

2026 ANNUAL FINANCIAL REPORT

MICHIGAN STATE UNIVERSITY

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A MESSAGE FROM THE PRESIDENT

FY26 Audited Financial Statements



It is my pleasure to present Michigan State University's 2025-2026 financial statements in partnership with Lisa Frace, our senior vice president, chief financial officer and treasurer. MSU is a passionately public university, grounded in our land-grant mission to advance education, research and outreach.

Driven by this mission, we continue to make strategic investments in our students and the future of the university. During the past fiscal year, we inaugurated the Williams Scholarship, MSU's first full-ride, merit-based scholarship designed to attract high-achieving undergraduate students, provide an experiential learning opportunity and enhance MSU's global competitiveness. As part of our One Team, One Health vision, we made progress toward the creation of MSU Medicine, a single integrated medical college that will offer both MD and DO degrees — an example of the bold thinking that allows a leading global research university to use its breadth and scale to address complex challenges in new ways. Through the Green and White Council, we focused on connecting a Spartan education with the skills and career opportunities needed for our graduates to succeed in a changing workforce.

Fiscal year 2025-2026 also saw an extraordinary expression of confidence in MSU's mission and priorities through unprecedented philanthropic support. More than 63,000 donors committed more than $736 million during the year, making it the most successful fundraising year in university history. Among these investments was a $50 million commitment from the Leinweber Foundation to establish the Leinweber Center for Engineering and Digital Innovation. The center brings together education, research, entrepreneurship and industry collaboration in ways that will prepare Spartans for the future and strengthen Michigan's capacity for innovation.

Making these strategic investments requires us to be responsible stewards of the resources entrusted to the university. In a higher education environment marked by change and uncertainty, we have a responsibility to be thoughtful about how we use those resources. Our financial stewardship is not separate from our academic mission; it is what allows us to invest in students, advance knowledge and create new opportunities while remaining accountable to the people we serve. Together with strategic investments and a continued focus on long-term institutional strength, purposeful stewardship of the resources entrusted to us reflects our commitment to advancing the mission that has defined this university for generations.

Go Green!

Kevin M. Guskiewicz, Ph.D.
President
John A. Hannah Distinguished Professor, Department of Kinesiology

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

FY26 Audited Financial Statements



I am pleased to present Michigan State University's audited financial statements for Fiscal Year 2026 (FY26), which ended June 30, 2026.

Institutions across higher education continue to navigate a challenging, complex, and ever-changing financial landscape, and Michigan State University is no exception. In FY26, the university took intentional and disciplined action to reduce expenditures, mitigate rising costs, and reimagine our budget model. We also continued to thoughtfully invest in the people, places and programs that support our 2030 Strategic Plan.

Together, these actions have brought MSU to a net financial position of $6.3 billion — a stronger position than where we stood at the end of the prior fiscal year ($5.7 billion). Additional highlights of the FY26 financial statements include:

- **Total assets and deferred outflows:** $11.1 billion
- **Net position:** $6.3 billion, an increase of $556 million
- **Revenues and expenses:** $4.12 billion and $3.56 billion, respectively
- **Endowment:** $113 million increase in gifts and contributions to endowments resulting from gifts collected as part of the *Uncommon Will, Far Better World* campaign

The financial statements for the fiscal year ending June 30, 2026, reinforce responsible fiscal stewardship as a critical factor in the university's continued success. I remain committed to implementing the strategic decisions and actions necessary to ensure Michigan State University's financial health, sustainability, and long-term impact — now and for generations to come.

Go Green,

Lisa Frace
Senior Vice President, Chief Financial Officer and Treasurer

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Independent Auditor's Report

To the Board of Trustees
Michigan State University

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of Michigan State University (the "University") as of and for the years ended June 30, 2026 and 2025 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 aggregate discretely presented component units of the University and as of June 30, 2026 and 2025 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 97 percent of the assets and net position and 99 percent of revenue of the discretely presented component units. 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 and Spartan Ventures were not audited under *Government Audit Standards*.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2026, the University adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

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 30, 2026 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.



October 30, 2026

Overview of the Financial Statements

The following discussion provides an overview of the financial position of Michigan State University (the "University") for the fiscal years ended June 30, 2026 and 2025.

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, noncapital subsidies, 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") and Spartan Ventures are legally separate entities that meet the criteria set forth for component units under GASB regulations. The Foundation provides financial support for the objectives, purposes, and programs of the University. Spartan Ventures provides financial support for the objectives, purposes, and programs of Michigan State University Intercollegiate Athletics. Although the University does not control the financial operations of the Foundation or Spartan Ventures, the resources (and income thereon) the Foundation and Spartan Ventures hold and invest are solely for the benefit of the University. Because the Foundation's and Spartan Ventures' resources are solely for the benefit of the University, these entities are considered component units of the University and are discretely presented in the University's financial statements. The Foundation and Spartan Ventures are private organizations that report 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 or Spartan Ventures 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.

Financial Summary and Detailed Analyses

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, 2026, 2025, and 2024.

	2026	2025	2024
		(in millions)	
Current assets	$ 951	$ 1,070	$ 1,114
Noncurrent assets:			
Endowment and other investments	5,271	5,066	4,625
Capital assets, net	3,926	3,491	3,152
Other	296	222	432
Total assets	10,444	9,849	9,323
Deferred outflows of resources	680	557	647
Current liabilities	856	819	678
Noncurrent liabilities	3,670	3,489	3,331
Total liabilities	4,526	4,308	4,009
Deferred inflows of resources	333	389	361
Net Investment in Capital Assets	1,911	1,780	1,642
Restricted:			
Nonexpendable	1,217	1,149	1,101
Expendable	2,336	1,910	1,747
Unrestricted	801	870	1,110
Net position	$ 6,265	$ 5,709	$ 5,600

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 2026, cash and cash equivalents increased $118 million. The increase is a function of the University's operating, financing, and investing activities as reported in the statement of cash flows. Investments decreased $162 million, primarily due to decreases in short-term investment reserves. Net receivables decreased $47 million, primarily due to a $49 million decrease in Michigan Department of Health and Human Services' Specialty Network Access Fund ("SNAF") program receivables. Timing of SNAF funding can vary from year to year and is based on quarterly review and approval by the state and federal government.

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.

Noncurrent assets:

Endowment and other investments

At June 30, 2026 and 2025, the University's endowment and other investments totaled $5,271 million (an increase of $205 million) and $5,066 million (an increase of $441 million), respectively. Endowment and other investments amounts were comprised of the following:

	2026	2025	2024
		(in millions)	
Endowment investments:			
Beginning balance	$ 4,401	$ 4,224	$ 3,803
Gifts and University additions	54	46	39
Investment earnings net of transfers	435	131	382
Ending balance	$ 4,890	$ 4,401	$ 4,224
Other investments	381	665	401
Total endowment and other investments	$ 5,271	$ 5,066	$ 4,625

The University's endowment investments generated $196 million and $173 million in spending distributions during the year ended June 30, 2026 and 2025, respectively, in accordance with the programmatic spending policy established by the Board of Trustees. The spending distributions were used for the following purposes:

	2026	2025
	(in millions)	
Instruction, research, and public service initiatives	$ 47	$ 41
Student scholarships	42	35
Academic support	11	9
Other operations	96	88
Total	$ 196	$ 173

Other investments includes unspent bond proceeds, which totaled $36 million (a decrease of $283 million) and $319 million (an increase of $251 million) at June 30, 2026 and 2025, respectively. Additionally, operating reserves related to retirement benefits and postemployment benefits, which totaled $159 million (an increase of $11 million) and $148 million (an increase of $1 million) at June 30, 2026 and 2025, respectively. Also included in other investments was the Liquidity Reserve Pool component of the University's Operating Cash Pool which totaled $151 million (a decrease of $14 million) and $165 million (an increase of $10 million) in 2026 and 2025, respectively).

Significant Capital Asset Activity

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, 2026, 2025, and 2024, the University's investments in capital assets were as follows:

	2026	2025	2024
		(in millions)	
Land	$ 51	$ 52	$ 51
Buildings and site improvements	5,112	4,694	4,575
Construction in progress	752	592	240
Software and other intangibles	155	150	150
Equipment and other	1,464	1,411	1,348
Museum collections	36	35	31
Right-to-use assets	141	145	144
Less: accumulated depreciation and amortization	(3,785)	(3,588)	(3,387)
	$ 3,926	$ 3,491	$ 3,152

Additions to buildings and site improvements during 2026 and 2025 included:

	2026	2025
	(in millions)	
Student Recreation and Wellness Center	$ 180	$ -
Dairy Teaching and Research Building	71	-
Campbell Hall Renovation	35	-
Plant Science Greenhouse Renovation	33	-
Museum HVAC and Window Replacement	26	-
Spartan Stadium West Side Renovations	17	-
Multicultural Center	-	37
FRIB Renovations to Chemistry Building	-	13
Chemistry Lab Upgrades	-	13
Library Renovations - Special Collections	16	12
Other	63	61
Total	$ 441	$ 136

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, 2026 and 2025 included:

	2026	2025
	(in millions)	
Detroit Research Building	$ 221	$ 86
West Regional Chilled Water Plant	180	35
Plant and Environmental Sciences Building	134	42
Leinweber Engineering and Digital Innovation Building	42	-
IT Services Building Network Upgrade Project	14	-
FRIB Chip Testing Facility	13	-
Student Recreation and Wellness Center	-	130
Dairy Teaching and Research Complex	-	57
Campbell Hall Building Renovation	-	29
Plant Science Greenhouse Renovation	-	26
Museum HVAC and Window Replacement	-	18
Other	148	169
Total construction in process	$ 752	$ 592

As of June 30, 2026, 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 $165 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, 2026 and 2025, other noncurrent assets totaled $296 million (an increase of $74 million) and $222 million (a decrease of $210 million), respectively. The increase in 2026 was due primarily to a $137 million increase in long-term pledges receivable offset by a reduction of $65 million in unspent bond proceeds from June 30, 2025. The decrease in 2025 was due primarily to a reduction of $185 million in unspent bond proceeds from June 30, 2024.

Deferred outflows of resources:

At June 30, 2026 and 2025, deferred outflows of resources totaled $680 million (an increase of $123 million) and $557 million (a decrease of $90 million), respectively. In 2026 and 2025, deferred amounts related to changes in assumptions used to calculate the valuation of other postemployment benefits and related contributions made subsequent to the measurement date (in accordance with GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75")) increased by $124 million and decreased by $92 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 2026 and 2025 decreasing by $1 million combined. The University also had deferred amounts related to asset retirement obligations totaling $2 million for the years ending June 30, 2026 and 2025, respectively, as certain equipment contains refrigerants subject to federal disposal requirements.

