



2025

ANNUAL
FINANCIAL
REPORT



MICHIGAN STATE
UNIVERSITY



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A MESSAGE FROM THE PRESIDENT

FY25 Audited Financial Statements



It is my pleasure to present Michigan State University's 2024-2025 financial statements in partnership with Lisa Frace, our senior vice president, chief financial officer and treasurer.

Shortly over a year ago, I announced at my presidential investiture several initiatives that would solidify our role as "Michigan's state university" and strengthen our mission of advancing education, research and outreach.

In October 2024, we launched Spartan One-Stop to answer students' questions about enrollment, billing and financial aid, ensuring their ability to focus on academic success. Additionally, we formed the Green and White Council earlier this year. This dynamic group of civic and business leaders is working to identify and sponsor initiatives that prepare Spartan students to meet Michigan's 21st-century workforce needs.

We continued to drive innovative research across all disciplines — from agriculture to health sciences. Despite federal changes that impacted grant funding, the university achieved a 4.1% increase in sponsored program activity as compared to the previous fiscal year.

Indicative of our land-grant mission, we focused on making MSU more accessible and welcoming to all. We initiated our Spartan Bus Tour to build connections across Michigan, strengthened our partnership with Lansing Community College and began work on the First-Gen Center to support first-generation college students better.

However, like many other institutions, MSU faces external financial pressures, including significant inflationary increases in costs and ongoing changes in federal policy. To counteract these headwinds, we examined our finances through a three-horizon timeframe — looking for potential short-, medium- and long-term efficiencies and savings. And we assessed the budget model, identified available reserves and forecasted operating budget trends. To ensure the continued stability and strength of the institution's financial health, all colleges and administrative units will implement budgetary reductions over the next two years.

We have been entrusted with the university's success and must continue to pursue operational excellence and financial stewardship. As we enter a new fiscal year, we continue to advance the financial health, sustainability and success of Michigan State University now and for generations of Spartans to come.

Go Green!

A handwritten signature in black ink that reads "Kevin M. Guskiewicz". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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



A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

FY25 Audited Financial Statements



I am pleased to present Michigan State University's financial statements for the fiscal year ending June 30, 2025.

Despite a complex financial landscape, MSU has taken action to maintain strong financial stewardship and continues to align strategic investments with our mission and the revised 2030 Strategic Plan. Through diversified revenue streams and purposeful operational efficiencies, we strengthened our financial position and continued to invest in the university's future. Our balance sheet, with its strong net position, continues to demonstrate stability in financial performance.

Key highlights include:

- **Total assets and deferred outflows:** \$10.4 billion
- **Net position:** \$5.7 billion, an increase of \$117 million
- **Revenues and Expenses:** \$3.6 billion and \$3.5 billion, respectively
- **Sponsored programs:** \$28 million increase (4.1% over FY24), largely driven by National Institute for Health awards in Health Sciences
- **Capital investment:** \$532 million and issuance of \$370 million in new bonds for future strategic capital projects

As we look to the future, Michigan State University remains committed to long-term financial stability and accountability. As President Guskiewicz noted, external financial pressures – including inflation on goods and services and federal policy changes – coupled with a continued effort to improve upon internal spending controls, have prompted proactive budget reductions in all units over the next two fiscal years. While these decisions are challenging, they are designed to firmly position the university to navigate uncertainty, to keep the institution on strong financial ground, pursue opportunities that advance the success of all Spartans, and safeguard MSU's fiscal health for future generations of Spartans.

As we enter the new fiscal year, Michigan State University continues to deploy its financial resources in alignment with our mission, always keeping stewardship for a sustainable future in mind. We will continue to do so by being bold, strategic, and student focused. We are proud to serve the people of Michigan through education, research and outreach.

Go Green,

A handwritten signature in dark ink, appearing to read "Lisa Frace". The signature is fluid and cursive.

Lisa Frace
Senior Vice President, Chief Financial Officer and Treasurer



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, 2025 and 2024 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, 2025 and 2024 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.

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 basic 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 31, 2025 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 31, 2025



Introduction

The following discussion provides an overview of the financial position of Michigan State University (the "University") for the fiscal years ended June 30, 2025 and 2024.

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, 2025, 2024, and 2023.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
		<i>(in millions)</i>	
Current assets	\$ 1,070	\$ 1,114	\$ 1,233
Noncurrent assets:			
Endowment and other investments	5,066	4,625	4,112
Capital assets, net	3,491	3,152	3,016
Other	222	432	174
Total assets	<u>9,849</u>	<u>9,323</u>	<u>8,535</u>
Deferred outflows of resources	557	647	485
Current liabilities	819	678	633
Noncurrent liabilities	3,489	3,331	2,702
Total liabilities	<u>4,308</u>	<u>4,009</u>	<u>3,335</u>
Deferred inflows of resources	389	361	427
Net Investment in Capital Assets	1,780	1,642	1,595
Restricted:			
Nonexpendable	1,149	1,101	1,052
Expendable	1,910	1,747	1,481
Unrestricted	870	1,110	1,130
Net position	<u>\$ 5,709</u>	<u>\$ 5,600</u>	<u>\$ 5,258</u>

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

Current assets:

Current assets consist of cash and cash equivalents, investments, net accounts and interest receivable, and other assets. During 2025, cash and cash equivalents decreased \$160 million. The decrease is a function of the University's operating, financing, and investing activities as reported in the statement of cash flows. Investments increased \$18 million, primarily due to increases in short-term investment reserves. Net receivables increased \$95 million, primarily due to a \$55 million increase in Michigan Department of Health and Human Services' Specialty Network Access Fund ("SNAF") program receivables, and an increase of \$31 million in Research and Sponsored program related receivables. Timing of SNAF funding can vary from year to year and is based on quarterly review and approval by the state and federal government.



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. The increase in SNAF program receivables was offset by a \$16 million decrease in Research and Sponsored program related receivables.

Noncurrent assets:

Endowment and other investments

At June 30, 2025 and 2024, the University's endowment and other investments totaled \$5,066 million (an increase of \$441 million) and \$4,625 million (an increase of \$513 million), respectively. Endowment and other investments amounts were comprised of the following:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
	<i>(in millions)</i>		
Endowment investments:			
Beginning balance	\$ 4,224	\$ 3,803	\$ 3,469
Gifts and University additions	46	39	49
Investment earnings net of transfers	131	382	195
Reallocation (to)/from operating funds	-	-	90
Ending balance	<u>\$ 4,401</u>	<u>\$ 4,224</u>	<u>\$ 3,803</u>
Other investments	665	401	309
Total endowment and other investments	<u>\$ 5,066</u>	<u>\$ 4,625</u>	<u>\$ 4,112</u>

Other investments includes unspent bond proceeds, which totaled \$319 million (an increase of \$251 million) and \$68 million (an increase of \$68 million) at June 30, 2025 and 2024, respectively. Additionally, operating reserves related to retirement benefits and postemployment benefits, which totaled \$148 million (an increase of \$1 million) and \$147 million (an increase of \$18 million) at June 30, 2025 and 2024, respectively. Also included in other investments was the Liquidity Reserve Pool component of the University's Operating Cash Pool (\$165 million (an increase of \$10 million) and \$155 million (an increase of \$5 million) in 2025 and 2024, 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, 2025, 2024, and 2023, the University's investments in capital assets were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
	<i>(in millions)</i>		
Land	\$ 52	\$ 51	\$ 51
Buildings and site improvements	4,694	4,575	4,404
Construction in progress	592	240	155
Software and other intangibles	150	150	151
Equipment and other	1,411	1,348	1,320
Museum collections	35	31	29
Right-to-use assets	145	144	109
Less: accumulated depreciation and amortization	(3,588)	(3,387)	(3,203)
	<u>\$ 3,491</u>	<u>\$ 3,152</u>	<u>\$ 3,016</u>

Additions to buildings and site improvements during 2025 and 2024 included:

	<u>2025</u>	<u>2024</u>
	<i>(in millions)</i>	
Multicultural Center	\$ 37	\$ -
FRIB Renovations to Chemistry Building	13	-
Library Renovations - Special Collections	12	-
Tom Izzo Football Building	-	67
Farm Lane Bridge and Road Reconstruction	-	37
Chemistry Lab Upgrades	13	9
Other	61	58
Total	<u>\$ 136</u>	<u>\$ 171</u>



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, 2025 and 2024 included:

	2025	2024
	<i>(in millions)</i>	
Student Recreation and Wellness Center	\$ 130	\$ 33
Detroit Research Building	86	13
Dairy Teaching and Research Complex	57	-
Plant and Environmental Sciences Building	42	-
West Regional Chilled Water Plant	35	-
Campbell Hall Building Renovation	29	-
Plant Science Greenhouse Renovation	26	-
Museum HVAC and Window Replacement	18	-
Engineering and Digital Innovation Building	10	-
Experimental Beamline Upgrade	-	21
Multicultural Center	-	20
Other	159	153
Total construction in process	<u>\$ 592</u>	<u>\$ 240</u>

As of June 30, 2025, 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 \$410 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, 2025 and 2024, other noncurrent assets totaled \$222 million (a decrease of \$210 million) and \$432 million (an increase of \$258 million), respectively. The decrease in 2025 was due primarily to a reduction of \$185 million in unspent bond proceeds from June 30, 2024. 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, 2025 and 2024, deferred outflows of resources totaled \$557 million (a decrease of \$90 million) and \$647 million (an increase of \$162 million), respectively. In 2025 and 2024, 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")) decreased by \$92 million and increased by \$163 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 2025 and 2024 decreasing by \$1 million combined. The University also had deferred amounts related to asset retirement obligations totaling \$2 million for the year ending June 30, 2025, as certain equipment contains refrigerants subject to federal disposal requirements. No such asset retirement obligations were recognized for the year ended June 30, 2024.

