WESTERN MICHIGAN UNIVERSITY

General Purpose Financial Report
June 30, 2022

Western Michigan University

Table of Contents

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Independent Auditor's Report

To the Board of Trustees
Western Michigan University

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Western Michigan University (the "University"), a component unit of State of Michigan, as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise Western Michigan 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 respective financial position of the business-type activities and the aggregate discretely presented component units of Western Michigan University as of June 30, 2022 and 2021 and the changes in its financial position and cash flows, where applicable, 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 the Foundations were not audited under *Government Auditing Standards*.

Emphasis of Matter

As described in Note 1 to the financial statements, the University adopted the provisions of GASB 87, *Leases*, as of July 1, 2020. Our opinion is not modified with respect to this matter.

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
Western Michigan 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension funding progress, schedule of pension contributions, schedule of OPEB funding progress, and schedule of OPEB contributions 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022 on our consideration of Western Michigan 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 Western Michigan 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 Western Michigan University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 26, 2022

The following discussion and analysis of Western Michigan University's (the "University") financial statements provides an overview of the University's financial activities for the year ended June 30, 2022. Management has prepared the financial statements and the related disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

Motivated by the mission and values of its institutional identity, the University follows a data-informed process that is driven by continuous improvement and anchored in an equity-mindedness framework to collaboratively develop a shared vision for the future. The University is dedicated to supporting learning to foster success, promoting innovation, advancing new knowledge and value-added discovery, promoting a culture to ensure social sustainability and accessibility, and advancing economic and environmental sustainability practices and policies.

Western Michigan University is a national research university enrolling over 19,000 students from across the United States and 92 other countries. Founded in 1903, it is a learner-centered, discovery-driven and globally engaged public university that stands out among America's nearly 4,000 higher education institutions. The University offers 136 bachelor's, 78 master's and 33 doctoral programs. These programs are offered through eight degree-granting colleges: arts and sciences, aviation, education and human development, engineering and applied sciences, fine arts, Haworth College of Business, health and human services, and Merze Tate College.

The Carnegie Foundation for the Advancement of Teaching places Western Michigan University among the 93 public institutions in the nation designated as research universities with high research activity. In addition, Western Michigan University is one of eight Michigan universities categorized at either the "high" or "very high" levels of research activity. U.S. News & World Report's annual ranking of American colleges and universities includes Western Michigan University as one of the best national universities for 31 years in a row.

The University's undergraduate resident and non-resident tuition cost ranks eighth and twelfth, respectively, among the state's fifteen public universities, even though it is one of Michigan's eight largest, most complex, and highly regarded research institutions. The University is committed to providing financial support to students and continues to award dollars to students in an efficient and strategic way. The University has long sponsored its prestigious Medallion Scholarship program, which attracts some of the brightest and most promising students. The University also offers several other merit-based awards and continues to offer exceptional value to its students.

During fiscal year 2022, even with the impacts of a global pandemic and an environment of rising inflation, the University remained committed to excel. As vaccines became widely available, the University implemented its safe return plan with at least 75 percent of courses available in-person in Fall 2021 and a return to full capacity staffing across campus beginning in August 2021. The University continues to be mindful of the continued risk of COVID-19 and is responding to the current conditions based on guidance from the Centers for Disease Control and Prevention.

Financial Highlights

The University's financial position remained strong at June 30, 2022. Some financial highlights include:

- Total net position $468.7 million
  - Change in net position $52.5 million
- Capital assets, net of accumulated depreciation $902.4 million
  - Change in capital assets, net of accumulated depreciation $16.6 million
- Long-term debt (including current portion) $432.2 million
  - Change in long-term debt ($31.9) million

The University's financial statements were prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity (GASB Statement No. 61). These criteria include significant operational or financial relationships. Based on the application of the criteria, the University has three component units. The Western Michigan University Foundation, Paper Technology Foundation, Inc. (collectively, the "Foundations"), and Western Michigan University Homer Stryker M.D. School of Medicine's (WMed) financial statements are discretely presented as part of the University's reporting entity. The component units' financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB).

In fiscal year 2022, the University adopted GASB Statement No. 87, *Leases*, which requires recognition of assets and liabilities for leases that previously were classified as operating leases and recognized as revenues and expenses based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In accordance with the statement, the University has reported a change in accounting principle adjustment to the net investment in capital assets category of net position of $7.0 million as of July 1, 2020, which is primarily the net of the capital lease payable and capital lease asset, net of accumulated depreciation, under the previous accounting standard.

Also in accordance with GASB Statement No. 87, *Leases*, fiscal year 2021 amounts were restated in the basic financial statements as well as the Management's Discussion and Analysis. The University recognized a lease receivable of $4.0 million and corresponding lease deferred inflow of resources of $3.9 million and a lease payable of $11.5 million and corresponding intangible lease asset net of accumulated amortization of $11.3 million as of June 30, 2021. The University recognized a lease receivable of $3.4 million and corresponding lease deferred inflow of resources of $4.1 million and a lease payable of $10.5 million and corresponding intangible lease asset net of accumulated amortization of $10.0 million as of June 30, 2022.

Unrestricted net position includes long-term liabilities required to be accrued for by accounting principles issued by the GASB. These liabilities consist of the net pension liability and net other postemployment benefits (OPEB) liability from a statewide, cost-sharing, multiple-employer defined benefit plan and the total OPEB liability from a single-employer defined benefit plan. The University's unrestricted net position calculated without these liabilities continues to remain positive. The University has committed the unrestricted net position to provide for identified future needs. These needs include contractual obligations, debt service, capital outlay, insurance reserves, and academic programming needs.

The following breakdown of net position by category illustrates this impact.

Net Position as of June 30 (in millions)

	2022	2021	2020
		Restated	
Net investment in capital assets	$ 500.3	$ 497.5	$ 498.0
Restricted	6.5	6.5	6.8
Unrestricted - operations	341.6	332.2	218.7
Unrestricted - pension activity	(138.6)	(148.9)	(148.3)
Unrestricted - other postemployment benefit (OPEB) activity	(241.1)	(271.1)	(296.0)
Total net position	$ 468.7	$ 416.2	$ 279.2

Net Position Excluding Pension and OPEB Accounting as of June 30 (in millions)

	2022	2021	2020
		Restated	
Net investment in capital assets	$ 500.3	$ 497.5	$ 498.0
Restricted	6.5	6.5	6.8
Unrestricted - operations	341.6	332.2	218.7
Total net position excluding pension and OPEB	$ 848.4	$ 836.2	$ 723.5

The Statement of Net Position, the Statement of Revenue, Expenses, and Changes in Net Position, and the Statement of Cash Flows

The University's financial report includes three financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Each of these statements provide information useful in assessing the financial health of the University.

These financial statements include all assets, liabilities, deferred outflows of resources, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Statement of Net Position

The following is a summary of the major components of the net position and operating results of the University for the years ended June 30, 2022, 2021, and 2020:

Net Position as of June 30 (in millions)

	2022	2021 Restated	2020
Assets[1]			
Current assets	$ 229.7	$ 201.1	$ 129.2
Noncurrent assets:			
Capital assets - Net of depreciation	902.4	885.8	864.2
Other	237.3	310.2	231.6
Total assets	1,369.4	1,397.1	1,225.0
Deferred Outflows of Resources[2]	71.9	55.6	18.8
Liabilities[3]			
Current liabilities	102.4	119.7	106.1
Noncurrent liabilities	743.0	819.2	741.9
Total liabilities	845.4	938.9	848.0
Deferred Inflows of Resources[4]	127.2	97.6	116.6
Net Position			
Net investment in capital assets	500.3	497.5	498.0
Restricted	6.5	6.5	6.8
Unrestricted	(38.1)	(87.8)	(225.6)
Total net position	**$ 468.7**	**$ 416.2**	**$ 279.2**

[1] - An asset is a resource with economic value that the University owns and controls with the expectation that it will provide future benefit.

[2] - Deferred outflows of resources are recognized through the consumption of resources by the University that is applicable to a future reporting period.

[3] - A liability is the University's financial debt that arises during the course of its business operations.

[4] - Deferred inflows of resources are recognized through the acquisition of resources by the University that is applicable to a future reporting period.

Current assets increased $28.6 million from fiscal year 2021 to fiscal year 2022. The increase in current assets was primarily related to one-time savings of approximately $26.0 million experienced through fiscal year 2022 strategic and contingency reserves that have not yet been spent. The change in current liabilities was primarily due to a $21.8 million decrease in HEERF unearned revenue as well paying off the remainder of the voluntary retirement incentive program liability of $4.6 million.

Current assets increased $71.9 million from fiscal year 2020 to fiscal year 2021. Accounts receivable increased significantly primarily due to $36.4 million in receivables from HEERF grants as well as an increase in state appropriations of $13.0 million. An increase in cash of $14.5 million had a corresponding increase in current liabilities of $13.3 million from fiscal year 2020 to fiscal year 2021. The change in current liabilities was largely due to the $21.8 million in HEERF unearned revenue.

Noncurrent other assets decreased $72.9 million from fiscal year 2021 to fiscal year 2022 due to spending $34.9 million of bond proceeds on capital projects. Additionally, as of June 30, 2022, the stock market experienced steep declines as evidenced by the S&P 500 decreasing approximately 11.9 percent, causing the market value of long-term investments to decrease. From fiscal year 2020 to fiscal year 2021, noncurrent other assets increased $78.6 million due to a $20.5 million increase of unspent bond proceeds held at year-end. Furthermore, as of June 30, 2021, the stock market experienced significant growth as evidenced by the S&P 500 increasing approximately 38.6 percent, causing the market value of long-term investments to increase.

Pension and OPEB obligations impact multiple categories on the statement of net position. Due to updated experience studies and actuarial assumptions, in fiscal year 2022, the University recognized a decrease in its proportionate share of the Michigan Public School Employees Retirement System (MPSERS) net pension liability of $27.8 million and a decrease in the single-employer plan total OPEB liability of $8.8 million. The University's proportionate share of the MPSERS net OPEB liability was reclassified from a liability of $9.6 million at June 30, 2021 to a net OPEB asset of $9.8 million at June 30, 2022 due to the healthcare cost trend rate decreasing 0.50 percent and the actual per person health benefit costs being lower than projected. Comparatively, in fiscal year 2021, the University recognized an increase in the net pension liability of $2.9 million and an increase in the net OPEB liability of $26.2 million.

Capital Assets

As reflected on the statement of net position, at June 30, 2022, the University had $1.6 billion invested in capital assets and accumulated depreciation of $658.1 million. Depreciation charges totaled $31.4 million, $29.4 million, and $29.9 million for the years ended June 30, 2022, 2021, and 2020, respectively.

Capital Assets as of June 30 (in millions)

	2022	2021	2020
		Restated	
Land and land improvements	$ 115.9	$ 108.8	$ 104.1
Buildings	1,135.0	1,141.4	1,055.8
Buildings under capital lease	-	-	24.3
Equipment, software, and other	88.7	85.9	84.5
Library holdings	99.0	98.2	97.2
Construction in progress	121.8	85.1	116.3
Total	$ 1,560.4	$ 1,519.4	$ 1,482.2

The University implemented GASB Statement No. 87, *Leases*, in fiscal year 2022 and restated fiscal year 2021 amounts. This caused the building under a capital lease to be reclassified as an $11.2 million intangible lease asset rather than a $24.3 million capital asset.

Net capital assets increased $16.6 million and $21.6 million in fiscal years 2022 and 2021, respectively. The increases in fiscal years 2022 and 2021 were due to construction of new student housing, a combined student center and dining facility and related Loop Road modifications, renovations to Dunbar Hall, an expansion to the College of Aviation Education Center, and development of the Business Technology and Research Park 2 (BTR Park 2). The following paragraphs represent additional detail related to construction projects.

A master plan was completed in October 2018 and will guide development through future years. The first phase of the master plan included Arcadia Flats student housing which opened in January 2021 and a combined student center and dining facility planned for completion in 2023. The University used existing reserves in conjunction with new borrowings that occurred in November 2019 and January 2021 to fund these projects. As existing debt service is no longer needed for past projects due to payment in full, it will be deployed to finance the 2019 and 2021 debt. Planning is underway for the second phase which will include new roadways and a parking structure.

