

Financial Statements and  
Supplemental Information  
as of June 30, 2009 and 2008  
Together with Auditor's Report



EASTERN MICHIGAN UNIVERSITY

June 30, 2009

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**Eastern Michigan University**

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## Independent Auditor's Report

To the Board of Regents of Eastern Michigan University

We have audited the accompanying balance sheet of Eastern Michigan University (a component unit of the State of Michigan) (the "University") and its discretely presented component unit as of June 30, 2009 and 2008 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Michigan University and its discretely presented component unit as of June 30, 2009 and 2008 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2009 on our consideration of Eastern Michigan University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 to 10 is not a required part of these financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

September 16, 2009

# EASTERN MICHIGAN UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

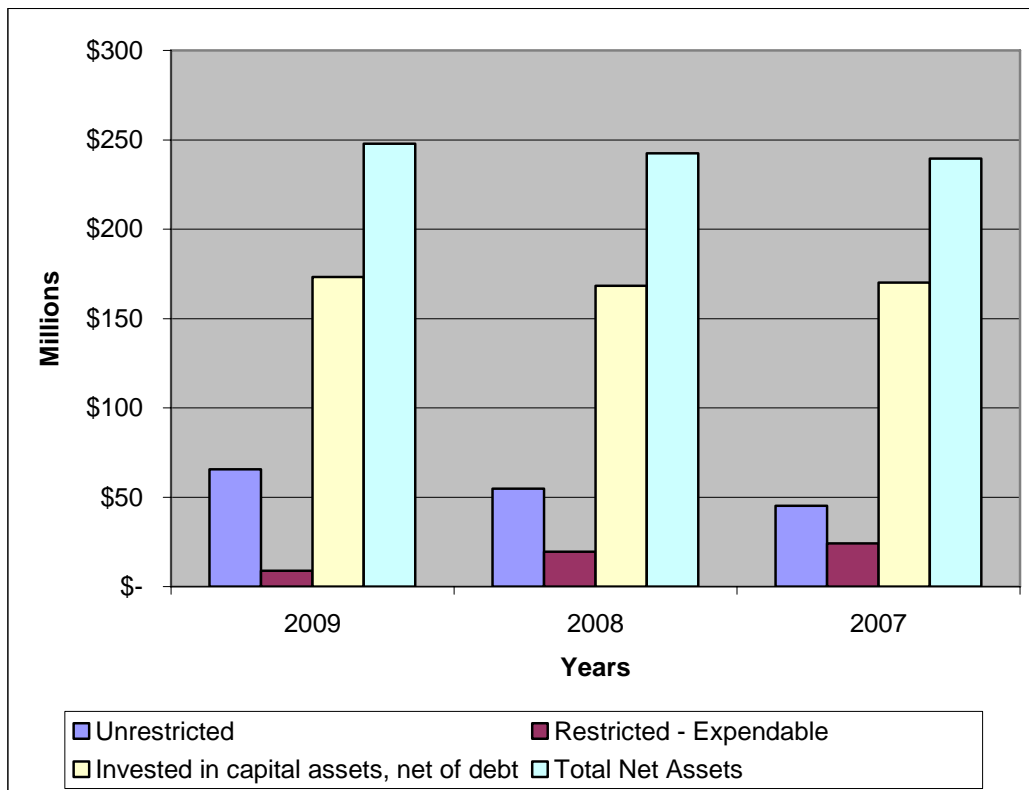
The following discussion and analysis of Eastern Michigan University's ("University") financial statements provides an overview of the University's financial activities for the years ended June 30, 2009, 2008, and 2007. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

Eastern Michigan University offers an extraordinarily practical, supportive, accessible, affordable, and quality learning and living environment. The University's distinct mix of comprehensive academic resources, strong community initiatives, focus on education first, and nationally recognized undergraduate research achievements set it apart.

Founded in historic Ypsilanti in 1849, the University occupies 880 acres on the main campus with 122 buildings. In addition, there are seven convenient off-campus locations in Brighton, Detroit, Flint, Jackson, Livonia, Monroe, and Traverse City for a student body of almost 23,000 students.

### Financial Highlights

The University's financial position remained strong at June 30, 2009, with assets of \$552 million and liabilities of \$305 million. Net assets increased \$5.3 million during the past fiscal year primarily due to increased reserves for capital projects. The University borrowed \$102.4 million to fund the Science Complex and other capital projects. The following chart provides a graphical breakdown of net assets by category for the fiscal years ended June 30, 2009, 2008, and 2007.



**EASTERN MICHIGAN UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The University has committed the unrestricted net assets to provide for identified future needs. These needs include contractual obligations, debt service, student loans, capital outlay, insurance reserves, and academic programming needs.

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. 39). These criteria include significant operational or financial relationships. Based on the application of the criteria, the University has one component unit -- The Eastern Michigan University Foundation. The Foundation's statements are discretely presented as part of the University's reporting entity in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB).

**The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets**

The University's financial report includes three financial statements: the balance sheet, the statement of revenues, expenses, and changes in assets, and the statement of cash flows.

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

Following is a summary of the major components of the net assets and operating results of the University for the years ended June 30, 2009, 2008, and 2007:

<b>Net Assets as of June 30 (In millions)</b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>Assets</b>			
Current assets	\$ 74.3	\$ 120.5	\$ 89.9
Non current assets:			
Capital assets - Net of depreciation	326.1	314.7	319.5
Other	<u>151.9</u>	<u>12.6</u>	<u>36.5</u>
Total assets	<u>\$ 552.3</u>	<u>\$ 447.8</u>	<u>\$ 445.9</u>
<b>Liabilities</b>			
Current liabilities	\$ 47.9	\$ 49.2	\$ 46.8
Long-term liabilities	256.6	156.1	159.6
<b>Net Assets</b>			
Invested in capital assets	173.3	168.3	170.1
Restricted	8.9	19.4	24.1
Unrestricted	<u>65.6</u>	<u>54.8</u>	<u>45.3</u>
Total net assets	<u>247.8</u>	<u>242.5</u>	<u>239.5</u>
Total liabilities and net assets	<u>\$ 552.3</u>	<u>\$ 447.8</u>	<u>\$ 445.9</u>

**EASTERN MICHIGAN UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Operating Results for the Years Ended June 30 (in Millions)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Operating Revenues</b>			
Tuition and fees - Net	\$ 154.7	\$ 147.2	\$ 142.5
Grants and contracts	15.6	16.2	15.9
Auxiliary activities - Net	31.9	29.6	28.9
Other	9.7	8.4	7.8
Total operating revenues	<u>211.9</u>	<u>201.4</u>	<u>195.1</u>
<b>Operating Expenses</b>			
Instruction	105.9	104.6	105.1
Research	5.1	5.1	5.5
Public service	11.0	10.7	10.8
Academic support	20.9	21.0	20.5
Student services	28.2	26.9	26.8
Institutional support	36.3	36.1	35.0
Operations and maintenance of plant	29.8	26.8	24.3
Scholarships and fellowships	23.9	19.5	17.5
Auxiliary activities - Net	25.9	25.2	28.1
Depreciation	15.4	15.8	17.0
Other expenditures	1.2	6.6	0.4
Total operating expenses	<u>303.6</u>	<u>298.3</u>	<u>291.0</u>
<b>Net Operating Loss</b>	<b>(91.7)</b>	<b>(96.9)</b>	<b>(95.9)</b>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations	78.6	84.9	69.1
Gifts	3.9	3.3	3.2
Pell grants	17.2	14.8	12.1
Other nonoperating revenues (expenses)	<u>(4.1)</u>	<u>(3.2)</u>	<u>(0.8)</u>
<b>Net Nonoperating Revenues</b>	<b><u>95.6</u></b>	<b><u>99.8</u></b>	<b><u>83.6</u></b>
<b>Other Revenues</b>			
Capital gifts	<u>1.4</u>	<u>0.1</u>	<u>0.1</u>
Total other revenues	<b><u>1.4</u></b>	<b><u>0.1</u></b>	<b><u>0.1</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b>5.3</b>	<b>3.0</b>	<b>(12.2)</b>
<b>Net Assets - Beginning of year</b>	<u>242.5</u>	<u>239.5</u>	<u>251.7</u>
<b>Net Assets - End of year</b>	<b>\$ <u>247.8</u></b>	<b>\$ <u>242.5</u></b>	<b>\$ <u>239.5</u></b>

# EASTERN MICHIGAN UNIVERSITY

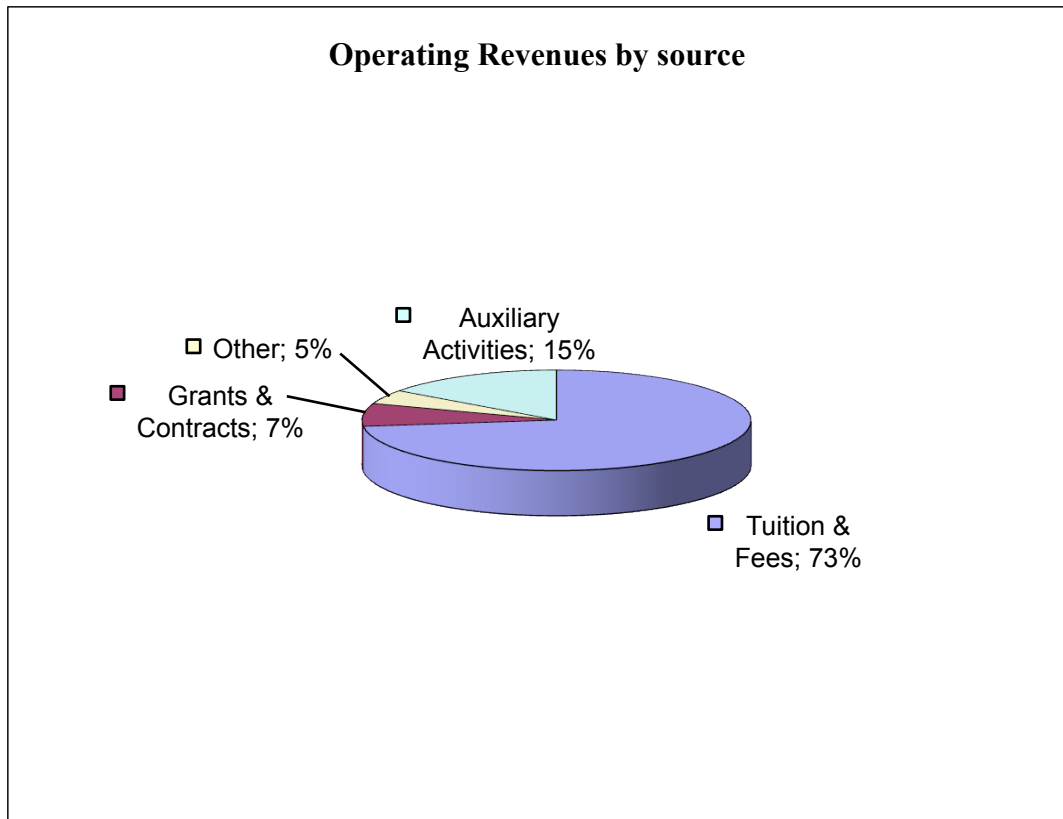
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and other auxiliary units. 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.

Student tuition and fees revenue increased as a result of the University raising the rates by 7.7 percent for undergraduate, master, and doctoral students.

