

GRAND VALLEY STATE UNIVERSITY



Annual Financial Report 2024

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Grand Valley State University

**Financial Report
with Additional Information
June 30, 2024**

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Independent Auditor's Report

To the Board of Trustees
Grand Valley State University

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Grand Valley State University (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise Grand Valley State University's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of Grand Valley State University as of June 30, 2024 and 2023 and the changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Grand Valley University Foundation, a blended component unit, was not audited under Government Auditing Standards.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

To the Board of Trustees
Grand Valley State University

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Additional Information

Management is responsible for the accompanying list of administrative officials, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024 on our consideration of Grand Valley State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Grand Valley State 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 Grand Valley State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 12, 2024

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As of June 30, 2024

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Management's Discussion and Analysis – Unaudited

As management of Grand Valley State University (the “university”), we offer readers of the university’s annual report this narrative overview and analysis of the financial activities of the university for the fiscal year ended June 30, 2024.

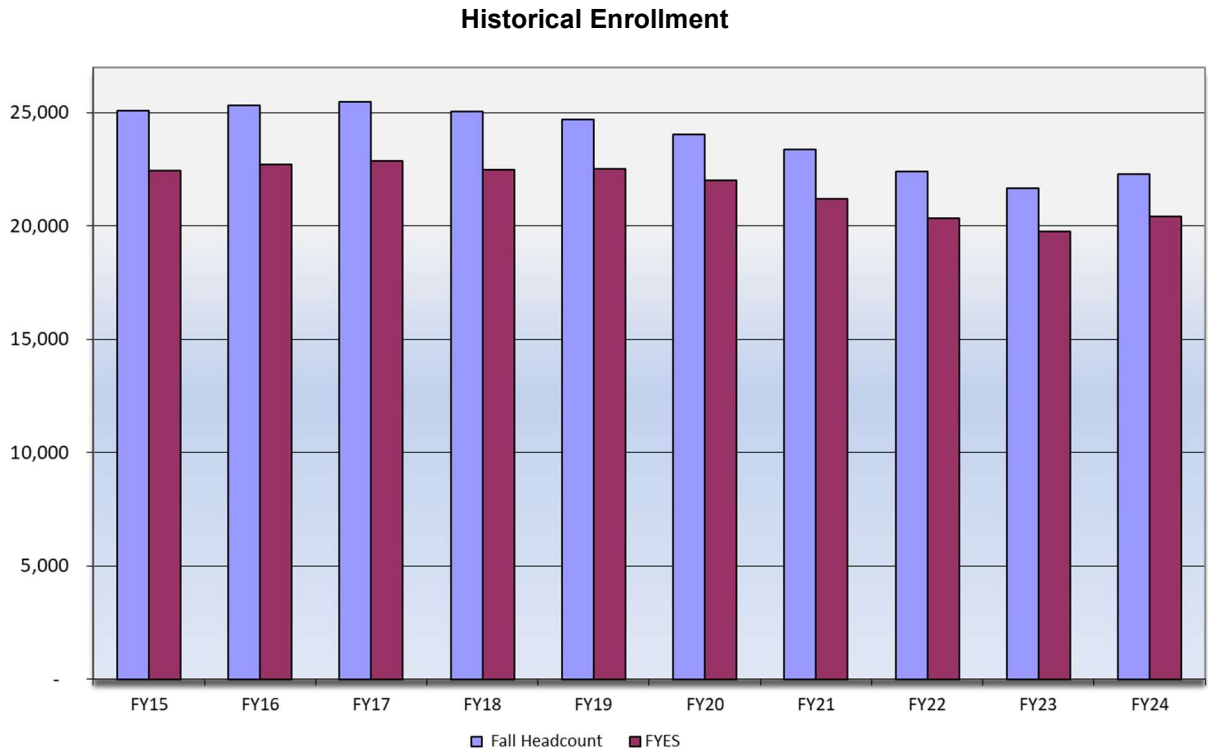
Financial and Enrollment Summary for the Year Ended June 30, 2024

The financial statements, which follow this Management’s Discussion and Analysis, include these significant changes during the 2024 fiscal year:

- Enrollment increased 3.4 percent with FYES (fiscal year equated students) increasing from 19,757 to 20,431. Fall semester headcount increased 2.9 percent from 21,648 to 22,269.
- Operating revenue increased 9.7 percent or \$35.4 million from 2023 to 2024. This was due to the increases in revenue from tuition, auxiliary operations and other educational activities related to the increase in enrollment.
- State appropriations increased 20.2 percent from 2023 to 2024, equating to \$16.4 million due to a base appropriation funding increase.
- Endowment cash and investments climbed to \$207.9 million as a result of a 13.5 percent investment gain, which generated investment income of \$25.5 million and generous donor support added \$6.5 million.
- The university completed a major Enterprise Resource Planning (“ERP”) conversion, which qualified as a Subscription-based Information Technology Arrangement (“SBITA”). Capitalized costs of \$25.4 million were incurred to complete the ERP project, which includes cash outlays for prepaid subscriptions of \$4.9 million and implementation costs of \$8.0 million related to configuration, data conversion, and reporting. The remaining subscription liability of \$12.5 million reflects the present value of the university’s right-to-use of this software over the term of the contract agreement.
- Overall net position increased \$72.7 million, or 6.9 percent from 2023 to 2024.

Management’s Discussion and Analysis – Unaudited (Continued)

The following chart depicts the historical enrollment activity over the last 10 years:



Overview of the Financial Statements

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of the university. The report consists of three basic financial statements that provide information on the university as a whole: the Statement of Net Position, the Statement of Revenue, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements begin on page 17 and should be read in conjunction with the notes to the financial statements. The following summary and management’s discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. Net position, as determined by assets, and deferred outflows of resources offset by liabilities and deferred inflows of resources, is one way to measure the financial health of the university. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. Investments are stated at fair value, and capital assets are stated at historical cost less an allowance for depreciation. Net position from 2022 to 2024 increased 7.3 percent, from \$1.05 billion to \$1.13 billion.

Management's Discussion and Analysis – Unaudited
(Continued)

A three-year summarized comparison of the university's statement of net position at June 30 follows:

	June 30		
	2024	2023	2022
	(in 000s)		
Current Assets			
Cash and short-term investments	\$ 143,058	\$ 109,075	\$ 159,432
Receivables	120,735	106,383	105,289
Inventory, prepaid expenses, and other	6,426	7,549	7,814
Total current assets	270,219	223,007	272,535
Noncurrent Assets			
Restricted cash and investments	9,741	14,273	17,394
Endowment cash and investments	207,915	183,274	169,725
Other long-term investments	259,691	258,159	215,401
Long-term receivables	13,195	12,120	14,033
Capital assets - Net of depreciation	801,738	776,483	787,483
Derivative Instruments - swap asset	3,253	3,237	2,199
Other	1,843	9,469	3,569
Total assets	1,567,595	1,480,022	1,482,339
Deferred Outflows of Resources	8,897	13,870	22,637
Current Liabilities			
Accounts payable and accrued liabilities	122,443	107,117	101,392
Unearned revenue	30,473	26,654	18,513
Long-term liabilities - Current portion	19,828	16,534	21,234
Total current liabilities	172,744	150,305	141,139
Noncurrent Liabilities			
Unearned revenue - Net of current portion	1,325	1,766	2,208
Federal student loan payable	1,396	2,049	3,003
Long-term liabilities - Net of current portion	217,126	222,307	240,329
Derivative instruments - swap liability	626	885	1,975
Net retirement liabilities	34,999	42,088	45,519
Total liabilities	428,216	419,400	434,173
Deferred Inflows of Resources	18,281	17,228	17,942
Net Position			
Net investment in capital assets	571,808	545,476	537,594
Restricted	246,277	218,798	209,550
Unrestricted	311,910	292,990	305,717
Total net position	<u>\$ 1,129,995</u>	<u>\$ 1,057,264</u>	<u>\$ 1,052,861</u>

Management's Discussion and Analysis – Unaudited (Continued)

Cash and short-term investments include unrestricted funds, which are used for operating expenditures and are managed within the parameters of the university's investment policy.

Other long-term investments should be looked at in conjunction with cash and short-term investments. This combination of funds comprises the overall pool of cash and investments. There was an increase of \$35.5 million in cash and investments from 2023 to 2024 and a \$7.6 million decrease of cash and investments from 2022 to 2023. Restricted cash and investments decreased \$4.5 million from 2023 to 2024 and decreased \$3.1 million from 2022 to 2023 due to the use of scholarship awards earmarked in this investment account. The statement of cash flows on page 19 explains the sources and uses of cash.

Current receivables include grants, State appropriations, capital appropriations, pledges, student notes, financing lease receivables, and various operating receivables expected to be collected within a year. Current receivables increased \$14.4 million from 2023 to 2024 and \$1.1 million from 2022 to 2023. The increase from 2023 to 2024 is due to higher State appropriations as both the university and public school academies received increases in base funding.

Other current assets consist mainly of inventories and prepaid expenses. These assets may fluctuate based on timing of inventory purchases and payments of vendor service agreements. Balances decreased by \$1.2 million from 2023 to 2024 and remained consistent from 2022 to 2023.

Endowment investments increased \$24.6 million from 2023 to 2024 due to gifts and additions of \$7.1 million and an investment gain of \$25.5 million less the spending distribution for scholarships and academic programs of \$8.0 million. From 2022 to 2023, endowment assets increased \$14.7 million due to gifts and additions of \$4.7 million and an investment gain of \$17.0 million less the spending distribution for scholarships and academic programs of \$7.0 million. The university (along with its investment advisory committee and outside consultants) continues to closely monitor endowment investment strategy and asset allocations.

Long-term receivables, which include financing leases, pledges, and student notes receivable increased from 2023 to 2024 by \$1.1 million due to an increase in pledges of \$2.0 million mostly to support athletic facility renovations. This increase was offset by a decrease in student loans driven by the continuing wind-down of the Perkins loan program by the US Department of Education. From 2022 to 2023, long-term receivables decreased \$1.9 million due to collection of pledges and fewer student loans resulting from Perkins loan program phase-out. Both financing lease arrangements and long-term pledges are discounted to net present value for financial statement purposes.

Capital assets increased \$25.3 million from 2023 to 2024 and decreased \$11.0 million from 2022 to 2023. During 2024 there were capital additions of \$78.6 million, offset by depreciation expense of \$37.9 million and disposals of mostly fully depreciated equipment. The most significant capital additions were buildings of \$26.9 million and SBITA right-to-use assets of \$27.7 million. There was an addition to the fieldhouse on the Allendale campus and purchases near Pew Campus in downtown Grand Rapids. The ERP project comprised most of the SBITA activity and includes prepaid subscription and implementation costs of \$7.2 million that were incurred during 2022 and 2023. Previously, these costs were presented as Other noncurrent assets, as prescribed by GASB Statement No 96, Subscription-based Information Technology Arrangements ("GASB 96"). During 2023 there were capital additions of \$24.8 million, offset by depreciation expense of \$35.6 million and disposals of mostly fully depreciated equipment.

Other noncurrent assets decreased by \$7.6 million mostly due to the reduction of prepaid subscription and implementation SBITA costs as described above and activity returned to normal operating levels.

Management's Discussion and Analysis – Unaudited (Continued)

Deferred outflows of resources are funds expended by the university that are applicable to a future accounting period. There are three categories that are explained more fully in the notes to the financial statements:

- Accumulated changes in the fair value of hedging derivative instruments – see Note 5 on page 49
- Refunding of bonds payable – see Note 4 on page 45 for Series 2014B and 2016A
- Retirement-related deferrals – see Note 6 on page 53 for defined benefit plans and on page 62 for other post-employment benefit (“OPEB”) plans

Accounts payable and accrued liabilities increased \$15.3 million from 2023 to 2024 and increased \$5.7 million from 2022 to 2023 mainly due to the timing of payroll and other benefits due to year-end fluctuations. However, the increase in 2024 also represents an increase in the Charter School payable of \$10.8 million, related to the increase in the Charter school receivable.

Unearned revenue includes receipts from tuition, grants, and contracts that pertain to the upcoming fiscal year. In 2024 and 2023, unearned income increased \$3.8 million and \$8.1 million, respectively, due to prefunded scholarships and infrastructure costs under a consulting arrangement for additional nursing students to be employed by a local hospital.

Noncurrent liabilities – current portion increased \$3.3 million from 2023 to 2024 due to a \$2.1 million increase in SBITA right-to-use liability and a \$1.2 million increase to current maturities in long-term debt, as reflected in the scheduled principal payments. From 2022 to 2023, a deferral of the employer portion of the Social Security tax was reflected until fully retired in 2023, whereas scheduled principal payments remained consistent during this period. A complete disclosure of current and noncurrent liabilities is presented in Note 4.

Noncurrent liabilities include unearned revenue, federal student loans payable, derivative instruments, net retirement liabilities, which pertain to both pension and OPEB plans, right-to-use liabilities, and the long-term portion of bonds payable.

- Federal student loans payable decreased \$1.6 million from 2022 to 2024 as a result of principal payments to the US Department of Education in the phased elimination of the Perkins Loan program.
- Long-term debt (net of current portion) decreased \$5.2 million from 2023 to 2024, because of an increase of \$10.2 million from SBITA right-to-use liability that was offset by \$15.4 million in scheduled principal payments. From 2022 to 2023, there was a decrease of \$18.0 million primarily due to the scheduled principal payments and an early payoff of the 2013A bond of \$3.0 million. The university maintains an A1 bond credit rating from Moody's Investors Service with a stable outlook and an A+ rating with a stable outlook from S&P Global. Between 2022 and 2024, there was no new debt issued.
- Variable interest rate swap agreements have been executed in previous years and the negative fair value of the derivative instruments (liabilities) represents the approximate cost of terminating the remaining swap agreements. It is mostly offset by deferred outflows of resources, with the difference resulting from an adjustment to market value of the embedded borrowing, which is reflected in long-term liabilities.
- The net retirement liabilities (including related deferred inflows of resources) decreased by \$6.7 million and \$4.4 million from 2023 to 2024 and 2022 to 2023, respectively. The decrease in 2024 and 2023 was due to an investment gain of 13.0 and 9.4 percent, respectively, which generated a higher investment balance to offset the liability and the discount rate increasing 3.4 percent and 4.0 percent, respectively. In addition to the detailed information provided in Note 6 concerning these benefits, there is also a comprehensive analysis provided in the required supplemental information beginning on page 69.

Management's Discussion and Analysis – Unaudited (Continued)

The total net position of the university increased \$69.8 million from 2022 to 2024. The increase reflects high investment returns in 2024 and 2023, investments in infrastructure, as well as generous support from donors to facilities, endowments, and new initiatives that are underway. Unrestricted net position, a component of total net position includes funds that the Board of Trustees and university management have designated for specific purposes. The following summarizes the internal designations of unrestricted net position:

	2024	2023	2022
	(in 000s)		
Funds functioning as endowment	\$ 15,550	\$ 13,321	\$ 12,004
Capital projects in progress	19,824	16,586	27,543
Housing and auxiliary repair and maintenance	26,802	26,502	25,052
Debt service funds	46,672	42,225	42,490
Academic initiatives	42,860	44,988	41,573
Future capital projects	62,377	88,267	71,029
Operations and cash flow	97,825	61,101	86,026
	\$ 311,910	\$ 292,990	\$ 305,717

The Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Revenue, Expenses, and Changes in Net Position presents the operating results of the university, as well as the nonoperating revenue and expenses. Annual State appropriations, while budgeted for operations, are considered nonoperating revenue according to accounting principles generally accepted in the United States of America.

	Year Ended June 30		
	2024	2023	2022
	(in 000s)		
Operating Revenue			
Student tuition and fees	\$ 357,121	\$ 330,982	\$ 329,794
Less scholarship allowance	(86,871)	(79,352)	(73,954)
Auxiliary	82,783	69,765	63,291
Less scholarship allowance	(15,676)	(12,815)	(11,128)
Grants and contracts	36,226	33,301	30,011
Other	28,066	24,339	20,033
Total operating revenue	401,649	366,220	358,047
Operating Expenses	534,489	503,069	495,221
Net Operating Loss	(132,840)	(136,849)	(137,174)
Nonoperating Revenue (Expense) and Other			
State appropriations	97,662	81,254	77,050
Government grants	31,288	24,938	89,597
Gifts (including endowment and capital)	22,420	15,668	42,158
Capital appropriations, grants, and other	8,388	1,231	4,525
Investment (loss) income - Net of fees	52,245	26,276	(15,963)
Other	(6,432)	(8,115)	(8,834)
Net nonoperating revenue	205,571	141,252	188,533
Net Increase in Net Position	72,731	4,403	51,359
Net Position - Beginning of year	1,057,264	1,052,861	1,001,502
Net Position - End of year	\$ 1,129,995	\$ 1,057,264	\$ 1,052,861

Management's Discussion and Analysis – Unaudited (Continued)

Revenue generated by tuition and fees increased 7.9 and 0.4 percent from 2023 to 2024 and 2022 to 2023, respectively. In 2024, in addition to an increase in enrollment, tuition rates increased 4.7 percent. The tuition rate increase of 2.9 percent in 2023 and 2.4 percent in 2022 were offset by a decrease in enrollment in each year.

Scholarship allowances as a percentage of tuition and fees were 24.3 percent in 2024, as compared to 24.0 percent in 2023, and 22.4 percent in 2022. The university continues to provide significant levels of scholarship support to mitigate the financial impact of tuition rate increases. The method to calculate scholarship allowance is described in Note 1.

Auxiliary revenue consists of housing, dining, parking, bookstores, vending, golf course, health center, and conference fees from external customers. The increase in enrollment directly attributed to the \$13.0 million increase in revenue in 2024. In 2023, the university's housing occupancy returned to near pre-COVID levels, which accounted for the increase of \$6.4 million, while in 2022, the University had only begun to generate that turnaround.

Grants and contracts revenue remained steady overall from 2022 to 2024, with new awards mostly offsetting those expiring.

Operating expenses continued to increase from 2022 to 2024, which was mainly related to enrollment increases. Further analysis of operating expenses by program function begins on page 11. Salaries, wages, and benefits comprise the largest operating expense, while instruction is the largest functional category.

State appropriations increased 20.2 percent from 2023 to 2024, equating to \$16.4 million due to a base appropriation funding increase. State appropriations increased 5.5 percent from 2022 to 2023, equating to \$4.4 million.

From 2022 to 2024, nonoperating government grants decreased 65.0 percent or \$58.3 million. In 2022, the university received Higher Education Emergency Relief Funds (HEERF) from the U.S. Department of Education under the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan. The HEERF funding increases in 2022 were partially offset by Pell award decreases.

Gifts, including capital and endowment gifts increased \$8.4 million from 2023 to 2024 and decreased \$26.5 million from 2022 to 2023. The increase from 2023 to 2024 reflected donor support for new project initiatives and increase in endowed giving due to large estate gifts received. The decrease from 2022 to 2023 resulted from a new scholarship program of \$19.0 million that was recognized in 2022.

Capital appropriations, grants, and other include awards and other capital income received for special purpose capital projects. In 2022, the university accrued State funding of \$3.8 million towards new construction on the Health Campus.

Net investment income consists of realized income (interest, dividends, and realized gain (loss) on the sale of investments), unrealized gain (loss), and investment expenses (primarily bank fees).