During fiscal year 2019, the University received approval for a $30.0 million capital outlay from the State of Michigan for renovations to Dunbar Hall, one of the most heavily used classroom buildings on campus. The University is to provide an additional $19.2 million in funding towards this project, which would involve reconfiguring classroom layouts, adding student workspaces, upgrading technology, and improving building systems. Due to the COVID-19 global pandemic, the State of Michigan put this project temporarily on hold. The project was re-approved in January 2021 and is scheduled for completion in August 2023.

The College of Aviation received approval for a $15.0 million capital outlay from the State of Michigan for major improvements to the Aviation Education Center located in Battle Creek. This capital outlay from the State coupled with $7.8 million of University funding was used to upgrade classrooms and labs to the standards necessary to prepare students for demanding careers in the aviation and aerospace industry. This project was completed in June 2021.

Development of BTR Park 2 on the Colony Farm Orchard property in Oshtemo Township, located in close proximity to the College of Engineering and Applied Sciences was completed in June 2021. Certification under the Sustainable SITES Initiative was attained to create an ecologically resilient community. This $4.2 million project was funded with a $2.1 million grant from the U.S. Economic Development Administration, $700 thousand from Oshtemo Township, and an estimated $1.4 million of parcel sale proceeds. As of June 30, 2022, all sites remain sold except for one remaining parcel.

Long-Term Debt

The University is rated by two of the major bond rating agencies. In June 2022, S&P Global Ratings affirmed the University's A/Stable outlook while there was no change in Moody's Investor Services since they affirmed the University's Aa3/Stable rating in January 2021.

At June 30, 2022, the University had $363.6 million in bonded debt obligations outstanding versus $390.5 million the previous year, a decrease of 6.9 percent. The decrease in bonded debt obligations outstanding is related to the August 2021 bond issuance of $33.6 million of General Revenue Refunding Bonds, Series 2021C, which advance refunded the outstanding obligations for the University's Series 2011 bonds to capture savings. Debt service payments account for the remaining change.

At June 30, 2021, the bonded debt obligations had increased 12.2 percent, from a balance of $348.0 million at June 30, 2020. The increase in bonded debt obligations outstanding is related to the January 2021 bond issuance of $52.1 million of General Revenue Bonds, Series 2021A and $65.9 million of taxable General Revenue Refunding Bonds, Series 2021B. The 2021A bonds were to fund the combined student center and dining facility and the related Loop Road project. The 2021B bonds also advance refunded the outstanding obligations for the University's Series 2013 bonds to capture savings. Debt service payments account for the remaining change.

Statement of Revenue, Expenses, and Changes in Net Position

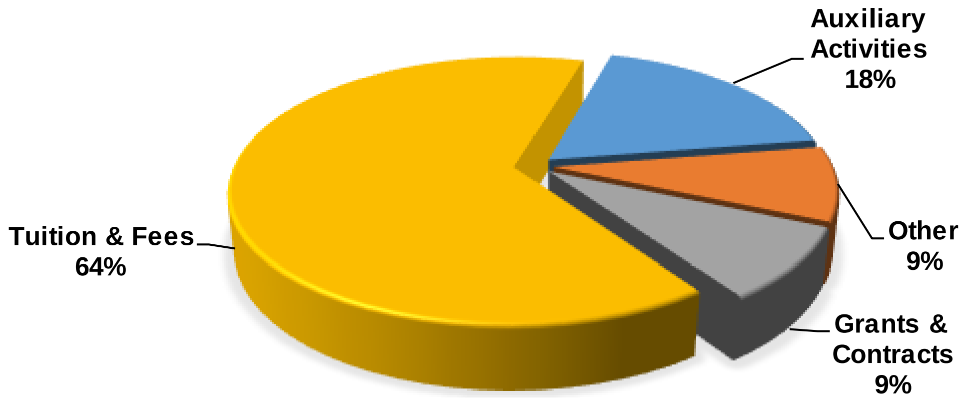
Operating Results for the Years Ended June 30 (in millions)

	2022	2021 Restated	2020
Operating Revenue			
Tuition and fees - Net	$ 221.2	$ 228.1	$ 245.0
Grants and contracts	30.1	29.6	28.1
Auxiliary activities - Net	62.1	45.2	72.6
Other	31.3	30.7	32.5
Total operating revenue	344.7	333.6	378.2
Operating Expenses			
Instruction	169.4	162.4	206.5
Departmental research	18.5	15.4	13.8
Public service	10.0	8.2	9.2
Academic support	50.3	44.5	56.0
Student services	20.1	16.9	21.6
Institutional support	51.7	45.7	51.8
Operations and maintenance of plant	33.5	33.8	38.5
Scholarships and fellowships	37.3	36.3	18.2
Auxiliary activities	65.2	51.9	71.7
Depreciation	31.4	29.4	29.9
Other adjustments	(18.5)	(17.8)	(12.7)
Total operating expenses	468.9	426.7	504.5
Net Operating Loss	(124.2)	(93.1)	(126.3)
Nonoperating Revenue			
State appropriations	121.5	113.8	101.2
Gifts	43.9	26.5	30.4
Other net nonoperating revenue	8.5	84.1	9.7
Total nonoperating revenue	173.9	224.4	141.3
Other			
State capital appropriations	1.0	11.3	2.5
Capital grants, contracts, and other	1.8	1.4	1.0
Total other	2.8	12.7	3.5
Net Change in Net Position	52.5	144.0	18.5
Net Position - Beginning of year	416.2	279.2	260.7
Adjustment for Changes in Accounting Principles	-	(7.0)	-
Net Position - End of year	**$ 468.7**	**$ 416.2**	**$ 279.2**

Operating Revenue and Expenses

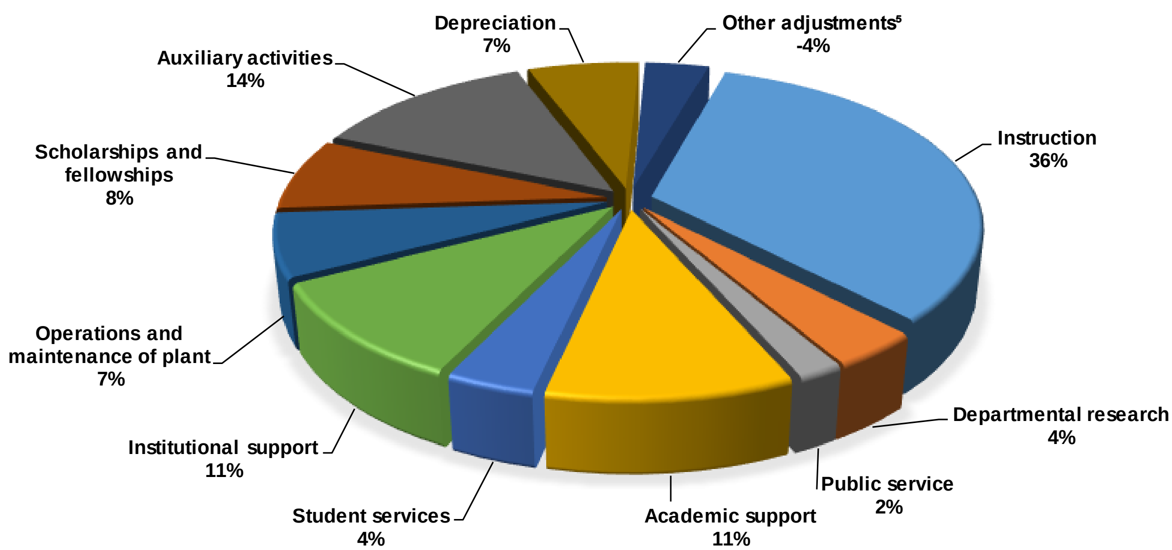
Operating revenue includes all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and dining operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

The following is a graphic illustration of operating revenue by source:



Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the University.

The following is a graphic illustration of operating expenses by source:



[5] - Other adjustments are negative due to updated pension and OPEB experience studies and actuarial assumptions.

The significant changes in revenues and expenses in fiscal years 2022 and 2021 are described in the following paragraphs.

Net tuition and fees revenue in fiscal year 2022 decreased 3.0 percent from fiscal year 2021 as enrollment continued to be impacted by the COVID-19 global pandemic. This was offset by an increase in the tuition rate of 3.2 percent. Net tuition and fees revenue in fiscal year 2021 decreased 6.9 percent from fiscal year 2020 as a result of declining enrollment for the Fall and Spring semesters combined with no tuition rate increase. The decrease net tuition and fees revenue in fiscal year 2021 was also impacted by the majority of students participating in online courses which carried a lower tuition rate.

Auxiliary activities resumed in fiscal year 2022, resulting in a net loss of $3.1 million compared to a net loss of $6.7 million in fiscal year 2021. The $3.6 million improvement was due to higher than expected revenues while maintaining expenses until more stable operations are achieved. Auxiliary activities resulted in a net loss of $6.7 million in fiscal year 2021 compared to net income of $1.0 million in fiscal year 2020. The $7.6 million decline was due to having significantly decreased auxiliary activities due to the COVID-19 global pandemic.

As expected, the operating expenses of instruction, departmental research, public service, academic support, student services, institutional support, and operations and maintenance of the physical plant increased $26.6 million in fiscal year 2022. This was due to an increase in wages and related benefits of $9.3 million as well as increases in other expenses primarily driven by the return to in-person operations of the University and its suppliers. The operating expenses of instruction, departmental research, public service, academic support, student services, institutional support, and operations and maintenance of the physical plant decreased $70.5 million in fiscal year 2021. This was primarily due to a decrease in wages and related benefits of $52.6 million.

Scholarships and fellowships expense increased $1.0 million and $18.1 million in fiscal year 2022 and 2021, respectively, primarily due to awarding HEERF grant funds which were emergency financial aid grant disbursements made to students for expenses related to the disruption of campus operations due to the COVID-19 global pandemic. During fiscal year 2020, the University disbursed $500 awards to over 4,000 students during the Summer I semester for a total of approximately $2.1 million. HEERF I continued to be disbursed during the Fall 2020 semester with awards to nearly 4,900 students ranging from $100 to $2,000 for a total of approximately $5.7 million. The University disbursed HEERF II funds in the Spring 2021 semester to over 16,000 students ranging from $525 to $1,400 for a total of approximately $12.2 million. The University disbursed HEERF III funds in the Summer II 2021 semester to over 18,000 students ranging from $600 to $2,750 for a total of approximately $22.5 million.

Nonoperating Revenue and Expenses

Nonoperating revenue and expenses are primarily nonexchange in nature. In a nonexchange transaction, the University receives value without directly giving equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. Nonexchange transactions at the University consist primarily of state appropriations, gifts, investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

As a result of the COVID-19 global pandemic, the State of Michigan experienced a significant revenue shortfall which resulted in a shift in funding for all public universities. The shift in funding occurred subsequent to June 30, 2020 with the University receiving one-time funding of $12.5 million from the State in Coronavirus Relief Funds (CRF) in fiscal year 2021.

Other net nonoperating revenue decreased $76.1 million from fiscal year 2021 to fiscal year 2022 primarily due to declining market performance of long-term investments. Included in other net nonoperating revenue for fiscal year 2022 is $46.7 million from HEERF to cover emergency financial aid grant disbursements made to students as well as costs incurred by the University to safely operate, such as increased cleaning, personal protective equipment, and testing supplies.

Other net nonoperating revenue increased $74.9 million from fiscal year 2020 to fiscal year 2021 primarily due to positive market performance of long-term investments. Included in other net nonoperating revenue for fiscal year 2021 includes $12.5 million from CRF to cover prior year reductions in state appropriations and $38.3 million from HEERF to cover emergency financial aid grant disbursements made to students as well as costs incurred by the University to safely operate, such as increased cleaning, personal protective equipment, and testing supplies.

Other

Other activity consists of items that are typically nonrecurring, extraordinary, or unusual to the University. An example would be capital appropriations from the state or federal government.

The University recorded $1.0 million in state capital appropriations for the completion of the Aviation Education Center capital outlay in fiscal year 2022. The University recorded $11.3 million in state capital appropriations, which includes a $2.8 million receivable, for the completion of the Aviation Education Center capital outlay in fiscal year 2021. The University recorded a $2.5 million receivable and corresponding revenue for state capital appropriations for the Aviation Education Center capital outlay in fiscal year 2020.