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 2026 was due primarily to increases of $44 million in trade accounts payable, $4 million in the current portion of

long-term debt, and $2 million in accrued personnel costs, offset by decreases of $10 million in deposits held for others and $6 million in unearned revenues. The remaining balance is made up of payroll taxes and other deductions payable, the current portion of accrued self-insurance liabilities, the current portion of net other postemployment benefit obligations, and unearned revenues, all of which remained relatively consistent in 2026. The increase in trade accounts payable at June 30, 2026, can primarily be attributed to an increase in construction and retainage payables related to ongoing construction projects.

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 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 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.

Noncurrent liabilities, primarily long-term financing activity and net postemployment benefit obligations:

At June 30, 2026, the University had noncurrent debt and other obligations outstanding of $2,646 million compared with $2,704 million at June 30, 2025. There were no new bond issuances during the year ended June 30, 2026. 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 provide funding for capital projects. The University has outstanding general revenue bonds of $2,629 million and $2,683 million in 2026 and 2025, respectively (including $162 million and $167 million in 2026 and 2025, 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, 2026, 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, 2026 and 2025, the noncurrent portion of the University's net postemployment benefit obligations (OPEB) totaled $954 million (an increase of $243 million) and $711 million (a decrease of $72 million), respectively. Provisions of GASB 75 require revaluing the unfunded liability using a 20-year tax-exempt municipal rate on an annual basis. As a result, the liability estimate for financial reporting is susceptible to dramatic variation from year to year. The University also commissioned an experience study during the year ended June 30, 2026 and incorporated those updated assumptions into the valuation. 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, 2026 and 2025, deferred inflows of resources totaled $333 million and $389 million, respectively (a decrease of $56 million). In 2026, deferred inflows of resources representing deferred amounts due to changes in assumptions used to calculate the valuation of other postemployment benefits decreased by $65 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, 2026 and 2025 totaled $19 million and $21 million (a decrease of $2 million), respectively. In accordance with GASB 81, amounts are deferred until all provisions of the agreements are satisfied. Deferred inflows of resources attributable to the lease agreements in which the University is the lessor at June 30, 2026 and 2025 totaled $51 million and $39 million (an increase of $12 million), respectively. Deferred inflows of resources of $18 million were recognized in 2026 and 2025, respectively, due to gains on bond refunding related to the refunding of general revenue bonds.

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, 2026, 2025, and 2024 was as follows:

	2026	2025	2024
		(in millions)	
Net investment in capital assets	$ 1,911	$ 1,780	$ 1,642
Restricted:			
Nonexpendable	1,217	1,149	1,101
Expendable	2,336	1,910	1,747
Total restricted	3,553	3,059	2,848
Unrestricted	801	870	1,110
Total Net Position	$ 6,265	$ 5,709	$ 5,600

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 2026, expendable restricted net position increased by $426 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 2026 summer semester and the first quarter of fiscal year 2027, 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

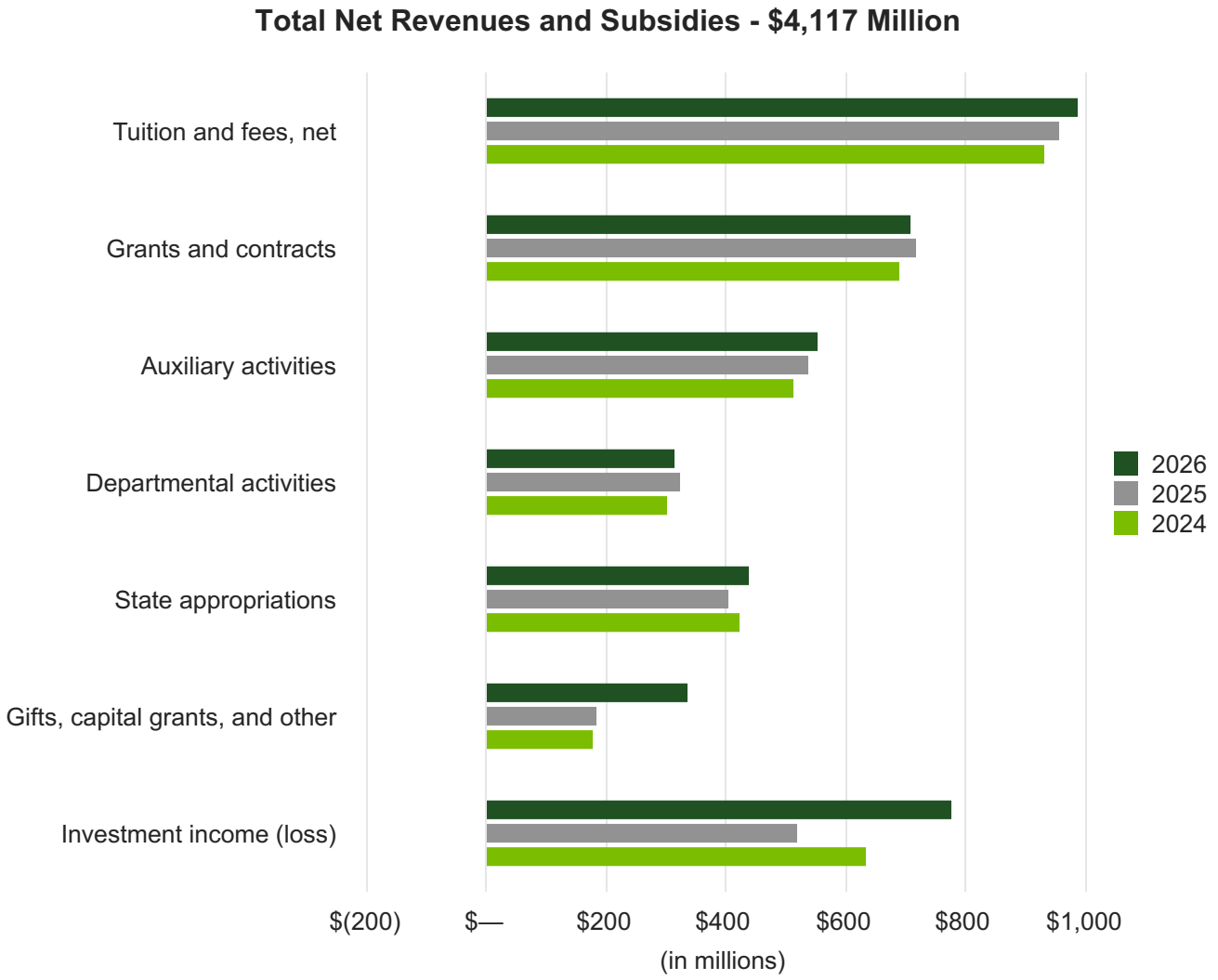
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results, noncapital subsidies, and other nonoperating revenues and expenses of the University. Nonoperating revenues and expenses include subsidies received and provided, contributions to endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expense. Noncapital subsidies are reported separately. Operating revenues and expenses reflect revenues and expenses other than nonoperating revenues and expenses.

A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2026, 2025, and 2024 follows:

	2026	2025	2024
		(in millions)	
Operating revenues:			
Student tuition and fees, net of allowances	$ 988	$ 956	$ 931
Grants and contracts	650	656	642
Federal Pell grant revenue	58	62	47
Auxiliary activities	554	538	513
Other operating revenues	314	324	301
Total operating revenues	2,564	2,536	2,434
Operating expenses:			
Instruction and departmental research	926	918	853
Research	493	512	486
Public service	442	428	403
Academic support	174	164	156
Student services	84	84	77
Scholarships and fellowships	88	93	98
Institutional support	198	225	208
Operation and maintenance of plant	171	172	148
Auxiliary enterprises	497	483	466
Other postemployment benefits expense	108	80	91
Depreciation and amortization	254	251	239
Other operating expenses, net	4	3	2
Total operating expenses	3,439	3,413	3,227
Operating loss	(875)	(877)	(793)
Noncapital subsidies:			
State operating appropriation	334	327	320
State AgBioResearch appropriation	40	39	39
State Extension appropriation	35	34	33
Gifts	198	102	89
Total noncapital subsidies	607	502	481
Operating loss and noncapital subsidies	(268)	(375)	(312)
Other nonoperating revenues (expenses):			
Additions to permanent endowments	53	37	37
Net investment income	776	518	635
State capital appropriations	31	6	30
Capital grants and gifts	75	30	31
Interest expense on indebtedness	(122)	(114)	(101)
Other nonoperating revenues, net	11	15	22
Net other nonoperating revenues	824	492	654
Increase in net position	556	117	342
Net position, beginning of year	5,709	5,600	5,258
Beginning net position adjustment	-	(8)	-
Net position, beginning of year, restated	5,709	5,592	5,258
Net position, end of year	$ 6,265	$ 5,709	$ 5,600

The University is supported by a diverse stream of revenue and subsidies 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 and subsidies by source for the years ended June 30, 2026, 2025, and 2024, respectively, are presented in millions of dollars:



The University recognized student tuition and fees revenues (net of scholarship allowances) totaling $988 million and $956 million in 2026 and 2025, respectively. Gross tuition and fees revenue increased $30 million, due in part to changes in student enrollment and tuition rates, while scholarship allowances decreased $2 million. In 2025, gross tuition and fees increased by $44 million, offset with a $19 million increase in scholarship allowance.

Federal grants and contracts revenues in 2026 totaled $505 million (a decrease of $29 million), including $487 million in sponsored programs, with the decrease due in part to changes in federal funding priorities. In 2025, federal grants and contracts increased by $6 million.

Auxiliary activities revenues (activities that provide services to students, faculty, staff, and the public) totaled $554 million (an increase of $16 million) in 2026. The increase in auxiliary activities was primarily driven by increases

in residential housing and dining rates and overall occupancy. In 2025, auxiliary activities increased $25 million which was driven by increases in residential housing and dining.

State appropriations totaled $440 million in 2026, an increase of $34 million. In 2026, the University received $334 million in funding for general operations compared to $327 million in 2025. Michigan State University Extension and MSU AgBioResearch appropriations totaled $75 million, an increase of $2 million from 2025. In 2026, the University also recognized $31 million in state capital appropriations compared to $6 million in 2025, which was related primarily to nonrecurring funding received in 2026 related to the renovation of greenhouse and dairy facilities.