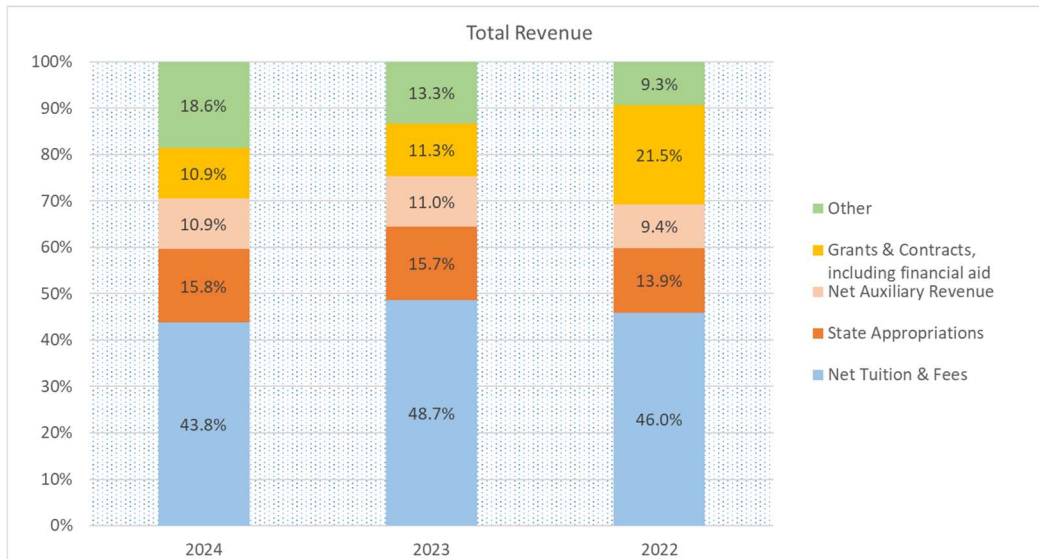
- Endowment investments generated an investment gain of 13.5 percent and 9.8 percent in 2024 and 2023, respectively, and an investment loss of 4.9 percent in 2022.
- Operating investments generated an investment gain of 6.0 percent and 2.6 percent in 2024 and 2023, respectively, and an investment loss of 3.1 percent in 2022.

Other nonoperating includes interest expense, financing lease revenue, and gains or losses from disposal of assets.

Management’s Discussion and Analysis – Unaudited (Continued)

Revenue for the university consists of five main categories: tuition, State appropriation, auxiliary activities, grants, and other. Other includes sales and services of educational revenue, other operating income, investment income (loss), gifts, additions to endowment, financing lease revenue, and capital grants and appropriations.

The following table shows the breakdown of total revenue, net of scholarship allowances, for the university:



In 2024, tuition and fees (net) continued to make the largest contribution to the total revenue of the university with other revenue a distant second. Although tuition revenue increased in total dollars as compared to 2023 and 2022, its percentage decreased in 2024 due to the significant investment income generated, as this was the main contributor to the increase in Other. In 2023, State appropriations was second and in 2022, grants and contracts were the second largest contributor because of the HEERF awards, followed by State appropriations. Grants and contracts include both financial aid grants, such as Pell and grants for restricted purposes such as research and public service.

Operating Expenses by Functional Classification

Functional classifications are the traditional categories that universities have used. They represent the types of programs and services that the university provides.

	2024	2023	2022
	(in 000s)		
Instruction	\$ 180,190	\$ 173,052	\$ 161,395
Research	7,597	7,351	6,804
Public service	41,951	38,059	34,695
Academic support	63,893	59,847	53,043
Student services	38,624	37,361	32,628
Institutional support	54,090	46,448	42,732
Operation and maintenance of facilities	44,244	45,213	42,632
Depreciation	37,892	35,580	33,898
Scholarships and related expenses	18,338	18,709	48,504
Auxiliary activities	47,563	41,354	38,628
Other expenditures	107	95	262
Total	\$ 534,489	\$ 503,069	\$ 495,221

Management's Discussion and Analysis – Unaudited (Continued)

Instructional expenses increased 4.1 percent from 2023 to 2024 mainly due to the annual salary program, and from 2022 to 2023 increased 7.2 percent due to the annual salary program, major computer lab upgrades, and the return of pre-COVID programming, of which the most significant was the return of international study abroad travel.

Research expenses include the continuing activities at the Annis Water Resources Institute, Johnson Center for Philanthropy, and the Center for Scholarly and Creative Excellence (CSCE). After factoring in the annual salary increases, program expenses remained relatively consistent between 2022 and 2024.

Public service expenses include WGVU public broadcasting, the Michigan Small Business Development Center (SBDC), and the Charter Schools Office administration. Expenses increased 10.2 percent from 2023 to 2024 due to the annual salary program and the full year impact of positions added by WGVU-TV and charter school administration to support new program initiatives. Expenses increased 9.7 percent from 2022 to 2023 due to the annual salary program, expansion of a fee-based tutoring program, and a contribution towards the new Allendale Township fire station.

Academic support expenses include continuing education, information technology, student advising, the libraries, academic resources, and administration expenses for the academic deans. Expenses increased 6.8 percent from 2023 to 2024 due to the annual salary program and higher level of federal and state grant expenditures to benefit students from disadvantaged backgrounds and to support student special needs. Expenses increased 12.8 percent from 2022 to 2023 due to the annual salary program, additional staff to enhance data security, pursue emerging information technology capabilities, and expand academic advising and coordination.

Student services expenses represent student life programming, admissions, records, registration, financial aid administration, and intercollegiate athletics. Expenses increased 3.4 percent from 2023 to 2024 due to the annual salary program. Expenses increased 14.5 percent from 2022 to 2023 due to the annual salary program and due to the return of most pre-COVID services and activities.

Institutional support expenses include administration for the business operations, human resources, executive offices, marketing and communications, public safety, development, and alumni relations. Expenses increased 16.4 and 8.7 percent from 2023 to 2024 and 2022 to 2023, respectively. In addition to the annual salary program, significant costs were incurred related to major IT-related projects.

Operation and maintenance of facilities decreased 2.1 percent from 2023 to 2024 due to fewer renovation and maintenance projects offset by the annual salary program. Operation and maintenance of facilities increased 6.1 percent from 2022 to 2023 due to the annual salary program and more renovation and maintenance projects.

Depreciation includes both academic and auxiliary buildings.

Scholarships and related expenses include work-study programs as well as the portion of financial aid that is not considered a scholarship allowance. To mitigate the impact of tuition increases on enrollment, the university has significantly increased need-based scholarships, including establishing The Grand Valley Pledge in 2021, which provides free tuition to qualifying students.

Management’s Discussion and Analysis – Unaudited (Continued)

To look at the overall picture for scholarships and financial aid, it is important to also consider the scholarship allowance that is recorded net of tuition revenue and auxiliary revenue to identify the total amount of scholarships awarded. From 2023 to 2024, total scholarships awarded increased by 9.0 percent, mostly due to the increase in university need-based scholarships and increase in Pell awards. From 2022 to 2023 total scholarships awarded decreased 17.0 percent resulting from awarding the remaining \$30.4 million of HEERF funding to students eligible to receive emergency financial grants.

	2024	2023	2022
	(in 000s)		
Scholarship allowance - Tuition	\$ 86,871	\$ 79,352	\$ 73,953
Scholarship allowance - Auxiliary	15,676	12,815	11,128
HEERF funded scholarship awards	-	-	30,370
Scholarship and fellowship expense	18,338	18,709	18,134
Total	\$ 120,885	\$ 110,876	\$ 133,585

Auxiliary activities include housing, dining, parking, bookstores, vending, golf course, health center, and conference services. Debt service, depreciation, and repairs related to housing are included in the other categories of expense. Auxiliary expenses increased 15.0 percent from 2023 to 2024 and 7.1 percent from 2022 to 2023 mostly due to the higher food and student labor costs as a result of higher sales volume.

Operating Expenses by Natural Classification

Operating expenses are summarized here by natural classification. Natural classifications show the type of expense regardless of program function.

	2024	2023	2022
	(in 000s)		
Salaries and benefits	\$ 330,124	\$ 313,332	\$ 293,577
Scholarships and awards	21,395	20,796	48,975
Utilities	9,543	8,575	8,179
Supplies and other	135,535	124,786	112,201
Depreciation	37,892	35,580	33,264
Total	\$ 534,489	\$ 503,069	\$ 496,196

Salaries and benefits expenses represent 61.8, 62.3, and 59.2 percent of total operating expenses in 2024, 2023, and 2022, respectively. The fluctuation of this percentage is directly related to fluctuations in other categories. From 2023 to 2024 and 2022 to 2023, overall salary and benefit expenses increased 5.4 and 6.7 percent, respectively, mainly due to the overall staffing levels and the salary increase program.

Scholarships and awards represent financial aid expense less scholarship allowances and work-study wages. In addition, this category includes awards for graduate assistants and corporate-sponsored programs. To obtain the overall financial aid picture, one must also consider the scholarship allowances as shown above.

Utilities increased 11.3 percent from 2023 to 2024 and 4.8 percent from 2022 to 2023. The increase in both years is due to higher energy prices.

**Management’s Discussion and Analysis – Unaudited
(Continued)**

Supplies and other expenses increased by 8.6 percent from 2023 to 2024 and 11.2 percent from 2022 to 2023 as a result of major IT-related projects and inflationary increases.

Depreciation continues to rise as a result of capital additions. Depreciation includes both academic and auxiliary buildings.

The Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and cash disbursements of the university during the year. This statement also helps users assess the university’s ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	2024	2023	2022
	(in 000s)		
Net Cash (Used in) Provided by			
Operating activities	\$ (87,967)	\$ (91,617)	\$ (106,761)
Noncapital financing activities	150,643	121,852	185,897
Capital and related financing activities	(59,128)	(55,365)	(31,695)
Investing activities	(4,796)	(9,278)	(26,499)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,248)	(34,408)	20,942
Cash and Cash Equivalents - Beginning of year	66,128	100,536	79,594
Cash and Cash Equivalents - End of year	\$ 64,880	\$ 66,128	\$ 100,536

The primary cash receipts from operating activities consist of tuition and housing revenue. Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships. From 2023 to 2024, net cash receipts from operating activities increased \$3.6 million due to higher tuition and housing receipts that were substantially offset by higher operating outlays. From 2022 to 2023, net cash receipts from operating activities increased \$15.1 million due to a decrease in scholarship outlays resulting from the end of HEERF funded scholarships in 2022, an increase in housing and dining receipts, and funding received in advance on behalf of educational consulting activities.

Noncapital financing activity is categorized as nonoperating and includes State appropriation, Pell grants, gifts, and non-exchange grants for other than capital purposes. State appropriation is the primary source of noncapital financing and is categorized as nonoperating. State appropriation receipts increased 18.5 percent and 4.0 percent or \$14.8 million and \$3.1 million from 2023 to 2024 and 2022 to 2023, respectively due to increase in the university’s base appropriation.

From 2023 to 2024, cash flow from financing activities decreased by \$3.8 million due to higher capital additions that were mostly offset by lower principal debt payments, higher capital gift receipts and financing rental activity driven by new property purchases. From 2022 to 2023, cash flows from financing activities decreased \$23.7 million due to payoff of the 2013A bond and from the outlays for prepaid SBITA costs and related implementation costs. Expenditures related to capital outlays and construction were \$43.5 million, \$31.3 million, and \$23.0 million, in 2024, 2023 and 2022, respectively. The State capital appropriations received to support construction of the Daniel and Pamela DeVos Center for Interprofessional Health were \$10.8 million in 2022.

Investing activities reflect purchases, sales, and interest income earned on investments. From 2023 to 2024 and 2022 to 2023, there was significant improvement of investment returns and fewer investment purchases. Investments identified in the cash flows statement include both restricted and unrestricted short- and long-term investments.

Management's Discussion and Analysis – Unaudited (Continued)

Economic Factors that Will Affect the Future

The university experienced a significant bump in enrollment this past fiscal year with its largest and most diverse first-year class in the university's history – welcoming 4,974 new students, nearly a 25% increase - as well as an overall enrollment increase of three percent. Student enrollment and retention remain a primary focus for the university as it seeks to overcome the projected declining demographics of the high-school aged population over the next decade in Michigan and throughout the country. The university continues to advance its Strategic Enrollment Management Plan ("SEMP") which focuses on growth and retention. Additionally, the university is also addressing the learning loss associated from pandemic-related impacts and making myriad investments in student support services to assist with retention aims.

The university strategy – Reach Higher 2025 – seeks to provide new learning opportunities across a dynamic and competitive higher education landscape. The strategy focuses on having an empowered educational experience, promoting lifetime learning, and providing a culture of educational equity which works to eliminate barriers to student success. The strategy emphasizes learner outcomes, relevant skills demanded by employers in an evolving world, and promoting personal growth derived through continued educational pursuits to help shape the communities where university graduates live and work.

This year the university created Omni by Grand Valley State University, to focus efforts on an educational delivery model aimed to reach learners, particularly working adults, across the state and beyond who have not previously had access to university resources. Omni will utilize the university's network of regional campuses and partners to expand access to degrees and continuing education with flexibility for learners. The university continues to support other enrollment efforts through the SEM, such as the Lifelong Educational Attainment for Determined Students (LEADS) program and online certificate programs. These programs directly support Michigan's Sixty by 30 campaign goal to increase the number of working-age adults with a skill certificate or college degree from 51.1 percent today to 60 percent by 2030. The university is being aggressive to meet learners at each level of existing knowledge and providing the highest value and relevance for their educational pursuits. Further, the university continues to aggressively pursue its partnership with local and regional businesses to become a talent pipeline for their organizations through the Laker Accelerated Talent Link, a work and learning opportunity that partners with West Michigan-based employers. The initiative provides experiential learning opportunities during college and links Grand Valley talent to partner companies post-graduation.

The university continues to expand its marketing and enrollment base through partnerships like the Historically Black Colleges and Universities/Hispanic Serving Institutions pipeline consortium. These partnerships offer graduate degree opportunities and targeted relationships with businesses focusing on the skills necessary to succeed in the knowledge and digital economy of the future.

The State of Michigan approved a base appropriation amount of \$98.9 million for fiscal year 2025. The recurring increase to the base appropriation is an increase of 1.5 percent, well below observed inflation measures. The State also approved \$1.0 million in one-time funding for operations support in fiscal year 2025. Given the significant increase in the university's base appropriation during the previous two fiscal years to establish a minimum floor-funding level per FYES, it was anticipated there would be limited legislative action to increase base appropriations further toward the average funding per FYES for Michigan public universities, which currently is \$7,183. Grand Valley still lags well below this average funding per FYES by over \$2,000, a significant funding difference given the university's total enrollment of over 20,000 FYES, which is the fourth largest enrollment total of all Michigan four-year public universities.

Management's Discussion and Analysis – Unaudited (Continued)

The Michigan Achievement Scholarship, a \$560 million financial aid program for post-secondary education signed into law in 2024, continues to provide valuable aid support to graduates of Michigan high schools to attend college or community college in Michigan. This program did lend support to eligible recipients that attended the university and will continue to be leveraged as a source of aid to offset college expenses. These State aid resources, combined with Grand Valley's own financial aid support, help keep the total cost of attendance lower for many students.

During the last fiscal year, the State of Michigan approved planning authorization and pledged \$30 million in state funding support for the Blue Dot Lab project. This project is part of a regional campaign to significantly grow the technology sector in West Michigan and in furtherance of this effort, the university is creating a Blue Dot Ecosystem. The Blue Dot Ecosystem supports the intersection of technology, digital literacy, and connections within the business community, powered by unique programs and learning spaces. The effort also aims to increase the digital literacy of all university graduates. Relatedly, the university created a new College of Computing, emphasizing the commitment to growing this field of graduates to support regional economic development. Additionally, the Blue Dot ecosystem includes university initiatives such as the Institute for Cybersecurity Education and Research, Project Grand Path, the futurEDlab, X>STUDIO, and the Applied Computing Institute, among others.

The overall macroeconomic environment remains challenging. Inflation has remained persistent and above the Federal Reserve's two percent target inflation rate. Prices, and prevailing interest rates, remain elevated and inflationary factors across all sectors of the economy have impacted portions of university operations, such as energy prices, construction, services, wages, and food cost. Both fiscal and monetary policy will influence how long inflationary conditions exist. Relatedly, the university's debt profile consists of fixed-rate or synthetically fixed-rate debt instruments so there is minimal to no interest rate risk with rising rates at current debt levels unless new debt is issued.

The university continues to be a leader in providing a high-quality education at relatively low cost, with outstanding facilities, and a positive student experience. Tuition has and continues to be much lower than the State average for Michigan public universities. The university ranks 10th in tuition cost among Michigan four-year public institutions – a significant point despite the university's state appropriation per FYES as noted earlier. The university keeps higher education affordable with the lowest room and board costs amongst all four-year Michigan public universities. The total cost of attendance (tuition, room and board) remains near the bottom in comparison to other Michigan public universities, ranking 12th out of 15.

Meanwhile, the university continues to be recognized as an outstanding choice for learners. Grand Valley State University is consistently named as one of the best colleges for value and one of America's best colleges by multiple assessments, including Money © Magazine and U.S. News and World Report ©. Grand Valley was also ranked 177th and 226th in The Wall Street Journal's © best value list and best overall college list, respectively. In the U.S., the number of four-year institutions exceeds 2,600.

