MICHIGAN STATE UNIVERSITY

2024

ANNUAL FINANCIAL REPORT

MICHIGAN STATE UNIVERSITY
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A MESSAGE FROM THE PRESIDENT

Dear colleagues,

It is my pleasure in partnership with Senior Vice President, Chief Financial Officer and Treasurer Lisa Frace to present Michigan State University's 2023-2024 financial statements.

When I became president seven months ago, I embarked on a university-wide listening and learning tour. This tour reinforced for me what I already knew – our community is built on a foundation nearly 170 years strong and invested with a unique sense of pride and purpose. The strength of MSU rests in our shared commitment to academic excellence, innovative research, and creating transformative experiences for our students.

Much like the fabric of our Spartan community, MSU's balance sheet is robust, ensuring our long-term financial health and sustainability. Through exceptional stewardship of our resources, MSU continues to operate from a position of strength. We are focused on the future and poised to build on our existing strengths.

At MSU, we believe every student we admit can thrive and earn an MSU degree. Our world-class faculty and dedicated staff are steadfast in their commitment to student success. The institution continues to attract record numbers of talented individuals from across the country and around the world, and we are proud of the growth and diversity of our student body, faculty, and staff. We remain focused on providing the safety, support and resources necessary for every Spartan to succeed. Our collective efforts are reflected in recognition of MSU as a leading global public research university.

Our research programs are thriving. Thanks to the hard work of our faculty and researchers, we have continued to secure substantial funding for groundbreaking projects that have the potential to make a lasting impact on society. MSU remains a leader in innovation, with research efforts that span a broad spectrum of disciplines and contribute to solving some of the most pressing issues of our time.

As we change and build for the future, I am confident that MSU will continue its ascent. The achievements of the past year are a testament to the dedication and creativity of our entire community. Together, we will continue to be strategic, bold and student-focused. Through our commitment to operational excellence and quality stewardship of our endowment and operating budget, we are poised to excel in advancing our mission.

Thank you for your ongoing commitment to Michigan State University. I am honored to serve as your president, and I look forward to all that we will accomplish together.

Go Green!

Kevin M. Guskiewicz

Kevin M. Guskiewicz, Ph.D.
President
Professor, Department of Kinesiology

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present our audited financial report for the fiscal year ending June 30, 2024. As Michigan State University embarks on an exciting new chapter under the leadership of Dr. Kevin M. Guskiewicz, we look forward to a transformative future filled with opportunity and growth that builds on 170 years of excellence.

During his investiture in late September, President Guskiewicz shared his vision for the future of our great university. That vision, supported by the strategic plan, will shape the focus of our investments, all of which are enhanced by our commitment to operational excellence. Future strategic investments will seek to further diversify income, improve financial performance, and ensure sustained funding for academic and research excellence. Responsible and sustainable stewardship of our financial resources remains our collective goal.

In support of our mission, we continue to deploy diverse revenue streams, including student tuition and fees, state appropriations, federal and state-sponsored programs, private gifts and grants, and investment income. We operate efficiently within available resources, relying on these diverse revenues. Michigan State University today operates from a strong financial position, but we recognize that we must always look to the future, be nimble, and adapt to ever-changing business conditions.

Highlights from the financial report for the fiscal year ending June 30, 2024:

- The University's financial assets totaled $9.3 billion.
- Revenues totaled $3.7 billion, while expenses totaled $3.3 billion.
- Federal grants and contracts revenues totaled $528 million, including $511 million in sponsored programs (an increase of $47 million over FY23).
- MSU's net position was $5.6 billion.

MSU's strong balance sheet has helped the institution maintain our high credit ratings. During FY24, the university issued Series 2024A tax-exempt general revenue bonds totaling $361.6 million to support capital projects. The capital investments made with these proceeds will support students, faculty, and staff now and for future generations.

These efforts are all closely aligned with the goals outlined in MSU's 2030 Strategic Plan. The plan reinforces our dedication to long-term financial stability, ensuring that we manage our resources wisely, while advancing our core mission of academic and research leadership.

In the face of rapidly accelerating change and solutions to the world's challenges, MSU is well positioned to build on the solid foundation laid by our predecessors. As we press toward 2030, we'll strive to ensure generations of Spartans can realize their dreams on the banks of the Red Cedar and forge a brighter, more promising future.

Lisa A. Frace
Senior Vice President, Chief Financial Officer and Treasurer

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Independent Auditor's Report

To the Board of Trustees
Michigan State University

Report on the Audits of the Financial Statements

Opinions

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

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University and as of June 30, 2024 and 2023 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, Michigan State University Research Foundation (the "Foundation"), which represents all of the assets, net position, and revenue of the discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

To the Board of Trustees
Michigan State University

Auditor's Responsibilities for the Audits of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Additional Information

Management is responsible for the accompanying listing of trustees, executive team, and finance management; the message from the president; and the message from the chief financial officer, which are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

To the Board of Trustees
Michigan State University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 25, 2024

Introduction

The following discussion provides an overview of the financial position of Michigan State University (the "University") for the fiscal years ended June 30, 2024 and 2023.

Included is an analysis of the University's Statement of Net Position, which presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the University. All are measured as of the fiscal year end. The Statement of Revenues, Expenses, and Changes in Net Position reflects revenues and expenses recognized during the fiscal year. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

The Michigan State University Research Foundation (the "Foundation") is a legally separate entity that meets the criteria set forth for component units under GASB regulations. The Foundation provides financial support for the objectives, purposes, and programs of the University. Although the University does not control the timing, purpose, or amount of its receipts from the Foundation, the resources (and income thereon) the Foundation holds and invests are solely for the benefit of the University. Because the Foundation's resources are solely for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The Foundation is a private organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are sometimes different from GASB. No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences.

MSU Health Care, Inc. and Lysander Series of Aesir Series, LLC ("Lysander") are additional legally separate entities that meet the criteria set forth for component units under GASB regulations. MSU Health Care, Inc. is a multi-specialty medical practice that operates the University's primary care, sports medicine, diagnostics, testing, and other services. The University is the sole corporate member of MSU Health Care, Inc., which is reported as a blended component unit. Lysander is a cell captive insurance company used by the University to gain access to global reinsurers for purposes of obtaining general liability insurance and automobile liability insurance. Lysander exclusively benefits the University, and the University has full control of Lysander, which is also reported as a blended component unit.

The University's financial statements, related footnote disclosures, and required supplementary information (RSI), including management's discussion and analysis, have been prepared by management. GASB RSI is not audited and should be read in conjunction with the financial statements and footnotes.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged. Deferred outflows and deferred inflows of resources are recognized through the consumption or acquisition of resources by the University that is applicable to a future reporting period. Assets, deferred outflows, liabilities, and deferred inflows are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation rather than current market values.

Below is a summarized comparison of the University's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2024, 2023, and 2022.

	2024	2023	2022
		(in millions)	
Current assets	$ 1,114	$ 1,233	$ 1,615
Noncurrent assets:			
Endowment and other investments	4,625	4,112	3,736
Capital assets, net	3,152	3,016	2,967
Other	432	174	177
Total assets	9,323	8,535	8,495
Deferred outflows of resources	647	485	567
Current liabilities	678	633	693
Noncurrent liabilities	3,331	2,702	2,852
Total liabilities	4,009	3,335	3,545
Deferred inflows of resources	361	427	357
Net Investment in Capital Assets	1,642	1,595	1,493
Restricted:			
Nonexpendable	1,101	1,052	1,001
Expendable	1,747	1,481	1,411
Unrestricted	1,110	1,130	1,255
Net position	$ 5,600	$ 5,258	$ 5,160

For more detailed information see the accompanying Statements of Net Position.

<u>Current assets:</u>

Current assets consist of cash and cash equivalents, investments, net accounts and interest receivable, and other assets. During 2024, cash and cash equivalents decreased $60 million. The decrease is a function of the University's operating, financing, and investing activities as reported in the statement of cash flows. Investments decreased $95 million, primarily due to decreases in short-term investment reserves. Net receivables increased $26 million, primarily due to a $39 million increase in Michigan Department of Health and Human Services' Specialty Network Access Fund ("SNAF") program receivables. Timing of SNAF funding can vary from year to year and is based on quarterly review and approval by the state. The increase in SNAF program receivables was offset by a $16 million decrease in Research and Sponsored program related receivables.

During 2023, cash and cash equivalents decreased $64 million. The decrease is a function of the University's operating, financing, and investing activities as reported in the statement of cash flows. Investments decreased $361 million, primarily due to decreases in short-term investment reserves. Net receivables increased $28 million, primarily due to a $37 million increase in sponsored programs receivable and a $5 million increase in student receivables, offset by a $16 million decrease in SNAF program receivables.

Noncurrent assets:

Endowment and other investments

At June 30, 2024 and 2023, the University's endowment investments totaled $4,224 million (an increase of $421 million) and $3,803 million (an increase of $334 million), respectively. During the years ended June 30, 2024, 2023, and 2022, the University's endowment activity was as follows:

	2024	2023	2022
		(in millions)	
Beginning balance	$ 3,803	$ 3,469	$ 3,580
Gifts and University additions	39	49	110
Investment earnings net of transfers	382	195	(505)
Reallocation (to)/from operating funds	-	90	284
Ending balance	$ 4,224	$ 3,803	$ 3,469

Other investments consisted primarily of operating reserves related to retirement benefits and postemployment benefits, which totaled $147 million (an increase of $18 million) and $129 million (an increase of $4 million) at June 30, 2024 and 2023, respectively. Also included in other investments was the Liquidity Reserve Pool component of the University's Operating Cash Pool ($155 million (an increase of $5 million) and $150 million (an increase of $43 million) in 2024 and 2023, respectively).

Capital assets

The University continues to implement its long-range plan to modernize and renew its teaching, research, and residential life facilities in support of its mission.

At June 30, 2024, 2023, and 2022, the University's investments in capital assets were as follows:

	2024	2023	2022
		(in millions)	
Land	$ 51	$ 51	$ 49
Buildings and site improvements	4,575	4,404	4,464
Construction in progress	240	155	145
Software and other intangibles	150	151	150
Equipment and other	1,348	1,320	1,032
Museum collections	31	29	29
Right-to-use assets	144	109	109
Less: accumulated depreciation and amortization	(3,387)	(3,203)	(3,011)
	$ 3,152	$ 3,016	$ 2,967

Additions to buildings and site improvements during 2024 and 2023 included:

	2024	2023
	(in millions)	
Tom Izzo Football Building	$ 67	$ -
Farm Lane Bridge and Road Reconstruction	37	-
Chemistry Lab Upgrades	9	-
TB Simon Power Plant - RICE and Steam Boiler	-	64
4660 and 4700 Hagadorn Buildings	-	47
Service Road Field - Artificial Turf and Support Building	-	12
Other	58	71
Total	$ 171	$ 194

Construction in progress reflects multi-year projects which, once completed and placed into service, are generally categorized as buildings and site improvements. Balances at June 30, 2024 and 2023 included:

	2024	2023
	(in millions)	
Student Recreation and Wellness	$ 33	$ -
Experimental Beamline Upgrade	21	-
Multicultural Center	20	-
Detroit Research Building	13	-
Tom Izzo Football Building	-	48
Farm Lane Bridge and Road Reconstruction	-	7
Health, Wellness, and Fitness Center	-	7
Other	153	93
Total construction in process	$ 240	$ 155

As of June 30, 2024, the University had initiated plans and incurred certain contractual commitments related to the construction and renovation of various facilities. The costs to complete the projects are estimated to be $664 million and are to be funded over multiple years from debt proceeds, capital grants, private gifts, and other University funds.

Other noncurrent assets

At June 30, 2024 and 2023, other noncurrent assets totaled $432 million (an increase of $258 million) and $174 million (a decrease of $3 million), respectively. The increase in 2024 was due primarily to $277 million in unspent bond proceeds at June 30, 2024.

Deferred outflows of resources:

At June 30, 2024 and 2023, deferred outflows of resources totaled $647 million (an increase of $162 million) and $485 million (a decrease of $82 million), respectively. In 2024 and 2023, deferred amounts related to changes in assumptions used to calculate the valuation of other postemployment benefits and related contributions made subsequent to the measurement date (in accordance with GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75")) increased by $163 million and decreased by $64 million, respectively. Also included in deferred outflows is the fair value of hedging derivative instruments and deferred losses on refunding debt in 2010, which both had minimal changes in 2024 decreasing by $1 million combined. In 2023, there was a decrease of $17 million in the fair value hedging derivative instruments and a $1 million increase in deferred losses on refunding debt in 2010.

Current liabilities:

Current liabilities consist primarily of trade accounts and interest payable, accrued compensation and other personnel costs, unearned revenues, and other liabilities payable within one year or less. The net increase in 2024 was due primarily to increases of $20 million in trade accounts payable, $6 million in accrued personnel costs, $7 million in unearned revenues, and $4 million in accrued self-insurance liabilities. The remaining balance is made up of payroll taxes and other deductions payable, deposits held for others, the current portions of net other postemployment benefit obligations and the current portion of long-term debt and other obligations, all of which remained relatively consistent in 2024. The increase in trade accounts payable at June 30, 2024, can primarily be attributed to an increase in construction and retainage payables related to ongoing construction projects.

The net decrease in 2023 was due primarily to decreases of $33 million in accrued personnel costs, $21 million in payroll taxes and other payroll deductions, and the current portion of long-term debt and other obligations of $47 million, offset by increases in trade accounts payable of $14 million, deposits held for others of $13 million, and unearned revenues of $13 million. Accrued personnel costs decreased primarily due to an accrual at June 30, 2022, for a one-time payment made during fiscal year 2023 to faculty, academic staff, and executive management, who were currently employed, to offset some of the financial implications of lost retirement contributions incurred during the COVID-19 pandemic which totaled $26 million. No such payable existed at June 30, 2023. Payroll taxes and other payroll deductions decreased due to deferred social security taxes accumulated in accordance with the CARES Act during the COVID-19 pandemic being remitted in December 2022 as required by the program. These deferred social security taxes totaled $22 million at June 30, 2022.

Noncurrent liabilities, primarily debt and net postemployment benefit obligations:

At June 30, 2024, the University had noncurrent debt and other obligations outstanding of $2,480 million compared with $2,114 million at June 30, 2023. During the year ended June 30, 2024, the University issued Series 2024A ($362 million) bonds which were used to refund certain commercial paper and will provide funding for capital projects. During the year ended June 30, 2023, the University issued Series 2023A ($307 million) bonds which were used to refund Series 2013A, Series 2007B, Series 2005, Series 2003A, and Series 2000A bonds along with certain commercial paper. The University also terminated a series of interest rate swap arrangements related to variable rate debt (Series 2007B, 2005, 2003A, 2000A) as part of the refunding. The University has outstanding General Revenue Bonds of $2,442 million and $2,073 million in 2024 and 2023, respectively (including $158 million and $123 million in 2024 and 2023, respectively, of related original issue premiums). The University periodically reviews its debt capacity and related capital asset needs to optimize the use of its long-term resources. As of June 30, 2024, the University's outstanding General Revenue debt carried an investment grade credit rating from Moody's and Standard & Poor's of Aa2 and AA, respectively.

