

# *Central Michigan University*

## Financial Report

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**As of and for the Years Ended June 30, 2004 and 2003**



# **Central Michigan University**

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September 2004

To the People of the State of Michigan:

Central Michigan University's 2003-2004 Financial Report is presented on behalf of the university's Board of Trustees. The report, audited by Andrews Hooper & Pavlik P.L.C., displays revenues and expenditures for the various programs maintained by the university. It also shows the net assets of the university.

Despite the challenges presented by a sluggish economy and declining state appropriations, CMU is achieving new heights as a contributor to Michigan's economic development. Serving more than 28,000 students, CMU is the fifth largest university in the state and is among the 50 largest four-year public higher education institutions in the United States. In addition, *Consumers Digest* recently ranked CMU 43rd on its list of the nation's "Top 50 Best Values for Public Colleges and Universities."

As a major university with more than 170 professionally-focused academic programs, CMU is committed to educating and graduating students who are prepared to make meaningful professional and personal contributions to society and the economy upon the completion of their educational experiences. Student learning continues to be the university's top priority. CMU's traditional strengths in undergraduate learning, teacher preparation, student engagement, and leadership development are complemented by discovery-based education centered on research; creative endeavors; leadership activities; and external involvement such as community service, internships, and study abroad. The focus of our activity centers on preparing graduates to succeed in a complex marketplace and economy.

The university's widely respected faculty continues to build upon its reputation for quality, personalized instruction. Our faculty colleagues are known for their excellent teaching and their dedication to student development through engagement in discovery-based learning. CMU's professors also engage in substantial research, scholarship, and creative work that has national and international significance and provides knowledge and discoveries to be shared in classrooms and laboratories.

CMU's commitment to excellence in undergraduate instruction increasingly attracts Michigan's brightest and best students. Each recent freshman class has carried a strong set of academic credentials. In 2003-2004, we enrolled a record 3,623-member freshman class with an average ACT score of 22 and an average cumulative GPA of 3.3. Additionally, more students are completing their degrees. Nearly 300 more students graduated from CMU in December 2002 and May 2003 compared to the previous year.

Student learning, success, and satisfaction are enhanced by personalized academic services and a modern physical learning environment. Recent campus improvements include the construction of a \$50 million health professions building to help serve rural populations' health care needs, and a \$33 million residence hall complex, both of which opened during the 2003-2004 academic year.

CMU retains its quality and accessibility with the assistance and investment of Michigan's citizens and their elected officials. We value this support, and we remain committed to being good stewards of the taxpayer dollars awarded to us by the state. On behalf of the Central Michigan University community, thank you for your confidence in CMU — and all of Michigan's higher education institutions.

Sincerely,

A handwritten signature in black ink that reads "Michael Rao".

Michael Rao  
President

A handwritten signature in black ink that reads "George E. Ross".

George Ross  
Vice President and Chief Financial Officer

**Financial Statements**  
**Central Michigan University**  
**June 30, 2004**

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# CENTRAL MICHIGAN UNIVERSITY

## Management's Discussion and Analysis

This section of the Central Michigan University annual financial report presents a discussion and analysis of the financial performance of the university for the fiscal year ended June 30, 2004 with selected comparative information for the year ended June 30, 2003. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes and current known facts. The financial statements, footnotes and this discussion are the responsibility of management.

## Using the Annual Report

The university's financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

The **Statements of Net Assets** include all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The statements present the financial position of the university at June 30, 2004 and 2003. Net assets, the difference between total assets and total liabilities, are one indicator of the current financial condition of the university. Assets and liabilities are generally measured using current values. Investments are stated at fair value and capital assets are stated at historical cost less an allowance for depreciation. A summarized comparison of the university's assets, liabilities and net assets at June 30 is as follows:

	<u>2004</u>	<u>2003</u>
Current assets	\$ 94,976,739	\$ 80,473,807
Noncurrent assets		
Capital	316,992,960	317,184,809
Other	<u>133,837,415</u>	<u>129,033,876</u>
<b>TOTAL ASSETS</b>	545,807,114	526,692,492
Current liabilities	60,491,335	62,419,139
Noncurrent liabilities	<u>140,043,235</u>	<u>145,965,849</u>
<b>TOTAL LIABILITIES</b>	200,534,570	208,384,988
<b>TOTAL NET ASSETS</b>	<u>\$ 345,272,544</u>	<u>\$ 318,307,504</u>

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## CENTRAL MICHIGAN UNIVERSITY

**Current assets** consist of cash and cash equivalents, receivables net of the allowance for doubtful accounts of \$.9 million, inventories and prepaid expenses. Current assets totaled \$95.0 million at June 30, 2004 as compared to \$80.5 million at June 30, 2003.

Variances:

- Cash and cash equivalents are up \$19.2 million primarily due to cash flows associated with operating revenue increases and decreases related to the construction of new campus facilities.
- Accounts receivable are down \$1.9 million. Decrease of SBA funds from the State of Michigan for the Health Professions Building account for \$2.3 million. Pledges receivable decreased by \$.7 million primarily due to the receipt of pledges payments for university capital projects. Grant receivables increased \$.6 million
- State appropriations receivable for operations decreased \$1.7 million due to reductions from the State of Michigan.
- State appropriations receivable for Charter Schools decreased \$1.7 million due to decreased per student funding.

**Noncurrent assets** include restricted cash and cash equivalents, endowment investments at fair value, loans receivable net of the allowance for doubtful accounts of \$.2 million, long-term investments and capital assets. Noncurrent assets totaled \$450.8 million at June 30, 2004 as compared to \$446.2 million at June 30, 2003.

Variances:

- Restricted cash and cash equivalents reflect unspent bond proceeds of \$2.6 million from the March 2002 bond issue. The decrease reflects expenditures on capital projects.
- Endowment investments increased \$10.1 million and is attributable to a favorable market fluctuation of \$6.7 million, \$1.9 million of new gifts and \$2.5 million of investment income.
- Long-term investments increased \$2.7 million due to market appreciation, primarily in the equities component.

**Current liabilities** consist of accounts payable, deferred revenue, deposits and the current portion of the long-term obligations payable within the next fiscal year. Current liabilities totaled \$60.5 million at June 30, 2004 as compared to \$62.4 million at June 30, 2003.

Variances:

- Accounts payable and accrued liabilities decreased \$6.5 million due primarily to the completion of construction projects including the Health Professions Building and the new residence halls. This was offset somewhat by accrued payroll.
- Deferred revenue increased \$.3 million primarily due to tuition.

# CENTRAL MICHIGAN UNIVERSITY

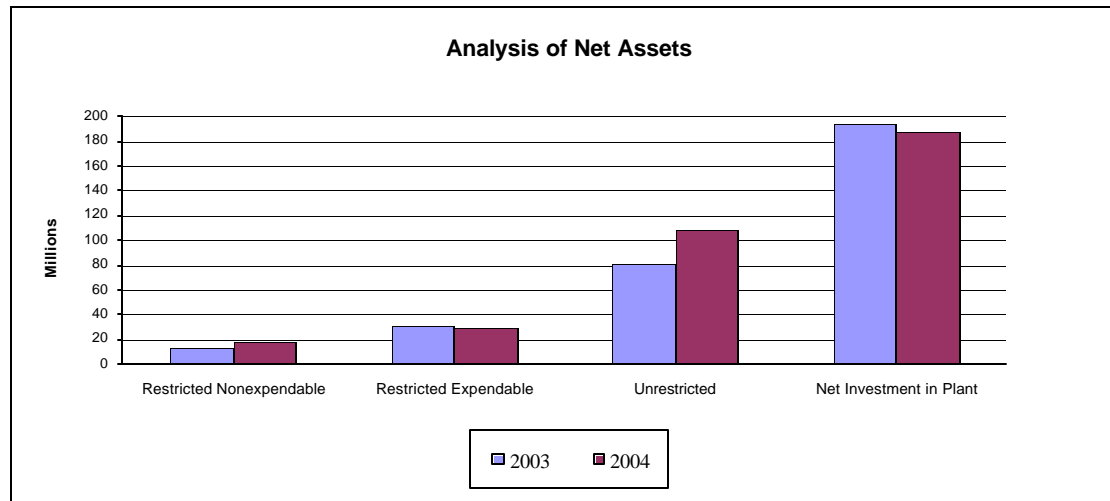
**Noncurrent liabilities** consist of long-term debt and other obligations for which the principle is due more than one year from the balance sheet date. Included are the Retirement Service Award program, the Federal portion of the Perkins Loan program for students, accrued compensated absences and bonded debt. Noncurrent liabilities totaled \$140.0 million at June 30, 2004 as compared to \$146.0 million at June 30, 2003. Refer to footnote G to the Financial Statements for the detail regarding the change in long term debt and other obligations. Refer to footnote H to the Financial Statements for the details regarding the Retirement Service Award program.

