Agendum
Oakland University
Board of Trustees Formal Session
October 12, 2020

FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019
A Recommendation

1. **Division and Department:** Finance and Administration, Controller's Office

2. **Introduction:** The Financial Statements, June 30, 2020 and 2019 for Oakland University (University) have been completed (Attachment A).

The audit opinion of Plante & Moran P.L.L.C. (P&M) states, in part, "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oakland University as of June 30, 2020 and 2019, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America."

P&M's Board of Trustees Letter (Attachment B) summarizes the audit engagement and required communications. P&M'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* (Attachment C) describes the scope of P&M's testing of internal controls and compliance and the results of that testing. Management's Representation Letter (Attachment D) details the representations made by the University Administration to P&M regarding the audit work performed.

Representatives from P&M presented the Financial Statements in draft form to the Board of Trustees' (Board) Audit Committee at the Committee's October 7, 2020 meeting. The Audit Committee unanimously recommended the Financial Statements be presented to the Board at their next formal session.

3. **Previous Board Action:** As a result of a competitive bid process, the public accounting firm of Plante & Moran was appointed by the Board on February 13, 2017, and reappointed on April 9, 2018, April 8, 2019, and April 6, 2020.

4. **Budget Implications:** The annual financial audits are budgeted for in the General Fund. No budget variances have occurred or are expected.

5. **Educational Implications:** None.

6. **Personnel Implications:** None.

7. **University Reviews/Approvals:** The Financial Statements were prepared by the Controller's Office and reviewed by the Vice President for Finance and Administration, and President, audited by P&M, and presented to the Board's Audit Committee at its October 7, 2020 meeting.

8. Recommendation:

RESOLVED, that the Board of Trustees accepts the Financial Statements, June 30, 2020, and 2019, which were audited by the Board of Trustee's public accounting firm, Plante & Moran P.L.L.C.

9. Attachments:

A. Financial Statements, June 30, 2020 and 2019
B. Board of Trustees Letter dated October 5, 2020
C. Government Auditing Standards Report on Internal Controls dated October 5, 2020
C. Representation Letter dated October 5, 2020

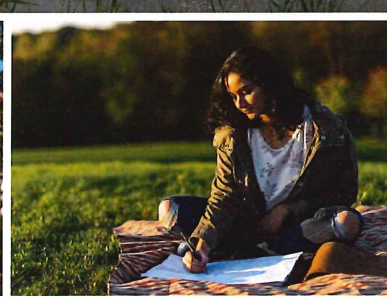
Submitted to the President
on 10/8, 2020 by

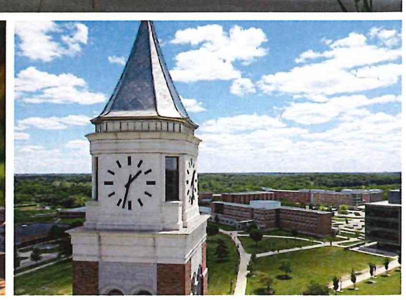
John W. Beaghan, CMA
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on ____________, 2020
to the Board of Trustees for Approval by

____
Ora Hirsch Pescovitz, M.D.
President

FINANCIAL STATEMENTS
June 30, 2020 *and* 2019





Oakland University
Contents
June 30, 2020 and 2019

Oakland University
Contents
June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Trustees
Oakland University

Report on the Financial Statements

We have audited the accompanying financial statements of Oakland University (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise Oakland University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oakland University as of June 30, 2020 and 2019 and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the COVID-19 pandemic has impacted the operations of the University. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Oakland University

Other Matter

Required Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020 on our consideration of Oakland 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 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 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 Oakland University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 5, 2020

Introduction

Following is Management's Discussion and Analysis of the financial activities of Oakland University (University, Oakland or OU) for the fiscal year ended June 30, 2020 with selected comparative information for the years ended June 30, 2019 and 2018.

The University is a state-supported institution offering a diverse set of academic programs, from baccalaureate to doctoral levels, as well as programs in continuing education. The University is recognized as one of the country's 135 doctoral/high research activity (R2) universities by the Carnegie Foundation for the Advancement of Teaching. The University currently offers 142 baccalaureate degree programs and 138 graduate and certificate programs. The University's student-centered education offers students opportunities to work directly on research projects with expert faculty who bring current knowledge into the classroom.

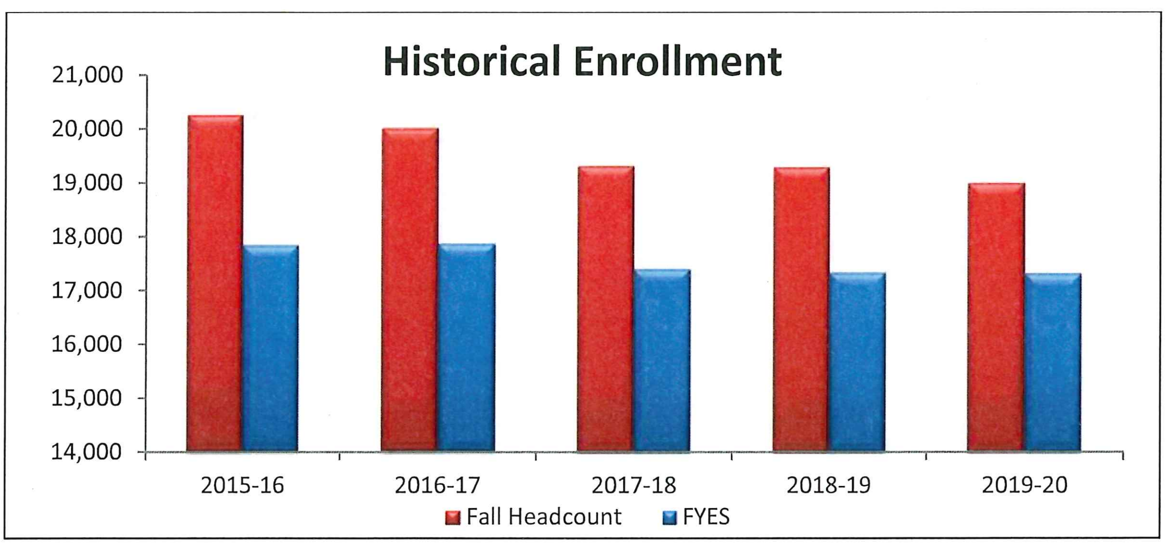
The University is considered a component unit of the State of Michigan (State). Accordingly, the University's financial statements are included in the State's comprehensive annual financial report.

This analysis is designed to focus on current financial activities; it should be read in conjunction with the University's financial statements and footnotes to the financial statements. This discussion, financial statements, and related footnotes have been prepared by and are the responsibility of University management.

Fiscal Year 2020 Enrollment and Operations Highlights

- In fiscal year 2020, student headcount enrollment for the fall 2019 semester slightly decreased by 0.2% to 19,013. Undergraduate enrollment was 15,543 (82%) and graduate enrollment was 3,470 (18%). In fiscal year 2019, student headcount enrollment for the fall 2018 semester decreased 0.1% to 19,309. Undergraduate enrollment was 15,799 (82%) and graduate enrollment was 3,510 (18%). The enrollment decreases are attributable to the decline in high school graduates from Michigan. Projections indicate a continual decline through 2030.

- Enrollment based on Fiscal Year Equated Students (FYES) decreased 0.1% to 17,330 and 0.4% to 17,347 for fiscal years 2020 and 2019 respectively. A five-year summary of historical enrollment is presented below.



- The Oakland University Board of Trustees (Board) discussed the continued societal and economic effects of COVID-19 at the formal session held June 15, 2020. The resulting pandemic has imposed financial constraints on governments, businesses, organizations, and families across the globe including Oakland University. It is anticipated University revenues will be impacted by decreases in domestic and international student enrollment, state support, and auxiliary activities. To support Oakland students and their families during these times of financial uncertainty, the Administration recommended a freeze on fall 2020 tuition. Although this recommendation makes the task of balancing the University's budget much more difficult, it demonstrates the University's commitment to support students and do what is necessary to help students remain enrolled and continue the pursuit of their education.

- In May 2020, for the fourth consecutive year, Oakland received a gold ranking, the highest possible rating for veteran-friendliness from the Michigan Veterans Affairs Agency. The organization recognizes institutions of higher learning for dedication to student veterans and dependents using their G.I. Bill and other educational benefits. This ranking was based on several criteria which include processes to efficiently accomplish the following: identify student veterans, ease of access to veteran programs via providing a website and an active student club/organization, coordination of the programs, and monitoring and evaluation of academic retention, transfer, and graduation rates. Oakland University was one of four schools in the state to meet a majority of these criteria.

- In April 2020, Oakland was ranked the third safest college campus in the nation and safest campus in Michigan. The rankings are based on several factors, including hate crime, property crime, violent crime, and violence against women. The data was obtained from the U.S. Department of Education's Campus Safety and Security survey and the FBI's 2018 Uniform Crime Report. The study looked at public, private, and non-profit institutions with a minimum of 5,000 students offering two-or four-year degrees.

- In January 2020, Oakland physics professor Wei Zhang earned the prestigious CAREER award from the National Science Foundation (NSF). The award is presented annually to non-tenured faculty who have demonstrated the potential to serve as academic role models in research and education. Over a five-year period, Professor Zhang will receive approximately $500,000 from the NSF, which he plans to use to explore how a material's quantum properties can be utilized effectively to enhance future electronic devices.

- In December 2019, Oakland became the first Division I university in the state of Michigan to announce the addition of a varsity esports team to its athletics program. The team will begin competition in the fall of 2020. "Oakland University strives to be entrepreneurial and open to new approaches to teaching, the student experience, and learning, including novel areas of exploration," said OU President Ora Hirsch Pescovitz.

- In November 2019, the Health Science Department received a $400,000 grant from the Michigan Health Endowment to expand healthy living efforts in the City of Pontiac. Oakland professors Laurel Stevenson and Jennifer Lucarelli oversee these operations. The two-year award will initiate a community-based program called "Prescription for a Healthy Pontiac."

- At this year's Varner Vitality Lecture in November 2019, Oakland welcomed keynote speaker Lech Wałęsa, the former President of Poland. He spoke about the 30th anniversary of the fall of the Berlin Wall and his country's struggles against Communism. Under his leadership, he made Poland a model of economic and political reform for the rest of Eastern Europe to follow, earning his country one of the first invitations to join an expanded NATO.

- In October 2019, the Eye Research Institute Retina Research Team received notification of $252,000 in grant awards. The funds will be used to investigate Noregen, a protein-based ocular therapeutic drug, which may promote regeneration and repair of damaged retinal blood vessels in the human eye. The hope is that the drug will be able to stimulate vascular endothelial stem-cells that naturally reside in the surviving retinal blood vessels and have the ability to produce lost endothelial cells.

- In September 2019, the Board authorized the issuance of Series 2019 Bonds. The University issued $79.2 million of general revenue bonds at a $19.0 million premium with an average coupon rate of 5.00%. The proceeds of the bond will be used to fund the following; South Foundation Hall in the amount of $10.0 million, Varner Hall for $45.0 million, renovation and expansion of Wilson Hall for $14.8 million, a Student Athlete Development Center for $5.0 million, Central Heating Infrastructure in the amount of $5.0 million, renovations of Anibal House and Fitzgerald House for $3.7 million, renovations of Dodge Hall for $3.0 million, contingencies, issuance costs, and interest during the construction period.

Overview of the Financial Statements

This annual report consists of financial statements which have been prepared in accordance with the "business-type" activities requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The fundamental objective of the financial statements is to provide an overview of the University's economic condition. The statements and their primary purpose are discussed below.

- Statement of Net Position: This statement presents information on the University's assets, deferred outflows, liabilities, deferred inflows, and net position (assets plus deferred outflows less liabilities and deferred inflows) as of the end of the fiscal year. Net position is displayed in four components – net investment in capital assets; restricted nonexpendable; restricted expendable; and unrestricted. Net position is one indicator of the current financial condition of the University, while the change in net position serves as a useful indicator of whether the financial position is improving or deteriorating.

- Statement of Revenues, Expenses, and Changes in Net Position: This statement presents the operating results of the University, as well as nonoperating revenues and expenses. The statement also presents information that shows how the University's net position has changed during the fiscal year.

- Statement of Cash Flows: This statement presents information about the University's cash receipts and cash payments during its fiscal year. Cash activities are classified in the following categories: operating activities, noncapital financing activities, capital financing activities, and investing activities.

The University's financial statements can be found on pages 16, 17, and 18 of this financial report.

Notes to the Financial Statements

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The University's notes to the financial statements can be found on pages 19-48 of this financial report.

Required Supplemental Information
The required supplemental information provides additional information relative to the other postemployment benefit liability. The University's required supplemental information can be found on pages 49-50 of this financial report.

University Financial Statement Summaries

University Statements of Net Position

The University's net position is summarized in the following Condensed Statements of Net Position:

Condensed Statements of Net Position

	June 30,			%Change	%Change
	2020	**2019**	**2018**	**2020-2019**	**2019-2018**
		(in thousands)			
Assets					
Current assets	**$ 83,082**	$ 69,427	$ 68,245	20%	2%
Capital assets, net	**593,599**	607,940	606,438	-2%	0%
Other noncurrent assets	**389,033**	294,805	301,324	32%	-2%
Total assets	**1,065,714**	972,172	976,007	10%	0%
Deferred outflows of resources	**17,334**	12,025	10,679	44%	13%
Liabilities					
Current liabilities	**73,061**	65,026	74,468	12%	-13%
Noncurrent liabilities	**468,952**	383,046	395,418	22%	-3%
Total liabilities	**542,013**	448,072	469,886	21%	-5%
Deferred inflows of resources	**11,855**	9,434	8,705	26%	8%
Net investment in capital assets	**270,068**	275,045	272,271	-2%	1%
Restricted nonexpendable	**35,829**	32,968	30,647	9%	8%
Restricted expendable	**51,387**	50,782	45,477	1%	12%
Unrestricted	**171,896**	167,896	159,700	2%	5%
Total net position	**$ 529,180**	$ 526,691	$ 508,095	0%	4%

The University's total assets were $1,065.7 million, $972.2 million, and $976.0 million at June 30, 2020, 2019, and 2018 respectively. The University's largest asset is its investment in capital assets, including land, land improvements, infrastructure, buildings, equipment, library acquisitions, and construction in progress. Capital assets represent 55%, 63%, and 62% of the University's total assets at June 30, 2020, 2019 and 2018, respectively. Capital expenditures totaled $13.6 million in 2020, $27.6 million in 2019, and $91.5 million in 2018. Included in capital expenditures for 2020 were $1.9 million for Ann V. Nicholson building renovations, $1.7 million for hot water high temperature energy savings projects, $1.3 million for South Foundation Hall, $0.8 million for both Wilson Hall expansion and Dodge Hall renovations, and $0.5 million for technology infrastructure improvements. Additional capital expenditures of $7.4 million include other campus enhancement projects. Depreciation expense was $27.9 million in 2020, $26.0 million in 2019 and $23.7 million in 2018.