At June 30, 2024 and 2023, the noncurrent portion of the University's net postemployment benefit obligations (OPEB) totaled $783 million (an increase of $268 million) and $515 million (a decrease of $108 million), respectively. Provisions of GASB 75 require revaluing the unfunded liability using a 20-year tax-exempt municipal rate on an annual basis. As a result, the liability estimate for financial reporting is susceptible to dramatic variation from year to year. The 2024 liability also increased due to renegotiated premium rates and health insurance market conditions. Although the financial reporting liability is dynamic, the University's approach to funding the retirement benefits continues to be on a pay-as-you-go basis. Thus, there will be no impact on the payment of the other postemployment benefits.

<u>Deferred inflows of resources:</u>

At June 30, 2024 and 2023, deferred inflows of resources totaled $361 million and $427 million, respectively (a decrease of $66 million). In 2024, deferred inflows of resources representing deferred amounts due to changes in assumptions used to calculate the valuation of other postemployment benefits decreased by $57 million. Deferred inflows of resources attributable to the University's investment value resulting from irrevocable split-interest agreements (primarily Charitable Remainder Trusts) at June 30, 2024 and 2023 totaled $20 million and $22 million (a decrease of $2 million), respectively. In accordance with GASB 81, amounts are deferred until all provisions of the agreements are satisfied. Deferred inflows of resources attributable to the lease agreements in which the University is the lessor at June 30, 2024 and 2023 totaled $31 million and $38 million (a decrease of $7 million), respectively. Deferred inflows of resources of $4 million were recognized in 2024 and 2023, respectively, due to gains on bond refunding related to the refunding of the 2010C bonds. Deferred inflows of resources of $7 million were recognized in 2024 and 2023, respectively, due to gains on bond refunding related to the Series 2023A bond issuance.

<u>Net position:</u>

Net position represents residual University assets and deferred outflows after liabilities and deferred inflows are deducted. The University's net position at June 30, 2024, 2023, and 2022 was as follows:

	2024	2023	2022
		(in millions)	
Net investment in capital assets	$ 1,642	$ 1,595	$ 1,493
Restricted:			
Nonexpendable	1,101	1,052	1,001
Expendable	1,747	1,481	1,411
Total restricted	2,848	2,533	2,412
Unrestricted	1,110	1,130	1,255
Total Net Position	$ 5,600	$ 5,258	$ 5,160

Net investment in capital assets represents the University's land, buildings, software, and equipment net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position is subject to externally imposed stipulations that they be maintained permanently. Such net position includes the corpus portion (historical value) of gifts to the University's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

Restricted expendable net position is subject to externally imposed restrictions governing its use. Such net position includes the net appreciation of the University's permanent endowment funds that have not been stipulated by the donor to be reinvested permanently, restricted quasi-endowments, restricted gifts, and federal and state sponsored programs. During 2024, expendable restricted net position increased by $266 million. The increase was primarily attributed to the appreciation of University investments that are subject to externally imposed restrictions governing their use.

Unrestricted net position is not subject to externally imposed restrictions; however, virtually all of the University's unrestricted net position is subject to internal designation to meet various specific commitments. These commitments include funding the completion of the 2024 summer semester and the first quarter of fiscal year 2025, maintaining reserves for capital projects, sustaining working capital balances for self-supporting departmental activities, and preserving unrestricted quasi and term endowments.

Statement of Revenues, Expenses, and Changes in Net Position

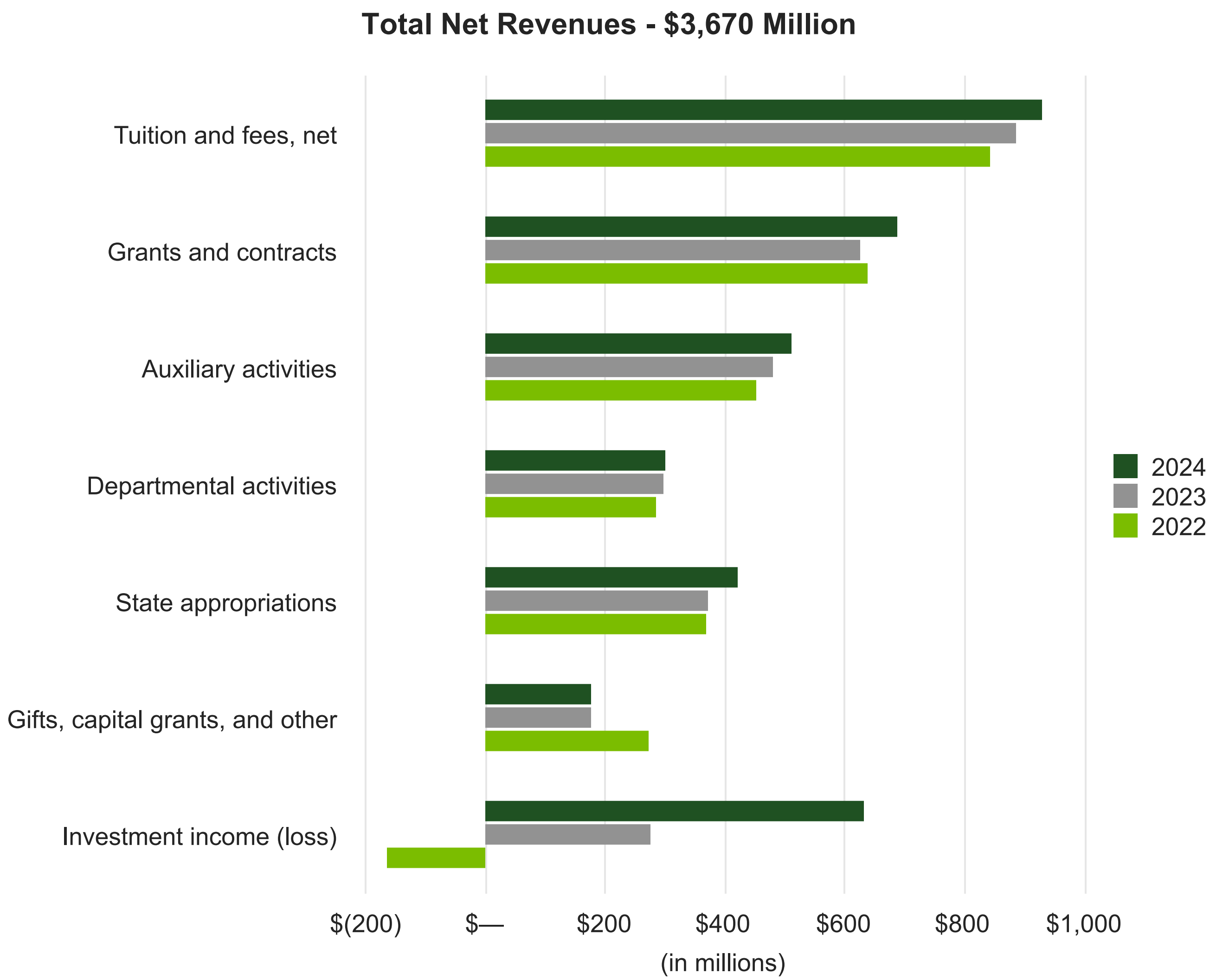
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the University, as well as the nonoperating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary activities. Given a public university's dependency on revenues such as state appropriations, gifts, and investment income, which are prescribed by GASB as nonoperating revenues, operating expenses will typically exceed operating revenues, resulting in an operating loss. Net nonoperating revenues or expenses are an integral component in determining the increase or decrease in net position.

A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2024, 2023, and 2022 follows:

	2024	2023	2022
		(in millions)	
Operating revenues:			
Student tuition and fees, net of allowances	$ 931	$ 887	$ 846
Grants and contracts	642	585	509
Auxiliary activities	513	481	454
Other operating revenues	301	299	287
Total operating revenues	2,387	2,252	2,096
Operating expenses:			
Instruction and departmental research	853	792	752
Research	486	450	411
Public service	403	366	354
Academic support	156	147	124
Student services	77	63	58
Scholarships and fellowships	98	86	125
Institutional support	208	160	154
Operation and maintenance of plant	148	150	134
Auxiliary enterprises	466	438	388
Other postemployment benefits expense	91	49	63
Depreciation and amortization	239	229	223
Other operating expenses, net	2	3	4
Total operating expenses	3,227	2,933	2,790
Operating (loss) income	(840)	(681)	(694)
Nonoperating revenues (expenses):			
State operating appropriation	320	304	303
State AgBioResearch appropriation	39	37	35
State Extension appropriation	33	32	31
Federal Pell grant revenue	47	43	45
Coronavirus federal grants and aid	-	-	85
Gifts	89	79	113
Net investment income (loss)	635	278	(164)
Interest expense on indebtedness	(101)	(94)	(78)
Other nonoperating revenues, net	22	12	17
Net nonoperating revenues	1,084	691	387
Income (loss) before other	244	10	(307)
State capital appropriations	30	1	3
Capital grants and gifts	31	48	38
Additions to permanent endowments	37	39	107
Increase (decrease) in net position	342	98	(159)
Net position, beginning of year	5,258	5,160	5,318
Beginning net position adjustment	-	-	1
Net position, beginning of year, restated	5,258	5,160	5,319
Net position, end of year	$ 5,600	5,258	5,160

The University is supported by a diverse stream of revenue including student tuition and fees, state appropriations, federal and state sponsored programs, private gifts and grants, and investment income. The University continues to seek revenue from all possible sources consistent with its mission and to manage financial resources to make quality education affordable to its students.

Total net revenues by source for the years ended June 30, 2024, 2023, and 2022, respectively, are presented in millions of dollars:



The University recognized student tuition and fees revenues (net of scholarship allowances) totaling $931 million and $887 million in 2024 and 2023, respectively. Gross tuition and fees revenue increased $58 million, due in part to increases in student enrollment and tuition rates, which was offset by an increase in scholarship allowance of $14 million. In 2023, gross tuition and fees increased by $62 million due in part to increases in tuition rates, offset with a $21 million increase in scholarship allowance.

Federal grants and contracts revenues in 2024 totaled $528 million (an increase of $48 million), including $511 million in sponsored programs. In 2023, federal grants and contracts increased by $64 million.

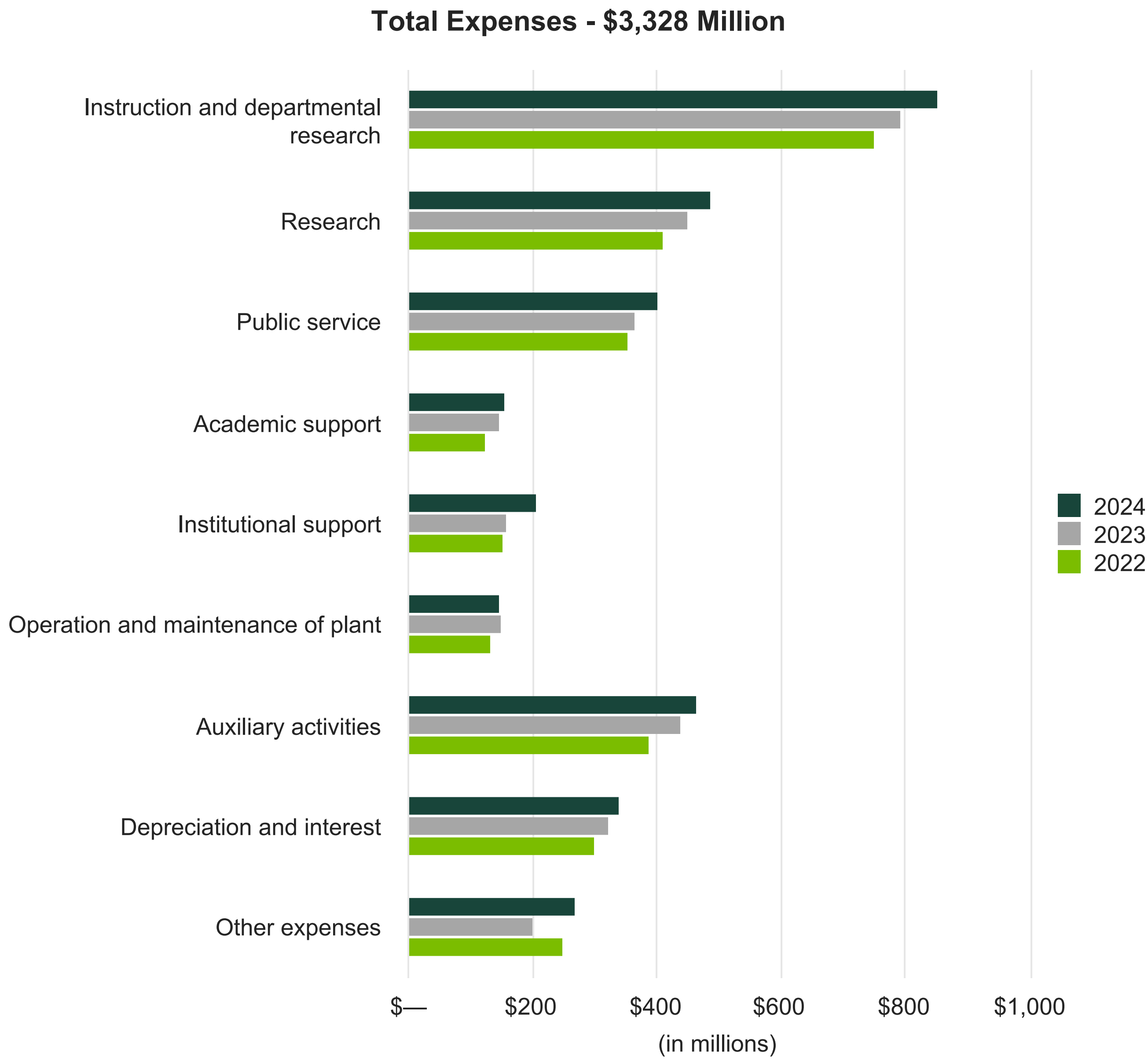
Auxiliary activities revenues (activities that provide services to students, faculty, staff, and the public) totaled $513 million (an increase of $32 million) in 2024. The increase in auxiliary activities was primarily driven by increases in residential housing prices and services, dining, and other auxiliary activities. In 2023, auxiliary activities increased $27 million which was driven by an increase in students on campus during the year driven by a new student success initiative requiring most sophomores to live on campus which impacted residential housing services, dining, and other auxiliary activities.

State appropriations revenues totaled $422 million in 2024, an increase of $48 million. In 2024, the University received $320 million in funding for general operations compared to $304 million in 2023. Michigan State University Extension and MSU AgBioResearch appropriations totaled $72 million, an increase of $3 million from 2023. In 2024, the University also recognized $30 million in state capital appropriations, compared to $1 million in 2023, related primarily to Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) funding.