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 2025 was due primarily to increases of \$111 million in trade accounts payable, \$15 million in accrued personnel costs, \$2 million in unearned revenues, and \$11 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 portion of net other postemployment benefit obligations and the current portion of long-term debt and other obligations, all of which remained relatively consistent in 2025. The increase in trade accounts payable at June 30, 2025, can primarily be attributed to an increase in construction and retainage payables related to ongoing construction projects as well as increases in SNAF program payables to medical providers.

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.

Noncurrent liabilities, primarily debt and net postemployment benefit obligations:

At June 30, 2025, the University had noncurrent debt and other obligations outstanding of \$2,704 million compared with \$2,480 million at June 30, 2024. During the year ended June 30, 2025, the University issued Series 2025A (\$370 million) bonds which were used to refund \$97 million of series 2015A general revenue bonds and will provide funding for capital projects. During the year ended June 30, 2024, the University issued Series 2024A (\$362 million) bonds which were used to refund certain commercial paper and provide funding for capital projects. The University has outstanding general revenue bonds of \$2,683 million and \$2,442 million in 2025 and 2024, respectively (including \$167 million and \$158 million in 2025 and 2024, 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, 2025, 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, 2025 and 2024, the noncurrent portion of the University's net postemployment benefit obligations (OPEB) totaled \$711 million (a decrease of \$72 million) and \$783 million (an increase of \$268 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. 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.

Deferred inflows of resources:

At June 30, 2025 and 2024, deferred inflows of resources totaled \$389 million and \$361 million, respectively (an increase of \$28 million). In 2025, deferred inflows of resources representing deferred amounts due to changes in assumptions used to calculate the valuation of other postemployment benefits increased by \$11 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, 2025 and 2024 totaled \$21 million and \$20 million (an increase of \$1 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, 2025 and 2024 totaled \$39 million and \$31 million (an increase of \$8 million), respectively. Deferred inflows of resources of \$18 million and \$10 million (an increase of \$8 million) were recognized in 2025 and 2024, respectively, due to gains on bond refunding related to the refunding of general revenue bonds. The \$8 million increase can be attributed to gains on bond refunding related to the Series 2025A bond issuance.



Net position:

Net position represents residual University assets and deferred outflows after liabilities and deferred inflows are deducted. The University's net position at June 30, 2025, 2024, and 2023 was as follows:

	2025	2024	2023
	<i>(in millions)</i>		
Net investment in capital assets	\$ 1,780	\$ 1,642	\$ 1,595
Restricted:			
Nonexpendable	1,149	1,101	1,052
Expendable	1,910	1,747	1,481
Total restricted	3,059	2,848	2,533
Unrestricted	870	1,110	1,130
Total Net Position	<u>\$ 5,709</u>	<u>\$ 5,600</u>	<u>\$ 5,258</u>

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 2025, expendable restricted net position increased by \$163 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 2025 summer semester and the first quarter of fiscal year 2026, 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, 2025, 2024, and 2023 follows:

	2025	2024	2023
	<i>(in millions)</i>		
Operating revenues:			
Student tuition and fees, net of allowances	\$ 956	\$ 931	\$ 887
Grants and contracts	656	642	585
Auxiliary activities	538	513	481
Other operating revenues	324	301	299
Total operating revenues	2,474	2,387	2,252
Operating expenses:			
Instruction and departmental research	918	853	792
Research	512	486	450
Public service	428	403	366
Academic support	164	156	147
Student services	84	77	63
Scholarships and fellowships	93	98	86
Institutional support	225	208	160
Operation and maintenance of plant	172	148	150
Auxiliary enterprises	483	466	438
Other postemployment benefits expense	80	91	49
Depreciation and amortization	251	239	229
Other operating expenses, net	3	2	3
Total operating expenses	3,413	3,227	2,933
Operating loss	(939)	(840)	(681)
Nonoperating revenues (expenses):			
State operating appropriation	327	320	304
State AgBioResearch appropriation	39	39	37
State Extension appropriation	34	33	32
Federal Pell grant revenue	62	47	43
Gifts	102	89	79
Net investment income	518	635	278
Interest expense on indebtedness	(114)	(101)	(94)
Other nonoperating revenues, net	15	22	12
Net nonoperating revenues	983	1,084	691
Income before other	44	244	10
State capital appropriations	6	30	1
Capital grants and gifts	30	31	48
Additions to permanent endowments	37	37	39
Increase in net position	117	342	98
Net position, beginning of year	5,600	5,258	5,160
Beginning net position adjustment	(8)	-	-
Net position, beginning of year, restated	5,592	5,258	5,160
Net position, end of year	\$ 5,709	5,600	5,258



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, 2025, 2024, and 2023, respectively, are presented in millions of dollars:

Total Net Revenues - \$3,644 Million



The University recognized student tuition and fees revenues (net of scholarship allowances) totaling \$956 million and \$931 million in 2025 and 2024, respectively. Gross tuition and fees revenue increased \$44 million, due in part to increases in student enrollment and tuition rates, which was offset by an increase in scholarship allowance of \$19 million. In 2024, gross tuition and fees increased by \$58 million, offset with a \$14 million increase in scholarship allowance.



Federal grants and contracts revenues in 2025 totaled \$534 million (an increase of \$6 million), including \$516 million in sponsored programs. In 2024, federal grants and contracts increased by \$48 million.

Auxiliary activities revenues (activities that provide services to students, faculty, staff, and the public) totaled \$538 million (an increase of \$25 million) in 2025. The increase in auxiliary activities was primarily driven by increases in residential housing and dining rates and overall occupancy. In 2024, auxiliary activities increased \$32 million which was driven by increases in residential housing and dining.

State appropriations revenues totaled \$406 million in 2025, a decrease of \$16 million. In 2025, the University received \$327 million in funding for general operations compared to \$320 million in 2024. Michigan State University Extension and MSU AgBioResearch appropriations totaled \$73 million, an increase of \$1 million from 2024. In 2025, the University also recognized \$6 million in state capital appropriations compared to \$30 million in 2024, which was related primarily to nonrecurring Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) funding received in 2024.

Other significant components of revenues in 2025 included net investment income, which decreased \$117 million due to market conditions. In 2024, net investment income increased \$357 million also due to market conditions. Gifts totaled \$102 million in 2025, an increase of \$13 million. In 2024, gifts totaled \$89 million, an increase of \$10 million.

During 2025, \$1,858 million was expended for the core missions of the University: instruction and departmental research, research, and public service, an increase of \$116 million (6.7%) from 2024. Instruction and departmental research and research expenses increased \$91 million (6.8%), while public service expenses increased \$25 million (6.2%), which reflects an increase in employee count and raises during 2025. In 2024, expenses for the core mission of the University increased \$134 million.