Current assets consist primarily of cash and cash equivalents and receivables due within one year. Cash and cash equivalents increased $15.7 million to $63.9 million at June 30, 2020 largely due to a decrease in supplier payments and increase in sales of investments. Accounts receivable increased $1.5 million to $8.9

million at June 30, 2020 largely due to an increase in receivables from the Oakland University William Beaumont School of Medicine pass through payments from Beaumont Health from insurance providers. Other noncurrent assets consist primarily of restricted cash and cash equivalents, endowment investments, other long-term investments and capital assets. Restricted Cash increased $97.0 million for bond proceeds due to the issuance of the University's 2019 Bonds. Endowment investments were $109.0 million at June 30, 2020, $106.5 million at June 30, 2019, and $101.7 million at June 30, 2018. The increase in the endowment fair market value was due to favorable outcomes in the market and generous contributions. The total returns, net of fees, on the University's endowment investments were 4.3% for 2020, 6.5% for 2019, and 9.9% for 2018. Other long-term investments were $167.7 million at June 30, 2020, $172.6 million at June 30, 2019, and $160.4 million at June 30, 2018, and include fixed income and equity securities. The decrease is attributed to liquidation of pooled investments coupled with a decrease in investment earnings. The total return on the University's other long-term investments was 2.2% for 2020, 5.9% for 2019, and 2.7% for 2018, net of fees. The University's investments are being managed according to Board of Trustees (Board) policies.

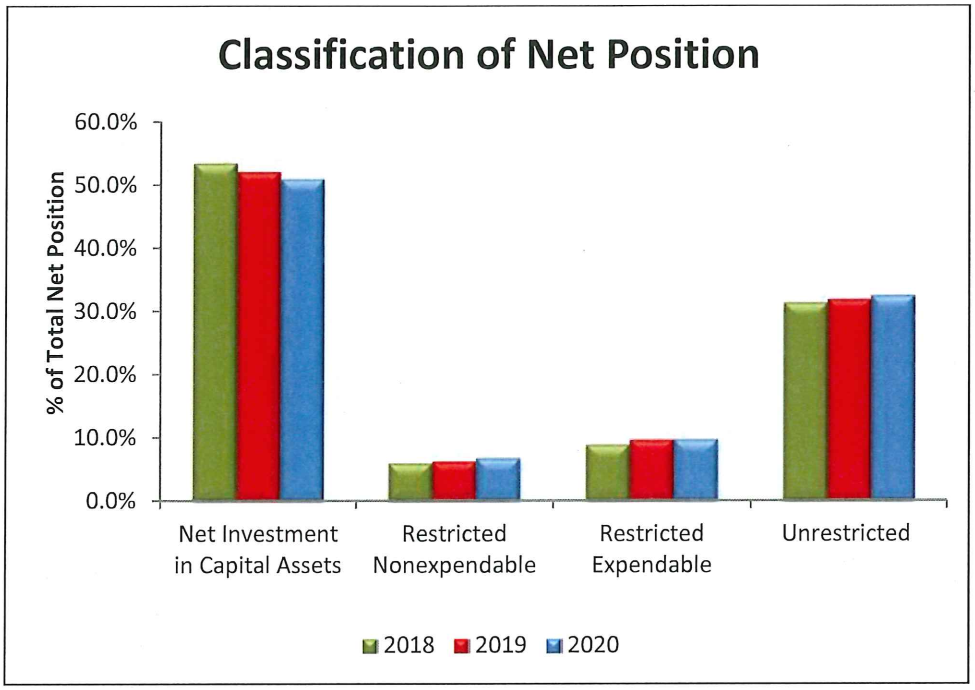
Deferred outflows of resources were $17.3 million at June 30, 2020, $12.0 million as of June 30, 2019, and $10.7 million as of June 30, 2018. Deferred outflows of resources consists of the accumulated change in fair value of the 2008 Swap, early extinguishment of debt, the deferral of swap termination costs for the 2001 Bonds, and changes to the University's retiree health care plan for postemployment benefits due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The increase in the deferred outflows of resources is primarily due to the $3.7 million increase to the retiree health care plan and $1.9 million change in the fair market value of the 2008 Swap.

All investments held by the University can be liquidated to cash within 90 days or less without incurring additional fees, with the exception of the private equity holding and hedge funds.

The University's total liabilities were $542.0 million at June 30, 2020, $448.1 million at June 30, 2019, and $469.9 million at June 30, 2018. Current liabilities consist primarily of accounts payable, accrued expenses, current portion of long-term liabilities, current portion of other postemployment benefits, and unearned revenue. Of the $8.0 million increase in current liabilities $7.0 million is due to a pass through payment to Beaumont Health System from insurance providers; a $2.4 million increase in unearned revenue largely due to fiscal year 2021 tuition payments that were due June 29th; and a $1.0 million 2019 Bond interest payment. These increases were offset by a $2.5 million decrease in accounts payable due to decreased supplier obligations. Noncurrent liabilities are comprised primarily of bonds and notes payable and represent 87% of the University's total liabilities as of June 30, 2020, and 75% as of June 30, 2019 and 2018. Noncurrent long-term liabilities increased by $86.0 million primarily due to the issuance of the 2019 Bonds in the amount $79.2 million with a $19.0 premium offset by bond payments and premium amortization expense of $13.8 million; a $1.9 million increase in derivative instruments consisting of the accumulated change in fair value of the 2008 Swap; and an increase in other postemployment benefits (OPEB) by $1.0 million as a result of actuarial studies used to determine the cost of the current retiree health insurance benefit program. This increase was offset by a $1.2 million decrease in unearned revenue.

Deferred inflows of resources were $11.9 million as of June 30, 2020, $9.4 million as of June 30, 2019, and $8.7 million as of June 30, 2018. Deferred inflows of resources consists of $5.4 million in OPEB assumptions for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Additionally, $6.5 million is held in irrevocable split-interest agreements due to the implementation of GASB Statement No. 81, *Irrevocable Split Interest Agreements*, $4.1 million of which is held by a third party in which the University has a beneficial interest.

The following graph shows net position by classification and restriction:



The University's net position consists of net investment in capital assets, restricted and unrestricted. Restricted expendable net position represents assets whose use is restricted by a party independent of the University, including restrictions related to grants, contracts, and gifts. Restricted nonexpendable net position consists of gifts that have been received for endowment purposes. Unrestricted net position represents assets of the University that have not been restricted by parties independent of the University.

Unrestricted net position includes funds the Board and University management have designated for specific purposes, as well as amounts that have been contractually committed for goods and services that have not been received as of the end of the fiscal year.

The following summarizes the internal designations of unrestricted net position:

	June 30,	
	2020	**2019**
	(in thousands)	
Auxiliary enterprises	**$ 3,274**	$ 4,319
Capital projects and repair reserves	**47,140**	52,174
Funds designated for departmental use	**46,668**	44,268
Funds functioning as endowments	**20,385**	19,730
Gifts and investment income reserves	**44,909**	40,652
Retirement and insurance reserves	**(5,334)**	(5,733)
Encumbrances and carryforwards	**14,854**	12,486
Total Unrestricted Net Position	**$ 171,896**	$ 167,896

Auxiliary enterprises consist of the operating fund balances at year end for the various auxiliary units, the largest of which are University Housing, Meadow Brook Estate, Golf & Learning Center, and Oakland Center.

Capital projects and repair reserves consist of the unexpended portion of ongoing capital projects, reserves for plant renewal, and bond sinking funds.

Funds designated for departmental use consist of specific projects earmarked by various departments.

Funds functioning as endowments were created by the Board utilizing University resources. These funds are invested in the endowment pool to achieve long-term growth. The funds consist of endowments for scholarships, excellence in teaching and research, and deferred plant renewal.

Gifts and investment income reserves include the University's unrestricted gifts, and realized and unrealized investment income reserves.

Retirement and insurance reserves include the University's reserves and liability recorded for OPEB. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The actuarially determined liability at June 30, 2020 was $34.5 million. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately $26.4 million, earnings from which will be used to offset annual postemployment contributions.

The retirement and insurance balance also includes reserves for unemployment and workers' compensation for which the University is self-insured.

Encumbrances represent financial commitments (i.e. purchase orders) for which the ordered items have not been received or paid by fiscal year end. Carryforwards are funds for departmental use in the upcoming fiscal year for which financial commitments have not been executed but have been planned.

University Statements of Revenues, Expenses, and Changes in Net Position

The University's revenues, expenses, and changes in net position are summarized in the following Condensed Statements of Revenues, Expenses, and Changes in Net Position:

Condensed Statements of Revenues, Expenses, and Changes in Net Position	2020	2019	2018	% Change 2020-2019	% Change 2019-2018
		(in thousands)			
Operating revenues					
Net tuition	**$ 215,415**	$ 210,149	$ 206,332	3%	2%
Grants and contracts	**10,143**	11,072	11,118	-8%	0%
Departmental activities	**11,729**	12,026	12,866	-2%	-7%
Auxiliary activities, net	**30,434**	35,762	31,241	-15%	14%
Other	**559**	815	625	-31%	30%
Total operating revenues	**268,280**	269,824	262,182	-1%	3%
Operating expenses	**346,830**	341,885	330,933	1%	3%
Operating loss	**(78,550)**	(72,061)	(68,751)	9%	5%
Nonoperating revenues (expenses)					
State appropriations	**47,476**	52,829	51,243	-10%	3%
Gifts	**5,391**	6,445	5,152	-16%	25%
Investment income, net	**11,598**	20,944	14,170	-45%	48%
Interest expense	**(15,568)**	(15,064)	(7,782)	3%	94%
Pell grants	**23,307**	23,036	22,119	1%	4%
Federal grants	**6,065**	-	-	100%	0%
Other	**111**	117	134	-5%	-13%
Net nonoperating revenues	**78,380**	88,307	85,036	-11%	4%
Income before other revenues	**-170**	16,246	16,285	-101%	0%
Capital grants and gifts	**43**	73	93	-41%	-22%
Additions to permanent endowments	**2,616**	2,277	2,476	15%	-8%
Total other revenues	**2,659**	2,350	2,569	13%	-9%
Increase in net position	**2,489**	18,596	18,854	-55%	-1%
Net position					
Beginning of year	**526,691**	508,095	511,116	4%	-1%
Change in Accounting Principles	**-**	-	(21,875)	0%	-100%
End of year	**$ 529,180**	$ 526,691	$ 508,095	2%	4%

Operating revenues were $268.3 million in 2020, $269.8 million in 2019, and $262.2 million in 2018. The $1.5 million, or 1%, decrease in 2020 over 2019 was largely due to a $5.3 million decrease in Auxiliary revenue due to student housing refunds resulting from early departures related to COVID-19. This decrease was offset by an increase in tuition revenue net of scholarship allowances, resulting from tuition rates increasing by an average 4.4% for undergraduates and graduates. The $7.6 million increase in 2019 over 2018 was primarily due to increases in tuition revenue net of scholarship allowances, which was higher due to tuition rates increasing by an average 3.8% for undergraduates and 4.5% for graduates.

In fiscal year 2020, the University earned $11.6 million in net investment income. This growth is comprised of $7.1 million, a 2.2% rate of return, in University pooled working capital investments and $4.5 million, a 4.3% rate of return, in the endowment investments. In fiscal year 2019, the University earned $20.9 million in net investment income. This growth is comprised of $14.5 million, a 5.9% rate of return, in University pooled working capital investments, and $6.4 million, a 6.5% rate of return, in the endowment investments.

Operating expenses were $346.8 million in 2020, $341.9 million in 2019, and $330.9 million in 2018. The operating expense increase of 1% in 2020 over 2019 primarily resulted from supporting student aid and contractual agreements was offset by a reduction in travel, non-capitalized equipment, supplies and services purchases as a result of cost saving measures implemented during the fourth quarter of fiscal year 2020 due to the pandemic. The operating expense increase of 3% in 2019 over 2018 primarily resulted from supporting contractual agreements and increases in instruction, academic support, and student services.

A breakdown of the University's operating expenses by functional classification follows:

University Operating Expenses

	2020	2019 *(in thousands)*	2018	% Change 2020-2019	% Change 2019-2018
Education and general					
Instruction	**$ 125,579**	$ 125,011	$ 120,991	0%	3%
Research	**9,195**	9,338	9,894	-2%	-6%
Public service	**4,321**	4,450	4,879	-3%	-9%
Academic support	**52,774**	52,748	51,355	0%	3%
Student services	**33,320**	34,820	34,302	-4%	2%
Institutional support	**27,802**	27,091	28,408	3%	-5%
Operations and maintenance of plant	**18,620**	20,567	20,337	-9%	1%
Depreciation	**27,921**	26,043	23,659	7%	10%
Student aid	**15,601**	8,796	9,372	77%	-6%
Total education and general	**315,133**	308,864	303,197	2%	2%
Auxiliary activities	**31,697**	33,021	27,736	-4%	19%
Other expenses	**-**	-	-	0%	0%
Total operating expenses	**$ 346,830**	$ 341,885	$ 330,933	1%	3%

Education and general expenses increased 2% in 2020 over 2019 and 2% in 2019 over 2018. The increases are mainly attributable to an increase in student aid offset by a reduction in travel and purchase of supplies and services as result of cost saving measures implemented during 2020.

Instruction for 2020 increased by $0.5 million largely due to an increase in compensation of $2.1 million due to overall compensation increases for existing faculty offset by a $2.6 million decrease in travel, equipment, supplies and services. Academic Support expense is flat due to overall compensation increases for existing staff offset by a decrease in travel and equipment purchases. The increase in Institutional Support of $0.7 million is primarily due to an increase in one time contracted services. The increase in Depreciation for 2020 is largely due to the completion of projects and equipment purchases placed into service during 2020. The $6.8 million increase in Student Aid over 2019 is due to the University's commitment to support students.

Instruction for 2019 increased by $4.0 million largely due to an increase in compensation of $3.0 million due to the hiring of several new faculty positions and overall compensation increases for existing faculty coupled by a $1.0 million increase in supplies and services. The Academic Support increase of $1.4 million is predominantly due to an increase of $1.0 million in technology equipment purchases. The increase in Student Services is related to an increase of $0.5 million of supplies and services and fitness equipment. The increase in Depreciation for 2019 is largely due to the completion of projects and equipment purchases placed into service during 2019.