Other significant components of revenues in 2024 included net investment income, which increased $357 million due to market conditions. In 2023, net investment income increased $442 million also due to market conditions. Gifts totaled $89 million in 2024, an increase of $10 million. In 2023, gifts totaled $79 million, a decrease of $34 million.

During 2024, $1,742 million was expended for the core missions of the University: instruction and departmental research, research, and public service, an increase of $134 million (8.3%) from 2023. Instruction and departmental research and research expenses increased $97 million (7.8%), while public service expenses increased $37 million (10.1%), which reflects an increase in employee count and raises during 2024. Auxiliary enterprises totaled $466 million, an increase of $28 million, due primarily to rising costs for food and other supplies. In 2023, expenses for the core mission of the University increased $91 million which reflects an increase in employee count and raises and auxiliary enterprises increased $50 million due primarily to rising costs for food and other supplies.

Operating expenses by source for the years ended June 30, 2024, 2023, and 2022, respectively, are presented in millions of dollars:



The University's Economic Outlook

As a vital engine for Michigan's prosperity, Michigan State University is committed to creating value for its students and partners. Through diversifying revenue streams and focusing its resources on key mission-specific initiatives, MSU is providing access and opportunity to both undergraduate and graduate students, for residents of Michigan and students from around the world.

The University's fiscal year 2025 operating budget includes a 9.8% increase from 2024 and prioritizes initiatives set forth in the University's 2030 strategic plan, including supporting research initiatives and partnerships, financial aid and student success, and overall operational excellence through academic enrichment initiatives, programming, and campus infrastructure.

In June 2024, the State legislature approved a 1.5% increase in base appropriations over 2024 levels. Further, the State approved a 1.0% one-time appropriation increase for 2025. The University also was awarded $32 million in State funding for specific academic, research, and community programs, including $20 million for the expansion of Rx Kids – the nation's first universal maternal and infant cash prescription program launched in Flint, Michigan in 2024.

In April 2024, the University approved the construction of a $335 million biomedical research center located in Detroit, Michigan. The center is part of a $3 billion "Future of Health" development with Henry Ford Health, Michigan State University, and the Detroit Pistons that includes a new hospital tower and campus as well as mixed-use/mixed-income residential buildings. The new research facility will allow partners to expand research in areas including cancer, neuroscience, immunology, and public health.

Ever moving forward, MSU is positioned to make investments aligned with its 2030 Strategic Plan, including advancing its research portfolio, investing in community partnerships both near and far, and attracting and retaining the foremost faculty and staff. Despite uncertainty around inflationary cost pressures, Michigan State University is committed to building on its strength and stature as one of the top 100 research universities in the world.

STATEMENTS OF NET POSITION

	June 30,	
ASSETS	**2024**	**2023**
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 271,209	$ 330,752
Investments	455,191	549,714
Accounts and interest receivable, net	304,238	278,453
Student loans and pledges receivable, net	52,395	37,170
Inventories and other assets	30,390	37,281
Total current assets	1,113,423	1,233,370
Noncurrent assets:		
Restricted cash and cash equivalents	277,394	-
Restricted investments	67,826	-
Endowment investments	4,223,742	3,802,630
Other investments	333,564	308,729
Accounts and interest receivable, net	33,355	39,982
Student loans and pledges receivable, net	79,629	91,681
Investments in joint ventures and other assets	41,400	42,372
Capital assets, net	3,152,123	3,015,861
Total noncurrent assets	8,209,033	7,301,255
Total assets	**9,322,456**	**8,534,625**
DEFERRED OUTFLOWS OF RESOURCES	**647,245**	**484,674**
LIABILITIES		
Current liabilities:		
Accounts and interest payable	194,857	175,364
Accrued personnel costs	71,587	65,260
Accrued self-insurance liabilities	25,800	21,881
Payroll taxes and other payroll deductions	5,718	3,378
Deposits held for others	23,890	22,191
Unearned revenues	124,208	116,966
Current portion of net other postemployment benefit obligations	29,425	26,876
Current portion of long-term debt and other obligations	202,306	200,617
Total current liabilities	677,791	632,533
Noncurrent liabilities:		
Accrued personnel costs	43,323	40,392
Accrued self-insurance liabilities	8,703	10,547
Unearned revenues	6,355	6,600
Derivative instruments - swap liability	9,194	15,440
Net other postemployment benefit obligations	783,487	515,003
Long-term debt and other obligations	2,480,012	2,114,143
Total noncurrent liabilities	3,331,074	2,702,125
Total liabilities	**4,008,865**	**3,334,658**
DEFERRED INFLOWS OF RESOURCES	**361,063**	**426,922**
NET POSITION		
Net investment in capital assets	1,641,513	1,595,590
Restricted:		
Nonexpendable	1,101,337	1,051,678
Expendable:		
Research and gifts	1,246,138	1,041,521
Quasi and term endowments	367,256	328,695
Debt service and capital projects	119,404	97,489
Student loans	13,903	12,879
Unrestricted	1,110,222	1,129,867
TOTAL NET POSITION	**$5,599,773**	**$5,257,719**

See accompanying notes

	June 30, 2024	June 30, 2023
	(in thousands)	
ASSETS		
Cash equivalents	38,491	$ 18,499
Interest and dividends receivable, net	972	758
Other receivables, net	4,075	1,958
Investments	455,376	446,702
Land held for investment, net	1,262	1,262
Investment in University Health Park, net	2,837	2,849
Net investments in sales-type finance lease	30,313	30,835
Equity in start-up organizations, net	30,160	19,513
Notes receivable, net	8,583	6,804
Prepaid expenses	247	255
Operating lease right-of-use assets	978	1,583
Property and equipment, net	11,822	11,958
Intangible assets, net	322	538
TOTAL ASSETS	$ 585,438	$ 543,514
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses and other payables	6,729	6,270
Deferred revenue	527	258
Trusts and annuities payable	5,718	6,148
Loan payable	15,165	15,674
Operating lease liabilities	991	1,600
Capital lease obligation	5,994	6,012
Deposit held for Michigan State University	20,522	20,267
Obligations under life estate agreements	358	380
Total liabilities	56,004	56,609
Net assets:		
Without donor restrictions	485,357	447,942
With donor restrictions:		
Time or purpose restrictions	44,077	38,963
Perpetual restrictions	-	-
Total net assets with donor restrictions	44,077	38,963
Total net assets	529,434	486,905
TOTAL LIABILITIES AND NET ASSETS	$ 585,438	$ 543,514

See accompanying notes

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2024	June 30, 2023
	(in thousands)	
OPERATING REVENUES		
Student tuition and fees	$ 1,167,105	$ 1,109,315
Less: scholarship allowances	236,058	222,186
Net student tuition and fees	931,047	887,129
State of Michigan grants and contracts	25,006	20,547
Federal grants and contracts	528,450	480,714
Local and private sponsored programs	89,249	83,733
Interest and fees on student loans	407	299
Departmental activities (net of scholarship allowances of $1,449 in 2024 and $1,388 in 2023)	300,561	299,156
Auxiliary activities (net of room and board allowances of $27,054 in 2024 and $26,184 in 2023)	512,592	480,916
TOTAL OPERATING REVENUES	**2,387,312**	**2,252,494**
OPERATING EXPENSES		
Instruction and departmental research	852,522	792,166
Research	485,853	450,251
Public service	402,442	365,599
Academic support	156,352	146,543
Student services	77,246	62,498
Scholarships and fellowships	98,370	86,294
Institutional support	207,867	160,220
Operation and maintenance of plant	148,291	150,226
Auxiliary enterprises	466,242	438,208
Other postemployment benefits expense	91,083	49,339
Depreciation and amortization	238,893	228,692
Other operating expenses, net	2,433	2,803
TOTAL OPERATING EXPENSES	**3,227,594**	**2,932,839**
Operating loss	(840,282)	(680,345)
NONOPERATING REVENUES (EXPENSES)		
State operating appropriation	319,680	303,728
State AgBioResearch appropriation	38,518	36,684
State Extension appropriation	33,225	31,643
Federal Pell grant revenue	46,673	43,197
Gifts	89,262	79,096
Net investment income (loss)	634,777	277,621
Interest expense on indebtedness	(100,911)	(94,386)
Other nonoperating revenues, net	22,504	11,748
Net nonoperating revenues	1,083,728	689,331
INCOME BEFORE OTHER	**243,446**	**8,986**
State capital appropriations	29,748	543
Capital grants and gifts	31,680	48,620
Additions to permanent endowments	37,180	39,158
Increase in net position	342,054	97,307
Net position, beginning of year	5,257,719	5,160,412
NET POSITION, END OF YEAR	**$ 5,599,773**	**$ 5,257,719**

See accompanying notes

	Year ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT		(in thousands)	
Contributions	$ -	$ 160	$ 160
Income from investments - net of investment fees	48,400	3,736	52,136
Royalty income	1,450	-	1,450
Rental income	2,356	-	2,356
Interest income on lease receivable	1,114	-	1,114
Grants and contracts	1,824	9,962	11,786
Adjustment to value of annuities payable	-	413	413
Other income	439	-	439
Net assets released from restrictions	9,157	(9,157)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	64,740	5,114	69,854
EXPENSES			
Contributions to Michigan State University	11,437	-	11,437
Grant expenses	427	-	427
Salaries, fringe benefits, and payroll taxes	5,752	-	5,752
Consultants and professional fees	2,328	-	2,328
Office expense	329	-	329
Operating expense	683	-	683
Rent and utilities	1,739	-	1,739
Depreciation and amortization	1,003	-	1,003
Interest expense	818	-	818
Provision for uncollectible receivables	2,561	-	2,561
Other expense	248	-	248
TOTAL EXPENSES	27,325	-	27,325
Change in net assets	37,415	5,114	42,529
Net assets, beginning of year	447,942	38,963	486,905
NET ASSETS, END OF YEAR	$ 485,357	$ 44,077	$ 529,434

	Year ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT		(in thousands)	
Contributions	$ -	$ 592	$ 592
Income from investments - net of investment fees	30,449	3,200	33,649
Royalty income	2,163	-	2,163
Rental income	2,198	-	2,198
Interest income on lease receivable	859	-	859
Grants and contracts	1,874	6,417	8,291
Adjustment to value of annuities payable	-	651	651
Other income	8,073	-	8,073
Net assets released from restrictions	9,255	(9,255)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	54,871	1,605	$ 56,476
EXPENSES			
Contributions to Michigan State University	17,561	-	17,561
Grant expenses	477	-	477
Salaries, fringe benefits, and payroll taxes	4,872	-	4,872
Consultants and professional fees	1,556	-	1,556
Office expense	378	-	378
Operating expense	583	-	583
Rent and utilities	1,641	-	1,641
Depreciation and amortization	1,101	-	1,101
Interest expense	757	-	757
Provision for uncollectible receivables	(72)	-	(72)
Other expense	23	-	23
TOTAL EXPENSES	28,877	-	28,877
Change in net assets	25,994	1,605	27,599
Net assets, beginning of year	421,948	37,358	459,306
NET ASSETS, END OF YEAR	$ 447,942	$ 38,963	$ 486,905

See accompanying notes

	Year Ended June 30, 2024	Year Ended June 30, 2023
	(in thousands)	
Cash flows from operating activities		
Tuition and fees	$ 933,006	$ 885,399
Research grants and contracts	664,353	547,238
Auxiliary activities	507,447	485,293
Departmental activities	264,516	326,201
Interest and fees on student loans	407	299
Loans issued to students	(1,965)	(1,404)
Collection of loans from students	4,877	5,327
Scholarships and fellowships	(101,340)	(92,627)
Payments to suppliers	(815,244)	(738,162)
Payments to employees	(1,958,968)	(1,887,783)
Fiduciary activities - Scholarships and other receipts	365,328	358,728
Fiduciary activities - Scholarships and other payments	(365,328)	(358,728)
William D. Ford Direct Lending receipts	115,192	90,909
William D. Ford Direct Lending disbursements	(115,192)	(90,909)
Other payments	(34,620)	(31,126)
Net cash used by operating activities	(537,531)	(501,345)
Cash flows from noncapital financing activities		
State appropriations	388,078	369,474
Federal Pell grant revenue	46,673	43,197
Gifts	83,333	104,388
Endowment gifts	37,187	39,137
Principal paid on noncapital debt	(4,380)	(3,955)
Interest paid on noncapital debt	(16,336)	(16,211)
Other receipts	5,250	2,811
Net cash provided by noncapital financing activities	539,805	538,841
Cash flows from capital and related financing activities		
Capital appropriations	29,899	392
Capital gifts and grants	31,516	33,920
Proceeds from issuance of capital debt and other long-term obligations	430,563	373,627
Purchase of capital assets	(328,895)	(257,585)
Proceeds from sale of capital assets	1,970	1,857
Principal paid on capital debt	(91,150)	(424,186)
Interest paid on capital debt	(84,056)	(96,006)
Other receipts	17,743	2,992
Net cash provided (used) by capital and related financing activities	7,590	(364,989)
Cash flows from investing activities		
Investment income, net	146,378	174,478
Proceeds from sales and maturities of investments	4,322,275	2,771,505
Purchase of investments	(4,260,666)	(2,682,937)
Net cash provided by investing activities	207,987	263,046
Net increase (decrease) in cash	217,851	(64,447)
Cash and cash equivalents, beginning of year	330,752	395,199
Cash and cash equivalents, end of year	**$ 548,603**	**$ 330,752**

See accompanying notes

Reconciliation of net operating loss to cash flows from operating activities:	Year Ended June 30, 2024	2023
	(in thousands)	
Operating loss	$ (840,282)	$ (680,345)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	238,893	228,692
Change in assets and liabilities:		
Accounts receivable	(24,749)	(21,675)
Student loans receivable	2,911	3,923
Inventories and other assets	6,891	(14,223)
Investments in joint ventures and other assets	972	(1,597)
Accounts payable	4,950	4,671
Accrued personnel costs	9,258	(30,781)
Payroll taxes and other payroll deductions	2,340	(21,180)
Deposits held for others	1,699	13,013
Unearned revenues	6,997	11,896
Accrued self-insurance liabilities	2,075	(4,334)
Net other postemployment benefit obligation	271,033	(106,672)
Change in deferred outflows	(163,325)	63,768
Change in deferred inflows	(57,194)	53,499
Net cash used by operating activities	**$ (537,531)**	**$ (501,345)**

1. Organization, basis of presentation, reporting entity, and summary of significant accounting policies

Organization:

Michigan State University (the "University") was founded in 1855 as the Agricultural College of the State of Michigan. It was the first institution of higher learning in the nation to teach scientific agriculture and in 1863 became a pioneer land grant college under the Morrill Act. The University has grown into a comprehensive public research university providing undergraduate, graduate, and professional degree programs. The University is not a component unit of the State of Michigan as defined by the Governmental Accounting Standards Board ("GASB").