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





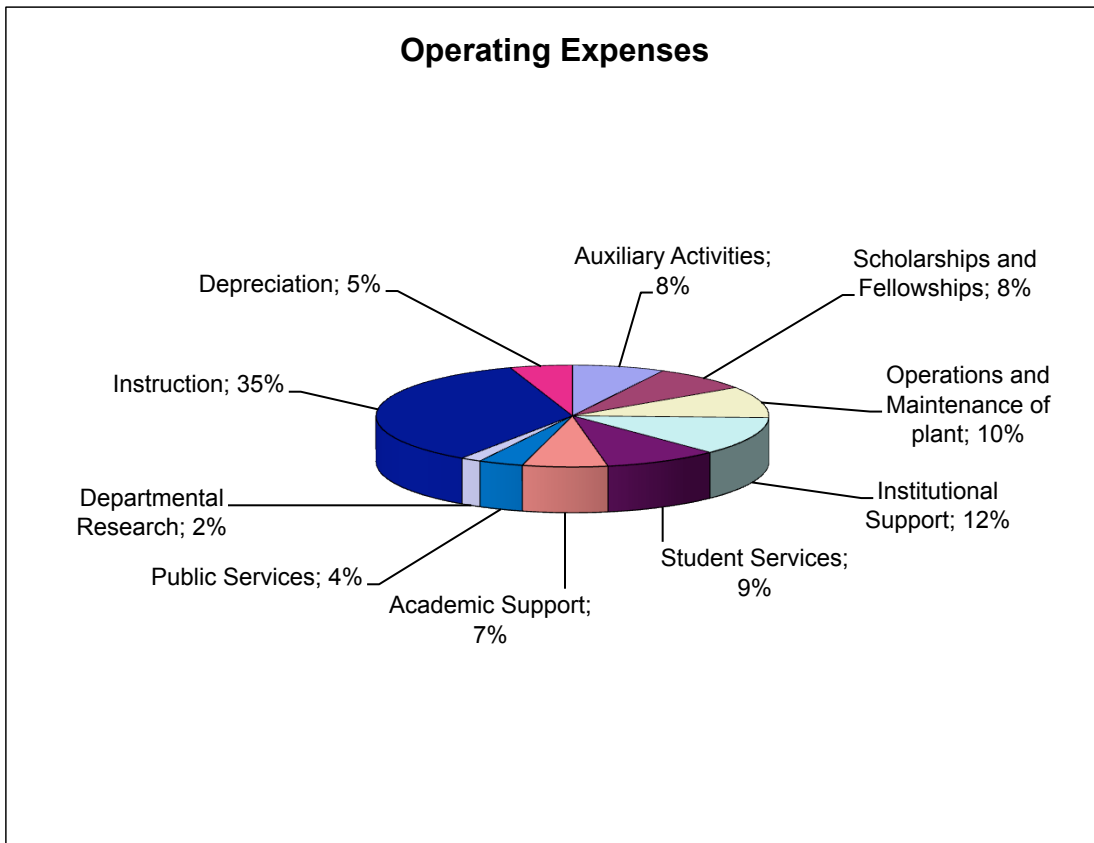
**EASTERN MICHIGAN UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Operating Expenses**

Operating expenses are all costs necessary to perform and conduct the programs and primary purposes of the University. Operating expenses were up modestly, reflecting increases in the costs of compensation, utilities, student financial aid, library acquisitions, and academic programming.

The University is committed to providing financial support to students. The University has long sponsored its prestigious National Scholars program which attracts some of the brightest and most promising students.

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



# EASTERN MICHIGAN UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They would consist primarily of state appropriations, pell grant reimbursements, investment income (including realized and unrealized gains and losses), and restricted development funds that do not require any services to be performed.

Nonoperating revenue was significantly impacted by the following factors:

- The state appropriation decreased approximately 7.5 percent from the prior year, or \$6.3 million. Approximately \$7 million from the 2007 allocation was remitted to the University in 2008 and recorded as revenue.
- Pell grants increased by \$2.4 million to \$17.2 million in 2009.
- Primarily due to a new investment mix, investment income increased by \$1.2 million in 2009. Market conditions caused interest expense to increase by \$2.4 million in 2009.

### Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the University. Examples would be capital gifts, capital appropriations from the state or federal government, and transfers from related entities. Capital gifts amounted to \$1.4 million in 2009, \$0.1 million in 2008, and \$0.1 million in 2007.

### Statement of Cash Flow

Another way to assess the financial health of the University is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet obligations as they come due
- Its needs for external financing

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

	2009	2008	2007
<b>Cash Provided by (Used in):</b>			
Operating activities	\$ (78.2)	\$ (74.3)	\$ (75.7)
Noncapital financing activities	101.1	94.6	92.9
Capital and related financing activities	62.7	(22.0)	(35.9)
Investing activities	(63.1)	5.7	19.3
<b>Net Increase in Cash</b>	22.5	4.0	0.6
<b>Cash - Beginning of year</b>	14.3	10.3	9.7
<b>Cash - End of year</b>	\$ 36.8	\$ 14.3	\$ 10.3

# **EASTERN MICHIGAN UNIVERSITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Cash and Investments**

Cash and investments, collectively, increased by \$91.0 million to \$174.3 million as of June 30, 2009 from unexpended bond proceeds. Approximately \$69 million in auction rate securities were classified as short-term investments in 2008. These securities were priced at par as of June 30, 2008 and fully redeemed in October 2008.

The most significant components of cash flows provided from operating activities are tuition and fees, auxiliary activities, grants, and contracts. Net cash used in operating activities was \$78.2 million. To offset this, the net cash provided from noncapital financing activities, which consisted primarily of State appropriations, was \$101.1 million. This is compared to net cash used in operating activities in the amount of \$74.3 million and \$75.7 million for the years ended June 30, 2008 and 2007, respectively. Net cash provided by non-capital financing activities was \$94.6 million and \$92.9 million for the years ended June 30, 2008 and 2007, respectively.

Cash provided by capital and related financing activities amounted to \$62.7 million in 2009, primarily the result of borrowing \$102.4 million for capital projects and spending \$26.8 million on capital additions. Cash used in capital and related financing activities amounted to \$22.0 million in 2008 and \$35.9 million in 2007, respectively, primarily from capital additions.

### **Capital Assets**

At June 30, 2009, the University had \$326.1 million invested in capital assets, net of accumulated depreciation of \$251.7 million. Depreciation charges totaled \$15.4 million for the current fiscal year compared to \$15.8 million last year. The University completed renovations to Pease Auditorium in 2009 along with improving campus security, classrooms, and auxiliary facilities. Capital projects in progress at June 30, 2009 primarily include the Science Complex, Department of Public Safety, Parsons Property, and energy efficiency projects.

At June 30, 2008, the University had \$314.7 million invested in capital assets, net of accumulated depreciation of \$237.1 million. Depreciation charges totaled \$15.8 million for 2008 compared to \$17.0 million in 2007 year. The University completed renovations to McKenny Hall in 2008 along with improving campus security, classrooms, and auxiliary facilities.

In 2007, depreciable assets and accumulated depreciation of approximately \$19 million were retired. This represents fully depreciated equipment purchased when the University capitalization threshold was \$500 and later \$1,000. Currently the threshold is \$5,000 for equipment.

### **Debt**

At June 30, 2009, the University had \$244.8 million in obligations outstanding versus \$146.4 million in the previous year, an increase of 67.2 percent. The University borrowed \$102.4 million in 2009 to fund a major science complex expansion and renovation as well as other capital projects. At June 30, 2008, the debt obligations decreased 2.1 percent, from a balance of \$149.5 million at June 30, 2007. The University issued \$125.8 million of general revenue bonds in 2009 to refinance existing variable-rate debt issued in 2008 used to finance capital projects on campus and refinance existing debt. All of the outstanding debt

# EASTERN MICHIGAN UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

instruments are general revenue obligations of the University. In addition, principal payments of \$3.9 million were made in 2009.

For the University's \$125,795,000 of enhanced variable rate debt refinanced in 2009, the credit ratings assigned by Moody's Investor Services (Aaa/VMIG-1) and Standard and Poors (AAA/A1+) were unchanged from 2008. For the University's \$102,380,000 of fixed rate debt, separate ratings were assigned by each agency for the insured portion of the debt and the uninsured portion. Moody's ratings were Aa2 (insured) and A2 (uninsured); Standard and Poor's rating were AAA (insured) and A- (uninsured). The highest achievable ratings are "Aaa" and "AAA", respectively. The University's capacity to meet its financial obligations is considered to be strong by the rating agency and reflects limited additional borrowing capacity as of June 30, 2009.

### Factors that Will Affect the Future

Among the University's priorities for the 2009-10 academic year are increasing enrollment, improving academic facilities, and enhancing student life. A solid base of successes in 2008-09 continued to lay the groundwork for new initiatives in those areas. They include:

- The University is in the first phase of a two-phased unprecedented \$90 million addition and renovation of the Science Complex. Once complete, the 330,000 square foot complex will provide the biology, chemistry, and psychology departments much needed science laboratory and research space and provide students a first-class educational experience.
- The State of Michigan approved in its Capital Outlay Bill \$30.5 million of funding for the renovation of Pray-Harrold, a seven-story classroom building that is the largest on campus and among the most heavily used in the state. The \$42 million renovation will begin in the winter of 2010.
- The University also is committed to enhancing its current facilities. Eastern will be embarking on capital expenditures to improve classroom buildings, residence halls, parking and safety, and athletic facilities.
- Eastern continues to focus on programs that are in alignment with workforce development initiatives and future employment trends.
- The University has signed four articulation agreements with two community colleges, which will save students time and money when transferring to Eastern Michigan University. In all, the University has 93 articulation agreements with 13 Michigan community colleges, two community colleges in Ohio, and one technical college in Windsor, Ontario.
- The University has purchased the former Fletcher Elementary School in Ypsilanti that will allow it to expand services for its Autism Collaborative Center and relocate its Children's Institute. When fully operating, the program will be the only one in the state and one of the only university-based autism programs in the country with a comprehensive, interdisciplinary approach to assessment and a full range of interventions.

# EASTERN MICHIGAN UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Factors that Will Affect the Future (continued)**

- By partnering with the University's Institute for Geospatial Research, Department of Public Safety, and the Ypsilanti Police Department, a mapping/tracking system for area crime was created. This was an opportunity for University resources to help the campus and community by providing timely, accurate information that enhances the safety of the campus.
- For the seventh straight year, the University has received a "Best in the Midwest" designation in 2009 Best College: Region by Region, published by the PrincetonReview.com. In addition, the Carnegie Foundation for the Advancement of Teaching selected Eastern Michigan University to receive its 2008 Community Engagement Classification.
- The Michigan Historic Preservation Network honored the University with its Government/Institutional Award for its preservation of the University's core campus. During the past 20 years, Eastern has restored a number of its core historic buildings on campus and many are listed in the National Register of Historic Places.

Acting in its July meeting, the Eastern Michigan University Board of Regents adopted a \$267.7 million General Fund operating budget for the 2009-2010 year as well as a tuition and fees rate increase.

The new budget reflects that the University's state appropriation for the 2009-2010 year is expected to be \$76.2 million, a decrease of \$2.4 million. Tuition and fees for resident undergraduate students will increase 3.8 percent. Additional revenue from this rate increase, as well as enrollment changes, will result in a projected net revenue increase of \$5.0 million for the 2009-2010 year. Budgeted expenses have increased modestly for compensation, utilities, financial aid, debt services, and library acquisitions. The University may receive non-recurring federal stimulus funding from the State of Michigan. This funding is not included in the budget as a conservative measure.