Statement of Net Position

	June 30	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 64,880,622	\$ 66,128,014
Short-term investments (Note 2)	78,177,519	42,947,759
Accounts receivable - Net of allowance of \$1,369,000 and \$1,164,773 in 2024 and 2023, respectively	22,712,844	21,215,745
State appropriation receivable	94,359,169	80,332,790
Pledges receivable - Net	3,454,365	3,551,645
Inventories	1,166,033	1,576,405
Prepaid expenses and other	5,260,735	5,972,798
Student notes receivable - Current portion	208,114	1,282,734
Total current assets	270,219,401	223,007,890
Noncurrent assets:		
Restricted investments (Note 2)	9,741,175	14,272,976
Endowment investments (Note 2)	207,915,467	183,274,094
Other long-term investments (Note 2)	259,690,954	258,159,037
Accounts and Interest Receivable	6,537,792	6,499,894
Pledges receivable - Net	5,668,328	4,033,004
Student notes receivable - Net of allowance of \$140,636 and \$129,150 in 2024 and 2023, respectively	989,135	1,586,572
Capital assets - Net (Note 3)	801,737,339	776,482,584
Derivative instrument (Note 5)	3,253,000	3,237,000
Other assets	1,842,913	9,469,028
Total noncurrent assets	1,297,376,103	1,257,014,189
Total assets	1,567,595,504	1,480,022,079
Deferred Outflows of Resources		
Accumulated changes in the fair value of hedging derivative instruments (Note 5)	626,000	885,000
Refunding of bonds payable (Note 4)	6,276,193	6,880,739
Retirement benefit related deferrals (Note 6)	1,994,875	6,104,468
Total deferred outflows	8,897,068	13,870,207
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	122,443,111	107,116,331
Unearned revenue	30,472,873	26,653,908
Long-term liabilities - Current portion (Note 4)	19,827,994	16,534,306
Total current liabilities	172,743,978	150,304,545
Noncurrent liabilities:		
Unearned revenue - Net of current portion	1,324,679	1,766,237
Federal student loan payable	1,396,270	2,049,259
Long-term liabilities - Net of current portion (Note 4)	217,125,923	222,307,433
Derivative instruments (Note 5)	626,000	885,000
Other post-employment benefits (Note 6)	18,236,152	18,430,610
Net pension liability (Note 6)	16,763,353	23,656,673
Total noncurrent liabilities	255,472,377	269,095,212
Total liabilities	428,216,355	419,399,757
Deferred Inflows of Resources		
Accumulated changes in the fair value of hedging derivative instruments (Note 5)	3,253,000	3,237,000
Retirement benefit related deferrals (Note 6)	6,718,196	6,376,195
Leases	8,309,633	7,615,348
Total deferred inflows	18,280,829	17,228,543
Net Position		
Net investment in capital assets	571,808,108	545,476,341
Restricted:		
Nonexpendable - Scholarships and academic support	97,664,009	90,903,252
Expendable:		
Scholarships and academic support	140,986,950	125,501,485
Capital projects	7,227,187	1,854,102
Loans	398,844	539,088
Unrestricted	311,910,290	292,989,718
Total net position	\$ 1,129,995,388	\$ 1,057,263,986

See Notes to Financial Statements

Statement of Revenue, Expenses, and
Changes in Net Position

	Year Ended June 30	
	2024	2023
Operating Revenue		
Student tuition and fees	\$ 357,120,785	\$ 330,981,886
Scholarship allowances	(86,871,020)	(79,352,429)
Net student tuition and fees	270,249,765	251,629,457
Government grants and contracts	34,517,286	31,033,872
Nongovernmental grants	1,708,910	2,266,767
Sales and services of educational activities	20,470,465	18,354,174
Auxiliary activities	82,783,061	69,765,141
Scholarship allowances	(15,676,342)	(12,814,743)
Net auxiliary activities	67,106,719	56,950,398
Other operating revenue	7,595,607	5,985,131
Total operating revenue	401,648,752	366,219,799
Operating Expenses - Education and general		
Instruction	180,189,416	173,052,121
Research	7,597,327	7,351,468
Public service	41,951,578	38,058,522
Academic support	63,893,066	59,846,511
Student services	38,624,194	37,361,023
Institutional support	54,089,723	46,448,324
Operation and maintenance - Plant	44,243,728	45,213,398
Depreciation expense	37,892,177	35,580,164
Scholarships and related expenses	18,337,674	18,708,483
Auxiliary activities	47,563,120	41,354,156
Loan administrative fees and collection costs	107,303	95,140
Total operating expenses	534,489,306	503,069,310
Operating Loss	(132,840,554)	(136,849,511)
Nonoperating Revenue (Expense)		
State appropriations	97,661,500	81,253,800
Government grants	31,288,463	24,938,079
Gifts	15,901,992	11,563,584
Investment income:		
Interest, dividends, and gains on investments		
Net of investment expense of \$1,768,616 and		
\$1,433,642 in 2024 and 2023, respectively	52,245,318	26,276,040
Interest on capital asset - Related debt	(8,481,085)	(9,211,879)
Gain (Loss) on disposal of assets	144,776	(117,137)
Other nonoperating revenues	1,904,324	1,214,480
Net nonoperating revenue	190,665,288	135,916,967
Income (Loss) - Before other revenues, expenses		
gains, or losses	57,824,734	(932,544)
Other		
Capital grants and gifts	7,652,582	324,646
Other capital income	735,908	906,271
Additions to permanent endowments	6,518,178	4,104,533
Total other	14,906,668	5,335,450
Increase in Net Position	72,731,402	4,402,906
Net Position		
Beginning of year	1,057,263,986	1,052,861,080
End of year	<u>\$ 1,129,995,388</u>	<u>\$ 1,057,263,986</u>

See Notes to Financial Statements

Statement of Cash Flows

	Year Ended June 30	
	2024	2023
Cash Flows from Operating Activities		
Tuition and fees	265,937,831	250,739,689
Grants and contracts	40,093,850	36,101,809
Payments to suppliers	(129,693,369)	(126,873,403)
Payments for utilities	(9,542,594)	(8,525,658)
Payments to employees	(245,115,077)	(231,997,392)
Payments for benefits	(86,483,910)	(82,225,661)
Payments for scholarships and fellowships	(21,395,355)	(20,795,934)
Loans issued to students	(56,122,077)	(43,517,124)
Collection of loans from students	57,794,134	44,388,973
Auxiliary enterprise charges:		
Residence halls	47,693,946	41,011,133
Bookstore	8,693,020	8,113,999
Other	10,318,798	8,187,082
Sales and service of educational activities	21,865,912	27,978,071
Other receipts	7,629,945	5,679,703
Federal direct loan receipts	127,541,794	127,236,277
Federal direct loan lending disbursements	(126,864,620)	(127,145,500)
Public school academy funding receipts	385,438,280	433,855,293
Public school academy funding disbursements	(385,757,195)	(433,828,353)
Net cash used in operating activities	(87,966,687)	(91,616,996)
Cash Flows from Noncapital Financing Activities		
State appropriations	94,732,192	79,973,800
Government grants	32,173,696	25,296,481
Gifts and grants for other than capital purposes	17,818,335	13,520,826
Private gifts for endowment purposes	6,518,178	4,104,533
Charitable annuities payments - Net	53,969	(90,094)
Return of federal student Perkins loan principal	(652,989)	(953,933)
Net cash provided by noncapital financing activities	150,643,381	121,851,613
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts received	4,256,312	1,478,453
Other receipts	2,258,470	1,152,599
Proceeds from sale of capital assets	134,604	84,011
Purchases of capital assets and construction	(43,494,344)	(31,284,090)
Principal paid on capital debt	(13,153,936)	(16,928,766)
Interest paid on capital debt	(9,129,178)	(9,867,130)
Net cash used in capital and related financing activities	(59,128,072)	(55,364,923)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	9,666,122	8,548,553
Interest on investments	14,233,320	14,657,755
Purchase of investments	(28,695,456)	(32,484,410)
Net cash used in investing activities	(4,796,014)	(9,278,102)
Net Decrease in Cash and Cash Equivalents	(1,247,392)	(34,408,408)
Cash and Cash Equivalents - Beginning of year	66,128,014	100,536,422
Cash and Cash Equivalents - End of year	\$ 64,880,622	\$ 66,128,014

See Notes to Financial Statements

Statement of Cash Flows (Continued)

Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (132,840,554)	\$ (136,849,511)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense	37,892,177	35,580,164
Changes in assets and liabilities:		
Receivables - Net	(11,121,676)	(1,956,589)
Inventories	410,373	180,997
Other assets	1,374,943	(606,855)
Accounts payable, accrued liabilities, and deposits	15,356,045	5,713,620
Retirement related deferrals and noncurrent liabilities	(2,856,959)	(1,936,962)
Unearned revenue	3,818,964	8,258,140
	<u>\$ (87,966,687)</u>	<u>\$ (91,616,996)</u>
Net cash used in operating activities		
Significant Noncash Disclosures		
Property acquired under lease and subscription-based information technology arrangements	<u>\$ 28,568,276</u>	<u>\$ 2,778,426</u>

Statement of Fiduciary Net Position Pension Trust Funds

	June 30	
	2024	2023
Assets		
Money market funds	\$ 1,320,394	\$ 1,631,089
Time deposits	-	129,989
Domestic equities	33,981,018	31,859,496
International equities	13,178,773	12,538,644
Domestic bonds	21,869,514	19,887,299
International bonds	1,316,585	876,877
Alternative strategies	8,751,888	8,357,387
Total cash and cash equivalents and investments	80,418,172	75,280,781
Accrued income	193,324	151,583
Net Position - Restricted for Pensions	\$ 80,611,496	\$ 75,432,364

Statement of Changes in Fiduciary Net Position Pension Trust Funds

	Year Ended June 30	
	2024	2023
Additions		
Investment income:		
Interest and dividend income	\$ 2,026,427	\$ 1,779,987
Net appreciation in fair value of investments	6,619,751	2,731,808
Income on sale of investments	265,512	1,548,275
Total investment income	8,911,690	6,060,070
Employer contributions	1,834,386	1,310,772
Other income	320,377	352,485
Total additions - Net	11,066,453	7,723,327
Deductions		
Benefit payments	5,729,633	5,713,995
Administrative expense	157,688	152,800
Total deductions	5,887,321	5,866,795
Net Increase	5,179,132	1,856,532
Net Position - Restricted for Pensions		
Beginning of year	75,432,364	73,575,832
End of year	\$ 80,611,496	\$ 75,432,364

Note 1 – Summary of Significant Accounting Policies

Reporting Entity - Grand Valley State University (the “university”) is an institution of higher education created by the Michigan Constitution of 1963 and is considered to be a component unit of the State of Michigan (the “State”). Its Board of Trustees is appointed by the Governor of the State. Accordingly, the university is included in the State’s financial statements as a discretely presented component unit. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various State agencies.

The university has five affiliated organizations that were evaluated in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus*, which the university adopted on July 1, 2011, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, which the university adopted on July 1, 2016. Each organization is described below, with additional information provided regarding the impact to the university’s financial statements and accompanying condensed financial statements.

Grand Valley University Foundation (“GVUF”) is a Michigan nonprofit corporation established to solicit, collect, receive, and administer funds to advance the mission and goals of the university. In accordance with the provisions of GASB Statement No. 61, GVUF is blended into the university’s financial statements because the university has operational responsibility for GVUF and GVUF provides services entirely for the benefit of the university. GVUF obtains an annual financial audit as required by the Michigan Department of Attorney General. The June 30, 2024 audited financial statements for GVUF are located at the university’s Business and Finance Office.

University Properties, Inc. (“UPI”) is a Michigan nonprofit corporation established for the purpose of holding, administering, and further improving real property held by the university. In accordance with the provisions of GASB Statement No. 61, UPI is blended into the university’s financial statements because the university has operational responsibility for UPI and services are provided entirely for the benefit of the university.

Grand Valley Research Corporation (“GVRC”) is a Michigan nonprofit corporation established for educational and scientific purposes to provide support solely to the university. In accordance with the provisions of GASB Statement No. 61, GVRC is considered to be a component unit of the university and the blending method is the appropriate method for inclusion in the university’s financial statements because a financial benefit and burden relationship exists with the university.

Lafayette-Hastings, LLC is a Michigan limited liability company that was formed in 2011 for the purpose of real estate management on behalf of the university. In accordance with the provisions of GASB Statement No. 61, Lafayette-Hastings, LLC is blended into the university’s financial statements because the university has operational responsibility for Lafayette Hastings, LLC and services are provided entirely for the benefit of the university.

K12C Solutions was formed in 2023 as a Michigan nonprofit corporation to further the university’s mission by providing training, personnel, and services to schools, community groups, and families in support of academic, social-emotional, and career achievement. In accordance with the provisions of GASB Statement No. 61, K12C Solutions is blended into the university’s financial statements because the university has operational responsibility for K12C Solutions and services are provided entirely for the benefit of the university.

The Board of Trustees has fiduciary responsibility for employee benefit plans, which includes two defined benefit plans that are further described in Note 6 on page 52. The plans are considered fiduciary component units. As a result, the plans’ fiduciary net position and changes in plans’ fiduciary net position are shown as a fiduciary fund in in the university’s financial statements.

June 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial statements for each entity blended in the university's financial reporting follow for years ended 2024 and 2023:

Condensed Statement of Net Position**June 30, 2024**

	Grand Valley University Foundation	University Properties, Inc.	Grand Valley Research Corporation	Lafayette Hastings, LLC	K12C Solutions
Assets					
Current assets	\$ 297,403	\$ 258,375	\$ 412,660	\$ (967,625)	\$ 1,992,596
Capital assets (net)	-	4,958	-	-	-
Other assets	4,353,174	-	1,232,378	-	-
Total assets	<u>\$ 4,650,577</u>	<u>\$ 263,333</u>	<u>\$ 1,645,038</u>	<u>\$ (967,625)</u>	<u>\$ 1,992,596</u>
Liabilities					
Current liabilities	\$ -	\$ 7,144	\$ -	\$ 171,793	\$ -
Noncurrent liabilities	-	-	-	-	-
Total liabilities	-	7,144	-	171,793	-
Net Position					
Net investment in capital assets	-	4,958	-	-	-
Restricted:					
Nonexpendable	2,684,043	-	-	-	-
Expendable	1,966,534	-	-	-	-
Unrestricted	-	251,231	1,645,038	(1,139,418)	1,992,596
Total net position	<u>4,650,577</u>	<u>256,189</u>	<u>1,645,038</u>	<u>(1,139,418)</u>	<u>1,992,596</u>
Total liabilities and net position	<u>\$ 4,650,577</u>	<u>\$ 263,333</u>	<u>\$ 1,645,038</u>	<u>\$ (967,625)</u>	<u>\$ 1,992,596</u>

Condensed Statement of Net Position**June 30, 2023**

	Grand Valley University Foundation	University Properties, Inc.	Grand Valley Research Corporation	Lafayette Hastings, LLC	K12C Solutions
Assets					
Current assets	\$ 334,274	\$ 204,723	\$ 688,911	\$ (847,914)	\$ 203,124
Capital assets (net)	-	4,958	-	-	-
Other assets	3,723,800	-	968,752	-	-
Total assets	<u>\$ 4,058,074</u>	<u>\$ 209,681</u>	<u>\$ 1,657,663</u>	<u>\$ (847,914)</u>	<u>\$ 203,124</u>
Liabilities					
Current liabilities	\$ -	\$ 7,172	\$ -	\$ 158,191	\$ 15,619
Noncurrent liabilities	-	-	-	-	-
Total liabilities	-	7,172	-	158,191	15,619
Net Position					
Net investment in capital assets	-	4,958	-	-	-
Restricted:					
Nonexpendable	2,401,338	-	-	-	-
Expendable	1,656,736	-	-	-	-
Unrestricted	-	197,551	1,657,663	(1,006,105)	187,505
Total net position	<u>4,058,074</u>	<u>202,509</u>	<u>1,657,663</u>	<u>(1,006,105)</u>	<u>187,505</u>
Total liabilities and net position	<u>\$ 4,058,074</u>	<u>\$ 209,681</u>	<u>\$ 1,657,663</u>	<u>\$ (847,914)</u>	<u>\$ 203,124</u>

June 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)**Condensed Statement of Revenue, Expenses, and Changes in Net Position
year ended June 30, 2024**

	Grand Valley University Foundation	University Properties, Inc.	Grand Valley Research Corporation	Lafayette Hastings, LLC	K12C Solutions
Operating Revenue					
Sales and services of educational activities	\$ -	\$ -	\$ -	\$ -	\$ 1,537,915
Auxiliary enterprises	-	132,150	-	-	-
Other	-	-	10,000	881,500	-
Total operating revenue	-	132,150	10,000	881,500	1,537,915
Operating Expense					
Personnel costs	1,505	-	-	-	-
Supplies and other	965,493	78,470	9,380	1,014,813	1,150,869
Total operating expense	966,998	78,470	9,380	1,014,813	1,150,869
Nonoperating Revenue (Expense)					
Gifts and additions to endowments	1,055,923	-	-	-	1,420,000
Grants	-	-	-	-	-
Investment (loss) income	503,578	-	(13,245)	-	(1,955)
Other	-	-	-	-	-
Total nonoperating revenue	1,559,501	-	(13,245)	-	1,418,045
Increase in Net Position	592,503	53,680	(12,625)	(133,313)	1,805,091
Net Position - Beginning of year	4,058,074	202,509	1,657,663	(1,006,105)	187,505
Net Position - End of year	\$ 4,650,577	\$ 256,189	\$ 1,645,038	\$(1,139,418)	\$ 1,992,596

**Condensed Statement of Revenue, Expenses, and Changes in Net Position
year ended June 30, 2023**

	Grand Valley University Foundation	University Properties, Inc.	Grand Valley Research Corporation	Lafayette Hastings, LLC	K12C Solutions
Operating Revenue					
Sales and services of educational activities	\$ -	\$ -	\$ -	\$ -	\$ 3,124
Auxiliary enterprises	-	178,333	-	-	-
Other	72,076	-	10,000	849,035	200,000
Total operating revenue	72,076	178,333	10,000	849,035	203,124
Operating Expense					
Personnel costs	42,179	-	-	-	-
Supplies and other	585,117	151,409	9,213	940,348	15,619
Total operating expense	627,296	151,409	9,213	940,348	15,619
Nonoperating Revenue (Expense)					
Gifts and additions to endowments	639,270	-	-	-	-
Grants	142,619	-	-	-	-
Investment income	337,410	-	3,018	-	-
Other	(23,602)	-	238,709	-	-
Total nonoperating revenue	1,095,697	-	241,727	-	-
Increase in Net Position	540,477	26,924	242,514	(91,313)	187,505
Net Position - Beginning of year	3,517,597	175,585	1,415,149	(914,792)	-
Net Position - End of year	\$ 4,058,074	\$ 202,509	\$ 1,657,663	\$(1,006,105)	\$ 187,505

Note 1 – Summary of Significant Accounting Policies (Continued)

**Condensed Statement of Cash Flows
year ended June 30, 2024**

	Grand Valley University Foundation	University Properties, Inc.	Grand Valley Research Corporation	Lafayette Hastings, LLC	K12C Solutions
Net cash (used in) provided by operating activities	\$ (12,217)	\$ 50,874	\$ (276,251)	\$ (111,000)	\$ 1,789,472
Net cash used in investing activities	(185,509)	-	-	-	-
Net cash provided by financing activities	160,355	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(37,371)	50,874	(276,251)	(111,000)	1,789,472
Cash and Cash Equivalents - Beginning of year	<u>265,274</u>	<u>197,718</u>	<u>688,911</u>	<u>(870,120)</u>	<u>203,124</u>
Cash and Cash Equivalents - End of year	<u>\$ 227,903</u>	<u>\$ 248,592</u>	<u>\$ 412,660</u>	<u>\$ (981,120)</u>	<u>\$ 1,992,596</u>

**Condensed Statement of Cash Flows
year ended June 30, 2023**

	Grand Valley University Foundation	University Properties, Inc.	Grand Valley Research Corporation	Lafayette Hastings, LLC	K12C Solutions
Net cash (used in) provided by operating activities	\$ (56,243)	\$ 32,973	\$ 67,311	\$ (57,731)	\$ 203,124
Net cash used in investing activities	(42,404)	-	-	-	-
Net cash provided by financing activities	176,669	-	-	-	-
Net increase (decrease) in cash and cash equivalents	78,022	32,973	67,311	(57,731)	203,124
Cash and Cash Equivalents - Beginning of year	<u>187,252</u>	<u>164,745</u>	<u>621,600</u>	<u>(812,389)</u>	<u>-</u>
Cash and Cash Equivalents - End of year	<u>\$ 265,274</u>	<u>\$ 197,718</u>	<u>\$ 688,911</u>	<u>\$ (870,120)</u>	<u>\$ 203,124</u>

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation - The financial statements have been prepared in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB) using the economic resource measurement focus. The university follows all applicable GASB pronouncements. The university follows the “business-type activities” reporting requirements of GASB Statement No. 35, which provides a comprehensive one-line look at the university’s financial activities.