Basis of presentation:

The University follows all applicable GASB pronouncements. The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and are presented in accordance with the reporting model prescribed in GASB Statement No. 34, B*asic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 63. The University follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the University's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements

GASB Statement No. 34, as amended, 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 four net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted:
  Nonexpendable – Net position subject to externally imposed constraints that they be maintained permanently by the University. Nonexpendable net position includes the corpus portion (historical value) of gifts to the University's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

  Expendable – Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time. Expendable net position includes net appreciation of the University's permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.
- Unrestricted – Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties. Unrestricted net position is generally designated for academic, research, and outreach programs and initiatives, postemployment benefits, and capital asset renewals and replacements.

Reporting entity:

The Michigan State University Research Foundation (the "Foundation") is a legally separate, tax-exempt entity that meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as amended by GASB Statement No. 61. The Foundation provides financial support for the objectives, purposes, and programs of the University. Although the University does not control the timing, purpose, or amount of its receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are dedicated to benefit the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its Statements of Financial Position and Statements of Activities and Changes in Net Assets are discretely presented in the University's financial statements. In addition, the Foundation's significant notes are summarized in note 4.

The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences. Complete financial statements for the Foundation can be obtained by a written request to:

Michigan State University Research Foundation, 325 E. Grand River Avenue, Suite 275, East Lansing, MI 48823.

MSU Health Care, Inc. is a legally separate, tax-exempt entity with the University serving as its sole corporate member. MSU Health Care, Inc. is a multi-specialty medical practice that operates the University's primary care, sports medicine, diagnostics, testing, and other services. Under the requirements of GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, MSU Health Care, Inc. is reported as a blended component unit. MSU Health Care, Inc.'s significant notes are included in the University's footnotes and condensed financial statements are presented in note 17. Complete financial statements for MSU Health Care, Inc. can be obtained by a written request to:

MSU Health Care, Inc., 909 Fee Road, Room D130, East Lansing, MI 48824.

Lysander Series of Aesir Series, LLC ("Lysander") was formed as a legally separate entity that meets the criteria set forth for component units under GASB Statement No. 61. Lysander is a cell captive insurance company within an existing and approved captive insurance company used by the University to gain access to global reinsurers for purposes of obtaining general liability insurance and automobile liability insurance as disclosed in note 10. Lysander exclusively benefits the University and the Board is the series member of Lysander which is reported as a blended component unit. Condensed financial statements are presented in note 17.

Summary of significant accounting policies:

Cash and cash equivalents – For purposes of the Statement of Cash Flows, the University defines cash equivalents as highly liquid, short-term (90 days or less) investments that bear little or no market risk. Certain cash and cash equivalents held by investment managers in the Liquidity Reserve Pool ("LRP"), Common Investment Fund ("CIF"), and other investment funds are included in investments because the intent of these funds is long-term appreciation. Cash balances held by investment managers in these funds at the date of the financial statements are due to timing of reinvesting the proceeds within the fund.

Restricted cash and cash equivalents and restricted investments - Restricted cash and cash equivalents and restricted investments represent unspent bond proceeds that are externally restricted for the construction or purchase of capital assets.

Pledges – Financial support in the form of pledges is received from business enterprises, foundations, and individuals. Revenue from gift pledges is recorded only when there is an unconditional promise to pay and all eligibility requirements, including time requirements, have been met. Contributions to permanent and term endowments are not recognized as assets until actually received.

Inventories – Inventories are recorded using various methods, including first in, first out (FIFO).

Investments – Investments are stated at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The University values its investments using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University, while unobservable inputs reflect the University's own assumptions about how market participants would value an asset or a liability based on the best information available. The University uses various industry standard valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Capital assets – Capital assets are stated at cost or, when donated, at acquisition value at the date of the gift. Depreciation is computed using the straight-line method, with a full-year expense in the year of acquisition and none in the year of disposal. Assets are depreciated over the estimated useful lives ranging from four to forty years for the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The University capitalizes but does not depreciate certain works of art and historical treasures that are held for exhibition, education, research, or public service. These collections are neither disposed of for financial gain nor encumbered in any way, and are subject to organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections.

Deferred outflows of resources – This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. Deferred outflows of resources consist of accumulated changes in the fair value of hedging derivative instruments, contributions subsequent to the measurement date and changes in assumptions related to the valuation of other postemployment benefits, and deferred losses on refunding of debt.

Deferred inflows of resources – Deferred inflows of resources represent an addition to net position that applies to a future period and so will not be recognized as revenue until then. Deferred inflows of resources consist of the investment value, net of related liabilities to other beneficiaries, attributable to the University from irrevocable split-interest agreements, changes in assumptions related to the valuation of other postemployment benefits, lease agreements in which the University serves as the lessor, and deferred gains on refunding of debt.

Compensated absences – University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at death, retirement, or termination. Unused hours exceeding these limitations are forfeited.

Self-insurance liabilities – Self-insurance liabilities consist of accrued expenses related to the University's self-insurance programs.

Unearned revenue – Unearned revenue consists primarily of advance ticket sales for athletic events, summer school tuition not earned during the current year, and contract and sponsored program advances.

Derivative instruments – Derivative instruments consist of interest rate swap agreements and are stated at fair value based on the zero-coupon valuation method.

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

Student tuition and fees – Student tuition and fee revenues are reported in the fiscal year in which the student instruction occurs, net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship allowances represent the difference between the stated charge for goods and services provided by the University and the amount that is paid by the students or third parties on behalf of the students, where the University has discretion over such expenses.

Auxiliary activities – Auxiliary activities primarily represent revenues generated from University Student Life and Engagement Services, Intercollegiate Athletics, and various other departmental activities that provide services to the student body, faculty, staff, and general public.

Donor restricted endowments – Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 ("UPMIFA"), the Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. Under the programmatic spending policy established by the Board, 4.4% of the average market value of endowment investments for the twenty quarters of the five fiscal years prior to the beginning of the fiscal year was authorized for expenditure for fiscal year 2024. For fiscal year 2025, the rate will remain at 4.4%.

Eliminations – In preparing the financial statements, the University eliminates inter-fund assets and liabilities and transactions with blended component units that would otherwise be reflected twice in the Statements of Net Position. Similarly, revenues and expenses related to internal service activities and blended component units are also eliminated from the Statement of Revenues, Expenses, and Changes in Net Position. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts where the University has discretion over such expenses, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Use of estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Income taxes – The University is a part of the State of Michigan for purposes of Internal Revenue Code Section 115, and is an organization as described in Internal Revenue Code Section 501(c)(3). The University's income generally is exempt from federal income taxes, although income from certain activities may be subject to taxation as unrelated business income.

Change in accounting policy – Effective for the fiscal year ended June 30, 2024, the University adopted GASB Statement No. 99, *Omnibus 2022* ("GASB 99"). This statement introduces *other derivative instruments,* which are derivative instruments that do not meet the definition of an investment derivative instrument or the definition of a hedging derivative instrument. Changes in fair value of other derivative instruments are reported as other nonoperating revenues rather than net investment income. At June 30, 2024 and 2023, respectively, the University was party to four derivative instruments classified as other derivative instruments. Changes in fair value of other derivative instruments were reported as other nonoperating revenues during the year ended June 30, 2024. Changes in fair value of other derivative instruments during the year ended June 30, 2023, were immaterial and not reclassified to match current year's presentation. See note 14 for more information.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

2. Cash and cash equivalents

The University's cash and cash equivalents as of June 30, 2024 and 2023 were as follows:

	2024	2023
Cash and cash equivalents, current	$ 271,209	$ 330,752
Restricted cash and cash equivalents, noncurrent	277,394	-
Total cash and cash equivalents	$ 548,603	$ 330,752

Of its cash and cash equivalents, the University had actual cash balances in its bank accounts in excess of Federal Deposit Insurance Corporation ("FDIC") limits of $240,243 and $212,305 at June 30, 2024 and 2023, respectively. The 2024 restricted cash and cash equivalents represent short-term investments with an original maturity less than 90 days and are not insured by the FDIC. The June 30, 2023 disclosure of bank account balances in excess of FDIC limits was revised to exclude certain short-term investments not subject to these limits that was included in the prior year disclosure. The University does not require its deposits to be collateralized or insured.

3. Investments and fair value measurements

The University manages investments in accordance with the investment policy approved by the Board. The investment policy distinguishes guidelines for the Liquidity Pool ("LP"), Liquidity Reserve Pool ("LRP"), and Common Investment Fund ("CIF"). In addition, the University has other investments that are restricted by external agreements or by special donor limitations ("Other").

As of June 30, 2024 and 2023, the University had the following investments:

	June 30, 2024				
Investment type	LP	LRP	CIF	Other	Total
Investment pools	$ -	$ -	$ 4,345,322	$ 52,907	$ 4,398,229
U.S. Government agencies	149,663	43,919	-	35,250	228,832
Municipal bonds	-	272	-	-	272
Corporate bonds	119,652	40,870	-	5,804	166,326
Asset-backed securities	150,773	61,645	-	24,864	237,282
Money market and mutual funds	3,158	7,052	-	1,907	12,117
International bonds	2,378	1,312	-	-	3,690
Life insurance policies	-	-	-	4,008	4,008
Commercial paper	16,978	-	-	-	16,978
Bank time deposits	12,589	-	-	-	12,589
Total	$ 455,191	$ 155,070	$ 4,345,322	$ 124,740	$ 5,080,323

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

	June 30, 2023				
Investment type	LP	LRP	CIF	Other	Total
Investment pools	$ -	$ -	$ 3,902,333	$ 54,820	$ 3,957,153
U.S. Government agencies	167,769	45,464	-	-	213,233
Municipal bonds	1,930	-	-	-	1,930
Corporate bonds	189,109	39,124	-	-	228,233
Asset-backed securities	133,120	63,804	-	-	196,924
Money market and mutual funds	27,996	1,241	-	-	29,237
International bonds	-	203	87	-	290
Life insurance policies	-	-	-	4,286	4,286
Commercial paper	16,272	-	-	-	16,272
Bank time deposits	13,515	-	-	-	13,515
Total	$ 549,711	$ 149,836	$ 3,902,420	$ 59,106	$ 4,661,073

Custodial Credit Risk: For an investment, custodial credit risk exists that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. University investment policy does not limit the value of investments that may be held by an outside party. The University's investments that are held by the University's counterparty in the name of the University as of June 30, 2024 and 2023, respectively, are as follows:

Investment type	2024	2023
Investment pools	$ 39,005	$ 38,871
U.S. Government agencies	228,832	213,233
Municipal bonds	272	1,930
Corporate bonds	166,326	228,233
Asset-backed securities	237,282	196,924
International bonds	3,690	290
Commercial paper	16,978	16,272
Bank time deposits	12,589	13,515
Total	$ 704,974	$ 709,268

The maturities of fixed income investments as of June 30, 2024 and 2023 were as follows:

	June 30, 2024 Fixed Income Investment Maturities				
Investment type	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
U.S. Government agencies	$ 69,616	$ 146,359	$ 5,714	$ 7,143	$ 228,832
Municipal bonds	-	-	-	272	272
Corporate bonds	31,049	110,336	16,542	8,399	166,326
Asset-backed securities	136	114,171	31,948	91,027	237,282
International bonds	217	2,364	370	739	3,690
Commercial paper	16,978	-	-	-	16,978
Bank time deposits	12,589	-	-	-	12,589
Total	$ 130,585	$ 373,230	$ 54,574	$ 107,580	$ 665,969

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

	June 30, 2023 Fixed Income Investment Maturities				
Investment type	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
U.S. Government agencies	$ 11,990	$ 186,555	$ 4,168	$ 10,520	$ 213,233
Municipal bonds	1,930	-	-	-	1,930
Corporate bonds	43,463	158,351	17,511	8,908	228,233
Asset-backed securities	1,947	52,585	45,201	97,191	196,924
International bonds	-	290	-	-	290
Commercial paper	16,272	-	-	-	16,272
Bank time deposits	13,515	-	-	-	13,515
Total	$ 89,117	$ 397,781	$ 66,880	$ 116,619	$ 670,397

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, University investment policy limits the average duration of the LP portfolio to three years and the LRP and CIF portfolios to six years. At June 30, 2024 and 2023, the University was in compliance with its investment policy with regard to average duration. University policy does not address average duration of investments by investment type.

The University invests in asset-backed securities such as mortgage pass-through securities issued by U.S. Government agencies. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The Standard & Poor's credit ratings for fixed income investments at June 30, 2024 and 2023 were as follows:

	June 30, 2024						
	Rating						
Investment type	AAA	AA	A	BBB	BB	Not rated	Total
U.S. Government agencies	$ -	$ 228,832	$ -	$ -	$ -	$ -	$ 228,832
Municipal bonds	-	-	272	-	-	-	272
Corporate bonds	675	6,207	78,805	78,657	602	1,380	166,326
Asset-backed securities	91,802	54,271	2,976	4,988	-	83,245	237,282
International bonds	2,160	176	164	973	-	217	3,690
Commercial paper	-	-	-	-	-	16,978	16,978
Bank time deposits	-	-	-	-	-	12,589	12,589
Total	$ 94,637	$ 289,486	$ 82,217	$ 84,618	$ 602	$ 114,409	$ 665,969

	June 30, 2023						
	Rating						
Investment type	AAA	AA	A	BBB	BB	Not rated	Total
U.S. Government agencies	$ -	$ 212,559	$ -	$ 674	$ -	$ -	$ 213,233
Municipal bonds	-	-	1,930	-	-	-	1,930
Corporate bonds	1,341	10,176	96,452	113,647	-	6,617	228,233
Asset-backed securities	85,025	60,221	4,364	6,679	-	40,635	196,924
International bonds	-	-	-	-	-	290	290
Commercial paper	-	-	-	-	-	16,272	16,272
Bank time deposits	-	-	-	-	-	13,515	13,515
Total	$ 86,366	$ 282,956	$ 102,746	$ 121,000	$ -	$ 77,329	$ 670,397

Credit Risk: While certain holdings are not individually rated, U.S. Treasury bonds and U.S. Government agencies securities are backed by the full faith and credit of the U.S. government, which has an AA+ rating by Standard & Poor's. University policy does not address credit risk by investment type. As a means of managing credit risk on its fixed income investments, University investment policy limits portfolio average investment quality of all separately managed funds to AA and limits investments at time of purchase to the following minimum ratings issued by nationally recognized statistical rating organizations by portfolio type as follows:

- LP portfolio - Short-term A1/P1, long-term BBB
- LRP portfolio - Short-term A2/P2, long-term B
- CIF portfolio - Short-term A2/P2, long-term BB

Concentration of Credit Risk: As a means of managing the concentration of credit risk, University investment policy limits the concentration of investments as follows:

- LP portfolio – No more than 15% of the portfolio's market value may be invested in dollar denominated foreign securities of developed countries (i.e., no emerging markets). No more than 10% of the portfolio's market value will be invested in securities of any single issuer, except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

- LRP portfolio – No more than 10% of the portfolio's market value may be invested in securities below BBB. No more than 10% of the portfolio's market value may be invested in securities of any single issuer, except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

- CIF portfolio – Investments are managed in accordance with asset allocation guidelines and manager guidelines established at the time of manager appointment and consist of equities, real assets, limited partnerships, absolute return funds, and fixed income assets.

