

1998

**Eastern Michigan University, Consolidated financial statements
and supplementary information as of June 30, 1998 and 1997:
Together with auditors' report**

Eastern Michigan University



EASTERN MICHIGAN UNIVERSITY

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 1998 AND 1997**

TOGETHER WITH AUDITORS' REPORT



EASTERN MICHIGAN UNIVERSITY

Board of Regents

Mr. Philip A. Incarnati
Chair - Board of Regents
Flint, MI

Dr. Gayle P. Thomas
Vice Chair - Board of Regents
Dearborn, MI

Mr. Joseph E. Antonini
Troy, MI

Mr. Robert A. DeMattia
Plymouth, MI

Dr. Rosalind E. Griffin
Farmington Hills, MI

Mr. Michael G. Morris
Jackson, MI

Mr. Carl D. Pursell
Plymouth, MI

Col. William J. Stephens
West Bloomfield, MI

Executive Officers

Dr. William E. Shelton
President

Dr. Ronald W. Collins
Provost and Vice President for
Academic Affairs

Mr. Patrick J. Doyle
Vice President for Business and
Finance and Treasurer to the
Board

Mr. Courtney O. McAnuff
Vice President for Enrollment
Services

Ms. Juanita M. Reid
Vice President for University
Relations

Mr. Laurence N. Smith
Vice President for University
Marketing and Student Affairs

Accounting Administration

Mr. John W. Beaghan, CMA
Controller

Mr. Daniel B. Cooper, CMA
Director of Student Business
Services



EASTERN MICHIGAN UNIVERSITY

Ypsilanti, Michigan 48197

September 15, 1998

Board of Regents:

This 1997-98 Financial Report is submitted to you in keeping with Eastern Michigan University's responsibility to report annually on the University's financial status.

This is an important time at Eastern Michigan, especially as we begin to celebrate our Sesquicentennial. I am pleased to report that the University's fiscal position continues to strengthen, positioning us to meet the challenges of our 150th year and beyond.

Over the past decade, our goal has been to create an exceptional learning environment, and I am proud that we've maintained that focus. Eastern Michigan's ethos is learning based, value-driven and scholar-centered and combined with our excellent ability to manage resources, we are offering essential services that are attracting outstanding students and faculty.

What will the next few years bring to Eastern Michigan? I am very optimistic about our future. In fact, I believe we are stronger and more viable than at any time in our history. As we approach our Sesquicentennial year, let us continue in our efforts toward making Eastern one of America's truly great learning institutions.

Sincerely,

William E. Shelton
President

Office of the President
202 Welch Hall
734/487-2211
FAX: 734/487-9100

ARTHUR ANDERSEN LLP

Report of Independent Public Accountants

To the Board of Regents,
Eastern Michigan University:

We have audited the accompanying consolidated statements of financial position of EASTERN MICHIGAN UNIVERSITY as of June 30, 1998 and 1997, and the related consolidated statements of revenues, expenditures and changes in fund balances for the years then ended. These financial statements and the exhibits referred to below are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements and exhibits based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Michigan University as of June 30, 1998 and 1997, and the revenues, expenditures and changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data contained in Exhibits I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Detroit, Michigan,
August 21, 1998.