Variations:

- Bonded debt decreased \$2.1 million. The decrease is primarily the result of debt principal pay down.

**Net assets** represent the difference between university assets and liabilities. Total net assets at June 30, 2004 are \$345.3 million, and \$318.3 million at June 30, 2003. The university's net assets at June 30 are summarized as follows:

	<b>2004</b>	<b>2003</b>
Restricted		
Nonexpendable	\$ 18,646,635	\$ 13,355,248
Expendable	30,258,398	30,632,077
Unrestricted	109,114,439	80,862,937
Invested in capital assets, net of related debt	187,253,072	193,457,242
<b>TOTAL NET ASSETS</b>	<b>\$ 345,272,544</b>	<b>\$ 318,307,504</b>



# CENTRAL MICHIGAN UNIVERSITY

## Analysis of Net Assets

Restricted nonexpendable net assets consist of endowment gifts with specific restrictions on the expenditure of principal.

Restricted expendable net assets consist of income from endowment funds, gifts and pledges with restrictions, grants from third party agencies with expenditure restrictions and certain loan funds. Gifts to university departments are considered expended after all other funds have been depleted.

The following is a breakdown of the restricted net assets:  
(in millions of dollars)

	<u>2004</u>	<u>2003</u>
Nonexpendable endowment funds	\$ 18.6	\$ 13.4
Expendable scholarship and research funds	16.7	16.9
Expendable loan funds	1.2	1.2
Expendable gifts including pledges	12.4	12.5
<b>Total restricted net assets</b>	<b>\$ <u>48.9</u></b>	<b>\$ <u>44.0</u></b>

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the university such as donors or grant agencies. This includes funds that have been designated by the governing board for specific purposes as well as amounts that have been contractually committed for goods and services which have not yet been received. Approximately \$40.0 million of the unrestricted net assets at June 30, 2004 relate to capital projects, which are in various stages of planning and completion. Another \$10.4 million relates to debt stabilization and insurance reserves. Also included are contractual commitments and normal working capital balances maintained for departmental and auxiliary enterprise activities. The increase in construction project funds relate to the fact that the major projects in the prior year were funded primarily from the State of Michigan funding and bond funds. The increase in quasi endowments was primarily due to a favorable market fluctuation.

The following is a breakdown of the unrestricted net assets:  
(in millions of dollars)

	<u>2004</u>	<u>2003</u>
Maintenance, debt stabilization and insurance reserves	\$ 16.3	\$ 11.2
Construction projects in process and reserves	18.3	11.1
Campus improvement and technology fees	8.5	6.3
Departmental special project reserves	7.2	5.0
Departmental and auxiliary enterprise working capital and contractual commitments	26.5	19.5
Quasi endowment funds	20.0	15.8
Academic support including research	12.3	12.0
<b>Total unrestricted net assets</b>	<b>\$ <u>109.1</u></b>	<b>\$ <u>80.9</u></b>

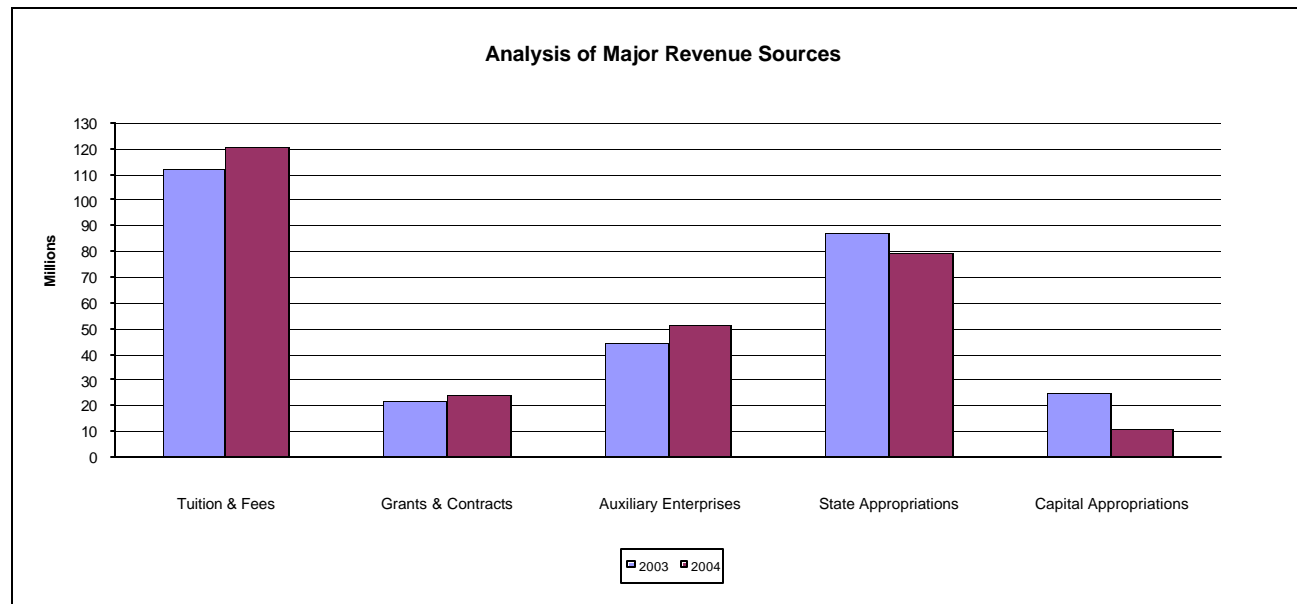


## CENTRAL MICHIGAN UNIVERSITY

The **Statements of Revenues, Expenses and Changes in Net Assets** present the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies state appropriations and gifts as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. A summarized comparison of the university's revenues, expenses and changes in net assets for the years ended June 30 is as follows:

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Tuition and fees, net	\$ 120,886,193	\$ 112,013,948
Grants and contracts	24,009,429	21,602,328
Auxiliary enterprises, net	51,255,491	43,877,284
Other operating revenues	<u>11,843,433</u>	<u>12,220,180</u>
<b>TOTAL OPERATING REVENUES</b>	<u>207,994,546</u>	<u>189,713,740</u>
<b>OPERATING EXPENSES</b>	<u>287,249,958</u>	<u>282,993,598</u>
<b>OPERATING LOSS</b>	(79,255,412)	(93,279,858)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	78,979,908	86,853,527
Other nonoperating income	17,858,413	12,834,435
Interest on debt	<u>(6,167,993)</u>	<u>(5,239,637)</u>
<b>NET NONOPERATING REVENUES</b>	<u>90,670,328</u>	<u>94,448,325</u>
<b>INCOME BEFORE OTHER REVENUES</b>	11,414,916	1,168,467
Capital appropriations	11,032,987	24,453,643
Capital grants and gifts	2,623,391	5,832,206
Additions to permanent endowments	<u>1,893,746</u>	<u>1,002,115</u>
<b>TOTAL OTHER REVENUES</b>	<u>15,550,124</u>	<u>31,287,964</u>
<b>INCREASE IN NET ASSETS</b>	26,965,040	32,456,431
<b>NET ASSETS</b>		
NET ASSETS AT BEGINNING OF YEAR	<u>318,307,504</u>	<u>285,851,073</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 345,272,544</u>	<u>\$ 318,307,504</u>

# CENTRAL MICHIGAN UNIVERSITY



Total **operating revenues** for fiscal years ended June 30, 2004 and 2003 were \$208.0 million and \$189.7 million respectively. Gross tuition and fees for fiscal years ended June 30, 2004 and 2003 were \$135.5 million and \$125.3 million respectively. Scholarship allowances for fiscal years ended June 30, 2004 and 2003 were \$14.6 million and \$13.3 million respectively.