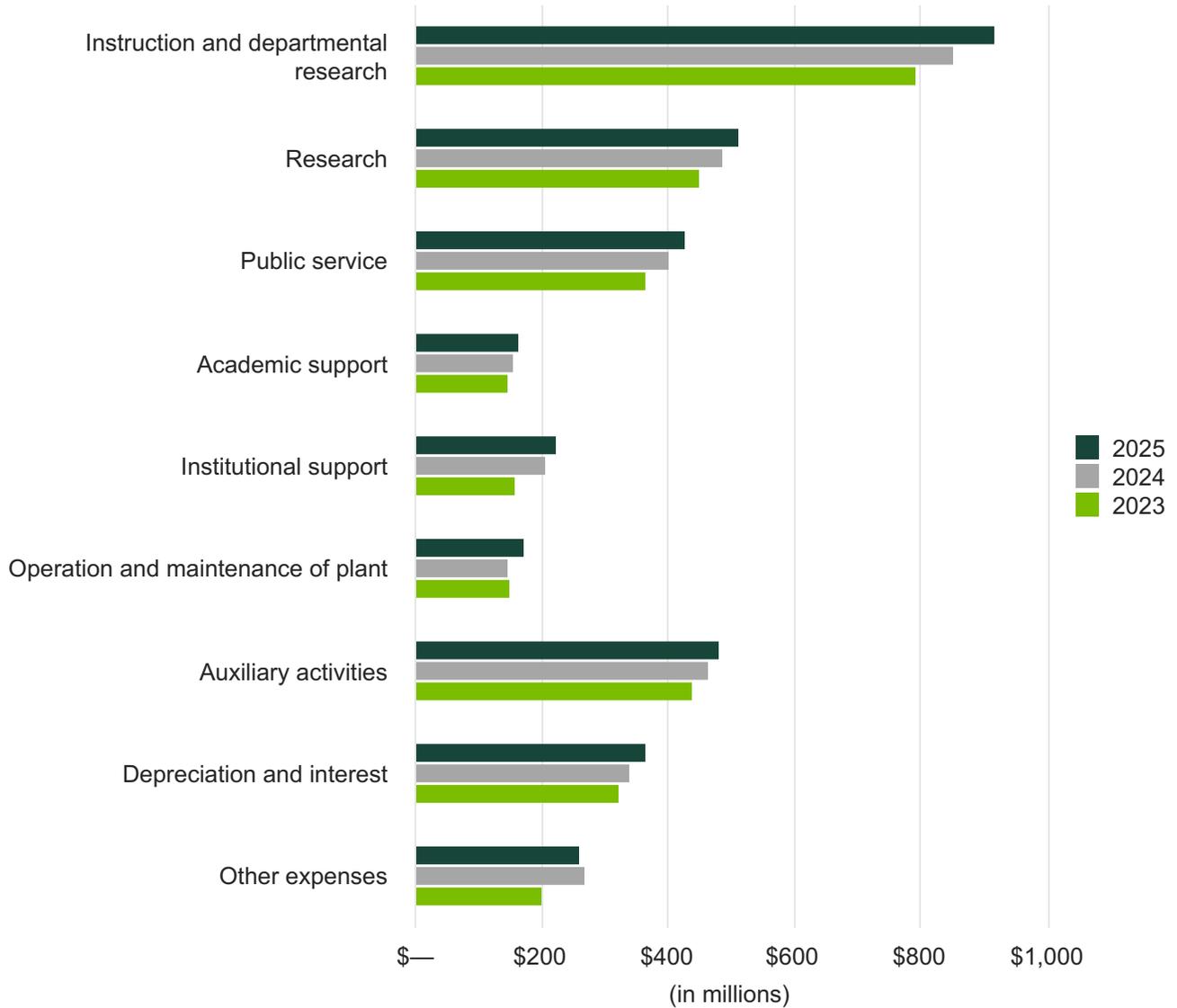
Auxiliary enterprises totaled \$483 million, an increase of \$17 million, due primarily to rising costs for food and other supplies. In 2024, auxiliary enterprises increased \$28 million.

In addition to expenses incurred for the core mission of the University, MSU incurs significant institutional expenses funded by the University to support the infrastructure required for conducting research. Research programs are supported by offices that ensure the University is complying with regulations, protecting research subjects, establishing and managing awards, and purchasing equipment and materials. Further, the University incurs expenses for facility maintenance and security for research space. Generally, these support expenses are classified as academic support, institutional support, and operation and maintenance of plant. During 2025, the University incurred \$137 million (an increase of \$3 million) as facilities and administrative support attributable to sponsored programs. In 2024, the University incurred \$134 million (an increase of \$11 million).



Operating expenses by source for the years ended June 30, 2025, 2024, and 2023, respectively, are presented in millions of dollars:

Total Expenses - \$3,527 Million





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 strategic initiatives, MSU is providing access and opportunity to both undergraduate and graduate students, for residents of Michigan and students from around the world.

As the University looks forward, financial headwinds and uncertainty exist. The University faces unpredictability with federal government policies and potential impacts from changes in federal spending. This includes cuts to federally funded research and restrictions on international student enrollment. Additionally, the University continues to be impacted by inflation, resulting in double-digit increases in the cost of employee health care and other operating costs. The State of Michigan has approved a one-time 2.1% increase in operating appropriations for fiscal year 2026.

With this convergence of factors, the University has implemented plans to position itself on firmer financial footing moving forward. The University has implemented a two-year budget reduction plan focused on assessing opportunities for economies of scale and eliminating conflicts or overlaps of operational activities across departments. Additionally, the University approved a \$399 per semester tuition increase for all full-time students who are charged a block tuition rate, including undergraduate, MBA, and professional students as part of its fiscal year 2026 operating budget.

During fiscal year 2025, the University unveiled the University's largest, most ambitious \$4 billion multiyear comprehensive fundraising campaign. The campaign "Uncommon Will, Far Better World" will equip Spartans with the resources, experiences and knowledge to address the world's greatest challenges, solidify MSU as a talent activator for the State of Michigan and beyond and create a thriving society.

By recalibrating its financial planning and staying true to its core financial stewardship principles, MSU will bolster the financial resilience needed to thrive in the years ahead. The University will ensure it has the resources to uphold our excellence across our missions of education, research, and outreach. And we will maintain the accessibility of an MSU education.

	June 30,	
	2025	2024
ASSETS		
Current assets:	(in thousands)	
Cash and cash equivalents	\$ 111,682	\$ 271,209
Investments	473,443	455,191
Accounts and interest receivable, net	399,627	304,238
Student loans and pledges receivable, net	51,896	52,395
Inventories and other assets	33,441	30,390
Total current assets	<u>1,070,089</u>	<u>1,113,423</u>
Noncurrent assets:		
Restricted cash and cash equivalents	92,788	277,394
Restricted investments	319,239	67,826
Endowment investments	4,401,247	4,223,742
Other investments	344,875	333,564
Accounts and interest receivable, net	29,278	33,355
Student loans and pledges receivable, net	74,074	79,629
Investments in joint ventures and other assets	26,282	41,400
Capital assets, net	3,490,915	3,152,123
Total noncurrent assets	<u>8,778,698</u>	<u>8,209,033</u>
Total assets	<u>9,848,787</u>	<u>9,322,456</u>
DEFERRED OUTFLOWS OF RESOURCES	556,927	647,245
LIABILITIES		
Current liabilities:		
Accounts and interest payable	305,822	194,857
Accrued personnel costs	86,990	71,587
Accrued self-insurance liabilities	36,683	25,800
Payroll taxes and other payroll deductions	4,615	5,718
Deposits held for others	21,505	23,890
Unearned revenues	126,421	124,208
Current portion of net other postemployment benefit obligations	36,762	29,425
Current portion of long-term debt and other obligations	199,809	202,306
Total current liabilities	<u>818,607</u>	<u>677,791</u>
Noncurrent liabilities:		
Accrued personnel costs	46,656	43,323
Accrued self-insurance liabilities	15,024	8,703
Unearned revenues	6,426	6,355
Derivative instruments - swap liability	5,875	9,194
Net other postemployment benefit obligations	710,914	783,487
Long-term debt and other obligations	2,704,270	2,480,012
Total noncurrent liabilities	<u>3,489,165</u>	<u>3,331,074</u>
Total liabilities	<u>4,307,772</u>	<u>4,008,865</u>
DEFERRED INFLOWS OF RESOURCES	389,405	361,063
NET POSITION		
Net investment in capital assets	1,780,219	1,641,513
Restricted:		
Nonexpendable	1,148,666	1,101,337
Expendable:		
Research and gifts	1,396,053	1,246,138
Quasi and term endowments	399,549	367,256
Debt service and capital projects	99,839	119,404
Student loans	14,383	13,903
Unrestricted	869,828	1,110,222
TOTAL NET POSITION	<u>\$5,708,537</u>	<u>\$5,599,773</u>

See accompanying notes



MICHIGAN STATE UNIVERSITY RESEARCH FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2025	2024
	(in thousands)	
ASSETS		
Cash equivalents	22,767	\$ 38,491
Interest and dividends receivable, net	1,310	972
Other receivables, net	2,059	4,075
Investments	490,810	455,376
Land held for investment, net	1,262	1,262
Investment in University Health Park, net	2,825	2,837
Net investments in sales-type finance lease	29,735	30,313
Equity in start-up organizations, net	34,351	30,160
Notes receivable, net	9,871	8,583
Prepaid expenses	247	247
Operating lease right-of-use assets	965	978
Property and equipment, net	11,664	11,822
Intangible assets, net	208	322
	<u>608,074</u>	<u>\$ 585,438</u>
	TOTAL ASSETS	\$ 585,438
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses and other payables	4,879	6,729
Deferred revenue	968	527
Trusts and annuities payable	6,034	5,718
Loan payable	14,632	15,165
Operating lease liabilities	977	991
Capital lease obligation	5,973	5,994
Deposit held for Michigan State University	21,019	20,522
Obligations under life estate agreements	336	358
Total liabilities	<u>54,818</u>	<u>56,004</u>
Net assets:		
Without donor restrictions	507,269	485,357
With donor restrictions:		
Time or purpose restrictions	45,987	44,077
Perpetual restrictions	-	-
Total net assets with donor restrictions	<u>45,987</u>	<u>44,077</u>
Total net assets	<u>553,256</u>	<u>529,434</u>
	TOTAL LIABILITIES AND NET ASSETS	\$ 585,438