Basis of Accounting - The financial statements of the university have been prepared on the accrual basis, whereby all revenue is recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Cash and Cash Equivalents - The university considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - Investments are reported at fair value. Alternative investments are recorded at their most recent available valuation and updated for capital contributions and distributions. Alternative investments consist of investments that seek absolute-based return in hedge markets, investments in the private equity class investing in various ventures, or investments in a pool of assets invested in the following subclasses: global natural resources, commodities, and global real estate. The net realized and unrealized appreciation (depreciation) in market value of investments is included in the accompanying Statement of Revenue, Expenses, and Changes in Net Position. Gains, losses, and investment income are reported as increases or decreases in unrestricted net position unless their use is restricted by explicit donor stipulations or law.

Accounts Receivable - Accounts receivable are stated at net invoice amounts. An allowance for bad debts is established on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All trade amounts deemed uncollectible are charged against bad debt expense in the period that determination is made. At June 30, 2024 and 2023, there was an allowance of \$1,369,000 and \$1,164,773, respectively.

In addition, the university leases space on buildings to cellular companies and office space to external parties. In accordance with GASB 87, the university recorded lease receivables of \$8,231,198 and \$7,400,744 at June 30, 2024 and 2023, respectively. Of the total balance, noncurrent accounts receivable was \$6,537,792 and \$6,499,894 at June 30, 2024 and 2023, respectively. The expected receipts over the term of the respective leases are discounted to present value, using the interest rate stated on the lease, if available or otherwise discounted using the university’s incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2024 and 2023, the university recognized revenues related to these lease agreements totaling \$1,904,318 and \$1,214,480, respectively, which are reflected as nonoperating revenue.

Inventories - Inventories, consisting principally of bookstore merchandise, golf equipment, and apparel, are determined on the first-in, first-out (FIFO) method and stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Pledges Receivable - The carrying amount of pledges receivable represents recorded promises to contribute, measured at fair value when received, net of estimated uncollectible promises. Pledges receivable are recorded at their net present value using a discount rate of 4.24 and 4.31 percent for the years ended June 30, 2024 and 2023, respectively. Included in pledges receivable are an unamortized discount of \$914,670 and \$511,217 at June 30, 2024 and 2023, respectively, and an allowance of \$16,435 and \$38,249 at June 30, 2024 and 2023, respectively.

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets with a unit cost of over \$5,000 and all library books are recorded at cost at the date of acquisition or at acquisition value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred.

Right-to-use assets established by financing leases and subscriptions to vendor's information technology software are recorded at present value at the date that use begins and amortized over the shorter of the contract term or the useful life of the underlying asset. In addition, the university's policy establishes a threshold of \$250,000 for capitalizing vendor's information technology software, whereas activity under this threshold is expensed as incurred. Right-to-use assets totaled \$37,421,993 and \$9,304,774 at June 30, 2024 and 2023, respectively. Accumulated amortization totaled \$7,388,714 and \$3,678,883 at June 30, 2024 and 2023, respectively.

Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

Derivative Instruments - Derivative instruments consist primarily of interest rate swap agreements associated with the university's outstanding long-term debt obligations. Derivative instruments are stated at fair value as established by major securities markets.

Unearned Revenue - Tuition and fee revenue and certain exchange grants and contracts received and related to the period after June 30 has been deferred.

Compensated Absences - University employees accrue compensated absences on a per pay period basis. Vacation pay is fully vested when accrued. Upon separation from service, employees are paid accumulated vacation based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation that employees may accumulate and carry over for payment at death, retirement, or termination. Unused hours exceeding these limitations are forfeited. As a result, compensated absences are recorded as a current accrued liability.

Operating Revenue - All revenue from programmatic sources is considered operating revenue.

Nonoperating Revenue - Included in nonoperating revenue are State appropriations, investment income, Pell Grant revenue, financing lease revenue, and gifts. Financing lease arrangements and gifts (pledges) that are received on an installment basis are recorded at net present value.

Scholarship Allowances and Student Aid - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal direct lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenue. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Note 1 – Summary of Significant Accounting Policies (Continued)

Federal Financial Assistance Programs - The university participates in Federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and Perkins Loans programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”), and the compliance supplement.

During 2024 and 2023, the university distributed \$126,864,620 and \$127,145,500 respectively, for direct lending through the U.S. Department of Education, which is a fiduciary activity. However, it meets the business-type activities exception and therefore is not included as revenue and expenditures on the accompanying financial statements.

Encumbrances - The university maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances totaled approximately \$37,618,500, which represents the estimated amount of expenses ultimately to result if unperformed contracts in progress at June 30, 2024 are completed. Approximately \$20,214,500 of the total is committed for capital projects.

Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in the financial statements.

Fiduciary Activity - The university establishes fiduciary funds to manage amounts held in a fiduciary capacity for others. These amounts are not used to operate the university’s programs.

Net Position - Net position is classified according to external donor restrictions or availability of assets for satisfaction of university obligations. Nonexpendable restricted net position consists of gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in Federal loan programs. Unrestricted net position represents assets of the university that have not been restricted by parties independent of the university.

It is the university’s policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, right-to-use assets, net of accumulated amortization, unspent bond proceeds, components of debt structuring, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Use of Estimates - The preparation of financial statements in conformity with Generally Accepted Accounting Principles, 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain estimates are more susceptible to change based on the potential changes in estimates and assumptions, including estimates such as the allowance for doubtful accounts and self-insurance healthcare claims.

Note 1 – Summary of Significant Accounting Policies (Continued)

Pensions - For the purpose 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 university defined benefit plans was calculated by a certified actuary. Contribution revenue is recorded as contributions are made by the university to the plan. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net Other Postemployment Benefits (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 university defined benefit plan was calculated by a certified actuary. Contribution revenue is recorded as contributions are made by the university to the plan. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The deferred outflows of resources relate to the net pension liability, other post-retirement liabilities, and components of long-term obligations, including a debt refunding. See Notes 4 through 6 for more information.

Deferred Inflows of Resources - In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources relate to the calculation of the net pension liability and other post-retirement liabilities, derivative instruments, and leases. Detailed information is provided in Note 5 regarding the derivative instrument and Note 6 regarding retirement related benefit deferrals. The deferred inflow related to leases results from future inflows resulting from the university's lessor arrangements, as referenced in the Accounts Receivable accounting policy.

Note 2 - Cash and Investments

The operating portfolio is invested in accordance with university policy.

Cash and Short-term Investments - Investment policies for cash and short-term investments, as set forth by the Board of Trustees, authorize the university to invest in interest-bearing time deposits, short-term cash funds, money market funds, intermediate cash funds, U.S. government-backed obligations, and commercial paper. All investments must be held by financial institutions organized under federal or state law.

Restricted Short-term Investments - Restricted short-term investments received for a scholarship program were \$9,741,175 and \$14,272,976 June 30, 2024 and 2023, respectively.

Note 2 - Cash and Investments (Continued)

Investments - Investment policies, as set forth by the Board of Trustees, also authorize the university to invest in equity securities, bonds, or similar securities and real estate investments for production of rental income. The Board of Trustees has authorized the Treasurer or Assistant Treasurer of the Board of Trustees to make the university’s investment decisions, subject to review with the members of the Advisory Committee. In accordance with policies set forth by the Board of Trustees, complete discretion in selecting individual investments of endowment assets is assigned to two or more money managers who are chosen at the discretion of the university’s Treasurer. The university’s Treasurer and the appropriate Board committee monitor the asset managers’ performance.

The Board of Trustees has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 (“UPMIFA”), the Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the university and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. Annually, the Board of Trustees approves an endowment spending rate consistent with these objectives. For the years ended June 30, 2024 and 2023, the endowment spending rate was 4.5 percent.

As of June 30, 2024, the university has remaining commitments of \$43.0 million in alternative asset investments. As of June 30, 2024 and 2023, the university had approximately \$122.7 million and \$105.2 million respectively, invested in alternative investments.

The university’s cash and investments are included in the Statement of Net Position under the following classifications:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 64,880,622	\$ 66,128,014
Short-term investments	78,177,519	42,947,759
Restricted Investments	9,741,175	14,272,976
Endowment investments	207,915,467	183,274,094
Other long-term investments	<u>259,690,954</u>	<u>258,159,037</u>
Total cash and investments	<u>\$ 620,405,737</u>	<u>\$ 564,781,880</u>

The university’s cash and investments consist of the following:

	<u>2024</u>	<u>2023</u>
Money markets	\$ 78,353,583	\$ 72,846,430
Time deposits	153,998	7,554,561
Fixed-income securities	279,396,003	266,595,112
Equity security investments	124,361,557	101,203,317
Mutual bond funds	15,473,959	11,421,079
Alternative investments	<u>122,666,637</u>	<u>105,161,381</u>
Total cash and investments	<u>\$ 620,405,737</u>	<u>\$ 564,781,880</u>

Note 2 - Cash and Investments (Continued)

As of June 30, 2024, the university had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 78,353,583	\$ 74,621,797	\$ 3,731,786	\$ -	\$ -
Time deposits	153,998	153,998	-	-	-
Fixed income securities	279,396,003	78,177,519	201,218,484	-	-
Mutual bond funds	15,473,959	-	696,074	14,777,885	-
Mutual equity funds	89,446,375	-	12,265,000	77,181,375	-
Mutual international equity funds	34,073,114	-	4,758,277	29,314,837	-
U.S. equities	842,068	-	-	-	842,068
Real estate	3,395,738	-	-	1,856,427	1,539,311
Venture capital and private equity	56,019,246	-	-	-	56,019,246
Private credit	6,086,406	-	-	-	6,086,406
Hedge funds	46,384,004	-	-	-	46,384,004
Other investments	10,781,243	-	7,410,855	-	3,370,388
Total investments and maturities	<u>\$ 620,405,737</u>	<u>\$ 152,953,314</u>	<u>\$ 230,080,476</u>	<u>\$ 123,130,524</u>	<u>\$ 114,241,423</u>

As of June 30, 2023, the university had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 72,846,430	\$ 72,846,430	\$ -	\$ -	\$ -
Time deposits	7,554,561	7,554,561	-	-	-
Fixed income securities	266,595,112	42,947,759	223,647,353	-	-
Mutual bond funds	11,421,079	-	-	11,421,079	-
Mutual equity funds	64,685,843	-	9,623,764	55,062,079	-
Mutual international equity funds	31,767,712	-	5,554,160	26,213,552	-
U.S. equities	4,749,762	-	-	4,156,296	593,466
Real estate	1,263,961	-	-	-	1,263,961
Venture capital and private equity	51,653,764	-	-	-	51,653,764
Private credit	4,804,499	-	-	-	4,804,499
Hedge funds	37,485,576	-	-	-	37,485,576
Other investments	9,953,581	-	4,604,340	-	5,349,241
Total investments and maturities	<u>\$ 564,781,880</u>	<u>\$ 123,348,750</u>	<u>\$ 243,429,617</u>	<u>\$ 96,853,006</u>	<u>\$ 101,150,507</u>

Note 2 - Cash and Investments (Continued)

As of June 30, 2024, the university's fiduciary fund had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 1,320,394	\$ 1,320,394	\$ -	\$ -	\$ -
Fixed-income securities	20,933,242	4,533,271	8,508,341	6,107,313	1,784,317
Mutual bond funds	2,252,857	-	-	2,252,857	-
Equities	47,159,791	-	-	-	47,159,791
Infrastructure funds	2,840,554	-	-	-	2,840,554
Real estate investment funds	4,135,376	-	-	-	4,135,376
Other alternative funds	1,707,607	-	-	-	1,707,607
Pooled investment funds	68,351	-	-	-	68,351
Total investments and maturities	<u>\$ 80,418,172</u>	<u>\$ 5,853,665</u>	<u>\$ 8,508,341</u>	<u>\$ 8,360,170</u>	<u>\$ 57,695,996</u>

As of June 30, 2023, the university's fiduciary fund had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 1,631,089	\$ 1,631,089	\$ -	\$ -	\$ -
Time deposits	129,989	129,989	-	-	-
Fixed-income funds	20,764,176	1,695,705	10,555,355	4,899,617	3,613,499
Equities	44,398,140	-	-	-	44,398,140
Infrastructure funds	1,982,793	-	-	-	1,982,793
Real estate investment funds	4,421,065	-	-	-	4,421,065
Other alternative funds	1,880,566	-	-	-	1,880,566
Pooled investment funds	72,963	-	-	-	72,963
Total investments and maturities	<u>\$ 75,280,781</u>	<u>\$ 3,456,783</u>	<u>\$ 10,555,355</u>	<u>\$ 4,899,617</u>	<u>\$ 56,369,026</u>

Note 2 - Cash and Investments (Continued)

Concentration of Credit Risk - The university's investment strategy, like that of most other institutions, incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk. Market risk is the potential for changes in the value of financial instruments due to market changes and is directly impacted by the volatility and liquidity of the markets in which the underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. Risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the Statement of Revenue, Expenses, and Changes in Net Position.

Investments are presented above based on the segmented time distribution maturity. Mutual equity funds are considered to be long-term funds and therefore are presented as investments with a maturity over one year, whereas the mutual bond funds as of June 30, 2024 have average maturities between 3.11 years and 13.95 years. At June 30, 2023, mutual bond funds have average maturities between 4.9 years and 13.12 years. Both are presented as an investment with a maturity over one year. Market risks (including interest rate risk and liquidity risk) and credit risks are managed by Board policies.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the university's operating investment policy limits the amount of the university's operating portfolio that can be invested in securities with maturities of more than one year. Operating investment maturities are limited as follows:

Less than one year	10%-100%
One to five years	0%-90%
More than five years	0%-30%

Investments held by the endowment funds are invested based on the policy that they are held to maturity; therefore, the interest rate risk is not considered in the university's decisions.

Custodial Credit Risk - Custodial Credit Risk is the risk that in the event of a bank failure, the university's deposits may not be available or returned. The university does not have a deposit policy for Custodial Credit Risk. The university's investments are held by a custody agent. At June 30, 2024 and 2023, the carrying amount of the university's deposits was \$64,880,622 and \$66,128,014, respectively. Cash balances in the bank were \$66,257,667 and \$68,060,951 at June 30, 2024 and 2023, respectively. Of the cash balances in the bank, \$1,300,194 and \$1,484,585, respectively, was insured.

The remaining cash balances in the bank of \$64,957,473 and \$66,576,366 at June 30, 2024 and 2023, respectively, were uninsured and uncollateralized. The university does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits.

Note 2 - Cash and Investments (Continued)

Credit Risk - The university's operating investment policy limits its short-term operating investments to 0.5 percent of total bank assets or to investment vehicles that possess the highest ratings available by two national services. The university's operating investment policy limits its longer-term investments to investment grade or better securities.

The endowment funds are invested based on the policy that they are held permanently. Therefore, it is possible to invest in alternative investments that have a higher credit risk, but over the long term have the opportunity to yield higher rates of return.

The mutual fixed income funds held by the university had the following credit ratings at June 30, 2024 and 2023:

	Market Value 2024	Morningstar Rating	Market Value 2023	Morningstar Rating
Eaton Vance Income Fund of Boston I	7,386,650	4 star	5,407,339	4 star
Federated Hermes Instl High Yield Bd IS	7,391,235	4 star	5,405,049	3 star
AQR Diversified Arbitrage I	229,533	n/a	177,290	n/a
Cohen & Steers Preferred Sec & Inc I	235,437	4 star	212,826	4 star
Virtus-AllianzGI Convertible Inst	231,104	5 star	218,575	5 star
Total	\$ 15,473,959		\$ 11,421,079	

At June 30, 2024, the university held fixed-income securities of \$279,396,003 of which \$131,402,606 were invested in US Governmental agencies. The remaining \$147,993,397 was invested in securities that were rated by S&P Global as follows:

	<u>A</u>	<u>A-</u>	<u>A+</u>	<u>AA</u>	<u>AA-</u>	<u>AA+</u>	<u>AAA</u>	<u>BBB</u>	<u>BBB-</u>	<u>BBB+</u>	<u>Total</u>
Local government bond	-	-	-	50,601	47,500	-	118,749	-	-	-	216,850
Asset backed bonds	-	-	-	-	-	-	264,963	-	-	-	264,963
Mortgage-backed bonds	-	-	-	-	-	136,898	24,326	-	-	-	161,224
Non U.S.corporate bonds	1,745,261	7,151,759	302,643	-	-	-	-	5,124,792	4,884,233	4,168,288	23,376,976
U.S. corporate bonds	8,280,545	37,102,872	9,902,833	96,337	7,464,428	5,761,949	5,928,152	24,310,502	5,470,142	19,655,623	123,973,385
	<u>\$ 10,025,806</u>	<u>\$ 44,254,631</u>	<u>\$ 10,205,476</u>	<u>\$ 146,938</u>	<u>\$ 7,511,928</u>	<u>\$ 5,898,847</u>	<u>\$ 6,336,190</u>	<u>\$ 29,435,294</u>	<u>\$ 10,354,375</u>	<u>\$ 23,823,911</u>	<u>\$ 147,993,397</u>

At June 30, 2023, the university held fixed-income securities of \$266,595,112 of which \$124,736,746 were invested in US Governmental agencies. The remaining \$141,858,366 was invested in securities that were rated by S&P Global as follows:

	<u>A</u>	<u>A-</u>	<u>A+</u>	<u>AA</u>	<u>AA-</u>	<u>AA+</u>	<u>AAA</u>	<u>BBB</u>	<u>BBB-</u>	<u>BBB+</u>	<u>Total</u>
Local government bond	-	-	-	-	-	-	26,329	-	-	-	26,329
Non U.S.corporate bonds	133,202	11,177,073	1,031,675	-	-	-	5,540,220	5,716,394	4,648,140	6,123,098	34,369,802
U.S. corporate bonds	7,730,571	32,574,827	7,669,038	151,618	7,235,511	5,678,698	928,802	23,451,489	6,384,614	15,657,067	107,462,235
	<u>\$ 7,863,773</u>	<u>\$ 43,751,900</u>	<u>\$ 8,700,713</u>	<u>\$ 151,618</u>	<u>\$ 7,235,511</u>	<u>\$ 5,678,698</u>	<u>\$ 6,495,351</u>	<u>\$ 29,167,883</u>	<u>\$ 11,032,754</u>	<u>\$ 21,780,165</u>	<u>\$ 141,858,366</u>

Note 2 - Cash and Investments (Continued)

The university's fiduciary fund held the following types of mutual fixed-income funds at June 30, 2024 and 2023:

	Market Value 2024	Morningstar Rating	Market Value 2023	Morningstar Rating
AQR Diversified Arbitrage I	746,483	n/a	562,225	n/a
Cohen & Steers Preferred Sec & Inc I	754,780	4 star	674,916	4 star
Virtus-AllianzGI Convertible Inst	751,594	4 star	693,145	5 star
	<u>\$ 2,252,857</u>		<u>\$ 1,930,286</u>	

At June 30, 2024, the university's fiduciary fund held fixed-income securities of \$20,933,242 of which \$7,093,338 were invested in US Governmental agencies and \$2,880,634 were invested in bonds of various financial institutions that were unrated. The remaining \$10,959,270 was invested in securities that were rated by S&P Global as follows:

	A	A-	A+	AA	AA-	AA+	AAA	BBB	BBB+	Total
Non U.S.corporate bonds	2,270,491	1,627,864	843,354	284,402	902,539	506,177	127,826	1,783,639	1,204,401	9,550,693
U.S. corporate bonds	511,548	327,895	-	-	420,481	148,653	-	-	-	1,408,577
	<u>\$ 2,782,039</u>	<u>\$ 1,955,759</u>	<u>\$ 843,354</u>	<u>\$ 284,402</u>	<u>\$ 1,323,020</u>	<u>\$ 654,830</u>	<u>\$ 127,826</u>	<u>\$ 1,783,639</u>	<u>\$ 1,204,401</u>	<u>\$ 10,959,270</u>

At June 30, 2023, the university's fiduciary fund held fixed-income securities of \$18,833,890 of which \$3,669,926 were invested in US Governmental agencies. The remaining \$15,163,964 was invested in securities that were rated by S&P Global as follows:

	A	A-	A+	AA	AA-	AA+	AAA	BBB	BBB+	Not available	Total
Non U.S.corporate bonds	-	-	341,551	-	129,697	45,762	-	-	-	359,867	876,877
U.S. corporate bonds	1,710,291	936,236	1,561,880	328,401	1,081,676	1,794,436	131,536	1,226,878	650,580	4,326,255	13,748,169
Inflation-indexed bonds	-	-	-	-	-	-	-	-	-	538,918	538,918
	<u>\$ 1,710,291</u>	<u>\$ 936,236</u>	<u>\$ 1,903,431</u>	<u>\$ 328,401</u>	<u>\$ 1,211,373</u>	<u>\$ 1,840,198</u>	<u>\$ 131,536</u>	<u>\$ 1,226,878</u>	<u>\$ 650,580</u>	<u>\$ 5,225,040</u>	<u>\$ 15,163,964</u>

Note 2 - Cash and Investments (Continued)

Foreign Credit Risk - The university holds investments in some international mutual funds that invest in international equity funds and investments in non-US corporate and government bonds. These funds are invested in various countries throughout the world and therefore expose the university to foreign credit risk. The international equity and debt investments represent approximately 9 percent and 11 percent at June 30, 2024 and June 30, 2023, respectively. Investments in these funds were approximately \$57.5 million and \$63.9 million for the ended June 30, 2024 and 2023, respectively.