Eastern Michigan University's successful future depends on the collective efforts of its stakeholders. These efforts build on a solid foundation of exceptional academic programs that prepare students for real-world experience.

**EASTERN MICHIGAN UNIVERSITY**  
**STATEMENT OF NET ASSETS**  
**As of June 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>A S S E T S</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 36,814,936	\$ 14,312,827
Short-term investments (Note 2)	-	68,951,643
Accounts receivable - net (Note 3)	20,931,642	19,533,616
Appropriation receivable	14,282,146	14,140,746
Inventories	944,818	1,768,339
Deposits and prepaid expenses	1,181,717	1,704,274
Accrued interest receivable	163,026	63,845
Total current assets	74,318,285	120,475,290
Noncurrent assets:		
Student loans receivable - net (Note 3)	11,980,535	11,421,981
Long-term investments (Note 2)	137,472,879	50,337
Capital assets - net (Note 4)	326,096,714	314,658,041
Capitalized bond expenses - net (Note 5)	2,453,586	1,240,099
Total noncurrent assets	478,003,714	327,370,458
Total assets	\$ 552,321,999	\$ 447,845,748
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 3,835,000	\$ 5,790,000
Accounts payable and accrued liabilities	14,559,961	15,166,917
Accrued payroll, taxes, and fringe benefits	19,282,477	18,952,226
Unearned fees and deposits	8,345,374	7,714,644
Insurance and other claims payable (Note 7)	1,885,022	1,630,634
Total current liabilities	47,907,834	49,254,421
Noncurrent liabilities:		
Accrued compensated absences (Note 6)	4,843,791	4,713,621
Long-term debt (Note 5)	240,960,000	140,560,000
Federal Perkins	10,796,240	10,796,240
Total noncurrent liabilities	256,600,031	156,069,861
Total liabilities	\$ 304,507,865	\$ 205,324,282
<b>NET ASSETS</b>		
Invested in capital assets - Net of related debt	\$ 173,351,773	\$ 168,308,041
Restricted, expendable	8,866,294	19,461,559
Unrestricted	65,596,067	54,751,866
Total net assets	\$ 247,814,134	\$ 242,521,466

The accompanying notes are an integral part of this statement.

**EASTERN MICHIGAN UNIVERSITY FOUNDATION**  
**BALANCE SHEET**  
**As of June 30, 2009 and 2008**

<b>A S S E T S</b>	<b>2009</b>	<b>2008</b>
Cash and cash equivalents (Note 2)	\$ 2,727,039	\$ 5,741,253
Accounts receivable	-	515,010
Inventories	-	22,797
Loans and advances to affiliates	-	230,000
Accrued interest and dividends	117,558	146,993
Other assets	106,852	60,929
Contributions receivable (Note 3)	434,867	928,047
Life insurance cash surrender value	251,967	250,649
Property and equipment - Net	1,985,121	2,045,742
Investments (Note 1)	36,559,087	44,035,003
Investments held under split-interest agreements (Note 1)	961,419	1,372,829
Total assets	<u>\$ 43,143,910</u>	<u>\$ 55,349,252</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 403,870	\$ 638,071
Accrued liabilities	8,096	166,322
Mortgages payable	2,031,499	2,190,902
Liabilities under split-interest agreements	744,458	791,990
Total liabilities	<u>\$ 3,187,923</u>	<u>\$ 3,787,285</u>
 <b>NET ASSETS</b>		
Unrestricted	\$ 126,941	\$ 2,039,754
Temporarily restricted	8,399,707	18,701,939
Permanently restricted	31,429,339	30,820,274
Total net assets	<u>\$ 39,955,987</u>	<u>\$ 51,561,967</u>
Total liabilities and net assets	<u>\$ 43,143,910</u>	<u>\$ 55,349,252</u>

The accompanying notes are an integral part of this statement.

**EASTERN MICHIGAN UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**For the years ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 179,450,939	\$ 169,831,418
Scholarship allowances	(24,776,608)	(22,639,400)
Net student tuition and fees	<u>154,674,331</u>	<u>147,192,018</u>
Federal grants and contracts	8,051,015	7,156,274
Federal financial aid	2,397,833	2,374,679
State grants and contracts	591,360	462,265
State financial aid	3,184,092	3,507,706
Nongovernmental grants and contracts	1,435,464	2,744,732
Departmental activities	6,109,992	6,068,172
Auxiliary activities revenue - Net (Note 1)	31,916,970	29,591,300
Other	3,591,956	2,277,620
Total operating revenues	<u>211,953,013</u>	<u>201,374,766</u>
<b>OPERATING EXPENSES</b>		
Instruction	105,895,320	104,607,585
Research	5,078,686	5,067,404
Public service	11,047,380	10,748,842
Academic support	20,889,073	20,991,379
Student services	28,223,690	26,868,896
Institutional support	36,295,641	36,058,584
Scholarships and fellowships	23,943,955	19,540,452
Operation and maintenance of plant	29,807,585	26,827,082
Auxiliary activities expenses - Net (Note 1)	25,869,832	25,221,442
Depreciation	15,368,441	15,755,856
Other	1,205,933	6,608,175
Total operating expenses	<u>303,625,536</u>	<u>298,295,697</u>
Operating loss	<u>(91,672,523)</u>	<u>(96,920,931)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	78,551,800	84,880,347
Gifts	3,934,141	3,286,049
Investment income	5,454,618	4,303,788
Interest expense	(9,980,011)	(7,628,521)
Pell grants	17,207,674	14,778,165
Other	403,383	232,657
Net nonoperating revenues before capital items	<u>95,571,605</u>	<u>99,852,485</u>
Capital gifts	1,393,586	95,324
Total net nonoperating revenues (expenses)	<u>96,965,191</u>	<u>99,947,809</u>
Increase in net assets	5,292,668	3,026,878
<b>NET ASSETS - Beginning of year</b>	242,521,466	239,494,588
<b>NET ASSETS - End of year</b>	<u>\$ <b>247,814,134</b></u>	<u>\$ <b>242,521,466</b></u>

The accompanying notes are an integral part of this statement.



**EASTERN MICHIGAN UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**AND CHANGES IN NET ASSETS**  
**Year ended June 30, 2009**  
**(With comparative totals for year ended June 30, 2008)**

	2009	2008
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>		
Contributions	\$ 3,706,746	\$ 7,123,351
Investment income	894,051	1,162,818
Net realized and unrealized losses	(9,608,326)	(4,680,481)
ECMC revenue	206,666	1,700,611
Administrative and management fee	1,500,000	1,832,138
Other revenue	73,154	101,209
Total revenue, gains and other support	(3,227,709)	7,239,646
<b>EXPENSES</b>		
Contributions to EMU:		
Expendable contributions	\$ 2,470,357	\$ 2,387,194
Contributions from endowment income	1,375,346	1,053,923
Contribution of ECMC subsidiary	420,924	-
General and administrative - Foundation management	522,551	472,208
Fund raising	3,076,938	2,874,782
ECMC expenses	408,807	1,700,538
Other	4,474	8,498
Total expenses	\$ 8,279,397	\$ 8,497,143
<b>Decrease in Net Assets Before Other Changes in Net Assets</b>	(11,507,106)	(1,257,497)
<b>OTHER CHANGES IN NET ASSETS</b>		
Funds transferred from EMU	6,200	117,817
Change in value of split-interest agreements	(105,074)	(96,098)
<b>Decrease in Net Assets</b>	(11,605,980)	(1,235,778)
<b>NET ASSETS - Beginning of year</b>	51,561,967	52,797,745
<b>NET ASSETS - End of year</b>	\$ <b>39,955,987</b>	\$ <b>51,561,967</b>

The accompanying notes are an integral part of this statement.

**EASTERN MICHIGAN UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
For the years ended June 30, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from students for tuition and fees	\$ 179,740,988	\$ 171,376,023
Cash received from auxiliary activities	33,814,299	32,184,468
Cash received from other sources	10,821,201	8,672,251
Grants and contracts	16,025,406	14,937,086
Federal student loan funds received	119,038	126,890
Student loans granted - Net of repayments	(656,797)	(606,899)
Scholarship allowances	(28,010,132)	(25,653,642)
Cash paid to suppliers and employees	(238,719,017)	(231,077,492)
Cash paid for financial aid	(51,300,565)	(44,247,549)
Net cash used in operating activities	(78,165,579)	(74,288,864)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from State appropriations	78,410,400	76,299,596
Pell grants	17,207,676	14,778,165
Gifts received from EMU Foundation	5,508,571	3,518,486
Net cash provided by noncapital financing activities	101,126,647	94,596,247
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments/defeasance under debt obligations	(129,730,000)	(128,900,000)
Proceeds from capital debt	228,175,000	125,795,000
Interest paid	(9,980,011)	(7,628,521)
Purchases of capital assets	(26,759,587)	(10,796,395)
Other payments	951,104	(489,534)
Net cash provided by (used) in capital and related financing activities	62,656,506	(22,019,450)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(692,850,244)	(1,044,836,328)
Proceeds from sales and maturities of investments	624,379,340	1,046,115,106
Interest received	5,355,439	4,489,243
Net cash provided by (used) in investing activities	(63,115,465)	5,768,021
Net increase in cash and cash equivalents	22,502,109	4,055,954
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	14,312,827	10,256,873
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 36,814,936</b>	<b>\$ 14,312,827</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS</b>		
Capital gifts received in kind	\$ 47,527	\$ 95,324

The accompanying notes are an integral part of this statement.

**EASTERN MICHIGAN UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**For the years ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (91,672,523)	\$ (96,920,931)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation expense	<u>15,368,441</u>	<u>15,755,856</u>
Changes in assets and liabilities:		
Accounts receivable - Net	(1,398,028)	(26,822)
Inventories	823,521	(1,219,355)
Deposits and prepaid expenses	(1,467,035)	6,385,665
Student loans receivable - Net	(558,554)	(502,475)
Accounts payable and accrued liabilities	(606,941)	301,770
Accrued payroll	94,936	529,656
Payroll taxes and accrued fringe benefits	235,315	577,169
Unearned fees and deposits	630,729	769,017
Insurance and other claims payable	246,713	(589,835)
Accrued compensated absences	137,847	651,421
Long-term unearned fees and deposits	-	-
Total change in assets and liabilities	<u>(1,861,497)</u>	<u>6,876,211</u>
Net cash used in operating activities	<u><u>\$ (78,165,579)</u></u>	<u><u>\$ (74,288,864)</u></u>

**The accompanying notes are an integral part of this statement**

**EASTERN MICHIGAN UNIVERSITY FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**Years ended June 30, 2009 and 2008**

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (11,605,980)	\$ (1,235,778)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	82,272	117,813
Loss on sale of property, equipment and subsidiary	202,141	4,022
Net realized and unrealized loss on investments	9,608,326	4,680,481
Change in value of split-interest agreements	105,074	96,098
Change in cash surrender value of life insurance	(1,318)	1,471
Contributions restricted for long-term purposes	(609,065)	(1,867,937)
Contribution of subsidiary interest	420,924	-
Changes in assets and liabilities:		
Accounts receivable	-	(179,530)
Contributions receivable	493,180	(214,524)
Inventories	-	4,012
Accrued interest and dividends	29,435	(6,244)
Other assets	(68,074)	81,652
Accounts payable	(79,587)	(95,531)
Accrued and other liabilities	(2,663)	(54,238)
Net cash (used in) provided by operating activities	\$ (1,425,335)	\$ 1,331,767
<b>Cash Flows from Investing Activities</b>		
Cash surrender value of life insurance	\$ -	\$ -
Purchases of equipment	(71,371)	(45,467)
Purchases of investments	(20,815,097)	(23,446,255)
Proceeds from the sale of investments	19,112,430	22,069,124
Proceeds from disposition of property, equipment and subsidiary	1	7,000
Advances to related parties	-	(60,000)
Net cash provided by (used in) investing activities	\$ (1,774,037)	\$ (1,475,598)
<b>Cash Flows from Financing Activities</b>		
Payments on mortgage and notes payable	\$ (143,374)	\$ (22,826)
Payments on split-interest agreements	(152,606)	(153,495)
Proceeds from new split-interest agreements	-	42,500
Proceeds from contributions restricted for long-term purposes	609,065	1,847,541
Net cash provided by financing activities	\$ 313,085	\$ 1,713,720
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(2,886,287)	1,569,889
<b>Cash and Cash Equivalents - Beginning of year</b>	5,613,326 *	4,171,364
<b>Cash and Cash Equivalents - End of year</b>	\$ <b>2,727,039</b>	\$ <b>5,741,253</b>
<b>Supplemental Cash Flow Information - Cash paid for:</b>		
Interest	\$ 106,654	\$ 117,760
Income taxes	-	(7,464)

\*Reduction of \$127,927 due to ECMC transfer to the University

**The accompanying notes are an integral part of this statement.**

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1-Basis of Presentation and Significant Accounting Policies

#### Basis of Presentation

The financial statements of Eastern 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.

