</b>	<b>(4,377,050)</b>	<b>(12,037,032)</b>	<b>(58,181,366)</b>	<b>(2,651,637)</b>	<b>(20,294,300)</b>	<b>(14,726,375)</b>	<b>21,458,181</b>	<b>(74,395,497)</b>	<b>(80,406,839)</b>
<b>Net transfers (out) in Nonoperating revenues (expenses)</b>	<b>(18,218,185)</b>	<b>12,777,754</b>	<b>(10,566,662)</b>	<b>1,350,220</b>	<b>4,298,051</b>	<b>(10,358,822)</b>	<b>(501,997)</b>	<b>10,860,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Federal Pell grants	-	-	-	-	5,383,769	5,383,769	-	-	-	-	5,383,769	6,293,211
Federal grants, other	-	-	-	-	-	-	-	583,526	-	-	583,526	483,764
Federal CARES Act program grants	-	-	-	-	80,538	80,538	-	-	-	-	80,538	-
State appropriations	44,953,000	-	-	-	-	44,953,000	-	-	-	-	44,953,000	49,949,600
Gifts	4,407,918	3,814,059	260,040	-	4,175,464	12,657,481	-	-	6,563,448	(12,618,972)	6,601,957	11,904,921
Investment return	591,500	-	-	1,639,469	349	2,231,318	290,695	1,204	5,148,169	-	7,671,386	6,211,502
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,123,654)	-	-	(4,123,654)	(4,218,557)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(75,492)	(75,492)	(138,434)
<b>Net nonoperating revenues (expenses)</b>	<b>49,952,418</b>	<b>3,814,059</b>	<b>260,040</b>	<b>1,639,469</b>	<b>9,640,120</b>	<b>65,306,106</b>	<b>290,695</b>	<b>(3,538,924)</b>	<b>11,711,617</b>	<b>(12,694,464)</b>	<b>61,075,030</b>	<b>70,486,007</b>
<b>Income (loss) before other revenues</b>	<b>(5,247,355)</b>	<b>2,583,297</b>	<b>(1,083,802)</b>	<b>(1,387,361)</b>	<b>1,901,139</b>	<b>(3,234,082)</b>	<b>(2,862,939)</b>	<b>(12,972,405)</b>	<b>(3,014,758)</b>	<b>8,763,717</b>	<b>(13,320,467)</b>	<b>(9,920,832)</b>
<b>Other revenues</b>												
Capital grants and gifts	-	-	-	-	-	-	-	1,025,052	730,070	(954,790)	800,332	1,721,462
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	5,467,724	-	5,467,724	2,575,646
Other nonoperating revenues	-	-	-	-	-	-	-	-	106,313	-	106,313	94,427
Fund additions	-	-	-	-	-	-	-	7,808,927	-	(7,808,927)	-	-
<b>Total other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,833,979</b>	<b>6,304,107</b>	<b>(8,763,717)</b>	<b>6,374,369</b>	<b>4,391,535</b>
<b>Net extraordinary items due to flood</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(132,121)</b>	<b>-</b>	<b>(132,121)</b>	<b>-</b>	<b>809,115</b>	<b>-</b>	<b>-</b>	<b>676,994</b>	<b>507,000</b>
<b>Net increase (decrease) in net position</b>	<b>(5,247,355)</b>	<b>2,583,297</b>	<b>(1,083,802)</b>	<b>(1,519,482)</b>	<b>1,901,139</b>	<b>(3,366,203)</b>	<b>(2,862,939)</b>	<b>(3,329,311)</b>	<b>3,289,349</b>	<b>-</b>	<b>(6,269,104)</b>	<b>(5,022,297)</b>
Net position, beginning of year	4,030,532	18,406,286	5,744,106	(80,798,072)	4,429,747	(48,187,401)	13,292,539	157,653,147	150,405,713	-	273,163,998	278,186,295
<b>Net position, end of year</b>	<b>\$ (1,216,823)</b>	<b>\$ 20,989,583</b>	<b>\$ 4,660,304</b>	<b>\$ (82,317,554)</b>	<b>\$ 6,330,886</b>	<b>\$ (51,553,604)</b>	<b>\$ 10,429,600</b>	<b>\$ 154,323,836</b>	<b>\$ 153,695,062</b>	<b>\$ -</b>	<b>\$ 266,894,894</b>	<b>\$ 273,163,998</b>