## Variiances:

- Tuition and fees, before the scholarship allowance, increased by 8.1%. The increase was due to a tuition and mandatory fees rate increase of 9.9% and an increase in the number of credit hours taken.
- Sales and services of educational activities are down \$.4 million primarily due to a decrease in Education Materials Center revenues.
- Auxiliary enterprise operating revenues increased \$10.2 million before the allowance and the elimination of the rebilled charges. Auxiliary enterprises include residence halls, apartments, food services, intercollegiate athletics, university bookstore, university press, parking services, energy facility and telecommunications. They are intended to be self-supporting. Certain revenues totaling \$22.4 million for June 30, 2004 and \$19.7 million for June 30, 2003 have been eliminated from auxiliary enterprise income and expense due to the use of services by campus departments. Room and board allowance has been eliminated for the fiscal years June 30, 2004 and 2003 totaling \$3.5 million and \$3.4 million respectively. Residence Life increased \$4.4 million. Athletics decreased \$.1 million. University center increased \$1.4 million. Energy Facility increased \$1.9 million. Telecommunications increased \$1.6 million. Health Services decreased \$.1 million. Parking Services increased \$.8 million. Pooled investment income allocated to Residence Services increased \$.4 million.

# CENTRAL MICHIGAN UNIVERSITY

## Grants and Contracts

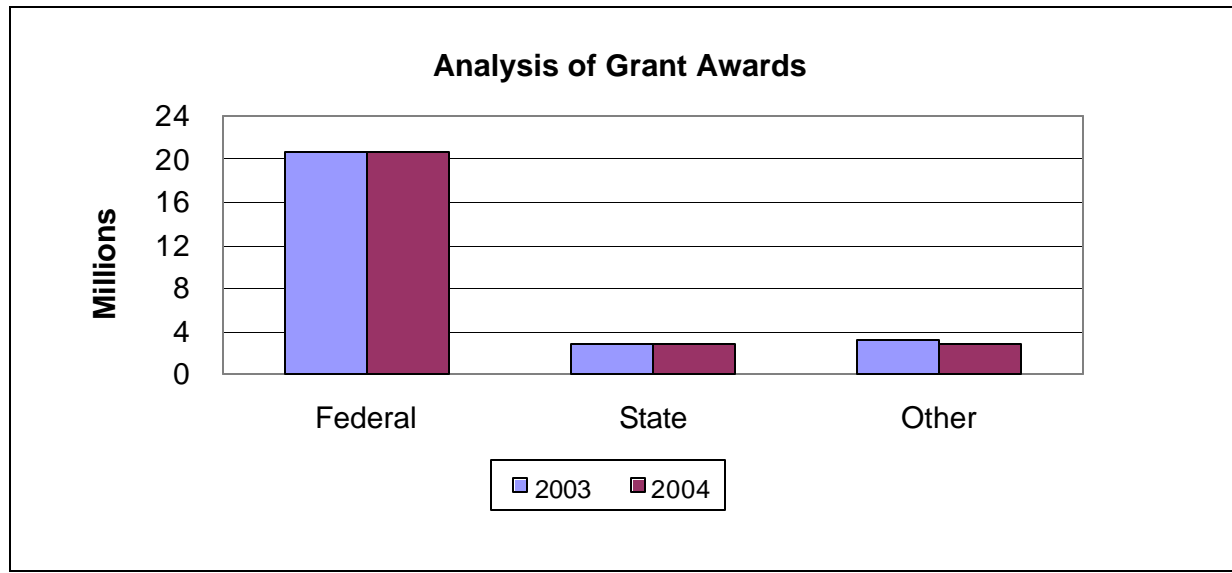
Grants and Contracts include all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent the funds have been expended for exchange transactions. Nonexchange revenues are recorded when received or when eligibility criteria have been met.

The following table details the university's grant and contract awards for the fiscal years ended June 30:

	<u>2004</u>	<u>2003</u>
<b>Federal Award Sources</b>		
Financial Aid	\$ 13,522,000	\$ 12,920,000
Department of Education	1,709,000	1,355,000
National Science Foundation	452,000	267,000
Department of Health & Human Services	444,000	717,000
Department of Commerce	366,000	1,798,000
Army Research Laboratory	2,525,000	2,950,000
Other Federal Agencies	<u>1,628,000</u>	<u>565,000</u>
<b>Total Federal Sources</b>	20,646,000	20,572,000
<b>State Award Sources</b>		
Financial Aid	509,000	557,000
Department of Education	926,000	720,000
Appropriations	205,000	713,000
Michigan Economic Development Corporation		288,000
Other State Agencies	<u>1,082,000</u>	<u>448,000</u>
<b>Total State Sources</b>	2,722,000	2,726,000
<b>Other Sources</b>	<u>2,868,000</u>	<u>3,159,000</u>
<b>Total All Sources</b>	<u>\$ 26,236,000</u>	<u>\$ 26,457,000</u>

# CENTRAL MICHIGAN UNIVERSITY

The following is a graphic illustration of grant awards by source:



Variiances:

- Federal grant and contract awards increased \$.07 million. This is primarily due to the increase of \$.6 million in federal financial aid.

## CENTRAL MICHIGAN UNIVERSITY

**Operating expenses** totaling \$287.2 million include compensation and benefits of \$176.5 million, scholarships and fellowships of \$13.5 million, utilities of \$6.6 million, supplies of \$73.4 million and depreciation of \$17.2 million. Interest expense is \$6.2 million and classified as a nonoperating expense.

A comparative summary of the university's expenses for the years ended June 30 is as follows:

	<u>2004</u>	<u>2003</u>
Operating		
Compensation and benefits	\$ 176,542,073	\$ 172,118,352
Supplies and other	80,024,063	81,945,888
Depreciation	17,233,532	15,499,519
Scholarships and fellowships	13,450,290	13,429,839
<b>Total Operating Expenses</b>	<u>287,249,958</u>	<u>282,993,598</u>
Nonoperating		
Interest	6,167,993	5,239,637
<b>Total Expenses</b>	<u>\$ 293,417,951</u>	<u>\$ 288,233,235</u>

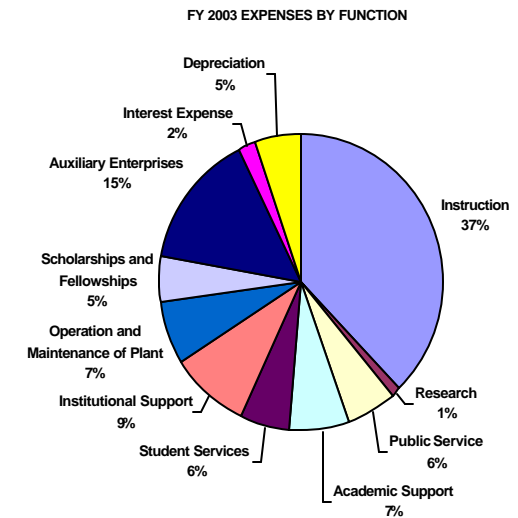
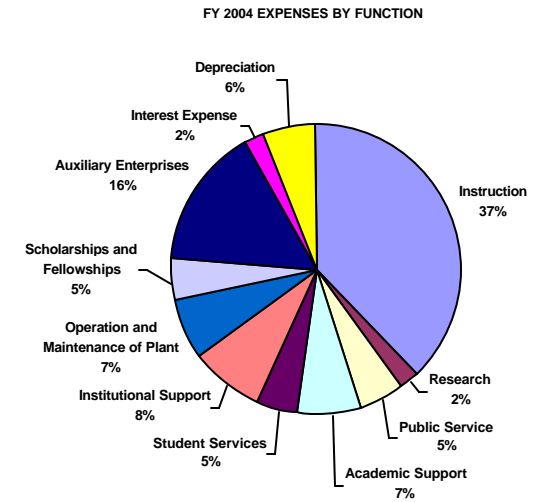
Variiances:

- Compensation and benefit expenses increased \$4.4 million. Of this increase, compensation increased 1.3% as a result of annual increases, reduced by retirements and position eliminations. The related employee benefits increased 6.7% reflecting a rise in health care costs.
- Supplies and other increased \$.9 million, before rebilled charges were eliminated. Rebilled activity was \$23.0 million and \$20.2 million for the periods ended June 30, 2004 and 2003 respectively.

# CENTRAL MICHIGAN UNIVERSITY

A comparative summary of the university's expenses by functional classification for the years ended June 30 is as follows:

	<u>2004</u>	<u>2003</u>
Instruction	\$ 111,016,397	\$ 108,459,028
Research	5,971,842	3,147,687
Public service	14,859,521	16,123,651
Academic support	20,426,979	20,505,291
Student services	14,082,234	15,992,339
Institutional support	23,598,554	25,625,333
Operation and maintenance of plant and capital expenditures	19,198,199	19,910,921
Scholarships and fellowships	13,844,620	14,128,800
Auxiliary enterprises	46,527,281	43,312,991
Student loan provision, cancellations	98,616	149,118
Depreciation	17,233,532	15,499,519
Other	392,183	138,920
Interest expense	<u>6,167,993</u>	<u>5,239,637</u>
<b>Total expenses by function</b>	<b>\$ 293,417,951</b>	<b>\$ 288,233,235</b>



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## CENTRAL MICHIGAN UNIVERSITY

**Nonoperating revenues (expenses)** consist of State appropriations, gifts and pledges net of allowances, investment income including realized gains and losses, and other nonoperating revenues less interest on capital assets related debt.