GASB 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:

- **Invested in Capital Assets, Net of Related Debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement in those assets.
- **Restricted, expendable** - Net assets subject to externally imposed constraints that they may be maintained permanently by the University, or net assets 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 assets that are not subject to externally imposed constraints. Unrestricted net assets may be designed for specific purposes by action of management or the Board of Regents (the “Board”) or may otherwise be limited by contractual agreements with outside parties. The University has committed the unrestricted net assets to provide for identified future needs, such as debt service, contractual obligations, capital outlay, academic programming, and postemployment benefits.

These statements have also been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity (GASB Statement No. 39). These criteria include significant operational or financial relationships with the University. Based on application of the criteria, the University has one component unit.

#### Summary of Significant Accounting Policies

**Component Unit** - The University is an institution of higher education located in Ypsilanti, Michigan, and is considered to be a component unit of the State of Michigan (the “State”) because its Board of Regents is appointed by the governor of the state of Michigan. Accordingly, the University is included in the State’s financial statements as a discrete 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** - The Eastern Michigan University Foundation financial statements are discretely presented as part of the University’s reporting entity. These statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). The officers of Eastern Michigan University Foundation include certain University administrative officials, but the University does have controlling interest in the Foundation’s board. The Internal Revenue Service has determined that the Foundation is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1-Basis of Presentation and Significant Accounting Policies (continued)

The Eastern Michigan University Foundation exists for the sole purpose of soliciting, collecting, and investing donations for the benefit of Eastern Michigan University. A complete copy of the audited financial statements of Eastern Michigan University Foundation is available at the Foundation offices located near the campus of the University.

**Cash and Investments** - As a matter of cash management, the University invests substantially all of its cash in interest-bearing instruments. Investments 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 assets. Cash equivalents consist of highly liquid investments with an original maturity of three months or less.

**Inventories** - Inventories consist primarily of supplies, food, pharmaceuticals, and bookstore items, and are stated at the lower of cost or market, with cost determined by the retail method.

**Capital Assets** - Capital assets are stated at cost if purchased or at appraised value at the date of the gift for donated property. Certain net assets have been designated to provide for significant repair and maintenance costs to residence facilities. 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	12 to 60 years
Leasehold improvements	12 to 20 years
Buildings	40 to 60 years
Equipment	5 to 10 years
Library holdings	5 to 10 years

**Bond Issuance Costs** - Bond issuance costs are amortized over the life of the related bonds using the straight-line method.

**Unearned Fees and Deposits** - Unearned fees and deposits primarily include deferred tuition and fee revenue for future semesters, exclusivity contract deferred revenue, and agency fund balances held in custody for others. Retirement benefit costs are funded as accrued.

**Accrued Compensated Absences** - Accrued compensated absences comprised of the portion of unused sick leave accrued as of June 30 but not expected to be paid within one year. The portion of sick leave expected to be paid within one year and all accrued vacation leave are included in accrued payroll, taxes, and fringe benefits. The current portions of accrued sick leave and vacation leave were approximately \$400,000 and \$3,400,000 as of June 30, 2009, respectively. The current portions of accrued sick leave and vacation leave were approximately \$400,000 and \$3,200,000 as of June 30, 2008, respectively.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1-Basis of Presentation and Significant Accounting Policies (continued)

**Auxiliary Activities** - Auxiliary activities consist of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<b>Operating Revenues:</b>		
Auxiliary Activities, Gross	\$ 35,561,378	\$ 33,654,687
Less: Internal Sales	(410,884)	(1,049,145)
Less: Scholarship Allowances	(3,233,524)	(3,014,242)
Auxiliary Activities Revenue - Net	<u>\$ 31,916,970</u>	<u>\$ 29,591,300</u>
<b>Operating Expenses:</b>		
Auxiliary Activities, Gross	\$ 29,514,240	\$ 29,284,829
Less: Internal Sales	(410,884)	(1,049,145)
Less: Scholarship Allowances	(3,233,524)	(3,014,242)
Auxiliary Activities Expenses - Net	<u>\$ 25,869,832</u>	<u>\$ 25,221,442</u>

**Operating and Nonoperating Revenues** - The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets is to report 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 the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statement No. 34, including State appropriations and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the University's department within the guidelines of donor restrictions, if any. Pell grant revenue is classified as nonoperating due to its nonexchange nature. The amounts received for 2009, 2008, and 2007 are \$17.2 million, \$14.8 million, and \$12.1 million, respectively.

### Note 2 - Cash and Investments

The University utilizes the pooled cash method of accounting for substantially all of its cash and cash equivalents. The University's investment policy, as set forth by the Board of Regents, authorizes investment in securities of the U.S. Treasury and agencies, corporate bonds and notes, commercial paper, time savings deposits, Eurodollars and certain external mutual funds, separate managed funds and other pooled funds.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 - Cash and Investments (continued)

Cash and investments consist of the following as of June 30, 2009:

	Fair Market Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash and Cash Equivalents:					
Time deposits	\$ 1,702,474	\$ 1,702,474	\$ -	\$ -	\$ -
Money market funds	27,093,754	27,093,754	-	-	-
Government Bonds	7,952,941	7,952,941	-	-	-
Corporate Bond Mutual Funds	65,767	65,767	-	-	-
Cash and Equivalents Total	36,814,936	36,814,936	-	-	-
Investments:					
Corporate Bond Mutual Funds	45,368,394	-	45,368,394	-	-
Government Bonds	92,104,485	92,050,059	-	-	54,426
Investments Total	137,472,879	92,050,059	45,368,394	-	54,426
Total	\$ 174,287,815	\$ 128,864,995	\$ 45,368,394	\$ -	\$ 54,426

Cash and investments consist of the following as of June 30, 2008:

	Fair Market Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash and Cash Equivalents:					
Time deposits	\$ 4,138,495	\$ 4,138,495	\$ -	\$ -	\$ -
Money market funds	10,174,332	10,174,332	-	-	-
Cash and Equivalents Total	14,312,827	14,312,827	-	-	-
Investments:					
Corporate bond funds	68,951,643	68,951,643	-	-	-
Government Bonds	50,337	-	-	-	50,337
Investments Total	69,001,980	68,951,643	-	-	50,337
Total	\$ 83,314,807	\$ 83,264,470	\$ -	\$ -	\$ 50,337

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses due to rising interest rates, the University's operating investment policy provides for a diversified portfolio comprised of short, intermediate, 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:

<u>Asset Category</u>	<u>Target</u>
Fixed Income Securities	70%
Domestic Large Cap equities	15%
Domestic Mid Cap equities	7%
Domestic Small Cap equities	4%
Global/International equities	4%



# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 - 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”). This risk is minimal.

**Credit Risk** - Investment policies for cash and investments as set forth by the Board of Regents shall be to preserve investment principal while deriving a reasonable return consistent with the prevailing market and economic conditions. The University is not currently restricted to a minimum rating by Moody’s Investor Service or equivalent rating. At June 30, 2009 and 2008, the University’s debt instruments (subject to fluctuations in interest rates) and related ratings consisted of the following:

	2009		2008	
	Market Value	NRSRO Rating	Market Value	NRSRO Rating
<b>Bond Mutual Funds:</b>				
Vanguard Short Term Investment -				
Grade Fund Admiral	\$ 65,767	A3	\$ 64,423	A3
Corporate Bonds	45,368,394	AA	68,887,220	Aaa
U.S. Government Agency Bonds	92,170,252	Aaa	50,337	Aaa
<b>Total</b>	\$ 137,604,413		\$ 69,001,980	

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 risks because their existence is not evidenced by securities that exist in physical or book entry form. All cash and cash equivalents are held in the University’s name as of June 30, 2009 and 2008. As of June 30, 2009, the banks reported balances in the disbursement accounts at \$10,893,123. Of these balances, \$500,000 was covered by federal depository insurance and \$10,393,123 was uninsured and uncollateralized. As of June 30, 2008, the banks reported balances in the disbursement accounts at \$12,675,430. Of these balances, \$500,000 was covered by federal depository insurance and \$12,175,430 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 investment policy provides that investments will be diversified within equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and of the factors that may influence them.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 - Cash and Investments (continued)

The following investments comprise more than 5% of the total investments portfolio as of June 30, 2009 and 2008:

#### June 30, 2009:

<u>Instrument</u>	<u>Fair Market Value</u>
PIMCO Low Duration Institutional PTLDX	\$ 15,187,951
Western Asset Intermed Institutional WATIX	30,180,443
US Treasury Bills 912795Q87	100,003,000
Vanguard Prime Money Market Fund VMRXX	20,100,819
Total	<u>\$ 165,472,213</u>

#### June 30, 2008:

<u>Instrument</u>	<u>Fair Market Value</u>
Access to Loans for Learning Students	\$ 4,925,000
Brazos Student Fin Corp Student Loan	5,000,000
Educational Funding South Inc Tenn E	8,000,000
Nelnet Ed Ln Fund	4,935,000
Northstart Ed Fin Inc	5,000,000
Pennsylvania St Higher Education	4,350,000
Pennsylvania St Higher Education	4,000,000
Utah State Brd Regents Student Loan	5,000,000
Vermont State Student Assistance	3,650,000
Total	<u>\$ 44,860,000</u>

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2009 and 2008, the University had \$65,767 and \$64,423, respectively, invested in mutual funds that have funds invested in various countries throughout the world and therefore, exposes the University to foreign currency risk indirectly. The University did not have any direct investments or deposits denominated in foreign currencies at June 30, 2009 and 2008.

