Oakland University

Financial Statements

June 30, 2007 and 2006

Oakland University
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ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

Board of Trustees
Oakland University
Rochester, Michigan

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 year ended June 30, 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Oakland University and Oakland University Foundation as of June 30, 2006, were audited by other auditors whose report dated September 5, 2006, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of Oakland University as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007 on our consideration of Oakland University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 2 to 12 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan
August 27, 2007

3201 University Drive, Suite 350 • Auburn Hills, Michigan 48326 • ph 248.340.6050 fx 248.340.6104 • www.ahpplc.com

Introduction

Following is management’s discussion and analysis of the financial activities of Oakland University (University) for the fiscal year ended June 30, 2007 with selected comparative information for the year ended June 30, 2006. In accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Oakland University Foundation (Foundation) is reported as a component unit of Oakland University for the fiscal year ended June 30, 2006. For the year ended June 30, 2007, the Foundation has been reported only in the University footnotes.

The University is a state-supported institution of nearly 18,000 students offering a diverse set of academic programs, from baccalaureate to doctoral levels as well as programs in continuing education. The University currently offers 121 baccalaureate degree programs and 98 graduate and certificate programs and is recognized as one of the country’s doctoral research universities.

The Foundation is a not-for-profit corporation operated to encourage, promote, and support the University.

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

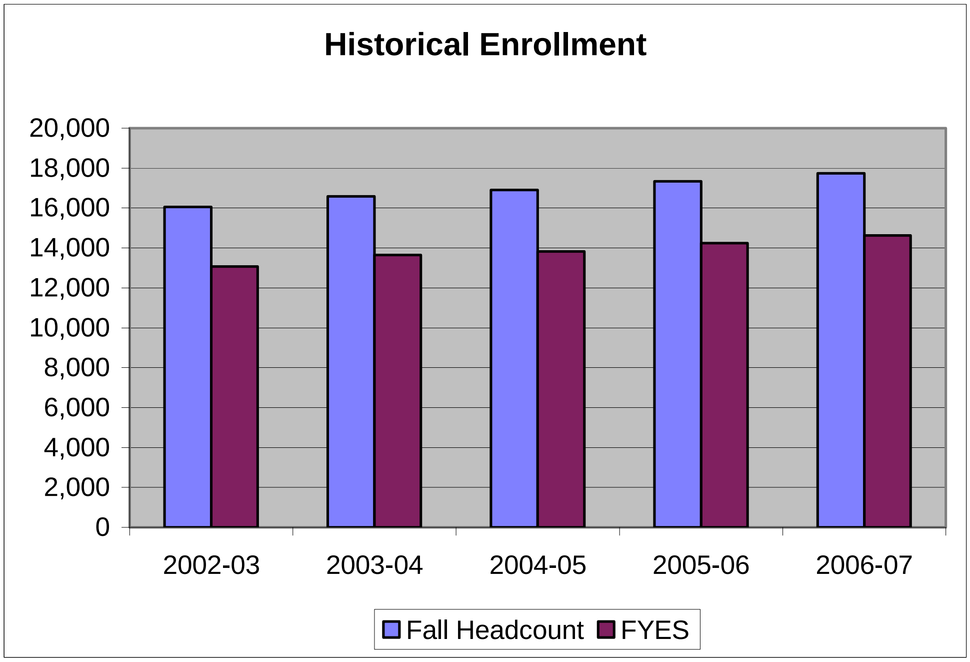
This analysis is designed to focus on current financial activities; it should be read in conjunction with the financial statements and footnotes to the financial statements. This discussion, the financial statements and related footnotes have been prepared by and are the responsibility of University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

Enrollment and Operations Highlights

- In Fiscal 2007, enrollment based on Fiscal Year Equated Students (FYES) increased 2.7% to 14,635.

- Student headcount enrollment for the Fall 2006 semester increased 2.3% to 17,737. Undergraduate enrollment was 13,701 (77.2%) and graduate enrollment was 4,036 (22.8%).

A five-year summary of historical enrollment is presented below.



- This year Oakland University marks its 50th anniversary, celebrating five decades of innovation and opportunity, including achievement in preparing student leaders, advancing research frontiers and engaging with business, educational, and community partners for the benefit of our region. The year-long celebration launched on January 5th included a display of fifty donated items later placed in a time capsule to be "dug up" during the University's 100th anniversary.

- Oakland University and Beaumont Hospitals jointly filed a letter of intent with the Liaison Committee for Medical Education (LCME) to begin the process of creating a private allopathic medical school on the University's campus. Slated to admit the charter class of students in 2010, the medical school is expected to provide a substantial economic boost for southeast Michigan.

- The energy project to upgrade campus infrastructure resulting in mechanical, electrical, and architectural enhancements throughout campus continued and is scheduled to be completed in fiscal year 2008. The project has an estimated cost of over $18 million. This project encompasses most of the buildings housed within the campus, as well as a large portion of the infrastructure.

- Work continues and is nearly completed on a $7 million project to repair and restore Meadow Brook Hall. The project is funded by a gift from the Matilda R. Wilson Fund. Meadow Brook Hall is the fourth largest historic house museum in the United States. Matilda and Alfred Wilson donated their 1500-acre Meadow Brook Estate, including the Hall, in 1957 to establish Oakland University.

- Two five year grants, totaling $2.7 million, were received from the National Institute of Health. The focus of these two grants is primarily the detection of early onset of osteoarthritis.

- A new baccalaureate degree in social work was introduced, which is directly related to a partnership with Michigan State University. Due to the high demand of the aforementioned field, the University has taken the initial steps to ensure that our students are equipped with an accredited degree.

- The University's Eye Research Institute received a five-year, $2 million grant from the National Eye Institute to support ongoing nuclear cataract research.

Overview of the Financial Statements

This annual report consists of a series of financial statements, which have been prepared in accordance with GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The fundamental objective of the University's financial statements is to provide an overview of the University's economic condition. The various statements and their primary purpose are discussed below.

- Statement of Net Assets. This statement presents information on all University assets, liabilities, and net assets (assets less liabilities) as of the end of the fiscal year. Net assets are displayed in four components – invested in capital assets, net of related debt; restricted nonexpendable; restricted expendable; and unrestricted. The difference between total assets and liabilities (net assets) is one indicator of the current financial condition of the University, while the change in net assets serves as a useful indicator of whether the financial position is improving or deteriorating.

- Statement of Revenues, Expenses, and Changes in Net Assets. This statement presents the operating results of the University, as well as non-operating revenues and expenses. The statement also presents information that shows how the University's net assets have 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 13, 15, and 17 of this financial report.

As a result of an agreement between the University Board of Trustees and the Foundation Board of Directors, substantially all of the Foundation's assets and liabilities ($8.7 million) were transferred to the University in fiscal year 2006. The assets remaining are endowments and a charitable gift annuity. The liability remaining in the Foundation is an annuity payable. Net assets for the Foundation total $206,885 and are detailed in Note 16 Related Party Transactions.

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 18-37 of this financial report.

University Financial Statement Summaries

University Statements of Net Assets

The University's net assets are summarized in the following Condensed Statements of Net Assets:

Condensed Statements of Net Assets	June 30, 2007	June 30, 2006	Change
	(in thousands)		
Assets			
Current assets	$ 58,190	$ 55,960	4%
Capital assets	245,576	234,205	5%
Other noncurrent assets	115,627	110,408	5%
Total assets	419,393	400,573	5%
Liabilities			
Current liabilities	35,242	27,897	26%
Noncurrent liabilities	108,884	110,051	-1%
Total liabilities	144,126	137,948	4%
Net assets			
Invested in capital assets, net of related debt	143,428	142,157	1%
Restricted nonexpendable	12,478	11,637	7%
Restricted expendable	30,492	27,466	11%
Unrestricted	88,869	81,365	9%
Total net assets	$ 275,267	$ 262,625	5%

The University's total assets were $419 million and $401 million at June 30, 2007 and 2006, respectively. Current assets consist primarily of cash and cash equivalents, and receivables due within one year.