**MICHIGAN TECHNOLOGICAL UNIVERSITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2020**

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	2020	2019
<b>Revenues</b>												
<b>Operating revenues</b>												
Student tuition and fees, net	\$ 141,455,582	\$ 900	\$ 1,153,625	\$ -	\$ 17,841	\$ 142,627,948	\$ -	\$ -	\$ -	\$ (41,545,008)	\$ 101,082,940	\$ 102,821,248
Federal grants and contracts	41,633	-	-	-	27,658,341	27,699,974	(2,585,315)	-	-	-	25,114,659	28,842,208
State and local grants and contracts	-	-	-	-	4,076,024	4,076,024	-	-	-	-	4,076,024	4,377,969
Nongovernmental grants and contracts	-	-	-	-	20,445,108	20,445,108	-	-	-	-	20,445,108	18,796,611
Indirect cost recoveries	14,393,214	-	-	-	(14,393,214)	-	-	-	-	-	-	-
Educational activities	427,651	2,138,147	594,327	-	482,963	3,643,088	84	-	-	-	3,643,172	5,363,254
Departmental activities	49,626	72,802	8,758,352	(16)	1,805	8,882,569	-	50,901	-	-	8,933,470	9,734,257
Student residence fees, net	-	-	26,119,247	-	-	26,119,247	-	32,702	-	(8,120,273)	18,031,676	18,820,637
<b>Total operating revenues</b>	<b>156,367,706</b>	<b>2,211,849</b>	<b>36,625,551</b>	<b>(16)</b>	<b>38,288,868</b>	<b>233,493,958</b>	<b>(2,585,231)</b>	<b>83,603</b>	<b>-</b>	<b>(49,665,281)</b>	<b>181,327,049</b>	<b>188,756,184</b>
<b>Expenses</b>												
<b>Operating expenses</b>												
Instruction	66,556,034	2,286,623	-	(185,792)	132,136	68,789,001	-	-	-	(268,920)	68,520,081	68,849,760
Research	17,803,442	9,968,301	-	(139,344)	33,330,450	60,962,849	-	-	-	(1,803,520)	59,159,329	60,969,147
Public service	1,496,206	431,218	-	(17,418)	8,143,475	10,053,481	-	-	-	(284,982)	9,768,499	11,163,433
Academic support	21,740,851	767,507	-	(63,866)	784	22,445,276	-	-	-	110,139	22,555,415	24,568,081
Student services	9,527,341	1,075,452	5,089,531	(34,836)	147,147	15,804,635	-	-	-	180,891	15,985,526	16,161,647
Institutional support	19,889,109	464,984	-	4,595,182	18,088	24,967,363	-	97,828	12,201,478	(12,352,855)	24,913,814	26,221,651
Student financial support	45,395,506	-	-	-	8,553,820	53,949,326	66,406	-	2,524,897	(44,069,907)	12,470,722	14,307,807
Operations and maintenance of plant	10,940,805	1,226,280	-	252,138	-	12,419,223	-	5,512,233	-	(4,193,283)	13,738,173	14,850,798
Sales and services of dept activities	-	-	-	-	-	-	-	-	-	6,838,574	6,838,574	8,514,434
Student residents	-	-	22,313,200	(29,030)	-	22,284,170	-	-	-	(15,279,599)	7,004,571	8,623,028
Depreciation	-	-	-	-	-	-	-	14,767,842	-	-	14,767,842	14,933,237
<b>Total operating expenses</b>	<b>193,349,294</b>	<b>16,220,365</b>	<b>27,402,731</b>	<b>4,377,034</b>	<b>50,325,900</b>	<b>291,675,324</b>	<b>66,406</b>	<b>20,377,903</b>	<b>14,726,375</b>	<b>(71,123,462)</b>	<b>255,722,546</b>	<b>269,163,023</b>
<b>Operating (loss) income</b>	<b>(36,981,588)</b>	<b>(14,008,516)</b>	<b>9,222,820</b>	<b>(4,377,050)</b>	<b>(12,037,032)</b>	<b>(58,181,366)</b>	<b>(2,651,637)</b>	<b>(20,294,300)</b>	<b>(14,726,375)</b>	<b>21,458,181</b>	<b>(74,395,497)</b>	<b>(80,406,839)</b>