**EASTERN MICHIGAN UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 2 - Cash and Investments (continued)**

Investments at the Eastern Michigan University Foundation are as follows:

	<b>Eastern Michigan University Foundation</b>	
	<b>2009</b>	<b>2008</b>
Corporate stocks	\$ 26,280,837	\$ 33,082,538
Corporate bonds	5,365,020	4,817,229
Treasury/Federal securities	3,624,745	4,892,285
Venture capital	7,434	14,128
Real estate	55,000	650,000
Mutual funds	1,575,136	1,951,652
Total	\$ 36,908,172	\$ 45,407,832

Net gains/losses from security transactions for the years ended June 30, 2009 and 2008 are as follows:

	<b>Eastern Michigan University Foundation</b>	
	<b>2009</b>	<b>2008</b>
Unrealized appreciation (depreciation)	\$ (3,788,169)	\$ (6,682,727)
Realized income and losses	(4,926,106)	2,002,246
Total	\$ (8,714,275)	\$ (4,680,481)

Trustee and brokerage fees associated with the maintenance of the endowment securities portfolio were \$367,786 and \$468,477 for the years ended June 30, 2009 and 2008, respectively, for Eastern Michigan University Foundation. For recording purposes, these fees have been netted with investment income.

**EASTERN MICHIGAN UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 3 - Accounts Receivable**

Accounts receivable consist of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Sponsor accounts	\$ 5,797,721	\$ 4,497,826
Student accounts	11,210,541	10,454,309
Charter school appropriation	3,826,568	5,056,207
Third party tuition	791,095	700,268
Other	3,047,946	1,971,231
Subtotal	<u>24,673,871</u>	<u>22,679,841</u>
Less allowances for possible collection losses	<u>(3,742,229)</u>	<u>(3,146,225)</u>
Accounts receivable - Net	<u>\$ 20,931,642</u>	<u>\$ 19,533,616</u>

In addition, the University has student loans receivable of \$11,980,535 and \$11,421,981, net of the related allowance of \$358,666 for both June 30, 2009 and 2008.

Included in contributions receivable for the Foundation are the following unconditional promises to give at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Contributions Receivable:		
Gross contributions promised	\$ 1,544,834	\$ 2,060,508
Less allowance for uncollectibles	<u>(1,027,044)</u>	<u>(995,502)</u>
Subtotal	517,790	1,065,006
Less unamortized discount	<u>(82,923)</u>	<u>(136,959)</u>
Net unconditional promises to give	<u>\$ 434,867</u>	<u>\$ 928,047</u>
Amounts due in:		
Less than one year	\$ 1,025,474	\$ 964,295
One to five years	512,860	1,080,713
More than five years	6,500	15,500
Total	<u>\$ 1,544,834</u>	<u>\$ 2,060,508</u>

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 4 - Capital Assets

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2009:

	2008	Additions/ Transfers	Retirements/ Transfers	2009
<b>Non-depreciable:</b>				
Land	\$ 11,079,068	\$ -	\$ -	\$ 11,079,068
Construction-in-progress	3,163,248	14,912,292	(3,163,248)	14,912,292
Total non-depreciable	<u>14,242,316</u>	<u>14,912,292</u>	<u>(3,163,248)</u>	<u>25,991,360</u>
<b>Depreciable:</b>				
Infrastructure	32,481,685	199,045	-	32,680,730
Leasehold improvements	3,408,874	-	-	3,408,874
Buildings	387,154,790	7,603,832	-	394,758,622
Library holdings	43,566,295	2,578,032	-	46,144,327
Equipment	70,945,416	4,738,513	(904,205)	74,779,724
Total depreciable	<u>537,557,060</u>	<u>15,119,422</u>	<u>(904,205)</u>	<u>551,772,277</u>
Total capital assets	<u>551,799,376</u>	<u>30,031,714</u>	<u>(4,067,453)</u>	<u>577,763,637</u>
<b>Less: Accumulated depreciation:</b>				
Infrastructure	22,293,581	955,848	-	23,249,429
Leasehold improvements	3,152,644	170,444	-	3,323,088
Buildings	121,791,031	6,406,301	-	128,197,332
Library holdings	34,440,795	3,145,636	-	37,586,431
Equipment	55,463,284	4,690,212	(842,853)	59,310,643
Total accumulated depreciation	<u>237,141,335</u>	<u>15,368,441</u>	<u>(842,853)</u>	<u>251,666,923</u>
Capital assets - Net	<u>\$ 314,658,041</u>	<u>\$ 14,663,273</u>	<u>\$ (3,224,600)</u>	<u>\$ 326,096,714</u>

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 4 - Capital Assets (continued)

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2008:

	2007	Additions/ Transfers	Retirements/ Transfers	2008
<b>Non-depreciable:</b>				
Land	\$ 10,589,978	\$ 489,090	\$ -	\$ 11,079,068
Construction-in-progress	9,915,353	3,163,248	(9,915,353)	3,163,248
Total non-depreciable	<u>20,505,331</u>	<u>3,652,338</u>	<u>(9,915,353)</u>	<u>14,242,316</u>
<b>Depreciable:</b>				
Infrastructure	32,068,069	413,616	-	32,481,685
Leasehold improvements	3,408,874	-	-	3,408,874
Buildings	376,126,471	11,028,319	-	387,154,790
Library holdings	41,260,142	2,306,153	-	43,566,295
Equipment	68,198,336	3,537,310	(790,230)	70,945,416
Total depreciable	<u>521,061,892</u>	<u>17,285,398</u>	<u>(790,230)</u>	<u>537,557,060</u>
Total capital assets	<u>541,567,223</u>	<u>20,937,736</u>	<u>(10,705,583)</u>	<u>551,799,376</u>
<b>Less: Accumulated depreciation:</b>				
Infrastructure	21,352,973	940,608	-	22,293,581
Leasehold improvements	2,982,200	170,444	-	3,152,644
Buildings	115,449,088	6,341,943	-	121,791,031
Library holdings	31,398,626	3,042,169	-	34,440,795
Equipment	50,862,158	5,260,692	(659,566)	55,463,284
Total accumulated depreciation	<u>222,045,045</u>	<u>15,755,856</u>	<u>(659,566)</u>	<u>237,141,335</u>
Capital assets - Net	<u>\$ 319,522,178</u>	<u>\$ 5,181,880</u>	<u>\$ (10,046,017)</u>	<u>\$ 314,658,041</u>

The University has encumbrances of \$21,922,248 on various construction projects in progress as of June 30, 2009.

**EASTERN MICHIGAN UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 5 - Long-term Debt**

Long-term debt consists of the following as of June 30, 2009 and 2008:

	Interest Rates	Maturity	<u>Outstanding Principal</u>					
			2008	Additions	Retirements/ defeasance	2009	Current Portion	
Build America								
Bonds of 2009D	4.21 - 7.21	2014-2038	\$ -	\$ 79,220,000	\$ -	\$ 79,220,000	\$ -	
General Revenue								
Bonds of 2009C	4.00 - 5.00	2022-2027	-	23,160,000	-	23,160,000	-	
Refunding Bonds								
of 2009B	variable	2038-2049	-	50,795,000	-	50,795,000	-	
Refunding Bonds								
of 2009A	variable	2038-2049	-	75,000,000	-	75,000,000	-	
Refunding Bonds								
of 2008	variable	2009	125,795,000	-	125,795,000	-	-	
Refunding Bonds								
of 2003A	2.00 - 5.00	2009-2014	5,690,000	-	850,000	4,840,000	900,000	
General Revenue								
Bonds of 2002B	3.00-5.00	2009-2013	1,160,000	-	215,000	945,000	225,000	
General Revenue								
Bonds of 2002A	5.8	2009-2014	9,515,000	-	2,100,000	7,415,000	1,935,000	
General Revenue								
Bonds of 2000B	4.50-5.875	2009-2011	900,000	-	285,000	615,000	300,000	
General Revenue								
Bonds of 2000	5.00-6.00	2009-2024	3,290,000	-	485,000	2,805,000	475,000	
			146,350,000	\$228,175,000	\$ 129,730,000	244,795,000	\$ 3,835,000	
Less current portion long-term debt			5,790,000			3,835,000		
Long-term debt			\$ 140,560,000			\$ 240,960,000		

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 5 - Long-term Debt (continued)

Long-term debt consists of the following as of June 30, 2008 and 2007:

	Interest Rates	Maturity	<u>Outstanding Principal</u>			
			2007	Additions	Retirements/ defeasance	2008
Refunding Bonds of 2008	variable	2009-2036	\$ -	\$125,795,000	\$ -	\$ 125,795,000
Refunding Bonds of 2006	variable	2008	84,785,000	-	84,785,000	-
Refunding Bonds of 2003A	2.00 - 5.00	2008-2014	6,540,000	-	850,000	5,690,000
General Revenue Bonds of 2002B	3.00-5.00	2008-2013	1,360,000	-	200,000	1,160,000
General Revenue Bonds of 2002A	5.8	2008-2014	11,500,000	-	1,985,000	9,515,000
General Revenue Bonds of 2001	variable	2008	40,340,000	-	40,340,000	-
General Revenue Bonds of 2000B	4.50-5.875	2008-2011	1,170,000	-	270,000	900,000
General Revenue Bonds of 2000	5.00-6.00	2008-2024	3,760,000	-	470,000	3,290,000
			<u>149,455,000</u>	<u>\$125,795,000</u>	<u>\$ 128,900,000</u>	<u>146,350,000</u>
Less current portion long-term debt			<u>4,665,000</u>			<u>5,790,000</u>
Long-term debt			<u>\$ 144,790,000</u>			<u>\$ 140,560,000</u>

On May 5, 2009, the University issued \$75,000,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2009A, and \$50,795,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2009B. These bonds refunded \$125,795,000 General Revenue Variable Rate Demand Refunding Bonds, Series 2008. 2009 Series A&B bonds amortize over 40 years with principal payments beginning June 30, 2038.

On June 10, 2009, the University issued \$102,380,000 of General Revenue Bonds, Series 2009C and 2009D, to fund capital projects. Series 2009C for \$23,160,000 are tax-exempt bonds. Series 2009D for \$79,220,000 are taxable issuer Build America Bonds authorized by Section 1531 of the American Recovery and Reinvestment Act of 2009. The University will receive payments from the Federal Treasury equal to 35% of the total coupon interest paid by the University.

On April 10, 2008, the University issued \$125,795,000 of General Revenue Variable Rate Demand Refunding Bonds, Series 2008. These were issued to refund the \$41,395,000 General Revenue and Refunding Bonds 2001 and the \$85,680,000 General Revenue and Refunding Bonds Series 2006A bonds.



# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 5 – Long-term Debt (continued)

The Series 2008 bonds were refunded during fiscal year 2009 as indicated above due to market conditions.

As bonds are defeased, certain funds that will be paid to bondholders are deposited in trust and distributions are made by the trustee accordingly. The trust account assets and the liability for the defeased bonds are not recorded as assets or liabilities in the financial statements of the University. At June 30, 2009 and 2008, the aggregate amount of outstanding principal on all bonds which have been defeased is \$185,891,350 and \$61,280,370, respectively.

Certain debt agreements require student fees to equal or exceed 200% of the related debt service. The University is in compliance with these covenants.

Principal and interest on long-term debt are payable from operating revenues, allocated student fees and the excess of revenues over expenditures of specific auxiliary activities. The obligations are generally callable. The future amounts of principal and interest payments required by the debt agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,835,000	\$ 12,486,068	\$ 16,321,068
2011	3,610,000	14,344,659	17,954,659
2012	3,205,000	14,156,593	17,361,593
2013	2,965,000	13,985,126	16,950,126
2014	2,460,000	13,827,765	16,287,765
2015 - 2019	13,955,000	66,573,652	80,528,652
2020 - 2024	17,415,000	60,943,968	78,358,968
2025 - 2029	22,320,000	54,698,159	77,018,159
2030 – 2034	28,010,000	45,962,439	73,972,439
2035 – 2039	35,690,000	34,804,006	70,494,006
2040 – 2044	48,295,000	23,074,492	71,369,492
2045 – 2049	<u>63,035,000</u>	<u>9,168,728</u>	<u>72,203,728</u>
Total	<u>\$ 244,795,000</u>	<u>\$ 364,025,655</u>	<u>\$ 608,820,655</u>

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 5 – Long-term Debt (continued)

#### Interest Rate Swaps:

The University is party to three fixed interest rate swap contracts as of June 30, 2009. These contracts hedge against the par value of the Series 2009 A&B bonds.