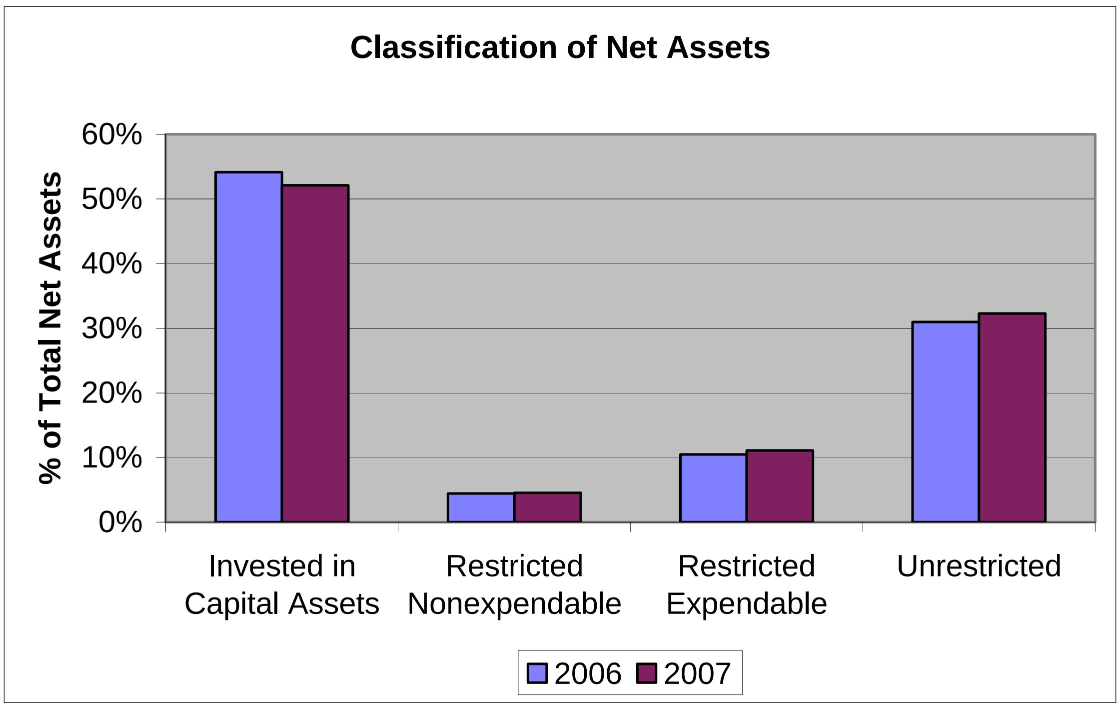
The University's largest asset is its investment in capital assets, including land, land improvements, infrastructure, buildings, equipment, and construction in progress. Capital assets represent 59% and 58% of the University's total assets at June 30, 2007 and 2006, respectively. Capital expenditures totaled $25.3 million in 2007 and $14.4 million in 2006. Included in capital expenditures for 2007 was $2.3 million for the Meadow Brook Hall renovation project along with $11.1 million for the University's energy services projects. Depreciation expense was $11.5 million in 2007 and $12 million in 2006.

Other noncurrent assets consist primarily of endowment and other long-term investments. Endowment investments were $43.0 million at June 30, 2007 and $36.9 million at June 30, 2006. This increase in endowments was due to the increase in endowed gifts and investments. The total return on the University's endowment investments was 18.3% for 2007 and 8.3% for 2006. Distributions were paid to endowment beneficiary funds at the rate of 4.5% in 2007 and 2006. Other long-term investments were $68.3 million at June 30, 2007 and $69.3 million at June 30, 2006 and include intermediate-term fixed income and equity securities. The reduction in other long-term investments is related to the increase in cash and cash equivalents as the University valued liquidity and the strong performance of shorter term investment choices during the year. The total return on the University's other long-term investments was 7.4% for 2007, and 3.8% for 2006, both net of fees. See "Statements of Cash Flows" section of this report for additional detail.

The University's total liabilities were $144 million at June 30, 2007 and $138 million at June 30, 2006. Noncurrent liabilities are comprised primarily of bonds and notes payable and represented 76% and 80% of the University's total liabilities at June 30, 2007 and 2006, respectively. The liability decrease was due to principal payments on long-term debt.

Current liabilities consist primarily of accounts payable, accrued expenses, and deferred revenue. The $7.4 million increase in current liabilities relates primarily to the increase in year-end payroll accruals and construction project accounts payable from year to year.

The following graph shows net assets by classification and restriction:



The University's net assets consist of capital assets net of related debt, restricted net assets, and unrestricted net assets. Expendable restricted net assets represent assets whose use is restricted by a party independent of the University, including restrictions related to grants, contracts, and gifts. Nonexpendable restricted net assets are gifts that have been received for endowment purposes. Unrestricted net assets represent net assets of the University that have not been restricted by parties independent of the University.

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

The following summarizes the internal designations of unrestricted net assets:

	June 30, 2007	June 30, 2006
	(in thousands)	
Auxiliary enterprises	$ 2,120	$ 2,843
Capital projects and repair reserves	15,315	15,425
Funds designated for departmental use	18,731	18,777
Funds functioning as endowments	17,937	15,512
Institutional reserves	22,411	17,840
Retirement and insurance reserves	8,250	6,631
Other unrestricted	4,105	4,338
	$ 88,869	$ 81,366

University Statements of Revenues, Expenses and Changes in Net Assets

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

Condensed Statements of Revenues, Expenses and Changes in Net Assets	2007	2006	2005	% Change 2007-2006	% Change 2006-2005
		(in thousands)			
Operating revenues					
Net tuition and fees	$ 100,171	$ 89,641	$ 78,897	12%	14%
Grants and contracts	16,404	14,953	14,981	10%	0%
Auxiliary activities	19,115	18,833	19,439	1%	-3%
Departmental activities	7,873	6,751	6,583	17%	3%
Other	481	459	365	5%	26%
Total operating revenues	144,044	130,637	120,265	10%	9%
Operating expenses	192,701	176,665	162,978	9%	8%
Operating loss	(48,657)	(46,028)	(42,713)	6%	8%
Nonoperating revenues (expenses)					
State appropriations	46,614	51,531	48,734	-10%	6%
Gifts	4,126	4,253	4,745	-3%	-10%
Investment income	14,485	5,410	4,589	168%	18%
Interest expense	(5,038)	(4,491)	(4,222)	12%	6%
Distributed to annuity and life income fund beneficiaries	(91)	(39)	-	133%	
Other	125	-	-		
Net nonoperating revenues	60,221	56,664	53,846	6%	5%
Income (loss) before other revenues	11,564	10,636	11,133	9%	-4%
Capital appropriations	-	-	319		
Capital grants and gifts	178	333	358	-47%	-7%
Additions to permanent endowments	840	170	69	394%	146%
Consolidation of Oakland University Foundation	60	8,654	-		
Total other revenues	1,078	9,157	746	-88%	1127%
Increase in net assets	12,642	19,793	11,879	-36%	67%
Net assets					
Beginning of year	262,625	242,832	230,953	8%	5%
End of year	$ 275,267	$ 262,625	$ 242,832	5%	8%

The University's operating revenues were $144 million in 2007, $131 million in 2006 and $120 million in 2005. The 10% increase in 2007 over 2006 was primarily due to increases in tuition and fee revenue, net of scholarship allowances, which was higher due to FYES enrollment increasing by 2.7% and, effective Fall 2006 semester, tuition and fee rates increasing by 7.97% for undergraduates and 8.09% for graduates.

Auxiliary activity revenues increased 1.5% in 2007 compared to 2006, which was primarily due to higher enrollment.

Operating expenses were $193 million in 2007, $177 million in 2006 and $163 million in 2005. Operating expense increases of 9% in 2007 over 2006 resulted from the continuation of several growing program initiatives, contractual agreements, and increases in healthcare and utility costs. Operating expenses increased 8% in 2006 compared with 2005.