EASTERN MICHIGAN UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and investments (Note 2):		
Unrestricted	\$ 36,328,232	\$ 33,214,813
Restricted	29,712,334	37,451,246
Held for others	535,322	661,375
Accounts receivable, net (Note 7)	12,801,131	10,207,791
Inventories	746,746	804,798
Deposits and prepaid expenses	2,104,813	2,060,682
Accrued interest receivable	366,535	639,862
TOTAL CURRENT ASSETS	82,595,113	85,040,567
LONG-TERM INVESTMENTS (Note 3)	2,636,611	12,333,806
STUDENT LOANS RECEIVABLE, NET (Note 7)	9,026,555	8,866,915
STATE BUILDING AUTHORITY RECEIVABLE (Note 8)	32,419,703	28,764,939
PROPERTY, PLANT AND EQUIPMENT, NET (Note 6)	218,633,978	184,452,101
OTHER ASSETS (Note 4)	1,099,552	1,167,223
TOTAL ASSETS	\$ 346,411,512	\$ 320,625,551
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 4)	\$ 3,261,885	\$ 3,256,874
Accounts payable and accrued expenses	9,615,400	5,825,354
Accrued payroll	5,918,734	5,637,925
Payroll taxes and accrued fringe benefits	6,460,814	6,065,367
Unearned fees and deposits	5,380,025	3,964,737
Insurance and other claims payable (Note 8)	2,626,715	2,876,169
TOTAL CURRENT LIABILITIES	33,263,573	27,626,426
ACCRUED COMPENSATED ABSENCES (Note 5)	7,498,338	7,266,402
LONG-TERM DEBT (Note 4)	86,322,859	88,040,264
TOTAL LIABILITIES	127,084,770	122,933,092
FUND BALANCES		
Unrestricted		
General Fund	8,408,802	6,842,466
Designated Fund	8,465,910	8,357,995
Auxiliary Fund	2,308,691	2,401,525
	19,183,403	17,601,986
Restricted	12,360,763	11,341,356
Plant Fund	187,782,576	168,749,117
TOTAL FUND BALANCES	219,326,742	197,692,459
TOTAL LIABILITIES AND FUND BALANCES	\$ 346,411,512	\$ 320,625,551

The accompanying notes are an integral part of these statements.

**EASTERN MICHIGAN UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
REVENUES		
Student tuition and fees	\$ 75,311,345	\$ 72,588,859
State appropriations	76,672,581	73,213,119
Federal grants and contracts	1,900,635	2,255,564
Federal financial aid	8,199,162	7,490,371
State grants and contracts	2,638,878	1,150,584
State financial aid	560,630	412,000
Gifts and other grants	9,084,178	8,239,813
Interest income	4,917,778	3,982,478
Departmental activities	4,912,135	4,359,434
Auxiliary activities, less internal service billings of \$3,322,546 and \$3,288,608 in 1998 and 1997, respectively	27,441,641	27,029,698
Decrease (increase) in restricted revenue held for future expenditures	(784,275)	(490,059)
Other	1,493,311	1,318,375
TOTAL REVENUES	<u>212,347,999</u>	<u>201,550,236</u>
EXPENDITURES		
Instruction	67,823,832	66,021,839
Research	3,251,238	3,299,392
Public service	11,508,274	9,624,796
Academic support	17,679,049	15,905,690
Student services	17,840,467	17,094,929
Institutional support	22,808,992	21,413,161
Scholarships and fellowships	15,866,828	14,498,269
Operation and maintenance of plant	14,682,359	12,381,921
Auxiliary activities, less internal service billings of \$3,322,546 and \$3,288,608 in 1998 and 1997, respectively	24,787,531	24,021,637
Interest expense	5,110,207	4,319,838
Student loan provision, cancellations and assignments	128,027	270,212
Depreciation	9,365,096	9,582,502
Capital additions, net of retirements of \$1,475,605 and \$302,900 in 1998 and 1997, respectively	(4,658,783)	(7,170,366)
Other	121,648	161,813
TOTAL EXPENDITURES	<u>206,314,765</u>	<u>191,425,633</u>
EXCESS OF REVENUES OVER EXPENDITURES	6,033,234	10,124,603
Increase (decrease) in restricted revenue held for future expenditures	784,275	490,059
Transfer to EMU Foundation	(495,926)	(51,800)
FUND BALANCES, Beginning of year	197,692,459	187,129,597
Net unexpended State Building Authority appropriation	15,312,700	-
FUND BALANCES, End of year	<u>\$ 219,326,742</u>	<u>\$ 197,692,459</u>

The accompanying notes are an integral part of these statements.

EASTERN MICHIGAN UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation and Summary of Significant Accounting Policies:

Basis of Presentation - The financial statements have been prepared in accordance with the AICPA College Guide Model as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 15 "Governmental College and University Accounting and Financial Reporting Models" and have been prepared generally on the accrual basis of accounting following practices common in colleges and universities.

Fund Accounting - To observe limitations and restrictions placed on the use of available resources, Eastern Michigan University ("University") maintains accounts in accordance with principles of fund accounting. The University utilizes four current and three non-current fund groupings for reporting and internal operating purposes, as follows:

Current:

General - is used to account for general operating activities.