During the year ended June 30, 2001, the University entered into a fixed interest rate swap agreement expiring in 2027 to hedge against the outstanding par value of the Series 2001 variable rate bonds. The 2001 bonds were refunded by the 2008 bonds and then subsequently by the 2009 A&B Bonds. Based on the 2001 swap agreement, the University owes interest calculated at a fixed rate of 4.72% to the counterparty to the swap. In return, the counterparty owes the University interest based on two indices: (1) the counterparty pays 68% of the London Interbank Offered Rate (LIBOR) on 60% of the notional amount; and (2) the counterparty pays the Securities Industry and Financial Markets Association (SIFMA) Index rate on 40% of the notional amount. Only the net difference in interest payments is actually exchanged with the counterparty. The University continues to pay interest to the bondholders at the variable rate provided by the 2009 bonds; however, during the term of the 2001 swap agreement, the University effectively pays a fixed rate on the debt. The University will be exposed to variable rates if the counterparty to the 2001 swap defaults or if the 2001 swap is terminated. The University can terminate the 2001 swap at its sole option, on any date. A termination of the 2001 swap agreement may also result in the University paying or receiving a termination payment. When the 2001 swap was initiated, the University received a payment from the counterparty of \$1,236,618.

The 2001 swap exposes the University to basis risk should the relationship between LIBOR and the variable interest rate on the 2008 bonds diverge, changing the effective synthetic rate of the bonds. As of June 30, 2009, the variable interest rate was 0.28 percent, whereas 68 percent of one-month LIBOR was 0.21 percent. The University is also subject to basis risk if the rate on the bonds diverges from the SIFMA Index. As of June 30, 2009, the SIFMA Index rate was 0.35%. As of June 30, 2009, the 2001 swap agreement had a mark-to-market fair value of (\$7,202,887). The swap counterparty was rated Aaa and AAA by Moody's and Standard & Poor's, respectively, as of June 30, 2009.

During the year ended June 30, 2006, the University entered into a fixed interest rate swap agreement expiring in 2036 to hedge against the outstanding par value of the Series 2006 variable rate bonds. On the 2006 swap agreement, the University owes interest calculated at a fixed rate of 3.317% to the counterparty to the 2006 swap. In return, the counterparty owes the University interest based on 62% of the London Interbank Offered Rate (LIBOR) plus 20 basis points. Only the net difference in interest payments is actually exchanged with the counterparty. The University continues to pay interest to the bondholders at the variable rate provided by the 2009 bonds; however, during the term of the 2006 swap agreement, the University effectively pays a fixed rate on the debt. The University will be exposed to variable rates if the counterparty to the 2006 swap defaults or if the swap is terminated. The University can terminate the 2006 swap at its sole option, on any date after June 1, 2013. A termination of the 2006 swap agreement may also result in the University paying or receiving a termination payment. When the 2006 swap was initiated, the University neither received a payment from nor made a payment to the counterparty.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 5 –Long-term Debt (continued)

The 2006 swap exposes the University to basis risk should the relationship between LIBOR and the variable interest rates on the bonds diverge, changing the effective synthetic rate of the bonds. As of June 30, 2009, the variable interest rate was 0.28%, whereas 62 percent of one-month LIBOR plus 20 basis points was 0.39%. As of June 30, 2009, the 2006 swap agreement had a mark-to-market fair value of (\$6,962,850.42). The 2006 swap counterparty was rated A2 and A by Moody's and Standard & Poor's, respectively, as of June 30, 2009.

During the year ended June 30, 2009, the University entered into a fixed interest rate swap agreement expiring in 2049 to hedge against a portion of the outstanding par value of the Series 2009 variable rate bonds. The 2009A and 2009B bonds were issued to refund the 2008 variable rate demand bonds which represent the underlying assets (notionals) in the swap agreements originally entered into in 2001 and 2006. The swap agreements remained outstanding and on May 29, 2009, the University entered into an additional swap with a counterparty. The intention of the 2009 swap was to match fully the amortization of the 2009A and 2009B bonds when incorporating the 2001 and 2006 swaps and to retain an effective synthetic fixed rate for the 2009A and 2009B bonds. The fixed rate on the 2009 swap is 3.096%. Only the net difference in interest payments is actually exchanged with the counterparty.

The 2009 swap exposes the University to basis risk should the relationship between LIBOR and the variable interest rates on the bonds diverge, changing the effective synthetic rate of the bonds. As of June 30, 2009, the variable interest rate was 0.28%, whereas 68 percent of one-month LIBOR was 0.405%. As of June 30, 2009, the 2009 swap agreement had a mark-to-market fair value of (\$1,173,041). The 2009 swap counterparty was rated Aa3 and AA- by Moody's and Standard & Poor's, respectively, as of June 30, 2009.

If the University's credit rating falls below A3, and if the fair value of the 2001 swap exceeds (\$2,000,000), the University will be obliged to collateralize the fair value of the 2001 swap with a minimum transfer amount of \$100,000 with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian. The University or the counterparty may terminate the 2001 swap if the other party fails to perform under the terms of the contract. If the 2001 swap is terminated, the variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the 2001 swap's fair value, if it is negative.

If the University's credit rating falls below A3, and if the fair value of the 2006 swap exceeds (\$10,000,000), the University will be obliged to collateralize the fair value of the 2006 swap with a minimum transfer amount of \$100,000 with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian. The University or the counterparty may terminate the 2006 swap if the other party fails to perform under the terms of the contract. If the 2006 swap is terminated, the variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the 2006 swap's fair value, if it is negative.

If the University's credit rating falls below A3, and if the fair value of the 2009 swap exceeds (\$10,000,000), the University will be obliged to collateralize the fair value of the 2009 swap with a minimum transfer amount of \$500,000 with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian. The University or the counterparty may terminate the 2009 swap if the other party fails to perform under the terms of the contract. If the 2009 swap is terminated, the

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 5 –Long-term Debt (continued)

variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the 2009 swap’s fair value, if it is negative.

Using rates as of June 30, 2009, debt service requirements of the variable rate debt associated with the 2001 swap agreement, 2006 swap agreement, and the 2009 swap agreement and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

#### Variable Rate Bonds Associated with 2009 Bonds Swap Agreement

Fiscal Year	Principal	Fixed Interest Paid	Variable Interest Paid	Net Counterparty Interest Exchanged	Total Paid
2010	\$ -	\$ 4,727,405	\$ 352,226	\$ (441,455)	\$ 4,638,176
2011	-	4,722,326	352,226	(441,860)	4,632,692
2012	-	4,717,052	352,226	(442,281)	4,626,997
2013	-	4,710,304	352,226	(442,804)	4,619,726
2014	-	4,703,408	352,226	(443,338)	4,612,296
2015-2019	-	22,949,312	1,761,130	(2,263,806)	22,446,636
2020-2024	-	21,717,081	1,761,130	(2,366,076)	21,112,135
2025-2029	-	20,237,785	1,761,130	(2,489,089)	19,509,826
2030-2034	-	19,171,132	1,721,902	(2,481,662)	18,411,372
2035-2039	14,465,000	18,996,068	1,717,478	(2,483,825)	32,694,721
2040-2044	48,295,000	14,402,592	1,302,560	(1,884,060)	62,116,092
2045-2049	63,035,000	6,062,278	548,268	(793,031)	68,852,515
Total	\$ 125,795,000	\$ 147,116,743	\$ 12,334,728	\$ (16,973,287)	\$ 268,273,184

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 5 –Long-term Debt (continued)

Capitalized Bond Expenses, Net as of June 30, 2009 include:

Series	Capitalized Amount	Accumulated Amortization	Capitalized Bond Expenses, Net
2009C&D	\$ 1,453,516	\$ -	\$ 1,453,516
2009A&B	536,076	-	536,076
2008	670,000	670,000	-
2006	6,450,709	6,450,709	-
2006	511,660	511,660	-
2003	241,385	108,121	133,264
2002A	285,616	133,883	151,733
2002B	185,556	95,429	90,127
2001	361,027	361,027	-
2000A	63,145	21,925	41,220
2000B	145,867	98,217	47,650
Total	<u>\$ 10,904,557</u>	<u>\$ 8,450,971</u>	<u>\$ 2,453,586</u>

Capitalized Bond Expenses, Net as of June 30, 2008 include:

Series	Capitalized Amount	Accumulated Amortization	Capitalized Bond Expenses, Net
2008	\$ 670,000	\$ -	\$ 670,000
2006	6,450,709	6,450,709	-
2006	511,660	511,660	-
2003	241,385	81,467	159,918
2002A	285,616	103,536	182,080
2002B	185,556	72,897	112,659
2001	361,027	361,027	-
2000A	63,145	19,177	43,968
2000B	145,867	74,393	71,474
1997	1,187,007	1,187,007	-
Total	<u>\$ 10,101,972</u>	<u>\$ 8,861,873</u>	<u>\$ 1,240,099</u>

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### Note 6 - Retirement Benefits

Through December 31, 1995, the University offered participation in one of two retirement plans for all qualified employees: the Michigan Public School Employees' Retirement System ("MPSERS") and the Teachers Insurance and Annuities Association - College Retirement Equities Fund ("TIAA-CREF"). As of January 1, 1996, the University no longer offered participation in MPSERS to new employees due to the Michigan Public Act 272 of 1995 which enabled the University to withdraw from MPSERS.

MPSERS is a cost sharing multiple employer noncontributory defined benefit retirement plan through the Michigan State Employees' Retirement System. The University's costs for the MPSERS plan include 1) contributions based on member payroll to fund normal pension costs, 2) contributions to fund a portion of the plan's unfunded actuarial accrued liability, and 3) contributions for retiree health insurance, at a fixed dollar amount determined annually by MPSERS.

A MPSERS credit of \$665,900 was issued to the University on June 6, 2007 due to a change in assumptions. This credit was used to reduce contributions to the plan in June, July, and August 2007. The cost of the MPSERS plan allocated to the University, all of which was contributed in the applicable year, was approximately \$6,036,000, \$5,080,000, and \$5,870,000, for the years ended June 30, 2009, 2008, and 2007, respectively. Further pension data audited by the Office of the Auditor General of the State of Michigan, for the Michigan State Employees' Retirement System is included in the State of Michigan's Comprehensive Annual Financial Report.

TIAA-CREF is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee benefits generally vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. For the years ended June 30, 2009, 2008, and 2007, the University contributed approximately \$11,404,000, \$10,640,000, and \$10,168,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contribution under the TIAA-CREF plan.

The University provides termination benefits upon retirement resulting from unused sick days. The University calculates its sick pay liability in accordance with the provisions of GASB Statement No.16, *Accounting for Compensated Absences*. The liability is approximately \$5,244,000 and \$5,113,000 as of June 30, 2009 and 2008, respectively. Approximately \$400,000 is included in accrued payroll, taxes, and fringe benefits for the years ended June 30, 2009 and 2008. The remaining portion is included in accrued compensated absences.