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

University Operating Expenses

	2007	2006	2005	% Change 2007-2006	% Change 2006-2005
		(in thousands)			
Education and general					
Instruction	$ 78,503	$ 72,161	$ 66,921	9%	8%
Research	6,622	6,743	6,738	-2%	0%
Public service	2,189	1,542	1,192	42%	29%
Academic support	12,983	11,619	10,623	12%	9%
Student services	13,985	12,650	11,416	11%	11%
Institutional support	23,345	20,422	19,251	14%	6%
Operation and maintenance of plant	14,977	13,327	11,624	12%	15%
Depreciation	11,505	11,773	11,994	-2%	-2%
Student aid	6,259	6,539	4,806	-4%	36%
Total education and general	170,368	156,776	144,565	9%	8%
Auxiliary activities	22,290	19,852	18,390	12%	8%
Other expenses	43	37	23	16%	61%
Total operating expenses	$ 192,701	$ 176,665	$ 162,978	9%	8%

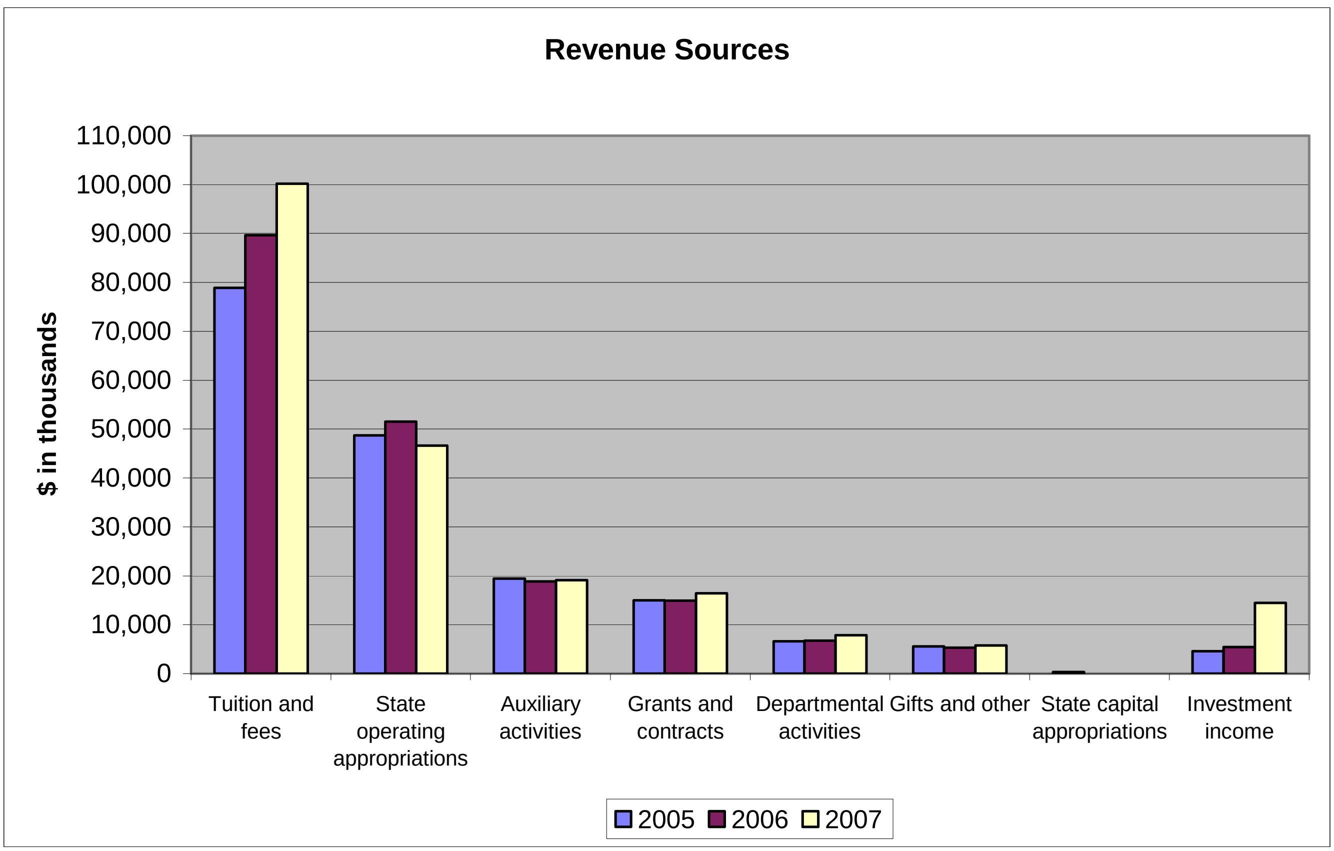
Education and general expenses increased 9% in 2007 over 2006 and 8% in 2006 over 2005. The increase in both 2007 and 2006 is mainly attributable to an increase in academic program offerings to meet the needs of the higher enrollment and contractual agreements.

The University's operating loss was $48.7 million in 2007, $46.0 million in 2006 and $42.7 million in 2005. Offsetting these losses were net nonoperating revenues of $60.2 million in 2007, $56.7 million in 2006 and $53.8 million in 2005.

Total enacted base State appropriations, as reflected in the State's approved appropriation bills, were $52.4 million in 2007, $50.7 million in 2006, $48.1 million in 2005. Comparatively, the actual revenue received was $46.6 million in 2007, $51.5 million in 2006, and $48.7 million in 2005; cumulatively, $4.4 million less than the enacted appropriations for the three years. State appropriations for fiscal year 2007 reflect a $1 million base operations reduction, along with a $4.8 million reduction due to a "delay" of the August payment. State appropriations have been reduced mid-year three of the last five years, including 2007. Because there is no appropriated commitment by the State of Michigan to honor the August payment, the amount is not recognized as revenue or a receivable at June 30, 2007. These mid-year appropriation reductions were offset by delayed hiring resulting in compensation savings, reduction of carry-forward balances, liquidation of non-General Fund reserves, other cost containment efforts, and favorable investment income earnings which resulted in a balanced General Fund budget.

Other revenues were $1.1 million in 2007, $9.2 million in 2006 and $0.7 million in 2005. Included in other revenues in 2006 is the transfer of net assets from the Foundation of $8.7 million.

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

	2007	2006	2005
		(in thousands)	
Cash provided (used) by			
Operating activities	$ (32,094)	$ (33,462)	$ (28,682)
Noncapital financing activities	56,932	54,186	53,897
Capital financing activities	(24,889)	595	(12,013)
Investing activities	9,380	(15,366)	(16,951)
Net increase (decrease) in cash	9,329	5,953	(3,749)
Cash and cash equivalents			
Beginning of year	34,506	28,553	32,302
End of year	$ 43,835	$ 34,506	$ 28,553

The primary cash receipts from operating activities consist of tuition and fees, auxiliary activities, and grant and contracts revenues. Cash disbursements include salaries and wages, benefits, supplies, utilities, and scholarships. The overall decrease in net cash used by operations reflects the increase in tuition and fee revenue together with the timing of payments to suppliers and employees from year to year.

State appropriations are the primary source of noncapital financing. Noncapital State appropriations were $46.6 million in 2007 and $51.5 million in 2006.

Capital financing activities for 2007 include capital expenditures of $19.4 million and debt service payments of $8.3 million. Capital financing activities for 2006 include the issuance of $18.3 million of a note payable to finance infrastructure upgrades and improvements. Capital financing activities for 2006 also includes capital expenditures of $13.8 million and debt service payments of $7.4 million.

Cash provided in investing activities during 2007 relates to investment sales in excess of purchases, maturities, and investment income. Please reference *The Statement of Net Assets* on page 5. Cash and cash equivalents increased by $9.3 million due to operating and investing activities. Cash from investing activities in 2006 includes investment income from proceeds from sales of investments.

Commitments

The estimated cost to complete construction projects in progress is $8.6 million as of June 30, 2007. These projects have been funded from private gifts, proceeds from general revenue notes and other University funds.

University Credit Rating
In connection with its September 2004 issuance of refunding bonds, Oakland University's underlying credit rating by Moody's Investors Service was reaffirmed at A2. All of the University's bonded debt is also fully insured, enhancing its credit ratings on its debt issues.