Variances:

- State appropriations decreased \$7.9 million. The university received \$78.9 million for fiscal year 2003-2004; \$78.4 million for operations and \$.5 million for research.
- Operating Gifts and pledges decreased \$1.2 million. Gifts totaled \$5.2 million not including endowment gifts or pledges. The pledges totaled \$1.8 million at June 30, 2004 reflecting a \$.3 million decrease. Pledges are shown net of an allowance and certain pledges have been discounted to present value.
- Realized gains and losses and interest and dividend income is \$4.7 million for the year ended June 30, 2004. Unrealized market fluctuation resulted in a increase of \$8.4 million. These amounts are offset by bank and management fees in the amount of \$.4 million.

**Other revenues** consist of capital appropriations received from the State Building Authority of Michigan, capital grants and gifts including pledges and additions to permanent endowments. A gift received by the university where a donor has specified that only the investment earnings from that gift can be expended for the purpose designated by the donor is classified as a permanent endowment. The principle cannot be expended. Endowment gifts do not include pledges.

Variances:

- Capital appropriations are down \$13.4 million due to the near completion of the Health Professions Building.
- Capital gifts and grants are down \$3.2 million. The university received \$.4 million in grant funding, down \$1.2 million from June 30, 2003, for digital television. Gifts in-kind decreased \$2.0 million.

## CENTRAL MICHIGAN UNIVERSITY

The **Statements of Cash Flows** present the information related to cash inflows and outflows summarized by operating, capital and noncapital financing and investing activities. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the university during a period. A comparative summary of the statement of cash flows for the years ended June 30 is as follows:

	<u>2004</u>	<u>2003</u>
Cash received from operations	\$ 209,223,164	\$ 190,960,522
Cash expended for operations	(277,082,704)	(263,948,465)
<b>Net cash used by operating activities</b>	<u>(67,859,540)</u>	<u>(72,987,943)</u>
Net cash provided by non capital financing activities	87,983,629	93,448,932
Net cash used by capital financing activities	(8,863,525)	(49,694,359)
Net cash provided (used) by investing activities	(98,282)	516,315
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>11,162,282</u>	<u>(28,717,055)</u>
<b>Cash and cash equivalents, beginning of the year</b>	<u>23,043,525</u>	<u>51,760,580</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 34,205,807</u>	<u>\$ 23,043,525</u>

### Variances:

- Cash received from operations are up \$18.3 million. The increase reflects an increase of \$10.5 million from tuition and fees, \$1.8 million from grants and contracts and \$6.1 million from auxiliary activities.
- Cash expended for operations are up \$13.1 million. Non capital operating expenses increased \$9.9 million. Compensation and benefits increased \$5.7 million. Charter Schools liability decreased \$1.7 million.
- Net cash provided by non capital financing activities are down \$5.4 million primarily due to a decrease of \$7.1 million in state appropriations and a \$1.6 million increase in gifts.
- Net cash used by capital financing activities decreased \$40.8 million primarily due to the prior year purchase of capital assets.
- Net cash provided (used) by investing activities changed \$.6 million due primarily to market fluctuations.



# CENTRAL MICHIGAN UNIVERSITY

## Enrollment

On-Campus: The following table indicates the total historical on-campus enrollment of undergraduate and graduate students for the 1999-00 through 2003-04 academic years. Also indicated are the full-time equivalent students and the total number of on-campus credit hours taken by the students attending the university.

Year Ending June 30	Fall Headcount Enrollment			Year Ending June 30	Annual Full-Time Equivalent-On Campus	
	Undergraduate	Graduate	Total		Annual Full-Time Equivalent	Annual Credit Hours Taken
2004	17,509	1,893	19,402	2004	18,268	535,844
2003	17,453	1,927	19,380	2003	18,208	533,998
2002	17,162	2,026	19,188	2002	17,926	525,052
2001	16,374	2,097	18,471	2001	17,264	504,552
2000	15,731	2,058	17,789	2000	16,604	484,810

Extended Learning Enrollment: The following table indicates the total historical number of credit hours taken by Extended Degree Program and Extended Credit Course students.

Annual Extended Learning Enrollment		
Year Ending June 30	Number of EDP Credit Hours	Number of Extended Credit Course Credit Hours
2004	130,456	5,598
2003	130,433	5,092
2002	133,349	3,894
2001	131,636	6,770
2000	123,201	6,669

# CENTRAL MICHIGAN UNIVERSITY

## Student Admissions

The table below shows the total number of new freshmen and transfer applications received, the number accepted, and the number who enrolled for the fall semester of fiscal years ending June 30, 2000 through 2004.

### Fall Semester First Year Student Admissions

Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2004	13,489	70.4%	9,490	38.2%	3,623
2003	12,717	71.4%	9,076	39.1%	3,553
2002	12,100	77.9%	9,422	38.3%	3,607
2001	10,935	82.5%	9,019	39.2%	3,533
2000	10,019	82.7%	8,287	40.9%	3,386

### Fall Semester Transfer Student Admissions

Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2004	2,144	71.6%	1,536	69.7%	1,071
2003	2,086	70.9%	1,478	73.1%	1,080
2002	2,386	67.7%	1,615	66.7%	1,076
2001	1,989	78.7%	1,565	72.3%	1,132
2000	2,020	81.0%	1,637	67.2%	1,100

# CENTRAL MICHIGAN UNIVERSITY

## Student Tuition Cost Per Credit Hour

The student tuition costs per credit hour for on-campus students, for the academic years indicated, are as follows:

<u>Student Classification</u>	Student Cost Per Credit Hour				
	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Undergraduate, resident	\$ 148.75	\$ 133.05	\$ 118.90	\$ 108.15	\$ 105.00
Undergraduate, nonresident	379.75	345.45	308.60	280.70	272.50
Graduate, resident	200.05	182.00	162.60	147.90	143.60
Graduate, nonresident	397.40	361.50	323.00	293.80	285.20
Doctoral, resident	216.35	196.80	175.80	159.90	155.20
Doctoral, nonresident	429.10	390.35	348.80	317.30	308.10

Students carrying seven credit hours or more were assessed the following annual fees in 2003-04: Enrollment fee \$160, Student Activity Center fee \$100, campus programming fee \$50, technology fee \$220, library fee \$150, campus improvement fee \$75, and student publication fee \$10. Annual full-time tuition is calculated using 30 credit hours for undergraduates and 24 credit hours for graduates.

<u>Student Classification</u>	Annual Full-Time Tuition and Fees				
	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Undergraduate, resident	\$ 5,228	\$ 4,747	\$ 4,247	\$ 3,775	\$ 3,630
Undergraduate, nonresident	12,158	11,119	9,938	8,951	8,655
Graduate, resident	5,566	5,123	4,582	4,080	3,926
Graduate, nonresident	10,303	9,431	8,432	7,581	7,325

# CENTRAL MICHIGAN UNIVERSITY

## Room and Board and Estimated Total Cost

The annual cost of room and board and the estimated total cost of two semesters for a resident undergraduate student for the academic years indicated are set forth below.

### Annual Room and Board and Estimated Total Costs

<u>Year Ending June 30</u>	<u>Room and Board</u>	<u>Estimated Tuition, Fees, Books and Miscellaneous</u>	<u>Estimated Total Costs</u>
2004	\$ 5,924	\$ 7,713	\$ 13,637
2003	5,524	7,107	12,631
2002	5,220	7,245	12,465
2001	4,828	6,232	11,060
2000	4,620	5,995	10,615

## Extended Learning

The student fees for the University's Extended Credit Courses and Extended Degree Programs for the academic years are set forth below.

### Extended Learning Student Tuition Per Credit Hour

<u>Student Classification</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Educational Degree Program-Undergraduate	\$ 215.00	\$ 205.00	\$ 189.00	\$ 173.00	\$ 165.00
Educational Degree Program-Graduate	280.00	266.00	245.00	231.00	220.00
Educational Certification Courses-Undergraduate	215.00	205.00	189.00	173.00	165.00
Educational Certification Courses-Graduate	280.00	266.00	245.00	215.00	205.00

## **Bonds Payable**

At June 30, 2004, the university had outstanding general revenue bonds totaling \$131.6 million. This is the university's largest liability representing 66% of total university liabilities.