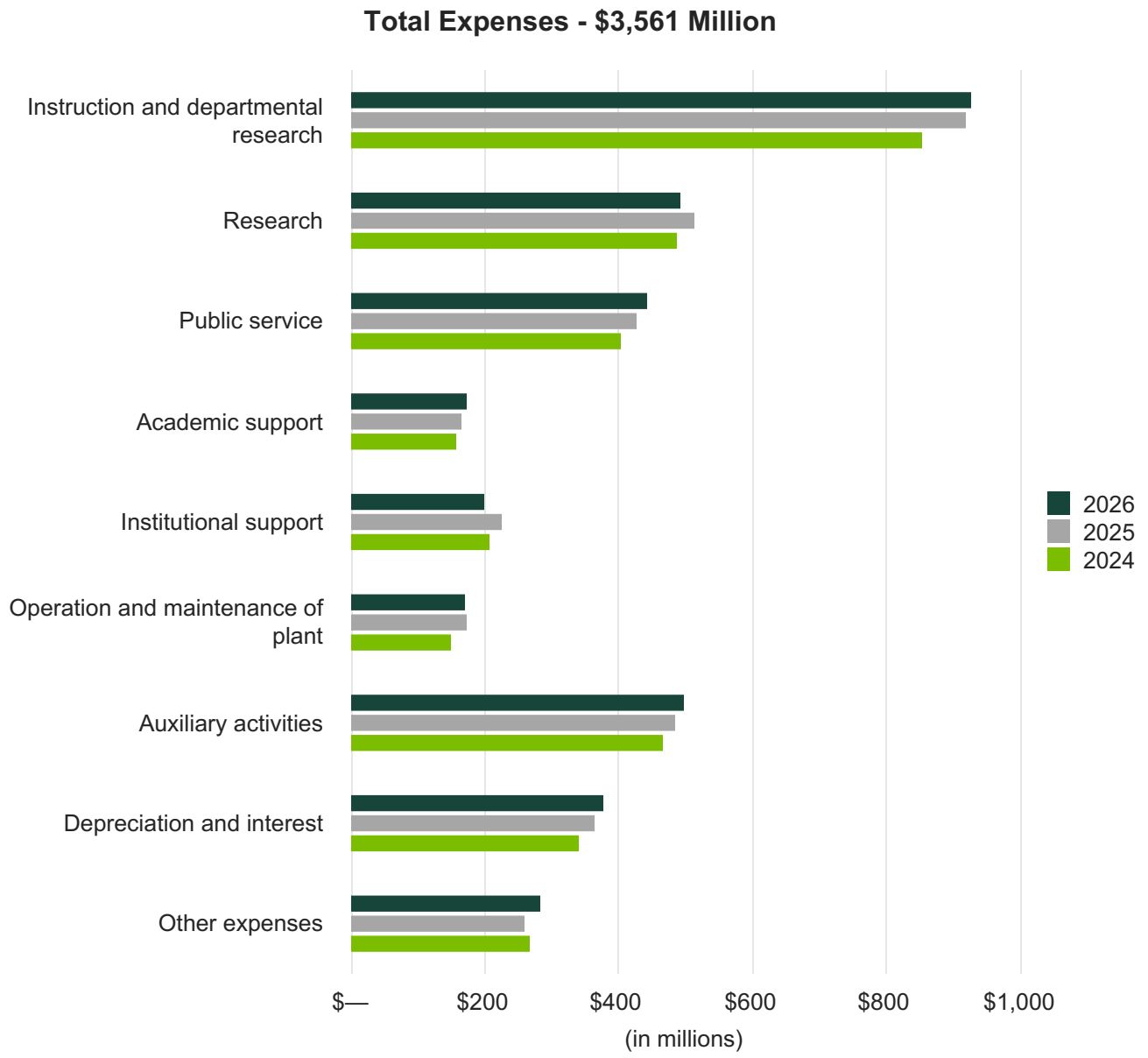
Other significant components of revenues in 2026 included net investment income, which increased $258 million due to market conditions. In 2025, net investment income decreased $117 million also due to market conditions. Gifts totaled $198 million in 2026, an increase of $96 million. In 2025, gifts totaled $102 million, an increase of $13 million. The increases in gifts can be attributed to the ongoing "Uncommon Will, Far Better World" capital campaign.

During 2026, $1,861 million was expended for the core missions of the University: instruction and departmental research, research, and public service, an increase of $3 million (0.2%) from 2025. Research expenses decreased $19 million (3.7)% due in part to changes in federal funding priorities, while instruction and departmental research and public service expenses increased $22 million (1.6%). In 2025, expenses for the core mission of the University increased $116 million.

Auxiliary enterprises totaled $497 million, an increase of $14 million, due primarily to rising costs for food and other supplies. In 2025, auxiliary enterprises increased $17 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 2026, the University incurred $128 million (a decrease of $9 million) as facilities and administrative support attributable to sponsored programs. In 2025, the University incurred $137 million (an increase of $3 million).

Operating expenses by source for the years ended June 30, 2026, 2025, and 2024, respectively, are presented in millions of dollars:



Currently Known Facts, Decisions, or Conditions

As a leading public research university and a vital contributor to Michigan's economy, Michigan State University remains committed to advancing its land-grant mission through excellence in teaching, research, innovation, and outreach. The University enters fiscal year 2027 with a stronger financial position than a year ago as a result of intentional planning, disciplined resource management, and the collaborative efforts of colleges and units across the institution.

Like many public research universities, Michigan State continues to operate in an environment shaped by economic uncertainty, rising employee benefit costs, changing enrollment patterns, unpredictable federal research funding priorities, and increasing pressure on traditional revenue sources. The State of Michigan has approved a one-time 1% increase in operating appropriations for fiscal year 2027. While the additional support is welcomed, the temporary nature of the increase reinforces the importance of the University's ongoing efforts to align recurring expenditures with recurring revenue sources.

The University's fiscal year 2027 operating budget includes a $370 per semester tuition increase for full-time students charged a block tuition rate. Even with this adjustment, Michigan State continues to maintain the lowest average tuition increase among Michigan public universities over the past decade. Over the past two fiscal years, the University has taken meaningful steps to strengthen its financial foundation for operations through budget reduction and cost-containment efforts designed to position Michigan State University for long-term success. While these actions have required difficult decisions across the institution, they have improved financial flexibility.

The University's "Uncommon Will, Far Better World" fundraising campaign continues to gain momentum, with more than $1.9 billion raised toward its $4 billion goal. Fiscal year 2026 represented the most successful fundraising year in MSU history, generating more than $736 million in gifts and commitments. These philanthropic investments will focus on supporting both operating and programmatic activities, including instruction and research initiatives, and strategic priorities such as student scholarships, endowed professorships, constructing modern and innovative education facilities, imagining new partnerships, and building future opportunities where Spartans don't just navigate change; they drive it.

In support of better long-term decision-making, the University is strengthening its approach to capital planning to ensure investments in buildings, classrooms, laboratories, and campus infrastructure are aligned with strategic priorities. During fiscal year 2026, the University received a second $30 million appropriation from the State of Michigan to support the Leinweber Center for Engineering and Digital Innovation. This new facility will serve as a hub for teaching and research in advanced manufacturing, materials science, microelectronics, artificial intelligence, and other emerging workforce and research priorities.

Financial stewardship is not about eliminating uncertainty; it is about preparing for it. The University remains focused on thoughtful planning, responsible stewardship, and strategic investments that strengthen its long-term financial sustainability. As Michigan State continues to modernize operations and align resources with its highest priorities, it is well positioned to support its mission and advance the goals of the MSU 2030 Strategic Plan.

STATEMENTS OF NET POSITION

	June 30,	
	2026	2025
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 229,374	$ 111,682
Investments	311,799	473,443
Accounts and interest receivable, net	352,206	399,627
Student loans and pledges receivable, net	18,880	51,896
Inventories and other assets	38,965	33,441
Total current assets	951,224	1,070,089
Noncurrent assets:		
Restricted cash and cash equivalents	27,615	92,788
Restricted investments	35,616	319,239
Endowment investments	4,890,459	4,401,247
Other investments	345,268	344,875
Accounts and interest receivable, net	32,703	29,278
Student loans and pledges receivable, net	210,913	74,074
Investments in joint ventures and other assets	23,713	26,282
Capital assets, net	3,926,303	3,490,915
Total noncurrent assets	9,492,590	8,778,698
Total assets	**10,443,814**	**9,848,787**
DEFERRED OUTFLOWS OF RESOURCES	**679,909**	**556,927**
LIABILITIES		
Current liabilities:		
Accounts and interest payable	349,322	305,822
Accrued personnel costs	89,296	86,990
Accrued self-insurance liabilities	37,945	36,683
Payroll taxes and other payroll deductions	4,605	4,615
Deposits held for others	10,798	21,505
Unearned revenues	120,344	126,421
Current portion of net other postemployment benefit obligations	39,423	36,762
Current portion of long-term debt and other obligations	203,861	199,809
Total current liabilities	855,594	818,607
Noncurrent liabilities:		
Accrued personnel costs	48,145	46,656
Accrued self-insurance liabilities	12,522	15,024
Unearned revenues	5,730	6,426
Derivative instruments - swap liability	4,285	5,875
Net other postemployment benefit obligations	954,031	710,914
Long-term debt and other obligations	2,645,705	2,704,270
Total noncurrent liabilities	3,670,418	3,489,165
Total liabilities	**4,526,012**	**4,307,772**
DEFERRED INFLOWS OF RESOURCES	**333,147**	**389,405**
NET POSITION		
Net investment in capital assets	1,910,836	1,780,219
Restricted:		
Nonexpendable	1,216,705	1,148,666
Expendable:		
Research and gifts	1,755,512	1,396,053
Quasi and term endowments	457,315	399,549
Debt service and capital projects	107,849	99,839
Student loans	15,418	14,383
Unrestricted	800,929	869,828
TOTAL NET POSITION	**$ 6,264,564**	**$ 5,708,537**