Deferred Plant Renewal
The University surveys its deferred plant renewal (previously referred to as deferred maintenance) annually adding new items and deleting ones that were addressed during the year. Each year, general revenue funds are allocated to address deferred plant renewal items. In addition, the University has established a quasi-endowment that provides investment earnings that are also 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 and operational needs. The ability to plan effectively is influenced by an understanding of the following factors which impact the University's finances.

- State and national economy
- Stability of State appropriations
- Inflationary pressures
- Program growth and development
- New initiatives
- Technology
- Productivity improvements
- Demographics, including number of high school graduates

Oakland University
Statements of Net Assets
June 30, 2007 and 2006

	2007	2006
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$ 43,835,146	$ 34,506,390
Accounts receivable, net (Note 3)	6,722,290	7,017,862
Appropriations receivable (Note 4)	3,733,508	9,415,201
Pledges receivable, net (Note 5)	1,510,207	3,643,340
Inventories	1,183,347	251,693
Deposits and prepaid expenses	731,727	608,340
Student loans receivable, net (Note 6)	473,277	516,755
Total current assets	58,189,502	55,959,581
Noncurrent assets		
Endowment investments (Note 2)	43,036,944	36,886,583
Other long-term investments (Note 2)	68,307,328	69,294,302
Pledges receivable, net (Note 5)	455,332	432,333
Student loans receivable, net (Note 6)	1,871,915	1,829,664
Capital assets, net (Notes 7 and 8)	245,576,124	234,204,658
Other assets (Note 9)	1,955,898	1,965,875
Total noncurrent assets	361,203,541	344,613,415
Total assets	$ 419,393,043	$ 400,572,996
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 8,669,504	$ 5,310,852
Accrued payroll	10,132,792	8,402,718
Long-term liabilities - current portion (Note 10)	5,574,920	5,828,413
Deferred revenue and student fees	8,613,790	6,276,681
Deposits	2,250,840	2,078,237
Total current liabilities	35,241,846	27,896,901
Noncurrent liabilities		
Deferred revenue	3,376,858	1,936,219
Long-term liabilities (Note 10)	105,507,482	108,114,721
Total noncurrent liabilities	108,884,340	110,050,940
Total liabilities	144,126,186	137,947,841
Net assets		
Invested in capital assets, net of related debt	143,427,714	142,156,707
Restricted nonexpendable	12,477,616	11,636,843
Restricted expendable	30,491,956	27,465,874
Unrestricted	88,869,571	81,365,731
Total net assets	$ 275,266,857	$ 262,625,155

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

Oakland University
Statement of Net Assets of the Oakland University Foundation
(Component Unit)
June 30, 2006

		2006
Assets		
Cash and cash equivalents on deposit at Oakland University	$	2,781
Investments (Note 19)		299,249
Total assets		302,030
Liabilities		
Annuities payable (Note 22)		63,254
Total liabilities		63,254
Net assets		
Restricted nonexpendable		184,817
Restricted expendable		51,178
Unrestricted		2,781
Total net assets	$	238,776

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

Oakland University
Statements of Revenues, Expenses and Changes in Net Assets
June 30, 2007 and 2006

	2007	2006
Operating revenues		
Tuition and fees (net of scholarship allowances of $10,614,204 in 2007 and $8,511,270 in 2006)	$ 100,171,354	$ 89,640,568
Federal grants and contracts	12,778,532	13,256,326
State, local and private grants and contracts	3,625,001	1,697,055
Departmental activities	7,872,861	6,750,978
Auxiliary activities (net of scholarship allowances of $1,088,903 in 2007 and $821,786 in 2006)	19,114,951	18,833,214
Other operating revenues	481,409	458,462
Total operating revenues	144,044,108	130,636,603
Operating expenses		
Education and general		
Instruction	78,503,107	72,161,331
Research	6,622,356	6,742,764
Public service	2,189,294	1,541,925
Academic support	12,982,950	11,619,077
Student services	13,985,337	12,649,824
Institutional support	23,344,495	20,422,482
Operations and maintenance of plant	14,976,555	13,327,115
Depreciation	11,505,358	11,772,605
Student aid	6,258,689	6,538,820
Auxiliary activities	22,290,385	19,852,346
Other expenses	42,628	36,446
Total operating expenses (Note 11)	192,701,154	176,664,735
Operating loss	(48,657,046)	(46,028,132)
Nonoperating revenues (expenses)		
State appropriations (Note 4)	46,613,599	51,530,500
Gifts	4,126,422	4,253,181
Investment income (net of investment expenses of $245,583 in 2007 and $239,203 in 2006)	14,484,615	5,410,306
Distributions to annuity and life income fund beneficiaries	(91,025)	(39,158)
Interest on capital asset related debt	(5,037,788)	(4,490,713)
Other	125,375	-
Net nonoperating revenues	60,221,198	56,664,116
Income before other revenues	11,564,152	10,635,984
Capital grants and gifts	177,697	333,517
Additions to permanent endowments	839,740	170,347
Transfer of net assets from the Oakland University Foundation (Note 16)	60,113	8,653,668
Total other revenues	1,077,550	9,157,532
Increase in net assets	12,641,702	19,793,516
Net assets		
Beginning of year	262,625,155	242,831,639
End of year	$ 275,266,857	$ 262,625,155

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

Oakland University
Statement of Changes in Net Assets of the
Oakland University Foundation
(Component Unit)
June 30, 2006

	2006
Additions	
Gifts and other income	$ 69,035
Investment income, less investment expense of $8,793 in 2006 and $10,929 in 2005	905,893
Total additions	974,928
Deductions	
Transfers to Oakland University, gifts	423,770
Supplies, services and other	161,967
Interest expense	84,339
Distributions to annuity and life income fund beneficiaries	55,869
Uncollectible pledge write-offs, net	1,376,464
Transfer of net assets to Oakland University (Note 16)	8,653,668
Total deductions	10,756,077
Change in net assets	(9,781,149)
Net assets	
Beginning of year	10,019,925
End of year	$ 238,776

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

Oakland University
Statements of Cash Flows
Year Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Tuition and fees	$ 101,984,324	$ 88,081,629
Grants and contracts	17,133,561	15,402,194
Payments to suppliers	(45,564,236)	(38,133,179)
Payments to employees	(128,390,971)	(119,121,334)
Payments for scholarships and fellowships	(6,258,689)	(6,538,820)
Loans issued to students	(584,673)	(828,675)
Collection of loans from students	582,401	530,838
Auxiliary enterprise charges	20,390,293	18,699,217
Other receipts	8,613,922	8,446,430
Net cash used by operating activities (Note 12)	(32,094,068)	(33,461,700)
Cash flows from noncapital financing activities		
State appropriations	52,295,292	50,017,062
Federal direct lending receipts	49,721,588	43,699,923
Federal direct lending disbursements	(49,721,588)	(43,699,923)
Gifts and grants for other than capital purposes	3,794,463	3,939,819
Endowment gifts	839,740	170,347
Transfer from the Oakland University Foundation	2,781	59,433
Net cash provided by noncapital financing activities	56,932,276	54,186,661
Cash flows from capital financing activities		
Proceeds from capital debt	107,364	18,253,776
Capital grants, gifts and other payments	2,687,661	3,579,828
Purchases of capital assets	(19,408,913)	(13,832,906)
Principal paid on capital debt and leases	(3,216,961)	(3,114,779)
Interest paid on capital debt and leases	(5,058,565)	(4,290,916)
Net cash provided (used) by capital financing activities	(24,889,414)	595,003
Cash flows from investing activities		
Proceeds from sales and maturities of investments	33,602,151	36,932,558
Investment income	5,403,512	3,876,132
Purchase of investments	(29,625,701)	(56,175,166)
Net cash provided (used) by investing activities	9,379,962	(15,366,476)
Net increase in cash and cash equivalents	9,328,756	5,953,488
Cash and cash equivalents		
Beginning of year	34,506,390	28,552,902
End of year	$ 43,835,146	$ 34,506,390

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

1. Significant Accounting Policies

Organization

These financial statements present the financial position, results of operations, and changes in net assets of Oakland University (University). They 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. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which provides that the following sections be included in the University's annual financial report:

- Management's discussion and analysis
- Basic financial statements including a statement of net assets, statement of revenues, expenses, and changes in net assets, and statement of cash flows
- Notes to the financial statements

The Oakland University Foundation (Foundation) was incorporated in 1958 to encourage, promote and support the University. Effective July 1, 2003, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14* (GASB 39). Pursuant to GASB 39, the Foundation is reported in these financial statements as a component unit of the University for the fiscal year ended June 30, 2006. For the year ended June 30, 2007, the Foundation has been reported only in the notes to the financial statements.