As of June 30, 2024 and 2023, not more than 5% of the University's total investments were invested in any one issuer except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

Foreign Currency Risk: University investment policy limits foreign currency risk on its LRP portfolio to 30% of the portfolio's market value, but does not address foreign risks for the LP or CIF portfolios. The University's exposure to foreign currency risk consisted of $8,791 in investments denominated in British pounds sterling and $3,257 in investments denominated in euros at June 30, 2024. The University's exposure to foreign currency risk consisted of $6,899 in investments denominated in British pounds sterling and $4,016 in investments denominated in euros at June 30, 2023.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following describes this hierarchy and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis:

Level 1: Quoted prices in active markets for identical assets or liabilities. Market-price data are generally obtained from relevant exchanges or dealer markets.

Level 2: Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for similar assets or liabilities. Inputs are obtained from various sources, including market participants, dealers, and brokers.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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

Investments classified in Level 1 at June 30, 2024 and 2023 are valued using prices quoted in active markets for those securities.

The fair value of various equity and debt securities held at June 30, 2024 and 2023 was determined primarily on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Investments classified in Level 3 at June 30, 2024 and 2023 are valued using the University's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. Life insurance policies are valued at their cash surrender value.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

The University's estimated fair value of investments at June 30, 2024 and 2023, grouped by the valuation hierarchy outlined above were as follows:

	Fair value measurement at June 30, 2024 using:				
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net asset value (NAV)	Balance at June 30, 2024
Investments by fair value level:					
Equity securities:					
U.S. equities	$ 453,370	$ -	$ -	$ 1,258,467	$ 1,711,837
International equities	-	-	-	52,685	52,685
Debt securities:					
U.S Government agencies	-	191,390	-	-	191,390
Corporate bonds	-	166,326	-	-	166,326
International bonds	-	3,691	-	-	3,691
Municipal bonds	-	272	-	-	272
Asset-backed securities	-	237,282	-	-	237,282
Other fixed income	-	-	-	-	-
Hedge funds	-	-	-	956,939	956,939
Private investments	-	-	2,145	1,400,637	1,402,782
Real assets/Real estate	-	-	18,111	176,513	194,624
Money market and mutual funds	29,899	-	-	-	29,899
Funds held at the Foundation	-	-	20,236	-	20,236
Other investments	-	-	18,897	-	18,897
Total investments by fair value level	$ 483,269	$ 598,961	$ 59,389	$ 3,845,241	$ 4,986,860
Investments valued using other methods					93,463
Total					5,080,323

	Fair value measurement at June 30, 2023 using:				
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net asset value (NAV)	Balance at June 30, 2023
Investments by fair value level:					
Equity securities:					
U.S. equities	$ 375,670	$ -	$ -	$ 1,014,904	$ 1,390,574
International equities	2,736	-	-	50,685	53,421
Debt securities:					
U.S Government agencies	-	213,233	-	-	213,233
Corporate bonds	-	228,233	-	-	228,233
International bonds	-	290	-	-	290
Municipal bonds	-	1,930	-	-	1,930
Asset-backed securities	-	196,923	-	-	196,923
Other fixed income	195	-	-	-	195
Hedge funds	-	-	-	921,867	921,867
Private investments	-	-	1,049	1,328,127	1,329,176
Real assets/Real estate	-	-	22,645	165,463	188,108
Money market and mutual funds	32,522	4,675	-	-	37,197
Funds held at the Foundation	-	-	19,826	-	19,826
Other investments	-	-	21,232	-	21,232
Total investments by fair value level	$ 411,123	$ 645,284	$ 64,752	$ 3,481,046	$ 4,602,205
Investments valued using other methods					58,868
Total					$ 4,661,073

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

As prescribed by GASB Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 90, *Majority Equity Interests,* certain investments held by the University are to be valued using methods other than fair values. The University's estimated value of such investments at June 30, 2024 and 2023, were as follows:

	Investment value at June 30, 2024:				
Investment Type	Valuation Method	100% Owned Holding Company	Investment Entity	Ownership %	Balance at June 30, 2024
Majority Equity Interest	Equity method	MI 411P Holdings, LLC	411 Piquette Holdings, LLC	75.0%	$ 6,362
Majority Equity Interest	Equity method	MI Fisher Holdings LLC	Fisher Acquisitions, LLC	79.1%	19,830
Majority Equity Interest	Equity method	N/A	BXHCP ES II, LLC	61.7%	262
Commercial paper and bank time deposits with original maturities less than one year	Amortized cost	N/A	N/A	N/A	29,566
U.S. Treasury bond investments with original maturities less than one year	Amortized cost	N/A	N/A	N/A	37,443
Investments valued using other methods					$ 93,463

	Investment value at June 30, 2023:				
Investment Type	Valuation Method	100% Owned Holding Company	Investment Entity	Ownership %	Balance at June 30, 2023
Majority Equity Interest	Equity method	MI 411P Holdings, LLC	411 Piquette Holdings, LLC	75.0%	$ 6,115
Majority Equity Interest	Equity method	MI Fisher Holdings LLC	Fisher Acquisitions, LLC	79.1%	21,035
Majority Equity Interest	Equity method	N/A	BXHCP ES II, LLC	61.7%	1,930
Commercial paper and bank time deposits with original maturities less than one year	Amortized cost	N/A	N/A	N/A	29,788
Investments valued using other methods					$ 58,868

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates. The University's estimated fair value of derivatives at June 30, 2024 and 2023 were as follows:

	Fair value measurement at June 30, 2024 using:			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance at June 30, 2024
Derivative instruments by fair value:				
Cash flow hedging derivatives - swap liability	$ -	$ (336)	$ -	$ (336)
Other derivatives - swap liability	-	(8,858)	-	(8,858)
Total derivative instruments by fair value	$ -	$ (9,194)	$ -	$ (9,194)

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

	Fair value measurement at June 30, 2023 using:			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance at June 30, 2023
Derivative instruments by fair value:				
Cash flow hedging derivatives - swap liability	$ -	$ (467)	$ -	$ (467)
Other derivatives - swap liability	-	(14,973)	-	(14,973)
Total derivative instruments by fair value	$ -	$ (15,440)	$ -	$ (15,440)

The University holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value (or its equivalent) of the investment companies as a practical expedient. For the year ended June 30, 2024 and 2023, the fair value, unfunded commitments, and redemption rules of those investments were as follows:

	June 30, 2024	June 30, 2023	As of June 30, 2024 Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equities (a)	$ 1,258,467	$ 1,014,904	$ -	Daily	1 day
International equities (b)	52,685	50,685	-	Various	10-30 days
Hedge funds (c)	956,939	921,867	12,000	Various	31-120 days
Private investments (d)	1,400,637	1,328,127	637,311	Not applicable	Not applicable
Real assets/Real estate (e)	176,513	165,463	25,183	Not applicable	Not applicable
Total	$ 3,845,241	$ 3,481,046	$ 674,494		

[a] *U.S. equities.* This category includes U.S. equities that are marketable equity securities of primarily U.S.-based companies. Several sub-categories of this asset class include: large capitalization companies, small capitalization companies, value-style investing, and growth-style investing.

[b] *International equities.* This category includes international equities that are marketable equity securities in developed and emerging countries outside the U.S. The investment is intended to provide long-term performance similar to or in excess of U.S. equities and provide diversification.

[c] *Hedge funds.* The University invests in hedge funds seeking equity-like returns while reducing volatility. The University will consider funds with a diversifier mandate (lower expected volatility and lower correlation to broad market trends), as well as funds with a growth-oriented mandate (higher expected volatility and higher correlation to broad market trends). Managers with either type of mandate will employ risk management techniques intended to reduce downside potential to a degree considered appropriate for their respective strategy. A de minimis amount of the hedge funds have restrictions that do not allow for redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments ranged from 5 to 24 months at June 30, 2024. Generally, longer redemption restrictions are offered with a lower fee structure.

[d] *Private investments.* This category includes distressed, private equity, and venture capital investments. These investments are illiquid and higher risk/return assets than marketable securities. Risk will be controlled by diversifying across a number of fund managers and by geographic focus, industry emphasis, financing stage, and vintage year. This core private investments portfolio may be supplemented with less diversified specialty funds or direct investments. The investments in the private investments class (limited partnerships) are committed to funds for extended periods of time, often multiple years. The pacing of investment returns is determined by market activity and the discretion of the general partner. Secondary markets exist into which limited partners can sell their interest in funds, but often at a steep discount to the fair value of the investment. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 1 to 10 years.

[e] *Real assets/Real estate.* This category includes private real assets and real estate. Risks related to the investments will be minimized by diversifying through use of investment pools or partnerships that are varied as to property type, location, investment life cycle, and investment manager. This core real asset portfolio may be supplemented with less diversified specialty funds or direct investments.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

4. Foundation investments

The Foundation records investments at fair value. It utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Foundation's estimated fair values of investments measured on a recurring basis as of June 30, 2024 and 2023 were as follows:

	Fair value measurement at June 30, 2024 using:				
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net asset value (NAV)	Balance at June 30, 2024
Marketable securities:					
Short-term investments	$ 438	$ -	$ -	$ -	$ 438
Domestic equities	70,402	-	-	-	70,402
Foreign equities	75	-	-	-	75
Mutual funds - equities	108,750	-	-	-	108,750
Mutual funds - fixed income	6,092	-	-	-	6,092
Alternative investments:					
Private credit	-	-	-	21,007	21,007
Hedge funds	-	-	-	103,893	103,893
Private equity	-	-	-	144,719	144,719
Total investments by fair value level	$ 185,757	$ -	$ -	$ 269,619	$ 455,376

	Fair value measurement at June 30, 2023 using:				
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net asset value (NAV)	Balance at June 30, 2023
Marketable securities:					
Short-term investments	$ 99	$ -	$ -	$ -	$ 99
Domestic equities	85,032	-	-	-	85,032
Foreign equities	229	-	-	-	229
Mutual funds - equities	91,658	-	-	-	91,658
Mutual funds - fixed income	26,147	-	-	-	26,147
Alternative investments:					
Foreign equities	-	-	-	-	-
Hedge funds	-	-	-	99,971	99,971
Private equity	-	-	-	143,566	143,566
Total investments by fair value level	$ 203,165	$ -	$ -	$ 243,537	$ 446,702

The fair value for marketable debt and equity securities are based on quoted market prices. Securities traded on the national securities exchange are valued at the reported sales price on the last business day of the year. Investments traded over the counter on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask price. In accordance with applicable accounting standards, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

Private equity investments are illiquid based upon partnership dissolution. Management, external consultants, and the Board of Directors evaluate these investments for impairment on a quarterly basis. As of June 30, 2024, the Foundation has outstanding commitments to fund limited partnerships and venture capital investments in the amount of $45,656.

5. Accounts and interest receivable

The composition of accounts and interest receivable at June 30, 2024 and 2023 is summarized as follows:

	2024	2023
State appropriations	$ 70,991	$ 67,646
Research and sponsored programs	98,492	114,014
Departmental activities	101,784	54,937
Lease receivables	33,407	39,491
Interest receivable	6,068	6,362
Other	43,906	48,419
	354,648	330,869
Less: allowance for doubtful accounts	17,055	12,434
Total accounts and interest receivable, net	337,593	318,435
Less: current portion	304,238	278,453
Noncurrent portion	$ 33,355	$ 39,982

6. Student loans and pledges receivable

The composition of student loans and pledges receivable at June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Student loans receivable:		
Perkins Federal Loan Program	$ 4,843	$ 6,569
Health Professions Student Loan Programs	11,436	12,431
Other	1,321	1,692
	17,600	20,692
Less: allowance for doubtful accounts	1,320	1,500
Total student loans receivable, net	16,280	19,192
Pledges receivable:		
Capital	63,820	63,664
Operations	65,179	58,628
	128,999	122,292
Less: allowance for doubtful accounts	13,255	12,633
Total pledges receivable, net	115,744	109,659
Total student loans and pledges receivable, net	132,024	128,851
Less: current portion - student loans	5,218	5,726
Less: current portion - pledges	47,177	31,444
Noncurrent portion	$ 79,629	$ 91,681

Principal repayment and interest rate terms of federal and University student loans vary considerably. Campus-based federal loan programs are funded principally with federal and institutional contributions to the University under the Perkins and various health professions loan programs.

The Perkins loan program expired on September 30, 2017, which ended the issuance of new loans under this program, and disallowed any new disbursements after June 30, 2018. The University continues to service outstanding loans in accordance with program specifications as permitted by the Federal government.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

For the year ended June 30, 2024 and 2023, the University distributed $365,328 and $358,728, respectively, for student loans through the U.S. Department of Education William D. Ford Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements.

As discussed in note 1, pledges for permanent endowments do not meet eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Accordingly, pledges for permanent endowments totaling $30,770 and $27,885 at June 30, 2024 and 2023, respectively, are not recognized as assets in the accompanying financial statements, but are expected to be received in future years.

Payments on pledges receivable at June 30, 2024, expected to be received in the following fiscal years ended June 30, are summarized below. The allowance for uncollectible pledges receivable is made based on prior collection experience and management judgment. Gift pledges expected to be collected in the future years are reported at the net present value of the related cash flows discounted at 5.0%.

2025	$	52,592
2026		24,800
2027		17,532
2028		11,032
2029		4,718
2030 and beyond		18,325
Total discounted pledges receivable		128,999
Less: allowance for uncollectible pledges		13,255
Total pledges receivable, net	$	115,744

7. Investments in joint ventures and other assets

The composition of investment in joint ventures and other assets at June 30, 2024 and 2023 is summarized as follows:

		2024		2023
Investment in joint ventures	$	16,387	$	18,155
Other assets		25,013		24,217
Total investment in joint ventures and other assets	$	41,400	$	42,372

The University is a member of two separate incorporated nonprofit joint ventures which are accounted for under the equity method. University Rehabilitation Alliance, Inc. (URA) has the University and Peckham Vocational Industries of Lansing as members and is an enterprise for the treatment of persons with brain injury. Henry Ford Health System - Michigan State University Health Sciences (HF+MSU) has the University and Henry Ford Health as members and is an enterprise that supports a broader affiliation agreement between the two members (see note 16). As of June 30, 2024 and 2023, respectively, the University had a 50% equity interest in URA. As of June 30, 2024 and 2023, the University had a 25% and 57% equity interest, respectively, in HF+MSU based on contributions made to the joint venture to date. The University holds 50% of the board appointment and voting rights in HF+MSU. Copies of financial statements for these entities can be obtained by a written request to: Office of the Controller, Michigan State University, 426 Auditorium Rd., John A. Hannah Administration Building Room 360, East Lansing, Michigan 48824.

At June 30, 2024 and 2023, the University had a note receivable balance of $1,500 and $1,588, respectively. This receivable is due in equal monthly installments by March 2036 at a rate of 5.5% and is secured by the land, property, and equipment of URA.