See accompanying notes



	June 30,	
	2025	2024
	(in thousands)	
OPERATING REVENUES		
Student tuition and fees	\$ 1,210,761	\$ 1,167,105
Less: scholarship allowances	254,679	236,058
Net student tuition and fees	956,082	931,047
State of Michigan grants and contracts	34,586	25,006
Federal grants and contracts	534,113	528,450
Local and private sponsored programs	87,371	89,249
Interest and fees on student loans	381	407
Departmental activities (net of scholarship allowances of \$1,635 in 2025 and \$1,449 in 2024)	323,445	300,561
Auxiliary activities (net of room and board allowances of \$27,409 in 2025 and \$27,054 in 2024)	538,426	512,592
TOTAL OPERATING REVENUES	2,474,404	2,387,312
OPERATING EXPENSES		
Instruction and departmental research	917,891	852,522
Research	511,562	485,853
Public service	428,005	402,442
Academic support	164,541	156,352
Student services	83,657	77,246
Scholarships and fellowships	93,072	98,370
Institutional support	225,131	207,867
Operation and maintenance of plant	172,730	148,291
Auxiliary enterprises	482,764	466,242
Other postemployment benefits expense	79,716	91,083
Depreciation and amortization	251,046	238,893
Other operating expenses, net	3,456	2,433
TOTAL OPERATING EXPENSES	3,413,571	3,227,594
Operating loss	(939,167)	(840,282)
NONOPERATING REVENUES (EXPENSES)		
State operating appropriation	326,828	319,680
State AgBioResearch appropriation	39,481	38,518
State Extension appropriation	34,056	33,225
Federal Pell grant revenue	61,538	46,673
Gifts	101,564	89,262
Net investment income	518,168	634,777
Interest expense on indebtedness	(113,685)	(100,911)
Other nonoperating revenues, net	14,733	22,504
Net nonoperating revenues	982,683	1,083,728
INCOME BEFORE OTHER	43,516	243,446
State capital appropriations	6,053	29,748
Capital grants and gifts	30,362	31,680
Additions to permanent endowments	36,606	37,180
Increase in net position	116,537	342,054
Net position, beginning of year	5,599,773	5,257,719
Cumulative effect of change in accounting principles	(7,773)	-
Net position, beginning of year, as restated	5,592,000	5,257,719
NET POSITION, END OF YEAR	\$ 5,708,537	\$ 5,599,773

See accompanying notes



MICHIGAN STATE UNIVERSITY RESEARCH FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
	(in thousands)		
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ -	\$ 676	\$ 676
Income from investments - net of investment fees	35,817	4,426	40,243
Royalty income	1,743	-	1,743
Rental income	2,346	-	2,346
Interest income on lease receivable	1,094	-	1,094
Grants and contracts	2,155	6,073	8,228
Adjustment to value of annuities payable	-	(41)	(41)
Other income	562	-	562
Net assets released from restrictions	9,224	(9,224)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	52,941	1,910	54,851
EXPENSES			
Contributions to Michigan State University	12,065	-	12,065
Grant expenses	283	-	283
Salaries, fringe benefits, and payroll taxes	6,486	-	6,486
Consultants and professional fees	3,244	-	3,244
Office expense	352	-	352
Operating expense	703	-	703
Rent and utilities	1,960	-	1,960
Depreciation and amortization	1,019	-	1,019
Interest expense	795	-	795
Provision for uncollectible receivables	4,032	-	4,032
Other expense	90	-	90
TOTAL EXPENSES	31,029	-	31,029
Change in net assets	21,912	1,910	23,822
Net assets, beginning of year	485,357	44,077	529,434
NET ASSETS, END OF YEAR	\$ 507,269	\$ 45,987	\$ 553,256
	Year ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
	(in thousands)		
REVENUE, GAINS AND OTHER SUPPORT			
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

See accompanying notes

	Year Ended June 30,	
	2025	2024
	(in thousands)	
Cash flows from operating activities		
Tuition and fees	\$ 960,595	\$ 933,006
Research grants and contracts	633,826	664,353
Auxiliary activities	525,455	507,447
Departmental activities	266,423	264,516
Interest and fees on student loans	381	407
Loans issued to students	(2,267)	(1,965)
Collection of loans from students	4,292	4,877
Scholarships and fellowships	(98,992)	(101,340)
Payments to suppliers	(803,179)	(815,244)
Payments to employees	(2,089,725)	(1,958,968)
Fiduciary activities - Scholarships and other receipts	369,460	365,328
Fiduciary activities - Scholarships and other payments	(369,460)	(365,328)
William D. Ford Direct Lending receipts	147,226	115,192
William D. Ford Direct Lending disbursements	(147,226)	(115,192)
Other payments	(43,582)	(34,620)
Net cash used by operating activities	<u>(646,773)</u>	<u>(537,531)</u>
Cash flows from noncapital financing activities		
State appropriations	398,563	388,078
Federal Pell grant revenue	61,538	46,673
Gifts	100,534	83,333
Endowment gifts	36,074	37,187
Principal paid on noncapital debt	(7,230)	(4,380)
Interest paid on noncapital debt	(15,175)	(16,336)
Other (payments) receipts	(3,381)	5,250
Net cash provided by noncapital financing activities	<u>570,923</u>	<u>539,805</u>
Cash flows from capital and related financing activities		
Capital appropriations	-	29,899
Capital gifts and grants	35,954	31,516
Proceeds from issuance of capital debt and other long-term obligations	395,846	430,563
Purchase of capital assets	(531,581)	(328,895)
Proceeds from sale of capital assets	2,522	1,970
Principal paid on capital debt	(165,042)	(91,150)
Interest paid on capital debt	(97,879)	(84,056)
Other receipts	30,445	17,743
Net cash (used) provided by capital and related financing activities	<u>(329,735)</u>	<u>7,590</u>
Cash flows from investing activities		
Investment income, net	541,816	146,378
Proceeds from sales and maturities of investments	7,241,882	4,322,275
Purchase of investments	(7,722,246)	(4,260,666)
Net cash provided by investing activities	<u>61,452</u>	<u>207,987</u>
Net (decrease) increase in cash	(344,133)	217,851
Cash and cash equivalents, beginning of year	<u>548,603</u>	<u>330,752</u>
Cash and cash equivalents, end of year	<u>\$ 204,470</u>	<u>\$ 548,603</u>

	<u>Year Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
	(in thousands)	
Reconciliation of net operating loss to cash flows from operating activities:		
Operating loss	\$ (939,167)	\$ (840,282)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	251,046	238,893
Change in assets and liabilities:		
Accounts receivable	(90,919)	(24,749)
Student loans receivable	2,026	2,911
Inventories and other assets	(3,051)	6,891
Investments in joint ventures and other assets	15,118	972
Accounts payable	52,991	4,950
Accrued personnel costs	10,963	9,258
Payroll taxes and other payroll deductions	(1,103)	2,340
Deposits held for others	(2,385)	1,699
Unearned revenues	2,284	6,997
Accrued self-insurance liabilities	17,204	2,075
Net other postemployment benefit obligation	(65,236)	271,033
Change in deferred outflows	92,267	(163,325)
Change in deferred inflows	11,189	(57,194)
Net cash used by operating activities	<u>\$ (646,773)</u>	<u>\$ (537,531)</u>



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, *Basic 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, deferred losses on refunding of debt, and asset retirement obligations.

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. A liability is recognized for leave benefits attributable to services already rendered that accumulate and are more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. When accumulated compensated absence balances are utilized by employees for time off, it is assumed that those balances are used sequentially from those most recently earned to those earned in prior fiscal years.

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 Residence Education and Housing 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 2025. For fiscal year 2026, the rate will increase to 4.8%.

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, 2025, the University adopted GASB Statement No. 101, *Compensated Absences* ("GASB 101"). This statement updates the recognition and measurement guidance for compensated absences. This statement requires a liability to be recognized for leave that is attributable to services already rendered, accumulates,



and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The adoption of GASB 101 has been reflected as of July 1, 2024, resulting in an increase in current accrued personnel costs of \$7,773 and a decrease in net position of \$7,773 at July 1, 2024. Ending balances as of June 30, 2024 have not been restated to reflect the impact of GASB 101 because the impact was immaterial.

Beginning net position as of July 1, 2024, was restated for the effects of the University's adoption of GASB 101 as follows:

	June 30, 2024 as Originally Reported	GASB 101 Adoption	July 1, 2024 as Restated
Current accrued personnel costs	\$ 71,587	\$ 7,773	\$ 79,360
Expendable restricted net position - Research and gifts	1,246,138	(1,122)	1,245,016
Unrestricted net position	1,110,222	(6,651)	1,103,571

2. Cash and cash equivalents

The University's cash and cash equivalents as of June 30, 2025 and 2024 were as follows:

	2025	2024
Cash and cash equivalents, current	\$ 111,682	\$ 271,209
Restricted cash and cash equivalents, noncurrent	92,788	277,394
Total cash and cash equivalents	\$ 204,470	\$ 548,603

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 \$99,555 and \$240,243 at June 30, 2025 and 2024, respectively. The 2025 and 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 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"). The investment policy includes guidelines established by the University's Investment Advisory Committee, Chief Investment Officer, and Chief Financial Officer to direct the University's investing activities. In addition, the University has other investments that are restricted by external agreements or by special donor limitations ("Other").