In addition, see Note 16 for details of Related Party Transactions between the University and the Foundation.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University is required to follow all applicable GASB pronouncements. In addition, the University should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected to not apply FASB pronouncements issued after November 30, 1989.

The University has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation, an Amendment of GASB Statement No. 34*, and GASB

Statement No. 47, *Accounting for Termination Benefits* as of the fiscal year ended June 30, 2006 with no net effect on the current financial statements.

Operating revenues of the University consist of tuition and fees, grants and contracts, departmental activities, auxiliary activities, and other miscellaneous revenues. Transactions related to capital financing activities, noncapital financing activities, investing activities, and State appropriations are components of nonoperating income. When an expense is incurred for which both restricted and unrestricted net assets are available, the University applies the restricted or unrestricted resources at its discretion.

Cash Equivalents
The University considers all investments with original maturity of 90 days or less when purchased to be cash equivalents.

Investments
Investments are stated at fair market value. Total return includes ordinary income as well as realized and unrealized gains and losses.

Inventories
Inventories are stated at the lower of average cost or market.

Physical Properties
Physical properties are stated at cost or, when donated, at fair market value at the date of gift. A capitalization threshold of $2,500 is used for equipment. 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 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

Revenue Recognition
Revenues related to the Summer and Fall sessions are recognized in the fiscal year in which the session is predominantly conducted.

Operating revenues represent revenue earned from exchange transactions. The University's nonoperating revenues include State appropriations, gifts, investment income, and capital appropriations. Gifts are recognized at the later of the date pledged or when the eligibility requirements of the gifts are met.

Funds are appropriated to the University for operations by the State of Michigan covering the State's fiscal year, October 1 through September 30. The sums appropriated, however, were for the University's fiscal year ending June 30 and are generally paid in 11 monthly installments from

October through August. Therefore, the July and August payments are generally recorded as part of appropriations receivable (see Note 4).

Revenues are reported net of discounts and allowances.

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.

Reclassifications
Certain fiscal year 2006 balances have been reclassified to conform with the current year presentation.

2. Investments and Deposits with Financial Institutions

Operating cash is pooled into investments and deposits, which are uninsured and uncollateralized. These investments are administered according to the University Board of Trustees' "Pooled Cash Investment Policy." The policy requires that no short-term investment may have a maturity greater than one year and no more than 10% of the total of these funds available for investment may be invested in any one issuer. Credit quality on short-term investments is limited to P-1, A-1 or F-1. Credit quality on intermediate-fixed investments is limited to "AA" through "AAA" with a maximum maturity of 15 years and an average maturity of between three and six years. Equity holdings are limited to 5% of the equity portfolio at market value in any one company and 5% of the outstanding stock of any one company. The operating cash portfolio at June 30, 2007 does not involve any concentration of credit risk as all investments in single issuers or issues amount to less than 5% of the entire University portfolio.

At June 30, 2007 and 2006 operating cash was invested in a short-term mutual fund, a pooled intermediate-fixed fund and a pooled equity fund in the following market value amounts. These investments are displayed by category according to their respective duration to describe the level of interest rate risk in this portfolio. This is the risk in a fixed income portfolio that a change in interest rates can affect the market value of the portfolio.

June 30, 2007	Total	< 1 Year	1-5 Years	6-10 Years	> 10 Years
University Pooled Cash					
Dreyfus Money Market Mutual Fund	$ 44,075,943	$ 44,075,943	$ -	$ -	$ -
Munder Bond Fund					
Government securities	25,071,186	5,212,594	19,034,336	824,256	-
Corporate bonds, notes	9,277,464	1,998,823	7,278,641	-	-
Asset-backed and cash	13,965,698	2,415,467	11,355,765	194,466	-
Munder Treasuries	6,347,819	6,347,819	-	-	-
Munder Equity Fund					
Equities	12,264,744	-	-	-	12,264,744
Mutual funds	2,630,005	-	-	-	2,630,005
World Asset Management	78,320	-	-	-	78,320
Operating cash investments	113,711,179	60,050,646	37,668,742	1,018,722	14,973,069
Net cash overdraft	(1,568,705)	(1,568,705)	-	-	-
	$ 112,142,474	$ 58,481,941	$ 37,668,742	$ 1,018,722	$ 14,973,069

Cash and cash equivalents	$ 43,835,146
Other long-term investments	68,307,328
	$ 112,142,474

June 30, 2006	Total	< 1 Year	1-5 Years	6-10 Years	> 10 Years
University Pooled Cash					
Dreyfus Money Market Mutual Fund	$ 33,427,855	$ 33,427,855	$ -	$ -	$ -
Munder Bond Fund					
Government securities	24,074,175	4,264,412	18,583,574	1,226,189	-
Corporate bonds, notes	10,803,697	1,311,352	9,441,732	50,613	-
Asset-backed and cash	10,715,379	5,798,527	4,916,852	-	-
Munder Treasuries	13,531,589	13,531,589	-	-	-
Munder Equity Fund					
Equities	10,244,432	-	-	-	10,244,432
Mutual funds	1,789,308	-	-	-	1,789,308
Asset-backed and cash	294,632	294,632	-	-	-
World Asset Management	73,267				73,267
Operating cash investments	104,954,334	58,628,367	32,942,158	1,276,802	12,107,007
Net cash overdraft	(1,150,862)	(1,150,862)	-	-	-
	$ 103,803,472	$ 57,477,505	$ 32,942,158	$ 1,276,802	$ 12,107,007

OU cash and cash equivalents	$ 34,506,390
OUF cash and cash equivalents	2,781
Other long-term investments	69,294,302
	$ 103,803,473

The University is exposed to foreign currency risk included within the investment balance. The current investments that are subject to foreign currency risk consist of the Munder Equity Mutual Funds in the amount of $2,630,005 as of June 30, 2007.

These investments produced net rates of return of 7.5% and 3.8%, respectively, for the years ended June 30, 2007 and 2006.

The University's endowment investments are administered according to the University Board of Trustees' "Investment Policy for Endowment" and are invested in two broadly diversified mutual funds, equity index, equities, and bonds. While there is no policy restriction with regard to concentration of credit risk, the two mutual funds do follow their own limiting guidelines. The "Investment Policy for Endowments" restricts debt investment to "high quality"; "A" to "AAA" rated corporate bonds, U.S. Treasury, and agency securities or issues of supranational organizations and foreign sovereigns.

These investment funds are uninsured and uncollateralized and produced a total net return of 18.3% and 8.3% respectively for the years ended June 30, 2007 and 2006, respectively.

University pooled investment funds consist of the following as of June 30, 2007 and 2006:

	2007	**2006**
University Pooled Investment Funds		
Commonfund Multi-Strategy Equity Fund	$ 31,062,216	$ 17,112,296
Commonfund Equity Index Fund	-	12,256,061
Commonfund Multi-Strategy Bond Fund	11,680,624	7,179,673
Pooled investment funds	$ 42,742,840	$ 36,548,030
World Asset Management Aggregate Bond Index Fund	-	6,595
World Asset Management Large Cap Index Fund	-	55,963
World Asset Management Mid Cap Index Fund	-	6,713
World Asset Management Small Cap Index Fund	-	3,732
Income Fund of America	169,281	149,346
Vanguard Wellington Fund	124,823	113,370
Other	-	2,834
	$ 43,036,944	$ 36,886,583

At June 30, 2007 the Commonfund Multi-Strategy Bond Fund had a weighted-average maturity of 7.0 years and an average quality of AA. The weighted average maturity of a fixed income fund such as the Commonfund Multi-Strategy Fund is one measure of the risk that its market value will change with a change in interest rates.

The Income Fund of America and the Vanguard Wellington Fund are charitable gift annuities. These 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.