Alternative Assets - The other investments, private equities, and venture capital are comprised of investments in alternative assets.

Fair Value Measurements - The university categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy on the following page.

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 judgment and considers factors specific to each asset or liability.

Note 2 - Cash and Investments (Continued)

The university has the following recurring fair value measurements as of June 30, 2024:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities - Mutual bond funds	\$ 15,473,958	\$ 15,473,958	\$ -	\$ -
Equity securities:				
Preferred stock	646,507	-	-	646,507
Common stock	323,602	-	-	323,602
U.S. equities	842,068	842,068	-	-
Money market funds	49,046,426	49,046,426	-	-
Mutual equity funds	89,446,375	89,446,375	-	-
Mutual international security funds	34,073,114	34,073,114	-	-
Mutual alternative strategies	7,935,919	7,935,919	-	-
Real asset funds	1,856,427	1,856,427	-	-
Total equity securities	184,170,438	183,200,329	-	970,109
U.S. governmental agencies	131,402,606	90,879,690	40,522,916	-
Local government bonds	216,850	-	216,850	-
Non-U.S. corporate bonds	23,377,276	-	23,377,276	-
Corporate bonds	124,399,271	-	124,399,271	-
Land	543,480	-	-	543,480
Beneficial interest	1,875,215	-	-	1,875,215
Total investments by fair value level		<u>\$ 289,553,977</u>	<u>\$ 188,516,313</u>	<u>\$ 3,388,804</u>
Investments Measured at Net Asset Value (NAV)				
Hedge funds	46,384,005			
Private equity/venture capital	56,019,246			
Private credit	6,086,406			
Real estate funds	995,831			
Total investments measured at NAV	109,485,487			
Total investments measured at fair value	<u>\$ 590,944,581</u>			
Bank deposits *	29,461,156			
Total Cash and Investments	<u>\$ 620,405,737</u>			
Investment Derivative Instruments - Interest				
rate swaps	\$ (626,000)		\$ (626,000)	

* Bank deposits include brokerage funds of \$12,477,095, which are included in cash and cash equivalents on the statement of Net Position.

Note 2 - Cash and Investments (Continued)

The university has the following recurring fair value measurements as of June 30, 2023:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities - Mutual bond funds	\$ 11,421,079	\$ 11,421,079	\$ -	\$ -
Equity securities:				
Preferred stock	571,507	-	-	571,507
Common stock	120,000	-	-	120,000
U.S. equities	4,749,762	4,749,762	-	-
Money market funds	35,748,484	35,748,484	-	-
Mutual equity funds	64,685,844	64,685,844	-	-
Mutual international security funds	30,593,148	30,593,148	-	-
Mutual alternative strategies	8,175,336	8,175,336	-	-
Total equity securities	144,644,081	143,952,574	-	691,507
U.S. governmental agencies	124,736,746	89,449,341	35,287,405	-
Local government bond	26,329	-	26,329	-
Non-U.S. corporate bonds	33,338,127	-	33,338,127	-
Corporate bonds	108,493,908	-	108,493,908	-
Land	543,480	-	-	543,480
Beneficial interest	1,717,823	-	-	1,717,823
Total investments by fair value level		\$ 244,822,994	\$ 177,145,769	\$ 2,952,810
Investments Measured at Net Asset Value (NAV)				
Hedge funds	37,485,576			
Private equity/venture capital	51,653,764			
Private credit	4,804,499			
Real estate funds	1,263,961			
Total investments measured at NAV	95,207,800			
Total investments measured at fair value	\$ 520,129,373			
Bank deposits *	44,652,507			
Total Cash and Investments	\$ 564,781,880			
Investment Derivative Instruments - Interest				
rate swaps	\$ (885,000)		\$ (885,000)	

* Bank deposits include brokerage funds of \$21,475,508, which are included in cash and cash equivalents on the statement of Net Position.

Note 2 - Cash and Investments (Continued)

The university's fiduciary funds have the following recurring fair value measurements as of June 30, 2024:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2024	Fair Value Measurements Using		
		Quoted Prices		
		in Active	Significant	
		Markets for	Other	Significant
	Identical	Observable	Unobservable	
	Assets	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Investments by Fair Value Level				
Equity securities:				
Money market mutual funds	\$ 1,320,394	\$ 1,320,394	\$ -	\$ -
Developed international equity funds	8,698,678	8,698,678	-	-
Emerging markets equity funds	4,480,095	4,480,095	-	-
Large-cap domestic equity funds	27,698,901	27,698,901	-	-
Real estate investment funds	4,135,376	4,135,376	-	-
Small- and mid-cap domestic equity funds	5,224,675	5,224,675	-	-
Equity-related strategy funds	1,057,442	1,057,442	-	-
Infrastructure funds	2,840,554	2,840,554	-	-
Alternative strategies funds	1,707,607	1,707,607	-	-
Total equity securities	57,163,722	57,163,722	-	-
Fixed-income securities:				
Domestic fixed-income	20,575,285	1,506,374	19,068,911	-
International developed market fixed-income	1,316,585	1,316,585	-	-
Inflation indexed fixed-income	547,746	547,746	-	-
Fixed income-related strategy	746,483	746,483	-	-
Total fixed-income securities	23,186,099	4,117,188	19,068,911	-
Total investments by fair value level		\$ 61,280,910	\$ 19,068,911	\$ -
Investments Measured at Net Asset Value (NAV)				
Pooled investment funds	68,351			
Total investments measured at fair value	\$ 80,418,172			

June 30, 2024 and 2023

Note 2 - Cash and Investments (Continued)

The university's fiduciary funds have the following recurring fair value measurements as of June 30, 2023:

	Balance at June 30, 2023	<u>Fair Value Measurements Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity securities:				
Money market mutual funds	\$ 1,631,089	\$ 1,631,089	\$ -	\$ -
Developed international equity funds	8,379,957	8,379,957	-	-
Emerging markets equity funds	4,158,687	4,158,687	-	-
Large-cap domestic equity funds	26,216,792	26,216,792	-	-
Real estate investment funds	4,421,065	4,421,065	-	-
Small- and mid-cap domestic equity funds	4,878,711	4,878,711	-	-
Equity-related strategy funds	763,993	763,993	-	-
Infrastructure funds	1,982,793	1,982,793	-	-
Alternative strategies funds	1,880,566	1,880,566	-	-
Total equity securities	<u>54,313,653</u>	<u>54,313,653</u>	<u>-</u>	<u>-</u>
Fixed-income securities:				
Domestic fixed-income	18,786,156	1,368,061	17,418,095	-
International developed market fixed-income	876,877	-	876,877	-
Inflation indexed fixed-income	538,918	-	538,918	-
Fixed income-related strategy	562,225	562,225	-	-
Total fixed-income securities	<u>20,764,176</u>	<u>1,930,286</u>	<u>18,833,890</u>	<u>-</u>
Total investments by fair value level		<u>\$ 56,243,939</u>	<u>\$ 18,833,890</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Pooled investment funds	<u>72,963</u>			
Total investments measured at fair value	<u>\$ 75,150,792</u>			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. Governmental agency securities purchased at first issue (on-the-run) are also classified in Level 1.

The fair value of fixed-income securities, corporate bonds, and foreign and U.S. Governmental agency securities that were purchased after first issue (off-the-run) were determined primarily based on Level 2 inputs. The university estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Derivative instruments classified in Level 2 reflect the fair values of the interest rate swaps estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future settlement on the swap.

Note 2 - Cash and Investments (Continued)

The fair value of land, preferred and common stock holdings, and the beneficial interest account held at Grand Rapids Community Foundation at June 30, 2024 and 2023 was determined primarily based on Level 3 inputs. The university estimates the fair value of these investments using the university's own estimates using pricing models, discounted cash flow methodologies, or similar techniques, after considering the characteristics of the asset.

Investments in Entities that Calculate Net Asset Value per Share

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 value per share (or its equivalent) of the investment companies as a practical expedient.

At year-end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	June 30, 2024	June 30, 2023		June 30, 2024	
	Fair Value	Fair Value	Unfunded	Redemption	Redemption
			Commitments	Frequency, if	Notice Period
				Eligible	
Hedge funds (A)	\$ 46,384,005	\$ 37,485,576	\$ -	See (A) below	See (A) below
Private equity/venture capital (B)	56,019,246	51,653,764	35,976,337	Not redeemable	N/A
Private credit (C)	6,086,406	4,804,499	6,607,685	Not redeemable	N/A
Real estate funds (D)	995,831	1,263,961	437,850	Not redeemable	N/A
Total	<u>\$ 109,485,488</u>	<u>\$ 95,207,800</u>	<u>\$ 43,021,872</u>		

(A) This category includes investments in hedge funds that invest primarily in limited partnerships and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. These investments can be redeemed as follows, with the following restrictions:

1. Adage Capital Partners - Quarterly redemptions with a 60 day advance notice.
2. Varde Investment Partners - Redeemable on anniversary date of admission to the fund with a 90 day advance written notice.
3. Senator Global Offshore Fund - Redeemable at any calendar quarter-end upon at least a 60 day prior written notice. Shareholders may only redeem 25% of their shares at each redemption date.
4. Himalaya Capital Investors LP - Redeemable annually, last calendar day of the year with a 60 day notice.

Note 2 - Cash and Investments (Continued)

- (B) This category includes several private equity funds that invest in early stage, high-growth private companies, growth equity financing, leverage buyouts, securities, and other obligations of distressed businesses and financially troubled companies. The nature of the investments in this category is that distributions are received through the liquidation for the underlying assets of the funds. These investments are planned to be held for a various number of years depending on the individual fund contract. In addition, this category includes venture capital funds that will invest in three to five companies, primarily from within the Michigan Accelerator Fund portfolio. The fair value of the investment in this class has been estimated using the net asset value of the university's ownership interest in partners' capital.
- (C) This category consists of two funds that provide financing to companies and primarily generates income through investments in cash paying, floating rate senior secured debt, complemented by capital appreciation-focused credit strategies. The nature of these investments in this category is that distributions are received through the periodic repayment of debt obligations. The fair value of the investment in this class has been estimated using the next asset value of the university's ownership interest in the partners' capital.
- (D) This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the university's ownership interest in partners' capital.

Notes to Financial Statements

June 30, 2024 and 2023

Note 3 - Capital Assets

Capital asset activity for the university for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 71,977,990	\$ 1,478,367	\$ -	\$ 73,456,357
Nondepreciable artwork and historical treasures	6,432,686	1,573,750	-	8,006,436
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress	15,872,292	13,205,369	15,301,777	13,775,884
Total cost of nondepreciable capital assets	96,005,788	16,257,486	15,301,777	96,961,497
Land improvements & infrastructure	162,139,824	3,562,278		165,702,102
Buildings	922,253,507	26,893,705	12,200	949,135,012
Equipment	78,980,893	3,113,726	1,128,384	80,966,235
Library books	17,640,873	161,893	98,099	17,704,667
Total cost of depreciable capital assets	1,181,015,097	33,731,602	1,238,683	1,213,508,016
Right-to-Use Buildings	1,153,820	312,817	251,114	1,215,523
Right-to-Use Equipment	788,677	213,648	-	1,002,325
Right-to-Use Vehicles	498,681	330,193	199,943	628,931
Right-to-Use Subscription IT Arrangements	6,863,596	27,711,618	-	34,575,214
Total cost of Right-to-Use capital assets	9,304,774	28,568,276	451,057	37,421,993
Total cost of capital assets	1,286,325,659	\$ 78,557,364	\$ 16,991,517	1,347,891,506
Less accumulated depreciation for:				
Land improvements & infrastructure	92,400,807	6,531,851	-	98,932,658
Buildings	335,747,399	22,340,459	4,362	358,083,496
Equipment	61,861,039	4,422,759	1,026,306	65,257,492
Library books	16,154,947	434,959	98,099	16,491,807
Total accumulated depreciation	506,164,192	33,730,028	1,128,767	538,765,453
Less accumulated amortization for:				
Right-to-Use Buildings	706,904	362,002	251,114	817,792
Right-to-Use Equipment	250,818	111,326	-	362,144
Right-to-Use Vehicles	293,432	179,941	201,204	272,169
Right-to-Use Subscription IT Arrangements	2,427,729	3,508,880	-	5,936,609
Total accumulated amortization	3,678,883	4,162,149	452,318	7,388,714
Total accumulated depreciation and amortization	509,843,075	\$ 37,892,177	\$ 1,581,085	546,154,167
University capital assets - Net	\$ 776,482,584			\$ 801,737,339

Note 3 - Capital Assets (Continued)

Capital asset activity for the university for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 71,908,027	\$ 69,963	\$ -	\$ 71,977,990
Nondepreciable artwork and historical treasures	6,406,629	26,057	-	6,432,686
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress	5,764,645	18,714,083	8,606,436	15,872,292
Total cost of nondepreciable capital assets	85,802,121	18,810,103	8,606,436	96,005,788
Land improvements & infrastructure	159,321,732	2,818,092	-	162,139,824
Buildings	916,271,301	6,108,855	126,649	922,253,507
Equipment	76,929,942	2,695,964	645,013	78,980,893
Library books	17,749,479	179,899	288,505	17,640,873
Total cost of depreciable capital assets	1,170,272,454	11,802,810	1,060,167	1,181,015,097
Right-to-Use Buildings	616,796	537,498	474	1,153,820
Right-to-Use Equipment	820,233	-	31,556	788,677
Right-to-Use Vehicles	341,828	188,551	31,698	498,681
Right-to-Use Subscription IT Arrangements	4,811,219	2,052,377	-	6,863,596
Total cost of Right-to-Use capital assets	6,590,076	2,778,426	63,728	9,304,774
Total cost of capital assets	1,262,664,651	\$ 33,391,339	\$ 9,730,331	1,286,325,659
Less accumulated depreciation for:				
Land improvements & infrastructure	85,948,113	6,452,694	-	92,400,807
Buildings	314,174,946	21,608,945	36,492	335,747,399
Equipment	57,787,759	4,630,901	557,621	61,861,039
Library books	15,947,658	495,794	288,505	16,154,947
Total accumulated depreciation	473,858,476	33,188,334	882,618	506,164,192
Less accumulated amortization for:				
Right-to-Use Buildings	342,728	364,520	344	706,904
Right-to-Use Equipment	174,009	84,695	7,886	250,818
Right-to-Use Vehicles	173,544	148,287	28,399	293,432
Right-to-Use Subscription IT Arrangements	633,401	1,794,328	-	2,427,729
Total accumulated amortization	1,323,682	2,391,830	36,629	3,678,883
Total accumulated depreciation and amortization	475,182,158	\$ 35,580,164	\$ 919,247	509,843,075
University capital assets - Net	\$ 787,482,493			\$ 776,482,584

Note 3 - Capital Assets (Continued)

The following estimated useful lives are used to compute depreciation:

Land improvements and infrastructure	20 years
Buildings	40-50 years
Equipment	3-25 years
Library books	10 years

Note 4 - Long-term Liabilities

Long-term liabilities of the university consist of bonds payable, charitable gift annuities payable, and other noncurrent liabilities, including liabilities resulting from right-to-use assets.