As of June 30, 2025 and 2024, the University had the following investments:

Investment type	June 30, 2025				
	LP	LRP	CIF	Other	Total
Investment pools	\$ -	\$ -	\$ 4,522,452	\$ 55,080	\$ 4,577,532
U.S. Government agencies	187,751	40,225	-	68,268	296,244
Municipal bonds	-	178	-	-	178
Corporate bonds	95,300	36,152	-	50,871	182,323
Asset-backed securities	135,845	76,890	-	132,653	345,388
Money market and mutual funds	1,909	64	-	30,175	32,148
International bonds	37,211	11,286	-	20,275	68,772
Life insurance policies	-	-	-	3,795	3,795
Commercial paper	8,391	-	-	10,098	18,489
Bank time deposits	7,036	-	-	6,899	13,935
Total	\$ 473,443	\$ 164,795	\$ 4,522,452	\$ 378,114	\$ 5,538,804



Investment type	June 30, 2024				
	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	<u>\$ 455,191</u>	<u>\$ 155,070</u>	<u>\$ 4,345,322</u>	<u>\$ 124,740</u>	<u>\$ 5,080,323</u>

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, 2025 and 2024, respectively, are as follows:

Investment type	2025	2024
Investment pools	\$ 40,850	\$ 39,005
U.S. Government agencies	296,244	228,832
Municipal bonds	178	272
Corporate bonds	182,323	166,326
Asset-backed securities	345,388	237,282
International bonds	68,772	3,690
Commercial paper	18,489	16,978
Bank time deposits	13,935	12,589
Total	<u>\$ 966,179</u>	<u>\$ 704,974</u>

The maturities of fixed income investments as of June 30, 2025 and 2024 were as follows:

Investment type	June 30, 2025 Fixed Income Investment Maturities				
	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
U.S. Government agencies	\$ 54,310	\$ 220,952	\$ 3,975	\$ 17,007	\$ 296,244
Municipal bonds	-	-	-	178	178
Corporate bonds	46,381	111,443	13,509	10,990	182,323
Asset-backed securities	4,441	202,143	24,405	114,399	345,388
International bonds	22,267	39,382	3,776	3,347	68,772
Commercial paper	18,489	-	-	-	18,489
Bank time deposits	13,935	-	-	-	13,935
Total	<u>\$ 159,823</u>	<u>\$ 573,920</u>	<u>\$ 45,665</u>	<u>\$ 145,921</u>	<u>\$ 925,329</u>



June 30, 2024 Fixed Income Investment Maturities

Investment type	June 30, 2024 Fixed Income Investment Maturities				Total
	Less than 1 year	1-5 years	6-10 years	More than 10 years	
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

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, 2025 and 2024, 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, 2025 and 2024 were as follows:

Investment type	June 30, 2025						Total
	AAA	AA	A	BBB	BB	Not rated	
U.S. Government agencies	\$ 3,525	\$ 280,649	\$ -	\$ -	\$ -	\$ 12,070	\$ 296,244
Municipal bonds	-	-	178	-	-	-	178
Corporate bonds	333	3,528	84,769	88,376	1,361	3,956	182,323
Asset-backed securities	126,043	63,923	8,269	1,406	-	145,747	345,388
International bonds	2,971	3,047	43,635	18,020	-	1,099	68,772
Commercial paper	-	-	-	-	-	18,489	18,489
Bank time deposits	-	-	-	-	-	13,935	13,935
Total	\$ 132,872	\$ 351,147	\$ 136,851	\$ 107,802	\$ 1,361	\$ 195,296	\$ 925,329

Investment type	June 30, 2024						Total
	AAA	AA	A	BBB	BB	Not rated	
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

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, 2025 and 2024, 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 CIF portfolio. The University's exposure to foreign currency risk consisted of \$2,592 in investments denominated in British pounds sterling and \$3,498 in investments denominated in euros at June 30, 2025. 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 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, 2025 and 2024 are valued using prices quoted in active markets for those securities.

The fair value of various equity and debt securities held at June 30, 2025 and 2024 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, 2025 and 2024 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.



The University's estimated fair value of investments at June 30, 2025 and 2024, grouped by the valuation hierarchy outlined above were as follows:

Fair value measurement at June 30, 2025 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, 2025
Investments by fair value level:					
Equity securities:					
U.S. equities	\$ 504,604	\$ -	\$ -	\$ 1,336,465	\$ 1,841,069
International equities	-	-	-	60,322	60,322
Debt securities:					
U.S. Government agencies	-	284,174	-	-	284,174
Corporate bonds	-	182,323	-	-	182,323
International bonds	-	68,772	-	-	68,772
Municipal bonds	-	178	-	-	178
Asset-backed securities	-	343,069	2,320	-	345,389
Hedge funds	-	-	-	989,982	989,982
Private investments	-	-	-	1,448,508	1,448,508
Real assets/Real estate	-	-	12,027	143,224	155,251
Money market and mutual funds	26,425	24,920	-	-	51,345
Funds held at the Foundation	-	-	20,662	-	20,662
Other investments	-	-	19,014	-	19,014
Total investments by fair value level	<u>\$ 531,029</u>	<u>\$ 903,436</u>	<u>\$ 54,023</u>	<u>\$ 3,978,501</u>	<u>\$ 5,466,989</u>
Investments valued using other methods					71,815
Total					<u>5,538,804</u>

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
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	<u>\$ 483,269</u>	<u>\$ 598,961</u>	<u>\$ 59,389</u>	<u>\$ 3,845,241</u>	<u>\$ 4,986,860</u>
Investments valued using other methods					93,463
Total					<u>\$ 5,080,323</u>



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, 2025 and 2024, were as follows:

Investment value at June 30, 2025:					
Investment Type	Valuation Method	100% Owned Holding Company	Investment Entity	Ownership %	Balance at June 30, 2025
Majority Equity Interest	Equity method	MI 411P Holdings, LLC	411 Piquette Holdings, LLC	75.0%	\$ 7,624
Majority Equity Interest	Equity method	MI Fisher Holdings LLC	Fisher Acquisitions, LLC	79.1%	19,696
Majority Equity Interest	Equity method	N/A	BXHCP ES II, LLC	61.7%	-
Commercial paper and bank time deposits with original maturities less than one year	Amortized cost	N/A	N/A	N/A	32,425
U.S. Treasury bond investments with original maturities less than one year	Amortized cost	N/A	N/A	N/A	12,070
Investments valued using other methods					<u>\$ 71,815</u>

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					<u>\$ 93,463</u>

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, 2025 and 2024 were as follows:

Derivative instruments by fair value:	Fair value measurement at June 30, 2025 using:			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance at June 30, 2025
Cash flow hedging derivatives - swap liability	\$ -	\$ (397)	\$ -	\$ (397)
Other derivatives - swap liability	-	(5,478)	-	(5,478)
Total derivative instruments by fair value	<u>\$ -</u>	<u>\$ (5,875)</u>	<u>\$ -</u>	<u>\$ (5,875)</u>



	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)

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, 2025 and 2024, the fair value, unfunded commitments, and redemption rules of those investments were as follows:

	As of June 30, 2025				
	June 30, 2025	June 30, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equities (a)	\$ 1,336,465	\$ 1,258,467	\$ -	Various	1-5 days
International equities (b)	60,322	52,685	-	Daily	1 day
Hedge funds (c)	989,982	956,939	5,130	Various	31-120 days
Private investments (d)	1,448,508	1,400,637	648,388	Not applicable	Not applicable
Real assets/Real estate (e)	143,224	176,513	44,865	Not applicable	Not applicable
Total	\$ 3,978,501	\$ 3,845,241	\$ 698,383		

(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 3 to 12 months at June 30, 2025. 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.



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, 2025 and 2024 were as follows:

Fair value measurement at June 30, 2025 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, 2025	
Marketable securities:						
Short-term investments	\$ 12,991	\$ -	\$ -	\$ -	\$ 12,991	\$ 12,991
Domestic equities	77,191	-	-	-	77,191	77,191
Mutual funds - equities	92,228	-	-	-	92,228	92,228
Mutual funds - fixed income	26,463	-	-	-	26,463	26,463
Alternative investments:						
Private credit	-	-	-	27,294	27,294	27,294
Hedge funds	-	-	-	114,444	114,444	114,444
Private equity	-	-	-	140,199	140,199	140,199
Total investments by fair value level	<u>\$ 208,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,937</u>	<u>\$ 490,810</u>	<u>\$ 490,810</u>
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	\$ 438
Domestic equities	70,402	-	-	-	70,402	70,402
Foreign equities	75	-	-	-	75	75
Mutual funds - equities	108,750	-	-	-	108,750	108,750
Mutual funds - fixed income	6,092	-	-	-	6,092	6,092
Alternative investments:						
Private Credit	-	-	-	21,007	21,007	21,007
Hedge funds	-	-	-	103,893	103,893	103,893
Private equity	-	-	-	144,719	144,719	144,719
Total investments by fair value level	<u>\$ 185,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,619</u>	<u>\$ 455,376</u>	<u>\$ 455,376</u>

The fair values 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.



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, 2025, the Foundation has outstanding commitments to fund limited partnerships and venture capital investments in the amount of \$61,102.