The University's operating loss was $78.6 million in 2020, $72.1 million in 2019, and $68.7 million in 2018. Offsetting these losses were net nonoperating revenues of $78.4 million in 2020, $88.3 million in 2019, and $85.0 million in 2018.

Nonoperating revenue is largely comprised of State appropriations and was $47.5 million in 2020. The decrease over 2019 is due to a reduction as approved in legislation issued by the State of Michigan subsequent to June 30, 2020. The fiscal year appropriation was reduced by $5,956,500, or 11%. This reduction is to be supplemented with a pass through of federal Coronavirus Relief funds from the State to be recognized in fiscal year 2021.

Nonoperating revenues also include Federal Grants of $6.1 million largely due to the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding related to COVID-19 expense incurred by the University during 2020. The funding provided grants to eligible students and institutional aid. As of June 30, 2020 $5.8 million was distributed to qualified students.

Nonoperating revenues also include $23.3 million from Federal Pell Grants in 2020. Pell Grant revenue for 2019 and 2018 was $23.0 million and $22.1 million, respectively.

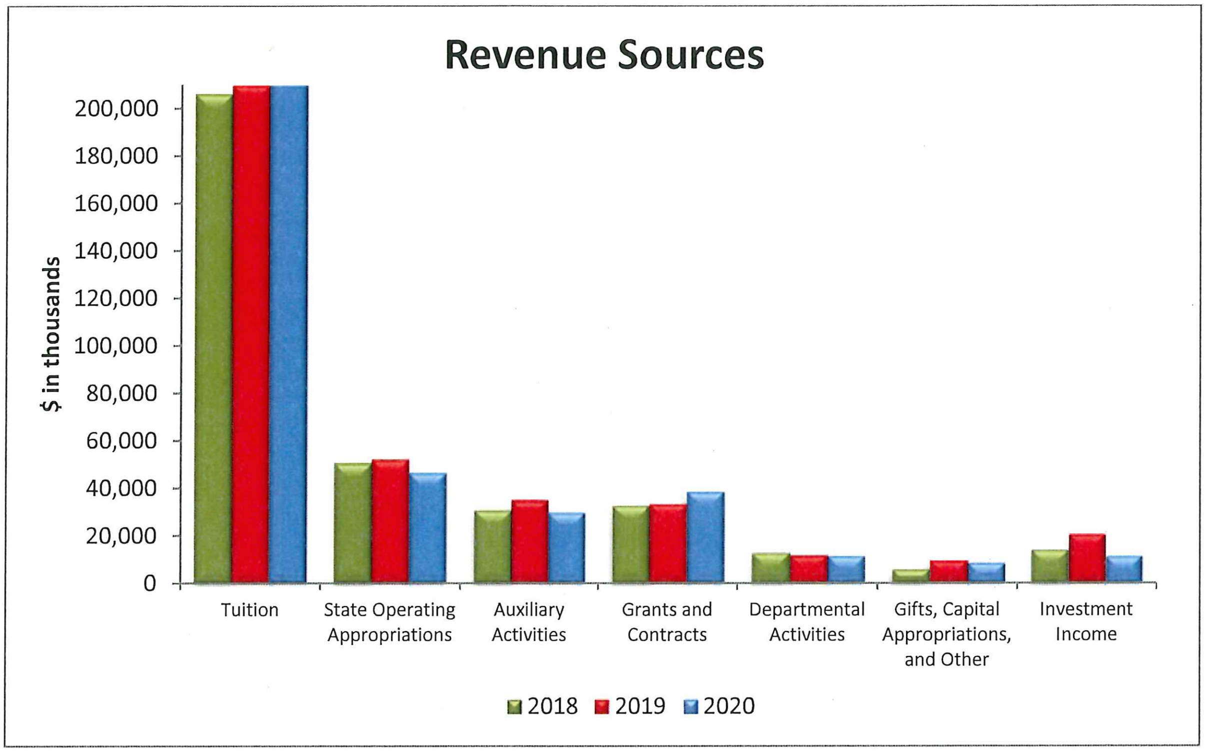
Other revenues primarily consist of $2.6 million of permanent endowments and gifts.

Net position increased $2.5 million during 2020 and is primarily attributed to nonoperating activities including $11.6 million of investment income, $5.4 million in gifts, and $2.6 million of additions to permanent endowments. This increase was offset by a $5.9 million decrease in state appropriations, $5.3 million decrease in auxiliary activity primarily due to student housing COVID-19 refunds, and a $3.2 million increase in scholarship allowances, and a $1.9 million increase in depreciation.

Net position increased $18.6 million during 2019 and is primarily attributed to nonoperating activities including $20.9 million of investment income, $6.4 million in gifts, and $2.3 million in additions to permanent endowments. These increases were offset by an increase of $6.1 million in scholarship allowances and $7.2 million in interest expense.

Net position decreased $3.0 million during 2018 due in large part to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The pronouncement requires governmental organizations to recognize the University's actuarially determined OPEB liability. Therefore, the University recorded a $19.5 million adjustment to beginning net position. Additionally, the University implemented GASB Statement No. 81, *Irrevocable Split Interest Agreements* which required a $2.4 million adjustment to beginning net position. These decreases are offset by an increase in nonoperating activities including $14.2 million of investment income, $5.2 million in gifts, and $2.5 million in additions to permanent endowments, and a $6.5 million increase in scholarship allowances.

A graphic illustration of each revenue source is as follows:



University Statements of Cash Flows

The University's cash flows are summarized in the following Condensed Statements of Cash Flows:

Condensed Statements of Cash Flows

	2020	2019	2018
		(in thousands)	
Cash from			
Operating activities	**$ (46,925)**	$ (42,341)	$ (50,016)
Noncapital financing activities	**91,611**	83,120	83,045
Capital financing activities	**54,238**	(65,553)	(105,659)
Investing activities	**13,832**	3,637	(8,634)
Net change in cash and cash equivalents	**112,756**	(21,137)	(81,264)
Cash and cash equivalents			
Beginning of year	**56,616**	77,753	159,017
End of year	**$ 169,372**	$ 56,616	$ 77,753

The primary cash receipts from operating activities consist of tuition, auxiliary activities, and grant and contract revenues. Cash disbursements primarily include salaries and wages, benefits, supplies, utilities, and scholarships. The increase in net cash from operating activities is primarily the result of an increase in tuition payments that were more than the increases in payments to employees and suppliers.

Noncapital financing activities include State appropriation cash receipts of $53.3 million in 2020, $52.5 million in 2019, and $51.0 million in 2018; Pell Grants totaling $23.1 million in 2020, $22.8 million in

2019, and $22.1 million in 2018; Cares Act Federal Grants totaling $5.8 million in 2020; and gift cash receipts of $9.1 million in 2020, $7.4 million in 2019, and $9.8 million in 2018.

Capital financing activities for 2020 include, the issuance of the 2019 Bonds for $79.0 million with a $18.1 million premium, debt service payments in the amount of $27.8 million, and capital expenditures of $16.1 million. Cash disbursements for capital expenditures in 2020 included $2.3 million in Ann V. Nicholson building renovations; $1.3 million in South Foundation Hall Expansion; $0.5 million for Wilson Hall Renovations; $0.5 million for Dodge Hall renovations; $0.5 million in East Campus IT Hub; $0.3 million for Vandenberg Hall renovations; $0.2 million for Hillcrest Hall; $3.8 million and $0.2 million in equipment and library books respectively; and $6.5 million in various infrastructure and building improvements and repairs.

Capital financing activities for 2019 include capital expenditures of $39.0 million and debt service payments in the amount of $26.6 million. Cash disbursements for capital expenditures in 2019 included $11.9 million for Hillcrest Hall; $19.8 million for the Oakland Center expansion; $0.6 million for parking lot expansion; $6.1 million and $0.3 million in equipment and library books respectively; and $0.6 million in various infrastructure and building improvements.

Capital financing activities for 2018 include capital expenditures of $88.7 million and debt service payments in the amount of $16.9 million. Cash disbursements for capital expenditures in 2018 included $42.6 million for Hillcrest Hall; $25.1 million for the Oakland Center expansion; $7.1 million for renovations in Vandenberg Hall; $6.1 million for parking lot expansion; $5.6 million and $0.2 million in equipment and library books respectively; $0.9 million for renovations in Sunset Terrace and Fitzgerald House; $0.5 million for exterior lighting; $0.3 million for the Business School expansion; and $0.3 million in various infrastructure and building improvements.

Cash from investing activities is due to the timing variations of purchases, sales, and investment income.

Commitments

The estimated costs to complete construction projects in progress is $69.4 million as of June 30, 2020, due in large part to the construction costs associated with the South Foundation Hall in the amount of $38.7 million, Wilson Hall expansion for $19.9 million, the first floor renovation of Fitzgerald for $3.6 million, Dodge Hall renovation for $2.6 million and various campus enhancement projects totaling $4.6 million. The South Foundation Hall project is anticipated to be funded from the State Capital Outlay for $30.0 million and $10.0 million in proceeds from general revenue bonds. The Wilson Hall expansion, Fitzgerald and Dodge Hall renovations will be funded from the 2019 Bonds. The various other campus enhancements are funded from University resources.

University Credit Rating

On August 23, 2019, Moody's Investors Service reaffirmed the University's underlying credit rating as A1 - Stable.

Deferred Plant Renewal

The University annually surveys campus to identify deferred plant renewal, adding new items and deleting items that were addressed during the year. Each year, general revenues are allocated to address deferred plant renewal items. In addition, the University has established a quasi-endowment that provides investment earnings that are used to address deferred plant renewal needs.

Factors or Conditions Impacting Future Periods

Financial and budget planning is directly related to and supportive of the University's mission, strategic plan, and operational needs. The ability to plan effectively is influenced by an understanding of the following factors which impact the University's finances:

- Impact of Global Pandemic caused by a new coronavirus, now known as COVID-19
- Enrollment Management
- Demographics, including number of high school graduates
- Stability of State appropriations (including performance funding)
- Increased globalization and mobilization of student population
- Program growth and development
- New initiatives
- New and emergent technologies
- Productivity improvements
- Cost of inflation

Oakland University
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$ 63,872,559	$ 48,146,084
Accounts receivable, net (Note 3)	8,856,628	7,366,543
Appropriations receivable (Note 4)	3,758,496	9,603,488
Pledges receivable, net (Note 5)	712,140	1,352,292
Inventories	1,378,945	1,157,856
Deposits and prepaid expenses	4,091,801	1,407,213
Student loans receivable, net (Note 6)	411,138	393,825
Total current assets	83,081,707	69,427,301
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	105,499,211	8,469,720
Endowment investments (Note 2)	109,034,791	106,530,914
Other long-term investments (Note 2)	167,684,422	172,611,334
Pledges receivable, net (Note 5)	708,481	1,336,185
Student loans receivable, net (Note 6)	619,846	856,426
Derivative instruments - swap asset (Note 7)	787,261	597,963
Beneficial interest in assets held by others (Note 15)	4,118,775	3,710,972
Capital assets, net (Note 8)	593,598,908	607,939,995
Other assets (Note 10)	580,046	690,660
Total noncurrent assets	982,631,741	902,744,169
Total assets	1,065,713,448	972,171,470
Deferred outflows of resources (Note 11)	17,334,474	12,025,196
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	21,361,977	16,854,428
Accrued payroll	12,013,012	12,684,895
Long-term liabilities - current portion (Note 12)	14,616,614	13,151,042
Other postemployment benefits - current portion (Note 13)	1,759,915	1,692,652
Unearned revenue	20,105,133	17,748,349
Deposits	3,204,860	2,894,742
Total current liabilities	73,061,511	65,026,108
Noncurrent liabilities		
Unearned revenue	5,907,178	7,119,750
Derivative instruments - swap liability (Note 7)	8,183,765	6,238,302
Long-term liabilities (Note 12)	422,153,134	338,022,010
Other postemployment benefits (Note 13)	32,707,991	31,665,444
Total noncurrent liabilities	468,952,068	383,045,506
Total liabilities	542,013,579	448,071,614
Deferred inflows of resources (Note 15)	11,854,652	9,434,190
Net position		
Net investment in capital assets	270,068,428	275,045,278
Restricted nonexpendable	35,828,727	32,967,398
Restricted expendable	51,386,935	50,782,240
Unrestricted	171,895,601	167,895,946
Total net position	$ 529,179,691	$ 526,690,862

The accompanying notes are an integral part of these financial statements.

Oakland University

Statements of Revenues, Expenses, and Changes in Net Position

June 30, 2020 and 2019

	2020	2019
Operating revenues		
Tuition (net of scholarship allowances of $70,946,000 in 2020 and $67,744,400 in 2019)	$ 215,415,174	$ 210,148,815
Federal grants and contracts	7,778,547	8,439,807
State, local, and private grants and contracts	2,364,011	2,632,408
Departmental activities	11,729,417	12,025,813
Auxiliary activities (net of scholarship allowances of $6,110,600 in 2020 and $7,061,700 in 2019)	30,433,535	35,761,859
Other operating revenues	559,269	815,103
Total operating revenues	268,279,953	269,823,805
Operating expenses		
Education and general		
Instruction	125,579,062	125,010,745
Research	9,194,926	9,337,937
Public service	4,321,354	4,450,406
Academic support	52,773,680	52,747,626
Student services	33,319,674	34,819,855
Institutional support	27,802,291	27,090,579
Operations and maintenance of plant	18,620,066	20,567,355
Depreciation	27,920,783	26,042,711
Student aid	15,601,004	8,796,296
Auxiliary activities	31,697,146	33,021,043
Total operating expenses (Note 18)	346,829,986	341,884,553
Operating loss	(78,550,033)	(72,060,748)
Nonoperating revenues (expenses)		
State appropriations (Note 4)	47,476,000	52,828,700
Gifts	5,391,085	6,445,481
Investment income (net of investment expenses of $496,944 in 2020 and $468,704 in 2019)	11,597,960	20,943,961
Interest on capital asset related debt	(15,567,739)	(15,064,141)
Pell grants	23,306,541	23,036,427
Federal grants	6,065,220	-
Other	110,846	117,040
Net nonoperating revenues	78,379,913	88,307,468
Income before other revenues	(170,120)	16,246,720
Capital grants and gifts	42,775	72,734
Additions to permanent endowments	2,616,174	2,276,522
Total other revenues	2,658,949	2,349,256
Increase in net position	2,488,829	18,595,976
Net position		
Beginning of year	526,690,862	508,094,886
End of year	$ 529,179,691	$ 526,690,862

The accompanying notes are an integral part of these financial statements.