The changes in long-term liabilities for the year ended June 30, 2024 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Refunding Variable Rate Bonds, Series 2008B	\$ 23,755,000	-	2,225,000	\$ 21,530,000	2,320,000
General Revenue Refunding Bonds, Series 2014B	32,230,000	-	2,470,000	29,760,000	3,010,000
General Revenue Bonds, Series 2015A	22,055,000	-	1,240,000	20,815,000	1,305,000
General Revenue Refunding Bonds, Series 2016A	52,365,000	-	3,455,000	48,910,000	3,730,000
General Revenue Bonds, Series 2017	19,445,000	-	915,000	18,530,000	965,000
General Revenue Bonds, Series 2018	38,530,000	-	1,400,000	37,130,000	1,470,000
Subtotal	188,380,000	-	11,705,000	176,675,000	12,800,000
General Revenue, Series 2014A Direct Purchase Bonds	28,325,000	-	1,445,000	26,880,000	1,510,000
Subtotal	28,325,000	-	1,445,000	26,880,000	1,510,000
Total bonds payable	216,705,000	-	13,150,000	203,555,000	14,310,000
Noncurrent accrued liabilities	209,238	125,063	-	334,301	-
Unamortized bond premiums	16,454,879		1,273,535	15,181,344	1,273,535
Charitable gift annuities payable	470,999	41,220	90,093	422,126	90,093
Construction loan payable	274,521		3,936	270,585	4,115
Right-to-Use lease liability	1,223,752	857,683	660,473	1,420,962	609,713
Right-to-Use subscription IT liability	3,503,350	14,531,588	2,265,339	15,769,599	3,540,538
Total	238,841,739	15,555,554	17,443,376	236,953,917	19,827,994
Due within one year	16,534,306			19,827,994	
Total long-term liabilities	<u>\$ 222,307,433</u>			<u>\$ 217,125,923</u>	

Note 4 - Long-term Liabilities (Continued)

The changes in long-term liabilities for the year ended June 30, 2023 are as shown below:

General Revenue Refunding Variable					
Rate Bonds, Series 2008B	\$ 25,890,000	-	2,135,000	\$ 23,755,000	2,225,000
General Revenue Refunding Bonds,					
Series 2014B	33,760,000	-	1,530,000	32,230,000	2,470,000
General Revenue Bonds, Series 2015A	23,235,000	-	1,180,000	22,055,000	1,240,000
General Revenue Refunding Bonds,					
Series 2016A	55,450,000	-	3,085,000	52,365,000	3,455,000
General Revenue Bonds, Series 2017	20,315,000	-	870,000	19,445,000	915,000
General Revenue Bonds, Series 2018	39,860,000	-	1,330,000	38,530,000	1,400,000
Subtotal	<u>198,510,000</u>	<u>-</u>	<u>10,130,000</u>	<u>188,380,000</u>	<u>11,705,000</u>
General Revenue Refunding, Series 2013A					
Direct Purchase Bonds	5,415,000	-	5,415,000	-	-
General Revenue, Series 2014A					
Direct Purchase Bonds	<u>29,705,000</u>	<u>-</u>	<u>1,380,000</u>	<u>28,325,000</u>	<u>1,445,000</u>
Subtotal	35,120,000	-	6,795,000	28,325,000	1,445,000
Total bonds payable	233,630,000	-	16,925,000	216,705,000	13,150,000
Noncurrent accrued liabilities	4,338,798	209,238	4,338,798	209,238	-
Unamortized bond premiums	17,728,413	-	1,273,534	16,454,879	1,273,535
Charitable gift annuities payable	511,529	49,563	90,093	470,999	90,093
Construction loan payable	278,287	-	3,766	274,521	3,936
Interest rate swap contract (see Note 5)	159,000	-	159,000	-	-
Right-to-Use lease liability	1,119,798	726,049	622,095	1,223,752	526,817
Right-to-Use subscription IT liability	<u>3,797,324</u>	<u>1,838,478</u>	<u>2,132,452</u>	<u>3,503,350</u>	<u>1,489,925</u>
Total	261,563,149	2,823,328	25,544,738	238,841,739	16,534,306
Due within one year	<u>21,233,948</u>			<u>16,534,306</u>	
Total long-term liabilities	<u>\$ 240,329,201</u>			<u>\$ 222,307,433</u>	

Note 4 - Long-term Liabilities (Continued)

The General Revenue Refunding Bonds, Series 2008A, and the General Revenue Refunding Variable Rate Bonds, Series 2008B, were issued in April 2008 by the Board of Trustees for the refunding and extinguishment of \$20,730,000 of Series 2001B bonds, \$14,775,000 of Series 2002A bonds, \$25,445,000 of Series 2003 bonds, \$22,660,000 of Series 2004 bonds, and \$61,535,000 of Series 2007B bonds and to provide funds for the termination of a prior swap agreement. In addition to the scheduled payments of \$3,090,000 in 2016 and \$3,660,000 in 2017, \$64,955,000 was defeased through a refunding in 2016 and \$4,505,000 was defeased through a refunding in 2017. The defeased bonds from 2016 were held in trust until callable on June 1, 2018 and the defeased bonds from 2017 were held in trust until callable on December 1, 2018. The interest rate on the Series 2008A bonds ranges from 4.13 percent to 5.00 percent. The Series 2008A bonds matured in 2019 and the Series 2008B bonds mature in 2032.

The Series 2008B bonds bear interest based on a weekly rate determined by the remarketing agent (3.89 percent and 4.20 percent at June 30, 2024 and 2023, respectively). The bonds may be converted and subject to a different interest rate mode, provided certain conditions are met. The interest rate modes to which the bonds could potentially be converted to include a daily-rate mode, a commercial paper-rate mode, a term-rate mode, and a fixed-rate mode. The bonds are subject to purchase on demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon a seven day notice and delivery to the remarketing agent. Liquidity for the payment of the purchase price of the bonds on any mandatory or optional tender will be provided by an irrevocable direct pay letter of credit. The letter of credit will terminate at the final bond maturity date of December 1, 2031, unless the university initiates an early termination, which requires a 30 day prior written notice to the bank. In addition, the letter of credit contains a stated expiration date that will require extension or replacement after November 17, 2027.

The General Revenue Refunding Bonds, Series 2013A, were issued in June 2013 by the Board of Trustees for the refunding of \$29,180,000 of Series 2005 bonds. Originally scheduled to mature in 2025, these bonds were paid off in full as of December 1, 2022.

The General Revenue Bonds, Series 2014A, were issued in February 2014 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip a classroom and laboratory building, a building for the relocation of the university's bookstore and printing activities, as well as an addition to Au Sable Hall, which are all located on the Allendale campus. This is a draw-down bond in which a portion was drawn during fiscal year 2014 and the remainder in fiscal year 2015.

The Series 2014A bonds bear interest of 4.69 percent and 4.47 percent at June 30, 2024 and 2023, respectively, based on a reset rate calculated as a factor of SOFR, plus an applicable spread. The bonds may be converted and subject to a different interest rate mode, provided certain conditions are met. The interest rate modes to which the bonds could potentially be converted include a daily-rate mode, a weekly-rate mode, a term-rate mode, a bank-rate mode, and a fixed-rate mode. The bonds mature in 2040.

Both the Series 2013A and 2014A bonds were issued using direct purchase agreements that identify events of default requiring immediate payment of the outstanding debt if they are not cured within the allowable cure period. The primary events of default consist of (1) general revenues collected do not equal at least 200% of amounts required for debt service (principal, interest, and other related costs) during the preceding twelve months (2) the university's credit rating issued by S&P Global drops below BBB, or (3) the university fails to pay when due any amount of principal or interest.

The General Revenue Refunding Bonds, Series 2014B, were issued in September 2014 by the Board of Trustees for the advance refunding of \$37,905,000 of Series 2009 bonds. The interest rates on these bonds range from 3.50 percent to 5.00 percent. The bonds mature in 2035. The advance refunding resulted in a deferred outflow of \$4,664,356, which is amortized over the life of the original debt.

Note 4 - Long-term Liabilities (Continued)

The General Revenue Bonds, Series 2015A, were issued in June 2015 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip a student housing and academic building on the Allendale campus. The interest rates on these bonds range from 4.00 percent to 5.00 percent. The bonds mature in 2036.

The General Revenue Refunding Bonds, Series 2016A, were issued in May 2016 by the Board of Trustees for the advance refunding of \$64,955,000 of Series 2008A bonds. The interest rates on these bonds range from 3.00 percent to 5.00 percent. The bonds mature in 2034. The advance refunding resulted in a deferred outflow of \$6,806,169, which is amortized over the life of the original debt.

The General Revenue Bonds, Series 2017, were issued in December 2017 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip Raleigh J. Finkelstein Hall on the Health Campus. In addition, \$5,145,000 and \$4,505,000 was used for the advance refunding of Series 2007A and Series 2008A bonds, respectively. The interest rates on the Series 2017 bonds range from 3.00 percent to 5.00 percent. The bonds mature in 2037. The advance refunding resulted in a deferred outflow of \$81,945, which is amortized over the life of the original debt.

The General Revenue Bonds, Series 2018, were issued in November 2018 by the Board of Trustees to provide a portion of the funds needed to construct, furnish, and equip a building and related facilities and improvements on the university's Health Campus. The interest rate on these bonds is 5.00 percent. The bonds mature in 2044.

The university leases building space, laundry equipment, cell tower equipment and vehicles from external parties. In accordance with GASB 87, the university records right-to-use assets and lease liabilities based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the university's incremental borrowing rate. The university did not have any significant leases with variable payments, and these are excluded from the valuations. For leases, including payments tied to an index or market rate, the valuation is based on the initial index or market rate. The university does not have any leases subject to a residual value guarantee.

The University obtains the right to use of vendors' information technology software through various long-term contracts. Payments are generally fixed annually, with variable payments excluded from the valuations. In accordance with GASB 96, the university records right-to-use assets and subscription liabilities based on the present value of expected payments over the term of the respective contract. The expected payments are discounted using the interest rate charged on the subscription contract, if available and are otherwise discounted using the university's incremental borrowing rate.

Note 4 - Long-term Liabilities (Continued)

Scheduled maturities of long-term liabilities are as follows:

Fiscal Year	Revenue Bonds		Direct Purchase Bonds		Annuities Payable	Lease Liability		SBITALiability	
	Principal	Interest	Principal	Interest		Principal	Interest	Principal	Interest
2025	12,800,000	7,805,060	1,510,000	1,219,539	90,093	609,713	42,900	3,540,538	574,420
2026	13,415,000	7,168,596	1,590,000	1,146,541	90,093	302,526	27,559	2,793,325	449,782
2027	15,005,000	6,477,784	1,670,000	1,069,790	90,093	243,317	15,688	1,614,913	373,852
2028	15,740,000	5,729,701	685,000	1,018,299	90,093	116,174	8,540	1,725,194	302,435
2029	16,510,000	4,944,849	770,000	983,857	61,754	3,368	6,357	1,902,638	223,409
2030-2034	71,380,000	14,436,327	7,600,000	4,136,850	-	24,109	29,054	4,192,991	186,399
2035-2039	25,525,000	3,950,135	10,795,000	1,730,377	-	39,318	22,274	-	-
2040-2044	6,300,000	784,000	2,260,000	44,430	-	59,675	11,678	-	-
2045-2046	-	-	-	-	-	22,762	712	-	-
University maturities	<u>\$176,675,000</u>	<u>\$ 51,296,452</u>	<u>\$ 26,880,000</u>	<u>\$ 11,349,683</u>	<u>\$ 422,126</u>	<u>\$ 1,420,962</u>	<u>\$ 164,762</u>	<u>\$ 15,769,599</u>	<u>\$ 2,110,297</u>

Note 5 - Derivative Instruments

The university is party to derivative financial instruments (interest rate swaps) that are reported at fair value on the statement of net position at June 30, 2024 and 2023. The fair value is calculated by the counterparty to the transactions and approximates the termination value of the interest rate swaps.

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2024, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the 2024 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2024		Notional
	Classification	Amount	Classification	Amount	
Hedging Derivatives					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred inflow of resources	16,000	Asset	3,253,000	26,880,000
Pay-fixed interest rate swap	Deferred outflow of resources	<u>\$ 259,000</u>	Liability	<u>\$ (626,000)</u>	21,530,000

Note 5 - Derivative Instruments (Continued)

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2023, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the 2023 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2023		Notional
	Classification	Amount	Classification	Amount	
Hedging Derivatives					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred inflow of resources	\$ (53,000)	Asset	\$ -	\$ -
Pay-fixed interest rate swap	Deferred inflow of resources	1,091,000	Asset	3,237,000	28,325,000
	Total	<u>\$ 1,038,000</u>	Total	<u>\$ 3,237,000</u>	
Pay-fixed interest rate swap	Deferred outflow of resources	<u>\$ 1,090,000</u>	Liability	<u>\$ (885,000)</u>	23,755,000

As of the Statement of Net Position date, the swap agreements can be summarized as follows:

Effective Date	Type	Objective	Notional Amount	Pay Terms	Receive Terms	Maturity Date	Counterparty Credit Rating
9/6/2007	Pay-fixed, Receive variable	Cash flow hedge for Series 2008B bonds	\$ 21,530,000	3.616% Fixed	70% of one-month SOFR	12/1/2031	Aa3/A+
11/20/2019	Pay-fixed, Receive variable	Cash flow hedge for Series 2014A bonds	\$ 26,880,000	1.388% Fixed	80% of one-month SOFR	12/1/2038	Aa3/A+

At June 30, 2024, the university holds two derivative instruments that are pay fixed, receivable-variable interest rate swaps. The notional amounts of the swaps match the principal amount of the associated debt and the swap agreements contain scheduled reductions to outstanding notional amounts that follow scheduled reductions in the associated "bonds payable" category; the intent of entering into these swap agreements was to create a synthetic fixed-rate debt at an interest rate that is lower than if fixed-rate debt were to have been issued directly. Both outstanding swap agreements are effective cash flow hedges.

Note 5 - Derivative Instruments (Continued)

In 2014, one of the university's hedging relationships was designated into a new relationship due to a refunding of the original debt. In accordance with GASB Statement No. 53, this swap was considered a hybrid instrument consisting of a financing element and an embedded derivative. This contract was terminated on December 1, 2022.

The fair values of the interest rate swaps were calculated by an independent consultant as of June 30, 2024 and 2023. The fair values represent the future net settlement payments or receipts required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates.

The interest rate swaps are subject to the following risks:

Credit Risk - The university is exposed to credit risk on hedging derivative instruments that are in asset positions. The terms of the swap agreement require collateralization of the fair value of hedging derivative instruments in asset positions based on a scale that evaluates both the market value of the swap and the counterparty's credit rating. The university has never needed to access collateral from the counterparty.

It is the university's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

All of the contracts are held with one counterparty. That counterparty is rated Aa3/A+ at June 30, 2024.

Interest Rate Risk – The university is exposed to interest rate risk on its interest rate swaps. The university adopted the use of SOFR as a LIBOR replacement as of November 1, 2022. On its pay-fixed, receive-variable interest rate swap, as SOFR rates decrease, the university's net payment on the swap increases.

Basis Risk - The university is exposed to basis risk on its SOFR/LIBOR-based interest rate swaps due to variable-rate payments received by the university on these instruments based on a rate or index other than interest rates the university pays on its variable-rate debt, which is remarketed every seven days. As of June 30, 2024 and 2023, the weighted average interest rate on the university's hedged variable-rate debt is 4.33 percent and 4.35 percent, respectively, while 70 percent of SOFR is 3.74 and 3.54 percent, respectively. The 80 percent of SOFR, used in the 2019 swap calculation is 4.27 percent and 4.05 percent as of June 30, 2024 and 2023, respectively.

Termination Risk - The university or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract.

Hedging Derivative Instrument Payments and Hedged Debt - As of June 30, 2024, aggregate debt service requirements of the university's debt (fixed rate and variable rate) and net receipts/payments on associated hedging derivative instruments follow. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Note 5 - Derivative Instruments (Continued)

Fiscal Year	Associated with Swap Agreements			Total
	Principal	Interest	Interest Rate Swaps - Net	
2025	3,830,000	2,004,638	(775,024)	5,059,614
2026	4,005,000	1,839,245	(727,197)	5,117,048
2027	4,190,000	1,666,179	(676,940)	5,179,239
2028	3,310,000	1,514,288	(642,092)	4,182,196
2029	3,505,000	1,375,248	(617,599)	4,262,649
2030-2034	16,515,000	4,638,542	(2,560,674)	18,592,868
2035-2039	10,795,000	1,730,377	(1,064,456)	11,460,921
2040	2,260,000	44,430	(27,332)	2,277,098
Total	<u>\$ 48,410,000</u>	<u>\$ 14,812,947</u>	<u>\$ (7,091,314)</u>	<u>\$ 56,131,633</u>

Note 6 - Retirement Plans**Defined Contribution Plans**

The Executive, Administrative, and Professional Staff and Faculty are covered under a defined contribution retirement plan through TIAA-CREF (Teachers Insurance and Annuity Association of America - College Retirement Equities Fund) or Fidelity Investments. Employees may contribute an amount not to exceed the Internal Revenue Service's designated maximum. Participants become fully vested upon completion of two years of employment. Discretionary university contributions equal to 12 percent of participants' base salaries were made in each year.

The total expense under this discretionary plan was approximately \$20,368,000 and \$18,961,800 for the years ended June 30, 2024 and 2023, respectively. Total payroll covered under this plan was approximately \$170,668,000 in 2024 and \$158,194,700 in 2023.

Maintenance, Grounds, and Service staff hired after October 8, 2004 and Professional Support Staff hired on or after February 2, 2006 participate in a defined contribution plan with university contributions equal to 8 percent of wages. The university will also match the employees' contribution up to an additional 2 percent of wages. Participants become fully vested upon completion of two years of employment. Total expenses under this plan were approximately \$1,857,500 in 2024 and \$1,687,000 in 2023. Total payroll covered under this plan was approximately \$19,830,800 in 2024 and \$18,194,400 in 2023.

Note 6 - Retirement Plans (Continued)

Defined Benefit Plans

The university has two defined benefit retirement plans - the GVSU Professional Support Staff Employees' Retirement Plan and the GVSU Maintenance, Grounds, Service Employees' Retirement Plan.

Plan Administration - Grand Valley State University (GVSU) administers the GVSU Professional Support Staff Employees' Retirement Plan (PSSE), a single-employer defined benefit pension plan that provides pensions for all Professional Support Staff of the university hired before February 2, 2006, and the GVSU Maintenance, Grounds, Service Employees' Retirement Plan (MGSE), a single-employer defined benefit pension plan that provides pensions for all permanent full-time Maintenance, Grounds, and Service employees of the university hired before October 9, 2004. The management of the plans is vested in the Treasurer of the Board of Trustees. Benefit terms have been established by contractual agreements between the university and the various employee union representation; amendments are subject to the same process.

The financial statements of the plans are included in these financial statements as a pension trust fund (a fiduciary fund).

At July 1, 2023 and 2022, retirement plan membership consisted of the following:

	Professional Support Staff Employees' Plan		Maintenance, Grounds, Service Employees' Plan	
	2023	2022	2023	2022
	Inactive plan members receiving benefits	275	270	82
Inactive members entitled to, not yet receiving benefits	85	87	8	8
Active plan members	84	95	38	41
Total participants	444	452	128	132

Benefits Provided - The plans provide retirement and death benefits. Retirement benefits for plan members are calculated as 1.9 percent of the member's calendar year salary for the highest five years out of the last 10 years multiplied by the member's years of service. Plan members with 10 years of continuous service are eligible to retire at age 65, or with reduced benefits, as early as age 55. Death benefits are equal to the present value of accrued benefits. A plan member who leaves the university with less than 10 years of continuous service may withdraw his or her contributions. The plan does not provide cost-of-living adjustments.

Contributions - Article 9, Section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. The university retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. In addition, active members also contribute to the plan.

For the PSSE plan, through December 31, 2018, the active members' contribution rate was 4.5 percent, and 5.0 percent beginning January 1, 2019 and continues at 5.0 percent. The university's contribution rate of annual payroll was 23.8 and 16.5 percent for the years ended June 30, 2024 and 2023, respectively.

Note 6 - Retirement Plans (Continued)

For the MGSE plan, the active members' contribution rate is 4.25 percent. The university's contribution rate of annual payroll was 30.2 percent and 19.7 percent for the years ended June 30, 2024 and 2023, respectively.

Investments

Investment Policy - The retirement plan's policy in regard to the allocation of invested assets is established and may be amended by the Treasurer of the Board of Trustees in consultation with the GVSU Pension Plans Investment Committee. It is the policy of the Board of Trustees that the Treasurer pursue an investment strategy that is long term and primarily equity based. The retirement plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the asset allocation policy for the plans as of June 30, 2024 and 2023:

Asset Class	Target Allocation	
	2024	2023
Global equities	62%	62%
Fixed income	18%	18%
Cash	3%	3%
Real estate	10%	10%
Alternative Investments	7%	7%

Concentrations - The retirement plans held no investment in any one organization that represents 5 percent or more of the retirement plan's fiduciary net position.

Rate of Return - The annual money-weighted rate of return on retirement plan investments, net of retirement plan investment expense, was a gain of 13.0 percent and 9.4 percent for the years ended June 30, 2024 and 2023, respectively, for the PSSE plan. The annual money-weighted rate of return on retirement plan investments, net of retirement plan investment expense, was a gain of 13.0 and 9.4 percent for the years ended June 30, 2024 and 2023, respectively, for the MGSE plan. The money-weighted rate of return expresses investment performance, net of investment expense.