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## CENTRAL MICHIGAN UNIVERSITY

### State Building Authority

The university has lease agreements with the State Building Authority (SBA) and the State of Michigan for the Park Library, Music Building, Dow Science II Building and the Health Professions Building. See footnote E to the Financial Statements.

### Operating and Capital Budget

The university Board of Trustees approved the Operating and Capital Budgets for fiscal year 2004-2005. The general fund expense budget increased from \$225.1 million to \$226.2 million. This incorporates \$10.1 million in expenditure reductions and a 2.8% increase in tuition and required fees.

The \$226.2 million balanced budget addresses the governor's proposed appropriations for CMU and increased costs for employee salaries, health care insurance, and other necessary costs.

The approved capital budget for fiscal year 2004-2005 is \$16.2 million. The sources of funds available for capital needs are bond funds, state capital outlay, gifts, parking services revenue, auxiliary services revenue and general operating revenue. During fiscal year 2004, the university expended approximately \$9.2 million on plant related projects. Another \$1.0 million of State Building Authority revenues were expended primarily on the Health Professions Building. Bond funds expended on construction projects during fiscal year 2003 were \$7.8 million.

The university's four-year capital budget includes both new projects as well as major projects in process from 2004 through 2008. The budget covers the Park Library addition, completion of the Health Professions Building, new Residence Halls and other projects totaling \$175.1 million.

In 1997, the university conducted a detailed audit of each building for deferred maintenance needs. The audit was updated in 2001. Beginning in 1998-99, significant funding has been dedicated to addressing those needs. A fifteen-year plan was approved. Funding will be from a variety of available sources, including the capital budget, general revenues and auxiliary revenues.

### Factors Impacting Future Periods

The level of State support, compensation and benefit increases, and student tuition and fee increases, impact the university's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. State appropriation cuts to the university have reached approximately 13 percent over the last 18 months. State appropriation contributes approximately thirty three percent of general operations revenue not including grant, contract and auxiliary revenues.

Central Michigan University, along with many other universities, is facing the budget challenge. \$10.1 million in budget reductions have been identified and became effective July 1, 2004. Even in tough economic times, the university will maintain its commitment to its central mission of academic quality and classroom learning through teaching and research programs that it chooses to continue.

The university completes an annual review of the priority needs and requirements for deferred maintenance, technology, renovations and new construction projects. This comprehensive review allows for systematic prioritization on an institutional basis. Priorities are established based on anticipated future funding with maintenance related projects having priority over new initiatives.

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## CENTRAL MICHIGAN UNIVERSITY

The Governmental Accounting Standards Board (GASB) has recently issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities. The impact of this statement on Central Michigan University will be to record a liability for the retiree health benefits for those employees covered under the Michigan Public Schools Employees Retirement System (MPERS). While the amount of the liability is not known at this time it is anticipated to be material.

Various committees and individuals continually assess the university's performance toward identified goals, use of energy resources and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future financial challenges.



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

## Report of Independent Auditors

Board of Trustees  
Central Michigan University  
Mt. Pleasant, Michigan

We have audited the accompanying basic financial statements of Central Michigan University, a component unit of the State of Michigan, as of and for the years ended June 30, 2004 and 2003. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Central Michigan University as of June 30, 2004 and June 30, 2003, and the changes in its financial position and its cash flows for the years 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 20, 2004 on our consideration of Central Michigan University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 1 to 18 is not a required part of the basic 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.

Saginaw, Michigan  
August 20, 2004

*Andrews Hooper & Pavlik P.L.C.*

**CENTRAL MICHIGAN UNIVERSITY  
STATEMENTS OF NET ASSETS**

	YEAR ENDED JUNE 30	
	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note B)	\$ 31,593,534	\$ 12,408,990
Accounts receivable, net (Note D)	15,860,689	17,799,288
State appropriations receivable, operations (Note D)	13,806,488	15,464,255
State appropriations receivable, Charter Schools (Note D)	28,983,470	30,694,954
Inventories	3,321,495	2,840,054
Other assets	1,411,063	1,266,266
<b>TOTAL CURRENT ASSETS</b>	<b>94,976,739</b>	<b>80,473,807</b>
<b>NONCURRENT ASSETS:</b>		
Restricted cash and cash equivalents (Note B)	2,612,273	10,634,535
Endowment investments (Note C)	52,977,222	42,835,000
Loans receivable, net (Note D)	7,252,309	7,244,220
Other long-term investments (Note B)	70,995,611	68,320,121
Capital assets, net (Note E)	316,992,960	317,184,809
<b>TOTAL NONCURRENT ASSETS</b>	<b>450,830,375</b>	<b>446,218,685</b>
<b>TOTAL ASSETS</b>	<b>545,807,114</b>	<b>526,692,492</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities (Note F)	44,066,440	50,537,730
Deferred revenue	9,368,068	9,024,364
Deposits	446,827	353,449
Current portion of debt obligations (Note G)	6,610,000	2,503,596
<b>TOTAL CURRENT LIABILITIES</b>	<b>60,491,335</b>	<b>62,419,139</b>
<b>NONCURRENT LIABILITIES:</b>		
Long-term debt and other obligations (Note G)	140,043,235	145,965,849
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>140,043,235</b>	<b>145,965,849</b>
<b>TOTAL LIABILITIES</b>	<b>200,534,570</b>	<b>208,384,988</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	187,253,072	193,457,242
Restricted for:		
Nonexpendable		
Scholarships, fellowships and research	18,646,635	13,355,248
Expendable		
Scholarships, fellowships and research	16,657,132	16,928,914
Instructional department uses	6,378,391	5,846,563
Loans	1,245,996	1,225,592
Capital projects and debt service	5,976,879	6,631,008
Unrestricted	109,114,439	80,862,937
<b>TOTAL NET ASSETS</b>	<b>\$ 345,272,544</b>	<b>\$ 318,307,504</b>

See notes to financial statements.



**CENTRAL MICHIGAN UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b>YEAR ENDED JUNE 30</b>	
	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
<b>OPERATING REVENUES:</b>		
Tuition and fees, (net of scholarship allowances of \$14,633,488 in 2004 and \$13,324,041 in 2003)	\$ 120,886,193	\$ 112,013,948
Federal grants and contracts	19,095,960	16,667,454
State and local grants and contracts	2,342,362	2,294,230
Nongovernmental grants and contracts	2,571,107	2,640,644
Sales and services of educational activities	11,843,433	12,220,180
Auxiliary enterprises, (net of room & board allowances of \$3,454,878 in 2004 and \$3,435,759 in 2003)	51,255,491	43,877,284
<b>TOTAL OPERATING REVENUES</b>	<u>207,994,546</u>	<u>189,713,740</u>
<b>EXPENSES</b>		
<b>OPERATING EXPENSES:</b>		
Compensation:		
Faculty	66,190,581	63,549,018
Staff	58,398,388	59,635,422
Benefits	41,849,256	39,210,660
Student	10,103,848	9,723,252
Scholarships and fellowships	13,450,290	13,429,839
Utilities	6,576,579	7,052,771
Supplies and other	73,447,484	74,893,117
Depreciation	17,233,532	15,499,519
<b>TOTAL OPERATING EXPENSES</b>	<u>287,249,958</u>	<u>282,993,598</u>
<b>OPERATING LOSS</b>	(79,255,412)	(93,279,858)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	78,979,908	86,853,527
Gifts and pledges net of allowance	4,924,005	6,102,030
Investment income (net of investment expense)	12,719,430	6,605,688
Interest on capital assets related debt	(6,167,993)	(5,239,637)
Other nonoperating revenues	214,978	126,717
<b>NET NONOPERATING REVENUES</b>	<u>90,670,328</u>	<u>94,448,325</u>
<b>INCOME BEFORE OTHER REVENUES</b>	11,414,916	1,168,467
Capital appropriations	11,032,987	24,453,643
Capital grants and gifts	2,623,391	5,832,206
Additions to permanent endowments	1,893,746	1,002,115
<b>TOTAL OTHER REVENUES</b>	<u>15,550,124</u>	<u>31,287,964</u>
<b>INCREASE IN NET ASSETS</b>	26,965,040	32,456,431
<b>NET ASSETS</b>		
NET ASSETS AT BEGINNING OF YEAR	<u>318,307,504</u>	<u>285,851,073</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 345,272,544</u>	<u>\$ 318,307,504</u>

See notes to financial statements.