MSU Health Care, Inc., a blended component unit, is a member of various privately held joint ventures which are accounted for under the equity method, the most significant of which are further disclosed below. Copies of financial statements for these entities can be obtained by a written request to: 909 Wilson Road, Room 421, East Lansing, MI 48824.

Spartan Radiology, LLC, whose members are MSU Health Care, Inc. and Advanced Radiology Services, PC, is an enterprise providing professional medical diagnostic imaging, therapeutic and radiology services, and related professional services. MSU Health Care, Inc., and thus the University, is a 50% member of the nonprofit corporation.

MSU Health Care, Inc. has provided two promissory notes to Spartan Radiology, LLC in the amount of $375 and $350, respectively, each at a rate of 6%, which are secured by all tangible and intangible property of Spartan Radiology, LLC. Principal and accrued interest payments are due quarterly at a rate of 50% of the entity's cash balance to the extent it exceeds $250, with any remaining outstanding amounts due in 2025. The notes had a balance of $670 and $637 at June 30, 2024 and 2023, respectively, including accrued interest.

MSU Health Care, Inc., is also a member of Spartan Imaging, Inc, an incorporated nonprofit joint venture with McLaren Greater Lansing. Spartan Imaging, Inc., is an enterprise engaged in the development, management, and operation of certain outpatient radiology services, consisting of a women's imaging center and outpatient radiology center to serve residents in Lansing, Michigan and the surrounding communities. MSU Health Care, Inc., and thus the University, is a 50% member of the nonprofit corporation.

Other assets includes a $22,543 deposit made related to a facilities agreement with Consumers Energy and $1,059 of assets originally granted to the University under the Morrill Act as a pioneer land-grant college. The Consumers agreement called for the University to fund an initial deposit of $23,000 to Consumers Energy that was used for the construction of a 138kV electrical substation to provide energy to the University. The facility is owned and operated by Consumers Energy. The University is entitled to an annual utility expense rebate from Consumers Energy, based in part on annual energy consumption for a period of up to 25 years, up to an accumulated rebate total of $23,000. Any portion of the deposit not applied to future energy expenses through the annual rebate amount by March 2042 will be forfeited.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

8. Capital assets and collections

Capital asset and collection activity for the years ended June 30, 2024 and 2023 follows:

	2023	Additions	Disposals	Transfers	2024
Non-depreciated capital assets:					
Land	$ 50,810	$ -	$ -	$ -	$ 50,810
Construction in progress	155,259	260,980	-	(175,820)	240,419
Museum collections	29,404	1,124	(36)	(5)	30,487
Total non-depreciated capital assets	235,473	262,104	(36)	(175,825)	321,716
Depreciated and amortized capital assets:					
Buildings and site improvements	4,404,225	81	(389)	170,883	4,574,800
Software and other intangibles	150,114	201	-	6	150,321
Equipment and other	1,319,877	63,838	(40,719)	4,936	1,347,932
Right-to-use assets	109,024	49,700	(14,318)	-	144,406
Less: accumulated depreciation and amortization					
Buildings and site improvements	(2,134,543)	(140,331)	370	-	(2,274,504)
Software and other intangibles	(134,391)	(6,959)	-	-	(141,350)
Equipment and other	(891,211)	(67,335)	40,004	-	(918,542)
Right-to-use assets	(42,707)	(24,268)	14,319	-	(52,656)
Total depreciated and amortized capital assets	2,780,388	(125,073)	(733)	175,825	2,830,407
Total capital assets	$ 3,015,861	$ 137,031	$ (769)	$ -	$ 3,152,123

	2022	Additions	Disposals	Transfers	2023
Non-depreciated capital assets:					
Land	$ 49,241	$ 1,569	$ -	$ -	$ 50,810
Construction in progress	144,640	140,515	-	(129,896)	155,259
Museum collections	28,795	626	(22)	5	29,404
Total non-depreciated capital assets	222,676	142,710	(22)	(129,891)	235,473
Depreciated and amortized capital assets:					
Buildings and site improvements	4,463,892	47,136	(50)	(106,753)	4,404,225
Software and other intangibles	149,832	997	(757)	42	150,114
Equipment and other	1,032,457	80,270	(29,452)	236,602	1,319,877
Right-to-use assets	109,091	8,947	(9,014)	-	109,024
Less: accumulated depreciation and amortization					
Buildings and site improvements	(2,014,951)	(132,537)	16	12,929	(2,134,543)
Software and other intangibles	(127,190)	(6,956)	-	(245)	(134,391)
Equipment and other	(837,346)	(69,937)	28,756	(12,684)	(891,211)
Right-to-use assets	(31,292)	(19,262)	7,847	-	(42,707)
Total depreciated and amortized capital assets	2,744,493	(91,342)	(2,654)	129,891	2,780,388
Total capital assets	$ 2,967,169	$ 51,368	$ (2,676)	$ -	$ 3,015,861

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

The University leases land, office space, office equipment, and medical equipment from external parties. In accordance with GASB 87, the University records right-to-use assets and lease liabilities (see note 13) based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The University does not have any leases subject to a residual value guarantee. The right-to-use assets are amortized over the shorter of the lease term or the underlying asset useful life.

The University has entered into various Subscription-Based Information Technology Arrangements (SBITAs) to allow access to external software for set terms. In accordance with GASB 96, the University records right-to-use assets and subscription liabilities (see note 13) based on the present value of expected payments over the term of the respective agreements. The expected payments are discounted using the interest rate charged in the arrangement, if available, and are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. The University recognized $1,042 and $1,082 of expenses for the years ended June 30, 2024 and 2023, respectively, for variable SBITAs payments not included in the measurement of the subscription liability. For agreements featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The University had $10,847 in commitments under SBITAs before the commencement of the subscription term at June 30, 2023, which are recorded as prepaid expenses. There were no commitments under SBITAs before the commencement of the subscription term at June 30, 2024.

The amount of lease assets and SBITAs by major classes of underlying assets at June 30, 2024 and 2023, respectively, are as follows:

	Right-to-Use Assets			
	June 30, 2024		June 30, 2023	
Asset Class	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	$ 458	$ 170	$ 178	$ 127
Buildings	70,508	25,848	48,690	12,792
Equipment and other	1,042	255	5,720	4,653
SBITAs	72,398	26,383	54,436	25,135
	$ 144,406	$ 52,656	$ 109,024	$ 42,707

The University leases space on buildings to cellular companies, cellular towers, office space, and land to external parties. In accordance with GASB 87, the University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2024 and 2023, the University recognized revenues related to these lease agreements totaling $4,531 and $3,205, respectively.

9. Deferred outflows and inflows of resources

The composition of deferred outflows of resources at June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Accumulated changes in fair value of hedging derivative instruments	$ 336	$ 467
Other postemployment benefits (see note 12)	642,797	479,472
Loss on refunding of debt at June 30, 2010	4,112	4,735
Total deferred outflows of resources	$ 647,245	$ 484,674

The composition of deferred inflows of resources at June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Irrevocable split-interest agreements (net of related liabilities)	$ 20,354	$ 22,373
Other postemployment benefits (see note 12)	299,148	356,342
Lease agreements - University lessor	30,924	37,507
Gain on refunding of debt at June 30, 2020	3,500	3,676
Gain on refunding of debt at June 30, 2023	7,137	7,024
Total deferred inflows of resources	$ 361,063	$ 426,922

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

10. Contingencies and risk management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The University complies with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and related guidance, and records liabilities for legal proceedings and other contingent losses in those instances where the liability is deemed probable and the University can reasonably estimate the amount of the loss (or a range of the loss can be estimated). Once established, accruals are adjusted from time to time, as appropriate, to reflect (1) the facts and circumstances known at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. To manage these risks, the University uses various lines of commercial insurance purchased directly by the University or through Lysander (cell captive insurance company) on an annual basis (including, but not limited to, general liability insurance, educators legal liability insurance, excess medical professional liability insurance, and property insurance) with differing self-insured retentions. The University evaluates self-insured retention amounts annually, and establishes retention amounts based on various factors, including historical claims experience.

The University’s liability for various medical professional liability claims is funded based on actuarial valuations. The liability is reported at its present value of $4,253 and $4,625 as of June 30, 2024 and 2023, respectively. The discount rate used was 4.0% and 3.0% at June 30, 2024 and 2023, respectively, which is based in part on the University's short-term internal cost of capital and industry standards.

The University is also self-insured for various employee benefits that include health care and dental insurance, workers compensation, and unemployment compensation. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported. The workers compensation liability, which will be settled by fixed payments over an extended period of time, is reported at its present value of $3,205 and $3,235 as of June 30, 2024 and 2023, respectively. The discount rate used was 5.0% and 4.0% as of June 30, 2024 and 2023, respectively, which is based in part on the University's medium-term internal cost of capital and industry standards.

Changes in the total reported general, professional, and self-insured employee benefit liabilities during 2024, 2023, and 2022 were as follows:

	2024	2023	2022
Balance, beginning of year	$ 32,428	$ 36,762	$ 37,345
Claims incurred and changes in estimates	221,912	193,683	189,692
Claim payments	(219,837)	(198,017)	(190,275)
Balance, end of year	34,503	32,428	36,762
Less: current portion	25,800	21,881	22,242
Noncurrent portion	$ 8,703	$ 10,547	$ 14,520

For those risks that the University has purchased commercial insurance, settled claims have not exceeded the commercial coverage in any of the past four years.

Certain claims have been filed by students injured in an incident that occurred on campus on February 13, 2023. The outcome of the pending and potential claims is unknown at June 30, 2024, and, therefore, no accruals for future costs have been recorded in the 2024 financial statements.

In the normal course of its activities, the University has been a party in various legal actions. After taking into consideration legal counsel’s evaluation of pending actions, the University is of the opinion that the outcome thereof, other than the actions noted in this footnote, will not have a material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

11. Retirement benefits

The University has a defined contribution base retirement program administered through TIAA and Fidelity Investments for all qualified employees. All regular employees are eligible to participate based on the service requirements specific to their employee group. Participants maintain individual accounts with the base retirement vendors and are fully vested.

Participating employees contribute 5% of their base salary or wages and the University contributed 10% of the employee's base salary or wages, subject to applicable University guidelines and Internal Revenue Service limits. In addition, for certain employees hired after June 30, 2010, and who are not eligible to receive postemployment benefits upon retirement, the University contributes an additional 0.5% or 0.75% (depending on total years of service) of the employee's base salary or wages, subject to applicable limits. Participants may elect to contribute additional amounts to a supplemental program and/or a deferred compensation plan, within specified limits, which are not matched by University contributions. Plan provisions and contribution requirements of plan members and the University are established and may be amended in accordance with University policies, union contracts, or plan provisions. Contributions under the base program, excluding the participants' supplemental contributions, for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
University contributions	$ 112,867	$ 103,694
Employee contributions	55,447	51,559

In addition, the University has a single-employer, defined benefit plan covering 117 employees hired prior to January 1, 1973. The plan is closed to new entrants and monies have been internally reserved by the University to fully fund program costs. The plan is not funded through a pension trust. The University has recorded a liability of $1,423 and $1,670 representing the total remaining pension obligation based on an actuarial valuation as of January 1, 2024 and 2023, respectively. The benefits are based on the employee's compensation during the last three years of employment and/or years of service.

12. Net other postemployment benefit (OPEB) obligations

The University provides retiree health and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries. This is a closed single employer defined benefit plan administered by the University effective for employees hired prior to July 1, 2010. Employees hired on or after July 1, 2010 are eligible to purchase insurance at the average cost of the defined benefit plan. Benefits are provided to eligible faculty, academic staff and support staff who meet normal retirement requirements while still working for the University. Currently, the plan has approximately 22,900 members. The plan does not issue a separate stand-alone financial statement. Terms of benefit plans are generally determined as part of collective bargaining agreements or set by the University for employees who are not represented. The Provost and Executive Vice President for Academic Affairs and the Executive Vice President for Administration are authorized to enter into collective bargaining agreements. In addition, the President and Senior Vice President, Chief Financial Officer, and Treasurer are authorized to approve benefit plan changes.

The University's retiree medical plan is a Medicare advantage and prescription drug plan for those retirees eligible for Medicare. Medicare advantage and prescription drug plans are offered by private companies approved by Medicare to provide bundled Medicare benefits. The University pays a premium for each eligible retiree, spouse, and covered dependent to enroll in the plan and the actual claims are paid by the provider. The University's pre-Medicare medical and prescription drug plan is self-funded and the plan's premiums are updated annually based on actual claims of enrolled retirees, spouses, and covered dependents. Retirees are responsible for various co-payments. The University does not maintain a separate legal trust to hold assets used to fund postemployment benefits, has no obligation to make contributions in advance of when insurance premiums or claims are due for payment, and currently pays for postemployment benefits on a pay-as-you-go basis.

The University's annual postemployment benefits expense is actuarially determined in accordance with GASB Statement No. 75 ("GASB 75"). Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

For the year ended June 30, 2024, the University's reported liability for providing retiree health and dental care benefits is estimated based on an actuarial valuation date of January 1, 2024 and measurement date of December 31, 2023 in accordance with GASB 75. The University's liability is calculated using the entry age normal level percent of pay method. The actuarial assumptions are as follows:

Discount rate	3.26%, based on the Bond Buyer 20-year General Obligation Municipal Bond Index
Salary increases	5.0%
Healthcare cost trend rates	0%/84.29% for 2024, reflecting renegotiated premiums. The trend moves to 6.25%/6.25% in 2025, decreasing 0.25% per year, to an ultimate rate of 4.5% for 2032 and later years. Trend rates shown are for pre-65 rates/post-65 rates, respectively.

For the year ended June 30, 2023, the University's reported liability for providing retiree health and dental care benefits is estimated based on an actuarial valuation date of January 1, 2022 and measurement date of December 31, 2022 in accordance with GASB 75. The University's liability is calculated using the entry age normal level percent of pay method. The actuarial assumptions are as follows:

Discount rate	3.72%, based on the Bond Buyer 20-year General Obligation Municipal Bond Index
Salary increases	5.0%
Healthcare cost trend rates	6.50%/8.31% for 2023, decreasing 0.25% per year, to an ultimate rate of 5% for 2029 and later years. Trend rates shown are for pre-65 rates/post-65 rates, respectively. As of July 1, 2010, internal policy caps healthcare cost increases at a maximum of 5% per year.