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period.

Cash Flows for the Years Ended June 30 (in millions)

	2022	2021	2020
		Restated	
Cash (Used in) Provided by			
Operating activities	$ (139.5)	$ (108.5)	$ (94.8)
Noncapital financing activities	235.5	166.9	157.2
Capital and related financing activities	(45.8)	(38.6)	(52.2)
Investing activities	12.9	(5.3)	(1.1)
Net Increase (Decrease) in Cash	63.1	14.5	9.1
Cash - Beginning of year	113.1	98.6	89.5
Cash - End of year	**$ 176.2**	**$ 113.1**	**$ 98.6**

The most significant components of cash flows received from operating activities are tuition and fees, auxiliary activities, and grants and contracts. The most significant components of cash flows spent on operations are payments to suppliers and employees and payments for scholarships and fellowships. Net cash used in operating activities was $139.5 million for the year ended June 30, 2022. This is compared to net cash used in operating activities in the amounts of $108.5 million and $94.8 million for the years ended June 30, 2021 and 2020, respectively.

To offset the $139.5 million operating use, the net cash provided by noncapital financing activities was $235.5 million for the year ended June 30, 2022, which consisted primarily of cash provided by state appropriations of $121.8 million, gifts of $43.9 million, Pell grant receipts of $18.7 million, and HEERF grant receipts of $61.3 million. Net cash provided by noncapital financing activities was $166.9 million and $157.2 million for the years ended June 30, 2021 and 2020, respectively.

Cash used in capital and related financing activities totaled $45.8 million for the year ended June 30, 2022, primarily the result of capital additions during the year in the amount of $51.0 million, interest paid on capital debt in the amount of $16.4 million, cash used for debt instruments of $61.6 million, cash proceeds from the issuance of debt of $42.1 million, and unspent bond proceeds placed with a trustee of $34.9 million. This is compared to cash used in capital and related financing activities of $38.6 million and $52.2 million for the years ended June 30, 2021 and 2020, respectively.

Cash provided by investing activities was $12.9 million for the year ended June 30, 2022. This is compared to cash used in investing activities of $5.3 million and $1.1 million for the years ended June 30, 2021 and 2020, respectively.

Economic Factors That Will Affect the Future

Acting at its June 23, 2022 meeting, the Western Michigan University Board of Trustees adopted a $407.3 million General Fund operating budget for fiscal year 2023, a decrease of 1.9 percent over the prior year's budget. The budget reflects an increase in state appropriations of 3.25 percent as well as a tuition rate increase of 3.85 percent. The budget reflects the University's practice and commitment to present a balanced general fund budget. Compensation cost increases and the impact of declining enrollment were offset by planned contingency funding.

In June 2021, the University announced the Empowering Futures Gift, the largest private gift ever bestowed on a public university. Anonymous donors will provide $550 million to the Western Michigan University Foundation over the course of 10 years. The first pledge payment was received in fiscal year 2022 with spending available for fiscal year 2023. The gift provides $300 million to WMed while $200 million will go to the University for various initiatives, and the remaining $50 million was awarded to the University's athletics program. While the gifted money will go to fund scholarships, advance medical education and research, support faculty expertise, increase athletic competitiveness and fuel numerous other initiatives, diversity, equity and inclusion stands as the primary focal point of the Empowering Futures Gift.

The upcoming school year is bringing a new sense of normalcy, with preliminary student head counts showing a 26.0 percent increase in enrollment among its freshmen class. The Fall 2022 semester is experiencing a 14.7 percent increase of students living in residence halls over the Fall 2021 semester. On-campus apartments are also anticipated to be at a 95.1 percent occupancy rate.

	June 30	
	2022	2021
		Restated
Current Assets		
Cash and cash equivalents	$ 176,214,448	$ 113,050,198
Short-term investments	156,711	164,307
Accounts receivable - Net	44,374,977	80,278,558
Deposits, prepaid expenses, and other assets	8,906,547	7,639,421
Total current assets	229,652,683	201,132,484
Noncurrent Assets		
Long-term investments	211,399,436	290,570,629
Student loans receivable - Net	2,250,632	3,775,623
Lease receivable	3,439,355	3,973,651
Other assets	608,612	529,552
Leased assets - Net	9,968,464	11,260,760
Capital assets - Net	902,383,123	885,824,919
Net OPEB asset	9,774,047	-
Total noncurrent assets	1,139,823,669	1,195,935,134
Total assets	1,369,476,352	1,397,067,618
Deferred Outflows of Resources	71,865,346	55,628,059
Current Liabilities		
Accounts payable	19,446,755	17,151,175
Due to depositors	12,079	478,623
Accrued payroll and withholdings	20,581,527	19,468,573
Insurance and other claims payable	4,300,207	4,189,077
Tuition and fees received in advance	4,624,413	4,424,807
HEERF unearned revenue	-	21,820,872
Current portion of lease liability	1,132,006	1,075,072
Current portion of long-term obligations	25,887,863	30,845,164
Current portion of total OPEB liability	7,085,333	5,399,210
Other liabilities	19,301,282	14,839,732
Total current liabilities	102,371,465	119,692,305
Noncurrent Liabilities		
Lease liability - Net of current portion	9,355,908	10,450,624
Other long-term obligations - Net of current portion	406,258,750	433,275,023
Total OPEB liability - Net of current portion	199,346,414	219,519,068
Net pension liability	128,163,238	155,972,566
Total noncurrent liabilities	743,124,310	819,217,281
Total liabilities	845,495,775	938,909,586
Deferred Inflows of Resources	127,185,754	97,551,753
Net Position		
Net investment in capital assets	500,302,137	497,512,859
Restricted for:		
Expendable	6,031,400	5,805,617
Loans	402,118	682,478
Unrestricted	(38,075,486)	(87,766,616)
Total net position	**$ 468,660,169**	**$ 416,234,338**

See accompanying notes to the financial statements.

WESTERN MICHIGAN UNIVERSITY

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2022	2021
		Restated
Operating Revenue		
Tuition and fees	$ 275,474,895	$ 283,995,606
Scholarship allowance	(54,311,599)	(55,852,999)
Net tuition and fees	221,163,296	228,142,607
Governmental grants and contracts	22,205,518	22,270,715
Other grants and contracts	7,894,072	7,319,374
Departmental and other educational activities	27,663,695	27,156,438
Auxiliary activities - Net	62,089,316	45,217,695
Other revenue	3,623,367	3,500,368
Total operating revenue	344,639,264	333,607,197
Operating Expenses		
Instruction	169,444,840	162,362,662
Departmental research	18,493,608	15,378,030
Public service	9,994,632	8,179,668
Academic support	50,319,834	44,538,275
Student services	20,138,602	16,911,704
Institutional support	51,740,645	45,669,741
Operations and maintenance of plant	33,461,089	33,804,598
Scholarships and fellowships	37,324,354	36,278,180
Auxiliary activities	65,163,281	51,909,016
Depreciation	31,351,451	29,444,719
Other adjustments	(18,553,547)	(17,856,853)
Total operating expenses	468,878,789	426,619,740
Net Operating Loss	(124,239,525)	(93,012,543)
Nonoperating Revenue (Expenses)		
State appropriations	121,514,580	113,788,448
Gifts	43,851,480	26,492,749
Pell grant revenue	18,706,405	20,721,722
HEERF and other governmental relief	46,741,340	50,805,547
Other expense	(14,371,086)	(12,286,066)
Investment income (loss) and other interest	(29,558,717)	38,834,118
Interest on capital asset-related debt	(13,007,159)	(13,944,147)
Net nonoperating revenue	173,876,843	224,412,371
Income - Before other	49,637,318	131,399,828
Other		
State capital appropriations	1,003,350	11,282,597
Other revenue and capital gifts and grants	1,785,163	1,440,415
Total other	2,788,513	12,723,012
Net Change in Net Position	52,425,831	144,122,840
Net Position		
Beginning of year	416,234,338	279,152,773
Adjustment for changes in accounting principles	-	(7,041,275)
Net Position - Beginning of year (as restated)	416,234,338	272,111,498
End of year	**$ 468,660,169**	**$ 416,234,338**

See accompanying notes to the financial statements.

Western Michigan University

Statement of Cash Flows

	Year Ended June 30	
	2022	2021 Restated
Cash Flows from Operating Activities		
Tuition and fees	$ 217,658,475	$ 228,142,607
Grants and contracts	30,252,349	27,747,193
Payments to suppliers	(123,382,256)	(101,793,412)
Payments to employees	(321,614,168)	(299,018,261)
Payments for scholarships and fellowships	(37,324,354)	(36,278,180)
Collection of loans from students	1,524,991	1,351,761
Student loan interest	90,001	155,730
Auxiliary enterprise charges	62,089,316	45,217,695
Departmental and other	31,287,062	25,971,843
William D. Ford direct lending receipts	69,267,875	79,468,323
William D. Ford direct lending disbursements	(69,267,875)	(79,468,323)
PLUS loan receipts	24,901,271	23,989,776
PLUS loan disbursements	(24,901,271)	(23,989,776)
Net cash used in operating activities	(139,418,584)	(108,503,024)
Cash Flows from Noncapital Financing Activities		
Gifts and contributions for other than capital purposes	43,851,480	26,492,749
Pell grant revenue	18,706,405	20,721,722
CRF and HEERF grant revenue	61,270,782	36,275,805
Agency transactions	4,191,563	(5,129,186)
Other	(14,371,086)	(12,286,066)
State appropriations	121,804,904	100,791,578
Net cash provided by noncapital financing activities	235,454,048	166,866,602
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(50,999,162)	(70,716,966)
Proceeds net of deposits from disposal of assets	121,000	1,078,265
Lease assets and proceeds	497,006	-
Proceeds from issuance of debt	42,143,020	131,998,583
Principal paid on capital debt	(61,572,782)	(76,596,122)
Capital grant, gift, and other proceeds	1,785,163	1,440,415
Capital appropriations	3,817,961	10,983,610
(Deposits to) proceeds from trustee to purchase capital assets	34,900,500	(20,473,226)
Interest paid on capital debt	(16,441,549)	(16,321,386)
Net cash used in capital and related financing activities	(45,748,843)	(38,606,827)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	51,224,634	146,364,727
Interest on investments	7,721,604	10,093,719
Purchase of investments	(46,068,609)	(161,729,199)
Net cash provided by (used in) investing activities	12,877,629	(5,270,753)
Net Increase (Decrease) in Cash and Cash Equivalents	63,164,250	14,485,998
Cash and Cash Equivalents - Beginning of year	113,050,198	98,564,200
Cash and Cash Equivalents - End of year	**$ 176,214,448**	**$ 113,050,198**

See accompanying notes to the financial statements.

	Year Ended June 30	
	2022	2021 Restated
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (124,239,525)	$ (93,012,543)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	31,351,451	29,444,719
Lease amortization	1,329,587	1,299,988
(Increase) decrease in assets:		
Federal and state grants receivable	152,759	(1,842,896)
Accounts receivable - Net	(3,704,427)	(2,743,192)
Prepaid assets and other current assets	(1,648,196)	(1,674,896)
Other assets	3,364,799	-
Loans to students	1,614,992	1,351,761
Increase (decrease) in liabilities:		
Accounts payable	2,295,580	(3,130,091)
Accrued payroll and other compensation	86,386	(3,499,509)
Net Pension and OPEB liability	(56,069,906)	29,077,946
Other liabilities and deferreds	5,848,310	(60,792,642)
Unearned tuition and fees	199,606	(2,981,669)
Net cash used in operating activities	**$ (139,418,584)**	**$ (108,503,024)**

See accompanying notes to the financial statements.