5. Accounts and interest receivable

The composition of accounts and interest receivable at June 30, 2025 and 2024 is summarized as follows:

	2025	2024
State appropriations	\$ 72,794	\$ 70,991
Research and sponsored programs	129,648	98,492
Departmental activities	156,554	101,784
Lease receivables	28,382	33,407
Interest receivable	8,030	6,068
Other	56,231	43,906
	<u>451,639</u>	<u>354,648</u>
Less: allowance for doubtful accounts	22,734	17,055
Total accounts and interest receivable, net	428,905	337,593
Less: current portion	399,627	304,238
Noncurrent portion	<u>\$ 29,278</u>	<u>\$ 33,355</u>

6. Student loans and pledges receivable

The composition of student loans and pledges receivable at June 30, 2025 and 2024 is summarized as follows:

	2025	2024
Student loans receivable:		
Perkins Federal Loan Program	\$ 3,687	\$ 4,843
Health Professions Student Loan Programs	10,583	11,436
Other	1,355	1,321
	<u>15,625</u>	<u>17,600</u>
Less: allowance for doubtful accounts	1,370	1,320
Total student loans receivable, net	14,255	16,280
Pledges receivable:		
Capital	57,616	63,820
Operations	67,046	65,179
	<u>124,662</u>	<u>128,999</u>
Less: allowance for doubtful accounts	12,947	13,255
Total pledges receivable, net	111,715	115,744
Total student loans and pledges receivable, net	125,970	132,024
Less: current portion - student loans	4,760	5,218
Less: current portion - pledges	47,136	47,177
Noncurrent portion	<u>\$ 74,074</u>	<u>\$ 79,629</u>

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.

For the year ended June 30, 2025 and 2024, the University distributed \$369,460 and \$365,328, 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 \$45,949 and \$30,770 at June 30, 2025 and 2024, 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, 2025, 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%.

2026	\$	52,601
2027		22,789
2028		17,077
2029		9,949
2030		4,260
2031 and beyond		17,986
Total discounted pledges receivable		<u>124,662</u>
Less: allowance for uncollectible pledges		12,947
Total pledges receivable, net	\$	<u>111,715</u>

7. Investments in joint ventures and other assets

The composition of investment in joint ventures and other assets at June 30, 2025 and 2024 is summarized as follows:

	2025	2024
Investment in joint ventures	\$ 17,067	\$ 16,387
Other assets	9,215	25,013
Total investment in joint ventures and other assets	<u>\$ 26,282</u>	<u>\$ 41,400</u>

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, 2025 and 2024, respectively, the University had a 50% equity interest in URA. As of June 30, 2025 and 2024, respectively, the University had a 25% equity interest 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, 2025 and 2024, the University had a note receivable balance of \$1,406 and \$1,500, 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 2026. The notes had a balance of \$288 and \$670 at June 30, 2025 and 2024, 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 included \$1,059 of assets originally granted to the University under the Morrill Act as a pioneer land-grant college and deposits made related to a facilities agreement with Consumers Energy. The facilities 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. At June 30, 2025, the University estimated the value of the rebate that will be recognized over this period to be \$6,963, with the remainder expected to be forfeited in March 2042.



8. Capital assets and collections

Capital asset and collection activity for the years ended June 30, 2025 and 2024 follows:

	2024	Additions	Disposals	Transfers	2025
Non-depreciated capital assets:					
Land	\$ 50,810	\$ 628	\$ -	\$ -	\$ 51,438
Construction in progress	240,419	508,243	-	(156,266)	592,396
Museum collections	30,487	1,243	(6)	2,743	34,467
Total non-depreciated capital assets	<u>321,716</u>	<u>510,114</u>	<u>(6)</u>	<u>(153,523)</u>	<u>678,301</u>
Depreciated and amortized capital assets:					
Buildings and site improvements	4,574,800	62	(16,911)	136,334	4,694,285
Software and other intangibles	150,321	356	(7)	(101)	150,569
Equipment and other	1,347,932	70,235	(24,153)	17,288	1,411,302
Right-to-use assets	144,406	13,999	(13,605)	2	144,802
Less: accumulated depreciation and amortization					
Buildings and site improvements	(2,274,504)	(143,262)	14,752	(49)	(2,403,063)
Software and other intangibles	(141,350)	(6,824)	-	(754)	(148,928)
Equipment and other	(918,542)	(76,212)	23,867	543	(970,344)
Right-to-use assets	(52,656)	(24,748)	11,135	260	(66,009)
Total depreciated and amortized capital assets	<u>2,830,407</u>	<u>(166,394)</u>	<u>(4,922)</u>	<u>153,523</u>	<u>2,812,614</u>
Total capital assets	<u>\$ 3,152,123</u>	<u>\$ 343,720</u>	<u>\$ (4,928)</u>	<u>\$ -</u>	<u>\$ 3,490,915</u>

	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	<u>235,473</u>	<u>262,104</u>	<u>(36)</u>	<u>(175,825)</u>	<u>321,716</u>
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	<u>2,780,388</u>	<u>(125,073)</u>	<u>(733)</u>	<u>175,825</u>	<u>2,830,407</u>
Total capital assets	<u>\$ 3,015,861</u>	<u>\$ 137,031</u>	<u>\$ (769)</u>	<u>\$ -</u>	<u>\$ 3,152,123</u>



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, or 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, or are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For agreements featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate.

The amount of lease assets and SBITAs by major classes of underlying assets at June 30, 2025 and 2024, respectively, are as follows:

Asset Class	Right-to-Use Assets			
	June 30, 2025		June 30, 2024	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 647	\$ 238	\$ 458	\$ 170
Buildings	67,997	26,094	70,508	25,848
Equipment and other	1,214	426	1,042	255
SBITAs	74,944	39,251	72,398	26,383
	<u>\$ 144,802</u>	<u>\$ 66,009</u>	<u>\$ 144,406</u>	<u>\$ 52,656</u>

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, 2025 and 2024, the University recognized revenues related to these lease agreements totaling \$4,050 and \$4,531, respectively.

9. Deferred outflows and inflows of resources

The composition of deferred outflows of resources at June 30, 2025 and 2024 is summarized as follows:

	2025	2024
Accumulated changes in fair value of hedging derivative instruments	\$ 397	\$ 336
Other postemployment benefits (see note 12)	550,530	642,797
Accumulated losses on refunding of debt	3,489	4,112
Asset retirement obligations	2,511	-
Total deferred outflows of resources	<u>\$ 556,927</u>	<u>\$ 647,245</u>

The composition of deferred inflows of resources at June 30, 2025 and 2024 is summarized as follows:

	2025	2024
Irrevocable split-interest agreements (net of related liabilities)	\$ 21,471	\$ 20,354
Other postemployment benefits (see note 12)	310,337	299,148
Lease agreements - University lessor	39,228	30,924
Accumulated gains on refunding of debt	18,369	10,637
Total deferred inflows of resources	<u>\$ 389,405</u>	<u>\$ 361,063</u>



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 \$4,444 and \$4,253 as of June 30, 2025 and 2024, respectively. The discount rate used was 4.0% at June 30, 2025 and 2024, 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 \$2,613 and \$3,205 as of June 30, 2025 and 2024, respectively. The discount rate used was 5.0% as of June 30, 2025 and 2024, respectively, which is based in part on the University's medium-term internal cost of capital and industry standards.

Changes in the total reported employee benefit, general, and professional self-insured liabilities during 2025, 2024, and 2023 were as follows:

	2025	2024	2023
Balance, beginning of year	\$ 34,503	\$ 32,428	\$ 36,762
Claims incurred and changes in estimates	263,926	221,912	193,683
Claim payments	<u>(246,722)</u>	<u>(219,837)</u>	<u>(198,017)</u>
Balance, end of year	51,707	34,503	32,428
Less: current portion	36,683	25,800	21,881
Noncurrent portion	<u>\$ 15,024</u>	<u>\$ 8,703</u>	<u>\$ 10,547</u>

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.

During the year ended June 30, 2025, the University reached settlement agreements with individual students injured in an incident that occurred on campus on February 13, 2023. The University paid \$18,660 during the year ended June 30, 2025 and has accrued \$13,600 to be paid in future years. Expense amounts are included in institutional support within the Statement of Revenues, Expenses, and Changes in Net Position. The outcome of any additional pending or potential claims is unknown at June 30, 2025, and, therefore, no additional accruals for future costs have been recorded in the 2025 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.



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, 2025 and 2024 were as follows:

	2025	2024
University contributions	\$ 122,457	\$ 112,867
Employee contributions	60,124	55,447

In addition, the University has a single-employer, defined benefit plan covering 100 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 \$1,181 and \$1,423 representing the total remaining pension obligation based on an actuarial valuation as of January 1, 2025 and 2024, 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.