Oakland University

Statements of Cash Flows

June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Tuition	$ 215,809,188	$ 212,599,314
Grants and contracts	10,646,435	10,545,262
Payments to suppliers	(62,248,769)	(74,693,099)
Payments to employees	(234,901,425)	(230,881,912)
Payments for scholarships and fellowships	(15,601,004)	(8,796,296)
Loans issued to students	(70,589)	(40,132)
Collection of loans from students	288,832	262,532
Auxiliary enterprise charges	30,597,910	35,932,292
Other receipts	8,554,603	12,730,603
Net cash from operating activities (Note 19)	(46,924,819)	(42,341,436)
Cash flows from noncapital financing activities		
State appropriations	53,320,992	52,540,828
Federal direct lending receipts	105,748,056	103,978,448
Federal direct lending disbursements	(105,748,056)	(103,978,448)
Gifts and grants for other than capital purposes	35,939,704	28,159,792
Endowment gifts	2,350,432	2,419,732
Net cash from noncapital financing activities	91,611,128	83,120,352
Cash flows from capital financing activities		
Proceeds from capital debt	98,191,496	-
Purchases of capital assets	(16,147,888)	(38,918,965)
Principal paid on capital debt and leases	(10,801,357)	(9,449,285)
Interest paid on capital debt and leases	(17,004,289)	(17,185,036)
Net cash from capital financing activities	54,237,962	(65,553,286)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	100,160,487	95,925,222
Investment income	4,818,467	5,124,005
Purchase of investments	(91,147,259)	(97,411,833)
Net cash from investing activities	13,831,695	3,637,394
Net change in cash and cash equivalents	112,755,966	(21,136,976)
Cash and cash equivalents		
Beginning of year	56,615,804	77,752,780
End of year	$ 169,371,770	$ 56,615,804

The accompanying notes are an integral part of these financial statements.

1. Organization, Basis of Presentation, and Significant Accounting Policies

Organization

Oakland University (University) is an institution of higher education and is considered to be a component unit of the State of Michigan (State). Its Board of Trustees (Board) is appointed by the Governor of the State. Accordingly, the University is included in the State's financial statements as a discretely presented component unit. Transactions with the State relate primarily to appropriations for operations, capital improvements and grants from various Federal and State agencies.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. The statements incorporate all fund groups utilized internally by the University. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The University follows the "business-type" activities requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These statements require the following components of the University's financial statements:

- Management's Discussion and Analysis
- Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows
- Notes to the financial statements

GASB Statements No. 34 and 35 establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following four net asset categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:

  Nonexpendable – Net position subject to externally imposed constraints which permanently restrict the University from expending such assets. Such assets include the University's permanent endowment funds.

  Expendable – Net position where 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.

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

- 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 or may otherwise be limited by contractual agreements with outside parties. Substantially all of the unrestricted net position is designated for academic, research, and outreach programs and initiatives, postemployment benefits, operating and stabilization reserves, capital projects and capital asset renewals, and replacements.

GASB Statements No. 34 and 35 also require the University to report revenues net of discounts and allowances. Gift and grant revenues are recognized at the later of the pledge date or when the eligibility requirement of the gifts and grants are met. In addition, direct lending is not reported as federal revenue and scholarship expenditures but is instead treated as an agency transaction.

Significant Accounting Policies

Cash and Cash Equivalents
The University considers all investments with an original maturity of 90 days or less when purchased to be cash equivalents. Restricted cash and cash equivalents consists of unexpended bond proceeds which are restricted for use as noted in the bond documents.

Cash Flow Reporting
For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents includes restricted cash.

Investments
Investments are stated at fair value.

Inventories
Inventories are stated at actual cost. The 2020 inventory includes five homes in the Meadow Brook Subdivision owned by the University valued at $949,500. In 2019 there were four valued at $719,500.

Physical Properties
Physical properties are stated at cost or, if acquired by gift, at acquired value at the date of acquisition. A capitalization threshold of $5,000 is used for equipment. In addition, all equipment under a unit cost of $5,000 purchased in bulk for a newly constructed building is capitalized and depreciated over seven years. Depreciation is computed using the straight-line method over the estimated useful life of the property. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The costs of maintenance and repairs are expended as incurred. The University does not capitalize certain works of art or historical treasures that are held for exhibition, education, research or public service. The following are asset classifications and the respective estimated useful lives:

Classifications	Life
Buildings	40 years
Land improvements and infrastructure	20 years
Library acquisitions	10 years
Equipment and software	7 years

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

Deferred Outflows of Resources

The Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. Deferred outflows of resources consists of differences between expected and actual experiences in the OPEB valuation in addition to contributions remitted to the University's retiree health care plan after the measurement date of the plan as interest rate swap accumulated change in fair value, deferred amortization on refunding of debt, and the deferral of the swap termination cost for the 2001 Bonds.

Unearned Revenue

Unearned revenue consists primarily of summer semester tuition not earned during the current year and contractual advances.

Deferred Inflows of Resources

The Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. Deferred inflows of resources consists of other postemployment benefit (OPEB) assumption changes, beneficial interest in assets held by others, and split interest agreements.

Revenue Recognition

Operating revenues represent revenue earned from exchange transactions and consist of tuition, certain grants and contracts, departmental activities, auxiliary activities, and other miscellaneous revenues. Nonoperating revenues include State appropriations, gifts, certain grants, and investment income. When an expense is incurred for which both restricted and unrestricted net position are available, the University applies the restricted or unrestricted resources at its discretion.

Tuition revenue related to the summer semester is recognized in the fiscal year in which the semester is conducted.

Scholarship allowance is the difference between the stated charge for tuition and the amount paid by the student or third parties making payments on behalf of the student. Student financial aid such as fee waivers, Pell grants, and scholarship awards are considered to be scholarship allowances if used to pay tuition and room and board. These allowances are netted against tuition and auxiliary revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

Funds are appropriated to the University for operations by the State covering the State's fiscal year, October 1 through September 30. The appropriation is for the University's fiscal year ending June 30 and is considered earned when appropriated.

Bond Issuance Costs

Bond issuance costs are expensed when incurred.Income Tax Status

The University is classified as a political subdivision of the State of Michigan under Section 115 of the Internal Revenue Code and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income.

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

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.

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, as amended by GASB No. 95, which improves accounting and financial reporting for leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University is currently evaluating the impact this statement will have on the financial statements when adopted during the University's fiscal year ending June 30, 2022.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, and was amended by GASB No. 95. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The University is currently evaluating the impact this statement will have on the financial statements when adopted for fiscal year ending June 30, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The University is currently evaluating the impact this standard will have when adopted, but the preliminary review suggests this pronouncement will not have a significant impact on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; Clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for the University's fiscal year ending June 30, 2020. All other requirements of this Statement are effective for the University's fiscal year ending June 30, 2022.

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the University's financial statements for the year ending June 30, 2022. Early adoption is permitted subject to specific requirements.

Adoption of New Standards

As of July 1, 2019, the University adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. This statement requires that interest costs incurred before the end of a construction period be expensed in the period where incurred. As a result, the interest cost will not be included in the historical cost of a capital asset, as previously recorded, and is included in interest on capital assets and related debt expense. The adoption is prospective and no prior year amounts were impacted.

Impact of Global Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19

1. Organization, Basis of Presentation, and Significant Accounting Policies (continued)

pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected. The University's operations were also impacted. Due to the "shelter-at-home" guidelines during March through June 2020, the University shifted to a remote online learning environment and sent most students home from residence halls resulting in refunds issued to students for room and board. The University also had events cancelled or temporarily postponed until the "shelter-at-home" guidelines were reduced or removed, which resulted in lost revenues for Oakland for the year ended June 30, 2020. To offset the financial impact to students and the losses incurred by Oakland due to the disruption caused by COVID-19, the University received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The University was allocated Higher Education Emergency Relief Fund (HEERF) grants totaling $13,795,824, of which 50 percent was required to be disbursed directly to students. For the year ended June 30, 2020, Oakland recognized HEERF grant revenue totaling $6,065,220. The severity of the continued impact due to COVID-19 on the University's financial condition will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the University's community, all of which are uncertain and cannot be predicted.

2. Investments and Deposits with Financial Institutions

Operating cash is pooled into investments and deposits, which are uninsured and uncollateralized. This pool is administered according to the University's "Working Capital Management and Investment Policy." The University's working capital is divided into three investment groups: short-term, intermediate-term, and long-term investments. Short-term investments are immediately available for use and have an average maturity of one year or less. Intermediate-term investments are liquid within five business days or less and have an average maturity of no more than five years. Long-term investments are liquid within 20 business days or less and have average maturities over five years. The long-term investment asset class is limited to 30% of the total investment pool and includes equities. All investment classes are rated investment grade or better by at least one rating agency.

The working capital at June 30, 2020 does not involve any concentration of credit risk as investments in any one entity, except the United States Government or its agencies, may not exceed 5% of the total investment pool.

For non-amortizing securities, the maturity of any single debt instrument shall not exceed 15 years. No more than 50% of equity and bond investments are assigned to a single investment manager.

2. Investments and Deposits with Financial Institutions (continued)

The University's working capital consists of the following as of June 30, 2020 and 2019:

June 30, 2020	Fair Market Value	Investment Maturities (In Years) <1 Year	1-5 years	6-10 years	>10 years	N/A
University Working Capital						
Cash and Cash Equivalents	**$ 63,872,559**	**$ 63,872,559**	**$ -**	**$ -**	**$ -**	**$ -**
Commonfund						
Intermediate Bond Fund	**47,341,643**	**9,307,367**	**36,675,571**	**1,121,997**	**236,708**	**-**
High Quality Bond Fund	**36,392,849**	**2,551,139**	**17,836,135**	**8,788,873**	**7,216,702**	**-**
Contingent Asset Portfolio	**35,981,658**	**12,629,562**	**21,905,633**	**1,122,628**	**323,835**	**-**
Core Equity Fund	**18,936,971**	**-**	**-**	**-**	**-**	**18,936,971**
Strategic Equity Fund	**29,031,301**	**-**	**-**	**-**		**29,031,301**
Cash with Trustees	**105,499,211**	**74,777,411**	**30,721,800**	**-**	**-**	**-**
Operating investments	**$ 337,056,192**	**$ 163,138,038**	**$107,139,139**	**$ 11,033,498**	**$ 7,777,245**	**$ 47,968,272**

As Reported on the Statement of Net Position	
Cash and cash equivalents	**$ 63,872,559**
Restricted cash and cash equivalents	**105,499,211**
Other long-term investments	**167,684,422**
	$ 337,056,192

June 30, 2019	Fair Market Value	Investment Maturities (In Years) <1 Year	1-5 years	6-10 years	>10 years	N/A
University Working Capital						
Cash and Cash Equivalents	$ 48,146,084	$ 48,146,084	$ -	$ -	$ -	$ -
Commonfund						
Intermediate Bond Fund	48,249,241	9,645,024	37,880,479	492,142	231,596	-
High Quality Bond Fund	36,921,111	2,159,885	15,510,559	14,162,938	5,087,729	-
Contingent Asset Portfolio	40,204,558	13,741,918	25,863,592	241,227	357,821	-
Core Equity Fund	18,083,676	-	-	-	-	18,083,676
Strategic Equity Fund	29,152,748	-	-	-		29,152,748
Cash with Trustees	8,469,720	8,469,720	-	-	-	-
Operating investments	$ 229,227,138	$ 82,162,631	$ 79,254,630	$ 14,896,307	$ 5,677,146	$ 47,236,424

As Reported on the Statement of Net Position	
Cash and cash equivalents	$ 48,146,084
Restricted cash and cash equivalents	8,469,720
Other long-term investments	172,611,334
	$ 229,227,138

2. Investments and Deposits with Financial Institutions (continued)

Investment duration describes the level of interest rate risk in the portfolio. Changes in interest rates over time can impact the market value of the fixed income portion of the portfolio. At June 30, 2020 the Commonfund Intermediate Term Bond Fund had a duration of 1.9 years and an average credit quality of AA. The Commonfund Contingent Asset Portfolio had a duration of 1.5 years and an average credit quality of AA+. The Commonfund High Quality Bond fund had a duration of 5.5 years and an average credit quality of AA-. At June 30, 2019, the Commonfund Intermediate Term Bond Fund had a duration of 1.4 years and an average credit quality of AA. The Commonfund Contingent Asset Portfolio had a duration of .8 years and an average credit quality of AA+. The Commonfund High Quality Bond Fund had a duration of 4.8 years and average credit quality of AA-.

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name. The carrying amount of deposits, excluding those classified as investments, was $42,630,777 at June 30, 2020, and $22,316,594 at June 30, 2019. The deposits were reflected in the accounts of the banks at $43,713,219 at June 30, 2020, and $23,440,342 at June 30, 2019. Of the bank balance, $43,151,077 at June 30, 2020 and $22,884,627 at June 30, 2019, was uninsured and uncollateralized.

As of June 30, 2020 and June 30, 2019 the University's working capital is not exposed to foreign currency risk.

These working capital funds produced net rate of return of 2.2% and 5.9% for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, the University had an investment derivative with the following maturity:

June 30, 2020	Fair Value	<1 Year	1-5 years	6-10 years	>10 years
Constant Maturity Swap	$ 787,261	$ -	$ -	$ -	$ 787,261
June 30, 2019	**Fair Value**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**
Constant Maturity Swap	$ 597,963	$ -	$ -	$ -	$ 597,963

The investment derivative was approved by the Board and is included in non-current assets in the Statements of Net Position. See Notes 7 for further disclosures.

The University's endowment investments are administered according to the University's "Endowment Management and Investment Policy." The investment policy seeks to diversify investments among asset classes to provide a strategic asset allocation that enhances total returns and avoids undue credit risk exposure in any single asset class or investment category. The "Endowment Management and Investment Policy" restricts fixed income investments to "high quality" (primarily A to AAA rated) corporate bonds, U.S. Treasury, and agency securities or issues of supranational organizations and foreign sovereigns and no more than 20% of the fixed income portfolio may be invested in securities rated less than BBB or that are illiquid.

2. Investments and Deposits with Financial Institutions (continued)

These endowment investment funds are uninsured and uncollateralized and produced a total net return of 4.3% and 6.5% for the years ended June 30, 2020 and 2019, respectively.