Designated - is used to account for funds designated by University policy.

Auxiliary Activities - is used to account for services and facilities provided to students, faculty, staff and the public.

Expendable Restricted - is used to account for funds restricted by donor or supporting agencies.

Non-Current:

Student Loan - is used to account for transactions related to loans to students.

Plant - is used to account for transactions relating to investments in physical properties, indebtedness incurred in the financing thereof and reserves for maintenance, replacement, insurance and debt service.

Agency - is used to account for amounts withheld from payrolls and amounts held in custody for students, University-related organizations and others.

Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Investments - Investments are stated at quoted market value.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Revenue Recognition - Revenues and expenses of an academic term are reported in the fiscal year in which the program is predominately conducted. State appropriations are recognized when received or made available. Expendable Restricted Fund revenue is recognized as revenue only to the extent expended. Gifts and interest on student loans are recognized when received.

Income Taxes - The University is classified as a political subdivision of the State of Michigan under Internal Revenue Code Section 115(A) and is, therefore, exempt from Federal income taxes. Certain activities of the University, to the extent profitable, may be subject to taxation as unrelated business income.

Prior Year Reclassifications - Certain 1997 balances have been reclassified to conform with the 1998 presentation.

(2) Cash and Investments:

The University utilizes the "pooled cash" method of accounting for substantially all of its cash and investments. The University's investment policy, as set forth by the Board of Regents, authorizes investment in securities of the U.S. Treasury and federal agencies, corporate bonds and notes, commercial paper, time savings deposits, Eurodollars and certain external mutual funds, separate managed funds and other pooled funds.

Cash and investments consist of the following as of June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Disbursement accounts	\$ (805,447)	\$ (1,495,608)
U.S. Treasuries/agencies	9,009,920	9,107,315
Pooled investment funds	250,000	250,000
Mutual funds	58,121,415	60,383,833
Certificate of deposit	<u>-</u>	<u>3,081,894</u>
	<u>\$66,575,888</u>	<u>\$71,327,434</u>

The University adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools" which requires investments to be reported at fair value, with changes in fair value reported as revenues (expenditures) in the consolidated statements of revenues, expenditures and changes in fund balances. The retroactive application of this Statement to cash and investments for the year ended June 30, 1997 resulted in an immaterial reclassification of certain 1997 balances.

Cash and investments as of June 30, 1998 and 1997 include mutual and pooled investment funds that allow for daily withdrawals. The mutual and pooled investment funds have

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

short-term to intermediate-term durations and are stated at quoted market value. The U.S. Treasuries and federal agencies have short-term durations and are also stated at quoted market value. All other cash and investments are stated at amortized cost, which approximates market.

All cash and investments are held in the University's name, as of June 30, 1998 and 1997.

The University uses a zero balance account in its cash management system. Accordingly, any outstanding checks are reflected as negative cash in its disbursement accounts.

The carrying amount of these disbursement accounts were (\$805,447) and (\$1,495,608), at June 30, 1998 and 1997, respectively. The June 30, 1998 deposits were reflected in the accounts of the banks at \$2,239,577. Of this balance, \$294,498 was covered by federal depository insurance and \$1,945,079 was uninsured and uncollateralized. The June 30, 1997 deposits were reflected in the accounts of the banks at \$677,569. Of this balance, \$112,476 was covered by federal depository insurance and \$565,093 was uninsured and uncollateralized.

(3) Long-term Investments:

Long-term investments consist of the following as of June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
U.S. Treasuries/ agencies	\$1,116,691	\$10,788,926
Corporate notes	<u>1,519,920</u>	<u>1,544,880</u>
	<u>\$2,636,611</u>	<u>\$12,333,806</u>

The retroactive application of GASB Statement 31 to long-term investments for the year ended June 30, 1997 resulted in an immaterial reclassification of certain 1997 balances.

The Eastern Michigan University Foundation ("Foundation") is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. As of June 30, 1998 and 1997, assets totaling approximately \$34,226,000 and \$28,718,000, respectively, most of which have been restricted by donors for specific purposes, are held by the Foundation and are not recorded in the accompanying financial statements.