Note 6 - Retirement Plans (Continued)

The financial statements of the trust funds held for each retirement plan follow:

Schedule of Fiduciary Net Position by Pension Trust Fund

	Professional Support Staff Employees' Retirement Plan		Maintenance, Grounds, and Service Employees' Retirement Plan	
	Year Ended June 30		Year Ended June 30	
	2024	2023	2024	2023
Assets				
Money market funds	\$ 778,157	\$ 1,270,776	\$ 542,237	\$ 360,313
Time deposits	-	89,991	-	39,998
Domestic equities	24,574,600	23,017,699	9,406,418	8,841,797
International equities	9,597,645	9,112,429	3,581,128	3,426,215
Domestic bonds	16,400,073	14,932,012	5,469,441	4,955,287
International bonds	948,937	610,244	367,648	266,633
Alternative strategies	6,319,772	6,054,661	2,432,116	2,302,726
Total cash and cash equivalents and investments	58,619,184	55,087,812	21,798,988	20,192,969
Accrued income	145,194	117,196	48,130	34,387
Net Position - Restricted for Pensions	\$ 58,764,378	\$ 55,205,008	\$ 21,847,118	\$ 20,227,356

Note 6 - Retirement Plans (Continued)**Schedule of Changes in Fiduciary Net Position by Pension Trust Fund**

	Professional Support Staff Employees' Retirement Plan		Maintenance, Grounds, and Service Employees' Retirement Plan	
	Year Ended June 30		Year Ended June 30	
	2024	2023	2024	2023
Additions				
Investment income:				
Interest and dividends	\$ 1,476,394	\$ 1,308,594	\$ 550,033	\$ 471,393
Appreciation in fair value of investments	4,769,333	1,987,419	1,850,418	744,389
Income on sale of investments	199,293	1,083,016	66,219	465,259
Total investment income	6,445,020	4,379,029	2,466,670	1,681,041
Employer contributions	1,170,700	809,389	663,686	501,383
Other income	241,308	258,775	79,069	93,710
Total additions - Net	7,857,028	5,447,193	3,209,425	2,276,134
Deductions				
Benefit payments	4,195,780	4,105,628	1,533,853	1,608,367
Administrative expense	101,878	98,671	55,810	54,129
Total deductions	4,297,658	4,204,299	1,589,663	1,662,496
Net Increase	3,559,370	1,242,894	1,619,762	613,638
Net Position - Restricted for Pensions				
Beginning of year	55,205,008	53,962,114	20,227,356	19,613,718
End of year	<u>\$ 58,764,378</u>	<u>\$ 55,205,008</u>	<u>\$ 21,847,118</u>	<u>\$ 20,227,356</u>

Net Pension Liability of the University

The university's net pension liability was measured as of June 30, 2024 and 2023. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2023 and 2022, which used updated procedures to roll forward the estimated liability to June 30, 2024 and 2023, respectively.

Note 6 - Retirement Plans (Continued)

Changes in the net pension liability for the PSSE plan during the measurement years are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2022	\$ 73,773,702	\$ 53,962,114	\$ 19,811,588
Changes for the Year			
Service cost - Beginning of year	532,262	-	532,262
Interest on average adjusted total pension liability	4,125,654	-	4,125,654
Differences between expected and actual experience	(771,419)	-	(771,419)
Changes in assumptions	(1,880,873)	-	(1,880,873)
Benefit payments, including refunds of member contributions	(4,105,628)	(4,105,628)	-
Contributions - Employer	-	809,389	(809,389)
Contributions - Member	-	258,661	(258,661)
Net investment income	-	4,379,029	(4,379,029)
Administrative expenses	-	(98,671)	98,671
Other	-	114	(114)
Net Changes	(2,100,004)	1,242,894	(3,342,898)
Balance at June 30, 2023	\$ 71,673,698	\$ 55,205,008	\$ 16,468,690
Changes for the Year			
Service cost - Beginning of year	425,661	-	425,661
Interest on average adjusted total pension liability	4,165,088	-	4,165,088
Differences between expected and actual experience	110,993	-	110,993
Changes in assumptions	(2,042,353)	-	(2,042,353)
Benefit payments, including refunds of member contributions	(4,195,779)	(4,195,779)	-
Contributions - Employer	-	1,170,700	(1,170,700)
Contributions - Member	-	241,308	(241,308)
Net investment income	-	6,445,019	(6,445,019)
Administrative expenses	-	(101,878)	101,878
Net Changes	(1,536,390)	3,559,370	(5,095,760)
Balance at June 30, 2024	\$ 70,137,308	\$ 58,764,378	\$ 11,372,930

Note 6 - Retirement Plans (Continued)

Changes in the net pension liability for the MGSE plan during the measurement years are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2022	<u>\$27,675,387</u>	<u>\$19,613,718</u>	<u>\$ 8,061,669</u>
Changes for the Year			
Service cost - Beginning of year	233,183	-	233,183
Interest on average adjusted total pension liability	1,547,661	-	1,547,661
Differences between expected and actual experience	221,686	-	221,686
Changes in assumptions	(654,211)	-	(654,211)
Benefit payments, including refunds of member contributions	(1,608,367)	(1,608,367)	-
Contributions - Employer	-	501,383	(501,383)
Contributions - Member	-	93,675	(93,675)
Net investment income	-	1,681,041	(1,681,041)
Administrative expenses	-	(54,129)	54,129
Other	-	35	(35)
Net Changes	<u>(260,048)</u>	<u>613,638</u>	<u>(873,686)</u>
Balance at June 30, 2023	<u>\$27,415,339</u>	<u>\$20,227,356</u>	<u>\$ 7,187,983</u>
Changes for the Year			
Service cost - Beginning of year	206,768	-	206,768
Interest on average adjusted total pension liability	1,597,884	-	1,597,884
Differences between expected and actual experience	183,856	-	183,856
Changes in assumptions	(632,453)	-	(632,453)
Benefit payments, including refunds of member contributions	(1,533,853)	(1,533,853)	-
Contributions - Employer	-	663,686	(663,686)
Contributions - Member	-	79,069	(79,069)
Net investment income	-	2,466,670	(2,466,670)
Administrative expenses	-	(55,810)	55,810
Net Changes	<u>(177,798)</u>	<u>1,619,762</u>	<u>(1,797,560)</u>
Balance at June 30, 2024	<u>\$27,237,541</u>	<u>\$21,847,118</u>	<u>\$ 5,390,423</u>

Note 6 - Retirement Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2024 and 2023, the university recognized pension expense of (\$899,308) and \$2,903,460, respectively, for the PPSE plan and \$256,379 and \$1,122,979 respectively, for the MSGE Plan.

At June 30, 2024, the university reported deferred outflows and inflows of resources related to pensions from the following sources:

	Professional Support Staff		Maintenance, Grounds,	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 75,468	\$ -	\$ 80,566	\$ -
Changes in assumptions	95,263	860,466	-	277,142
Net difference between projected and actual earnings on plan investments	-	1,040,185	-	503,904
Total	<u>\$ 170,731</u>	<u>\$ 1,900,651</u>	<u>\$ 80,566</u>	<u>\$ 781,046</u>

At June 30, 2023, the university reported deferred outflows and inflows of resources related to pensions from the following sources:

	Professional Support Staff Employees' Plan		Maintenance, Grounds, Service Employees' Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 113,221	\$ 373,583	\$ 130,790	\$ 55,912
Changes in assumptions	759,156	1,122,451	362,956	341,358
Net difference between projected and actual earnings on plan investments	1,919,489	-	593,297	-
Total	<u>\$ 2,791,866</u>	<u>\$ 1,496,034</u>	<u>\$ 1,087,043</u>	<u>\$ 397,270</u>

Note 6 - Retirement Plans (Continued)

Amounts reported as deferred outflows (inflows) of resources related to pension will be recognized in pension expense as follows:

Amortization of Deferred Outflows/Inflows Years Ended June 30	PPSE Amount Recognized	MSGE Amount Recognized
2025	\$ (1,338,983)	\$ (491,279)
2026	1,236,608	424,448
2027	(952,505)	(375,980)
2028	(675,040)	(257,669)

Actuarial Assumptions - The total pension liability as of June 30, 2024 and 2023 for both plans was determined by an actuarial valuation as of July 1, 2023 and 2022, respectively, using updated procedures and the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases including inflation, PPSE	2.50%
Salary increases including inflation, MSGE	3.00%
Investment rate of return	6.15% as of July 1, 2024 and 5.95% as of July 1, 2023, net of pension plan investment expense

For the July 1, 2023 actuarial valuation, the mortality improvement projection scale was updated from MP-2021 to 2024 IRS Adjusted Improvement Scale MP-2021, since the prior measurement date. For the July 1, 2022, actuarial valuation, the mortality improvement projection scale was updated from MP-2020 to MP-2021. There were no changes in benefit terms during either period.

Discount Rate - The discount rate used to measure the total pension liability of the PPSE plan was 6.15 percent and 5.95 percent for years ended June 30, 2024 and 2023, respectively. The discount rate used to measure the total pension liability of the MSGE plan was 6.15 percent and 5.95 percent for the years ended June 30, 2024 and 2023, respectively. 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 university contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the retirement plan's fiduciary net position is projected to be available to make all projected future benefit payments of active and inactive plan members.

Note 6 - Retirement Plans (Continued)

The long-term expected rate of return on retirement plan investments for both plans was determined using a building-block model in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement 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 as of June 30, 2024 and 2023 (see discussion of the retirement plans' investment policy) are summarized in the table below:

Asset Class	Target Allocation	2024	2023
		Long-term Expected Real Rate of Return	Long-term Expected Real Rate of Return
Global equities	62%	7.13%	6.89%
Fixed income	18%	3.86%	3.96%
Cash	3%	2.16%	2.04%
Real estate	10%	7.18%	6.32%
Alternatives	7%	3.65%	3.89%

The sum of the target allocations times the long-term expected rates is 6.15 percent and 5.95 percent for years ended June 30, 2024 and 2023, respectively.

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 current discount rates, as well as what the university's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for each plan.

For the year ended June 30, 2024:

Plan	Current Discount		
	1% Decrease	Rate	1% Increase
Professional Support Staff Employees' Plan	\$ 19,283,053	\$ 11,372,930	\$ 4,681,088
Maintenance, Grounds, Service Employees' Plan	\$ 8,153,597	\$ 5,390,423	\$ 3,015,809

For the year ended June 30, 2023:

Plan	Current Discount		
	1% Decrease	Rate	1% Increase
Professional Support Staff Employees' Plan	\$ 24,851,982	\$ 16,468,690	\$ 9,406,696
Maintenance, Grounds, Service Employees' Plan	\$ 10,087,035	\$ 7,187,983	\$ 4,710,243

Note 6 - Retirement Plans (Continued)

Other Postemployment Benefit Plan (OPEB)

The university has a single-employer defined benefit plan that provides certain healthcare benefits for retired faculty and staff. As of June 30, 2023, the most recent valuation date, the plan covered 2,354 members, which includes 1,076 active members, 864 inactive members receiving benefits and 414 covered spouses of retirees and does not require active members to contribute to the plan. At January 1, 2014, the plan was closed to new participants. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Description - The plan requirements are established and may be amended by the university's Board of Trustees. Substantially all of the university's employees hired prior to January 1, 2014 may become eligible for certain healthcare benefits if they reach retirement age while working for the university, are vested in a university-sponsored retirement plan, and their years of university service and age total a minimum of 75.

Funding Policy - The plan's policy is that the employer will fund the plan on a pay-as-you-go basis. An investment fund has been established for the purpose of prefunding retiree benefits, with a market value of \$23,172,354 and \$20,457,103 at June 30, 2024 and 2023, respectively. However, because the funds are not held in an irrevocable trust, these assets are excluded for GASB Statement No. 75 purposes.

Note 6 - Retirement Plans (Continued)

Total OPEB Liability - The June 30, 2024 total OPEB liability was measured as of June 30, 2024 based on an actuarial valuation performed June 30, 2023, which used update procedures to roll forward the estimated liability to June 30, 2024. The June 30, 2023 total OPEB liability was measured as of June 30, 2023 based on an actuarial valuation performed at June 30, 2023, in compliance with GASB Statement No. 75. Changes in the total OPEB liability during the measurement year were as follows:

	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2022	\$ 18,652,611	\$ -	\$ 18,652,611
Changes for the Year			
Service cost - Beginning of year	359,712	-	359,712
Interest on average adjusted total OPEB liability	758,192	-	758,192
Differences between expected and actual experience	629,059	-	629,059
Changes in assumptions	(70,745)	-	(70,745)
Benefits payments, including refunds of member contributions	(949,219)	(949,219)	-
Contributions - Employer	-	949,219	(949,219)
Net Changes	726,999	-	726,999
Balance at June 30, 2023	\$ 19,379,610	\$ -	\$ 19,379,610
Changes for the Year			
Service cost - Beginning of year	309,726	-	309,726
Interest on average adjusted total OPEB liability	795,284	-	795,284
Differences between expected and actual experience	(170,890)	-	(170,890)
Changes in assumptions	(345,441)	-	(345,441)
Benefits payments, including refunds of member contributions	(866,137)	(866,137)	-
Contributions - Employer	-	866,137	(866,137)
Net Changes	(277,458)	-	(277,458)
Balance at June 30, 2024	\$ 19,102,152	\$ -	\$ 19,102,152
Current	\$ 866,000		\$ 866,000
Noncurrent	18,236,152		18,236,152
	\$ 19,102,152		\$ 19,102,152

Note 6 - Retirement Plans (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the years ended June 30, 2024 and 2023, the university recognized OPEB expense of \$624,268 and \$725,726, respectively.

At June 30, 2024, the university reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 493,172	\$ 919,538
Changes in assumptions	1,250,406	3,116,961
Total	<u>\$ 1,743,578</u>	<u>\$ 4,036,499</u>

At June 30, 2023, the university reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 608,595	\$ 983,297
Changes in assumptions	1,616,964	3,499,594
Total	<u>\$ 2,225,559</u>	<u>\$ 4,482,891</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization of Deferred Outflows/Inflows Years Ended June 30	Amount Recognized
2025	\$ (480,742)
2026	(480,742)
2027	(476,712)
2028	(635,293)
2029	(219,432)
Thereafter	-

Actuarial Assumptions - The total OPEB liability in the June 30, 2023 actuarial valuation was determined using an inflation assumption of 0 percent as assets held are not allowable for inclusion under GASB 75 requirements; assumed salary increases (including inflation) of 2.5 percent; an investment rate of 0 percent as assets held are not allowable for inclusion under GASB 75 requirements; a healthcare cost trend rate of 7.25 percent in 2024 and 2023, decreasing .25 percent per year to an ultimate rate of 4.5 percent; and using the RP-2014 mortality tables with the MP-2021 improvement scale in 2024 and 2023.

There were no changes in benefit terms during 2024 or 2023.

Note 6 - Retirement Plans (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 4.21 percent at June 30, 2024 and 4.13 percent at June 30, 2023. The impact of this change is presented as a change in assumption. Because the plan does not have an irrevocable OPEB trust, there are not assets projected to be sufficient to make projected future benefit payment to current plan members, and therefore the discount rate reflects the S & P Municipal Bond 20 Year High Grade Rate Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the university, as well as what the university's total liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

June 30, 2024	1% Decrease	Current Discount Rate 4.21%	1% Increase
Total OPEB Liability	\$ 21,528,247	\$ 19,102,152	\$ 17,056,029
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u><u>\$ 21,528,247</u></u>	<u><u>\$ 19,102,152</u></u>	<u><u>\$ 17,056,029</u></u>
June 30, 2023	1% Decrease	Current Discount Rate 4.13%	1% Increase
Total OPEB Liability	\$ 21,691,999	\$ 19,379,610	\$ 17,425,530
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u><u>\$ 21,691,999</u></u>	<u><u>\$ 19,379,610</u></u>	<u><u>\$ 17,425,530</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the university, calculated using the pertinent healthcare cost trend rate of 7.25 percent for 2024 and 2023, as well as what the university's total liability would be if it were calculated using a healthcare cost trend that is 1 percentage point lower or 1 percentage point higher than the current rate:

June 30, 2024	1% Decrease	Current Healthcare Trend Rate 7.25%	1% Increase
Total OPEB Liability	\$ 19,083,641	\$ 19,102,152	\$ 19,123,323
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u><u>\$ 19,083,641</u></u>	<u><u>\$ 19,102,152</u></u>	<u><u>\$ 19,123,323</u></u>
June 30, 2023	1% Decrease	Current Healthcare Trend Rate 7.25%	1% Increase
Total OPEB Liability	\$ 19,362,720	\$ 19,379,610	\$ 19,398,933
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u><u>\$ 19,362,720</u></u>	<u><u>\$ 19,379,610</u></u>	<u><u>\$ 19,398,933</u></u>

Note 7 - Commitments

The university has an arrangement with the State of Michigan and State Building Authority (the “SBA”) to finance a large portion of the following buildings:

- Padnos College of Engineering and Computing (Pew Campus in downtown Grand Rapids)
- Graduate School of Business and Graduate Library Building (Pew Campus)
- P. Douglas Kindschi Hall of Science (Allendale Campus)
- Daniel and Pamella DeVos Center for Interprofessional Health (Health Campus in downtown Grand Rapids)

The projects were financed in part by SBA bond issuances, which are secured by a pledge of rentals to be received by the State of Michigan pursuant to an arrangement between the SBA, the State of Michigan, and the university. While the SBA bonds are outstanding, the SBA will hold title to the respective building, although the university has capitalized the building and pays all operating and maintenance costs. Once the SBA bonds are fully paid, the SBA will transfer title of the building to the university.

Note 8 - Contingencies

The university is self-funded for coverage under portions of its hospital/medical benefits and for all unemployment compensation and workers’ compensation. The university also offers one HMO plan to employees. Stop-loss coverage has been purchased by the university for the self-funded hospital/medical benefits and workers’ compensation claims. The stop-loss insurance limits the claims for hospital/medical benefits to \$300,000 per individual in fiscal year 2024 and 2023, with no lifetime limit. The workers’ compensation stop-loss insurance continues to limit its liability for claims paid per individual to \$500,000. Current liabilities for estimated claims retained by the university under self-insurance programs have been established at \$2,319,081 and \$2,145,075 as of June 30, 2024 and 2023, respectively.

	2024	2023	2022
Balance - Beginning of year	\$ 2,145,075	\$ 1,950,362	\$ 1,759,763
Claims incurred and changes in estimates	36,569,078	34,353,646	31,034,965
Claim payments	(36,395,072)	(34,158,933)	(30,844,366)
Balance - End of year	\$ 2,319,081	\$ 2,145,075	\$ 1,950,362

The university established a line of credit as required by a particular utility agreement. To secure payment for this agreement, the university requested a \$450,000 letter of credit during August 2007, which has been extended through March 31, 2026. As of June 30, 2024, there were no funds drawn.