University endowment funds consist of the following as of June 30, 2020 and 2019:

		Investment Maturities (In Years)				
June 30, 2020	**Total**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
UBS Endowment Investment Pool						
Large Cap Value	$ 13,671,692	$ 327,070	$ -	$ -	$ -	$ 13,344,622
Large Cap Growth	21,747,870	47,357	-	-	-	21,700,513
Mid Cap Value	3,263,337	-	-	-	-	3,263,337
Mid Cap Growth	9,351,179	-	-	-	-	9,351,179
Small Cap Core	6,071,380	-	-	-	-	6,071,380
Small Cap Growth	3,501,647	-	-	-	-	3,501,647
International Value	3,742,775	-	-	-	-	3,742,775
International Growth	8,468,884	-	-	-	-	8,468,884
Developing Markets	4,699,348	-	-	-	-	4,699,348
Fixed Income Core	11,151,417	185,601	1,972,677	6,812,087	2,181,052	-
Fixed Income Mutual Fund	4,128,048	-	-	-	-	4,128,048
High Yield Bonds	1,286,516	70,885	652,926	432,766	129,939	-
Fixed Income TIPS	3,218,269	-	-	-	-	3,218,269
Hedge Funds	6,480,671	-	-	-	-	6,480,671
Private Equity	7,259,026	4,990	-	-	-	7,254,036
Money Market Funds	992,732	992,732	-	-	-	-
	$ 109,034,791	$ 1,628,635	$ 2,625,603	$ 7,244,853	$ 2,310,991	$ 95,224,709

		Investment Maturities (In Years)				
June 30, 2019	**Total**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**	**N/A**
UBS Endowment Investment Pool						
Large Cap Value	$ 15,551,240	$ 193,295	$ -	$ -	$ -	$ 15,357,945
Large Cap Growth	18,965,031	35,696	-	-	-	18,929,335
Mid Cap Value	3,616,901	-	-	-	-	3,616,901
Mid Cap Growth	9,203,909	-	-	-	-	9,203,909
Small Cap Core	6,643,815	-	-	-	-	6,643,815
Small Cap Growth	3,449,162	-	-	-	-	3,449,162
International Value	3,455,425	-	-	-	-	3,455,425
International Growth	8,080,439	-	-	-	-	8,080,439
Developing Markets	4,760,694	-	-	-	-	4,760,694
Fixed Income Core	10,266,849	416,918	3,139,991	5,635,317	1,074,623	-
Fixed Income Mutual Fund	4,106,545	-	-	-	-	4,106,545
High Yield Bonds	1,325,129	62,106	726,614	522,761	13,648	-
Fixed Income TIPS	2,971,986	-	-	-	-	2,971,986
Hedge Funds	7,530,090	-	-	-	-	7,530,090
Private Equity	6,103,463	27,444	-	-	-	6,076,019
Money Market Funds	500,236	500,236	-	-	-	-
	$ 106,530,914	$ 1,235,695	$ 3,866,605	$ 6,158,078	$ 1,088,271	$ 94,182,265

The fixed income investments within the Endowment pool have a fair market value of $19.8 million as of June 30, 2020. The breakdown of market value, related percentage of the overall endowment pool and associated credit quality for the fixed income investments is as follows: $7.8 million (7.1%) rated AAA, $9.7 million (8.9%) rated A, $2.3 million (3.1%) rated BB. Money market funds carry credit ratings of A-1, P-1, and F-1.

2. Investments and Deposits with Financial Institutions (continued)

The University is not exposed to foreign currency risk within the endowment investment balance as of June 30, 2020.

The private equity investment's estimated net asset value is $7,259,026 as of June 30, 2020 with an active total commitment by the University of $11,610,000. Hedge fund investments are estimated at a net asset value of $6,480,671 as of June 30, 2020. As of June 30, 2019, the private equity investment's estimated net asset value is $6,103,463 with an active total commitment by the University of $9,610,000. Hedge fund investments are estimated at a net asset value of $7,530,090. Estimated net asset values and returns are reviewed by the UBS Alternative Investments U.S. Team through the University's endowment investment adviser UBS Financial Services, Inc.

Fair value is most often determined by open market prices except for the private equity and hedge funds. The estimated fair values are provided by external investment managers and advisers as of June 30, 2020. Alternative investments are not readily marketable; therefore, their estimated value may differ from the value that would have been used had a ready market value for such investments existed.

For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan, permits the University to appropriate an amount of realized and unrealized endowment appreciation as determined to be prudent.

The majority (93%) of the endowment pool can be liquidated within 90 days or less at fair market value.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are 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 fair value of various equity and debt securities held at June 30, 2020 and 2019 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.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.

The investment objective of the Commonfund Core Equity Fund is to outperform its benchmark, the S&P 500 Index, over a full market cycle while managing risk through diversification of manager allocations. The Commonfund Core Equity Fund consists principally of investments where the emphasis is on companies that the managers perceive to have values not fully reflected in current market prices. This fund uses Sub-Advisers who select stocks using quantitative and bottom-up fundamental analysis. The fund will provide access to large capitalization and, to a lesser extent, mid-capitalization companies.

2. Investments and Deposits with Financial Institutions (continued)

Hedge funds in the Endowment portfolio utilize a diversified strategy approach by mixing managers focused on Fund of Funds investments, to managers focused on specific sectors, such as credit or commodities. Within the Fund of Funds, managers investment intent is further marginalized into event driven, opportunistic trading, as well as industry specific preferences.

Most of the funds align into the low volatility category with the objective to participate consistently in up markets and provide favorable performance to the broader markets during depressed or down market cycles.

	Fair Value as of June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Other Long-term Investments:				
Commonfund				
Intermediate Bond Fund	$ 47,341,643	$ 2,116,171	$ 45,225,472	$ -
High Quality Bond Fund	36,392,849	451,271	35,868,792	72,786
Contingent Asset Portfolio	35,981,658	2,392,780	33,542,102	46,776
Core Equity Fund	13,505,848	13,500,167	-	5,681
Strategic Equity Fund	29,031,301	29,031,301	-	-
	162,253,299	47,491,690	114,636,366	125,243
Endowment Investment:				
Large Cap Value	13,671,692	13,671,692	-	-
Large Cap Growth	21,747,870	21,747,870	-	-
Mid Cap Value	3,263,337	3,263,337	-	-
Mid Cap Growth	9,351,179	9,351,179	-	-
Small Cap Core	6,071,380	6,071,380	-	-
Small Cap Growth	3,501,647	3,501,647	-	-
International Value	3,742,775	3,742,775	-	-
International Growth	8,468,884	8,468,884	-	-
Developing Markets	4,699,348	4,699,348	-	-
Fixed Income Core	11,151,417	11,151,417	-	-
Fixed Income Mutual Fund	4,128,048	4,128,048	-	-
High Yield Bonds	1,286,516	1,286,516	-	-
Fixed Income TIPS	3,218,269	3,218,269	-	-
Money Market Funds	992,732	992,732	-	-
	95,295,094	95,295,094	-	-
Investment Derivative Instruments:				
Constant Maturity Swap	787,261	-	787,261	-
Total investments by fair value level	$ 258,335,654	$ 142,786,784	$ 115,423,627	$ 125,243

Investments measured at the net asset value (NAV)

	June 30, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Core Equity Fund	$ 5,431,123	$ -	Weekly	5 Days
Hedge Funds	6,480,671	-	Quarterly	7-105 Days
Private Equity	7,259,026	4,175,315	Not Applicable	Not Applicable
Total investments measured at NAV	19,170,820	4,175,315		
Total	$ 277,506,474	$ 4,175,315		

As Reported on the Statement of Net Position	
Endowment investments	$ 109,034,791
Other long-term investments	167,684,422
Derivative instruments	787,261
Total	$ 277,506,474

2. Investments and Deposits with Financial Institutions (continued)

Private Equity (PE) strategies in the Endowment portfolio are divided into five fund types, with varying investment objectives. A Fund of Funds approach is utilized by one of the managers that provide the University access to numerous PE investment deals in multiple industries. This strategy provides built in diversification within this sector and helps mitigate downside exposure to the overall PE asset class. The investment strategy for the remaining PE investments is to provide additional layers of diversity to the pool. Specifically, these investments span markets or industries that cover the aviation industry, technology and healthcare, and distressed debt opportunities.

	Fair Value as of June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other Long-term Investments:				
Commonfund				
Intermediate Bond Fund	$ 48,249,241	$ 289,495	$ 47,718,500	$ 241,246
High Quality Bond Fund	36,921,111	1,550,687	35,370,424	-
Contingent Asset Fund	40,204,558	1,527,773	38,676,785	-
Core Equity Fund	11,049,126	11,049,126	-	-
Strategic Equity Fund	29,152,748	29,152,748	-	-
	165,576,784	43,569,829	121,765,709	241,246
Endowment Investment:				
Large Cap Value	15,551,240	15,551,240	-	-
Large Cap Growth	18,965,031	18,965,031	-	-
Mid Cap Value	3,616,901	3,616,901	-	-
Mid Cap Growth	9,203,909	9,203,909	-	-
Small Cap Core	6,643,815	6,643,815	-	-
Small Cap Growth	3,449,162	3,449,162	-	-
International Value	3,455,425	3,455,425	-	-
International Growth	8,080,439	8,080,439	-	-
Developing Markets	4,760,694	4,760,694	-	-
Fixed Income Core	10,266,849	10,266,849	-	-
Fixed Income Mutual Fund	4,106,545	4,106,545	-	-
High Yield Bonds	1,325,129	1,325,129	-	-
Fixed Income TIPS	2,971,986	2,971,986	-	-
Money Market Mutual Funds	500,236	500,236	-	-
	92,897,361	92,897,361	-	-
Investment Derivative Instruments:				
Constant Maturity Swap	597,963	-	597,963	-
Total by fair value level	$ 259,072,108	$ 136,467,190	$ 122,363,672	$ 241,246

Investments measured at the net asset value (NAV)

	June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Core Equity Fund	**$ 7,034,550**	**$ -**	**Weekly**	**5 Days**
Hedge Funds	**7,530,090**	**-**	**Quarterly**	**7-105 Days**
Private Equity	**6,103,463**	**3,512,207**	**Not Applicable**	**Not Applicable**
Total investments measured at NAV	**20,668,103**	**3,512,207**		
Total	**$ 279,740,211**	**$ 3,512,207**		

As Reported on the Statement of Net Position	
Endowment investments	**$ 106,530,914**
Other long-term investments	**172,611,334**
Derivative instruments	**597,963**
Total	**$ 279,740,211**

3. Accounts Receivable

Accounts receivable consist of the following as of June 30, 2020 and 2019:

	2020	2019
Tuition	**$ 6,347,740**	$ 7,053,800
Auxiliary enterprises	**1,357,206**	1,639,510
Contracts and grants	**1,236,493**	2,073,959
Other receivables	**3,658,062**	1,571,565
Total accounts receivable	**12,599,501**	12,338,834
Less: Allowance for doubtful accounts	**(3,742,873)**	(4,972,291)
Total accounts receivable, net	**$ 8,856,628**	$ 7,366,543

4. Appropriations Receivable

In fiscal year 2020, the annual State operating appropriation anticipated making 11 monthly installments to the University from October through August, as approved in the State of Michigan 2019-2020 Higher Education Appropriation Act totaling $53,432,500. Subsequent to June 30, 2020 the State of Michigan legislature passed senate bill SB373 which reduced the fiscal year 2020 annual appropriation by $5,956,500, or 11%. This reduction is to be supplemented with a pass through of federal Coronavirus Relief funds from the State in the amount $5,956,500 to be recognized in fiscal year 2021. As of June 30, 2020, the accrual for the original remaining appropriation created an appropriation receivable of $3,758,496.

In fiscal year 2019, the annual State operating appropriation paid to the University was made in 11 monthly installments from October through August. Consistent with State of Michigan legislation, the University accrued, as of the end of its fiscal year, the payments to be received in July and August. As of June 30, 2019, the accrual of the July and August State operating appropriation payments created an appropriation receivable of $9,603,488.

5. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2020 and 2019:

	2020	2019
Pledges outstanding		
Unrestricted	**$ 29,927**	$ 30,804
Restricted expendable	**1,735,918**	3,278,952
Total pledges outstanding	**1,765,845**	3,309,756
Less:		
Allowance for doubtful pledges	**(176,584)**	(300,926)
Present value discount	**(168,640)**	(320,353)
Total pledges outstanding, net	**1,420,621**	2,688,477
Less: Current portion, net	**(712,140)**	(1,352,292)
Noncurrent portion, net	**$ 708,481**	$ 1,336,185

5. Pledges Receivable (continued)

Pledges receivable from donors are recorded at net present value less allowances for doubtful accounts. As of June 30, 2020 and 2019, the interest rate used to discount pledges to present value was 5%. The aggregate allowance for doubtful accounts was 10% net of discount at June 30, 2020 and 2019.

Payments on pledges receivable as of June 30, 2020 are expected to be received in the following years:

Past due	**$ 314,595**
Due in one year	**476,600**
Due in two-five years	**774,650**
Thereafter	**200,000**
Total	**$ 1,765,845**

Bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their realizability and valuation. As of June 30, 2020 and 2019, the University had $25,373,768 and $19,830,967, respectively, in conditional pledge commitments receivable not included in the accompanying financial statements.

6. Student Loans Receivable

Student loans receivable consist of the following as of June 30, 2020 and 2019:

	2020	**2019**
Student loans		
Federal loan programs	**$ 810,328**	$ 1,021,358
University loan funds	**221,656**	229,893
	1,031,984	1,251,251
Less: Allowance for doubtful loans	**(1,000)**	(1,000)
Total student loans, net	**1,030,984**	1,250,251
Less: Current portion, net	**(411,138)**	(393,825)
Noncurrent portion, net	**$ 619,846**	$ 856,426

In addition, the University distributed $105,748,056 and $103,978,448 for the years ended June 30, 2020 and 2019, respectively, for student loans through the U.S. Department of Education Federal Direct Loan program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements, but are reflected in the University's Statements of Cash Flows.

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 plans to continue servicing outstanding loans in accordance with program specifications as permitted by the Federal government.

7. Hedging Derivative Instruments

The University follows the provisions of GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The derivatives are valued using an independent pricing service. The following provides a description of each swap agreement.

Investment Derivative Instrument:

2007 Constant Maturity Swap Agreement
In June 2007, the University executed a Constant Maturity Swap (CMS) in an initial notional amount of $34,370,000 effective October 1, 2007, the purpose of which was to reduce interest costs. Under the CMS, the University pays the counterparty the SIFMA Municipal Swap Index and receives 90.39% of the ten-year SIFMA Swap Rate until March 1, 2031. No amounts were paid or received when the CMS was initiated.

The estimated fair value of the CMS as of June 30, 2020 and 2019 was $787,261 and $597,963, respectively. These fair values are reported as Derivative Instruments – swap asset in the Statements of Net Position with the change in fair value of $189,298 and $339,152 for fiscal years ended June 30, 2020 and 2019, respectively, included in Investment income in the Statements of Revenues, Expenses, and Changes in Net Position. The fair value represents the estimated amount that the University would receive to terminate the CMS, taking into account current interest rates and creditworthiness of the underlying counterparty.