Discretely Presented Component Units – Balance Sheet and Statement of Activities and Changes in Net Assets

Balance Sheet	Western Michigan University Foundation		Paper Technology Foundation, Inc.		Western Michigan University Homer Stryker M.D. School of Medicine	
	June 30		June 30		June 30	
	2022	2021	2022	2021	2022	2021
Assets						
Cash and short-term investments	$ 32,314,914	$ 13,106,394	$ 266,795	$ 601,529	$ 15,732,004	$ 12,916,849
Investments	540,996,680	484,913,953	5,094,527	6,389,351	21,939,897	23,875,563
Pledges receivable - Net	429,273,023	530,134,031	116,146	131,967	3,225,000	4,185,000
Cash surrender value of life insurance policies	1,028,464	1,037,026	-	-	-	-
Other receivables	-	380,163	-	-	5,024,621	6,218,513
Other assets	-	6,559	-	-	1,767,881	2,242,901
Land, land contracts, and other property	1,190,000	2,790,897	-	-	93,747,333	95,652,130
Interest in net assets of WMU Foundation	-	-	-	-	279,222,174	279,379,963
Total assets	**$ 1,004,803,081**	**$ 1,032,369,023**	**$ 5,477,468**	**$ 7,122,847**	**$ 420,658,910**	**$ 424,470,919**
Liabilities						
Accounts payable	$ 7,045	$ 1,057	$ 4,658	$ -	$ 1,648,386	$ 1,556,853
Deposits held in escrow	-	100,000	-	-	-	-
Accrued payroll, withholdings, and other	-	-	-	-	11,314,382	14,281,670
Deferred compensation	-	-	-	-	11,513,540	14,334,001
Other long-term debt	-	-	-	-	58,795,000	60,814,657
Total liabilities	7,045	101,057	4,658	-	83,271,308	90,987,181
Net Assets						
Without donor restrictions	298,166,683	321,454,718	596,640	1,900,180	26,452,804	21,246,405
With donor restrictions	706,629,353	710,813,248	4,876,170	5,222,667	310,934,798	312,237,333
Total net assets	1,004,796,036	1,032,267,966	5,472,810	7,122,847	337,387,602	333,483,738
Total liabilities and net assets	**$ 1,004,803,081**	**$ 1,032,369,023**	**$ 5,477,468**	**$ 7,122,847**	**$ 420,658,910**	**$ 424,470,919**

Statement of Activities and Changes in Net Assets

	Year Ended June 30		Year Ended June 30		Year Ended June 30	
	2022	2021	2022	2021	2022	2021
Revenue Gains, Losses, and Other Support						
Gifts, contributions, and other	$ 33,084,685	$ 527,335,086	$ 415,382	$ 410,421	$ 31,277,021	$ 318,957,809
Investment income	11,244,463	10,845,802	92,598	137,795	-	-
Contracted services and support	-	-	-	-	49,399,887	47,811,482
Patient service revenue	-	-	-	-	11,163,480	11,441,743
Governmental grants and contracts	-	-	-	-	23,274,661	16,350,278
Other income	85,924	467,375	5,674	2,745	-	-
Net (loss) gain from security and other investment transactions	(39,948,280)	95,387,341	(299,700)	1,401,294	(4,718,419)	2,126,174
Transfers from related parties	17,579,065	2,670,951	114,809	99,061	-	-
Total revenue gains, losses, and other support	22,045,857	636,706,555	328,763	2,051,316	110,396,630	396,687,486
Expenditures and Distributions						
Program services	2,639,593	1,966,890	73,884	80,731	93,809,959	96,031,880
Management and general	1,380,229	1,418,103	94,066	48,814	12,682,807	12,060,264
Fundraising	2,649,076	2,095,189	105,791	115,580	-	-
Total expenditures	6,668,898	5,480,182	273,741	245,125	106,492,766	108,092,144
Distributions to related parties	42,848,889	29,885,186	1,705,059	265,445	-	-
Total expenditures and distributions	49,517,787	35,365,368	1,978,800	510,570	106,492,766	108,092,144
Change in Net Assets	(27,471,930)	601,341,187	(1,650,037)	1,540,746	3,903,864	288,595,342
Net Assets - Beginning of year	1,032,267,966	430,926,779	7,122,847	5,582,101	333,483,738	44,888,396
Net Assets - End of year	**$ 1,004,796,036**	**$ 1,032,267,966**	**$ 5,472,810**	**$ 7,122,847**	**$ 337,387,602**	**$ 333,483,738**

See accompanying notes to the financial statements.

Note 1 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The financial statements of Western Michigan University (the "University") have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The University follows the "business-type" activities reporting requirements of GASB Statement No. 34.

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.

GASB Statement No. 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following categories:

- Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Net position subject to externally imposed constraints such that they may be maintained permanently by the University, or net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
- Unrestricted - Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties.

These statements have also been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity (GASB Statement No. 61). These criteria include significant operational or financial relationships with the University. Based on application of the criteria, the University has three component units.

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies

Component Unit - Western Michigan University is an institution of higher education located in Kalamazoo, Michigan, and is considered to be a component unit of the State of Michigan (the “State”) because its board of trustees is appointed by the governor of the State of Michigan. Accordingly, the University is included in the State’s financial statements as a discretely presented component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various state agencies, and payments to state retirement programs for the benefit of University employees.

Component Units of the University - Western Michigan University Foundation, Paper Technology Foundation, Inc., and Western Michigan University Homer Stryker M.D. School of Medicine (WMed) statements are discretely presented as part of the University’s reporting entity. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) and have not been modified for GASB. The officers of Western Michigan University Foundation and Paper Technology Foundation, Inc. include certain University administrative officials, but the University does not have controlling interest in those foundations’ boards. The University does have controlling interest in WMed.

Western Michigan University Foundation (the “Foundation”) operates exclusively for the benefit of Western Michigan University. The Foundation provides support for the objectives, goals, and mission of the University. The Foundation assists in accomplishing the educational purposes of the University.

Paper Technology Foundation, Inc. was established to aid and promote, by financial assistance and guidance, education and research in paper technology and related areas at Western Michigan University.

WMed operates and manages medical education and training programs. WMed’s clinics provide medical services to patients, a substantial portion of which are Medicaid and Medicare recipients.

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Cash and Investments - Cash and cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased. The University's cash, comprised of working capital and permanent-core assets, is principally invested in investment-grade securities that are readily convertible to cash. The cash is allocated to securities that meet short and long-term investment objectives. Investments, except those held by Western Michigan University's Biosciences Research Commercialization Center (BRCC), are reported at fair value, based on quoted market prices, with changes in fair value reported as investment income in the statement of revenue, expenses, and changes in net position. The net carrying value of investments held at cost by BRCC was $5.0 million and $5.0 million at June 30, 2022 and 2021, respectively. There was approximately $12.9 million and $47.8 million of unspent bond proceeds included in long-term investments at June 30, 2022 and 2021, respectively.

Accounts Receivable - The University records accounts receivable at net collectible value. Management reviews all the individual student accounts receivable as of June 30 and establishes an allowance for doubtful accounts based on specific assessment of each account as necessary. All amounts deemed uncollectible are charged against income for that fiscal year. More detailed information can be found in Note 5.

Operating and Nonoperating Revenue - Operating activities as reported on the statement of revenue, expenses, and changes in net position are those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, as defined by GASB Statement No. 34, including state appropriations, federal Pell grant revenue, CRF and HEERF grant revenue, gifts, and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the recipient University department within the guidelines of donor restrictions, if any.

Auxiliary Activities – As of June 30, 2022 and 2021, auxiliary activities consisted of the following:

	2022	2021
Auxiliary activities revenue, gross	$ 69,495,443	$ 52,834,013
Less: Scholarship allowance	(7,406,127)	(7,616,318)
Auxiliary activities revenue, net	$ 62,089,316	$ 45,217,695

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Capital Assets - Capital assets are stated at cost, if purchased, or at acquisition value at the date of the gift for donated property. Physical properties, with the exception of land, are depreciated on the straight-line method over the estimated useful service lives of the respective assets. Estimated service lives are as follows:

Land Improvements	20 Years
Buildings	50 Years
Equipment and Software	3-15 Years
Library Holdings	10 Years

Bond Issuance Costs - Bond issuance costs are expensed in the period incurred while prepaid insurance costs related to bond issuance are amortized over the life of the bonds using the straight-line method. Gains and losses resulting from refunding bonds are booked as deferred outflows of resources and deferred inflows of resources and recognized as a component of interest expense over the shorter of the remaining term of the old debt or the term of the new debt.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

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(s) and will not be recognized as an outflow of resources (expense) until then.

The University reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as changes in assumptions and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 10 and Note 11.

As of June 30, 2022 and 2021, deferred outflows of resources consisted of the following:

	2022	2021
Loss on refunding of bonds payable	$ 7,330,747	$ 7,164,708
Pension related	29,253,380	9,691,532
OPEB related	35,281,219	38,771,819
	$ 71,865,346	$ 55,628,059

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(s) and will not be recognized as an inflow of resources (revenue) until that time.

The University reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments and changes in key assumptions. More detailed information can be found in Note 10 and Note 11.

As of June 30, 2022 and 2021, deferred inflows of resources consisted of the following:

	2022	2021
Gain on refunding of bonds payable	$ 418,846	$ 898,202
Lease related	3,314,761	3,857,151
Annuity and trust related	4,076,087	5,169,408
Pension related	39,646,451	2,665,573
OPEB related	79,729,609	84,961,419
	$127,185,754	$ 97,551,753

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Adoption of New Standards – As of July 1, 2020, the University applied GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In accordance with the statement, the University has reported a change in accounting principle adjustment to net investment in capital assets category of net position of $7.0 million as of July 1, 2020, which is primarily the net of the capital lease payable and capital lease asset, net of accumulated depreciation, under the previous accounting standard.

Note 2 – Significant Events Impacting the University

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries implemented measures to combat the outbreak which impacted business operations globally. Effective March 16, 2020, the University quickly pivoted on-campus classes to distance-learning for the remainder of the Spring 2020 semester. The University resumed some on-campus operations for the Fall 2020 semester with several modifications to protect public health while still allowing the University to offer high quality education as the COVID-19 global pandemic remained significant. The University resumed nearly all on-campus operations for the Fall 2021 semester and fewer resources are being allocated toward responding to this global pandemic as conditions continue to improve. Federal funding was received which replenished University funds expended.

No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management's professional perspective regarding this could change in the future.

Note 3 - Cash and Investments

The University uses the “pooled cash” method of accounting for substantially all of its cash and investments. In order to maximize earnings, the cash and certain investments of Western Michigan University Foundation and Paper Technology Foundation, Inc. are pooled with those of the University, as well as funds held for affiliates and others.

As of June 30, 2022, 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 Market Funds	$ 189,314,897	$ 189,314,897	$ -	$ -	$ -
Corporate Stock	18,329	-	-	-	18,329
Equity Funds	96,591,109	-	-	-	96,591,109
Bond Funds	96,260,757	-	15,315,925	31,799,803	49,145,029
Land and Land Contracts	275,000	-	-	-	275,000
Real Estate Investment Trust	325,003	-	-	-	325,003
Total	$ 382,785,095	$ 189,314,897	$ 15,315,925	$ 31,799,803	$ 146,354,470

As of June 30, 2021, 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 Market Funds	$ 161,058,765	$ 161,058,765	$ -	$ -	$ -
Corporate Stock	188,869	-	-	-	188,869
Equity Funds	122,070,369	-	-	-	122,070,369
Bond Funds	114,799,743	-	17,701,773	37,489,502	59,608,468
Land and Land Contracts	275,000	-	-	-	275,000
Real Estate Investment Trust	409,551	-	-	-	409,551
Total	$ 398,802,297	$ 161,058,765	$ 17,701,773	$ 37,489,502	$ 182,552,257

Note 3 - Cash and Investments (Continued)

Investments at Western Michigan University Foundation, Paper Technology Foundation, Inc., and WMed are as follows:

	Western Michigan University Foundation		Paper Technology Foundation, Inc.		Western Michigan University Homer Stryker M.D. School of Medicine	
	2022	2021	2022	2021	2022	2021
Money market funds	$ 5,695,224	$ 1,756,822	$ 64,377	$ 26,170	$ 497,550	$ 218,904
Corporate stock	2,334,588	2,731,160	26,476	47,065	898,310	82,352
Equity funds	223,603,748	224,270,966	2,210,738	3,060,976	6,751,052	7,419,246
Bond funds	122,280,187	109,715,259	819,085	930,664	2,342,400	2,230,922
Target date blended funds					7,732,386	10,459,681
Land and land contracts	2,904,995	2,876,549	32,945	49,570	62,060	73,881
Private equity/venture capital	58,761,059	45,631,650	666,400	786,348	1,255,316	1,171,992
Hedge funds	29,576,219	25,626,293	335,419	441,605	631,839	658,180
Credit/distressed	20,607,245	16,863,895	233,704	290,607	440,234	433,128
Private real assets	75,233,415	55,441,359	705,383	756,346	1,328,750	1,127,277
Total	$ 540,996,680	$ 484,913,953	$ 5,094,527	$ 6,389,351	$21,939,897	$23,875,563

Net gains and losses from security transactions for the years ended June 30, 2022 and 2021 are as follows for each foundation and WMed:

	Western Michigan University Foundation		Paper Technology Foundation, Inc.		Western Michigan University Homer Stryker M.D. School of Medicine	
	2022	2021	2022	2021	2022	2021
Unrealized gains (losses)	$ (81,628,603)	$ 33,162,129	$ (837,125)	$ 511,544	$ (5,528,751)	$ 804,127
Realized gains (losses)	41,680,323	62,225,212	537,425	889,750	810,332	1,322,047
Total	$ (39,948,280)	$ 95,387,341	$ (299,700)	$ 1,401,294	$ (4,718,419)	$ 2,126,174

Western Michigan University Foundation, Paper Technology Foundation, Inc., and WMed investments are stated at fair value based upon quoted market prices or are based on information provided by the fund managers or the general partners of the investment funds.