For the December 31, 2023 measurement date, the University utilized separate mortality assumptions for faculty and non-faculty staff. Faculty mortality is based on the Pub T.H-2010.H (A) Public Retirement Plans Mortality Tables with MP-2021 improvement scale. Non-faculty staff mortality is based on the RP-2014 Generational Healthy Mortality Tables, with mixed collar adjustments, projected back to 2006 using scale MP-2014 and then projected forward using MP-2021. For the December 31, 2022 measurement date, the University utilized separate mortality assumptions for faculty and non-faculty staff. Faculty mortality was based on the Pub T.H-2010.H (A) Public Retirement Plans Mortality Tables with MP-2021 improvement scale. Non-faculty staff mortality was based on the RP-2014 Generational Healthy Mortality Tables, with mixed collar adjustments, projected back to 2006 using scale MP-2014 and then projected forward using MP-2021. Additional assumptions utilized include employee withdrawal rates up to 1.5% at age 65 for certain employee groups, a retirement age up to 69.0 for certain employee groups, 90% of males and 60% of females having covered spouses, and a retiree opt-out rate of 8%. These additional assumptions are based on an experience study performed in 2019. Changes in the total reported liability for postemployment benefits obligations for the year ended June 30, 2024 and 2023, are summarized as follows:

	2024	2023
Balance, beginning of year	$ 541,879	$ 648,551
Service cost	11,363	16,526
Interest cost	19,868	13,313
Changes in assumptions	247,641	(110,693)
Difference between expected and actual plan experience	16,854	11,817
Benefits payments	(38,329)	(37,635)
Change in benefit terms	13,636	-
Balance, end of year	812,912	541,879
Less: current portion	29,425	26,876
Noncurrent portion	$ 783,487	$ 515,003

Changes in assumptions reflect a change in the discount rate at both the measurement dates of December 31, 2023 and 2022, respectively. Changes in assumption at the December 31, 2023, measurement date also reflects renegotiated premium rates with the plan provider driven by the Inflation Reduction Act and current health insurance market conditions.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

Under the Medicare advantage plan, the Medicare Retiree Drug Subsidy is paid directly to the plan provider, and thus has the effect of reducing the University's postemployment benefits obligations at June 30, 2024 and 2023, respectively.

The December 31, 2023 measurement date amounts are based on the valuation date of January 1, 2024. The December 31, 2022 measurement date amounts are based on the valuation date of January 1, 2022. Therefore, census data, including the number of plan participants, consisted of the following:

	2024	2023
Active employees - Hired before July 1, 2010	4,022	4,824
Active employees - Hired after July 1, 2010	9,370	7,739
Retirees receiving benefits	6,033	5,692
Dependents	3,436	3,261
Total plan participants	22,861	21,516

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend.

A one-percentage point change in the discount rate and assumed health care cost trend rates would have the following impact on the liability for postemployment benefits obligations at June 30, 2024:

	1% Decrease	Current Rates	1% Increase
Discount rate:			
Net OPEB obligations	$ 923,623	$ 812,912	$ 720,837
Increase (decrease)	110,711	-	(92,075)
Health care trend rate:			
Net OPEB obligations	$ 710,019	$ 812,912	$ 939,943
(Decrease) increase	(102,893)	-	127,031

A one-percentage point change in the discount rate and assumed health care cost trend rates would have the following impact on the liability for postemployment benefits obligations at June 30, 2023:

	1% Decrease	Current Rates	1% Increase
Discount rate:			
Net OPEB obligations	$ 622,313	$ 541,879	$ 475,174
Increase (decrease)	80,434	-	(66,705)
Health care trend rate:			
Net OPEB obligations	$ 432,302	$ 541,879	$ 553,398
(Decrease) increase	(109,577)	-	11,519

The components of postemployment benefits expense for the year ended June 30, 2024 and 2023 are summarized as follows:

	2024	2023
Service cost	$ 11,363	$ 16,526
Interest cost	19,868	13,313
Change in benefit terms	13,636	-
Amortization of differences between expected and actual experience	8,796	7,094
Amortization of changes in assumptions	37,420	12,406
Total expense	$ 91,083	$ 49,339

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

Deferred outflows and inflows of resources related to postemployment benefits obligations at June 30, 2024 are summarized as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net deferred impact to OPEB
Changes in assumptions	$ 559,888	$ 295,265	$ 264,623
Differences between expected and actual experience	63,112	3,883	59,229
Benefit payments made after measurement date	19,797	-	19,797
Total	$ 642,797	$ 299,148	$ 343,649

Deferred outflows and inflows of resources related to postemployment benefits obligations at June 30, 2023 are summarized as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net deferred impact to OPEB
Changes in assumptions	$ 406,213	$ 351,811	$ 54,402
Differences between expected and actual experience	55,702	4,531	51,171
Benefit payments made after measurement date	17,557	-	17,557
Total	$ 479,472	$ 356,342	$ 123,130

Of the total amount reported as deferred outflows of resources related to OPEB at June 30, 2024, $19,797 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction in the net OPEB liability in the year ended June 30, 2025. Deferred outflows and inflows related to changes in assumptions and the difference between expected and actual plan experience will be amortized into expense in the following years ended June 30 based upon the average future work life expectancy of plan participants.

2025	$ 46,216
2026	46,216
2027	45,046
2028	34,552
2029	55,850
2030 and beyond	95,972
Total	$ 323,852

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

13. Long-term debt and other obligations

Long-term debt and other obligations for the years ended June 30, 2024 and 2023 are summarized as follows:

	2023	Borrowed	Retired	2024	Current Portion
General Revenue Bonds:					
Series 2024A	$ -	$ 361,640	$ -	$ 361,640	$ -
Series 2023A	307,255	-	9,125	298,130	20,770
Series 2022A	500,000	-	-	500,000	-
Series 2020A	83,835	-	4,380	79,455	4,830
Series 2019C	119,350	-	3,700	115,650	3,775
Series 2019A	320,975	-	740	320,235	6,260
Series 2019B	275,710	-	6,020	269,690	765
Series 2015A	138,100	-	4,465	133,635	4,695
Series 2010A	205,000	-	-	205,000	-
	1,950,225	361,640	28,430	2,283,435	41,095
General Revenue Commercial Paper:					
Series B taxable	108,697	31,056	36,840	102,913	102,913
Series G tax-exempt	45,946	-	8,554	37,392	37,392
	154,643	31,056	45,394	140,305	140,305
Unamortized bond premiums	123,167	37,867	2,706	158,328	3,984
Student loan deposits	23,111	-	5,333	17,778	1,526
Lease obligations	40,034	16,486	6,799	49,721	6,086
SBITA obligations	22,847	19,148	9,505	32,490	9,114
Installment purchases and others	733	200	672	261	196
Total long-term debt and other obligations	$ 2,314,760	$ 466,397	$ 98,839	$ 2,682,318	$ 202,306

	2022	Borrowed	Retired	2023	Current Portion
General Revenue Bonds:					
Series 2023A	$ -	$ 307,255	$ -	$ 307,255	$ 9,125
Series 2022A	500,000	-	-	500,000	-
Series 2020A	87,790	-	3,955	83,835	4,380
Series 2019C	128,280	-	8,930	119,350	3,700
Series 2019A	321,695	-	720	320,975	740
Series 2019B	281,445	-	5,735	275,710	6,020
Series 2015A	142,350	-	4,250	138,100	4,465
Series 2013A	141,585	-	141,585	-	-
Series 2010A	205,000	-	-	205,000	-
Series 2007B	18,805	-	18,805	-	-
Series 2005	47,920	-	47,920	-	-
Series 2003A	42,350	-	42,350	-	-
Series 2000A	74,545	-	74,545	-	-
	1,991,765	307,255	348,795	1,950,225	28,430
General Revenue Commercial Paper:					
Series B taxable	110,000	10,735	12,038	108,697	108,697
Series G tax-exempt	75,875	16,285	46,214	45,946	45,946
	185,875	27,020	58,252	154,643	154,643
Unamortized bond premiums	105,449	39,351	21,633	123,167	2,707
Student loan deposits	25,727	-	2,616	23,111	1,882
Lease obligations	49,320	3,754	13,040	40,034	4,723
SBITA obligations	23,316	9,703	10,172	22,847	7,735
Installment purchases and others	1,541	76	884	733	497
Total long-term debt and other obligations	$ 2,382,993	$ 387,159	$ 455,392	$ 2,314,760	$ 200,617

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

All General Revenue bonds are secured by General Revenues.

Terms for remaining outstanding general revenue bonds at June 30, 2024 are summarized as follows:

General Revenue Bond	Tax Status	Interest Rates	Final Maturity
Series 2024A	Tax-exempt	5%-5.25%	Aug 15, 2054
Series 2023A	Tax-exempt	5%	Feb 15, 2048
Series 2022A	Taxable	4.165%	Aug 15, 2122
Series 2020A	Tax-exempt	3%-5%	Aug 15, 2045
Series 2019C	Tax-exempt	4%-5%	Feb 15, 2044
Series 2019A	Taxable	3.066%-4.496%	Aug 15, 2048
Series 2019B	Tax-exempt	3%-5%	Feb 15, 2048
Series 2015A	Tax-exempt	3%-5%	Aug 15, 2045
Series 2010A	Taxable Build America Bond	6.173%	Feb 15, 2050

The Series 2010A bonds are Build America Bonds. Prior to March 1, 2013, in accordance with the Build America Bonds program, the University received semi-annual federal credit payments equal to 35% of actual interest expense incurred on the outstanding principal balance of the bonds. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions took place on March 1, 2013. These required reductions included a reduction to refundable credits applicable to certain qualified bonds, including Series 2010A. The sequestration reduction rate was 5.7% from October 1, 2020 to September 30, 2030. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration rate is subject to change.

During the year ended June 30, 2024, the University issued Series 2024A tax-exempt general revenue bonds in the amount of $361,640 with a net original issue premium of $37,867. Bond proceeds were used to refund $31,751 of taxable commercial paper Series B and $464 of tax-exempt commercial paper Series G. Proceeds also provided $367,292 for capital projects and debt issuance costs.

The University utilizes variable-rate commercial paper to provide interim financing. The Board has authorized the issuance of up to $250,000 in commercial paper secured by General Revenues and allows for tax-exempt and taxable issuances. Outstanding commercial paper debt is converted to long-term financing, as appropriate, within the normal course of business. Outstanding tax-exempt balances as of June 30, 2024 bear interest at rates from 3.60% to 3.63% and taxable balances bear interest at rates from 5.40% to 5.46%, with principal and accrued interest payments due within a maximum of 270 days from the date of issuance.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

Hedging derivative instrument payments and hedged debt: Using rates as of June 30, 2024, scheduled fiscal year maturities of bonds payable and related interest expense are as follows. These amounts assume that the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, net receipts/payments on the hedging derivative instruments will vary. See note 14 for information on derivative instruments.

Fiscal Year Ending June 30,	Fixed-Rate Bonds Principal	Fixed-Rate Bonds Interest	Hedging Derivatives, Net	Total
2025	$ 41,095	$ 107,205	$ (6)	$ 148,294
2026	48,310	104,863	(5)	153,168
2027	47,705	102,469	(5)	150,169
2028	50,190	100,065	(4)	150,251
2029	50,610	97,514	(4)	148,120
2030-2034	242,565	450,999	(7)	693,557
2035-2039	304,295	388,074	-	692,369
2040-2044	386,790	308,671	-	695,461
2045-2049	454,650	203,017	-	657,667
2050-2054	134,220	123,081	-	257,301
2055-2059	23,005	104,276	-	127,281
2060-2064	-	104,125	-	104,125
2065-2069	-	104,125	-	104,125
2070-2074	-	104,125	-	104,125
2075-2079	-	104,125	-	104,125
2080-2084	-	104,125	-	104,125
2085-2089	-	104,125	-	104,125
2090-2094	-	104,125	-	104,125
2095-2099	-	104,125	-	104,125
2100-2104	-	104,125	-	104,125
2105-2109	-	104,125	-	104,125
2110-2114	-	104,125	-	104,125
2115-2119	-	104,125	-	104,125
2120-2124	500,000	75,491	-	575,491
Total	$ 2,283,435	$ 3,415,225	$ (31)	$ 5,698,629

Interest expense was $100,911 and $94,386 for 2024 and 2023, respectively. Unamortized bond premiums totaled $158,328 ($3,984 current) and $123,167 ($2,707 current) at June 30, 2024 and 2023, respectively. Bond premium amounts are amortized over the applicable bond issue life.

As of June 30, 2024, the scheduled fiscal year maturities of lease liabilities and related interest expense are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	$ 6,086	$ 1,543	$ 7,629
2026	5,903	1,375	7,278
2027	5,722	1,214	6,936
2028	5,691	1,048	6,739
2029	5,467	878	6,345
2030-2034	16,301	2,301	18,602
2035-2039	4,551	527	5,078
	$ 49,721	$ 8,886	$ 58,607

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

As of June 30, 2024, the scheduled fiscal year maturities of SBITAs liabilities and related interest expense are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	$ 9,114	$ 1,241	$ 10,355
2026	6,680	977	7,657
2027	4,518	719	5,237
2028	3,218	529	3,747
2029	2,546	376	2,922
2030-2034	6,414	433	6,847
	$ 32,490	$ 4,275	$ 36,765

Student loan deposits represent funds from the federal government and other private entities related to various student loan programs.

As of June 30, 2024 and 2023, the University held $75,000 in revolving lines of credit that are available for maintaining the required operating cash reserves of the University and providing necessary funds to meet extraordinary cash flow needs, if necessary. For the years ending June 30, 2024 and 2023, no amounts were drawn on these lines of credit.

At June 30, 2024, installment purchases and other is comprised lease-purchase obligations of $71 (all is current) and obligations for installment purchases of $190 ($125 current). At June 30, 2023, installment purchases and other is comprised lease-purchase obligations of $455 ($384 current) and obligations for installment purchases of $278 ($113 current).

Accrued personnel costs include vacation and sick leave days earned but unused, including the University's share of payroll taxes, valued at the current rate of pay. Changes in the balances of accrued personnel costs during 2024 and 2023 were as follows:

	2024	2023
Balance, beginning of year	$ 105,652	$ 136,433
Additions	12,750	9,812
Reductions	(3,492)	(40,593)
Balance, end of year	114,910	105,652
Less: current portion	71,587	65,260
Noncurrent portion	$ 43,323	$ 40,392

14. Derivative instruments

At June 30, 2024 and 2023, respectively, the University was party to two separate pay-fixed, receive-variable interest rate swaps and three separate pay-variable, receive-variable interest rate swaps. During the year ended June 30, 2023, one interest rate swap matured and six interest rate swaps were terminated. In accordance with GASB 99, four derivative instruments were reclassified as other derivative instruments at June 30, 2024 and 2023, respectively. After considering any netting arrangements or other rights of offsets that may exist with each counterparty, interest rate swaps are reported at the net fair value as of the balance sheet date as either a noncurrent asset or noncurrent liability in the Statement of Net Position.

The fair value and notional amounts of derivative instruments outstanding at June 30, 2024 and 2023 were as follows:

	June 30, 2024		June 30, 2023	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivative instruments - swap liability:				
Cash flow hedging derivatives				
Pay-fixed interest rate swaps	$ 5,240	$ (336)	$ 5,690	$ (467)
Other derivatives:				
Pay-variable interest rate swaps	241,810	(3,846)	260,240	(8,032)
Pay-fixed interest rate swaps	66,685	(5,012)	66,685	(6,941)
Total Derivative instruments - swap liability	$ 313,735	$ (9,194)	$ 332,615	$ (15,440)

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

In accordance with GASB Statement No. 53, as amended by GASB Statement No. 90 and No. 93, an interest rate swap is considered an effective cash flow hedge if the swap payment received substantially offsets the payment made on the associated debt and changes in fair value are deferred as either a deferred outflow or a deferred inflow of resources. An interest rate swap that is not considered an effective cash flow hedge and was not entered into as an investment, in accordance with the provisions of the Statements, is deemed to be an other derivative instrument and changes in fair value are recorded as other nonoperating revenues. For the fiscal year ending June 30, 2024 and 2023, the fair value of hedging derivative instruments increased $131 and $17,862, respectively, while the fair value of other derivative instruments increased $6,115 and $277, respectively.