### Note 7 - Contingencies and Commitments

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against any and all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

# EASTERN MICHIGAN UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 7 - Contingencies and Commitments (continued)**

The University participates in the Michigan Universities Self-Insurance Corporation (“MUSIC”), which provides indemnity to members against comprehensive general liability, errors and omissions, and property losses commonly covered by insurance. MUSIC also provides risk management and loss control services and programs.

Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer 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 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 MUSIC and reserves for claims incurred but not reported under self-insurance programs have been established.

### **Note 8 - New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in 2006.

Statement No. 49 requires estimation of expected pollution remediation outlays, when specified obligating events occur, and to determine whether these outlays should be accrued for as a liability. GASB 49 is effective for the University for the year ending June 30, 2009. The University has not incurred an obligating event as of June 30, 2009 that would require an accrued liability.

The Governmental Accounting Standards Board (GASB) issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in 2008. The Statement is effective for financial statements for reporting periods beginning after June 15, 2009, therefore for the fiscal year ending June 30, 2010. Statement No. 53 is intended to improve the reporting of derivative instruments, specifically requiring measuring most derivative instruments at fair value in financial statements that are prepared using the accrual basis of accounting. The Statement also addresses hedge accounting requirements. The fair value of the derivative instrument will be reported on the balance sheet and the change in fair value will be reported in the statement of revenue, expenses and changes in net assets as investment gains or losses. Changes in fair value of hedging derivative instruments will be reported as deferred inflows or outflows in the statement of revenue, expenses and changes in net assets. The fair value of the 2009, 2006 and 2001 derivative instruments is (\$1,173,041), (\$6,962,850), and (\$7,202,887) as of June 30, 2009, respectively. The University will continue to assess the impact of this new accounting pronouncement on the University's financial statements as more information becomes available.



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## Report of Independent Auditors on Supplemental Information

To the Board of Regents  
Eastern Michigan University

The report on our audit of the financial statements of Eastern Michigan University (the "University") as of June 30, 2009 and 2008 and for the years then ended appears on page I of this document. This audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules accompanying the financial statements are not necessary for a fair presentation of the statements of net assets and the related statements of revenues, expenses, and changes in net assets and cash flows of the University in conformity with accounting principles generally accepted in the United States of America. The supplemental schedules are presented only for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Plante & Moran, PLLC*

September 16, 2009



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**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF NET ASSETS**  
**BY FUND**  
as of June 30, 2009

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Auxiliary Activities Fund</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ (19,081,159)	\$ 5,538,222	\$ 2,832,128
Short-term investments	-	-	-
Accounts receivable - Net	8,381,410	205,052	2,417,787
Appropriation receivable	14,282,146	-	-
Inventories	472,079	-	472,739
Deposits and prepaid expenses	352,538	(1)	132,741
Accrued interest receivable	144,602	3,798	-
Total current assets	<u>4,551,616</u>	<u>5,747,071</u>	<u>5,855,395</u>
Noncurrent assets:			
Student loans receivable - Net	-	-	-
Long-term investments	45,368,394	-	-
Capital assets - Net	-	-	-
Capitalized bond expenses - Net	-	-	-
Total noncurrent assets	<u>45,368,394</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 49,920,010</u>	<u>\$ 5,747,071</u>	<u>\$ 5,855,395</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Current portion of long-term debt	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	2,920,645	78,730	2,364,363
Accrued payroll	9,279,877	49,187	475,314
Payroll taxes and accrued fringe benefits	8,039,844	6,901	1,126,143
Unearned fees and deposits	7,054,275	49,269	340,711
Insurance and other claims payable	1,291,609	-	593,413
Total current liabilities	<u>28,586,250</u>	<u>184,087</u>	<u>4,899,944</u>
Noncurrent liabilities:			
Accrued compensated absences	4,523,645	263	319,883
Long-term debt	-	-	-
Federal Perkins	-	-	-
Long-term unearned fees and deposits	-	-	-
Total noncurrent liabilities	<u>4,523,645</u>	<u>263</u>	<u>319,883</u>
Total liabilities	<u>\$ 33,109,895</u>	<u>\$ 184,350</u>	<u>\$ 5,219,827</u>
 <b>NET ASSETS</b>			
Invested in capital assets - Net of related debt	\$ -	\$ -	\$ -
Restricted, expendable	-	-	-
Unrestricted			
Designated	-	5,562,721	635,568
Undesignated	16,810,115	-	-
Total net assets	<u>\$ 16,810,115</u>	<u>\$ 5,562,721</u>	<u>\$ 635,568</u>

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF NET ASSETS**  
**BY FUND**  
as of June 30, 2009

<u>Expendable Restricted Fund</u>	<u>Student Loan Fund</u>	<u>Plant Fund</u>	<u>Agency Fund</u>	<u>Consolidated Total</u>
\$ 3,275,665	\$ 74,054	\$ 43,294,227	\$ 881,799	\$ 36,814,936
-	-	-	-	-
8,185,253	368,991	1,373,149	-	20,931,642
-	-	-	-	14,282,146
-	-	-	-	944,818
-	-	696,439	-	1,181,717
	379	14,247		163,026
11,460,918	443,424	45,378,062	881,799	74,318,285
-	11,980,535	-	-	11,980,535
54,426	-	92,050,059	-	137,472,879
-	-	326,096,714	-	326,096,714
-	-	2,453,586	-	2,453,586
54,426	11,980,535	420,600,359	-	478,003,714
\$ 11,515,344	\$ 12,423,959	\$ 465,978,421	\$ 881,799	\$ 552,321,999
\$ -	\$ -	\$ 3,835,000	\$ -	\$ 3,835,000
3,949,836	-	5,243,985	2,402	14,559,961
305,211	-	-	-	10,109,589
-	-	-	-	9,172,888
21,722	-	-	879,397	8,345,374
-	-	-	-	1,885,022
4,276,769	-	9,078,985	881,799	47,907,834
-	-	-	-	4,843,791
-	-	240,960,000	-	240,960,000
-	10,796,240	-	-	10,796,240
-	-	-	-	-
-	10,796,240	240,960,000	-	256,600,031
\$ 4,276,769	\$ 10,796,240	\$ 250,038,985	\$ 881,799	\$ 304,507,865
\$ -	\$ -	\$ 173,351,773	\$ -	\$ 173,351,773
7,238,575	1,627,719	-	-	8,866,294
-	-	-	-	-
-	-	42,587,663	-	48,785,952
-	-	-	-	16,810,115
\$ 7,238,575	\$ 1,627,719	\$ 215,939,436	\$ -	\$ 247,814,134

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF**  
**REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BY FUND**  
**For June 30, 2009**

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Auxiliary Fund</u>
<b>OPERATING REVENUES</b>			
Student tuition and fees	\$ 178,411,514	\$ 255,666	\$ -
Scholarship allowances	-	-	-
Net student tuition and fees	<u>178,411,514</u>	<u>255,666</u>	<u>-</u>
Federal grants and contracts	-	-	-
Federal financial aid	-	-	-
State grants and contracts	-	-	-
State financial aid	-	-	-
Nongovernmental grants and contracts	-	7,235	-
Departmental activities	2,215,092	3,894,900	-
Auxiliary activities - Net	-	-	35,150,494
Indirect cost recovery (deduction)	610,396	755,038	-
Other	1,670,046	-	-
Total operating revenues	<u>182,907,048</u>	<u>4,912,839</u>	<u>35,150,494</u>
<b>OPERATING EXPENSES</b>			
Instruction	104,670,700	464,873	-
Research	1,109,959	363,983	-
Public service	3,602,160	6,847	-
Academic support	19,805,230	606,939	-
Student services	25,174,830	2,685,652	-
Institutional support	35,537,362	404,827	-
Scholarships and fellowships	24,912,635	(500)	-
Operation and maintenance of plant	24,755,302	31,225	-
Auxiliary activities expenses - Net	-	-	29,103,356
Depreciation	-	-	-
Capital additions - Net	4,987,145	84,557	101,416
Other	-	-	-
Total operating expenses	<u>244,555,323</u>	<u>4,648,403</u>	<u>29,204,772</u>
Operating income (loss)	<u>(61,648,275)</u>	<u>264,436</u>	<u>5,945,722</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	78,551,800	-	-
Gifts	-	(163,939)	421,925
Investment income	4,590,367	-	732,203
Interest expense	-	-	-
Pell grants	-	-	-
Other	-	-	-
Net nonoperating revenues before transfers and capital items	<u>83,142,167</u>	<u>(163,939)</u>	<u>1,154,128</u>
<b>TRANSFERS IN (OUT)</b>			
Mandatory:			
Funds for debt service	(12,273,513)	-	(3,608,901)
Matching funds	(99,817)	823	-
Non-mandatory:			
Other	(7,511,483)	(326,006)	(3,196,163)
Total transfers	<u>(19,884,813)</u>	<u>(325,183)</u>	<u>(6,805,064)</u>
Capital grants and gifts	-	-	-
Total net nonoperating revenues (expenses)	<u>63,257,354</u>	<u>(489,122)</u>	<u>(5,650,936)</u>
Increase (Decrease) in net assets	1,609,079	(224,686)	294,786
<b>NET ASSETS, Beginning of year</b>	15,201,036	5,787,407	340,782
<b>NET ASSETS, End of year</b>	<u>\$ 16,810,115</u>	<u>\$ 5,562,721</u>	<u>\$ 635,568</u>

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF**  
**REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BY FUND**  
**For June 30, 2009**

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
\$ 783,759	\$ -	\$ -	\$ -	179,450,939
-	-	-	(24,776,608)	(24,776,608)
<u>783,759</u>	<u>-</u>	<u>-</u>	<u>(24,776,608)</u>	<u>154,674,331</u>
7,931,977	119,038	-	-	8,051,015
2,397,833	-	-	-	2,397,833
591,360	-	-	-	591,360
3,184,092	-	-	-	3,184,092
1,428,229	-	-	-	1,435,464
-	-	-	-	6,109,992
-	-	-	(3,233,524)	31,916,970
(1,365,434)	-	-	-	-
1,072,893	34,998	814,019	-	3,591,956
<u>16,024,709</u>	<u>154,036</u>	<u>814,019</u>	<u>(28,010,132)</u>	<u>211,953,013</u>
759,747	-	-	-	105,895,320
3,604,744	-	-	-	5,078,686
7,438,373	-	-	-	11,047,380
476,904	-	-	-	20,889,073
363,208	-	-	-	28,223,690
353,452	-	-	-	36,295,641
23,808,428	-	-	(24,776,608)	23,943,955
27,276	-	4,993,782	-	29,807,585
-	-	-	(3,233,524)	25,869,832
-	-	15,368,441	-	15,368,441
251,113	-	(5,424,231)	-	-
-	366,280	839,653	-	1,205,933
<u>37,083,245</u>	<u>366,280</u>	<u>15,777,645</u>	<u>(28,010,132)</u>	<u>303,625,536</u>
<u>(21,058,536)</u>	<u>(212,244)</u>	<u>(14,963,626)</u>	<u>-</u>	<u>(91,672,523)</u>
-	-	-	-	78,551,800
3,676,155	-	-	-	3,934,141
-	126,100	5,948	-	5,454,618
-	-	(9,980,011)	-	(9,980,011)
17,207,674	-	-	-	17,207,674
228,376	-	175,007	-	403,383
<u>21,112,205</u>	<u>126,100</u>	<u>(9,799,056)</u>	<u>-</u>	<u>95,571,605</u>
-	-	15,882,414	-	-
98,994	-	-	-	-
130,273	-	10,903,379	-	-
<u>229,267</u>	<u>-</u>	<u>26,785,793</u>	<u>-</u>	<u>-</u>
-	-	1,393,586	-	1,393,586
21,341,472	126,100	18,380,323	-	96,965,191
282,936	(86,144)	3,416,697	-	5,292,668
6,955,639	1,713,863	212,522,739	-	242,521,466
<u>\$ 7,238,575</u>	<u>\$ 1,627,719</u>	<u>\$ 215,939,436</u>	<u>\$ -</u>	<u>\$ 247,814,134</u>