The World Asset Management funds were redeemed during the year and transferred to the Commonfund. Of the endowment funds held by the Commonfund, $269,842 represents endowment funds at market value under the control of the Foundation.

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

3. Accounts Receivable

Accounts receivable consist of the following as of June 30, 2007 and 2006:

	2007	2006
Tuition and fees	$ 5,711,907	$ 4,897,141
Auxiliary enterprises	1,601,773	1,740,522
Contracts and grants	1,877,048	2,080,013
Other receivables	552,129	798,825
Total accounts receivable	9,742,857	9,516,501
Less: Allowance for doubtful accounts	(3,020,567)	(2,498,639)
Total accounts receivable, net	$ 6,722,290	$ 7,017,862

4. Appropriations Receivable

The annual State operating appropriation paid to the University is generally made in 11 monthly installments from October through August. Consistent with State of Michigan legislation, the University has accrued for the payments to be received in July and August as of June 30, 2006. The University's year-end accrual as of June 30, 2007 reflects the July 2007 payment less a base operations reduction of $1,031,000 as signed into law via Public Act 17 of 2007. The August payment of $4,764,400 was delayed by Executive Order 2007-3 and Public Act 17 of 2007. Because there is no appropriated commitment by the State of Michigan to honor the August payment, the amount is not recognized as revenue or a receivable at June 30, 2007. As of June 30, 2007 and 2006, the accrual of the State operating appropriation payments created an appropriation receivable of $3,733,508 and $9,415,201, respectively.

5. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2007 and 2006:

	2007	2006
Pledges outstanding		
Unrestricted	$ 128,210	$ 192,395
Restricted expendable	2,172,038	4,317,125
Total pledges outstanding	2,300,248	4,509,520
Less		
Allowance for doubtful pledges	(251,069)	(349,344)
Present value discount	(83,640)	(84,503)
Total pledges outstanding, net	1,965,539	4,075,673
Less: Current portion, net	(1,510,207)	(3,643,340)
Non-current portion, net	$ 455,332	$ 432,333

Pledges receivable from donors are recorded at net present value less allowances for doubtful accounts. At June 30, 2007 and 2006, the interest rate used to discount pledges to present value was 5%. The aggregate allowance for doubtful accounts was 11% and 8% net of discount at June 30, 2007 and 2006, respectively.

Payments on pledges receivable at June 30, 2007 are expected to be received in the following years ended June 30:

Past due	$ 321,019
Due in one year	1,359,904
Due in two-five years	559,325
Thereafter	60,000
Total	$ 2,300,248

In addition, 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. At June 30, 2007 and 2006 the University had $22,269,207 and $18,812,105, 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, 2007 and 2006:

	2007	2006
Student loans		
Federal loan programs	$ 2,627,491	$ 2,585,362
University loan funds	19,300	18,688
	2,646,791	2,604,050
Less: Allowance for doubtful loans	(301,599)	(257,631)
Total student loans, net	2,345,192	2,346,419
Less: Current portion, net	(473,277)	(516,755)
Non-current portion, net	$ 1,871,915	$ 1,829,664

In addition, the University distributed $49,721,588 and $43,699,923 for the years ended June 30, 2007 and 2006, respectively, for student loans through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements.

7. Capital Assets

The following tables present the changes in the various capital asset categories for the University for fiscal years 2007 and 2006:

Asset Classification	Balance June 30, 2006	Additions	Reductions/ Transfers	Balance June 30, 2007
Land	$ 4,324,914	$ -	$ -	$ 4,324,914
Land improvements and infrastructure	28,688,154	767,145	-	29,455,299
Buildings	274,255,316	1,444,197	906,400	274,793,113
Equipment	41,301,364	2,796,988	1,918,782	42,179,570
Library acquisitions	23,987,928	766,003	87,290	24,666,641
Construction in progress	8,857,923	19,492,088	1,466,693	26,883,318
Total	381,415,599	25,266,421	4,379,165	402,302,855
Accumulated depreciation				
Land improvements and infrastructure	(11,026,650)	(1,283,438)	-	(12,310,088)
Buildings	(85,355,642)	(6,399,586)	-	(91,755,228)
Equipment	(31,803,172)	(2,731,710)	(1,855,467)	(32,679,415)
Library acquisitions	(19,025,477)	(1,043,813)	(87,290)	(19,982,000)
Total	(147,210,941)	(11,458,547)	(1,942,757)	(156,726,731)
Total capital assets (net)	$ 234,204,658	$ 13,807,874	$ 2,436,408	$ 245,576,124

Asset Classification	Balance June 30, 2005	Additions	Reductions/ Transfers	Balance June 30, 2006
Land	$ 4,324,914	$ -	$ -	$ 4,324,914
Land improvements and infrastructure	28,124,354	563,800	-	28,688,154
Buildings	270,943,195	3,312,121	-	274,255,316
Equipment	39,940,466	2,566,097	1,205,199	41,301,364
Library acquisitions	23,386,364	748,968	147,404	23,987,928
Construction in progress	1,603,069	7,709,346	454,492	8,857,923
Total	368,322,362	14,900,332	1,807,095	381,415,599
Accumulated depreciation				
Land improvements and infrastructure	(9,709,352)	(1,317,298)	-	(11,026,650)
Buildings	(78,923,075)	(6,432,567)	-	(85,355,642)
Equipment	(30,014,471)	(2,915,317)	(1,126,616)	(31,803,172)
Library acquisitions	(18,139,457)	(1,033,424)	(147,404)	(19,025,477)
Total	(136,786,355)	(11,698,606)	(1,274,020)	(147,210,941)
Total capital assets (net)	$ 231,536,007	$ 3,201,726	$ 533,075	$ 234,204,658

The Meadow Brook Subdivision, consisting of 55 houses, was originally developed to assist faculty to find housing near the University campus. The land is owned by the University with individual lots leased to University faculty and staff who constructed and own the houses. As of June 30, 2007, the University owns four houses valued at $906,400. The value of the University owned homes has been reclassified from Buildings at June 30, 2006 to Inventory at June 30, 2007.

8. 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), the Science and Engineering Building and the Business and Technology Building (Elliott Hall). The buildings were financed with SBA revenue bonds and State capital appropriations.

The SBA bond issues are collateralized by a pledge of rentals to be received from the State of Michigan pursuant to the lease agreements between the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to the facilities; the State of Michigan 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 assets.

9. Cash Surrender Value of Life Insurance Policies

Included in Other assets are the cash surrender value of life insurance policies in the amount of $1,104,053 and $1,045,723 for 2007 and 2006, respectively. At June 30, 2007 and 2006, the face value of these life insurance policies totaled $5,385,500.

During fiscal year 2006 the Foundation transferred insurance policies to the University which had a cash surrender value of $765,374 at June 30, 2006, ($716,905 at the time of transfer) and a face value of $4,330,500.

10. Long-Term Liabilities

Long-term liabilities consist of the following as of June 30, 2007 and 2006:

	Balance June 30, 2006	Additions/ Transfers	Reductions	Balance June 30, 2007	Current Portion
Note, installment purchase agreement and bonds payable:					
Note and installment purchase agreement payable	$ 19,842,317	$ 107,364	$ 1,236,961	$ 18,712,720	$ 497,776
Bonds payable					
General revenue bonds, series 1995	-	-	-	-	-
General revenue bonds, series 1997	5,555,000	-	1,000,000	4,555,000	1,075,000
Variable rate demand bonds, series 1998 (transfer from the Foundation)	4,600,000	-	-	4,600,000	-
General revenue bonds, series 2001	48,000,000	-	-	48,000,000	-
General revenue refunding bonds, series 2004	31,030,000	-	980,000	30,050,000	1,005,000
unamortized premium	1,522,147	-	266,997	1,255,150	173,352
unamortized deferral on extinguishment	(1,662,004)	-	(291,529)	(1,370,475)	(189,280)
Total, note, installment agreement and bonds payable	108,887,460	107,364	3,192,429	105,802,395	2,561,848
Other liabilities:					
Compensated absences	2,645,726	275,485	-	2,921,211	2,921,211
Annuities payable and other (transfer from the Foundation)	475,408	51,019	69,605	456,822	91,861
Federal portion of Perkins Loan Program	1,934,540	27,879	60,445	1,901,974	-
Total other liabilities	5,055,674	354,383	130,050	5,280,007	3,013,072
Total long-term liabilities	$ 113,943,134	$ 461,747	$ 3,322,479	$ 111,082,402	$ 5,574,920