Amounts transferred to the University from the Foundation are included in gifts and other grants in the accompanying financial statements and totaled \$1,573,899 and \$1,877,574 at June 30, 1998 and 1997, respectively.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(4) Long-term Debt:

In December 1996, the University issued \$39,160,000 in General Revenue Bonds. The bonds consist of serial and term bonds, the proceeds from which are to be used for certain capital projects. The bonds are secured by and payable from an irrevocable pledge of general revenues. Bond issuance costs of \$1,187,007, net of accumulated amortization of \$59,350 and \$19,784 at June 30, 1998 and 1997, respectively, are included in other assets in the accompanying consolidated statements of financial position.

In September 1993, the University issued \$20,800,000 of General Revenue Refunding Bonds to defease in-substance, \$18,385,000 of Student Fee Bonds outstanding at that time. The outstanding balance of the defeased Student Fee Bonds as of June 30, 1998 is \$15,060,000.

In May 1992, the University issued \$45,125,000 of General Revenue Refunding Bonds together with \$6,405,583 of trustee held reserves to defease in-substance, \$46,696,000 of Housing and Student Fee Bonds outstanding at that time. The outstanding balance of the defeased Housing and Student Fee Bonds as of June 30, 1998 is \$1,619,000.

Long-term debt consists of the following as of June 30, 1998 and 1997:

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal</u>	
			<u>1998</u>	<u>1997</u>
General Revenue Bonds of 1997	3.60-5.50	2000-2027	\$39,160,000	\$39,160,000
Refunding Bonds of 1993	3.60-5.125	1997-2011	16,475,000	17,395,000
Refunding Bonds of 1992	4.65-6.375	1997-2014	30,805,000	32,910,000
Citizens Bank	4.09	1999-2002	1,000,000	-
National Bank of Detroit	5.89	2000	-	99,970
First of America	5.99	1999	525,000	600,000
National Bank of Detroit	4.96	2006	886,500	935,750
Other	Various	Various	<u>733,244</u>	<u>196,418</u>
			89,584,744	91,297,138
Less current portion			<u>3,261,885</u>	<u>3,256,874</u>
			<u>\$86,322,859</u>	<u>\$88,040,264</u>

Certain debt agreements require student fees to equal or exceed 200% of the related debt service.

Principal and interest on long-term debt are payable from operating revenues, allocated student fees and the excess of revenues over expenditures of specific auxiliary activities.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The obligations are generally callable. The future amounts of principal and interest payments required by the debt agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 3,261,885	\$ 4,972,952	\$ 8,234,837
2000	3,751,465	4,800,535	8,552,000
2001	3,123,684	4,621,020	7,744,704
2002	3,813,210	4,433,151	8,246,361
2003	3,244,250	4,265,545	7,509,795
Thereafter	<u>72,390,250</u>	<u>49,009,447</u>	<u>121,399,697</u>
Total	<u>\$89,584,744</u>	<u>\$72,102,650</u>	<u>\$161,687,394</u>

(5) Retirement Benefits:

Through December 31, 1995, the University offered participation in one of two retirement plans for all qualified employees: the Michigan Public School Employees Retirement System (MPSERS) and the Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). As of January 1, 1996, the University no longer offered participation in MPSERS to new employees due to the Michigan Public Act 272 of 1995 which enabled the University to withdraw from MPSERS.

MPSERS is a cost sharing multiple-employer noncontributory defined benefit retirement plan through the Michigan State Employees' Retirement System. During fiscal 1998, the University's costs for the MPSERS plan included 1) contributions based on member payroll to fund normal pension costs, 2) contributions to fund a portion of the plan's unfunded actuarial accrued liability, and 3) contributions for retiree health insurance, at a fixed dollar amount determined annually by MPSERS.

The cost of the MPSERS plan allocated to the University, all of which was contributed in the applicable year, was approximately \$3,660,000, \$4,155,000, and \$4,375,000 for the years ended June 30, 1998, 1997, and 1996, respectively. Further pension data, audited by the Office of the Auditor General of the State of Michigan, for the Michigan State Employees' Retirement System is included in the State of Michigan's Comprehensive Annual Financial Report.