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF NET ASSETS**  
**BY FUND**  
as of June 30, 2008

	<b>General Fund</b>	<b>Designated Fund</b>	<b>Auxiliary Activities Fund</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ (33,669,380)	\$ 5,560,978	\$ 2,794,146
Short-term investments	58,001,643	-	-
Accounts receivable - Net	8,174,567	448,869	889,066
Appropriation receivable	14,140,746	-	-
Inventories	979,669	-	788,670
Deposits and prepaid expenses	936,227	29,787	449,438
Accrued interest receivable	45,421	3,798	-
Total current assets	48,608,893	6,043,432	4,921,320
Noncurrent assets:			
Student loans receivable - Net	-	-	-
Long-term investments	-	-	-
Capital assets - Net	-	-	-
Capitalized bond expenses - Net	-	-	-
Total noncurrent assets	-	-	-
Total assets	\$ 48,608,893	\$ 6,043,432	\$ 4,921,320
 <b>LIABILITIES</b>			
Current liabilities:			
Current portion of long-term debt	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	4,134,109	165,782	2,587,206
Accrued payroll	9,238,275	35,697	435,499
Payroll taxes and accrued fringe benefits	8,236,442	6,901	655,920
Unearned fees and deposits	6,216,442	47,382	148,185
Insurance and other claims payable	1,145,335	-	485,299
Total current liabilities	28,970,603	255,762	4,312,109
Noncurrent liabilities:			
Accrued compensated absences	4,437,254	263	268,429
Long-term debt	-	-	-
Federal Perkins	-	-	-
Long-term unearned fees and deposits	-	-	-
Total noncurrent liabilities	4,437,254	263	268,429
Total liabilities	\$ 33,407,857	\$ 256,025	\$ 4,580,538
 <b>NET ASSETS</b>			
Invested in capital assets - Net of related debt	\$ -	\$ -	\$ -
Restricted, expendable	-	-	-
Unrestricted			
Designated	-	5,787,407	340,782
Undesignated	15,201,036	-	-
Total net assets	\$ 15,201,036	\$ 5,787,407	\$ 340,782

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF NET ASSETS**  
**BY FUND**  
as of June 30, 2008

<u>Expendable Restricted Fund</u>	<u>Student Loan Fund</u>	<u>Plant Fund</u>	<u>Agency Fund</u>	<u>Consolidated Total</u>
\$ 3,030,593	\$ 732,957	\$ 34,641,015	\$ 1,222,518	\$ 14,312,827
-	-	10,950,000	-	68,951,643
9,492,781	354,786	173,547	-	19,533,616
-	-	-	-	14,140,746
-	-	-	-	1,768,339
-	-	288,822	-	1,704,274
	379	14,247		63,845
12,523,374	1,088,122	46,067,631	1,222,518	120,475,290
-	11,421,981	-	-	11,421,981
50,337	-	-	-	50,337
-	-	314,658,041	-	314,658,041
-	-	1,240,099	-	1,240,099
50,337	11,421,981	315,898,140	-	327,370,458
\$ 12,573,711	\$ 12,510,103	\$ 361,965,771	\$ 1,222,518	\$ 447,845,748
\$ -	\$ -	\$ 5,790,000	\$ -	\$ 5,790,000
5,184,608	-	3,093,032	2,180	15,166,917
305,182	-	-	-	10,014,653
38,310	-	-	-	8,937,573
82,297	-	-	1,220,338	7,714,644
-	-	-	-	1,630,634
5,610,397	-	8,883,032	1,222,518	49,254,421
7,675	-	-	-	4,713,621
-	-	140,560,000	-	140,560,000
-	10,796,240	-	-	10,796,240
-	-	-	-	-
7,675	10,796,240	140,560,000	-	156,069,861
\$ 5,618,072	\$ 10,796,240	\$ 149,443,032	\$ 1,222,518	\$ 205,324,282
\$ -	\$ -	168,308,041	\$ -	\$ 168,308,041
6,955,639	1,713,863	10,792,057	-	19,461,559
-	-	-	-	-
-	-	33,422,641	-	39,550,830
-	-	-	-	15,201,036
6,955,639	1,713,863	212,522,739	-	242,521,466

**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF**  
**REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BY FUND**  
**For June 30, 2008**

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Auxiliary Fund</u>
<b>OPERATING REVENUES</b>			
Student tuition and fees	\$ 168,580,699	\$ 475,277	\$ -
Scholarship allowances	-	-	-
Net student tuition and fees	<u>168,580,699</u>	<u>475,277</u>	<u>-</u>
Federal grants and contracts	-	-	-
Federal financial aid	-	-	-
State grants and contracts	-	-	-
State financial aid	-	-	-
Nongovernmental grants and contracts	-	-	-
Departmental activities	2,262,183	3,805,989	-
Auxiliary activities revenue, net	-	-	32,605,542
Indirect cost recovery (deduction)	604,722	744,593	-
Other	1,182,558	-	-
Total operating revenues	<u>172,630,162</u>	<u>5,025,859</u>	<u>32,605,542</u>
<b>OPERATING EXPENSES</b>			
Instruction	103,482,353	365,895	-
Research	1,225,131	665,697	-
Public service	3,361,729	522,918	-
Academic support	19,432,941	661,431	-
Student services	23,943,605	2,748,171	-
Institutional support	34,615,725	1,038,202	-
Scholarships and fellowships	20,995,506	29,638	-
Operation and maintenance of plant	22,064,485	36,539	-
Auxiliary activities expenses, net	-	-	28,235,684
Depreciation	-	-	-
Capital additions, net	4,573,045	154,890	58,179
Other	-	-	-
Total operating expenses	<u>233,694,520</u>	<u>6,223,381</u>	<u>28,293,863</u>
Operating income (loss)	<u>(61,064,358)</u>	<u>(1,197,522)</u>	<u>4,311,679</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	84,880,347	-	-
Gifts	-	521,660	-
Investment income	2,174,104	-	543,525
Interest expense	-	-	-
Pell grants	-	-	-
Other	-	-	-
Net nonoperating revenues before transfers and capital items	<u>87,054,451</u>	<u>521,660</u>	<u>543,525</u>
<b>TRANSFERS IN (OUT)</b>			
Mandatory:			
Funds for debt service	(9,560,358)	-	(2,841,500)
Matching funds	(526,096)	-	-
Non-mandatory:			
Other	(4,717,795)	(2,656,846)	(3,880,612)
Total transfers	<u>(14,804,249)</u>	<u>(2,656,846)</u>	<u>(6,722,112)</u>
Capital grants and gifts	-	-	-
Total net nonoperating revenues (expenses)	<u>72,250,202</u>	<u>(2,135,186)</u>	<u>(6,178,587)</u>
Increase (Decrease) in net assets	11,185,844	(3,332,708)	(1,866,908)
<b>NET ASSETS, Beginning of year</b>	4,015,192	9,120,115	2,207,690
<b>NET ASSETS, End of year</b>	<u>\$ 15,201,036</u>	<u>\$ 5,787,407</u>	<u>\$ 340,782</u>



**EASTERN MICHIGAN UNIVERSITY**  
**SCHEDULE OF**  
**REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BY FUND**  
**For June 30, 2008**

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Eliminations	Consolidated
\$ 775,442	\$ -	\$ -	\$ -	\$ 169,831,418
-	-	-	(22,639,400)	(22,639,400)
<u>775,442</u>	-	-	(22,639,400)	<u>147,192,018</u>
7,029,384	126,890	-	-	7,156,274
2,374,679	-	-	-	2,374,679
462,265	-	-	-	462,265
3,507,706	-	-	-	3,507,706
2,744,732	-	-	-	2,744,732
-	-	-	-	6,068,172
-	-	-	(3,014,242)	29,591,300
(1,349,315)	-	-	-	-
603,263	36,120	455,679	-	2,277,620
<u>16,148,156</u>	<u>163,010</u>	<u>455,679</u>	<u>(25,653,642)</u>	<u>201,374,766</u>
759,337	-	-	-	104,607,585
3,176,576	-	-	-	5,067,404
6,864,195	-	-	-	10,748,842
897,007	-	-	-	20,991,379
177,120	-	-	-	26,868,896
404,657	-	-	-	36,058,584
21,154,708	-	-	(22,639,400)	19,540,452
2,353	-	4,723,705	-	26,827,082
-	-	-	(3,014,242)	25,221,442
-	-	15,755,856	-	15,755,856
511,017	-	(5,297,131)	-	-
-	372,490	6,235,685	-	6,608,175
<u>33,946,970</u>	<u>372,490</u>	<u>21,418,115</u>	<u>(25,653,642)</u>	<u>298,295,697</u>
<u>(17,798,814)</u>	<u>(209,480)</u>	<u>(20,962,436)</u>	<u>-</u>	<u>(96,920,931)</u>
-	-	-	-	84,880,347
2,754,289	-	10,100	-	3,286,049
-	132,919	1,453,240	-	4,303,788
-	-	(7,628,521)	-	(7,628,521)
14,778,165	-	-	-	14,778,165
232,441	-	216	-	232,657
<u>17,764,895</u>	<u>132,919</u>	<u>(6,164,965)</u>	<u>-</u>	<u>99,852,485</u>
-	-	12,401,858	-	-
526,096	-	-	-	-
2,210,950	-	9,044,303	-	-
<u>2,737,046</u>	<u>-</u>	<u>21,446,161</u>	<u>-</u>	<u>-</u>
-	-	95,324	-	95,324
<u>20,501,941</u>	<u>132,919</u>	<u>15,376,520</u>	<u>-</u>	<u>99,947,809</u>
2,703,127	(76,561)	(5,585,916)	-	3,026,878
4,252,512	1,790,424	218,108,655	-	239,494,588
<u>\$ 6,955,639</u>	<u>\$ 1,713,863</u>	<u>\$ 212,522,739</u>	<u>\$ -</u>	<u>\$ 242,521,466</u>

## University Notes to Supplementary Schedules

### **Basis of Presentation:**

The University utilizes four current and three noncurrent fund groupings for internal operating purposes, as follows:

#### Current Fund Groupings:

General Fund is used to account for general operating activities.

Designated Fund is used to account for funds designated by the University.

Auxiliary Activities Fund is used to account for services and facilities provided to students, faculty, staff, and the public and is managed to operate as a self-supporting activity.

Expendable Restricted Fund is used to account for funds restricted by donor or supporting agency.

#### Noncurrent Fund Groupings:

Student Loan Fund is used to account for transactions related to loans to students.

Plant Fund is used to account for transactions relating to investments in physical properties, indebtedness incurred in the financing thereof and reserves for maintenance, replacement, insurance, and debt service.

Agency Fund is used to account for amounts held in custody for students, University-related organizations, and others.

The eliminations on the Schedules of Revenues, Expenses, and Changes in Net Assets by Fund represent the reclass of scholarship allowances as required by Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.