See accompanying notes

MICHIGAN STATE UNIVERSITY DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENTS OF FINANCIAL POSITION

	MSU Research Foundation		Spartan Ventures		Combined Total	
	June 30,		June 30,		June 30,	
	2026	2025	2026	2025	2026	2025
ASSETS			(in thousands)			
Cash equivalents	$ 36,551	$ 22,767	$ 29,888	$ -	$ 66,439	$ 22,767
Interest and dividends receivable, net	1,386	1,310	-	-	1,386	1,310
Other receivables, net	1,290	2,059	-	-	1,290	2,059
Investments	514,593	490,810	-	-	514,593	490,810
Land held for investment, net	1,262	1,262	-	-	1,262	1,262
Investment in University Health Park, net	2,813	2,825	-	-	2,813	2,825
Net investments in sales-type finance lease	29,100	29,735	-	-	29,100	29,735
Equity in start-up organizations, net	41,958	34,351	-	-	41,958	34,351
Notes receivable, net	8,917	9,871	-	-	8,917	9,871
Prepaid expenses	7,966	247	77	-	8,043	247
Operating lease right-of-use assets	392	965	-	-	392	965
Property and equipment, net	11,019	11,664	-	-	11,019	11,664
Intangible assets, net	56	208	-	-	56	208
TOTAL ASSETS	**$657,303**	**$608,074**	**$ 29,965**	**$ -**	**$687,268**	**$608,074**
LIABILITIES AND NET ASSETS						
Liabilities:						
Accrued expenses and other payables	$ 4,496	$ 4,879	$ 45	$ -	$ 4,541	$ 4,879
Deferred revenue	357	968	-	-	357	968
Trusts and annuities payable	5,944	6,034	-	-	5,944	6,034
Loan payable	14,072	14,632	-	-	14,072	14,632
Operating lease liabilities	400	977	-	-	400	977
Capital lease obligation	5,950	5,973	-	-	5,950	5,973
Deposit held for Michigan State University	22,146	21,019	-	-	22,146	21,019
Obligations under life estate agreements	313	336	-	-	313	336
Total liabilities	**53,678**	**54,818**	**45**	**-**	**53,723**	**54,818**
Net assets:						
Without donor restrictions:						
MSU component unit	547,149	507,269	(76)	-	547,073	507,269
Noncontrolling interest in component unit	-	-	29,996	-	29,996	-
Total net assets without donor restrictions	547,149	507,269	29,920	-	577,069	507,269
With donor restrictions:						
Time or purpose restrictions	56,476	45,987	-	-	56,476	45,987
Perpetual restrictions	-	-	-	-	-	-
Total net assets with donor restrictions	56,476	45,987	-	-	56,476	45,987
Total net assets	**603,625**	**553,256**	**29,920**	**-**	**633,545**	**553,256**
TOTAL LIABILITIES AND NET ASSETS	**$657,303**	**$608,074**	**$ 29,965**	**$ -**	**$687,268**	**$608,074**

See accompanying notes

MICHIGAN STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2026	June 30, 2025
	(in thousands)	
OPERATING REVENUES		
Student tuition and fees	$ 1,240,771	$ 1,210,761
Less: scholarship allowances	253,021	254,679
Net student tuition and fees	987,750	956,082
State of Michigan grants and contracts	56,155	34,586
Federal grants and contracts	504,690	534,113
Federal Pell grant revenue	58,350	61,538
Local and private sponsored programs	88,681	87,371
Interest and fees on student loans	348	381
Departmental activities (net of scholarship allowances of $1,355 in 2026 and $1,635 in 2025)	314,333	323,445
Auxiliary activities (net of room and board allowances of $24,439 in 2026 and $27,409 in 2025)	553,225	538,426
TOTAL OPERATING REVENUES	2,563,532	2,535,942
OPERATING EXPENSES		
Instruction and departmental research	925,725	917,891
Research	493,399	511,562
Public service	442,051	428,005
Academic support	174,468	164,541
Student services	83,898	83,657
Scholarships and fellowships	87,956	93,072
Institutional support	197,554	225,131
Operation and maintenance of plant	170,651	172,730
Auxiliary enterprises	497,014	482,764
Other postemployment benefits expense	108,095	79,716
Depreciation and amortization	254,140	251,046
Other operating expenses, net	3,625	3,456
TOTAL OPERATING EXPENSES	3,438,576	3,413,571
Operating loss	(875,044)	(877,629)
NONCAPITAL SUBSIDIES		
State operating appropriation	333,766	326,828
State AgBioResearch appropriation	40,281	39,481
State Extension appropriation	34,745	34,056
Gifts	198,359	101,564
TOTAL NONCAPITAL SUBSIDIES	**607,151**	**501,929**
Operating loss and noncapital subsidies	**(267,893)**	**(375,700)**
OTHER NONOPERATING REVENUES (EXPENSES)		
Additions to permanent endowments	53,219	36,606
Net investment income	776,181	518,168
State capital appropriations	31,171	6,053
Capital grants and gifts	74,737	30,362
Interest expense on indebtedness	(122,322)	(113,685)
Other nonoperating revenues, net	10,934	14,733
NET OTHER NONOPERATING REVENUES (EXPENSES)	823,920	492,237
Increase in net position	556,027	116,537
Net position, beginning of year	5,708,537	5,592,000
NET POSITION, END OF YEAR	**$ 6,264,564**	**$ 5,708,537**

See accompanying notes

MICHIGAN STATE UNIVERSITY DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended June 30, 2026						
	MSU Research Foundation			Spartan Ventures			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Combined Total
REVENUE AND OTHER SUPPORT			(in thousands)				
Income from investments - net of fees	$ 53,857	$ 6,135	$ 59,992	$ 172	$ -	$ 172	$60,164
Royalty income	2,026	-	2,026	-	-	-	2,026
Rental income	2,306	-	2,306	-	-	-	2,306
Interest income on lease receivable	1,072	-	1,072	-	-	-	1,072
Grants and contracts	5,950	9,846	15,796	-	-	-	15,796
Other income	297	399	696	-	-	-	696
Net assets released from restrictions	5,891	(5,891)	-	-	-	-	-
TOTAL REVENUE AND OTHER SUPPORT	71,399	10,489	81,888	172	-	172	82,060
EXPENSES							
Contributions to Michigan State	11,251	-	11,251	-	-	-	11,251
Grant expenses	2,542	-	2,542	-	-	-	2,542
Salaries, fringe benefits, and payroll	7,402	-	7,402	-	-	-	7,402
Consultants and professional fees	1,800	-	1,800	-	-	-	1,800
Office expense	364	-	364	-	-	-	364
Operating expense	1,136	-	1,136	252	-	252	1,388
Rent and utilities	2,154	-	2,154	-	-	-	2,154
Depreciation and amortization	1,023	-	1,023	-	-	-	1,023
Interest expense	769	-	769	-	-	-	769
Provision for uncollectible receivables	2,967	-	2,967	-	-	-	2,967
Other expense	111	-	111	-	-	-	111
TOTAL EXPENSES	31,519	-	31,519	252	-	252	31,771
Change in net assets	39,880	10,489	50,369	(80)	-	(80)	50,289
Capital contribution by noncontrolling interest	-	-	-	30,000	-	30,000	30,000
Net assets, beginning of year	507,269	45,987	553,256	-	-	-	553,256
NET ASSETS, END OF YEAR	$ 547,149	$ 56,476	$603,625	$ 29,920	$ -	$ 29,920	$ 633,545

	Year ended June 30, 2025						
	MSU Research Foundation			Spartan Ventures			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Combined Total
REVENUE AND OTHER SUPPORT			(in thousands)				
Income from investments - net of fees	$ 35,817	$ 4,385	$ 40,202	$ -	$ -	$ -	$40,202
Royalty income	1,743	-	1,743	-	-	-	1,743
Rental income	2,346	-	2,346	-	-	-	2,346
Interest income on lease receivable	1,094	-	1,094	-	-	-	1,094
Grants and contracts	2,155	6,073	8,228	-	-	-	8,228
Other income	562	676	1,238	-	-	-	1,238
Net assets released from restrictions	9,224	(9,224)	-	-	-	-	-
TOTAL REVENUE AND OTHER SUPPORT	52,941	1,910	54,851	-	-	$ -	54,851
EXPENSES							
Contributions to Michigan State University	12,065	-	12,065	-	-	-	12,065
Grant expenses	283	-	283	-	-	-	283
Salaries, fringe benefits, and payroll taxes	6,486	-	6,486	-	-	-	6,486
Consultants and professional fees	3,244	-	3,244	-	-	-	3,244
Office expense	352	-	352	-	-	-	352
Operating expense	703	-	703	-	-	-	703
Rent and utilities	1,960	-	1,960	-	-	-	1,960
Depreciation and amortization	1,019	-	1,019	-	-	-	1,019
Interest expense	795	-	795	-	-	-	795
Provision for uncollectible receivables	4,032	-	4,032	-	-	-	4,032
Other expense	90	-	90	-	-	-	90
TOTAL EXPENSES	31,029	-	31,029	-	-	-	31,029
Change in net assets	21,912	1,910	23,822	-	-	-	23,822
Net assets, beginning of year	485,357	44,077	529,434	-	-	-	529,434
NET ASSETS, END OF YEAR	$ 507,269	$ 45,987	$553,256	$ -	$ -	$ -	$ 553,256

See accompanying notes

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2026	2025
Cash flows from operating activities	(in thousands)	
Tuition and fees	$ 983,749	$ 960,595
Research grants and contracts	646,485	633,826
Auxiliary activities	558,242	525,455
Departmental activities	356,633	266,423
Interest and fees on student loans	348	381
Loans issued to students	(2,723)	(2,267)
Collection of loans from students	3,657	4,292
Scholarships and fellowships	(92,233)	(98,992)
Payments to suppliers	(864,827)	(803,179)
Payments to employees	(2,135,282)	(2,089,725)
Fiduciary activities - Scholarships and other receipts	356,144	369,460
Fiduciary activities - Scholarships and other payments	(356,144)	(369,460)
William D. Ford Direct Lending receipts	168,811	147,226
William D. Ford Direct Lending disbursements	(168,811)	(147,226)
Other payments	(37,068)	(43,582)
Net cash used by operating activities	(583,019)	(646,773)
Cash flows from noncapital financing activities		
State appropriations	407,260	398,563
Federal Pell grant revenue	58,350	61,538
Gifts	105,927	100,534
Endowment gifts	53,396	36,074
Principal paid on noncapital debt	(6,423)	(7,230)
Interest paid on noncapital debt	(14,618)	(15,175)
Other (payments) receipts	(1,453)	(3,381)
Net cash provided by noncapital financing activities	602,439	570,923
Cash flows from capital and related financing activities		
Capital appropriations	34,454	-
Capital gifts and grants	62,236	35,954
Proceeds from issuance of capital debt and other long-term obligations	147,971	395,846
Purchase of capital assets	(661,663)	(531,581)
Proceeds from sale of capital assets	12,471	2,522
Principal paid on capital debt	(208,576)	(165,042)
Interest paid on capital debt	(107,619)	(97,879)
Other receipts	22,977	30,445
Net cash used by capital and related financing activities	(697,749)	(329,735)
Cash flows from investing activities		
Investment income, net	789,655	541,816
Proceeds from sales and maturities of investments	7,609,351	7,241,882
Purchase of investments	(7,668,158)	(7,722,246)
Net cash provided by investing activities	730,848	61,452
Net increase (decrease) in cash	52,519	(344,133)
Cash and cash equivalents, beginning of year	204,470	548,603
Cash and cash equivalents, end of year	**$ 256,989**	**$ 204,470**