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 provides for a diversified portfolio comprised of short and long-term investments. The investment policy does not specifically limit or restrict asset allocation except for the long-term investment pool.

The asset allocation, as a percentage of the total market value of the long-term investment pool, is targeted as follows:

Asset Category	Target	Range
U.S. equities	24.0%	10-30%
International equities	21.0%	10-30%
Fixed income	55.0%	45-65%

Note 3 - Cash and Investments (Continued)

The University is also exposed to risk indirectly since its mutual fund investees hold investments such as futures, options, and collateralized mortgage obligations (generally referred to as "derivatives").

The annuity and life income funds are invested and held to maturity; therefore, the interest rate risk is not considered in its decisions. The investment policy is to maintain a permanent core asset allocation committed to both equity and fixed-income securities.

Credit Risk - For investments in non-mutual and non-pooled funds, no more than 10 percent of the portfolio, at cost, can be invested in any single issue, except the investments in U.S. government securities. The weighted average credit quality is to be no less than "AAA" (or its equivalent rating by two national rating agencies) for the short-term investment pool accounts.

In addition, the minimum acceptable credit quality at the time of purchase for individual securities shall be "A" for the short-term pool accounts.

At June 30, 2022 and 2021, the University's debt instruments (subject to fluctuations in interest rates) and related ratings consisted of the following:

	2022 Market Value	NRSRO Rating	2021 Market Value	NRSRO Rating
Bond mutual funds:				
BlackRock High Yield Bond Portfolio	$ 86,901	BBB-	$ 101,640	B
BlackRock US Debt B	29,452,771	AA	34,672,520	AA
iShares TIPs Bond ETF	303,342	AAA	364,444	AA
Nuveen Core Impact Bond Portfolio	31,312,089	AA3	37,148,739	A1
PIMCO Income Inst Fund	15,315,925	A-	17,701,772	BAA+
SSGA Charitable Bond Fund	184,442	AA2	230,380	AA2
TIPs Index CTF Fund	37,178	AAA	48,111	AAA
Vanguard Total Bond Fund	1,735,169	AA	2,072,406	AA
Western Asset Core Plus Bond Fund	17,832,940	BBB+	22,459,731	A
Total	$ 96,260,757		$ 114,799,743	

At June 30, 2022 and 2021, Western Michigan University Foundation's and Paper Technology Foundation, Inc.'s debt instruments pooled with the University's debt instruments (subject to fluctuations in interest rates) and related ratings consisted of the following:

	Western Michigan University Foundation				Paper Technology Foundation, Inc.			
	2022		2021		2022		2021	
BlackRock US Debt B	$ 2,782,110	AA	$ 1,206,490	AA	$ 22,900	AA	$ 58,327	AA
Nuveen Core Impact Bond Portfolio	2,957,741	AA3	1,292,654	A1	24,345	AA3	62,492	A1
PIMCO Income Inst Fund	1,446,743	A-	615,964	BAA+	11,908	A-	29,778	BAA+
Western Asset Core Plus Bond Fund	1,684,500	BBB+	781,525	A	13,865	BBB+	37,782	A
Total	$ 8,871,094		$ 3,896,634		$ 73,018		$ 188,379	

Note 3 - Cash and Investments (Continued)

The nationally recognized statistical rating organization (NRSRO) utilized was primarily Moody's Investors Services. The corporate bonds NRSRO rating is based on a weighted average of the individual investment ratings.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the bank or counterparty, the University will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The University's cash investment policy does not limit the value of deposits or investments that may be held by an outside party. Investments in external investment pools and in open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form. At June 30, 2022 and 2021, the carrying amount of the University's deposits was $152,602,667 and $75,403,280, respectively. These amounts include the Foundations' balances of $11,642,293 and $3,057,588, respectively. Of that amount, $1,019,540 and $1,168,917 was insured as of June 30, 2022 and 2021, respectively. The remaining $151,583,127 and $74,234,363 at June 30, 2022 and 2021, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's cash investment policy provides that investment pool direct placements are to be sufficiently diversified and provides that no more than 10 percent of its assets can be in any particular issue. The foregoing restrictions do not apply to securities that are issued or fully guaranteed by the United States government. The University did not have investments in any single issuer that equaled 10 percent or more in fiscal year 2022 or 2021. Additionally, the University did not have investments in any single issuer that equaled 5 percent or more in fiscal year 2022 or 2021.

Foreign Currency Risk – All of the University's and foundations' holdings of foreign investments were in U.S. dollars at June 30, 2022 and 2021; therefore, the University and foundations have no direct exposure to foreign currency risk.

Note 4 – 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.

Note 4 – Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the 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.

The University has the following recurring fair value measurements:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022:

		Fair Value Measurements Using		
	Balance at June 30, 2022	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:				
Money Market Funds	$ 189,314,897	$ 189,314,897	$ -	$ -
Corporate Stock	18,329	18,329	-	-
Equity Funds	96,591,109	34,673,758	61,917,351	-
Bond Funds	96,260,757	66,586,366	29,674,391	-
Land and Land Contracts	275,000	-	275,000	-
Real Estate Investment Trust Fund	325,003	325,003	-	-
Total investments by fair value level	$ 382,785,095	$ 290,918,353	$ 91,866,742	$ -

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021:

		Fair Value Measurements Using		
	Balance at June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Money Market Funds	$ 161,058,765	$ 161,058,765	$ -	$ -
Corporate Stock	188,869	188,869	-	-
Equity Funds	122,070,369	43,547,914	78,522,455	-
Bond Funds	114,799,743	79,848,731	34,951,012	-
Land and Land Contracts	275,000	-	275,000	-
Real Estate Investment Trust Fund	409,551	409,551	-	-
Total investments by fair value level	$ 398,802,297	$ 285,053,830	$ 113,748,467	$ -

Corporate stock, equity funds, bond funds, and the real estate investment trust fund classified in Level 1 are valued using prices quoted in active markets for those securities. Money market funds classified in Level 1 are included as cash and cash equivalents on the statement of net position.

Note 4 – Fair Value Measurements (Continued)

The fair value of equity funds, bond funds, and land and land contracts at June 30, 2022 and 2021 was determined primarily based on level 2 inputs. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets or liabilities in active markets, and other inputs such as appraisals that are observable and obtained annually.

Note 5 – Receivables

As of June 30, 2022 and 2021, accounts receivable consisted of the following:

	2022	2021
Appropriations from the State of Michigan for operations	$ 20,624,124	$ 20,914,448
Sponsored research grants receivable	6,005,536	6,158,295
Student accounts receivable	12,716,812	10,302,829
Capital appropriations from the State of Michigan	-	2,814,611
HEERF receivable	-	36,350,314
Other	9,644,479	8,119,799
Total	48,990,951	84,660,296
Less allowances for doubtful accounts	(4,615,974)	(4,381,738)
Net accounts receivable	$ 44,374,977	$ 80,278,558

As of June 30, 2022 and 2021, student loans receivable consisted of the following:

	2022	2021
Student loans receivable	$ 2,747,341	$ 4,171,140
Less: allowance for doubtful accounts	(496,709)	(395,517)
Net student loans receivable	$ 2,250,632	$ 3,775,623

Note 5 – Receivables (Continued)

As of June 30, 2022 and 2021, pledges receivable at the component units consisted of the following:

	Western Michigan University Foundation		Paper Technology Foundation, Inc.		Western Michigan University Homer Stryker M.D. School of Medicine	
	2022	2021	2022	2021	2022	2021
Pledges expected to be collected within 1 year	$ 10,286,988	$ 63,605,936	$ 70,669	$ 65,102	$ 100,000	$ 1,076,875
Pledges expected to be collected in 1-5 years	230,410,244	230,325,703	53,487	75,004	3,125,000	3,108,125
Pledges expected to be collected in 6-10 years	220,000,000	275,000,000	-	-	-	-
Total	460,697,232	568,931,639	124,156	140,106	3,225,000	4,185,000
Less:						
Allowance for uncollectible contributions	(537,139)	(849,790)	(5,023)	(7,005)	-	-
Present value discount	(30,887,070)	(37,947,818)	(2,987)	(1,134)	-	-
Net pledges receivable	$ 429,273,023	$ 530,134,031	$ 116,146	$ 131,967	$ 3,225,000	$ 4,185,000

Pledges receivable are presented net of a discount for the value of future cash flows and an allowance for uncollectible contributions. The discount to present value was calculated using the yield on a three-year Treasury bill rate, equal to 2.99 percent and 0.46 percent as of June 30, 2022 and 2021, respectively for receivables payable in five years or less. Receivables payable in ten years were discounted at the 10-year Treasury bill rate of 1.45 percent as of June 30, 2022 and 2021. The allowance for uncollectible contributions is a general valuation allowance of 5.0 percent for fiscal years 2022 and 2021, established based on historical contribution collection history. Estate gifts receivable at Western Michigan University Foundation of approximately $2.1 million and $1.9 million at June 30, 2022 and 2021, respectively, included in the total pledges receivable, have no allowance for uncollectible contributions. Pledges deemed uncollectible are charged against the allowance for uncollectible contributions in the period in which the determination is made.

In June 2021, a gift was pledged for $550 million to the Foundation for the benefit of the University and WMed to fund scholarships, advance medical education and research, support faculty expertise, increase athletic competitiveness and fuel numerous other initiatives. The pledge payments will be made in annual amounts of $55 million over a ten-year period, which began in fiscal year 2022.