Note 8 – Contingencies (Continued)

The university is a participant in the Michigan Universities Self-Insurance Corporation (MUSIC). This organization provides insurance coverage for errors and omissions liability, comprehensive general liability, and all risk property insurance. In fiscal year 2024 and 2023, there are 11 universities participating in MUSIC. Each participating university is responsible for a first tier of losses up to a level that has been actuarially determined. MUSIC is financially responsible for a second tier of losses. For comprehensive general liability errors and omissions and all risk property insurance, MUSIC has purchased excess insurance coverage with commercial insurance carriers to cover a third tier of losses. However, in the event the insurance reserves established by MUSIC are insufficient to meet its second-tier obligations, each of the participating universities share this obligation by agreements with MUSIC.

In the normal course of its activities, the university has been a party in various legal actions. Historically, the university has not experienced significant losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, the university is of the opinion that the outcome thereof will not have a material effect on its financial statements.

Pursuant to State of Michigan Public Act 362 of 1993, as amended, the university has previously authorized 62 public school academies. All 62 of these public school academies can operate schools funded by the State School Aid Act. The university, as fiscal agent, provides guidance in and review of compliance with State requirements and forwards the State payment to the public school academies. Public funding is provided by the State of Michigan on a per-pupil basis. Funding of \$396,514,787 and \$360,413,376 was appropriated by the State in 2024 and 2023, respectively, to be allocated to the public school academies, net of approximately a 3.0 percent administrative fee retained by the university. At June 30, 2024, \$76,656,443 was outstanding as a receivable from the State, of which \$74,723,515 was subsequently forwarded to support the public school academies. At June 30, 2023, \$65,559,372 was outstanding as a receivable from the State, of which \$63,812,870 was subsequently forwarded to support the public school academies. This activity is treated as a fiduciary custodial transaction. However, it meets the business-type activities exception and therefore is not included as revenue and expenditures on the accompanying financial statements.

Note 9 – Subsequent Events

In August 2024, the University purchased the remaining two floors of the Bicycle Factory building adjacent to Pew Campus in downtown Grand Rapids Campus for \$5.9 million. The University assumed all existing lease agreements within the condominium association.

In September 2024, the General Revenue Refunding Bonds, Series 2024A, were issued by the Board of Trustees for a full refunding of \$26,750,000 of Series 2014B Bonds and a partial refunding of \$14,315,000 of Series 2017 Bonds. In addition to the scheduled payment of \$3,010,000 in 2024, \$26,750,000 was defeased for the Series 2014B bonds. In addition to the scheduled payments of \$965,000 in 2024, \$1,560,000 in 2035, and \$1,690,000 in 2037, \$14,315,000 was defeased for the Series 2017 bonds. The bonds will be held in trust until callable on December 2, 2024. The interest rate on the Series 2024A bonds is 5.00 percent. The Series 2024A bonds mature in 2037.

Note 10 - Upcoming Pronouncements

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, "Compensated Absences", which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the university's financial statements for the year ending June 30, 2025.

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Required Supplementary Information

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Required Supplementary Information Professional Support Staff Employee's Retirement Plan Schedule of Changes in the Plan's Net Pension Liability and Related Ratios

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability (TPL)										
Service cost - Beginning of year	\$ 425,661	\$ 532,262	\$ 527,546	\$ 610,659	\$ 701,687	\$ 718,850	\$ 797,818	\$ 718,706	\$ 785,499	\$ 869,998
Interest on average adjusted TPL	4,165,088	4,125,654	4,284,466	4,153,358	4,120,388	4,103,753	3,976,774	3,918,820	3,718,896	3,170,993
Difference between expected and actual experience	110,993	(771,419)	(469,744)	561,716	(780,109)	(787,903)	209,400	197,571	154,810	-
Changes in assumptions	(2,042,353)	(1,880,873)	6,705,695	(2,519,297)	(484,636)	1,935,559	(312,926)	5,444,091	(2,009,843)	3,014,969
Benefits payments, including refunds of member contributions	(4,195,779)	(4,105,628)	(3,918,551)	(3,586,482)	(3,138,347)	(2,761,440)	(2,515,721)	(2,183,758)	(1,987,377)	(1,683,752)
Net change in total pension liability	(1,536,390)	(2,100,004)	7,129,412	(780,046)	418,983	3,208,819	2,155,345	8,095,430	661,985	5,372,208
Total pension liability - Beginning of year	71,673,698	73,773,702	66,644,290	67,424,336	67,005,353	63,796,534	61,641,189	53,545,759	52,883,774	47,511,566
Total pension liability - End of year	\$ 70,137,308	\$ 71,673,698	\$ 73,773,702	\$ 66,644,290	\$ 67,424,336	\$ 67,005,353	\$ 63,796,534	\$ 61,641,189	\$ 53,545,759	\$ 52,883,774
Plan Fiduciary Net Position										
Contributions - Employer	\$ 1,170,700	\$ 809,389	\$ 1,195,438	\$ 1,464,957	\$ 1,680,087	\$ 1,846,741	\$ 2,080,143	\$ 2,078,728	\$ 1,600,653	\$ 1,645,094
Contributions - Member	241,308	258,661	281,682	342,492	330,806	347,440	305,305	286,728	304,178	280,975
Net investment income (loss)	6,445,019	4,379,029	(6,865,266)	12,668,293	2,005,546	2,961,581	4,032,968	4,633,461	(311,149)	610,806
Administrative expenses	(101,878)	(98,671)	(114,441)	(109,160)	(155,623)	(197,614)	(200,506)	(186,466)	(178,037)	-
Other	-	114	243	-	579,138	-	-	-	-	-
Benefit payments, including refunds of member contributions	(4,195,779)	(4,105,628)	(3,918,551)	(3,586,482)	(3,138,347)	(2,761,440)	(2,515,721)	(2,183,758)	(1,987,377)	(1,683,752)
Net change in plan fiduciary net position	3,559,370	1,242,894	(9,420,895)	10,780,100	1,301,607	2,196,708	3,702,189	4,628,693	(571,732)	853,123
Plan fiduciary net position - Beginning of year	55,205,008	53,962,114	63,383,009	52,602,909	51,301,302	49,104,594	45,402,405	40,773,712	41,345,444	40,492,321
Plan fiduciary net position - End of year	\$ 58,764,378	\$ 55,205,008	\$ 53,962,114	\$ 63,383,009	\$ 52,602,909	\$ 51,301,302	\$ 49,104,594	\$ 45,402,405	\$ 40,773,712	\$ 41,345,444
Net pension liability - End of year	\$ 11,372,930	\$ 16,468,690	\$ 19,811,588	\$ 3,261,281	\$ 14,821,427	\$ 15,704,051	\$ 14,691,940	\$ 16,238,784	\$ 12,772,047	\$ 11,538,330
Plan fiduciary net position as a percentage of total pension liability	83.8%	77.0%	73.1%	95.1%	78.0%	76.6%	77.0%	73.7%	76.1%	78.2%
Covered payroll	\$ 4,916,775	\$ 4,910,942	\$ 5,455,790	\$ 7,428,812	\$ 7,515,171	\$ 8,001,192	\$ 10,857,657	\$ 9,966,093	\$ 10,482,326	\$ 10,858,867
Net pension liability as a percentage of covered payroll	231.3%	335.3%	363.1%	43.9%	197.2%	196.3%	135.3%	162.9%	121.8%	106.3%

Schedule of Investment Returns

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Annual money-weighted rate of return,	13.0%	9.4%	-11.6%	27.9%	2.7%	5.8%	9.7%	12.8%	-1.9%	2.9%

Required Supplementary Information
Professional Support Staff Employee's Retirement Plan
Schedule of Employer Contributions

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution offset by employee contributions	\$ 1,172,703	\$ 1,061,381	\$ 1,115,729	\$ 1,529,466	\$ 1,609,192	\$ 1,754,781	\$ 1,913,108	\$ 2,101,207	\$ 1,816,300	\$ 1,504,978
Actual contributions by the University	1,170,700	809,389	1,195,438	1,464,957	1,680,087	1,846,741	2,080,143	2,078,728	1,600,653	1,645,094
Contribution deficiency (excess)	2,003	251,992	(79,709)	64,509	(70,895)	(91,960)	(167,035)	22,479	215,647	(140,116)
Covered payroll	4,916,775	4,910,942	5,455,790	7,428,812	7,515,171	8,001,192	10,857,657	9,966,093	10,482,326	10,858,867
Actual contributions as a percentage of covered payroll	23.8%	16.5%	21.9%	19.7%	22.4%	23.1%	19.2%	20.9%	15.3%	15.1%
Actuarial Valuation information relative to the determination of contributions:										
Total pension liability	<u>June 30, 2024</u> 6.15%/year	<u>June 30, 2023</u> 5.95%/year	<u>June 30, 2022</u> 5.71%/year	<u>June 30, 2021</u> 6.57%/year	<u>June 30, 2020</u> 6.27%/year	<u>June 30, 2019</u> 6.23%/year	<u>June 30, 2018</u> 6.50%/year	<u>June 30, 2017</u> 6.50%/year	<u>June 30, 2016</u> 7.37%/year	<u>June 30, 2015</u> 7.06%/year
Funding	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	7.00%/year	7.00%/year
Mortality	RP-2014 with Projection Table MP-2022	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2020	RP-2014 with Projection Table MP-2019	RP-2014 with Projection Table MP-2018	RP-2014 with Projection Table MP-2017	RP-2014 with Projection Table MP-2016	RP-2014 with Projection Table MP-2014	RP-2014 with Projection Table MP-2014	RP-2014 with Projection Table MP-2014
Changes in Benefit Terms	None	None	None	None	None	None	None	None	None	None

Required Supplementary Information Professional Support Staff Employee's Retirement Plan Schedule of Employer Contributions

Notes to Schedule of Contributions

Actuarial valuation information relevant to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial Methods	
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount, closed
Remaining amortization period	20 years, declining based on average future service
Asset valuation method	Four-year moving market value average recognizing 25% of gains and losses per year
Actuarial Assumptions	
Retirement age	65 with 10 years of vesting service
Salary increases	2.50%/year
Data Collection	
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit.

Required Supplementary Information Maintenance, Grounds, Service Employees' Retirement Plan Schedule of Changes in the Plan's Net Pension Liability and Related Ratios

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability (TPL)										
Service cost - Beginning of year	\$ 206,768	\$ 233,183	\$ 197,176	\$ 236,543	\$ 279,560	\$ 265,172	\$ 318,061	\$ 284,832	\$ 360,568	\$ 373,413
Interest on average adjusted TPL	1,597,884	1,547,661	1,639,495	1,600,115	1,602,853	1,571,020	1,535,483	1,547,098	1,321,895	1,227,012
Differences between expected and actual experience	183,856	221,686	(449,977)	(67,173)	(568,836)	252,845	5,766	(50,039)	(305,849)	-
Changes in assumptions	(632,453)	(654,211)	2,268,217	(864,928)	(178,142)	651,124	(132,170)	1,865,214	(1,669,232)	2,280,678
Benefits payments, including refunds of member contributions	(1,533,853)	(1,608,367)	(1,473,258)	(1,388,918)	(1,211,502)	(1,180,738)	(1,074,315)	(1,024,385)	(1,065,199)	(778,615)
Net change in total pension liability	(177,798)	(260,048)	2,181,653	(484,361)	(76,067)	1,559,423	652,825	2,622,720	(1,357,817)	3,102,488
Total pension liability - Beginning of year	27,415,339	27,675,387	25,493,734	25,978,095	26,054,162	24,494,739	23,841,914	21,219,194	22,577,011	19,474,523
Total pension liability - End of year	<u>\$ 27,237,541</u>	<u>\$ 27,415,339</u>	<u>\$ 27,675,387</u>	<u>\$ 25,493,734</u>	<u>\$ 25,978,095</u>	<u>\$ 26,054,162</u>	<u>\$ 24,494,739</u>	<u>\$ 23,841,914</u>	<u>\$ 21,219,194</u>	<u>\$ 22,577,011</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 663,686	\$ 501,383	\$ 614,659	\$ 730,977	\$ 846,413	\$ 829,005	\$ 904,245	\$ 908,222	\$ 580,156	\$ 611,534
Contributions - Member	79,069	93,675	102,109	102,842	113,610	112,328	123,132	134,960	137,686	165,723
Net investment income (loss)	2,466,670	1,681,041	(2,521,062)	4,755,886	624,612	1,065,492	1,485,370	1,741,566	(162,055)	289,491
Administrative expenses	(55,810)	(54,129)	(60,678)	(58,280)	(54,590)	(51,172)	(53,062)	(50,013)	(48,255)	(49,671)
Other	-	35	78	-	20	-	-	-	-	(1,830)
Benefit payments, including refunds of member contributions	(1,533,853)	(1,608,367)	(1,473,258)	(1,388,918)	(1,211,502)	(1,180,738)	(1,074,315)	(1,024,385)	(1,065,199)	(778,615)
Net change in plan fiduciary net position	1,619,762	613,638	(3,338,152)	4,142,507	318,563	774,915	1,385,370	1,710,350	(557,667)	236,632
Plan fiduciary net position - Beginning of year	20,227,356	19,613,718	22,951,870	18,809,363	18,490,800	17,715,885	16,330,515	14,620,165	15,177,832	14,941,200
Plan fiduciary net position - End of year	<u>\$ 21,847,118</u>	<u>\$ 20,227,356</u>	<u>\$ 19,613,718</u>	<u>\$ 22,951,870</u>	<u>\$ 18,809,363</u>	<u>\$ 18,490,800</u>	<u>\$ 17,715,885</u>	<u>\$ 16,330,515</u>	<u>\$ 14,620,165</u>	<u>\$ 15,177,832</u>
Net pension liability - End of year	<u>\$ 5,390,423</u>	<u>\$ 7,187,983</u>	<u>\$ 8,061,669</u>	<u>\$ 2,541,864</u>	<u>\$ 7,168,732</u>	<u>\$ 7,563,362</u>	<u>\$ 6,778,854</u>	<u>\$ 7,511,399</u>	<u>\$ 6,559,029</u>	<u>\$ 7,399,179</u>
Plan fiduciary net position as a percentage of total pension liability	80.2%	73.8%	70.9%	90.0%	72.4%	71.0%	72.3%	68.5%	68.9%	67.2%
Covered payroll	\$ 2,195,318	\$ 2,545,503	\$ 2,662,649	\$ 3,093,181	\$ 2,971,700	\$ 2,984,013	\$ 3,716,780	\$ 3,435,936	\$ 3,534,057	\$ 3,721,412
Net pension liability as a percentage of covered payroll	245.5%	282.4%	302.8%	82.2%	241.2%	253.5%	182.4%	218.6%	185.6%	198.8%

Schedule of Investment Returns

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Annual money-weighted rate of return,	13.0%	9.4%	-11.6%	27.7%	2.5%	5.8%	9.6%	12.8%	-1.7%	2.9%

Required Supplementary Information
Maintenance, Grounds, Service Employees' Retirement Plan
Schedule of Employer Contributions

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution offset by employee contributions	\$ 693,112	\$ 591,049	\$ 568,847	\$ 720,913	\$ 777,954	\$ 857,482	\$ 867,707	\$ 905,259	\$ 812,813	\$ 618,150
Actual contributions by University	663,686	501,383	614,659	730,977	846,413	829,005	904,245	908,222	580,156	611,534
Contribution deficiency (excess)	29,426	89,666	(45,812)	(10,064)	(68,459)	28,477	(36,538)	(2,963)	232,657	6,616
Covered payroll	2,195,318	2,545,503	2,662,649	3,093,181	2,971,700	2,984,013	3,716,780	3,435,936	3,534,057	3,721,412
Actual contributions as a percentage of covered payroll	30.2%	19.7%	23.1%	23.6%	28.5%	27.8%	24.3%	26.4%	16.4%	16.4%

Actuarial Valuation information relative to the determination of contributions:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Total pension liability	6.15%/year	5.95%/year	5.71%/year	6.57%/year	6.27%/year	6.23%/year	6.50%/year	6.50%/year	7.37%/year	7.06%/year
Funding	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	6.50%/year	7.00%/year	7.00%/year
Mortality	RP-2014 with Projection Table MP-2022	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2020	RP-2014 with Projection Table MP-2019	RP-2014 with Projection Table MP-2018	RP-2014 with Projection Table MP-2017	RP-2014 with Projection Table MP-2016	RP-2014 with Projection Table MP-2014	RP-2014 with Projection Table MP-2014	RP-2014 with Projection Table MP-2014
Changes in Benefit Terms	None	None	None	None	None	None	None	None	None	None

Required Supplementary Information Maintenance, Grounds, Service Employees' Retirement Plan Schedule of Employer Contributions

Notes to Schedule of Contributions

Actuarial valuation information relevant to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial Methods	
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount, closed
Remaining amortization period	20 years, declining based on average future service
Asset valuation method	Four-year moving market value average recognizing 25% of gains and losses per year
Actuarial Assumptions	
Retirement age	65 with 10 years of vesting service
Salary increases	3.0%/year
Data Collection	
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit.

Required Supplementary Information Other Postemployment Benefits Schedule of Changes in OPEB Liability and Related Ratios

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Total OPEB Liability</u>						
Service cost	\$ 309,726	\$ 359,712	\$ 745,442	\$ 622,951	\$ 622,951	\$ 719,962
Interest	795,284	758,192	509,000	609,325	703,145	614,057
Difference between expected and actual experience	(170,890)	629,059	(143,511)	(1,079,291)	(314,544)	175,403
Changes in assumptions	(345,441)	(70,745)	(4,557,776)	1,087,927	1,676,212	(301,810)
Benefits payments, including refunds of member contributions	<u>(866,137)</u>	<u>(949,219)</u>	<u>(1,007,419)</u>	<u>(836,133)</u>	<u>(579,322)</u>	<u>(725,085)</u>
Net change in total OPEB liability	(277,458)	726,999	(4,454,264)	404,779	2,108,442	482,527
Total OPEB liability - Beginning of year	<u>19,379,610</u>	<u>18,652,611</u>	<u>23,106,875</u>	<u>22,702,096</u>	<u>20,593,654</u>	<u>20,111,127</u>
Total OPEB liability - End of year	19,102,152	19,379,610	18,652,611	23,106,875	22,702,096	20,593,654
<u>Plan Fiduciary Net Position</u>						
Contributions/benefit payments made from general operating funds	866,137	949,219	1,007,419	836,133	579,322	725,085
Benefit payments, including refunds of member contributions	<u>(866,137)</u>	<u>(949,219)</u>	<u>(1,007,419)</u>	<u>(836,133)</u>	<u>(579,322)</u>	<u>(725,085)</u>
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability - End of year	<u>\$ 19,102,152</u>	<u>\$ 19,379,610</u>	<u>\$ 18,652,611</u>	<u>\$ 23,106,875</u>	<u>\$ 22,702,096</u>	<u>\$ 20,593,654</u>
Covered payroll	108,561,803	100,255,000	106,292,000	120,567,500	125,070,500	128,421,700
Net OPEB liability as a percentage of covered payroll	17.6%	19.3%	17.5%	19.2%	18.2%	16.0%
Discount rate	4.21%	4.13%	4.09%	2.18%	2.66%	3.36%
Mortality	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2021	RP-2014 with Projection Table MP-2020	RP-2014 with Projection Table MP-2019	RP-2014 with Projection Table MP-2018
Changes in Benefit Terms	None	None	None	None	None	None

No assets are accumulated in an irrevocable trust to pay related other postemployment benefits.



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