See accompanying notes

Reconciliation of net operating loss to cash flows from operating activities:	Year Ended June 30, 2026	2025
	(in thousands)	
Operating loss	$ (875,044)	$ (877,629)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	254,140	251,046
Federal Pell grant revenue	(58,350)	(61,538)
Change in assets and liabilities:		
Accounts receivable	37,982	(90,919)
Student loans receivable	934	2,026
Inventories and other assets	(5,524)	(3,051)
Investments in joint ventures and other assets	2,569	15,118
Accounts payable	18,364	52,991
Accrued personnel costs	3,795	10,963
Payroll taxes and other payroll deductions	(10)	(1,103)
Deposits held for others	(10,707)	(2,385)
Unearned revenues	(6,773)	2,284
Accrued self-insurance liabilities	(1,240)	17,204
Net other postemployment benefit obligation	245,778	(65,236)
Change in deferred outflows	(124,056)	92,267
Change in deferred inflows	(64,877)	11,189
Net cash used by operating activities	**$ (583,019)**	**$ (646,773)**

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

Organization:

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

Basis of presentation:

The University follows all applicable GASB pronouncements. The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and are presented in accordance with the reporting model prescribed in GASB Statement No. 34, B*asic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 63, and No. 103. 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 financial operations of 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. Requests for separate financial statements for the Foundation may be sent to:

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

Spartan Ventures was formed in December 2025 and 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. Spartan Ventures provides financial support for the objectives, purposes, and programs of the University's Intercollegiate Athletics programs. Although the University does not control the financial operations of Spartan Ventures, the resources (and income thereon) that the Spartan Ventures holds and invests are dedicated to benefit the University. Because the resources held by Spartan Ventures can only be used by, or for the benefit of, the University, Spartan Ventures 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. During fiscal year 2026, the University established a framework for Spartan Ventures and its affiliates to support certain fundraising, media, and other revenue-generating activities associated with Michigan State University Intercollegiate Athletics. As of June 30, 2026, significant activities contemplated under those agreements had not yet commenced.

Spartan Ventures has a majority-owned consolidated subsidiary that includes a noncontrolling interest. During fiscal year 2026, the noncontrolling member contributed $30 million. The change in noncontrolling interest for the year ended June 30, 2026, reflects that contribution and the noncontrolling member's share of changes in the subsidiary's net assets.

Spartan Ventures 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 Spartan Ventures financial information included in the University's financial report to account for these differences. Requests for separate financial statements for Spartan Ventures may be sent to:

Spartan Ventures, 1855 Place, 550 S. Harrison Road, 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 16. Requests for separate financial statements for MSU Health Care, Inc. may be sent 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 16.

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 revenues – Operating activities as reported in the Statement of Revenues, Expenses, and Changes in Net Position are those activities other than nonoperating revenues and expenses as defined in GASB Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103").

Noncapital subsidies - Noncapital subsidies reflect resources received by the University from another party for which the University does not provide goods or services to the other party and that may directly or indirectly keep the University's current or future fees and charges lower than they would be otherwise.

Other nonoperating revenues (expenses) - Nonoperating activities are defined in GASB 103 as capital subsidies received or provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses. 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, 4.8% 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 2026. For fiscal year 2027, the rate will remain at 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.

Subsequent events - The University has evaluated transactions and events through October 30, 2026. On September 19, 2026, the University experienced a campuswide power outage due to an equipment failure at its campus power plant. This resulted in a loss of connection to necessary power supplied to the power plant, halting the ability to generate electricity and steam to campus buildings. The power outage has resulted in losses due to business interruptions, property damage, and potential liability claims, all of which are not able to be estimated at this time. Certain costs are expected to be recovered by insurance reimbursement once claims have been finalized and submitted.

Change in accounting policy – Effective for the fiscal year ended June 30, 2026, the University adopted GASB Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103"). This statement redefines operating and nonoperating activities, establishes the definition of noncapital subsidies, and updates the presentation of the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position has been restated to reflect the provisions of GASB 103. As a result, federal Pell grant revenue has been reclassified to operating revenues; state operating appropriations, state AgBioResearch appropriations, state cooperative extension service appropriations, and gifts have been reclassified to noncapital subsidies; and additions to permanent endowments, state capital appropriations, and capital gifts and grants have been reclassified to other nonoperating revenues (expenses). GASB 103 did not impact the reported net position as of June 30, 2026 or 2025, respectively.

Effective for the fiscal year ended June 30, 2026, the University adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets* ("GASB 104"). This statement provides additional information about certain types of capital assets. The information presented in note 8 related to right-to-use assets has been expanded to present major underlying asset types as of June 30, 2026 and 2025, respectively. GASB 104 did not impact the reported net position as of June 30, 2026 or 2025, respectively.

Effective for the fiscal year ended June 30, 2026, the University adopted GASB Statement No. 105, *Subsequent Events* ("GASB 105"). This statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This statement also clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. GASB 105 did not impact the reported net position as of June 30, 2026 or 2025, respectively.

2. Cash and cash equivalents

The University's cash and cash equivalents as of June 30, 2026 and 2025 were as follows:

	2026	2025
Cash and cash equivalents, current	$ 229,374	$ 111,682
Restricted cash and cash equivalents, noncurrent	27,615	92,788
Total cash and cash equivalents	$ 256,989	$ 204,470

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 $139,040 and $99,555 at June 30, 2026 and 2025, respectively. The 2026 and 2025 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, 2026 and 2025, the University had the following investments:

	June 30, 2026				
Investment type	LP	LRP	CIF	Other	Total
Investment pools	$ -	$ -	$ 5,025,103	$ 55,419	$ 5,080,522
U.S. Government agencies	130,321	30,418	-	-	160,739
Municipal bonds	-	308	-	-	308
Corporate bonds	60,272	36,759	-	3,559	100,590
Asset-backed securities	69,589	62,129	-	23,824	155,542
Money market and mutual funds	8,078	3,531	-	568	12,177
International bonds	30,558	18,296	-	5,416	54,270
Life insurance policies	-	-	-	3,764	3,764
Commercial paper	6,808	-	-	-	6,808
Bank time deposits	6,173	-	-	2,249	8,422
Total	$ 311,799	$ 151,441	$ 5,025,103	$ 94,799	$ 5,583,142

	June 30, 2025				
Investment type	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

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, 2026 and 2025, respectively, are as follows:

Investment type	2026	2025
Investment pools	$ 42,857	$ 40,850
U.S. Government agencies	160,739	296,244
Municipal bonds	308	178
Corporate bonds	100,590	182,323
Asset-backed securities	155,542	345,388
International bonds	54,270	68,772
Commercial paper	6,808	18,489
Bank time deposits	8,422	13,935
Total	$ 529,536	$ 966,179

The maturities of fixed income investments as of June 30, 2026 and 2025 were as follows:

	June 30, 2026 Fixed Income Investment Maturities				
Investment type	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
U.S. Government agencies	$ 8,255	$ 136,703	$ 7,199	$ 8,582	$ 160,739
Municipal bonds	-	-	-	308	308
Corporate bonds	17,555	60,244	15,151	7,640	100,590
Asset-backed securities	663	65,576	9,364	79,939	155,542
International bonds	10,241	29,504	5,706	8,819	54,270
Commercial paper	6,808	-	-	-	6,808
Bank time deposits	8,422	-	-	-	8,422
Total	$ 51,944	$ 292,027	$ 37,420	$ 105,288	$ 486,679

	June 30, 2025 Fixed Income Investment Maturities				
Investment type	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
U.S. Government agencies	$ 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	$ 159,823	$ 573,920	$ 45,665	$ 145,921	$ 925,329

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 a maximum of one year for the ultra-short segment and to not exceed the benchmark duration by more than half of a year for the short segment. For the LRP, the average duration should not exceed the benchmark duration by more than one year. At June 30, 2026 and 2025, 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, 2026 and 2025 were as follows:

	June 30, 2026						
	Rating						
Investment type	AAA	AA	A	BBB	BB	Not rated	Total
U.S. Government agencies	$ -	$ 160,739	$ -	$ -	$ -	$ -	$ 160,739
Municipal bonds	-	130	-	-	-	178	308
Corporate bonds	304	8,756	27,354	50,111	-	14,065	100,590
Asset-backed securities	62,098	46,912	1,966	307	-	44,259	155,542
International bonds	2,478	228	24,245	11,730	190	15,399	54,270
Commercial paper	-	-	-	-	-	6,808	6,808
Bank time deposits	-	-	-	-	-	8,422	8,422
Total	$ 64,880	$ 216,765	$ 53,565	$ 62,148	$ 190	$ 89,131	$ 486,679

	June 30, 2025						
	Rating						
Investment type	AAA	AA	A	BBB	BB	Not rated	Total
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

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 minimum ratings issued by nationally recognized statistical rating organizations of Aa3/AA-/AA- for the LP and A2/A/A for the LRP. University investment policy limits investments at the time of purchase to the following minimum ratings:

- LP portfolio - Short-term P-2/A-2/F2, long-term Baa3/BBB-/BBB-
- LRP portfolio - Short-term P-2/A-2/F2, long-term Baa3/BBB-/BBB-

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 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.

As of June 30, 2026 and 2025, 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 invested in foreign currency denominated foreign securities in developed countries, but does not address foreign risks for the CIF portfolio. The University's exposure to foreign currency risk consisted of $1,444 in investments denominated in British pounds sterling and $3,118 in investments denominated in euros at June 30, 2026. 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 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, 2026 and 2025 are valued using prices quoted in active markets for those securities.