TIAA-CREF is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee benefits vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. For the years ended June 30, 1998 and 1997, the University contributed approximately \$5,940,000 and \$5,727,000, respectively, to the TIAA-CREF plan. The University has no liability beyond its own contribution under the TIAA-CREF plan.

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, the University provides post-retirement health care benefits to certain eligible retirees. The benefits are provided through a reimbursement of insurance premiums paid by such eligible retirees. The reimbursement expenses incurred for the years ended June 30, 1998 and 1997 were approximately \$27,000 and \$25,000, respectively.

The University also provides termination benefits upon retirement resulting from unused sick days, which are paid from the current funds. The University calculates its sick pay liability in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". The liability, included in accrued compensated absences, is approximately \$5,223,000 and \$5,087,000 as of June 30, 1998 and 1997, respectively.

(6) Property, Plant and Equipment:

Property, plant and equipment are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation. Amounts expended from current funds for equipment or other capital additions are included in expenditures of such funds and are capitalized in the Plant Fund.

Property, plant and equipment consist of the following, as of June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Land and land improvements	\$ 31,802,134	\$ 31,309,927
Leasehold improvements	3,408,874	3,408,874
Buildings	225,066,179	187,837,867
Equipment	65,852,137	62,492,195
Construction work-in-progress	<u>25,537,119</u>	<u>27,583,887</u>
	\$351,666,443	\$312,632,750
Accumulated depreciation	<u>(133,032,465)</u>	<u>(128,180,649)</u>
	<u>\$218,633,978</u>	<u>\$184,452,101</u>

Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property, as follows:

<u>Classification</u>	<u>Life</u>
Leasehold and land improvements	12 to 20 years
Buildings	40 to 60 years
Equipment	5 to 10 years

The University has committed \$8,027,513 related to various construction projects in progress as of June 30, 1998.

EASTERN MICHIGAN UNIVERSITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(7) Accounts Receivable:

Accounts receivable consist of the following, as of June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Sponsor accounts receivable	\$ 3,787,268	\$ 2,753,733
Student accounts receivable	6,654,196	6,326,037
Receivable from government agencies for capital projects	893,503	434,645
Charter school appropriation	488,440	-
Third party tuition receivable	851,834	659,561
Other	<u>1,426,959</u>	<u>1,360,136</u>
	14,102,200	11,534,112
Less allowances for possible collection losses	<u>(1,301,069)</u>	<u>(1,326,321)</u>
	<u>\$12,801,131</u>	<u>\$10,207,791</u>

In addition, the University has student loans receivable of \$10,829,782 and \$10,670,050 as of June 30, 1998 and 1997, respectively. The related allowance is \$1,803,227 and \$1,803,135 as of June 30, 1998 and 1997, respectively.

(8) Contingencies and Commitments:

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against these claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University participates in the Michigan Universities Self-Insurance Corporation (MUSIC), which provides indemnity to members against comprehensive general liability, errors and omissions and property losses commonly covered by insurance. MUSIC also provides risk management and loss control services and programs.

Loss coverages are structured on a three layer basis with each member retaining a portion of its losses, MUSIC covering the second layer and commercial carriers covering the third. Comprehensive general liability coverage is provided on an occurrence basis; errors and omissions and property coverage are provided on a claims-made basis.

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits.

Liabilities for estimates of losses retained by the University under MUSIC and reserves for

EASTERN MICHIGAN UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

claims incurred but not reported under self-insurance programs have been established in the operating funds.

Certain University facilities, including the Bruce T. Halle Library, College of Education Renovation, College of Health and Human Services Building, and the Physical Plant construction have been or are scheduled to be financed in whole or in part by State Building Authority (SBA) bond issues which are secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements between the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to the respective buildings, the State of Michigan will make all lease payments to the SBA and the University will pay all operating and maintenance costs. At the expiration of the individual leases, the SBA has agreed to sell each building to the University for one dollar.