The University is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations. As of June 30, 2020, the counterparty's credit rating from Moody's Investors Service was Aa2. The CMS includes collateral requirements intended to mitigate credit risk. As of June 30, 2020, there is no collateral posting requirement by either the counterparty or the University. Under this agreement, the University is exposed to an interest rate risk which arises when short-term rates exceed the ten-year rates.

In addition, since the rates received and paid by the University are variable rates, the University is exposed to basis risk, which is the risk that arises when variable interest rates are based on different indexes.

The CMS is based on an International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard termination events such as failure to pay and bankruptcy, or termination risk. In addition, the Master Agreement includes additional termination events. If the CMS is terminated, the University may be required to pay an amount equal to the fair value if it is negative. In addition, termination of the CMS would result in the University losing the benefit it is currently receiving related to the CMS payments.

2008 Interest Rate Swap Agreement
In connection with the 2008 Bonds, the University entered into an interest rate hedging swap agreement (2008 Swap) with Dexia Credit Local, New York Branch in an initial notional amount of $53,280,000 effective June 13, 2008, the purpose of which is to synthetically fix interest rates on the 2008 Bonds. The agreement swaps the University's variable rate for a fixed rate of 3.37% and is based on 67% of U.S. Dollar LIBOR. The notional amount declines over time and terminates March 1, 2031. The notional amount as of June 30, 2020 was $39,700,000. Under the 2008 Swap

7. Hedging Derivative Instruments (continued)

agreement, the University pays a synthetic fixed rate of 3.37%. No amounts were paid or received when the 2008 Swap was initiated.

The University is currently making payments under the 2008 Swap agreement. The estimated fair value of the 2008 Swap as of June 30, 2020 and 2019 was ($8,183,765) and ($6,238,302), respectively. These fair values are reflected as Derivative Instruments – swap liability on the Statements of Net Position. The fair value of the hedging derivative instrument classified as Level 2 (significant other observable inputs) at June 2020 and 2019 was valued based on 67% of U.S. Dollar LIBOR and represents the estimated amount that the University would pay to terminate the 2008 Swap (termination risk), taking into account current interest rates and creditworthiness of the underlying counterparty. In accordance with GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the 2008 Swap is treated as an Effective Hedging Derivative Instrument. The accumulated change in fair value is recorded as a deferred outflow of resources.

The University is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations. The 2008 Swap includes collateral requirements intended to mitigate credit risk. As of June 30, 2020, the University posted $3,550,000 of collateral with the counterpartywhich was required under the agreement when fair value is less than a negative $5,000,000 at the University's current credit rating. At June 30, 2019 the University posted $1,060,000 collateral based on the fair value. As of June 30, 2020, the counterparty's credit rating from Moody's Investors Service was Baa3.

Additionally, the 2008 Swap exposes the University to basis risk, which is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instruments are based on different indexes. The University is also exposed to interest rate risk which is the risk that as the swap index decreases, the University's net payment on the 2008 Swap increases.

The 2008 Swap is based on an International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard termination events such as failure to pay and bankruptcy, or termination risk. In addition, the Master Agreement includes additional termination events. If the 2008 Swap is terminated, the 2008 Bonds will no longer carry a synthetic interest rate, and the University may be required to pay an amount equal to the fair value if it is negative.

8. Capital Assets

The following tables present the changes in the various capital asset categories for the University for fiscal years 2020 and 2019:

Asset Classification	Balance June 30, 2019	Additions	Reductions/ Transfers	Balance June 30, 2020
Land	$ 4,624,914	$ -	$ -	$ 4,624,914
Land improvements and infrastructure	90,317,315	1,660,554	-	91,977,869
Buildings	732,561,884	4,457,504	165,843	736,853,545
Equipment	68,449,451	3,825,694	1,312,275	70,962,870
Library acquisitions	26,567,715	161,773	414,429	26,315,059
Construction in progress	6,571,230	9,655,707	6,122,643	10,104,294
Total	929,092,509	19,761,232	8,015,190	940,838,551
Accumulated depreciation				
Land improvements and infrastructure	(46,761,889)	(4,060,534)	-	(50,822,423)
Buildings	(206,030,146)	(17,387,230)	(149,259)	(223,268,117)
Equipment	(45,985,167)	(6,371,583)	(1,269,964)	(51,086,786)
Library acquisitions	(22,375,312)	(101,434)	(414,429)	(22,062,317)
Total	(321,152,514)	(27,920,781)	(1,833,652)	(347,239,643)
Total capital assets, net	$ 607,939,995	($ 8,159,549)	$ 6,181,538	$ 593,598,908

Asset Classification	Balance June 30, 2018	Additions	Reductions/ Transfers	Balance June 30, 2019
Land	$ 4,624,914	$ -	$ -	$ 4,624,914
Land improvements and infrastructure	89,060,569	1,256,746	-	90,317,315
Buildings	600,904,414	131,657,470	-	732,561,884
Equipment	62,197,455	7,753,450	1,501,454	68,449,451
Library acquisitions	26,515,913	309,358	257,556	26,567,715
Construction in progress	119,936,139	24,820,025	138,184,934	6,571,230
Total	903,239,404	165,797,049	139,943,944	929,092,509
Accumulated depreciation				
Land improvements and infrastructure	(42,752,330)	(4,009,559)	-	(46,761,889)
Buildings	(190,331,397)	(15,698,749)	-	(206,030,146)
Equipment	(41,241,368)	(6,177,952)	(1,434,153)	(45,985,167)
Library acquisitions	(22,476,416)	(156,451)	(257,555)	(22,375,312)
Total	(296,801,511)	(26,042,711)	(1,691,708)	(321,152,514)
Total capital assets, net	$ 606,437,893	$ 139,754,338	$ 138,252,236	$ 607,939,995

9. State Building Authority

The University has lease agreements with the State Building Authority (SBA) and the State of Michigan for the School of Education and Human Services Building (Pawley Hall) expiring November 30, 2037, the Mathematics and Science Center expiring October 31, 2032, the Business and Technology Building (Elliott Hall) expiring February 29, 2036, the Human Health Building expiring June 30, 2048, and the Engineering Center expiring July 31, 2050. The buildings were financed with SBA revenue bonds, State capital appropriations, and University general revenue bonds.

The SBA bond issues are collateralized by a pledge of rentals to be received from the State pursuant to the lease agreements between the SBA, the State, and the University. During the lease terms, the SBA will hold title to the facilities; the State will make all annual lease payments to the SBA; and the University will pay all operating and maintenance costs of the facilities.

At the expiration of the leases, the SBA has agreed to sell each facility to the University for one dollar. The cost and accumulated depreciation for these facilities is included in the accompanying Statements of Net Position.

10. Cash Surrender Value of Life Insurance Policies

Included in other assets are the cash surrender value of life insurance policies in the amount of $580,046 and $557,660 for 2020 and 2019, respectively. The face value of these life insurance policies totaled $7,933,072 and $8,033,072 in 2020 and 2019, respectively.

11. Deferred Outflows of Resources

The University accounts for deferred outflows of resources in accordance with authoritative guidance. The University recorded deferred outflows of $17,334,474 as of June 30, 2020, which includes $3,733,973 from an early extinguishment of general revenue bonds, 2014 Bonds, 2013B Bonds, and 2008 Bonds, a deferral of swap termination costs for the 2001 Bonds, $8,183,765 for the accumulated change in fair value of the 2008 Swap, and $5,416,736 for differences between expected and actual experiences in the OPEB valuation in addition to contributions remitted to the University's retiree health care plan after the measurement date of the plan as discussed in Note 13. As of June 30, 2019, the University recorded deferred outflows of $12,025,196, which includes $4,094,242 from an early extinguishment of general revenue bonds, 2014 Bonds, 2013B Bonds, and 2008 Bonds, a deferral of swap termination costs for the 2001 Bonds, $6,238,302 for the accumulated change in fair value of the 2008 Swap, and $1,692,652 for contributions remitted to the University's retiree health care plan after the measurement date of the plan as discussed in Note 13.

12. Long-Term Liabilities

Long-term liabilities consist of the following as of June 30, 2020 and 2019:

	Balance June 30, 2019	Additions/ Transfers	Reductions	Balance June 30, 2020	Current Portion
Note and installment purchase agreements payable	$ 9,455,596	$ -	$ 961,357	$ 8,494,239	$ 998,382
General revenue bonds:					
Series 2019 bonds	-	79,205,000	-	79,205,000	-
Unamortized premium	-	18,986,496	856,046	18,130,450	1,034,636
Series 2016 bonds	111,320,000	-	1,910,000	109,410,000	2,000,000
Unamortized premium	17,253,929	-	1,130,379	16,123,550	1,089,959
Series 2014 bonds	24,525,000	-	740,000	23,785,000	780,000
Unamortized premium	2,847,884	-	285,817	2,562,067	267,953
Series 2013A bonds	53,445,000	-	1,230,000	52,215,000	1,295,000
Unamortized premium	4,454,625	-	372,802	4,081,823	351,492
Series 2013B bonds	14,130,000	-	1,850,000	12,280,000	1,890,000
Series 2012 bonds	39,810,000	-	970,000	38,840,000	1,010,000
Unamortized premium	2,971,789	-	257,322	2,714,467	246,339
Series 2008 bonds	41,465,000	-	1,765,000	39,700,000	1,840,000
Series 1998 variable rate demand bonds	4,600,000	-	880,000	3,720,000	-
2014 Certificates of participation	13,365,000	-	495,000	12,870,000	605,000
Unamortized premium	1,184,921	-	123,386	1,061,535	127,365
Total note, installment agreement, and bonds payable	340,828,744	98,191,496	13,827,109	425,193,131	13,536,126
Other liabilities:					
Compensated absences	6,225,297	1,957,103	590,157	7,592,243	509,719
Annuities payable and other	3,097,652	701,362	570,769	3,228,245	570,769
Federal portion of Perkins loan program	1,021,359	-	265,230	756,128	-
Total other liabilities	10,344,308	2,658,465	1,426,157	11,576,616	1,080,488
Total long-term liabilities	$ 351,173,052	$ 100,849,961	$ 15,253,266	$ 436,769,747	$ 14,616,614

	2019	2020
Total long-term liabilities	$ 351,173,052	$ 436,769,747
Less current portion	13,151,042	14,616,614
Noncurrent portion	$ 338,022,010	$ 422,153,134

12. Long-Term Liabilities (continued)

	Balance June 30, 2018	Additions/ Transfers	Reductions	Balance June 30, 2019	Current Portion
Note and installment purchase agreements payable	$ 10,394,881	$ -	$ 939,285	$ 9,455,596	$ 961,357
General revenue bonds:					
Series 2016 bonds	113,130,000	-	1,810,000	111,320,000	1,910,000
Unamortized premium	18,424,388	-	1,170,459	17,253,929	1,130,379
Series 2014 bonds	25,230,000	-	705,000	24,525,000	740,000
Unamortized premium	3,152,210	-	304,326	2,847,884	285,817
Series 2013A bonds	54,620,000	-	1,175,000	53,445,000	1,230,000
Unamortized premium	4,854,492	-	399,867	4,454,625	372,801
Series 2013B bonds	15,935,000	-	1,805,000	14,130,000	1,850,000
Series 2012 bonds	40,745,000	-	935,000	39,810,000	970,000
Unamortized premium	3,238,675	-	266,886	2,971,789	257,322
Series 2008 bonds	43,160,000	-	1,695,000	41,465,000	1,765,000
Series 1998 variable rate demand bonds	4,600,000	-	-	4,600,000	-
2014 Certificates of participation	13,750,000	-	385,000	13,365,000	495,000
Unamortized premium	1,305,213	-	120,292	1,184,921	123,386
Total note, installment agreement, and bonds payable	352,539,859	-	11,711,115	340,828,744	12,091,062
Other liabilities:					
Compensated absences	6,028,823	1,174,234	977,760	6,225,297	491,344
Annuities payable and other	2,928,208	253,145	83,701	3,097,652	568,636
Federal portion of Perkins loan program	1,256,543	-	235,184	1,021,359	-
Total other liabilities	10,213,574	1,427,379	1,296,645	10,344,308	1,059,980
Total long-term liabilities	$ 362,753,433	$ 1,427,379	$ 13,007,760	$ 351,173,052	$ 13,151,042

	June 30, 2018	June 30, 2019
Total long-term liabilities	$ 362,753,433	$ 351,173,052
Less current portion	12,667,161	13,151,042
Noncurrent portion	$ 350,086,272	$ 338,022,010

Note and Installment Purchase Agreements Payable

In February 2015, the University entered into a lease-purchase agreement in the principal amount of $85,743 to purchase printing equipment. The lease has a fixed interest rate of 4.94% per annum and requires 48 monthly payments of $1,972. The lease was paid in full January 2019 and the University took ownership of the printing equipment.

In December 2005, the University entered into a general revenue note payable over 264 months in the amount of $18,253,776 at a fixed interest rate of 3.785% to finance Phase II of its Energy Service Agreement projects.

12. Long-Term Liabilities (continued)

Required annual payments for the notes payable for the fiscal years ending June 30 are as follows:

	Principal	Interest	Total
2021	$ 998,382	$ 304,305	$ 1,302,687
2022	1,036,833	265,854	1,302,687
2023	1,076,766	225,922	1,302,688
2024	1,118,236	184,451	1,302,687
2025	1,161,303	141,385	1,302,688
2026-2028	3,102,719	153,999	3,256,718
Total	$ 8,494,239	$ 1,275,916	$ 9,770,155

General Revenue Bonds Payable

In September 2019, the University issued $79,205,000 of general revenue bonds (2019 Bonds), with an average coupon rate of 5.00% and a net original issue premium of $18,986,496. The proceeds of the bond will be used to fund renovations for following; South Foundation Hall in the amount of $10.0 million, Varner Hall for $45.0 million, Wilson Hall totaling $14.8 million, a Student Athlete Development Center for $5.0 million, Central Heating Infrastructure in the amount of $5.0 million, renovations at Dodge Hall for $3.0 million, and other capital projects. The 2019 Bonds were issued with a final maturity of March 1, 2050. The pricing resulted in a 3.29% true interest cost.

In June 2016, the University issued $113,130,000 of general revenue bonds (2016 Bonds), with an average coupon rate of 5.00% and a net original issue premium of $20,773,191. The proceeds were utilized to fund the construction of a new 750 bed student residence complex (Hillcrest Hall), expansion of the Oakland Center, and other capital projects. The 2016 Bonds were issued with a final maturity of March 1, 2047. The pricing resulted in a 3.66% true interest cost.