For the year ended June 30, 2025, 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, 2024 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	4.08%, based on the Bond Buyer 20-year General Obligation Municipal Bond Index
Salary increases	5.0%
Healthcare cost trend rates	6.25%/6.25% for 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, 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 December 31, 2024 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, 2023 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, 2025 and 2024, are summarized as follows:

	2025	2024
Balance, beginning of year	\$ 812,912	\$ 541,879
Service cost	13,784	11,363
Interest cost	26,295	19,868
Changes in assumptions	(76,066)	247,641
Difference between expected and actual plan experience	10,927	16,854
Benefits payments	(40,176)	(38,329)
Change in benefit terms	-	13,636
Balance, end of year	<u>747,676</u>	<u>812,912</u>
Less: current portion	<u>36,762</u>	<u>29,425</u>
Noncurrent portion	<u>\$ 710,914</u>	<u>\$ 783,487</u>

Changes in assumptions reflect a change in the discount rate at both the measurement dates of December 31, 2024 and 2023, 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.

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, 2025 and 2024, respectively.



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

	<u>2025 and 2024</u>
Active employees - Hired before July 1, 2010	4,022
Active employees - Hired after July 1, 2010	9,370
Retirees receiving benefits	6,033
Dependents	3,436
Total plan participants	<u>22,861</u>

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, 2025:

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Discount rate:			
Net OPEB obligations	\$ 842,002	\$ 747,676	\$ 668,602
Increase (decrease)	94,326	-	(79,074)
Health care trend rate:			
Net OPEB obligations	\$ 653,848	\$ 747,676	\$ 862,651
(Decrease) increase	(93,828)	-	114,975

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:

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
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

The components of postemployment benefits expense for the year ended June 30, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Service cost	\$ 13,784	\$ 11,363
Interest cost	26,295	19,868
Change in benefit terms	-	13,636
Amortization of differences between expected and actual experience	9,900	8,796
Amortization of changes in assumptions	29,737	37,420
Total expense	<u>\$ 79,716</u>	<u>\$ 91,083</u>



Deferred outflows and inflows of resources related to postemployment benefits obligations at June 30, 2025 are summarized as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net deferred impact to OPEB
Changes in assumptions	\$ 465,922	\$ 307,102	\$ 158,820
Differences between expected and actual experience	63,491	3,235	60,256
Benefit payments made after measurement date	21,117	-	21,117
Total	<u>\$ 550,530</u>	<u>\$ 310,337</u>	<u>\$ 240,193</u>

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	<u>\$ 642,797</u>	<u>\$ 299,148</u>	<u>\$ 343,649</u>

Of the total amount reported as deferred outflows of resources related to OPEB at June 30, 2025, \$21,117 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, 2026. 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.

2026	\$ 39,637
2027	38,467
2028	27,973
2029	49,271
2030	27,561
2031 and beyond	36,167
Total	<u>\$ 219,076</u>



13. Long-term debt and other obligations

Long-term debt and other obligations for the years ended June 30, 2025 and 2024 are summarized as follows:

	2024	Borrowed	Retired	2025	Current Portion
General revenue bonds:					
Series 2025A	\$ -	\$ 369,915	\$ -	\$ 369,915	\$ -
Series 2024A	361,640	-	-	361,640	5,295
Series 2023A	298,130	-	20,770	277,360	21,680
Series 2022A	500,000	-	-	500,000	-
Series 2020A	79,455	-	4,830	74,625	5,310
Series 2019C	115,650	-	3,775	111,875	3,840
Series 2019A	320,235	-	765	319,470	790
Series 2019B	269,690	-	6,260	263,430	6,575
Series 2015A	133,635	-	101,375	32,260	4,820
Series 2010A	205,000	-	-	205,000	-
	<u>2,283,435</u>	<u>369,915</u>	<u>137,775</u>	<u>2,515,575</u>	<u>48,310</u>
General revenue commercial paper:					
Series B taxable	102,913	4,087	5,990	101,010	101,010
Series G tax-exempt	37,392	-	8,512	28,880	28,880
	<u>140,305</u>	<u>4,087</u>	<u>14,502</u>	<u>129,890</u>	<u>129,890</u>
Unamortized bond premiums	158,328	21,844	13,195	166,977	5,186
Student loan deposits	17,778	-	2,399	15,379	1,005
Lease obligations	49,721	1,138	5,903	44,956	6,422
SBITA obligations	32,490	6,806	11,496	27,800	8,314
Installment purchases and others	261	3,437	196	3,502	682
Total long-term debt and other obligations	<u>\$ 2,682,318</u>	<u>\$ 407,227</u>	<u>\$ 185,466</u>	<u>\$ 2,904,079</u>	<u>\$ 199,809</u>
	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	-
	<u>1,950,225</u>	<u>361,640</u>	<u>28,430</u>	<u>2,283,435</u>	<u>41,095</u>
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
	<u>154,643</u>	<u>31,056</u>	<u>45,394</u>	<u>140,305</u>	<u>140,305</u>
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	<u>\$ 2,314,760</u>	<u>\$ 466,397</u>	<u>\$ 98,839</u>	<u>\$ 2,682,318</u>	<u>\$ 202,306</u>



All general revenue bonds are secured by general revenues.

Terms for remaining outstanding general revenue bonds at June 30, 2025 are summarized as follows:

General revenue bond	Tax status	Interest rates	Final maturity
Series 2025A	Tax-exempt	5%-5.25%	Feb 15, 2055
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	3.561%-4.496%	Aug 15, 2048
Series 2019B	Tax-exempt	3%-5%	Feb 15, 2048
Series 2015A	Tax-exempt	4%-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 is 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, 2025, the University issued Series 2025A tax-exempt general revenue bonds in the amount of \$369,915 with a net original issue premium of \$21,844. Bond proceeds were used to refund \$96,680 of Series 2015A tax-exempt general revenue bonds and provided \$293,644 for capital projects and debt issuance costs. For the portion that refunded part of the Series 2015A bonds, undiscounted cash flow to service the new debt decreased by \$7,352 and the economic gain resulting from this transaction amounted to \$5,839.

The University utilizes variable-rate commercial paper to provide interim financing. In June 2025, the Board authorized the issuance of up to \$500,000 in commercial paper secured by general revenues, an increase over the prior authorization of \$250,000. Commercial paper can be issued on a tax-exempt or taxable basis. 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, 2025 bear interest at rates from 2.95% to 3.08% and taxable balances bear interest at rates from 4.40% to 4.43%, with principal and accrued interest payments due within a maximum of 270 days from the date of issuance.



Hedging derivative instrument payments and hedged debt: Using rates as of June 30, 2025, 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		Hedging Derivatives, Net	Total
	Principal	Interest		
2026	\$ 48,310	\$ 118,738	\$ 41	\$ 167,089
2027	49,205	116,655	37	165,897
2028	51,780	114,156	32	165,968
2029	55,080	111,470	27	166,577
2030	58,100	108,621	22	166,743
2031-2035	272,545	502,738	30	775,313
2036-2040	356,815	427,794	-	784,609
2041-2045	459,480	334,186	-	793,666
2046-2050	478,565	209,956	-	688,521
2051-2055	185,695	127,424	-	313,119
2056-2060	-	104,125	-	104,125
2061-2065	-	104,125	-	104,125
2066-2070	-	104,125	-	104,125
2071-2075	-	104,125	-	104,125
2076-2080	-	104,125	-	104,125
2081-2085	-	104,125	-	104,125
2086-2090	-	104,125	-	104,125
2091-2095	-	104,125	-	104,125
2096-2100	-	104,125	-	104,125
2101-2105	-	104,125	-	104,125
2106-2110	-	104,125	-	104,125
2111-2115	-	104,125	-	104,125
2116-2120	-	104,125	-	104,125
2121-2125	500,000	44,253	-	544,253
Total	<u>\$ 2,515,575</u>	<u>\$ 3,569,616</u>	<u>\$ 189</u>	<u>\$ 6,085,380</u>

Interest expense was \$113,685 and \$100,911 for 2025 and 2024, respectively. Unamortized bond premiums totaled \$166,977 (\$5,186 current) and \$158,328 (\$3,984 current) at June 30, 2025 and 2024, respectively. Bond premium amounts are amortized over the applicable bond issue life.

As of June 30, 2025, the scheduled fiscal year maturities of lease liabilities and related interest expense were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 6,422	\$ 1,458	\$ 7,880
2027	6,108	1,255	7,363
2028	5,910	1,068	6,978
2029	5,579	886	6,465
2030	4,756	724	5,480
2031-2035	12,574	1,803	14,377
2036-2040	3,607	320	3,927
	<u>\$ 44,956</u>	<u>\$ 7,514</u>	<u>\$ 52,470</u>



As of June 30, 2025, the scheduled fiscal year maturities of SBITAs liabilities and related interest expense were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 8,314	\$ 1,202	\$ 9,516
2027	6,929	855	7,784
2028	3,598	546	4,144
2029	2,545	374	2,919
2030	2,787	250	3,037
2031-2035	3,627	182	3,809
	<u>\$ 27,800</u>	<u>\$ 3,409</u>	<u>\$ 31,209</u>

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

As of June 30, 2025 and 2024, 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, 2025 and 2024, no amounts were drawn on these lines of credit.