(9) Related Party Transactions:

Effective April 1, 1996, the University entered into a joint operating agreement with Eagle Crest Management Corporation, (ECMC), a wholly-owned subsidiary of the Foundation, whereby ECMC manages the operations of the University's Eagle Crest Golf Course and Corporate Education Center. ECMC's management responsibilities include personnel functions, benefits administration, financial services including payroll, accounts receivable, accounts payable, purchasing and budgeting, housekeeping, maintenance, marketing and sales.

The joint operating agreement also provides that the Foundation will provide management and investment services to the University for assets received, held by or entrusted to the Foundation in support of the University.

The Foundation has also assumed responsibilities relating to gift records and receipts. Beginning in fiscal year 1998, the Foundation assumed fund raising responsibilities for managing Development Programs. In addition, the University is leasing its gifts and records management systems to the Foundation for one dollar per year.

In connection with the joint operating agreement, the University pays ECMC a management fee. In addition, ECMC has a note payable to the University and leases office space from the University. The dollar amounts of these transactions are not significant.

(10) Supplemental Data:

Exhibits I and II present consolidating information for the University's fund groupings for fiscal year 1998.

Exhibit III provides information concerning the University's consolidated cash flows for fiscal year 1998.

**EASTERN MICHIGAN UNIVERSITY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 1998**

	General Fund	Designated Fund	Auxiliary Activities Fund
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and investments:			
Unrestricted	\$ 22,267,610	\$ 11,361,010	\$ 2,699,612
Restricted	-	-	-
Held for others	-	-	-
Due (to) from other funds	3,886,013	(4,113,902)	227,889
Accounts receivable, net	4,830,954	657,516	2,254,806
Inventories	156,913	-	589,833
Deposits and prepaid expenses	1,620,247	66,478	253,284
Accrued interest receivable	45,009	51,461	6,414
TOTAL CURRENT ASSETS	32,806,746	8,022,563	6,031,838
LONG-TERM INVESTMENTS	-	2,636,611	-
STUDENT LOANS RECEIVABLE, NET	-	-	-
STATE BUILDING AUTHORITY RECEIVABLE	-	-	-
PROPERTY, PLANT AND EQUIPMENT, NET	-	-	-
OTHER ASSETS	-	-	-
TOTAL ASSETS	\$ 32,806,746	\$ 10,659,174	\$ 6,031,838
<u>LIABILITIES AND FUND BALANCES</u>			
CURRENT LIABILITIES:			
Current portion of long-term debt	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	1,997,024	741,751	835,419
Accrued payroll	5,104,161	68,771	490,480
Payroll taxes and accrued fringe benefits	4,688,632	-	1,722,159
Unearned fees and deposits	2,885,778	1,356,688	344,425
Insurance and other claims payable	2,626,715	-	-
TOTAL CURRENT LIABILITIES	17,302,310	2,167,210	3,392,483
ACCRUED COMPENSATED ABSENCES	7,095,634	26,054	330,664
LONG-TERM DEBT	-	-	-
TOTAL LIABILITIES	24,397,944	2,193,264	3,723,147
FUND BALANCES:			
Unrestricted	8,408,802	8,465,910	2,308,691
Restricted	-	-	-
Plant Fund	-	-	-
TOTAL FUND BALANCES	8,408,802	8,465,910	2,308,691
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,806,746	\$ 10,659,174	\$ 6,031,838

The accompanying notes are an integral part of this statement.