**CENTRAL MICHIGAN UNIVERSITY  
STATEMENTS OF CASH FLOWS-DIRECT METHOD**

	YEAR ENDED JUNE 30	
	2004	2003
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 123,356,457	\$ 112,782,308
Grants and contracts	23,266,904	21,448,650
Payments to suppliers	(80,834,748)	(70,502,648)
Payments for utilities	(6,576,579)	(7,052,771)
Payments to employees	(134,658,380)	(131,095,633)
Payments for benefits	(41,122,830)	(38,981,360)
Payments for scholarships and fellowships	(13,450,290)	(13,429,839)
Loans issued to students	(439,877)	(444,524)
Collection of loans to students	355,350	230,695
Auxiliary activities	50,152,217	44,062,926
Sales and services of educational activities	11,836,796	12,435,943
Other receipts (payments)	255,440	(2,441,690)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(67,859,540)</b>	<b>(72,987,943)</b>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	80,637,675	87,753,598
William D. Ford direct lending receipts	85,716,694	75,987,501
William D. Ford direct lending disbursements	(85,720,881)	(75,987,501)
PLUS loan receipts	7,398,362	5,013,405
PLUS loan disbursements	(7,394,175)	(5,013,405)
Other nonoperating revenue	214,978	126,717
Gifts for other than capital purposes	5,237,230	4,566,502
Gifts for endowment purposes	1,893,746	1,002,115
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>87,983,629</b>	<b>93,448,932</b>
<b>CASH FLOW FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from capital debt	326,397	42,568,776
Capital appropriations	13,377,663	21,962,726
Capital grants and gifts received	3,034,591	6,246,983
Reductions of capital assets	13,882,498	975,710
Purchases of capital assets	(30,924,181)	(71,308,917)
Principal paid on capital debt and leases	(2,392,500)	(44,900,000)
Interest paid on capital debt and leases	(6,167,993)	(5,239,637)
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<b>(8,863,525)</b>	<b>(49,694,359)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	177,072,223	129,378,311
Income on investments, net	12,719,430	6,605,688
Purchase of investments	(189,889,935)	(135,467,684)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(98,282)</b>	<b>516,315</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>11,162,282</b>	<b>(28,717,055)</b>
<b>CASH AND CASH EQUIVALENTS- BEGINNING OF THE YEAR</b>	<b>23,043,525</b>	<b>51,760,580</b>
<b>CASH AND CASH EQUIVALENTS- END OF THE YEAR</b>	<b>\$ 34,205,807</b>	<b>\$ 23,043,525</b>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (79,255,412)	\$ (93,279,858)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	17,233,532	15,499,519
Change in assets and liabilities:		
Receivables, net	580,982	(1,523,574)
Inventories	(481,441)	(129,988)
Other assets	(144,797)	173,327
Accounts payable, accrued liabilities and deposits	(5,842,394)	5,692,415
Deferred revenue	343,704	978,434
Retirement service award program	(261,872)	(256,008)
Compensated absences	52,684	71,618
Loans to students and employees	(84,526)	(213,828)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (67,859,540)</b>	<b>\$ (72,987,943)</b>

See notes to financial statements.

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# CENTRAL MICHIGAN UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2004**

### **NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared to incorporate all fund groups utilized internally by Central Michigan University. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The university follows the "business-type" activities requirements of GASB Statement No. 34. This Statement requires the following components of the university's financial statements:

- Management's Discussion and Analysis
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets and Statement of Cash Flows for the university as a whole
- Notes to the financial statements

This Statement also requires the university to report revenues net of discounts and allowances. Gift and grant revenues are recognized at the later of the date pledged or when the eligibility requirement of the gifts and grants are met. In addition, direct lending is not reported as federal revenue and scholarship expenditures but is instead treated as an agency transaction.

Reporting Entity: Central Michigan University is an institution of higher education and is considered to be a component unit of the State of Michigan because the Governor of the State of Michigan appoints its Board of Trustees. Accordingly, the university is included in the State's financial statements as a discrete component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, appropriations for Charter Schools, grants from various State agencies, State Building Authority (SBA) revenues and payments to the State retirement program for university employees.

Not reported in the financial statements are two affiliated organizations discussed further in Note M.

Basis of Accounting: The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting with the exception that certain investment income and interest on Federal Perkins student loans is recorded only when received.

In accordance with GASB Statement No. 20, 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 Principles Board (APB) 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 not to apply FASB pronouncements issued after November 30, 1989.

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# CENTRAL MICHIGAN UNIVERSITY

## NOTE A--SIGNIFICANT ACCOUNTING POLICIES—continued

Operating revenues of the university consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities and State appropriations are components of nonoperating income. Restricted and unrestricted resources are spent and tracked at the discretion of the department within the guidelines of donor restrictions.

Investments: Cash and cash equivalents and marketable securities are stated at fair value.

Physical Properties: Institutional physical properties are stated at cost when purchased and at appraised value for other acquisitions. Building additions and improvements with a cost in excess of \$10,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 with a useful life greater than 1 year is capitalized.

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>
Buildings	40 years
Infrastructure	20 years
Land Improvements	8 years
Equipment	8 years
Library Books	8 years
Vehicles	4 years

Inventories: Inventories are primarily stated at actual cost, using the first in first out method.

Revenue Recognition: Revenues are recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended.

## NOTE B--CASH AND CASH EQUIVALENTS AND OTHER LONG-TERM INVESTMENTS

The university uses the "pooled cash" method of accounting, and has retained independent investment managers to handle all of its cash and short-term investments.

The GASB's Statement No. 3 requires certain disclosures regarding policies and practices with respect to deposits, investments, and the custodial credit risk associated with them.

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## CENTRAL MICHIGAN UNIVERSITY

### NOTE B—CASH AND CASH EQUIVALENTS AND OTHER LONG TERM INVESTMENTS—continued

#### Deposits:

In accordance with the GASB's Statement No. 3, deposits are classified into three categories of custodial credit risk, as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the university's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the university's name.

Category 3: Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the university's name.)

The carrying amount of deposits, excluding those classified as investments, was \$(2,929,656) at June 30, 2004 and \$(7,901,409) at June 30, 2003. The deposits were reflected in the accounts of the banks at \$1,588,585 at June 30, 2004 and \$1,153,892 at June 30, 2003. Of the bank balance, \$309,343 at June 30, 2004 and \$306,052 at June 30, 2003, was covered by federal depository insurance or by collateral held by the university's agent in the university's name (GASB credit risk category #1). \$0 at June 30, 2004 and 2003 was covered by collateral held in the pledging bank's trust department in the university's name (GASB credit risk category #2). \$1,279,242 at June 30, 2004 and \$847,840 at June 30, 2003, was uninsured and uncollateralized (GASB credit risk category #3).

#### Investments:

In accordance with GASB's Statement No. 3, investments are classified into three categories of custodial credit risk, as follows:

Category 1: Insured or registered with securities held by the entity or by its agent in the university's name.

Category 2: Uninsured and unregistered with securities held by the counterparty's trust department or agent in the university's name.

Category 3: Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the university's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

# CENTRAL MICHIGAN UNIVERSITY

## NOTE B--CASH AND CASH EQUIVALENTS AND OTHER LONG TERM INVESTMENTS—continued

	June 30, 2004			
	<u>GASB Category 3</u>	<u>Not Categorized</u>	<u>Fair Value</u>	<u>Cost</u>
<u>Cash &amp; Cash Equivalents</u>				
Cash (Book Overdraft)	\$ (2,929,656)		\$ (2,929,656)	\$ (2,929,656)
Demand Obligations	37,135,463		37,135,463	37,135,463
Total Cash & Cash Equivalents	<u>\$ 34,205,807</u>		<u>\$ 34,205,807</u>	<u>\$ 34,205,807</u>
<u>Other Long -Term Investments</u>				
Government Securities	\$ 15,981,919		\$ 15,981,919	\$ 16,007,039
Corporate Bonds and Notes	34,518,112		34,518,112	33,508,036
Equities		\$ 20,495,580	20,495,580	19,329,754
Total Other Long-Term Investments	<u>\$ 50,500,031</u>	<u>\$ 20,495,580</u>	<u>\$ 70,995,611</u>	<u>\$ 68,844,829</u>
	June 30, 2003			
	<u>GASB Category 3</u>	<u>Not Categorized</u>	<u>Fair Value</u>	<u>Cost</u>
<u>Cash &amp; Cash Equivalents</u>				
Cash (Book Overdraft)	\$ (7,901,409)		\$ (7,901,409)	\$ (7,901,409)
Demand Obligations	30,944,934		30,944,934	30,944,934
Total Cash & Cash Equivalents	<u>\$ 23,043,525</u>		<u>\$ 23,043,525</u>	<u>\$ 23,043,525</u>
<u>Other Long -Term Investments</u>				
Government Securities	\$ 16,753,231		\$ 16,753,231	\$ 16,725,738
Corporate Bonds and Notes	36,041,341		36,041,341	33,607,945
Equities		\$ 15,456,521	15,456,521	17,452,562
Other	69,028		69,028	84,593
Total Other Long-Term Investments	<u>\$ 52,863,600</u>	<u>\$ 15,456,521</u>	<u>\$ 68,320,121</u>	<u>\$ 67,870,838</u>

The deposits classified as investments in the above table were reflected in the accounts of banks in the amounts equal to their carrying value and are categorized using the deposit risk category definitions.