In October 2014, the University issued $28,060,000 of general revenue refunding bonds (2014 Bonds), with an average coupon rate of 4.98% and a net original issue premium of $4,383,960. The 2014 Bonds were issued with a final maturity date of March 1, 2039. The proceeds were utilized to refund the Series 2009 Taxable-Build America Bonds (2009 Bonds) which funded a portion of the Human Health Building and several infrastructure projects. The refunding of the 2009 Bonds was subject to a redemption price equal to 103% of the par value of Bonds redeemed, or $924,450 to be amortized over the term of the 2014 Bonds and is recorded as a deferred outflow. As a result of the refunding, the University will reduce its aggregate debt service payments over the remaining 24 year period by approximately $3,016,000. The refunding will result in an economic gain of $2,251,000. The aggregate outstanding principal on the 2009 Bonds totaled $30,815,000, and was redeemed November 28, 2014 leaving a zero balance as of June 30, 2015. The pricing resulted in a 3.56% true interest cost.

In December 2014, the University partnered with UMB Bank to issue Certificates of Participation (2014 Certificates) for $14,225,000 at a net original issue premium of $1,729,013. The proceeds were used to finance the construction and installation of a combined heat and power cogeneration system at the central heating plant on the University's campus. The 2014 Certificates consist of four term certificates with maturity dates ranging from July 1, 2022 to July 1, 2031, yield rates ranging from

12. Long-Term Liabilities (continued)

2.45% to 3.45%. The pricing resulted in a 3.88% true interest cost. The debt service on the 2014 Certificates will be funded by monthly lease payments the University will make through July 2031.

In June 2013, the University issued $57,860,000 of general revenue bonds (2013A Bonds), with an average coupon rate of 4.98% and a net original issue premium of $7,141,047. The proceeds were utilized to fund the construction of Oak View Hall; a facilities management building; a 1,240 space parking structure; road improvements; and an athletic and recreation complex. The 2013A Bonds were issued with a final maturity of March 1, 2043. The pricing resulted in a 4.03% true interest cost.

In June 2013, the University issued $23,290,000 of federally taxable general revenue refunding bonds (2013B Bonds), with an average coupon rate of 2.99%. The proceeds were utilized to refund the Series 2004 general revenue refunding bonds (2004 Bonds) with an average coupon rate of 5.12%. The advance refunding of the 2004 Bonds resulted in a deferral on early extinguishment of $1,134,224 that will be amortized over the term of the 2013B Bonds and is recorded as a deferred outflow. The 2013 Bonds were issued with a final maturity date of May 15, 2026. The pricing resulted in a 2.99% true interest cost.

In August 2012, the University issued $44,155,000 of general revenue bonds (2012 Bonds), with an average coupon interest rate of 4.96% and a net original issue premium of $4,970,795. The proceeds were utilized to fund a portion of the Engineering Center. The 2012 Bonds were issued with a final maturity of March 1, 2042. The pricing resulted in a 4.08% true interest cost.

In June 2008, the University issued $53,280,000 of general revenue refunding bonds (2008 Bonds) to refund the 2001 general revenue bonds (2001 Bonds). The 2008 Bonds are variable-rate demand obligations with a maturity date of March 1, 2031. In conjunction with this issue, the University terminated the related 2001 Swap at a termination value of $4,860,000 paid to the counterparty and reissued a new 2008 Swap synthetically fixing the rate on the full amount of the issue to 3.37%. The 2001 Swap termination cost has been deferred and will be amortized over the term of the refunding bonds and is recorded as a deferred outflow. The 2008 Bonds were issued with a final maturity date of March 1, 2031.

In September 1998, on behalf of the Oakland University Foundation (Foundation), the Economic Development Corporation of the County of Oakland issued limited-obligation revenue variable-rate demand bonds in the amount of $4,600,000 to finance the R&S Sharf golf course project. These bonds bear interest at a variable or fixed rate, as determined from time to time in accordance with the indenture (the variable rates as of June 30, 2019 and 2018 were 1.91% and 1.52%, respectively; the maximum variable rate is 12%). The bonds mature on September 1, 2023 subject to optional early redemption. Within this bond offering, the Foundation executed a Loan Agreement, which obligated it to make all payments in connection with this bond financing including interest, principal, remarketing fees, and letter of credit fees. On February 1, 2006, the University Board and the Foundation Board of Directors agreed to transfer Foundation assets and liabilities to the University. As a result, this Foundation loan was transferred to the University in the amount of $4,600,000. Due to volatile markets during the third quarter of the fiscal year, principal payments totaling $880,000 were redeemed due to unsuccessful remarketing activity.

12. Long-Term Liabilities (continued)

The following table summarizes debt service requirements for the outstanding bonds and certificates payable as of June 30, 2020:

	Principal	Interest	Hedging Derivative, Net	Total
2021	$ 9,420,000	$ 16,693,392	$ 897,821	$ 27,011,213
2022	11,230,000	16,358,560	854,982	28,443,542
2023	11,765,000	15,921,855	810,382	28,497,237
2024	15,885,000	15,408,530	763,906	32,057,436
2025	12,820,000	14,904,771	715,477	28,440,248
2026-2030	76,755,000	66,270,617	2,306,647	145,332,264
2031-2035	64,365,000	51,332,434	91,038	115,778,472
2036-2040	70,025,000	35,598,500	-	105,623,500
2041-2045	63,185,000	17,931,500	-	81,116,500
2046-2050	36,575,000	4,563,000	-	41,138,000
	372,025,000	$ 254,983,159	$ 6,440,253	$ 633,448,412
Unamortized premium	44,673,892			
	$ 416,698,892			

Other Liabilities
Accrued compensated absences include accrued vacation and sick pay for University employees.

Charitable gift annuities are arrangements in which donors contribute assets to the University in exchange for a promise by the University to pay a fixed amount for a specified period of time (typically for the life of the donor or other beneficiary). Annuities payable are established based on the present value of the estimated annuity payouts over the life expectancy of the donor or other beneficiary.

In September 2013, the University received a charitable gift annuity (CGA) totaling $7.0 million as a result of realizing a donor's bequest. Based on the life expectancy of the annuitant at the time the CGA was received, the University's obligation, or present value liability, of the annuity payments approximated $3.7 million. The annuity payable was approximately $2.5 million as of June 30, 2020 and 2019.

13. Postemployment Benefits Other than Pensions

Plan Description

In addition to the employee benefits discussed in Note 14, the University provides postemployment healthcare benefits to eligible University retirees and their spouses as part of a single-employer defined benefit plan. The plan is administered by the University. Substantially all University employees may become eligible for coverage if they meet retirement eligibility requirements. In general, retirees at least 62 years of age with 15 years of service who were hired before July 1, 2005, depending on the employee group, are eligible for medical benefits in accordance with various labor agreements or within the provisions of University policy. Employees with 25 years of service are eligible for retirement at any age. Except for certain prior retirees, the University shares the cost of coverage with retirees, charging the retirees a contribution equal to the excess of the prevailing premium cost of coverage over a stipulated University subsidy amount. At June 30, 2020, the University had 1,818 active employees in the plan and 251 retirees currently receiving postemployment healthcare benefits. Certain employees hired after July 1, 2005, depending on the employee group, may be eligible for participation in the University's postemployment health care benefits as "access only" for retirees and spouses, at retiree rates, paid in full by the retiree.

Contributions

The contribution requirements of plan members and the University are established in accordance with various labor agreements or within the provisions of University policy. For the year ended June 30, 2020, the University and plan members receiving benefits contributed $1.8 million and $0.8 million, respectively, to the plan. Approximately 69% of total premiums were paid by the University with the remaining 31% paid by plan members. Required contributions for plan members ranged from $27 to $753 per month for retiree-only coverage, and from $60 to $1,808 per month for retiree and spouse coverage.

For the year ended June 30, 2019, the University and plan members receiving benefits contributed $1.6 million and $0.9 million, respectively, to the plan. Approximately 64% of total premiums were paid by the University with the remaining 36% paid by plan members. Required contributions for plan members ranged from $25 to $904 per month for retiree-only coverage, and from $61 to $2,169 per month for retiree and spouse coverage.

Funded Status and Funding Progress

GASB Statement No. 75 requires the measurement of OPEB expense as it is incurred, rather than as it is funded. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately $26.4 million, which will be used to offset annual OPEB contributions. Other postemployment health care benefits are financed on a pay-as-you-go basis.

13. Postemployment Benefits Other than Pensions (continued)

OPEB Liability and Actuarial Assumptions

As of June 30, 2020, the University reported a liability for OPEB totaling $34.5 million. The liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2020, which used updated procedures to roll forward the liability to June 30, 2020.

As of June 30, 2019, the University reported a liability for OPEB totaling $33.4 million. The liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, which used updated procedures to roll forward the liability to June 30, 2019.

The liability was calculated based on the following actuarial assumptions:

	2020	2019
Discount Rate/investment rate of return*	3.50%	3.87%
Salary increases including inflation	3.00%	3.00%
Mortality basis	Pri-2012 White Collar Mortality Table with generational projection using Projection Scale MP-2019	RP-2014 Mortality Table projected back to 2006 base year using Projection Scale MP-2014 with generational projection using Projection Scale MP-2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Health Care Trend Rate	5.8% - 7.5% over 60 years	5.8% - 7.5% over 60 years

* 20 Year Tax-Exempt Municipal Bond Yield based on the 20-year Bond Buyer GO Index.

The plan has not had a formal actuarial experience study performed.

13. Postemployment Benefits Other than Pensions (continued)

Schedule of Changes in Total OPEB Liability and Related Ratios

	2020	2019
Total OPEB Liability	*In thousands*	
Service Cost	$ 791	$ 814
Interest on total OPEB liability	1,289	1,218
Changes of benefit terms	-	-
Effect of economic/demographic gains or (losses)	4,226	-
Effect of assumption changes or inputs	(3,503)	(1,079)
Benefit payments	(1,693)	(1,592)
Net Change in total OPEB liability	**1,110**	**(639)**
Total OPEB Liability, beginning	33,358	33,997
Total OPEB Liability, ending	**$ 34,468**	**$ 33,358**
Covered Payroll	$ 134,662	$ 129,568
Total OPEB liability as a % of covered payroll	25.59%	25.75%

OPEB Expense, Deferred Outflows and Inflows of Resources Related to OPEB

The University recognized OPEB expense of $1.6 million and $1.3 million at June 30, 2020 and June 30, 2019, respectively.

The University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflow	**Deferred Inflow**	**Deferred Outflow**	**Deferred Inflow**
Differences between expected and actual experience	$ 3,656,821	$ -	$ -	$ -
Change of assumptions	$ -	$ 5,381,686	$ -	$ 2,972,691
Contributions made after measurement date	$ 1,759,915	$ -	$ 1,692,652	$ -

13. Postemployment Benefits Other than Pensions (continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

Year ending June 30	
2021	$ (525,104)
2022	(525,104)
2023	(525,104)
2024	(301,372)
2025	12,717
Thereafter	139,102
Total	**$ (1,724,865)**

Sensitivity of the OPEB Liability to Changes in the Discount and Healthcare Cost Trend Rates
The following presents the OPEB liability of the University, calculated using the current discount and healthcare rates. The following also reflects what the University's OPEB liability would be if it were calculated using rates that are one percentage point lower or one percentage point higher than the current rate:

	Year ending June 30, 2020		
	1% Decrease	**Current Rate**	**1% Increase**
Discount Rate:			
Total OPEB Liability	$ 38,407,767	$ 34,467,906	$ 31,108,788
Health Care Trend Rate:			
Total OPEB Liability	$ 33,448,351	$ 34,467,906	$ 35,640,321

	Year ending June 30, 2019		
	1% Decrease	**Current Rate**	**1% Increase**
Discount Rate:			
Total OPEB Liability	$ 37,316,298	$ 33,358,096	$ 30,010,984
Health Care Trend Rate:			
Total OPEB Liability	$ 32,659,315	$ 33,358,096	$ 34,148,880

13. Postemployment Benefits Other than Pensions (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

14. Employee Benefits

The University has contributory, defined-contribution retirement plans for all qualified employees. The plans consist of employee-owned retirement contracts funded on a current basis by employer contributions. Participants may elect to contribute additional amounts to the plan within specified limits. The plans are administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Contributions by the University for the years ended June 30, 2020 and 2019 were $18,708,616 and $18,211,092, respectively.

The University also maintains a noncontributory, defined-benefit retirement plan, which is not open to new participants. The plan is administered by TIAA-CREF. At January 1, 2019, the date of the most recent actuarial valuation, the plan had a total liability of approximately $56,000 and was over funded by approximately $84,000.

The University provides benefits to eligible employees for unused sick days upon retirement and unused vacation days upon termination. This liability is accounted for as part of accrued compensated absences.

The University is self-insured for workers' compensation and unemployment compensation. Liabilities for claims incurred but not reported under these self-insurance programs have been established. Changes in the self-insured employee benefit liabilities during 2020, 2019, and 2018 were considered current and are as follows:

	2020	**2019**	**2018**
Balance, beginning of year	**$ 399,191**	$ 372,382	$ 297,615
Claims incurred and changes in estimates	**82,435**	334,267	400,862
Claim payments	**(168,196)**	(307,458)	(326,094)
Balance, end of year	**$ 313,430**	$ 399,191	$ 372,383

15. Deferred Inflows of Resources

The University accounts for deferred inflows of resources in accordance with authoritative guidance. The University recorded deferred inflows of $11,854,652 as of June 30, 2020. This amount is comprised of $5,381,686 from changes in OPEB assumptions, an irrevocable split-interest agreement where the University acts as the trustee in the amount of $2,354,191, and an additional irrevocable split-interest agreement held by a third party in which the University has $4,118,775 beneficial interest in assets held by others. The University's beneficial interest in this charitable remainder trust is held by Morgan Stanley and also recognized as an asset at fair value. Beneficial interest in assets held by others are classified in Level 3 of the fair value hierarchy, is not traded on an open market,

15. Deferred Inflows of Resources (continued)

and is valued using an approach that utilizes the present value of annuity payments based on the life expectancy of the annuitant.

As of June 30, 2019, the University recorded deferred inflows of $9,434,190, which includes $2,972,691 from changes in OPEB assumptions, an irrevocable split-interest agreement where the University acts as the trustee in the amount of $2,750,527, and an additional irrevocable split-interest agreement held by a third party in which the University has $3,710,972 beneficial interest in assets held by others.

16. Liability and Property Insurance

The University is one of 11 Michigan universities participating in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.) which provides insurance coverage for errors and omissions liability, commercial general liability, property loss, automobile liability, and automobile physical damage coverage. M.U.S.I.C. provides coverage for claims in excess of agreed-upon deductibles.