Exhibit I

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund	Consolidated Total
\$ -	\$ -	\$ -	\$ -	\$ 36,328,232
(319,132)	393,577	29,637,889	-	29,712,334
-	-	-	535,322	535,322
-	-	-	-	-
3,742,268	352,196	963,391	-	12,801,131
-	-	-	-	746,746
1,600	-	163,204	-	2,104,813
-	-	263,651	-	366,535
<u>3,424,736</u>	<u>745,773</u>	<u>31,028,135</u>	<u>535,322</u>	<u>82,595,113</u>
-	-	-	-	2,636,611
-	9,026,555	-	-	9,026,555
-	-	32,419,703	-	32,419,703
-	-	218,633,978	-	218,633,978
-	-	1,099,552	-	1,099,552
<u>\$ 3,424,736</u>	<u>\$ 9,772,328</u>	<u>\$ 283,181,368</u>	<u>\$ 535,322</u>	<u>\$ 346,411,512</u>
\$ -	\$ -	\$ 3,261,885	\$ -	\$ 3,261,885
527,158	-	5,514,048	-	9,615,400
255,322	-	-	-	5,918,734
-	-	-	50,023	6,460,814
7,835	-	300,000	485,299	5,380,025
-	-	-	-	2,626,715
<u>790,315</u>	<u>-</u>	<u>9,075,933</u>	<u>535,322</u>	<u>33,263,573</u>
45,986	-	-	-	7,498,338
-	-	86,322,859	-	86,322,859
<u>836,301</u>	<u>-</u>	<u>95,398,792</u>	<u>535,322</u>	<u>127,084,770</u>
-	-	-	-	19,183,403
2,588,435	9,772,328	-	-	12,360,763
-	-	187,782,576	-	187,782,576
<u>2,588,435</u>	<u>9,772,328</u>	<u>187,782,576</u>	<u>-</u>	<u>219,326,742</u>
<u>\$ 3,424,736</u>	<u>\$ 9,772,328</u>	<u>\$ 283,181,368</u>	<u>\$ 535,322</u>	<u>\$ 346,411,512</u>

**EASTERN MICHIGAN UNIVERSITY
CONSOLIDATING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1998**

	General Fund	Designated Fund	Auxiliary Activities Fund
REVENUES			
Student tuition and fees	\$ 65,586,245	\$ 9,650,791	\$ 74,309
State appropriations	76,672,581	-	-
Federal grants and contracts	-	-	-
Federal financial aid	-	-	-
State grants and contracts	-	-	-
State financial aid	-	-	-
Gifts and other grants	-	981,210	-
Interest income	1,154,120	926,902	347,013
Departmental activities	1,741,094	3,171,041	-
Auxiliary activities, less internal service billings of \$3,322,546	-	-	27,441,641
Indirect cost recovery (deduction)	618,943	-	-
Decrease (increase) in restricted revenue held for future expenditures	-	-	-
Other	646,085	-	-
	146,419,068	14,729,944	27,862,963
EXPENDITURES			
Instruction	66,960,354	478,152	-
Research	1,156,459	206,574	-
Public service	1,701,284	2,867,801	-
Academic support	16,734,596	624,042	-
Student services	15,014,142	1,906,895	-
Institutional support	20,821,336	1,735,122	-
Scholarships and fellowships	7,841,909	2,191	-
Operation and maintenance of plant	11,528,290	47,565	-
Auxiliary activities, less internal service billings of \$3,322,546	-	-	24,787,531
Interest expense	-	-	-
Student loan cancellations	-	-	-
Depreciation	-	-	-
Capital additions, net of retirements of \$1,475,605	-	-	-
Other	-	-	-
	141,758,370	7,868,342	24,787,531
TRANSFERS IN (OUT)			
Funds for debt service	(2,984,294)	(2,802,685)	(1,332,588)
Matching funds	(180,770)	(85,000)	(30,699)
Perkins match	(19,280)	-	-
Other	140,022	(3,801,391)	(1,561,553)
	(3,044,322)	(6,689,076)	(2,924,840)
EXCESS OF REVENUES OVER EXPENDITURES AND TRANSFERS	1,616,376	172,526	150,592
INCREASE (DECREASE) IN RESTRICTED REVENUE HELD FOR FUTURE EXPENDITURES	-	-	-
TRANSFER TO EMU FOUNDATION	(50,040)	(64,611)	(243,426)
FUND BALANCES, Beginning of year	6,842,466	8,357,995	2,401,525
Net unexpended State Building Authority appropriation	-	-	-
FUND BALANCES, End of year	\$ 8,408,802	\$ 8,465,910	\$ 2,308,691

The accompanying notes are an integral part of this statement.