# CENTRAL MICHIGAN UNIVERSITY

## NOTE B--CASH AND CASH EQUIVALENTS AND OTHER LONG TERM INVESTMENTS—continued

Investment policies for cash and cash equivalents, as set forth by the Board of Trustees, authorize the investment managers to invest in commercial paper of companies rated within the highest classification established by not less than two national rating services. Bank certificates of deposit and bankers' acceptances are to be rated within the top two rating classifications by any one national rating service. Foreign bank issues are capped at 10% of the total investment in this category. Investments may also be made in securities of the U.S. Treasury and Federal Agencies, common stock, convertible bonds, convertible preferred stock, time savings accounts and other fixed income securities deemed prudent by the investment managers. The weighted average credit quality is to be no less than A for the short-term investment pool accounts, A for the intermediate-term investment pool accounts and A for the long-term investment pool accounts. In addition, the minimum acceptable credit quality at the time of purchase for individual securities shall be A for the short-term investment pool accounts and BBB for the intermediate-term and long-term investment pool accounts.

## NOTE C--ENDOWMENT INVESTMENTS

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires certain investments to be recorded at fair value. Marketable securities are substantially all unregistered securities that are held by the university's master custodian, or by its agent or by a central depository, not in the university's name (GASB Category 3) and are summarized as follows:

	June 30, 2004		June 30, 2003	
	Fair Value	Cost	Fair Value	Cost
Endowment Investments:				
Endowment Investments Held in Trust by Others	\$ 3,492,506	\$ 3,329,790	\$ 2,534,973	\$ 2,530,739
Cash Equivalents	132,048	132,048	1,343,106	1,343,106
Mutual Funds	7,140,872	6,894,142	5,907,761	5,435,036
Equities	42,211,796	37,987,706	33,049,160	35,605,102
Endowment Investments Total	<u>\$ 52,977,222</u>	<u>\$ 48,343,686</u>	<u>\$ 42,835,000</u>	<u>\$ 44,913,983</u>

Policies regarding marketable securities in the Endowment Investments, as set forth by the Board of Trustees, authorize the investment manager to invest in high-grade equities, bonds or other marketable securities. The endowment income spending policy is 5.0% of the 20-quarter rolling average of the market value of the endowment pool. The annual spending income allocation cannot reduce original gift principal. The spending policy is reviewed periodically by the investment committee, which recommends changes to the Board of Trustees. The net appreciation on investments of donor-restricted endowments available for authorization for expenditure approximates \$15,916,000 (\$11,303,000 at June 30, 2003). The net appreciation is a component of restricted, expendable net assets. The yields of the Endowment Investments were as follows:

	2004 Yield	2003 Yield
Interest and Dividends	1.5 %	2.1 %
Net Realized and Unrealized Gains	18.8 %	0.4 %
Total Return	<u>20.3 %</u>	<u>2.5 %</u>

# CENTRAL MICHIGAN UNIVERSITY

## NOTE C--ENDOWMENT INVESTMENTS—continued

According to the law of the State of Michigan, the governing board may appropriate for expenditure for the uses and purposes for which an endowment is established so much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

## NOTE D--ACCOUNTS RECEIVABLE AND LOANS RECEIVABLE

Accounts receivable relate to several transactions including State appropriations, student tuition and fee billings and auxiliary enterprise sales, such as food service, bookstore and residence halls. In addition, receivables arise from grant awards, financial aid, and SBA revenues. The receivables are shown net of allowance for doubtful accounts.

	June 30	
	2004	2003
Tuition and fees	\$ 2,201,897	\$ 3,445,895
Auxiliary enterprises	1,515,021	1,106,244
Contracts and grants	3,580,659	2,986,226
Sales and services	103,314	136,649
Pledges	6,378,404	7,102,829
State Building Authority	202,290	2,546,966
Agency activities	1,879,104	474,479
Total	<u>15,860,689</u>	<u>17,799,288</u>
State appropriations-operations	13,806,488	15,464,255
State appropriations-charter schools	28,983,470	30,694,954
Loans receivable	7,252,309	7,244,220
Total Accounts Receivable	<u>\$ 65,902,956</u>	<u>\$ 71,202,717</u>

Accounts receivable and student loans are recorded net of allowance for uncollectible accounts of \$909,688 and \$186,000 at June 30, 2004 and \$740,288 and \$186,000 at June 30, 2003 respectively.

Based on Senate Bill 905, PA 273 of 1998, State appropriations are recorded principally on the accrual basis, when earned. As a result, the university recorded State appropriations receivable of \$13,806,488 at June 30, 2004 and \$15,464,255 at June 30, 2003. Charter schools appropriations receivable was recorded for \$28,983,470 at June 30, 2004 and \$30,694,954 at June 30, 2003.

During the fiscal year the university received \$172,942,000 (\$182,385,000 in fiscal year 2003) of State appropriations, which were forwarded to fifty-six charter schools.



# CENTRAL MICHIGAN UNIVERSITY

## NOTE E--CAPITAL ASSETS

	Beginning Balance July 1, 2003	Additions	Reductions	Ending Balance June 30, 2004
Land	\$ 9,545,053	\$ 376,867		\$ 9,921,920
Land Improvements	10,215,814	3,649,793		13,865,607
Infrastructure	7,643,265	3,252,438		10,895,703
Buildings	299,573,510	71,649,196		371,222,706
Furniture and equipment	61,454,466	7,143,950	\$ 4,196,627	64,401,789
Library materials	40,468,768	2,962,973		43,431,741
Capitalized collections	96,656	37,980	5,000	129,636
Intangible assets	305,612			305,612
Construction in progress	83,142,553	(58,149,016)	13,115,184	11,878,353
TOTAL	<u>512,445,697</u>	<u>30,924,181</u>	<u>17,316,811</u>	<u>526,053,067</u>
Less accumulated depreciation:				
Land Improvements	5,098,996	1,457,179		6,556,175
Infrastructure	1,735,569	445,681		2,181,250
Buildings	113,627,490	8,413,978		122,041,468
Furniture and equipment	45,497,899	4,318,628	3,434,313	46,382,214
Library materials	29,229,206	2,590,286		31,819,492
Intangible assets	71,728	7,780		79,508
TOTAL	<u>195,260,888</u>	<u>17,233,532</u>	<u>3,434,313</u>	<u>209,060,107</u>
CAPITAL ASSETS NET	<u>\$ 317,184,809</u>	<u>\$ 13,690,649</u>	<u>\$ 13,882,498</u>	<u>\$ 316,992,960</u>

Construction in progress primarily consists of the construction cost for the Digital TV project \$4.6 million and other projects including maintenance and remodeling approximating \$7.3 million.

The university entered into lease agreements with the SBA and the State of Michigan during prior fiscal years for the Park Library, Music Building, Dow Science II Building and the Health Professions Building. The projects were financed with SBA Revenue Bonds and State appropriations. The buildings are recorded as assets of the university.

The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan pursuant to the lease agreement between the SBA, the State of Michigan, and the university. During the lease term, the SBA will hold title to the facilities; the State of Michigan will make all annual lease payments to the SBA from operating appropriations; 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 the sum of one dollar.

Funds needed to complete construction projects are reflected internally in unexpended plant funds or will be provided by future State appropriations, gifts, grants, SBA monies or bond funds. Funds required to complete the projects in process approximate \$17,100,000 as of June 30, 2004 (\$35,800,000 as of June 30, 2003).