Loss coverages, except for the automobile physical damage program, are structured on a three-layer basis with each member retaining a portion of its losses, M.U.S.I.C. covering the second layer, and commercial carriers covering the third. Automobile physical damage coverage is structured on a two-layer basis with no excess coverage from a commercial carrier. Commercial general liability and property coverage are provided on an occurrence basis. Errors and omissions coverage is provided on a claims-made basis. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the claims experience of each university.

17. Contingencies and Commitments

In the normal course of its activities, the University is a party in various legal actions. Although some actions have been brought for large amounts, the University has not experienced any significant losses or costs. The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

The University is the guarantor on certain faculty and staff residence mortgages. As of June 30, 2020, the amount subject to guarantee by the University was $2,256,542.

The estimated costs to complete construction projects in progress is $69.4 million as of June 30, 2020, due in large part to the construction costs associated with the South Foundation Hall in the amount of $38.7 million, Wilson Hall expansion for $19.9 million, renovation of Fitzgerald House and Annibal House for $3.6 million, Dodge Hall renovation for $2.6 million and various campus enhancement projects totaling $4.6 million. The South Foundation Hall project is anticipated to be funded from the State Capital Outlay for $30.0 million and $10.0 million in proceeds from general revenue bonds. The Wilson Hall expansion, Fitzgerald and Dodge Hall renovations will be funded from the 2019 Bonds. The various other campus enhancements are funded from University resources.

18. Expenditures by Natural Classification

Operating expenses by natural classification for the years ended June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Employee compensation and benefits	**$ 235,391,210**	$ 232,337,377
Supplies and other services	**67,916,989**	74,708,169
Student aid	**15,601,004**	8,796,296
Depreciation	**27,920,783**	26,042,711
Total	**$ 346,829,986**	$ 341,884,553

19. Cash Flow Statement

The table below details the reconciliation of the net operating loss to net cash used by operating activities:

	2020	2019
Operating loss	**$ (78,550,033)**	$ (72,060,748)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	**27,920,783**	26,042,711
Changes in assets and liabilities:		
Accounts receivable, net	**(1,177,628)**	3,086,349
Inventories	**(221,089)**	64,003
Deposits and prepaid expense	**(2,684,313)**	157,231
Student loans receivable	**219,267**	224,806
Accounts payable and accrued expenses	**5,889,309**	(48,934)
Accrued payroll	**(671,883)**	1,541,883
Compensated absences	**1,366,947**	196,474
Unearned revenue	**1,144,212**	(1,252,680)
Deposits	**310,118**	225,545
Federal portion of student loan program	**(265,230)**	(235,185)
OPEB liability	**1,109,810**	(639,275)
Deferred outflow of resources	**2,408,995**	456,883
Deferred inflow of resources	**(3,724,084)**	(100,500)
Net cash used by operating activities	**$ (46,924,819)**	$ (42,341,436)

20. Related-Party Transactions

The Oakland University Foundation (Foundation) is a related party of the University. The Foundation had net assets of $217,581 and $216,475 as of June 30, 2020 and 2019 respectively, consisting of three endowment funds. The University's financial statements do not include the Foundation's assets or activity.

Required Supplemental Information

Oakland University
Required Supplemental Information
June 30, 2020

Schedule of Changes in Total OPEB Liability and Related Ratios

	2020	2019	2018
Total OPEB Liability		*In thousands*	
Service Cost	$ 791	$ 814	$ 940
Interest on total OPEB liability	1,289	1,218	1,050
Changes of benefit terms	-	-	-
Effect of economic/demographic gains or (losses)	4,226	-	-
Effect of assumption changes or inputs	(3,503)	(1,079)	(2,973)
Benefit payments	(1,693)	(1,592)	(1,831)
Net Change in total OPEB liability	**1,110**	**(639)**	**(2,814)**
Total OPEB Liability, beginning	33,358	33,997	36,811
Total OPEB Liability, ending	**$ 34,468**	**$ 33,358**	**$ 33,997**
Covered Payroll	$ 134,662	$ 129,568	$ 125,045
Total OPEB liability as a % of covered payroll	25.59%	25.75%	27.19%

Changes of benefit terms: There were no changes in the benefit terms in 2020, 2019, or 2018.

Changes of assumptions: For 2020 the discount rate decreased to 3.50%. The discount rate increased 2019 and 2018 to 3.87% and 3.58%, respectively.

GASB Statement No. 75 requires the measurement of OPEB expense as it is incurred, rather than as it is funded. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately $26.7 million, which will be used to offset annual postemployment benefit contributions.

Note: GASB 75 was implemented in fiscal year 2018. These schedules are being built prospectively. Ultimately 10 years of data will be presented.

OAKLAND
UNIVERSITY™

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October 5, 2020

To the Board of Trustees
Oakland University

We have audited the financial statements of Oakland University (the "University") as of and for the year ended June 30, 2020 and have issued our report thereon dated October 5, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 2, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the University. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the University's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the University, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 5, 2020 regarding 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, and grant agreements. This letter accompanies the University's schedule of expenditures of federal awards.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 2, 2020.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the University are described in Note 1 to the financial statements.

Management adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The impact of the adoption of these statements was not significant.

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are as follows:

- **Alternative Investments** - The valuation of alternative investments held by the University is a significant accounting estimate. Management's estimate of these investments is based on valuations provided by a third-party investment manager. We evaluated the key factors and assumptions used to develop the valuations of these investments in determining that they are reasonable in relation to the financial statements taken as a whole.

- **Other Postemployment Benefit Obligations** - The University's management has contracted with an independent actuary to calculate the OPEB obligation based on benefit cost, participant data, and funding status. We have evaluated the key factors, actuarial assumptions, and the underlying census data in determining that they are reasonable in relation to the financial statements taken as a whole.

- **Fair Value of Derivative Instruments** - The University is party to derivative financial instruments (interest rate swaps) that are reported at fair value on the statement of net position. Management established an estimate of the fair value of the interest rate swaps based upon the calculation provided by the counterparty to the transactions. We evaluated the key factors and assumptions used to develop the valuations of these derivatives in determining that they are reasonable in relation to the financial statements taken as a whole.

- **Allowances for Uncollectible Accounts** - Management estimates the fair value of tuition accounts receivable and pledges receivable by establishing an allowance for estimated uncollectible amounts. We evaluated the allowance for uncollectible accounts to determine the amounts recorded are reasonable.

- **Scholarship Allowances** - Management estimates the scholarship allowances for tuition revenue using an assumed relationship between financial aid awarded and tuition revenue. We evaluated this estimate to determine it was reasonable in relation to the overall financial statements.

As described above, we evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure in Note 1 related to the impact of COVID-19. As the situation is evolving quickly, there is potential for future impacts that were not known as of the date of the report.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Board of Trustees
Oakland University

October 5, 2020

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the University, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the University's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the management's discussion and analysis, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

This information is intended solely for the use of the board of trustees and management of Oakland University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Dana M. Coomes, CPA
Partner

Stephen C. Bondar, CPA
Manager

Appendix A - Other Recommendations and Related Information

In addition to the matters discussed above, there are a number of financial reporting and recent legislative changes that may impact the University in future years. Please find a summary of these matters below:

Accounting for Leases - In June 2017, the GASB issued Statement No. 87, *Leases*, as amended by GASB Statement No. 95, which improves accounting and financial reporting for leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University is currently evaluating the impact this statement will have on the financial statements when adopted during the University's fiscal year ending June 30, 2022.

Accounting for Fiduciary Activities - In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, and was amended by GASB Statement No. 95. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The University is currently evaluating the impact this statement will have on the financial statements when adopted for fiscal year ending June 30, 2021.

Accounting for Public-private and Public-public Partnerships - In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

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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
Oakland 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 basic financial statements of Oakland University (the "University"), a component unit of the State of Michigan, as of and for the ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Oakland University's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 5, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Trustees
Oakland University

Purpose of This Report

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

Plante & Moran, PLLC

October 5, 2020

OAKLAND UNIVERSITY

Office of the Vice President for Finance and Administration and Treasurer to the Board of Trustees

October 5, 2020

Plante & Moran, PLLC
19176 Hall Road, Suite 300
Clinton Township

Auditors:

We are providing this letter in connection with your audit of the basic financial statements of Oakland University (University) as of June 30th 2020 and 2019 and for the years then ended with the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Oakland University in conformity with generally accepted accounting principles accepted in the United States (U.S. GAAP). We accept responsibility for the preparation and fair presentation of the basic statements of financial position, results of operations, and cash flows in accordance with U.S. GAAP. We also confirm that we are responsible for the presentation of any required supplemental information (RSI) to which you have provided an opinion in relation to the financial statements as a whole. We believe that this information, including its form and content, is fairly presented in accordance with the applicable criteria.

We acknowledge our responsibility for the completeness of the financial statements, and 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 and for the design, implementation, and maintenance of internal control to prevent and detect fraud. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We also acknowledge our responsibility for providing you with all relevant information and access.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

For purposes of disclosure in this letter, individual matters related to financial amounts and disclosures should be considered material if in excess of $4,000,000. However, materiality limits do not apply to representations that are not directly related to amounts included in the financial statements or to any item regarding fraud by management or employees who have significant roles in internal control.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of the date of this letter, the following representations made to you during your audit.

Finance and Administration Division

13 PSS | 201 Meadow Brook Road, Rochester, Michigan 48309-4401
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Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 2, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We are unaware of any violations of U.S. GAAP in the University's accounting principles and the practices and methods followed in applying them.
3. All events subsequent to the date of the financial statements and for which U.S. GAAP adjustment or disclosure have been adjusted or disclosed.
4. There have been no changes during the year in the University's accounting principles and practices or in the methods of applying them.
5. We are not aware of any litigation, claims, unasserted claims or assessments that should be accrued or disclosed in the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Accounting Standards Codification Topic Section 450, "*Contingencies*".
6. The University has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
7. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
8. There are no:
   a. Guarantees and pledges of University assets as collateral, whether written or oral, under which the University is contingently liable.
   b. Unrecorded related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing agreements, guarantees and pledges of University assets as collateral, including the provision of products or services without charge.
   c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
   d. Lines-of-credit or similar arrangements.
   e. Agreements to repurchase assets previously sold.
   f. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
   g. Circumstances that we are aware of that make it reasonably possible that the University would be named a responsible party in a significant remediation of environmental contamination.
   h. Other material liabilities or loss contingencies for which the risk that the University will suffer a loss in excess of $4,000,000 is more than remote.
9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
10. Adequate provision has been made to cover possible losses that may result from:
    a. The collection of receivables.
    b. Significant excess or obsolete inventory.
    c. Purchase or sales commitments.

d. Permanent declines in the value of investments.

e. Impairments of long-lived assets.

11. The University has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged, except for the State Building Authority buildings which has been disclosed in the footnotes of the financial statements.

12. Deposits and investment securities are properly classified by category of custodial credit risk

13. All significant contracts and contracts not in the normal course of business entered into by the University have been presented to you for your evaluation.

14. The University has no deferred compensation plans or share based compensation plans sponsored by the University, or any related party.

15. The University is responsible for the identification of and compliance with all aspects of laws, regulations, contracts, or grants, and donor restrictions that could have a material effect on the basic financial statement amounts in the event of noncompliance including legal and contractual provisions for reporting specific activities in separate funds and has disclosed those aspects of laws, regulations, contracts, grants, and donor restrictions to you.

16. All significant estimates and material concentrations, as hereinafter defined, known to us have been disclosed to you. Significant estimates are those estimates used in the development of accounting information that could change materially within the next year. Material concentrations refer to concentrations in the volume of business, revenue sources, the sources of supply, and markets in which we operate, that make us vulnerable to events that could occur within the next year that would have a significant disruptive effect on the University.

17. All borrowings are in accordance with State of Michigan requirements.

18. The University has transferred certain risks to third-party insurance carriers and shared-risk insurance pools and the financial statements reflect assessments or other liabilities, if any, related to these transactions. The University also retains the risk for certain insurance liabilities and any liabilities related to such risks are properly reflected in the financial statements.

19. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable depreciated in accordance with University policy.

20. The University has identified and properly accounted for all non-exchange transactions.

21. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the basic financial statements:

    a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance sheet credit risk and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

22. There are no component units of the University as defined by GASB No. 14, 39, and 61. There are no Investments in joint ventures in which the University holds an equity interest.

23. The basic financial statements properly classify all activities.

24. Net asset components (net investment in capital; restricted; and unrestricted) are properly classified and, if applicable, approved.
25. The University has complied with all tax and debt limits and with debt related covenants.
26. The University has complied with all applicable laws and regulations in adopting, approving and amending budgets, if applicable.
27. The University has defined contribution retirement plans with TIAA-CREF and Fidelity, as well as defined benefits plan covering certain employees as disclosed in the Financial Statements.
28. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under the Internal Revenues Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that could jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.
29. Receivables reported in the basic financial statements represent valid claims arising on or before the date of the statement of net assets and have been appropriately reduced to their estimated net realizable value.
30. The University has identified, recorded and made the appropriate disclosures for all derivative instruments reported at fair value in the financial statements in accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.
31. We have disclosed the impact of COVID-19 and the risks and uncertainties relating to the nature of the University's operations and its estimates.
32. We agree with the findings of specialists in evaluating the Other Postemployment benefits (OPEB) liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instruction to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
33. In accordance with *Government Auditing Standards*, we have identified to you the significant findings and recommendations from previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of this audit and have accurately communicated to you the related corrective actions taken to address the findings.
34. We will only use the unprotected PDF of the financial statements to <u>either</u> include in another PDF that will be protected before distribution or to upload to a secure web portal for board/committee use.
35. There are no interim financial statements available as of a date subsequent to the date of the statements you are auditing.
36. If we publish our financial statements in any manner that includes your auditor's report or any other reference to Plante Moran, it is understood that we will allow you to review such publication prior to production.

Information Provided

1. We have provided you with:
   a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

   b. Additional information that you have requested from us for the purpose of the audit;
   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
   a. Management;
   b. Employees who have significant roles in internal control; or
   c. Others when the fraud could have a material effect on the financial statements.
4. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
5. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
6. Management has identified and disclosed to the auditor the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on the determination of financial statement amounts. Management has made available all documentation related to the compliance requirements. Management's interpretations of any compliance requirements that have varying interpretations have been provided.
7. Management identified and disclosed to the auditor violations (or possible violations) of laws, regulations, and provisions of contracts and grant agreements or questioned costs whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency or for the auditor reporting on noncompliance.
8. Management has a process to track the status of audit findings and recommendations, if there are any.
9. Management has provided views on the auditors' reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report, if there are any.

Signature Page:

Ora Hirsch Pescovitz, M.D.
President

John W. Beaghan
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

James L. Hargett
Associate Vice President and Controller