<b>Net transfers (out) in</b>	<b>(18,218,185)</b>	<b>12,777,754</b>	<b>(10,566,662)</b>	<b>1,350,220</b>	<b>4,298,051</b>	<b>(10,358,822)</b>	<b>(501,997)</b>	<b>10,860,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Nonoperating revenues (expenses)</b>												
Federal Pell grants	-	-	-	-	5,383,769	5,383,769	-	-	-	-	5,383,769	6,293,211
Federal grants, other	-	-	-	-	-	-	-	583,526	-	-	583,526	483,764
Federal CARES Act program grants	-	-	-	-	80,538	80,538	-	-	-	-	80,538	-
State appropriations	44,953,000	-	-	-	-	44,953,000	-	-	-	-	44,953,000	49,949,600
Gifts	4,407,918	3,814,059	260,040	-	4,175,464	12,657,481	-	-	6,563,448	(12,618,972)	6,601,957	11,904,921
Investment return	591,500	-	-	1,639,469	349	2,231,318	290,695	1,204	5,148,169	-	7,671,386	6,211,502
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,123,654)	-	-	(4,123,654)	(4,218,557)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(75,492)	(75,492)	(138,434)
<b>Net nonoperating revenues (expenses)</b>	<b>49,952,418</b>	<b>3,814,059</b>	<b>260,040</b>	<b>1,639,469</b>	<b>9,640,120</b>	<b>65,306,106</b>	<b>290,695</b>	<b>(3,538,924)</b>	<b>11,711,617</b>	<b>(12,694,464)</b>	<b>61,075,030</b>	<b>70,486,007</b>
<b>Income (loss) before other revenues</b>	<b>(5,247,355)</b>	<b>2,583,297</b>	<b>(1,083,802)</b>	<b>(1,387,361)</b>	<b>1,901,139</b>	<b>(3,234,082)</b>	<b>(2,862,939)</b>	<b>(12,972,405)</b>	<b>(3,014,758)</b>	<b>8,763,717</b>	<b>(13,320,467)</b>	<b>(9,920,832)</b>
<b>Other revenues</b>												
Capital grants and gifts	-	-	-	-	-	-	-	1,025,052	730,070	(954,790)	800,332	1,721,462
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	5,467,724	-	5,467,724	2,575,646
Other nonoperating revenues	-	-	-	-	-	-	-	-	106,313	-	106,313	94,427
Fund additions	-	-	-	-	-	-	-	7,808,927	-	(7,808,927)	-	-
<b>Total other revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,833,979</b>	<b>6,304,107</b>	<b>(8,763,717)</b>	<b>6,374,369</b>	<b>4,391,535</b>
<b>Net extraordinary items due to flood</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(132,121)</b>	<b>-</b>	<b>(132,121)</b>	<b>-</b>	<b>809,115</b>	<b>-</b>	<b>-</b>	<b>676,994</b>	<b>507,000</b>
<b>Net increase (decrease) in net position</b>	<b>(5,247,355)</b>	<b>2,583,297</b>	<b>(1,083,802)</b>	<b>(1,519,482)</b>	<b>1,901,139</b>	<b>(3,366,203)</b>	<b>(2,862,939)</b>	<b>(3,329,311)</b>	<b>3,289,349</b>	<b>-</b>	<b>(6,269,104)</b>	<b>(5,022,297)</b>
Net position, beginning of year	4,030,532	18,406,286	5,744,106	(80,798,072)	4,429,747	(48,187,401)	13,292,539	157,653,147	150,405,713	-	273,163,998	278,186,295
<b>Net position, end of year</b>	<b>\$ (1,216,823)</b>	<b>\$ 20,989,583</b>	<b>\$ 4,660,304</b>	<b>\$ (82,317,554)</b>	<b>\$ 6,330,886</b>	<b>\$ (51,553,604)</b>	<b>\$ 10,429,600</b>	<b>\$ 154,323,836</b>	<b>\$ 153,695,062</b>	<b>\$ -</b>	<b>\$ 266,894,894</b>	<b>\$ 273,163,998</b>

# 2020 FINANCIAL REPORT



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