Exhibit II

Expendable Restricted Fund	Student Loan Fund	Plant Fund	Consolidated Total
\$ -	\$ -	\$ -	\$ 75,311,345
-	-	-	76,672,581
1,749,432	151,203	-	1,900,635
8,199,162	-	-	8,199,162
2,638,878	-	-	2,638,878
560,630	-	-	560,630
7,401,939	9,500	691,529	9,084,178
-	226,557	2,263,186	4,917,778
-	-	-	4,912,135
-	-	-	27,441,641
(618,943)	-	-	-
(784,275)	-	-	(784,275)
235,595	86,102	525,529	1,493,311
19,382,418	473,362	3,480,244	212,347,999
385,326	-	-	67,823,832
1,888,205	-	-	3,251,238
6,939,189	-	-	11,508,274
320,411	-	-	17,679,049
919,430	-	-	17,840,467
252,534	-	-	22,808,992
8,022,728	-	-	15,866,828
-	-	3,106,504	14,682,359
-	-	-	24,787,531
-	-	5,110,207	5,110,207
-	128,027	-	128,027
-	-	9,365,096	9,365,096
-	-	(4,658,783)	(4,658,783)
-	121,648	-	121,648
18,727,823	249,675	12,923,024	206,314,765
-	-	7,119,567	-
140,469	-	156,000	-
-	19,280	-	-
(795,064)	-	6,017,986	-
(654,595)	19,280	13,293,553	-
-	242,967	3,850,773	6,033,234
784,275	-	-	784,275
(7,835)	-	(130,014)	(495,926)
1,811,995	9,529,361	168,749,117	197,692,459
-	-	15,312,700	15,312,700
\$ 2,588,435	\$ 9,772,328	\$ 187,782,576	\$ 219,326,742

EASTERN MICHIGAN UNIVERSITY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998
(Unaudited)

Exhibit III

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from state appropriations	\$ 76,672,581	\$ -	\$ 76,672,581
Cash received from State Building Authority	-	11,242,429	11,242,429
Cash received from students for tuition and fees	75,033,239	(154,281)	74,878,958
Cash received from auxiliary activities	27,258,687	-	27,258,687
Cash received from gifts, grant sponsors and other donors	739,286	18,364,312	19,103,598
Gifts received from EMU Foundation	860,867	568,678	1,429,545
Cash received from other sources	6,042,785	1,052,019	7,094,804
Interest received	2,418,149	2,508,038	4,926,187
Interest paid	-	(5,110,207)	(5,110,207)
Cash paid to suppliers and employees	(159,152,768)	(15,572,008)	(174,724,776)
Cash paid for financial aid	(7,750,366)	(9,083,667)	(16,834,033)
Cash transferred to EMU Foundation	(358,077)	(137,849)	(495,926)
	<u>21,764,383</u>	<u>3,677,464</u>	<u>25,441,847</u>
Transfers to:			
Debt service	(7,119,567)	7,119,567	-
Other	(5,538,671)	5,538,671	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,106,145</u>	<u>16,335,702</u>	<u>25,441,847</u>
<u>CASH FLOWS FROM CAPITAL ACTIVITIES</u>			
Cash received from donors for capital additions	-	657,030	657,030
Contributions and interest from student loan programs	-	236,057	236,057
NET CASH PROVIDED BY CAPITAL ACTIVITIES	<u>-</u>	<u>893,087</u>	<u>893,087</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from (payments for) long-term investments	(118,545)	9,750,000	9,631,455
Payments for capital additions	(5,912,540)	(33,072,649)	(38,985,189)
Proceeds from the sale of investments	38,359	-	38,359
Student loans granted, net of repayments	-	(277,586)	(277,586)
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,992,726)</u>	<u>(23,600,235)</u>	<u>(29,592,961)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Principal payments under debt obligations	-	(1,712,394)	(1,712,394)
Proceeds from sale of bonds	-	67,672	67,672
Federal student loan funds received	-	151,203	151,203
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>(1,493,519)</u>	<u>(1,493,519)</u>
NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	3,113,419	(7,864,965)	(4,751,546)
CASH AND TEMPORARY INVESTMENTS, Beginning of Year	<u>33,214,813</u>	<u>38,112,621</u>	<u>71,327,434</u>
CASH AND TEMPORARY INVESTMENTS, End of Year	<u>\$ 36,328,232</u>	<u>\$ 30,247,656</u>	<u>\$ 66,575,888</u>

The accompanying notes are an integral part of this statement.