The fair value of various equity and debt securities held at June 30, 2026 and 2025 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, 2026 and 2025 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, 2026 and 2025, grouped by the valuation hierarchy outlined above were as follows:

	Fair value measurement at June 30, 2026 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, 2026
Investments by fair value level:					
Equity securities:					
U.S. equities	$ 595,891	$ -	$ -	$ 1,461,092	$ 2,056,983
International equities	-	-	-	81,953	81,953
Debt securities:					
U.S Government agencies	-	160,739	-	-	160,739
Corporate bonds	-	100,590	-	-	100,590
International bonds	-	54,270	-	-	54,270
Municipal bonds	-	308	-	-	308
Asset-backed securities	-	154,466	1,076	-	155,542
Hedge funds	-	-	-	1,053,013	1,053,013
Private investments	-	-	500	1,672,102	1,672,602
Real assets/Real estate	-	-	10,156	120,922	131,078
Money market and mutual funds	31,473	-	-	-	31,473
Funds held at the Foundation	-	-	22,086	-	22,086
Other investments	-	-	17,301	-	17,301
Total investments by fair value level	$ 627,364	$ 470,373	$ 51,119	$ 4,389,082	$ 5,537,938
Investments valued using other methods					45,204
Total					$ 5,583,142

	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	$ 531,029	$ 903,436	$ 54,023	$ 3,978,501	$ 5,466,989
Investments valued using other methods					71,815
Total					$ 5,538,804

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, 2026 and 2025, were as follows:

	Investment value at June 30, 2026:				
Investment Type	Valuation Method	100% Owned Holding Company	Investment Entity	Ownership %	Balance at June 30, 2026
Majority Equity Interest	Equity method	MI 411P Holdings, LLC	411 Piquette Holdings, LLC	75.0%	$ 7,969
Majority Equity Interest	Equity method	MI Fisher Holdings LLC	Fisher Acquisitions, LLC	89.4%	19,930
Majority Equity Interest	Equity method	N/A	OCC IV, LLC	100.0%	2,075
Commercial paper and bank time deposits with original maturities less than one year	Amortized cost	N/A	N/A	N/A	15,230
U.S. Treasury bond investments with original maturities less than one year	Amortized cost	N/A	N/A	N/A	-
Investments valued using other methods					$ 45,204

Investment Type	Investment value at June 30, 2025: 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
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					$ 71,815

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, 2026 and 2025 were as follows:

	Fair value measurement at June 30, 2026 using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance at June 30, 2026
Derivative instruments by fair value:				
Cash flow hedging derivatives - swap liability	$ -	$ (260)	$ -	$ (260)
Other derivatives - swap liability	-	(4,025)	-	(4,025)
Total derivative instruments by fair value	$ -	$ (4,285)	$ -	$ (4,285)

	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
Derivative instruments by fair value:				
Cash flow hedging derivatives - swap liability	$ -	$ (397)	$ -	$ (397)
Other derivatives - swap liability	-	(5,478)	-	(5,478)
Total derivative instruments by fair value	$ -	$ (5,875)	$ -	$ (5,875)

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, 2026 and 2025, the fair value, unfunded commitments, and redemption rules of those investments were as follows:

	June 30, 2026	June 30, 2025	As of June 30, 2026: Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equities (a)	$ 1,461,092	$ 1,336,465	$ -	Various	1-5 days
International equities (b)	81,953	60,322	-	Daily	1-2 days
Hedge funds (c)	1,053,013	989,982	-	Various	31-90 days
Private investments (d)	1,672,102	1,448,508	723,206	Not applicable	Not applicable
Real assets/Real estate (e)	120,922	143,224	53,827	Not applicable	Not applicable
Total	$ 4,389,082	$ 3,978,501	$ 777,033		

(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. As of June 30, 2026, the University held no hedge fund investments that were subject to redemption restrictions that would prevent redemption within one year.

(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, 2026 and 2025 were as follows:

	Fair value measurement at June 30, 2026 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, 2026
Marketable securities:					
Short-term investments	$ 1,476	$ -	$ -	$ -	$ 1,476
Domestic equities	90,771	-	-	-	90,771
Foreign equities	434	-	-	-	434
Mutual funds - equities	112,834	-	-	-	112,834
Mutual funds - fixed income	21,955	-	-	-	21,955
Alternative investments:					
Private credit (a)	-	-	-	27,009	27,009
Hedge funds (b)	-	-	-	127,892	127,892
Private equity (c)	-	-	-	132,222	132,222
Total investments by fair value level	$ 227,470	$ -	$ -	$ 287,123	$ 514,593

	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
Domestic equities	77,191	-	-	-	77,191
Mutual funds - equities	92,228	-	-	-	92,228
Mutual funds - fixed income	26,463	-	-	-	26,463
Alternative investments:					
Private Credit (a)	-	-	-	27,294	27,294
Hedge funds (b)	-	-	-	114,444	114,444
Private equity (c)	-	-	-	140,199	140,199
Total investments by fair value level	$ 208,873	$ -	$ -	$ 281,937	$ 490,810

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.

(a) *Private credit.* This category includes debt instruments made in both domestic and international private companies. The overall portfolio consists of several sub-strategies including senior lending, mezzanine and subordinated debt, specialty finance, distressed securities, and structured debt. Unfunded commitments are $0 on June 30, 2026 and 2025, respectively. The investment product allows for quarterly liquidity subject to certain fund level commitments.

(b) *Hedge funds.* This category includes investments in hedge funds that invest in both long and short U.S., global, and emerging market equities, global commodities, global fixed income, and multi-strategy funds, distressed corporate credit, and limited partnerships with assets consisting of U.S. equities and global multi-strategy investments. Unfunded commitments total $0 on June 30, 2026 and 2025, respectively. Redemption periods range from monthly to illiquid. Notices range from 30 days to 180 days (for funds with liquidity).

(c) *Private equity.* This category includes investments in limited partnerships with assets consisting of both domestic and international-based investments in private companies, debt securities, real estate, natural resources, distressed credit securities, leveraged bank loans and mortgage-backed securities. Unfunded commitments totaled $53,109 and $61,102 on June 30, 2026 and 2025, respectively. Investments are illiquid based upon partnership dissolution. Management is not able to estimate timing of expected liquidation or distribution.

5. Accounts and interest receivable

The composition of accounts and interest receivable at June 30, 2026 and 2025 is summarized as follows:

	2026	2025
State appropriations	$ 74,326	$ 72,794
Research and sponsored programs	129,579	129,648
Departmental activities	118,632	156,554
Lease receivables	27,345	28,382
Interest receivable	4,804	8,030
Other	55,215	56,231
	409,901	451,639
Less: allowance for doubtful accounts	24,992	22,734
Total accounts and interest receivable, net	384,909	428,905
Less: current portion	352,206	399,627
Noncurrent portion	$ 32,703	$ 29,278

6. Student loans and pledges receivable

The composition of student loans and pledges receivable at June 30, 2026 and 2025 is summarized as follows:

	2026	2025
Student loans receivable:		
Perkins Federal Loan Program	$ 2,727	$ 3,687
Health Professions Student Loan Programs	11,202	10,583
Other	1,112	1,355
	15,041	15,625
Less: allowance for doubtful accounts	1,720	1,370
Total student loans receivable, net	13,321	14,255
Pledges receivable:		
Capital	71,518	57,616
Operations	169,565	67,046
	241,083	124,662
Less: allowance for doubtful accounts	24,611	12,947
Total pledges receivable, net	216,472	111,715
Total student loans and pledges receivable, net	229,793	125,970
Less: current portion - student loans	4,247	4,760
Less: current portion - pledges	14,633	47,136
Noncurrent portion	$ 210,913	$ 74,074

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, 2026 and 2025, the University distributed $356,144 and $369,460, 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 $37,750 and $45,949 at June 30, 2026 and 2025, 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, 2026, 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%.

2027	$	16,289
2028		38,208
2029		83,995
2030		68,638
2031		18,275
2032 and beyond		15,678
Total discounted pledges receivable		241,083
Less: allowance for uncollectible pledges		24,611
Total pledges receivable, net	$	216,472

7. Investments in joint ventures and other assets

The composition of investment in joint ventures and other assets at June 30, 2026 and 2025 is summarized as follows:

		2026		2025
Investment in joint ventures	$	14,532	$	17,067
Other assets		9,181		9,215
Total investment in joint ventures and other assets	$	23,713	$	26,282

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 15). As of June 30, 2026 and 2025, respectively, the University had a 50% equity interest in URA. As of June 30, 2026 and 2025, 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, 2026 and 2025, the University had a note receivable balance of $1,307 and $1,406, 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 were MSU Health Care, Inc. and Advanced Radiology Services, PC, was an enterprise providing professional medical diagnostic imaging, therapeutic and radiology services, and related professional services. MSU Health Care, Inc., and thus the University, was a 50% member of the nonprofit corporation. During the year ended June 30, 2026, Spartan Radiology was dissolved. MSU Health Care, Inc. had provided two promissory notes to Spartan Radiology, LLC in the amount of $375 and $350, respectively, each at a rate of 6%, which were secured by all tangible and intangible property of Spartan Radiology, LLC. $199 of the notes were paid back during the year ended June, 30, 2026, with the remainder written off. The notes had a balance of $288 at June 30, 2025, including accrued interest.