Fair Value: The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the dates of each future net settlement on the swaps.

Objective: The University is party to two separate derivative instruments which are pay-fixed, receive-variable interest rate swaps that hedge the changes in cash flows on various variable-rate debt series. In order to protect against the potential of rising interest rates, the University entered into these derivative instruments at a cost less than what the University would have paid to issue fixed-rate debt. In order to benefit from expected changes in the relationship of short and long-term interest rates, the University is party to three separate derivative instruments which are pay-variable, receive-variable interest rate swaps which relate to various debt series.

Terms, Fair Values, and Credit Risk: The following table displays the terms and fair values of the University's hedging derivative instruments outstanding at June 30, 2024 and 2023, along with the notional amounts and credit rating of the associated counterparty as of June 30, 2024.

Type	Cah Flow Hedge for Debt Series	2024 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating	2024 Fair Value	2023 Fair Value
Pay-fixed interest rate swap	Taxable CP	5,240	11/3/2008	2/15/2033	5.330%	USD-SOFR Fallback Rate one month	Barclays Bank PLC / A1/A+	$ (336)	$ (467)
		$ 5,240						$ (336)	$ (467)

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

The following table displays the terms and fair values of the University's other derivative instruments outstanding at June 30, 2024 and 2023, along with the notional amounts and credit rating of the associated counterparty as of June 30, 2024:

Type	Associated Debt Series	2024 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating	2024 Fair Value	2023 Fair Value
Pay-variable interest rate swap	2019C and 2023A	$ 154,480	8/15/2009	2/15/2034	67% 1-month USD-SOFR Fallback Rate	67% 10-year USD-SOFR ICE Swap Rate less 0.407%	PNC Bank, NA / A2/A	$ (2,696)	$ (4,727)
Pay-variable interest rate swap	Taxable CP	5,240	5/26/2006	2/15/2033	1-month USD-SOFR Fallback Rate	10-year USD-SOFR ICE Swap Rate less 0.575%	PNC Bank, NA / A2/A	(134)	(236)
Pay-variable interest rate swap	2019C and 2023A	82,090	5/17/2007	2/15/2037	SIFMA Municipal Swap Index	67% 10-year USD-SOFR ICE Swap Rate plus 0.0063%	JP Morgan Chase Bank / Aa2/A+	(1,016)	(3,069)
Pay-fixed interest rate swap	Taxable and Tax-exempt CP	66,685	5/17/2007	2/15/2037	4.226%	67% 3-month USD-SOFR Fallback Rate plus 0.63%	JP Morgan Chase Bank / Aa2/A+	(5,012)	(6,941)
		$ 308,495						$ (8,858)	$ (14,973)

Credit Risk: The University is exposed to credit risk on derivative instruments that are in asset positions. The aggregate fair value of derivative instruments in asset positions at June 30, 2024 and 2023 was zero and the University was not exposed to credit risk on these interest rate swaps. To minimize its exposure to loss related to credit risk, it is the University's policy to require counterparty collateral posting provisions. The University has never failed to access collateral when required.

The following table demonstrates the thresholds and minimum transfers for collateralization with counterparties that have interest rate swaps in effect at June 30, 2024:

	PNC Bank, NA		JP Morgan Chase Bank		Barclays Bank PLC	
Credit Rating	Threshold	Minimum Transfer	Threshold	Minimum Transfer	Threshold	Minimum Transfer
Aaa/AAA	$ 40,000	$ 1,000	$ 40,000	$ 1,000	$ 40,000	$ 1,000
Aa3/AA- to Aa1/AA+	6,000*	1,000	20,000	1,000	6,000	1,000
A3/A- to A1/A+	1,500	500	5,000	500	1,500	500
Baa1/BBB+	500	250	500	250	500	250
Below Baa1/BBB+	-	250	-	250	-	-

* Threshold for the University is $20,000

Interest Rate Risk: The University is not exposed to interest rate risk on its derivative instruments.

Basis Risk: The University is exposed to basis risk on its pay-fixed, receive-variable interest rate swaps because the variable-rate payments received by the University on these derivative instruments are based on USD-SOFR Fallback Rates and the University pays a variable-rate set by a dealer on the hedged commercial paper.

Termination Risk: The University or any of the involved counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a derivative instrument is in a liability position, the University would be liable to the appropriate counterparty for a payment equal to the liability, subject to any netting arrangement.

Rollover Risk: The University is not exposed to rollover risk on its derivative instruments.

Contingencies: All of the University's derivative instruments include provisions that require the University to post collateral at certain thresholds depending on the University's credit rating. See the table under "Credit Risk" for thresholds and minimum transfers for collateralization. As of June 30, 2024, the University's credit ratings were Aa2 as assigned by Moody's and AA as assigned by Standard & Poor's. The aggregate fair value of all derivative instruments with these collateral posting provisions as of June 30, 2024 was ($9,194). There were no related collateral postings between the University and its counterparties as of June 30, 2024.

15. Grants and contracts

The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. University management believes adjustments of costs, if any, resulting from such examination by the granting agency would not be material.

16. Commitments

At June 30, 2024, the University has initiated plans and incurred certain contractual commitments related to the construction or capital improvement of various facilities. The costs to complete the projects are estimated to be $663,749 and are to be funded from debt proceeds, capital grants, private gifts, and other University funds. Certain University facilities have been, or are scheduled to be, financed in whole or in part by SBA bond issues secured by a pledge of rentals to be received from the State of Michigan pursuant to agreements among the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to the respective facilities, although the University has capitalized the facilities and pays all operating and maintenance costs. Once the SBA bonds are fully paid, the SBA will transfer title of the facilities to the University.

At June 30, 2024, the University had entered into various limited partnerships with investment managers of hedge, real assets, real estate, venture capital, private equity, and restructuring funds. As of June 30, 2024, $674,494 of investment commitments remain outstanding.

The University is party to an electric power purchase and site access agreement for renewable solar energy. Under the terms of the contract, the University has granted a third party access to construct, operate, and maintain solar arrays on the University's property. The University is committed to purchase, at a fixed rate, all of the electric power generated from the solar arrays. The University has the option to purchase the solar array infrastructure at specific dates throughout the term of the contract.

The University is party to an affiliation agreement with Henry Ford Health System to form the Health Sciences Center. The overall goals of the Health Sciences Center include developing a jointly branded and nationally recognized research program, developing a new research building in Detroit, creating a National Cancer Institute designated cancer center, an expanded educational agenda, and establishing a regional campus and training sites in Detroit. In connection with the agreement, the University has committed to investing $3,750 per year in Health Sciences Center research and education programming. The University has also committed to participate in fundraising and other initiatives to assist in funding the overall goals of the Health Sciences Center as mutually agreed to by both parties.

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

17. Blended component units

As indicated in note 1, the University consolidates MSU Health Care, Inc. and Lysander in a blended presentation. Condensed combining financial information for the years ended June 30, 2024 and 2023, respectively, are presented below:

Condensed Statement of Net Position:	MSU Health Care, Inc.		Lysander	
	2024	2023	2024	2023
Current assets	$ 22,976	$ 22,273	$ 9,979	$ 3,900
Capital assets, net	7,567	8,461	-	-
Amounts receivable from the University	530	878	-	-
Other assets	11,423	12,207	-	-
Total assets	42,496	43,819	9,979	3,900
Deferred outflows of resources	-	-	-	-
Current liabilities	8,495	3,262	2,975	2,181
Noncurrent liabilities	3,564	7,993	-	-
Amounts payable to the University	14,921	10,964	-	-
Total liabilities	26,980	22,219	2,975	2,181
Deferred inflows of resources	-	-	-	-
Net investment in capital assets	1,503	1,572	-	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	14,013	20,028	7,004	1,719
Total net position	$ 15,516	$ 21,600	$ 7,004	$ 1,719

Condensed Statement of Revenues, Expenses, and Changes in Net Position:	MSU Health Care, Inc.		Lysander	
	2024	2023	2024	2023
Operating revenues	$ 103,049	$ 94,855	$ -	$ -
Revenues from the University	1,857	2,242	11,364	1,241
Total operating revenues	104,906	97,097	11,364	1,241
Operating expenses, external	33,409	24,408	6,079	734
Operating expenses, University	42,555	44,963	-	-
Depreciation expense	3,195	3,218	-	
Total operating expenses	79,159	72,589	6,079	734
Net operating income (loss)	25,747	24,508	5,285	507
Gifts and contributions	4	1,179	-	-
Other nonoperating revenues, net	4,092	401	-	-
Contributions from the University	10,004	2,142	-	-
Net non-operating revenue (expense)	14,100	3,722	-	-
Transfers from (to) the University	(45,931)	(31,450)	-	-
Change in net position	(6,084)	(3,220)	5,285	507
Beginning net position	21,600	24,820	1,719	1,212
Ending net position	$ 15,516	$ 21,600	$ 7,004	$ 1,719

NOTES TO THE FINANCIAL STATEMENTS (continued) (dollars in thousands)

Condensed Statement of Cash Flows:	MSU Health Care, Inc.		Lysander	
	2024	2023	2024	2023
Net cash provided (used) by operating activities	$ 32,142	$ 26,867	$ 6,024	$ 815
Net cash provided (used) by noncapital financing activities	(32,837)	(32,650)	-	-
Net cash provided (used) by capital and related financing activities	(3,093)	(4,166)	-	-
Net cash provided (used) by investing activities	4,067	1,421	-	-
Beginning cash and cash equivalents	8,500	17,028	2,400	1,585
Ending cash and cash equivalents	$ 8,779	$ 8,500	$ 8,424	$ 2,400

The University has a note receivable due from MSU Health Care, Inc. with a balance of $7,361 and $8,000 at June 30, 2024 and 2023, respectively. This receivable bears interest at a rate of 5% and is due in monthly installments maturing in May 2033.

18. New accounting pronouncements

The University will be required to implement the provisions of GASB Statement No. 101, *Compensated Absences*, effective for the fiscal year ending June 30, 2025. This GASB Statement updates the recognition and measurement guidance for compensated absences. The University is in the process of determining the full impact of this standard on its financial statements.

The University will be required to implement the provisions of GASB Statement No. 102, *Certain Risk Disclosures*, effective for the fiscal year ending June 30, 2025. This GASB Statement updates the required disclosures to include information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make the University vulnerable to a substantial impact. The University is in the process of determining the full impact of this standard on its financial statements.

The University will be required to implement the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ending June 30, 2026. This GASB Statement improves the key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the University's accountability. The University is in the process of determining the full impact of this standard on its financial statements.

Financial report prepared under the direction of Lisa A. Frace, Senior Vice President, Chief Financial Officer, and Treasurer;
Gregory J. Deppong, Associate Vice President and University Controller; John L. Thelen, Assistant Controller;
and Shea Bryant, Manager of Financial Reporting

REQUIRED SUPPLEMENTARY INFORMATION (dollars in thousands)

Schedule of changes in the University's total OPEB liability and related ratios

The historical reconciliation of the total reported liability for postemployment benefits obligations for the year ended June 30, 2024, 2023, 2022, 2021, 2020, 2019, and 2018 is summarized as follows:

	2024	2023	2022	2021	2020	2019	2018
Service cost	$ 11,363	$ 16,526	$ 19,691	$ 57,333	$ 41,383	$ 48,202	$ 41,211
Interest cost	19,868	13,313	13,480	59,410	66,476	70,323	69,928
Changes in assumptions	247,641	(110,693)	(23,184)	170,012	402,866	(447,295)	115,470
Differences between expected and actual plan experience	16,854	11,817	36,300	(6,475)	27,297	-	-
Benefit payments	(38,329)	(37,635)	(27,831)	(44,938)	(44,017)	(39,943)	(38,599)
Change in benefit terms	13,636	-	-	(1,746,587)	-	-	-
Net changes	$ 271,033	$ (106,672)	$ 18,456	$(1,511,245)	$ 494,005	$ (368,713)	$ 188,010
Total liability, beginning of year	$ 541,879	$ 648,551	$ 630,095	$2,141,340	$1,647,335	$2,016,048	$1,828,038
Total liability, ending of year	$ 812,912	$ 541,879	$ 648,551	$ 630,095	$2,141,340	$1,647,335	$2,016,048
Covered payroll	$1,206,033	$1,059,267	$1,023,446	$1,041,405	$1,006,188	$ 993,122	$ 959,538
Total liability as a percentage of covered payroll	67.4%	51.2%	63.4%	60.5%	212.8%	165.9%	210.1%

Notes to Schedule:

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

Discount rates used in determining the total reported liability for postemployment benefits obligations were 3.26%, 3.72%, 2.06%, 2.12%, 2.73%, 4.09%, 3.44%, and 3.78% at the measurement dates of December 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016, respectively.

In 2024, the changes in assumptions also relates to the increase in renegotiated premiums as a result of the Inflation Reduction Act and health insurance market conditions.

In 2021, the change in benefit terms includes a transition to a Medicare advantage and prescription drug plan.

In 2020, changes in assumption include the repeal of the Affordable Care Act high cost plan excise tax and a reduction in the current health care cost trend rate from 7.50% to 6.88%.

In 2019, as a result of an experience study, assumptions related to mortality, employee withdrawal rates, retirement age, salary increases, marital status, and retiree opt-out rates were adjusted to more closely reflect actual experience. The changes were as follows:

- Mortality – The University changed from using the RP-2014 Generational Healthy Mortality Tables, with white collar adjustments for all employees to Pub T.H-2010.H (A) Public Retirement Plans Mortality Tables for faculty and MP-2014 Generational Healthy Mortality Tables, with mixed collar adjustments for non-faculty.

- Employee withdrawal rate – The University changed from 0% at age 55 to up to 1.5% at age 65 for certain employee groups.

- Retirement age – The University increased the retirement age from 62.4 for all employees to up to 69.0 for certain employee groups.

- Salary increase – The University increased the salary increase level from 4% to 5%.

- Marital status – The University increased the number of covered spouses from 80% for males and 50% for females to 90% for males and 60% for females.

- Retiree opt-out rate – The University increased the retiree opt-out rate from 0% to 8%.

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

Independent Auditor's Report

To Management and the Board of Trustees
Michigan State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Michigan State University (the "University") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 25, 2024. Our report includes a reference to other auditors who audited the financial statements of Michigan State University Research Foundation (the "Foundation"), as described in our report on Michigan State University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation or that are reported on separately by those auditors who audited the financial statements of the Foundation.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

To Management and the Board of Trustees
Michigan State University

Purpose of this Report

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

Plante & Moran, PLLC

October 25, 2024