	June 30, 2006	June 30, 2007
Total long-term liabilities	$ 113,943,134	$ 111,082,402
Current portion	5,828,413	5,574,920
Noncurrent portion	$ 108,114,721	$ 105,507,482

	Balance June 30, 2005	Additions/ Transfers	Reductions	Balance June 30, 2006	Current Portion
Note, installment purchase agreement and bonds payable:					
Note and installment purchase agreement payable	$ 2,778,320	$ 18,253,776	$ 1,189,779	$ 19,842,317	$ 1,224,435
Bonds payable					
General revenue bonds, series 1995	835,000	-	835,000	-	-
General revenue bonds, series 1997	6,555,000	-	1,000,000	5,555,000	1,000,000
Variable rate demand bonds, series 1998 (transfer from the Foundation)	-	4,600,000	-	4,600,000	-
General revenue bonds, series 2001	48,000,000	-	-	48,000,000	-
General revenue refunding bonds, series 2004	31,120,000	-	90,000	31,030,000	980,000
unamortized premium	1,733,891	29,808	241,552	1,522,147	236,697
unamortized deferral on extinguishment	(1,893,203)	(32,547)	(263,746)	(1,662,004)	(258,445)
Total, note, installment agreement and bonds payable	89,129,008	22,851,037	3,092,585	108,887,460	3,182,687
Other liabilities:					
Compensated absences	2,485,325	160,401	-	2,645,726	2,645,726
Annuities payable and other (transfer from the Foundation)	-	475,408	-	475,408	-
Federal portion of Perkins Loan Program	1,920,251	45,947	31,658	1,934,540	-
Total other liabilities	4,405,576	681,756	31,658	5,055,674	2,645,726
Total long-term liabilities	$ 93,534,584	$ 23,532,793	$ 3,124,243	$ 113,943,134	$ 5,828,413

	June 30, 2005	June 30, 2006
Total long-term liabilities	$ 93,534,584	$ 113,943,134
Current portion	5,578,356	5,828,413
Noncurrent portion	$ 87,956,228	$ 108,114,721

Note and Installment Purchase Agreement Payable
In March, 2003 the University issued a general revenue note payable in the amount of $4,819,949 to fund the repayment of its capital lease dated March 18, 1997 and to fund an e-mail system upgrade project. The note has a fixed interest rate of 2.75% per annum, requires monthly payments of $98,506, and is scheduled to be paid off in July, 2007.

In February, 2005 the University entered into an installment purchase agreement note in the amount of $422,282 to purchase golf carts. The note has a fixed interest rate of 4.49% per annum, requires monthly payments of $12,703 during the golf season (May – October) and a balloon payment of $95,400 due November 2009.

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 rate of interest of 3.785% to finance Phase II of its Energy Service Agreement projects.

In December 2006, the University entered into a lease-purchase agreement in the amount of $107,364 to purchase mowing equipment. The lease is payable over a period of 48 months in the amount of $2,419 per month at a fixed rate of interest of 3.89%

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

	Principal	Interest	Total
2008	$ 497,776	$ 702,542	$ 1,200,318
2009	729,823	678,111	1,407,934
2010	818,503	646,721	1,465,224
2011	698,537	618,663	1,317,200
2012	710,538	592,150	1,302,688
2013-2017	3,984,867	2,528,571	6,513,438
2018-2022	4,813,652	1,699,780	6,513,432
2023-2027	5,814,811	698,626	6,513,437
2028-2032	644,213	7,130	651,343
Total	$18,712,720	$ 8,172,294	$26,885,014

Bonds Payable

In June 1995, the University issued general revenue bonds in the amount of $37,000,000 to provide funds for a student recreation and athletics center. The bonds maturing in 2007 through 2026 were defeased and refunded in September 2004. The remaining bonds bear an interest rate of 6.0% and matured May 15, 2006. In September 1997, the University issued general revenue bonds in the amount of $11,650,000 to provide funds for various campus improvement projects. The bonds bear interest rates from 4.6% to 5.1% and mature at various dates through 2011.

On September 24, 1998, on behalf of the 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 at June 30, 2006 and 2005 were 4.03% and 2.35%, 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 of Trustees 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.

In August 2001, the University issued general revenue bonds in the amount of $48,000,000 to provide for various campus improvement projects. The bonds are variable rate demand obligations and mature March 1, 2031.

In September 2004, the University issued $31,770,000 of general revenue refunding bonds, with an average coupon interest rate of 5.01% and a net original issue premium of $1,967,000. The proceeds were utilized to refund the Series 1995 general revenue bonds maturing in the years 2007 through 2026 totaling $31,320,000 with an average coupon interest rate of 5.74%. The related loss on early extinguishment of debt of $2,147,000 has been deferred and will be amortized over the term of the refunding bonds. As a result of the refunding, the University will reduce its aggregate debt service payments over the next 21 years by approximately $3,929,000. The refunding results in an economic gain of $2,592,000. A trust account has been established for the defeasement of the refunded 1995 bonds. The assets and liabilities of this account are not recorded as assets nor liabilities in the financial statements of the University. The aggregate amount of outstanding principal on these bonds which have been defeased is $31,320,000.

The following table summarizes debt service requirements for the outstanding bonds payable:

	Principal	Interest	Total
2008	$ 2,080,000	$ 3,982,974	$ 6,062,974
2009	2,160,000	3,902,224	6,062,224
2010	2,265,000	3,794,349	6,059,349
2011	2,315,000	3,681,099	5,996,099
2012	2,230,000	3,549,546	5,779,546
2013-2017	12,905,000	16,085,415	28,990,415
2018-2022	16,290,000	12,787,232	29,077,232
2023-2027	25,540,000	7,791,357	33,331,357
2028-2032	21,420,000	2,123,796	23,543,796
	87,205,000	$ 57,697,992	$ 144,902,992
Less: Deferral on extinguishment, net	(115,325)		
	$ 87,089,675		

Interest includes payments and receipts under the swap agreement at the synthetic fixed rate of 4.62%. The variable rate paid on the bonds was 3.71% in June 2007.

Interest Rate Swap Agreements

In connection with the general revenue bonds, Series 2001 issue, the University entered into an interest rate swap agreement (Swap) in an initial notional amount of $34,370,000 effective July 1, 2001. The agreement swaps the University's variable rate for a fixed rate of 4.62%. The notional amount declines over time and terminates March 1, 2031. Under the Swap, the University pays a synthetic fixed rate of 4.62%. No amounts were paid or received when the Swap was initiated.

The University is currently making payments under the Swap. The estimated fair value of the Swap at June 30, 2007 was a liability of $1,598,577. The fair value represents the estimated amount that the University would pay to terminate the Swap, taking into account current interest rates and creditworthiness of the underlying counterparty. In accordance with GASB standards, these amounts are not required to be included in the accompanying statements.

The University is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations. Additionally, the 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. As these rates change, the overall synthetic rate on the bonds may change. The Swap includes collateral requirements intended to mitigate the credit risk.

On June 25, 2007 the University executed a Constant Maturity Swap (CMS) in an initial notional amount of $34,370,000 effective October 1, 2007. 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 at June 30, 2007 was $17,185. 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. In accordance with GASB standards, these amounts are not required to be included in the accompanying statements.

The University is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations. The CMS includes collateral requirements intended to mitigate the credit risk. Additionally, the CMS exposes the University to tax risk, which is the risk that arises when the taxable nature of such transactions is modified by law.

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

Other Liabilities
Accrued compensated absences include accrued vacation 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. Annuities payable for the University include $492,397 transferred from the Foundation in fiscal year 2006.