At June 30, 2025, installment purchases and others was comprised of obligations for installment purchases of \$65 (\$50 current) and asset retirement obligations of \$3,437 (\$632 current). At June 30, 2024, installment purchases and others was comprised of lease-purchase obligations of \$71 (all current) and obligations for installment purchases of \$190 (\$125 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 2025 and 2024 were as follows:

	2025	2024
Balance, beginning of year	\$ 114,910	\$ 105,652
Cumulative effect of change in accounting principle	7,773	-
Balance, beginning of year, as restated	122,683	105,652
Additions	16,141	12,750
Reductions	(5,178)	(3,492)
Balance, end of year	133,646	114,910
Less: current portion	86,990	71,587
Noncurrent portion	<u>\$ 46,656</u>	<u>\$ 43,323</u>

14. Derivative instruments

At June 30, 2025, the University was party to two separate pay-fixed, receive-variable interest rate swaps and one pay-variable, receive-variable interest rate swap. At June 30, 2024, 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, 2025, two interest rate swaps were terminated. 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, 2025 and 2024 were as follows:

	June 30, 2025		June 30, 2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivative instruments - swap liability:				
Cash flow hedging derivatives				
Pay-fixed interest rate swaps	\$ 4,770	\$ (397)	\$ 5,240	\$ (336)
Other derivatives:				
Pay-variable interest rate swaps	79,640	235	241,810	(3,846)
Pay-fixed interest rate swaps	66,685	(5,713)	66,685	(5,012)
Total Derivative instruments - swap liability	<u>\$ 151,095</u>	<u>\$ (5,875)</u>	<u>\$ 313,735</u>	<u>\$ (9,194)</u>

In accordance with GASB Statement No. 53, as amended by GASB Statement No. 93 and No. 99, 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, 2025 and 2024, the fair value of hedging derivative instruments decreased \$61 and increased \$131, respectively, while the fair value of other derivative instruments increased \$3,380 and \$6,115, 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 one derivative instrument which is pay-variable, receive-variable interest rate swap which relates 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, 2025 and 2024, along with the notional amounts and credit rating of the associated counterparty as of June 30, 2025.

Type	Cah Flow Hedge for Debt Series	2025 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/Counterparty Credit Rating	2025 Fair Value	2024 Fair Value
Pay-fixed interest rate swap	Taxable CP	4,770	11/3/2008	2/15/2033	5.330%	USD-SOFR Fallback Rate one month	Barclays Bank PLC / A1/A+	\$ (397)	\$ (336)
		<u>\$ 4,770</u>						<u>\$ (397)</u>	<u>\$ (336)</u>



The following table displays the terms and fair values of the University's other derivative instruments outstanding at June 30, 2025 and 2024, along with the notional amounts and credit rating of the associated counterparty as of June 30, 2025:

Type	Associated Debt Series	2025 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/Counterparty Credit Rating	2025 Fair Value	2024 Fair Value
Pay-variable interest rate swap	2019C and 2023A	\$ -	8/15/2009	5/8/2025	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)
Pay-variable interest rate swap	Taxable CP	-	5/26/2006	5/8/2025	1-month USD-SOFR Fallback Rate	10-year USD-SOFR ICE Swap Rate less 0.575%	PNC Bank, NA / A2/A-	-	(134)
Pay-variable interest rate swap	2019C and 2023A	79,640	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/AA-	235	(1,016)
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/AA-	(5,713)	(5,012)
		<u>\$ 146,325</u>						<u>\$ (5,478)</u>	<u>\$ (8,858)</u>

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, 2025 and 2024 was \$235 and zero, respectively. 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, 2025:

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

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, 2025, 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, 2025 and 2024, respectively, was (\$5,875) and (\$9,194). There were no related collateral postings between the University and its counterparties as of June 30, 2025.

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, 2025, 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 \$410,026 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, 2025, 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, 2025, \$698,383 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 Henry Ford - Michigan State University Partnership. The overall goals of the Henry Ford - Michigan State University Partnership 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 Henry Ford - Michigan State University Partnership 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 Henry Ford - Michigan State University Partnership as mutually agreed to by both parties.



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, 2025 and 2024, respectively, are presented below:

Condensed Statement of Net Position:	MSU Health Care, Inc.		Lysander	
	2025	2024	2025	2024
Current assets	\$ 22,823	\$ 22,976	\$ 6,413	\$ 9,979
Capital assets, net	54,806	7,567	-	-
Amounts receivable from the University	949	530	-	-
Other assets	14,683	11,423	-	-
Total assets	93,261	42,496	6,413	9,979
Deferred outflows of resources	-	-	-	-
Current liabilities	3,473	8,495	3,626	2,975
Noncurrent liabilities	395	3,564	-	-
Amounts payable to the University	72,902	14,921	-	-
Total liabilities	76,770	26,980	3,626	2,975
Deferred inflows of resources	3,544	-	-	-
Net investment in capital assets	(1,029)	1,503	-	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	13,976	14,013	2,787	7,004
Total net position	\$ 12,947	\$ 15,516	\$ 2,787	\$ 7,004
Condensed Statement of Revenues, Expenses, and Changes in Net Position:				
	2025	2024	2025	2024
Operating revenues	\$ 107,750	\$ 103,049	\$ -	\$ -
Revenues from the University	2,155	1,857	(3,372)	11,364
Total operating revenues	109,905	104,906	(3,372)	11,364
Operating expenses, external	34,927	33,409	845	6,079
Operating expenses, University	48,731	42,555	-	-
Depreciation expense	3,382	3,195	-	-
Total operating expenses	87,040	79,159	845	6,079
Net operating income (loss)	22,865	25,747	(4,217)	5,285
Gifts and contributions	5	4	-	-
Other nonoperating revenues, net	9,160	4,092	-	-
Contributions from the University	4,413	10,004	-	-
Net non-operating revenue (expense)	13,578	14,100	-	-
Transfers from (to) the University	(39,012)	(45,931)	-	-
Change in net position	(2,569)	(6,084)	(4,217)	5,285
Beginning net position	15,516	21,600	7,004	1,719
Ending net position	\$ 12,947	\$ 15,516	\$ 2,787	\$ 7,004



Condensed Statement of Cash Flows:	MSU Health Care, Inc.		Lysander	
	2025	2024	2025	2024
Net cash provided (used) by operating activities	\$ 30,841	\$ 32,142	\$ (3,595)	\$ 6,024
Net cash provided (used) by noncapital financing activities	(36,940)	(32,837)	-	-
Net cash provided (used) by capital and related financing activities	(1,637)	(3,093)	-	-
Net cash provided (used) by investing activities	5,043	4,067	-	-
Beginning cash and cash equivalents	8,779	8,500	8,424	2,400
Ending cash and cash equivalents	\$ 6,086	\$ 8,779	\$ 4,829	\$ 8,424

The University has a note receivable due from MSU Health Care, Inc. with a balance of \$6,689 and \$7,361 at June 30, 2025 and 2024, respectively. This receivable bears interest at a rate of 5% and is due in monthly installments maturing in May 2033.

Effective July 1, 2024, the University has leased two buildings to MSU Health Care, Inc. for a term of 30 years with the option to renew for an additional four years. The lease calls for monthly payments starting at \$291 and increasing ratably over the term of the lease. Total lease payments are expected to be approximately \$130,286 over the life of the lease. Amounts recognized under GASB 87 between the two entities are eliminated from the blended financial statements.

18. New accounting pronouncements

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.

The University will be required to implement the provisions of GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the fiscal year ending June 30, 2026. This GASB Statement requires certain types of capital assets to be disclosed separately in the capital assets footnote. The University is in the process of determining the full impact of this standard on its financial statements.



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, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018 is summarized as follows:

	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 13,784	\$ 11,363	\$ 16,526	\$ 19,691	\$ 57,333	\$ 41,383	\$ 48,202	\$ 41,211
Interest cost	26,295	19,868	13,313	13,480	59,410	66,476	70,323	69,928
Changes in assumptions	(76,066)	247,641	(110,693)	(23,184)	170,012	402,866	(447,295)	115,470
Differences between expected and actual plan experience	10,927	16,854	11,817	36,300	(6,475)	27,297	-	-
Benefit payments	(40,176)	(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	<u>\$ (65,236)</u>	<u>\$ 271,033</u>	<u>\$ (106,672)</u>	<u>\$ 18,456</u>	<u>\$ (1,511,245)</u>	<u>\$ 494,005</u>	<u>\$ (368,713)</u>	<u>\$ 188,010</u>
Total liability, beginning of year	\$ 812,912	\$ 541,879	\$ 648,551	\$ 630,095	\$ 2,141,340	\$ 1,647,335	\$ 2,016,048	\$ 1,828,038
Total liability, ending of year	\$ 747,676	\$ 812,912	\$ 541,879	\$ 648,551	\$ 630,095	\$ 2,141,340	\$ 1,647,335	\$ 2,016,048
Covered payroll	\$ 1,248,244	\$ 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	59.9%	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 4.08%, 3.26%, 3.72%, 2.06%, 2.12%, 2.73%, 4.09%, 3.44%, and 3.78% at the measurement dates of December 31, 2024, 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%.

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, 2025 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 31, 2025. 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 31, 2025