Note 6 – Capital Assets

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2022:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets:				
Land	$ 13,392,390	$ -	$ -	$ 13,392,390
Construction in progress	85,143,139	60,588,173	23,878,754	121,852,558
Total nondepreciable property	98,535,529	60,588,173	23,878,754	135,244,948
Land improvements	95,434,771	7,048,377	-	102,483,148
Buildings	1,141,418,874	2,587,250	9,051,395	1,134,954,729
Equipment, software, and other	85,872,557	3,818,066	945,090	88,745,533
Library holdings	98,168,848	836,050	-	99,004,898
Total depreciable property	1,420,895,050	14,289,743	9,996,485	1,425,188,308
Total capital assets	1,519,430,579	74,877,916	33,875,239	1,560,433,256
Less accumulated depreciation:				
Land improvements	56,189,002	3,857,920	-	60,046,922
Buildings	417,808,760	21,674,789	5,961,992	433,521,557
Equipment, software, and other	69,138,451	4,016,311	944,986	72,209,776
Library holdings	90,469,447	1,802,431	-	92,271,878
Total accumulated depreciation	633,605,660	31,351,451	6,906,978	658,050,133
Capital assets - Net	$ 885,824,919			$ 902,383,123

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2021:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets:				
Land	$ 13,392,390	$ -	$ -	$ 13,392,390
Construction in progress	116,344,946	74,094,561	105,296,368	85,143,139
Total nondepreciable property	129,737,336	74,094,561	105,296,368	98,535,529
Land improvements	90,690,472	4,744,299	-	95,434,771
Buildings	1,055,785,221	94,904,032	9,270,379	1,141,418,874
Equipment, software, and other	84,472,089	3,714,713	2,314,245	85,872,557
Library holdings	97,167,255	1,001,593	-	98,168,848
Total depreciable property	1,328,115,037	104,364,637	11,584,624	1,420,895,050
Total capital assets	1,457,852,373	178,459,198	116,880,992	1,519,430,579
Less accumulated depreciation:				
Land improvements	52,718,137	3,470,865	-	56,189,002
Buildings	404,218,919	19,667,996	6,078,155	417,808,760
Equipment, software, and other	66,946,941	4,494,882	2,303,372	69,138,451
Library holdings	88,658,471	1,810,976	-	90,469,447
Total accumulated depreciation	612,542,468	29,444,719	8,381,527	633,605,660
Capital assets - Net	$ 845,309,905			$ 885,824,919

Note 6 – Capital Assets (Continued)

The estimated additional costs to be incurred for major construction projects in progress and scheduled to begin is approximately $86.8 million as of June 30, 2022. Construction is well underway for a $99.0 million combined student center and dining facility and is planned to open in 2023. Renovation projects totaling $49.2 million have begun for Dunbar Hall to reconfigure classroom layouts, add student workspaces, upgrade technology, and improve building systems. Dunbar Hall is planned to re-open in Fall 2023.

Note 7 – Leases

Lessee

The University leases certain assets from various third parties. The assets leased include buildings. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease liability required based on the number of credit hours offered and fees collected from certain programs. There are no residual value guarantees.

The University also leases a certain asset that is subsequently subleased by the University to a third party. The noncancelable terms of this leasing arrangement matures in July 2025. The discount rate applicable to this leasing arrangement is 0.719 percent. There are no variable payments required or residual value guarantees associated with this leasing arrangement.

Lease asset activity of the University was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Leased asset class (lessee)				
Buildings	$ 12,560,748	$ 37,290	$ 5,235	$ 12,592,803
Total leased assets	12,560,748	37,290	5,235	12,592,803
Less accumulated amortization:				
Buildings	1,299,988	1,329,586	5,235	2,624,339
Total accumulated amortization	1,299,988	1,329,586	5,235	2,624,339
Leased assets (lessee) - Net	$ 11,260,760			$ 9,968,464

During the year ended June 30, 2022, the University recognized the following outflows as a result of certain items that were properly excluded from the initial measurement of the lease liability:

	2022	2021
Variable payments	$ 151,880	$ 150,000
Residual value guarantees	-	-
Termination penalties	-	-

Note 7 – Leases (Continued)

Future principal and interest payment requirements related to the University's lease liability at June 30, 2022 are as follows:

	Principal	Interest	Total
2023	$ 1,132,006	$ 422,410	$ 1,554,416
2024	1,178,134	380,960	1,559,094
2025	1,188,909	337,024	1,525,933
2026	1,054,937	291,162	1,346,099
2027	1,107,595	243,200	1,350,795
2028-3032	4,826,333	429,903	5,256,236
Total	$ 10,487,914	$ 2,104,659	$ 12,592,573

Lessor

The University leases certain assets to various third parties. The assets leased include land, land improvements, and buildings. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable required based on the number of parking spaces leased.

The University also subleases a certain asset that it initially leases from a third party. The noncancelable terms of this leasing arrangement matures in July 2025. The discount rate applicable to this leasing arrangement is 0.719 percent. There are no variable payments required or residual value guarantees associated with this leasing arrangement.

During the year ended June 30, 2022, the University recognized the following related to its lessor agreements:

	2022	2021
Lease revenue	$ 542,390	$ 542,390
Interest income related to its leases	53,408	16,913
Revenue from variable payments not previously included in the measurement of the lease receivable	17,100	17,100
Revenue from residual value guarantees	-	-
Revenue from termination penalties	-	-

Note 8 – Long Term Obligations

Long-term obligation activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
General Revenue and Refunding Bonds, Series 2021C, with interest at 5.00%, maturing November 15, 2040	$ -	$ 33,635,000	$ -	$ 33,635,000	$ -
General Revenue and Refunding Bonds, Series 2021A, with interest at 5.00%, maturing November 15, 2053	52,125,000	-	-	52,125,000	-
General Revenue Refunding Bonds, Series 2021B, with interest ranging from 0.275% to 2.878%, maturing November 15, 2043	65,875,000	-	920,000	64,955,000	550,000
General Revenue and Refunding Bonds, Series 2019A, with interest at 5.00%, maturing November 15, 2049	73,360,000	-	2,775,000	70,585,000	7,155,000
General Revenue Bonds, Series 2019B, with interest ranging from 2.29% to 3.77%, maturing November 15, 2049	15,930,000	-	-	15,930,000	360,000
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.00% to 5.00%, maturing November 15, 2045	93,190,000	-	5,505,000	87,685,000	6,225,000
General Revenue Refunding Bonds, Series 2014, with interest ranging from 3.00% to 5.00%, maturing November 15, 2035	25,060,000	-	1,170,000	23,890,000	1,230,000
General Revenue and Refunding Bonds, Series 2013, with interest ranging from 5.00% to 5.25%, maturing November 15, 2024	9,240,000	-	4,950,000	4,290,000	2,095,000
General Revenue and Refunding Bonds, Series 2011, with interest ranging from 4.00% to 5.25%, maturing November 15, 2040	44,515,000	-	44,515,000	-	-
General Revenue Bonds, Series 2002B, with interest ranging from 5.25% to 5.42%, maturing November 15, 2032	11,230,000	-	700,000	10,530,000	735,000
Total bonds payable	390,525,000	33,635,000	60,535,000	363,625,000	18,350,000
Other Long-term Obligations					
Annuities payable	546,177	84,516	106,529	524,164	-
Charitable remainder trusts payable	3,244,110	78,837	680,877	2,642,070	-
Unamortized bond premiums	45,482,883	9,073,081	3,773,699	50,782,265	3,178,968
Accrued compensated absences	11,044,230	-	830,011	10,214,219	-
Voluntary retirement incentive program liability	4,563,801	-	4,563,801	-	-
CARES Act deferred employer payroll taxes	8,713,986	-	4,355,091	4,358,895	4,358,895
Total long-term obligations	$464,120,187	$ 42,871,434	$ 74,845,008	$432,146,613	$ 25,887,863

Note 8 – Long Term Obligations (Continued)

Long-term obligation activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
General Revenue and Refunding Bonds, Series 2021A, with interest at 5.00%, maturing November 15, 2053	$ -	$ 52,125,000	$ -	$ 52,125,000	$ -
General Revenue Refunding Bonds, Series 2021B, with interest ranging from 0.275% to 2.878%, maturing November 15, 2043	-	65,875,000	-	65,875,000	920,000
General Revenue and Refunding Bonds, Series 2019A, with interest at 5.00%, maturing November 15, 2049	76,965,000	-	3,605,000	73,360,000	2,775,000
General Revenue Bonds, Series 2019B, with interest ranging from 2.29% to 3.77%, maturing November 15, 2049	15,930,000	-	-	15,930,000	-
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.00% to 5.00%, maturing November 15, 2045	98,770,000	-	5,580,000	93,190,000	5,505,000
General Revenue Refunding Bonds, Series 2014, with interest ranging from 3.00% to 5.00%, maturing November 15, 2035	26,185,000	-	1,125,000	25,060,000	1,170,000
General Revenue and Refunding Bonds, Series 2013, with interest ranging from 5.00% to 5.25%, maturing November 15, 2024	70,815,000	-	61,575,000	9,240,000	4,950,000
General Revenue and Refunding Bonds, Series 2011, with interest ranging from 4.00% to 5.25%, maturing November 15, 2040	47,475,000	-	2,960,000	44,515,000	3,115,000
General Revenue Bonds, Series 2002B, with interest ranging from 5.25% to 5.42%, maturing November 15, 2032	11,895,000	-	665,000	11,230,000	700,000
Total bonds payable	348,035,000	118,000,000	75,510,000	390,525,000	19,135,000
Other Long-term Obligations					
Annuities payable	585,618	84,585	124,026	546,177	-
Charitable remainder trusts payable	2,796,836	877,046	429,772	3,244,110	-
Unamortized bond premiums	33,984,633	13,998,584	2,500,334	45,482,883	2,789,370
Accrued compensated absences	10,746,045	298,185	-	11,044,230	-
Voluntary retirement incentive program liability	10,399,805	-	5,836,004	4,563,801	4,563,801
CARES Act deferred employer payroll taxes	3,215,028	5,498,958	-	8,713,986	4,356,993
Total long-term obligations	$409,762,965	$138,757,358	$ 84,400,136	$464,120,187	$ 30,845,164

Note 8 – Long Term Obligations (Continued)

The bonds and notes payable are generally callable by the University. The principal and interest amounts are payable as follows:

	Bonds and Notes Payable		
	Principal	Interest	Total
2023	$ 18,350,000	$ 15,545,477	$ 33,895,477
2024	14,410,000	14,774,134	29,184,134
2025	15,050,000	14,130,375	29,180,375
2026	15,695,000	13,482,010	29,177,010
2027	16,380,000	12,795,461	29,175,461
2028-3032	87,015,000	52,489,812	139,504,812
3033-3037	61,270,000	36,508,298	97,778,298
3038-2042	57,635,000	24,352,608	81,987,608
2043-2047	43,790,000	12,980,864	56,770,864
2048-2052	27,735,000	4,356,940	32,091,940
2053-2057	6,295,000	318,875	6,613,875
Total	$ 363,625,000	$ 201,734,854	$ 565,359,854

Interest expense for the University on all indebtedness was $12,545,901 and $13,490,006 for the years ended June 30, 2022 and 2021, respectively.

Bond Defeasance

In August 2021, the University entered into a forward delivery bond purchase agreement for the Series 2021C Bonds. The agreement resulted in the University issuing $33,635,000 of General Revenue Refunding Bonds, Series 2021C with an interest rate of 5.00 percent, to advance refund $41,400,000 outstanding General Revenue Bonds, Series 2011 with an average interest rate of 5.00 percent. $42,500,000 of the proceeds were deposited into an escrow account with the trustee and are to be used to pay principal and interest on the Series 2011 bonds until the bonds were called for redemption in November 2021. The advance refunding resulted in an economic gain of $12,800,000 due to the total debt service payments decreasing.

In January 2021, the University issued $65,875,000 of taxable General Revenue Refunding Bonds, Series 2021B with an interest rate ranging from 0.275 to 2.878 percent, to advance refund $56,885,000 outstanding General Revenue Bonds, Series 2013 with an average interest rate of 5.00 percent. $65,700,000 of the proceeds were deposited into an escrow account with the trustee and are to be used to pay principal and interest on the Series 2013 bonds until the bonds are called for redemption in November 2023. The taxable advance refunding resulted in an economic gain of $13,900,000 due to the total debt service payments decreasing.

Note 9 – Insurance

The University participates in the Michigan Universities Self-Insurance Corporation ("M.U.S.I.C."), which provides indemnity to members against comprehensive general liability, errors and omissions, and property losses commonly covered by insurance. M.U.S.I.C. also provides risk management and loss control services and programs. Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, M.U.S.I.C. covering the second layer and commercial carriers covering the third. Comprehensive general liability coverage is provided on an occurrence basis. Errors and omissions and property coverage are provided on a claims-made basis. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the claims experience of each university.

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits. Liabilities for estimates of losses retained by the University under M.U.S.I.C. and reserves for claims incurred but not reported under self-insurance programs have been established.