11. Expenditures by Natural Classification

Operating expenses by natural classification for the years ended June 30, 2007 and 2006 are summarized as follows:

	2007	2006
Employee compensation and benefits	$ 130,396,531	$ 119,841,844
Supplies and other services	44,540,576	38,511,466
Student aid	6,258,689	6,538,820
Depreciation	11,505,358	11,772,605
Total	$ 192,701,154	$ 176,664,735

Institutional scholarship allowances and student aid totaled $16,872,893 and $15,050,090 for the years ended June 30, 2007 and 2006, respectively.

12. Cash Flow Statement

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

	2007	2006
Operating loss	$ (48,657,046)	$ (46,028,132)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	11,505,358	11,772,605
Changes in assets and liabilities		
Accounts receivable, net	295,572	(2,064,828)
Inventories	(931,654)	63,899
Deposits and prepaid expense	(138,864)	(251,075)
Student loans receivable	1,227	(277,772)
Accounts payable and accrued expenses	(92,005)	314,388
Accrued payroll	1,730,074	579,813
Compensated absences	275,485	140,697
Deferred revenue and student fees	3,777,748	1,639,162
Deposits	172,603	635,254
Federal portion of student loan program	(32,566)	14,289
Net cash used by operating activities	$ (32,094,068)	$ (33,461,700)

13. 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 and are primarily 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, 2007 and 2006 were $9,973,352 and $9,301,792, 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, 2005, the date of the most recent actuarial valuation, the present value of benefits accrued under the plan was fully funded.

The University provides termination benefits resulting from unused sick days upon retirement which are funded and paid from the Retirement and Insurance Fund.

In addition to the above retirement plans the University provides certain post-employment health care plans to nearly all of its regular, full-time employees. Substantially any or all of the employees in these groups may become eligible for one of these plans if they reach retirement age while working at the University. In general, retirees with 15 years of service and at least 62 years of age are eligible for post-employment health care benefits in accordance with various union agreements or within the provisions of University policy.

These retiree health care benefits are currently provided for 291 people including retired employees and spouses. The benefits received by those who retired after May 1, 1994 are included in the University's various health care plans and a capped payment of a portion of the health care plan premium is paid by the University. Those who retired prior to May 1, 1994 receive the full premium payment as provided for in their earlier agreements with the University. The University recognizes the cost of providing these benefits on a pay-as-you-go basis, which is included in annual operating expenses. The pay-as-you-go cost of all post-employment health care benefits amounted to $1,346,115 and $1,263,384 for the fiscal years ended June 30, 2007 and 2006, respectively.

Certain employees hired after July 1, 2005 or July 1, 2006, will be eligible for participation in the University's post-employment health care benefits as "access only" for retirees and spouses, at retiree rates, paid in full by the retiree.

Certain organizations are required to record the estimated present value of other post-employment benefits (OPEB) as a liability in their financial statements. The University is not required to do so at this time but will be required to do so by GASB 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, in its financial statements covering the financial reporting period ending June 30, 2008. As a result, the University is studying actuarial assumptions and estimates to make a determination regarding its full OPEB liability before the required disclosure date. The University believes adoption of GASB 45 will have a material impact on the University's financial statements.

Other than this post-employment health care benefit, the University has no other post-employment benefits costs which would require disclosure under the new reporting standards.

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 in the Retirement and Insurance Fund.

14. 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 is provided on an occurrence basis; errors and omissions coverage is provided on a claim made basis.

15. 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 residential mortgages in the University's Meadow Brook Subdivision. As of June 30, 2007, the amount subject to guarantee by the University was $2,329,071.

The estimated costs to complete construction projects in progress are $8,604,118 as of June 30, 2007. These projects have been funded from private gifts, proceeds from general revenue notes, and other University funds.

16. Related Party Transactions

Effective February 1, 2006, the University Board of Trustees and the Foundation Board of Directors entered into a Transition Agreement Between The Oakland University Foundation and Oakland University (Transition Agreement). This Transition Agreement calls for the transfer of substantially all of the Foundation's assets and liabilities to the University. In 2006, net assets transferred, as detailed below, amounted to $8,653,668. Conditional pledges amounting to $16,164,870 were also transferred to the University. The cash surrender value of the life insurance policies transferred from the Foundation to the University totaled $4,330,500.

Summary of net assets transferred from the Foundation to the University in 2006:

Assets	
Cash	$ 59,433
Prepaid expenses	1,132
Investments	12,968,595
Cash surrender value of life insurance policies	716,905
Total assets transferred	13,746,065
Liabilities	
Annuities payable	492,397
Bond payable	4,600,000
Total liabilities transerred	5,092,397
Net assets transferred	**$ 8,653,668**

Foundation net assets as of June 30, 2007:

Assets	$ 269,842
Liabilities	62,957
Net assets	**$ 206,885**

The assets remaining are endowments and a charitable gift annuity. The liability remaining consists of the charitable gift annuity payable. The June 30, 2007 University financial statements do not include the remaining Foundation assets and liabilities or the Foundation's fiscal year 2007 activity.

17. Organization and Significant Accounting Policies of the Oakland University Foundation (Component Unit)

The 2006 financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The Foundation follows the fiduciary fund requirements of GASB Statement No. 35, *Basic Financial Statements and Managements Discussion and Analysis for Public Colleges and Universities*, which provides that the following components be included in the Foundation's annual financial report:

- Management's discussion and analysis
- Basic financial statements including a statement of net assets and statement of changes in net assets
- Notes to the financial statements

Basis of Accounting
The accompanying financial statements have been prepared using the accrual basis of accounting. Investments and gifts are recorded at fair market value.

Cash Equivalents
The Foundation considers all investments with original maturity of 90 days or less when purchased to be cash equivalents.

Tax Status
The Internal Revenue Service has ruled that the Foundation qualifies for exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation is not a private foundation within the meaning of IRC Section 509(a)(3).

18. Pledges Receivable of the Oakland University Foundation (Component Unit)

In accordance with the Transition Agreement between the University and the Foundation, all outstanding pledge receivable balances, after write-off of uncollectible pledges, were transferred to the University in 2006.

19. Investments of the Oakland University Foundation (Component Unit)

The Foundation's investments are invested according to its Board of Director's "Investment Policy for Endowment" which requires that each investment manager's equity portfolio have more than 20 positions and no purchase would cause a position in their portfolio to exceed 5% of the issues outstanding, 5% of the portfolio at cost or 8% of the portfolio at market. Fixed income and cash equivalent guidelines require credit quality of "A" or better, a duration of +(-) 20% of the Lehman Brothers Aggregate Bond Index, and no position in any one issuer can exceed 8% of the portfolio at market or 5% of the portfolio at cost.

The policy calls for investment in various index mutual funds. These investment funds are uninsured and uncollateralized and produced a total net return of 7.2% for the year ended June 30, 2006. At June 30, 2006, investments consisted of the following:

	2006
World Asset Management Aggregate Bond Index Fund	$ 26,026
World Asset Management Large Cap Index Fund	220,832
World Asset Management Mid Cap Index Fund	26,491
World Asset Management Small Cap Index Fund	14,720
Income Fund of America	-
Vanguard Wellington Fund	-
Other	11,180
	$ 299,249

During fiscal year 2006, $12,968,595 in investments were transferred from the Foundation to the University.

The World Asset Management aggregate Bond Index Fund has an interest rate risk calculated to an average maturity of 7.03 years.

For donor restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Michigan, permits the Board of Directors of the Foundation to appropriate an amount of realized and unrealized endowment appreciation as the Board of Directors determines is prudent.

20. Cash Surrender Value of Insurance Policies of the Oakland University Foundation (Component Unit)

During fiscal year 2006, cash surrender values and face values of life insurance policies totaling $716,905 and $4,330,500, respectively were transferred to the University.

21. Bonds Payable of the Oakland University Foundation (Component Unit)

On February 1, 2006, the University Board of Trustees and the Foundation Board of Directors agreed to transfer substantially all of the Foundation's assets and liabilities to the University. As a result, the Foundation's loan agreement was transferred to the University in the amount of $4,600,000.

22. Annuities Payable of the Oakland University Foundation (Component Unit)

During fiscal year 2006, annuities payable totaling $492,397 were transferred to the University.