MSU Health Care, Inc., is 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, 2026, the University estimated the value of the rebate that will be recognized over this period to be $6,826, 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, 2026 and 2025 follows:

	2025	Additions	Disposals	Transfers	2026
Non-depreciated capital assets:					
Land	$ 51,438	$ 4	$ (1,213)	$ -	$ 50,229
Construction in progress	592,396	621,809	-	(461,940)	752,265
Museum collections	34,467	1,929	-	4	36,400
Total non-depreciated capital assets	678,301	623,742	(1,213)	(461,936)	838,894
Depreciated and amortized capital assets:					
Buildings and site improvements	4,694,285	-	(23,855)	441,343	5,111,773
Software and other intangibles	150,569	819	(169)	4,281	155,500
Equipment and other	1,411,302	56,758	(20,521)	16,312	1,463,851
Right-to-use assets:					
Land	647	2	(1)	-	648
Buildings	67,997	2,163	(2,919)	-	67,241
Equipment and other	1,214	39	-	-	1,253
Subscription-based IT arrangements	74,944	16,268	(19,050)	-	72,162
Less: accumulated depreciation and amortization					
Buildings and site improvements	(2,403,063)	(155,688)	15,548	-	(2,543,203)
Software and other intangibles	(148,928)	(2,150)	-	-	(151,078)
Equipment and other	(970,344)	(74,232)	19,946	-	(1,024,630)
Right-to-use assets:					
Land	(238)	(148)	2	-	(384)
Buildings	(26,094)	(6,679)	2,919	-	(29,854)
Equipment and other	(426)	(270)	-	-	(696)
Subscription-based IT arrangements	(39,251)	(14,973)	19,050	-	(35,174)
Total depreciated and amortized capital assets	2,812,614	(178,091)	(9,050)	461,936	3,087,409
Total capital assets	$ 3,490,915	$ 445,651	$ (10,263)	$ -	$ 3,926,303

	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	321,716	510,114	(6)	(153,523)	678,301
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					
Land	458	189	-	-	647
Buildings	70,508	3,732	(6,245)	2	67,997
Equipment and other	1,042	217	(45)	-	1,214
Subscription-based IT arrangements	72,398	9,861	(7,315)	-	74,944
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					
Land	(170)	(68)	-	-	(238)
Buildings	(25,848)	(6,835)	6,329	260	(26,094)
Equipment and other	(255)	(216)	45	-	(426)
Subscription-based IT arrangements	(26,383)	(17,629)	4,761	-	(39,251)
Total depreciated and amortized capital assets	2,830,407	(166,394)	(4,922)	153,523	2,812,614
Total capital assets	$ 3,152,123	$ 343,720	$ (4,928)	$ -	$ 3,490,915

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 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, 2026 and 2025, the University recognized revenues related to these lease agreements totaling $4,277 and $4,050, respectively.

9. Deferred outflows and inflows of resources

The composition of deferred outflows of resources at June 30, 2026 and 2025 is summarized as follows:

	2026	2025
Accumulated changes in fair value of hedging derivative instruments	$ 260	$ 397
Other postemployment benefits (see note 12)	674,586	550,530
Accumulated losses on refunding of debt	2,918	3,489
Asset retirement obligations	2,145	2,511
Total deferred outflows of resources	$ 679,909	$ 556,927

The composition of deferred inflows of resources at June 30, 2026 and 2025 is summarized as follows:

	2026	2025
Irrevocable split-interest agreements (net of related liabilities)	$ 19,095	$ 21,471
Other postemployment benefits (see note 12)	245,460	310,337
Lease agreements - University lessor	50,749	39,228
Accumulated gains on refunding of debt	17,843	18,369
Total deferred inflows of resources	$ 333,147	$ 389,405

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 $7,674 and $4,444 as of June 30, 2026 and 2025, respectively. The discount rate used was 4.0% at June 30, 2026 and 2025, 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 $2,453 and $2,613 as of June 30, 2026 and 2025, respectively. The discount rate used was 5.0% as of June 30, 2026 and 2025, 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 2026, 2025, and 2024 were as follows:

	2026	2025	2024
Balance, beginning of year	$ 51,707	$ 34,503	$ 32,428
Claims incurred and changes in estimates	257,826	263,926	221,912
Claim payments	(259,066)	(246,722)	(219,837)
Balance, end of year	50,467	51,707	34,503
Less: current portion	37,945	36,683	25,800
Noncurrent portion	$ 12,522	$ 15,024	$ 8,703

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.

On September 11, 2026, the Michigan State University Department of Police and Public Safety (MSU DPPS) disclosed a criminal sexual conduct investigation that has resulted in criminal charges and the arrest of a former resident physician in the Michigan State University Osteopathic Manipulative Medicine Clinic. The situation first came to the University's attention in April 2025 when a report was filed with MSU DPPS. The former resident was promptly removed from patient care. In addition to the ongoing criminal proceedings, the University's Office for Civil Rights conducted its own review, and the resident was found responsible for violating University policy. The outcome of potential litigation is unknown at June 30, 2026, and, therefore, no accruals for future costs have been recorded in the 2026 financial statements.

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 $8,025 and $18,660 during the year ended June 30, 2026 and 2025, respectively, with $5,575 outstanding at June 30, 2026. The outcome of any additional pending or potential claims is unknown at June 30, 2026, and, therefore, no additional accruals for future costs have been recorded in the 2026 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, 2026 and 2025 were as follows:

	2026	2025
University contributions	$ 126,318	$ 122,457
Employee contributions	61,240	60,124

In addition, the University has a single-employer, defined benefit plan covering 80 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 $809 and $1,181 representing the total remaining pension obligation based on an actuarial valuation as of January 1, 2026 and 2025, 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 22,500 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, 2026, the University's reported liability for providing retiree health and dental care benefits is estimated based on an actuarial valuation date of January 1, 2026 and measurement date of December 31, 2025 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	4.83%, based on the Bond Buyer 20-year General Obligation Municipal Bond Index
Salary increases	Varies by age
Healthcare cost trend rates	7.50%/6.40% for 2026, 7.25%/59.88% for 2027, and 7.00%/7.00% for 2028 before decreasing 0.25% per year, to an ultimate rate of 5.0% for 2036 and later years. Trend rates shown are for pre-65 rates/post-65 rates, respectively.

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 December 31, 2025 measurement date, the University utilized separate mortality assumptions for faculty and non-faculty staff. Faculty mortality is based on the Pub T.H-2016.H (A) Public Retirement Plans Mortality Tables with MP-2021 improvement scale with mortality multipliers based on Geospatial Mortality Model results (+3.4% males, -1.8% females). Non-faculty staff mortality is based on the Pri.H-2012 Generational Healthy Mortality Tables, projected forward using MP-2021 with mortality multipliers based on Geospatial Mortality Model results (+3.6% males, +2.0% females). During the year ended June 30, 2026, the University commissioned an experience study analyzing the assumptions used in the valuation. Updated assumptions utilized include a retirement age up to 79 for certain employee groups, 87% medical participation (previously 92%) and 95% dental participation (previously 92%), 70% of males and 50% of females having covered spouses, and incorporating a mortality multiplier based on Geospatial Mortality Model results.

For the December 31, 2024 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 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, 2026 and 2025, are summarized as follows:

	2026	2025
Balance, beginning of year	$ 747,676	$ 812,912
Service cost	10,667	13,784
Interest cost	30,026	26,295
Changes in assumptions	235,404	(76,066)
Difference between expected and actual plan experience	14,482	10,927
Benefits payments	(44,801)	(40,176)
Balance, end of year	993,454	747,676
Less: current portion	39,423	36,762
Noncurrent portion	$ 954,031	$ 710,914

Changes in assumptions reflect a change in the discount rate at both the measurement dates of December 31, 2025 and 2024, respectively. In addition, changes in assumptions for the year ended June 30, 2026 also reflect updated assumptions as a result of the 2026 experience study.

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, 2026 and 2025, respectively.

The December 31, 2025 measurement date amounts are based on the valuation date of January 1, 2026. The December 31, 2024 measurement date amounts are based on the valuation date of January 1, 2025. Therefore, census data, including the number of plan participants, consisted of the following:

	2026	2025
Active employees - Hired before July 1, 2010	3,395	4,022
Active employees - Hired after July 1, 2010	9,329	9,370
Retirees receiving benefits	6,244	6,033
Dependents	3,510	3,436
Total plan participants	22,478	22,861

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, 2026:

	1% Decrease	Current Rates	1% Increase
Discount rate:			
Net OPEB obligations	$ 1,214,162	$ 993,454	$ 884,368
Increase (decrease)	220,708	-	(109,086)
Health care trend rate:			
Net OPEB obligations	$ 889,890	$ 993,454	$ 1,117,977
(Decrease) increase	(103,564)	-	124,523

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:

	1% Decrease	Current Rates	1% Increase
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

The components of postemployment benefits expense for the year ended June 30, 2026 and 2025 are summarized as follows:

	2026	2025
Service cost	$ 10,667	$ 13,784
Interest cost	30,026	26,295
Amortization of differences between expected and actual experience	11,509	9,900
Amortization of changes in assumptions	55,893	29,737
Total expense	$ 108,095	$ 79,716

Deferred outflows and inflows of resources related to postemployment benefits obligations at June 30, 2026 are summarized as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net deferred impact to OPEB
Changes in assumptions	$ 581,204	$ 242,873	$ 338,331
Differences between expected and actual experience	65,816	2,587	63,229
Benefit payments made after measurement date	27,566	-	27,566
Total	$ 674,586	$ 245,460	$ 429,126

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	$ 550,530	$ 310,337	$ 240,193

Of the total amount reported as deferred outflows of resources related to OPEB at June 30, 2026, $27,566 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, 2027. 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.

2027	$ 66,232
2028	55,738
2029	77,036
2030	55,328
2031	38,425
2032 and beyond	108,801
Total	$ 401,560

13. Long-term debt and other obligations

Long-term debt and other obligations for the years ended June 30, 2026 and 2025 are summarized as follows:

	2025	Borrowed	Retired	2026	Current Portion
General revenue bonds:					
Series 2025A	$ 369,915	$ -	$ -	$ 369,915	$ 6,450
Series 2024A	361,640	-	5,295	356,345	5,570
Series 2023A	277,360	-	21,680	255,680	22,795
Series 2022A	500,000	-	-	500,000	-
Series 2020A	74,625	-	5,310	69,315	5,820
Series 2019C	111,875	-	3,840	108,035	855
Series 2019A	319,470	-	790	318,680	815
Series 2019B	263,430	-	6,575	256,855	6,900
Series 2015A	32,260	-	4,820	27,440	-
Series 2010A	205,000	-	-	205,000	-
	2,515,575	-	48,310	2,467,265	49,205
General revenue commercial paper:					
Series B taxable	101,010	-	101,010	-	-
Series I taxable	-	117,244	9,290	107,954	107,954
Series G tax-exempt	28,880	-	28,880	-	-
Series H tax-exempt	-	30,472	9,039	21,433	21,433
	129,890	147,716	148,219	129,387	129,387
Unamortized bond premiums	166,977	-	5,186	161,791	4,661
Student loan deposits	15,379	-	1,113	14,266	783
Lease obligations	44,956	2,176	6,563	40,569	6,436
SBITA obligations	27,800	15,450	10,420	32,830	13,214
Installment purchases and others	3,502	256	300	3,458	175
Total long-term debt and other obligations	$ 2,904,079	$ 165,598	$ 220,111	$ 2,849,566	$ 203,861

	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	-
	2,283,435	369,915	137,775	2,515,575	48,310
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
	140,305	4,087	14,502	129,890	129,890
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	$ 2,682,318	$ 407,227	$ 185,466	$ 2,904,079	$ 199,809

General revenue bond maturities are summarized as follows:

Fiscal Year Ending June 30,	Fixed-Rate Bonds Principal	Fixed-Rate Bonds Interest	Total
2027	$ 49,205	$ 116,655	$ 165,860
2028	51,780	114,156	165,936
2029	55,080	111,470	166,550
2030	58,100	108,621	166,721
2031	56,965	105,839	162,804
2032-2036	280,030	489,101	769,131
2037-2041	374,480	410,458	784,938
2042-2046	486,400	311,893	798,293
2047-2051	402,990	186,620	589,610
2052-2056	152,235	119,014	271,249
2057-2061	-	104,125	104,125
2062-2066	-	104,125	104,125
2067-2071	-	104,125	104,125
2072-2076	-	104,125	104,125
2077-2081	-	104,125	104,125
2082-2086	-	104,125	104,125
2087-2091	-	104,125	104,125
2092-2096	-	104,125	104,125
2097-2101	-	104,125	104,125
2102-2106	-	104,125	104,125
2107-2111	-	104,125	104,125
2112-2116	-	104,125	104,125
2117-2121	-	104,125	104,125
2122-2126	500,000	23,428	523,428
Total	$ 2,467,265	$ 3,450,880	$ 5,918,145

All general revenue bonds are secured by general revenues.