Claims activity for the year ended June 30, 2022 is as follows:

	Liability - Beginning of Year	Claims Incurred, Including Changes in Estimates	Claim Payments	Liability - End of Year
Hospital/Medical claims	$ 2,738,000	$ 42,591,028	$ (42,732,028)	$ 2,597,000
Workers' compensation claims	735,000	1,301,253	(1,059,253)	977,000
Long-term disability claims	329,800	846,859	(852,059)	324,600
General liability claims	386,277	136,449	(121,119)	401,607
	$ 4,189,077	$ 44,875,589	$ (44,764,459)	$ 4,300,207

Claims activity for the year ended June 30, 2021 is as follows:

	Liability - Beginning of Year	Claims Incurred, Including Changes in Estimates	Claim Payments	Liability - End of Year
Hospital/Medical claims	$ 2,947,000	$ 45,573,472	$ (45,782,472)	$ 2,738,000
Workers' compensation claims	1,808,381	(277,414)	(795,967)	735,000
Long-term disability claims	429,266	894,276	(993,742)	329,800
General liability claims	1,030,019	(528,906)	(114,836)	386,277
	$ 6,214,666	$ 45,661,428	$ (47,687,017)	$ 4,189,077

Note 10 – Retirement Plans

Defined Contribution Plan

The University offers employees eligible for the WMU retirement plan the opportunity to participate in the TIAA-CREF plan. Funding for the plan consists of an employer contribution of 11 percent of covered compensation for employees hired before January 1, 2013. For participating employees hired on or after January 1, 2013, the University contributes 9 percent of covered compensation. The University contribution increases to 10 percent if the employee contributes at least 1 percent but less than 2 percent, and to 11 percent if the employee contributes 2 percent or more. The University has no liability beyond its contribution. Benefits vest immediately for eligible salaried employees and vest over a five-year period for eligible hourly nonexempt participants. Contributions for the years ended June 30, 2022, 2021, and 2020 were approximately $20.1 million, $21.7 million, and $22.9 million, respectively.

Other Postemployment Benefit Plan

Plan Description - The University provides other postemployment benefits (OPEB) to retired employees, their spouses, and dependent children. Benefits are provided to all retired faculty, academic, and support staff that retired at the age of 55 or older and had provided 10 years or more of service to the University for employees hired on or before September 1, 2010. Employees who are professional and support staff hired after September 1, 2010 pay 100 percent of the premium upon retirement and must be at the age of 60 or older and have provided 15 or more years of service to the University. Other employee groups' agreements vary based on contracts.

This is a single-employer defined benefit plan administered by the University. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions (or by the employer if not funded through the plan).

Benefits Provided - The University OPEB plan provides retiree life insurance, health, and dental care benefits, including prescription drug coverage to retired employees, their spouses, and dependent children. Benefits are provided through the University's self-insurance program and the full cost of benefits is covered by the plan.

Employees Covered by Benefit Terms - As of January 1, 2021, the plan had 1,143 active retiree medical participants and 1,093 retired retiree medical participants, and the plan had 2,072 active life insurance participants and 1,109 retired life insurance participants.

Contributions - Retiree healthcare costs are paid by the University on a "pay-as-you-go" basis. The University has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal years ended June 30, 2022 and 2021, the University made payments for postemployment health benefit premiums of $5,399,210 and $4,338,724, respectively. Retirees or their surviving spouses are required to make annual contributions of between $1,638 to $16,047, depending on their age and if their spouses or dependents are covered.

Note 10 – Retirement Plans (Continued)

Total OPEB Liability - The June 30, 2022 total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation performed as of January 1, 2021, which used update procedures to roll forward the estimated liability to June 30, 2021, the measurement date. The June 30, 2021 total OPEB liability has a measurement date of June 30, 2020, based on an actuarial valuation performed as of January 1, 2019, which used update procedures to roll forward the liability to June 30, 2020.

Changes in the total OPEB liability during the measurement year were as follows:

	Increase (Decrease) Total OPEB Liability	
	2022	2021
Balance as of July 1	$ 215,277,733	$ 177,814,340
Changes for the fiscal year:		
Service cost	4,939,533	3,854,859
Interest on the total OPEB liability	4,807,466	6,283,147
Differences between expected and actual experience	(4,810,345)	(1,471,296)
Changes of assumptions	(8,383,430)	33,135,407
Benefit payments	(5,399,210)	(4,338,724)
Net changes	(8,845,986)	37,463,393
Balance as of June 30	$ 206,431,747	$ 215,277,733

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21 percent to 2.16 percent as of June 30, 2021 and a change in the discount rate from 3.50 percent to 2.21 percent as of June 30, 2020. Additionally, the percentage of employees assumed to elect spouse coverage at retirement decreased from 50 percent to 30 percent for male employees and 10 percent for female employees as of June 30, 2021.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the years ended June 30, 2022 and 2021, the University recognized negative OPEB expense of $9,108,178 and negative OPEB expense of $7,027,827, respectively.

Note 10 – Retirement Plans (Continued)

At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,994,387	$ (17,512,657)	$ 2,439,563	$ (18,316,947)
Changes of assumptions	24,228,039	(56,625,462)	28,681,723	(66,381,434)
Total amortized deferrals	26,222,426	(74,138,119)	31,121,286	(84,698,381)
University contributions subsequent to the measurement date	7,085,333	-	5,399,210	-
Total	$ 33,307,759	$ (74,138,119)	$ 36,520,496	$ (84,698,381)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the total OPEB liability and therefore will not be included in future OPEB expense):

Year Ending June 30	Amount
2023	$ (18,855,177)
2024	(18,855,177)
2025	(10,609,971)
2026	(27,723)
2027	1,617,458
Thereafter	(1,185,103)
Total	$ (47,915,693)

Actuarial Assumptions - The total OPEB liability as of June 30, 2021 is based on the results of an actuarial valuation as of January 1, 2021 and rolled forward. The total OPEB liability as of June 30, 2020 is based on the results of an actuarial valuation as of January 1, 2019 and rolled forward.

Note 10 – Retirement Plans (Continued)

The total OPEB liability was determined using the following actuarial assumptions as of June 30, 2021:

Actuarial cost method	Entry age normal cost actuarial cost method
Discount rate	2.16%
20-year municipal bond rate	2.16%, based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2021
Salary increases	3.00%
Healthcare participation rate	60.00%
Healthcare Cost Trend Rate	4.50%-6.25%
Mortality basis	PUB-2010 General Employees headcount-weighted Mortality Tables, projected generationally from 2010 with MP-2021

The total OPEB liability was determined using the following actuarial assumptions as of June 30, 2020:

Actuarial cost method	Entry age normal cost actuarial cost method
Discount rate	2.21%
20-year municipal bond rate	2.21% S&P Municipal Bond 20 Year High Grade Index
Salary increases	3.00%
Healthcare participation rate	60.00%
Healthcare Cost Trend Rate	4.50%-6.60%
Mortality basis	PUB2010 General Employees Classification Headcount-Weighted Mortality Table projected using Scale MP-2019

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2020 for medical and January 1, 2019 through December 31, 2020 for dental and vision. The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2016 through December 31, 2018 for medical and January 1, 2017 through December 31, 2018 for dental and vision.

Discount Rate - The discount rate used to measure the total OPEB liability was 2.16 percent and 2.21 percent as of June 30, 2021 and 2020, respectively. The discount rate is based on the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2021 and the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2020.

Note 10 – Retirement Plans (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the University, calculated using the discount rate, as well as what the University's total OPEB 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:

2022		
1.00 percent decrease (1.16 percent)	Current Discount Rate (2.16 percent)	1.00 percent increase (3.16 percent)
$ 240,965,353	$ 206,431,747	$ 178,523,535

2021		
1.00 percent decrease (1.21 percent)	Current Discount Rate (2.21 percent)	1.00 percent increase (3.21 percent)
$ 252,365,943	$ 215,277,733	$ 185,653,654

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 healthcare cost trend rate, as well as what the University's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

2022		
1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
$ 176,027,306	$ 206,431,747	$ 245,021,227

2021		
1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
$ 180,601,511	$ 215,277,733	$ 260,270,498

Note 11 – Michigan Public School Employees' Retirement System

Plan Description - The University participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all hourly employees and some salary employees hired prior to January 1, 1996. Employees hired on or after January 1, 1996 cannot participate in MPSERS, unless they previously were enrolled in the plan at the University, or one of the other six universities that are part of MPSERS. Certain University employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided - Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the Defined Contribution (DC) plan that provides a 50.00 percent employer match (up to 3.00 percent of salary) on employee contributions.

Members are eligible for non-duty disability benefits after 10 years of service and for duty related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100.00 percent of the participant's final average compensation, with an increase of 2.00 percent each year thereafter.

Note 11 – Michigan Public School Employees' Retirement System (Continued)

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3.00 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80.00 percent to the maximum allowed by the statute.

Contributions - Public Act 300 of 1980, as amended, required the University to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each university's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.00 percent, or 20.00 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3.00 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3.00 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2.00 percent employee contribution into their 457 account as of their transition date, earning them a 2.00 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3.00 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The University's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

Note 11 – Michigan Public School Employees' Retirement System (Continued)

The rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	26.03%	6.57%
October 1, 2020 - September 30, 2021	26.26%	6.91%
October 1, 2021 - September 30, 2022	26.38%	6.79%

Depending on the plan selected, member pension contributions range from 0.00 percent up to 7.00 percent of gross wages. For certain plan members, a 4.00 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3.00 percent employer match is provided to the defined contribution pension plan.

The University's required and actual pension contributions to the plan for the years ended June 30, 2022 and 2021 were $31,182,601 and $11,589,273, respectively, which include the University's contributions required for those members with a defined contribution benefit. The State of Michigan allocated $19,724,917 to the University through Section 236(h) of HB4400 as part of the $31,182,601 contribution in fiscal year 2022.

The University's required and actual OPEB contributions to the plan for the years ended June 30, 2022 and 2021 were $2,538,991 and $2,610,320, respectively, which include the University's contributions required for those members with a defined contribution benefit.

Net Pension Liability - At June 30, 2022 and 2021, the University reported a liability of $128,163,238 and $155,972,566, respectively, for its proportionate share of the net pension liability as calculated for the universities reporting unit of MPSERS. The net pension liability was measured as of September 30, 2021 and 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 and 2019, which used updated procedures to roll forward the estimated liability to September 30, 2021 and 2020. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating universities, actuarially determined. At September 30, 2021, 2020, and 2019 the University's proportion was 22.81 percent, 22.84 percent, and 22.86 percent, respectively, of the universities reporting unit.

Subsequent to the University's year-end on July 14, 2022, Michigan Act No. 144 of Public Acts of 2022 was approved. The Act's Section 236h provides total appropriations of $384,741,700 for all universities to pay MPSERS towards the unfunded pension liability. This additional appropriation and subsequent payment to MPSERS will significantly reduce the net pension liability.

Note 11 – Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability - At June 30, 2022 and 2021, the University reported an asset of $9,774,047 and a liability of $9,640,545, respectively, for its proportionate share of the net OPEB liability as calculated for the universities reporting unit of MPSERS. The net OPEB liability was measured as of September 30, 2021 and 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020 and 2019, which used updated procedures to roll forward the estimated liability to September 30, 2021 and 2020. The University's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating universities, actuarially determined. At September 30, 2021, 2020, and 2019, the University's proportion was 22.79 percent, 22.82 percent, and 22.80 percent, respectively, of the universities reporting unit.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the years ended June 30, 2022 and 2021, the University recognized pension expense of $2,811,840 and $11,466,498, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate.

At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan assets	$ -	$ (17,255,961)	$ 198,340	$ -
Total amoritzed deferrals	-	(17,255,961)	198,340	-
University contributions subsequent to the measurement date	29,253,380	-	9,493,192	-
Total	$ 29,253,380	$ (17,255,961)	$ 9,691,532	$ -

The $559,242 and $484,650 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 236(4) of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the years ended June 30, 2023 and 2022, respectively.

Note 11 – Michigan Public School Employees' Retirement System (Continued)

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

Year Ending June 30	Amount
2023	$ (4,607,449)
2024	(3,774,638)
2025	(4,238,223)
2026	(4,635,651)
Total	$ (17,255,961)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

In addition, the University had deferred inflows of resources related to revenue in support of pension payments made subsequent to the measurement date totaling $22,390,490 and $2,665,573 at June 30, 2022 and 2021, respectively.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the years ended June 30, 2022 and 2021, the University recognized negative OPEB expense of $10,732,178 and negative OPEB expense of $9,673,831, respectively.

At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -	$ -	$ (262,602)
Changes of assumptions	-	-	47,035	-
Net difference between projected and actual earnings on OPEB plan assets	-	(5,591,490)	200,562	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	-	262	(436)
Total amortized deferrals	-	(5,591,490)	247,859	(263,038)
University contributions subsequent to the measurement date	1,973,460	-	2,003,464	-
Total	$ 1,973,460	$ (5,591,490)	$ 2,251,323	$ (263,038)

Note 11 – Michigan Public School Employees' Retirement System (Continued)

There were no amounts reported as deferred inflows of resources resulting from the OPEB portion of state aid payments received pursuant to Section 236(4) of the State School Aid Act (PA 94 of 1979) that will be recognized as state appropriations revenue for the years ended June 30, 2023 or 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and therefore will not be included in future OPEB expense):

Year Ending June 30	Amount
2023	$ (1,451,561)
2024	(1,263,655)
2025	(1,374,972)
2026	(1,501,302)
Total	$ (5,591,490)

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2021 and 2020 are based on the results of an actuarial valuation as of September 30, 2020 and 2019, respectively, and rolled forward.

The total pension liability and total OPEB liability were determined using the following actuarial assumptions as of September 30, 2020:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Healthcare Cost Trend Rate	Pre-65:	7.75% Year 1 graded to 3.5% Year 15; 3.00% Year 120
	Post-65:	5.25% Year 1 graded to 3.5% Year 15; 3.00% Year 120
Mortality basis	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

Note 11 – Michigan Public School Employees' Retirement System (Continued)

The total pension liability and total OPEB liability were determined using the following actuarial assumptions as of September 30, 2019:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Healthcare Cost Trend Rate	7.00%	Year 1 graded to 3.5% Year 15; 3.00% Year 120
Mortality basis	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

Assumption changes as a result of an experience study for the periods 2012 to 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation.

There were no significant assumption changes since the prior measurement date of September 30, 2020 for pension and OPEB except a favorable investment experience for the OPEB plan. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2020.

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change will increase the total plan's net pension liability by approximately $8.1 billion and the total plan's net OPEB liability by approximately $1.1 billion.

Discount Rate - The discount rate used to measure the total pension liability was 6.80 percent and 6.80 percent as of September 30, 2021 and 2020, respectively. The discount rate used to measure the total OPEB liability was 6.95 percent and 6.95 percent as of September 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

Note 11 – Michigan Public School Employees' Retirement System (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	September 30, 2021		September 30, 2020	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	25.0%	5.4%	25.0%	5.6%
Private Equity Pools	16.0%	9.1%	16.0%	9.3%
International Equity Pools	15.0%	7.5%	15.0%	7.4%
Fixed-income Pools	10.5%	-0.7%	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	5.4%	10.0%	4.9%
Absolute Return Pools	9.0%	2.6%	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.1%	12.5%	6.6%
Short Term Investment Pools	2.0%	-1.3%	2.0%	0.1%
Total	100.0%		100.0%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the University, calculated using the discount rate depending on the plan option. The following also reflects what the University's net pension 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:

2022		
1.00 percent decrease (5.80 percent)	Current Discount Rate (6.80 percent)	1.00 percent increase (7.80 percent)
$ 153,988,494	$ 128,163,238	$ 106,115,966

2021		
1.00 percent decrease (5.80 percent)	Current Discount Rate (6.80 percent)	1.00 percent increase (7.80 percent)
$ 182,790,361	$ 155,972,566	$ 133,102,465

Note 11 – Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the University, calculated using the current discount rate. The following also reflects what the University's net OPEB 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:

2022		
1.00 percent decrease (5.95 percent)	Current Discount Rate (6.95 percent)	1.00 percent increase (7.95 percent)
$ (5,980,887)	$ (9,774,047)	$ (13,020,924)

2021		
1.00 percent decrease (5.95 percent)	Current Discount Rate (6.95 percent)	1.00 percent increase (7.95 percent)
$ 14,412,369	$ 9,640,545	$ 5,573,629

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Tend Rate - The following presents the net OPEB liability of the University, calculated using the current healthcare cost trend rate. The following also reflects what the University's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

2022		
1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
$ (13,264,747)	$ (9,774,047)	$ (5,792,758)

2021		
1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
$ 5,305,364	$ 9,640,545	$ 14,602,073

Pension Plan and OPEB Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan - At June 30, 2022, the University reported a payable of $822,658 and $77,858 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022. At June 30, 2021, the University reported a payable of $813,254 and $99,713 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

Note 12 – Commitments and Contingencies

In the normal course of its activities, the University is a party in various legal and regulatory actions. The University believes that the outcome of these actions will not have a material effect on the financial statements.

Note 13 – Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. which increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities that previously were classified as operating expenses. This Statement establishes a single model for SBITA accounting based on the foundational principle that SBITAs are the right to use an underlying IT asset. Under this Statement, a government is required to recognize an intangible right-to-use subscription asset and a corresponding subscription liability. The new SBITA standard is expected to impact the University's financial statements as a result of the SBITAs currently classified as operating expenses. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

Note 14 – Subsequent Events

On September 30, 2021, the University entered into a purchase agreement to sell real estate located on East Beltline Avenue and Woodland Drive SE in Grand Rapids, Michigan for $6.3 million. The closing date of the sale was August 8, 2022.

Required Supplemental Information

Schedule of Pension Funding Progress
Michigan Public School Employee's Retirement System
(amounts were determined as of September 30 of each fiscal year):

	2021	2020	2019	2018	2017	2016	2015	2014
University's proportion of the universities collective MPSERS net pension liability:								
As a percentage	22.81%	22.84%	22.86%	22.78%	22.58%	22.68%	21.51%	21.67%
Amount	$128,163,238	$155,972,566	$153,069,975	$145,574,677	$129,887,690	$127,039,098	$118,006,895	$81,280,501
University's covered payroll	$ 50,484,000	$ 49,494,000	$ 48,523,000	$ 47,571,816	$ 48,271,000	$ 46,639,000	$ 18,109,793	$19,352,399
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered payroll	253.87%	315.13%	315.46%	306.01%	269.08%	272.39%	651.62%	420.00%
University-only plan fiduciary net position as a percentage of the total pension liability	52.26%	43.07%	44.24%	45.87%	47.42%	46.77%	47.45%	63.00%

See accompanying notes to required supplemental information.

Schedule of Pension Contributions
Michigan Public School Employee's Retirement System
(amounts were determined as of June 30 of each fiscal year):

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 31,168,805	$ 11,575,525	$ 11,131,258	$ 11,146,090	$ 11,669,886	$ 8,818,750	$ 8,480,013	$ 7,007,529
Contributions in relation to the actuarially determined contractually required contribution	$ 31,168,805	$ 11,575,525	$ 11,131,258	$ 11,146,090	$ 11,669,886	$ 8,818,750	$ 8,480,013	$ 7,548,071
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (540,542)
Covered payroll	$ 51,241,260	$ 50,236,410	$ 49,250,845	$ 48,285,204	$ 47,746,750	$ 47,863,000	$ 17,156,507	$19,002,237
Contributions as a percentage of covered payroll	60.83%	23.04%	22.60%	23.08%	24.44%	18.42%	49.43%	39.72%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplemental information.

Schedule of OPEB Funding Progress
Michigan Public School Employee's Retirement System
(amounts were determined as of September 30 of each fiscal year):

	2021	2020	2019	2018	2017
University's proportion of the universities collective MPSERS net OPEB liability:					
As a percentage	22.79%	22.82%	22.80%	22.80%	22.56%
Amount	$ (9,774,047)	$ 9,640,545	$20,928,583	$27,048,712	$32,104,204
University's covered payroll	$50,484,000	$49,494,000	$48,523,000	$47,571,816	$48,271,000
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered payroll	-19.36%	19.48%	43.13%	56.86%	66.51%
University-only plan fiduciary net position as a percentage of the total OPEB liability	123.91%	77.20%	61.07%	51.90%	44.11%

Schedule of OPEB Contributions
Michigan Public School Employee's Retirement System
(amounts were determined as of June 30 of each fiscal year):

	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	$ 2,535,419	$ 2,606,741	$ 2,888,952	$ 2,888,696	$ 3,110,164
OPEB contributions in relation to the actuarially determined contractually required contribution	$ 2,535,419	$ 2,606,741	$ 2,888,952	$ 2,888,696	$ 3,110,164
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll (OPEB)	$51,241,260	$50,236,410	$49,250,845	$48,285,204	$47,746,750
OPEB contributions as a percentage of covered payroll	4.95%	5.19%	5.87%	5.98%	6.51%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplemental information.

Schedule of Changes in the Total OPEB Liability and Related Ratios
Western Michigan University OPEB Plan
(amounts were determined as of June 30 of each fiscal year):

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 4,939,533	$ 3,854,859	$ 4,577,061	$ 4,774,226	$ 11,313,559
Interest cost	4,807,466	6,283,147	7,283,275	6,827,765	9,128,719
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experiences	(4,810,345)	(1,471,296)	3,329,915	-	(36,247,242)
Changes of assumptions	(8,383,430)	33,135,407	(18,120,506)	(8,469,080)	(102,088,976)
Benefit payments	(5,399,210)	(4,338,724)	(5,699,240)	(5,223,162)	(5,128,658)
Net change in total OPEB liability	(8,845,986)	37,463,393	(8,629,495)	(2,090,251)	(123,022,598)
Total OPEB liability (beginning)	215,277,733	177,814,340	186,443,835	188,534,086	311,556,684
Total OPEB liability (ending)	$ 206,431,747	$ 215,277,733	$ 177,814,340	$ 186,443,835	$ 188,534,086
Covered-employee payroll	$ 159,058,516	$ 176,159,000	$ 176,159,000	$ 157,594,000	$ 157,594,000
Total OPEB liability as a percentage of payroll	129.78%	122.21%	100.94%	118.31%	119.63%

See accompanying notes to required supplemental information.

Pension Information

RSI covered-payroll - The employer's covered payroll to be reported in the required supplementary information is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll represents payroll on which contributions to both plans are based.

Benefit Changes - There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions - There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

2021 There were no changes in assumptions used in the September 30, 2020 actuarial valuation.

2020 There were no changes in assumptions used in the September 30, 2019 actuarial valuation.

2019 The discount rate used in the September 30, 2018 actuarial valuation decreased from 7.05 percent to 6.80 percent.

2018 The discount rate used in the September 30, 2017 actuarial valuation decreased from 7.50 percent to 7.05 percent. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

2017 The discount rate used in the September 30, 2016 actuarial valuation decreased from 8.00 percent to 7.50 percent.

OPEB Information

RSI covered-payroll - The employer's covered payroll to be reported in the required supplementary information is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll represents payroll on which contributions to both plans are based.

Benefit Changes - There were no changes of benefit terms for each of the reported plan years ended September 30.

OPEB Information (Continued)

Changes in Assumptions -

There were no significant changes of assumptions for MPSERS for each of the reported plan years ended September 30, except for the following:

2021 The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percent for pre-65 and decreased by 1.75 percent for post-65.

2020 The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percent and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020, including a reduction of $42.0 million for the university employer portion of the total OPEB liability.

2019 The discount rate used in the September 30, 2018 actuarial valuation decreased from 7.15 percent to 6.95 percent.

2018 The discount rate used in the September 30, 2017 actuarial valuation decreased from 7.50 percent to 7.15 percent. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

There were no significant changes of assumptions for the single-employer plan for each of the reported plan years ended June 30, except for the following:

2022 The discount rate used in the June 30, 2021 actuarial valuation decreased from 2.21 percent to 2.16 percent. The percentage of employees assumed to elect spouse coverage at retirement decreased from 50 percent to 30 percent for male employees and 10 percent for female employees.

2021 The discount rate used in the June 30, 2020 actuarial valuation decreased from 3.50 percent to 2.21 percent.

2020 The discount rate used in the June 30, 2019 actuarial valuation decreased from 3.87 percent to 3.50 percent. The mortality basis changed to the PUB2010 general employees classification headcount-weighted mortality table projected using scale MP-2018 from the RP-2014 aggregate mortality table projected using scale MP-2016.

2019 The discount rate used in the June 30, 2018 actuarial valuation increased from 3.58 percent to 3.87.

2018 The discount rate used in the June 30, 2017 actuarial valuation decreased from 2.85 percent to 3.58 percent.