Terms for remaining outstanding general revenue bonds at June 30, 2026 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%	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.

The University utilizes variable-rate commercial paper to provide interim financing. 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, 2026 bear

interest at rates from 2.40% to 2.55% and taxable balances bear interest at rates from 3.76% to 3.84%, with principal and accrued interest payments due within a maximum of 270 days from the date of issuance.

Interest expense was $122,322 and $113,685 for 2026 and 2025, respectively. Unamortized bond premiums totaled $161,791 ($4,661 current) and $166,977 ($5,186 current) at June 30, 2026 and 2025, respectively. Bond premium amounts are amortized over the applicable bond issue life.

As of June 30, 2026, the scheduled fiscal year maturities of lease liabilities and related interest expense were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	$ 6,436	$ 1,361	$ 7,797
2028	6,449	1,149	7,598
2029	5,835	942	6,777
2030	4,869	772	5,641
2031	4,817	619	5,436
2032-2036	9,605	1,472	11,077
2037-2041	2,558	160	2,718
	$ 40,569	$ 6,475	$ 47,044

As of June 30, 2026, the scheduled fiscal year maturities of SBITAs liabilities and related interest expense were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	$ 13,214	$ 1,351	$ 14,565
2028	6,402	947	7,349
2029	4,784	708	5,492
2030	4,108	423	4,531
2031	2,852	193	3,045
2032-2036	1,470	88	1,558
	$ 32,830	$ 3,710	$ 36,540

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

At June 30, 2026, installment purchases and others was comprised of obligations for installment purchases of $235 ($62 current) and asset retirement obligations of $3,223 ($113 current). 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).

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 2026 and 2025 were as follows:

	2026	2025
Balance, beginning of year	$ 133,646	$ 122,683
Additions	9,983	16,141
Reductions	(6,188)	(5,178)
Balance, end of year	137,441	133,646
Less: current portion	89,296	86,990
Noncurrent portion	$ 48,145	$ 46,656

During the year ended June 30, 2026, the University entered into a separation agreement with a former employee, whereby the University will pay the former employee $33,554 divided into monthly installments through January 2031. At June 30, 2026, $29,765 remains unpaid. If the former employee secures certain other employment during the remaining term, the University shall choose to pay the difference in compensation, if any, through either monthly payments or through a lump sum payment. Due to the uncertainty of these payments, no accrual has been recorded as of June 30, 2026.

14. 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.

15. Commitments

At June 30, 2026, 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 $164,993 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, 2026, 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, 2026, $777,033 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.

16. 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, 2026 and 2025, respectively, are presented below:

Condensed Statement of Net Position:	MSU Health Care, Inc.		Lysander	
	2026	2025	2026	2025
Current assets	$ 31,811	$ 22,823	$ 7,894	$ 6,413
Capital assets, net	53,363	54,806	-	-
Amounts receivable from the University	1,469	949	-	-
Other assets	18,089	14,683	-	-
Total assets	104,732	93,261	7,894	6,413
Deferred outflows of resources	-	-	-	-
Current liabilities	10,489	3,473	3,922	3,626
Noncurrent liabilities	1,526	395	-	-
Amounts payable to the University	71,232	72,902	-	-
Total liabilities	83,247	76,770	3,922	3,626
Deferred inflows of resources	11,233	3,544	-	-
Net investment in capital assets	(4,256)	(1,029)	-	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	14,508	13,976	3,972	2,787
Total net position	$ 10,252	$ 12,947	$ 3,972	$ 2,787

Condensed Statement of Revenues, Expenses, and Changes in Net Position:				
	2026	2025	2026	2025
Operating revenues	$ 105,425	$ 107,750	$ -	$ -
Revenues from the University	1,990	2,155	1,946	(3,372)
Total operating revenues	107,415	109,905	1,946	(3,372)
Operating expenses, external	31,563	34,927	761	845
Operating expenses, University	46,046	48,731	-	-
Depreciation expense	3,190	3,382	-	-
Total operating expenses	80,799	87,040	761	845
Net operating income (loss)	26,616	22,865	1,185	(4,217)
Noncapital subsidies, external	4,083	3,505	-	-
Noncapital subsidies, University	2,321	4,413	-	-
Transfers from (to) the University	(43,676)	(39,012)	-	-
Total noncapital subsidies	(37,272)	(31,094)	-	-
Net operating income (loss) and	(10,656)	(8,229)	1,185	(4,217)
Investment income	6,868	5,386	-	-
Other nonoperating revenues, net	1,093	274	-	-
Net other non-operating revenue	7,961	5,660	-	-
Change in net position	(2,695)	(2,569)	1,185	(4,217)
Beginning net position	12,947	15,516	2,787	7,004
Ending net position	$ 10,252	$ 12,947	$ 3,972	$ 2,787

Condensed Statement of Cash Flows:	MSU Health Care, Inc.		Lysander	
	2026	2025	2026	2025
Net cash provided (used) by operating activities	$ 36,794	$ 30,841	$ 1,905	$ (3,595)
Net cash provided (used) by noncapital financing activities	(39,463)	(36,940)	-	-
Net cash provided (used) by capital and related financing activities	1,597	(1,637)	-	-
Net cash provided (used) by investing activities	8,124	5,043	-	-
Beginning cash and cash equivalents	6,086	8,779	4,829	8,424
Ending cash and cash equivalents	$ 13,138	$ 6,086	$ 6,734	$ 4,829

The University has a note receivable due from MSU Health Care, Inc. with a balance of $5,982 and $6,689 at June 30, 2026 and 2025, 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.

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, 2026, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018 is summarized as follows:

	2026	2025	2024	2023	2022
Service cost	$ 10,667	$ 13,784	$ 11,363	$ 16,526	$ 19,691
Interest cost	30,026	26,295	19,868	13,313	13,480
Changes in assumptions	235,404	(76,066)	247,641	(110,693)	(23,184)
Differences between expected and actual plan experience	14,482	10,927	16,854	11,817	36,300
Benefit payments	(44,801)	(40,176)	(38,329)	(37,635)	(27,831)
Change in benefit terms	-	-	13,636	-	-
Net changes	$ 245,778	$ (65,236)	$ 271,033	$ (106,672)	$ 18,456
Total liability, beginning of year	$ 747,676	$ 812,912	$ 541,879	$ 648,551	$ 630,095
Total liability, ending of year	$ 993,454	$ 747,676	$ 812,912	$ 541,879	$ 648,551
Covered payroll	$ 1,213,280	$1,248,244	$1,206,033	$1,059,267	$1,023,446
Total liability as a percentage of covered payroll	81.9%	59.9%	67.4%	51.2%	63.4%

	2021	2020	2019	2018
Service cost	$ 57,333	$ 41,383	$ 48,202	$ 41,211
Interest cost	59,410	66,476	70,323	69,928
Changes in assumptions	170,012	402,866	(447,295)	115,470
Differences between expected and actual plan experience	(6,475)	27,297	-	-
Benefit payments	(44,938)	(44,017)	(39,943)	(38,599)
Change in benefit terms	(1,746,587)	-	-	-
Net changes	$(1,511,245)	$ 494,005	$ (368,713)	$ 188,010
Total liability, beginning of year	$ 2,141,340	$ 1,647,335	$ 2,016,048	$ 1,828,038
Total liability, ending of year	$ 630,095	$ 2,141,340	$ 1,647,335	$ 2,016,048
Covered payroll	$ 1,041,405	$ 1,006,188	$ 993,122	$ 959,538
Total liability as a percentage of covered payroll	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 4.83%, 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, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016, respectively.

In 2026, health care trend rate assumptions and per capita health cost assumptions were updated to reflect anticipated increases in health costs and premiums. Also, 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 notable changes were as follows:

- Retirement age - The University increased the retirement age to 79 for certain employee groups.
- Participation rates - The University updated the participation rates to 87% for medical (previously 92%) and 95% for dental (previously 92%).
- Marital status - The University decreased the number of covered spouses from 90% for males and 60% for females to 70% for males and 50% for females.
- Mortality - The University incorporated a mortality multiplier based on Geospatial Mortality Model results.

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

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

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

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

- Mortality – The University changed from using the RP-2014 Generational Healthy Mortality Tables, with white collar adjustments for all employees to Pub T.H-2010.H (A) Public Retirement Plans Mortality Tables for faculty and MP-2014 Generational Healthy Mortality Tables, with mixed collar adjustments for non-faculty.
- Employee withdrawal rate – The University changed from 0% at age 55 to up to 1.5% at age 65 for certain employee groups.
- Retirement age – The University increased the retirement age from 62.4 for all employees to up to 69.0 for certain employee groups.
- Salary increase – The University increased the salary increase level from 4% to 5%.
- Marital status – The University increased the number of covered spouses from 80% for males and 50% for females to 90% for males and 60% for females.
- Retiree opt-out rate – The University increased the retiree opt-out rate from 0% to 8%.

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

Independent Auditor's Report

To Management and the Board of Trustees
Michigan State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of Michigan State University (the "University") as of and for the year ended June 30, 2026 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 30, 2026. 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 and Spartan Ventures 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 Spartan Ventures 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*.

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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 30, 2026