# CENTRAL MICHIGAN UNIVERSITY

## NOTE F--ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due at June 30, for goods and services received prior to the end of the fiscal year.

	June 30	
	2004	2003
Salaries and wages	\$ 6,632,621	\$ 6,448,389
Benefits	871,450	733,226
Supplies	7,578,899	12,661,161
Charter Schools	28,983,470	30,694,954
Total	<u>\$ 44,066,440</u>	<u>\$ 50,537,730</u>

## NOTE G--LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt and other obligations consist of the following as of June 30, 2004:

	Interest Rate	Fiscal Year Maturity	Beginning			Ending	Current Portion
			Balance July 1,2003	Additions	Reductions	Balance June 30,2004	
General Revenue Bonds, Series 1990:	7.30-7.35%	2012-2016	\$ 4,383,175	\$ 326,397		\$ 4,709,572	
General Revenue Bonds, Series 1997	4.75-4.90%	2005-2007	3,290,000		\$ 765,000	2,525,000	\$ 800,000
General Revenue Bonds, Series 1998:							
Series Bonds	4.10-4.85%	2005-2014	10,245,000		205,000	10,040,000	210,000
Term Bonds	4.80-5.00%	2015-2028	29,010,000			29,010,000	
General Revenue Bonds, Series 2002A	Various	2017-2033	22,000,000			22,000,000	
General Revenue Bonds, Series 2002B	Various	2005-2016	30,450,000			30,450,000	4,250,000
General Revenue Bonds, Series 2002A-Fixed Rate							
Series Bonds	2.00-2.75%	2007-2009	1,500,000			1,500,000	
Term Bonds	5.05%	2017-2033	20,900,000			20,900,000	
General Revenue Bonds, Series 2003A	2.375-5.00%	2005-2011	11,815,000		1,310,000	10,505,000	1,350,000
Other	Various	Various	112,500		112,500		
		Total	133,705,675	326,397	2,392,500	131,639,572	6,610,000
Compensated Absences			3,462,273	52,684		3,514,957	
Federal portion of Perkins Loan Program			6,980,404	357,057	433,494	6,903,967	
Retirement Service Award Program			4,321,093	318,062	579,934	4,059,221	
Other Liabilities				535,518		535,518	
Total long-term debt and other obligations			<u>\$ 148,469,445</u>	<u>\$ 1,589,718</u>	<u>\$ 3,405,928</u>	<u>\$ 146,653,235</u>	<u>\$ 6,610,000</u>

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## CENTRAL MICHIGAN UNIVERSITY

### NOTE G--LONG-TERM DEBT AND OTHER OBLIGATIONS—continued

On February 1, 2003, the university issued \$11,815,000 in General Revenue Bonds Series 2003A. Proceeds from this issuance were \$12,263,206 consisting of principal amount of the bonds (\$11,815,000), plus original issue premium of \$448,206. The proceeds from the sale of the bonds will refund the portion of the Board's General Revenue and Refunding Bonds, Series 1993 maturing on October 1 in the years 2003 to 2010, inclusive. \$12,095,894 was deposited with an escrow agent and was used for the bond redemption on March 14, 2003.

In March 2002, the university issued \$44,400,000 in General Revenue Bonds, Series A, Select Auction Variable Rate Securities (SAVRS). During the SAVRS rate period, interest on the SAVRS will accrue at the SAVRS rate for each auction rate period and is payable in arrears. These bonds will be used to fund new capital projects. On February 11, 2003 the university converted \$22,400,000 of the \$44,400,000 to fixed rate bonds.

Also in March 2002, as a means to fix the variable-rate bonds, and minimize long-term interest rate risk, the university entered into a rate swap in connection with \$22,000,000 of the \$44,400,000 issuance. This effectively changed the university's variable interest rate on the bonds to a synthetic fixed rate of 4.44%.

Under the swap, the university pays the counterparty a fixed payment of 4.44% and receives a variable payment of 67% of the London Interbank Offered Rate (LIBOR) (.92% at June 30, 2004). The bonds and the related swap agreement mature on October 1, 2032. No amounts were paid or received when the swap was initiated.

In October 2000, the university entered into a forward starting interest rate swap related to \$26,180,000 of the \$37,350,000 series 1992 General Revenue Bonds. The swap was entered into as a means to fix the variable-rate bonds, and minimize long-term interest rate risk. This effectively changed the university's variable interest rate on the bond to a synthetic fixed rate of 5.49%.

Under the swap, the university pays the counterparty a fixed payment of 5.49% and receives a variable payment of the lesser of the BMA Index or 65% of LIBOR (.89% at June 30, 2004). The bonds and the related swap agreement mature on October 1, 2015. The university received \$756,000 from the counterparty at the execution of the swap agreement.

On December 19, 2002 the university refinanced \$30,450,000 of the General Revenue and Refunding Bonds, Series 1992 (now 2002 Series B), maturing in the years 2003 thru 2015.

As of June 30, 2004 the swap agreements related to the 2002 Series A and Series B bonds were in a negative position of \$2,236,595 and \$3,515,000 respectively. As long as the variable rate portion of the swap being received by the university is less than the fixed rate being paid, the university will continue to be in a negative position on the swap. That is, the university will be paying more in interest expense than had it not entered into the swap agreements. However, the university believes that the variable rate it receives on the swap agreements will eventually exceed the 4.44% and 5.49% fixed rates the university pays and the swap will reduce its overall interest expense in the future.

The university is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations, whenever the swap has a positive fair value. As of June 30, 2004, the university was not exposed to credit risk because the swap agreements had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the university would be exposed to credit risk in the amount of the derivative's fair value. However, as of June 30, 2004, Standard & Poor's and Fitch Ratings both rated one of the counterparties to the swap agreements AAA.

# CENTRAL MICHIGAN UNIVERSITY

## NOTE G--LONG-TERM DEBT AND OTHER OBLIGATIONS—continued

The swaps expose 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 will change.

The swap agreements 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 swaps are terminated, the variable rate bonds would no longer carry a synthetic interest rate and the university may be required to pay an amount equal to the swaps fair value, if it is negative.

General Revenue Bond Series 1990 are capital appreciation bonds recorded in the preceding table at their accreted year-end book value. The table, which follows, summarizes capital appreciation bonds at June 30, 2004.

<u>Maturity Date</u>	<u>Accreted Value</u>	<u>Ultimate Maturity Value</u>
10-1-2011	\$ 1,086,747	\$ 1,820,000
10-1-2012	1,008,767	1,820,000
10-1-2013	934,848	1,820,000
10-1-2014	869,848	1,820,000
10-1-2015	809,362	1,820,000
Total	<u>\$ 4,709,572</u>	<u>\$ 9,100,000</u>

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest (using June 30, 2004 rates) amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2005	\$ 6,610,000	\$ 4,483,248	\$ 2,019,904	\$ 13,113,152
2006	4,055,000	4,357,726	1,916,516	10,329,242
2007	4,910,000	4,216,438	1,834,858	10,961,296
2008	5,160,000	4,066,015	1,745,205	10,971,220
2009	5,415,000	3,924,050	1,648,700	10,987,750
2010-2014	25,850,362	19,805,573	6,610,318	52,266,253
2015-2019	19,284,210	16,187,880	3,999,249	39,471,339
2020-2024	16,665,000	10,772,050	3,374,482	30,811,532
2025-2029	21,790,000	6,414,969	2,663,974	30,868,943
2030-2033	21,900,000	1,636,871	702,134	24,239,005
Total	<u>\$ 131,639,572</u>	<u>\$ 75,864,820</u>	<u>\$ 26,515,340</u>	<u>\$ 234,019,732</u>

# CENTRAL MICHIGAN UNIVERSITY

## NOTE G--LONG-TERM DEBT AND OTHER OBLIGATIONS—continued

In October 1998, the university issued \$40,000,000 in General Revenue Bonds with an average yield of 5.07%. A portion of the proceeds was used to refund and defease the portion of the Board's General Revenue Bonds, Series 1997 maturing on October 1, 2007 through October 1, 2027. The principal amount of the refunded bonds is \$32,610,000. The university purchased U.S. Treasury securities that were deposited in an irrevocable escrow fund with an escrow agent to provide for all future debt service payments on the refunded bonds. The bonds are considered to be defeased and the liability relating to those bonds has been removed from the financial statements. The remaining proceeds will be used to finance various capital projects. The outstanding balance for these defeased bonds as of June 30, 2004 and 2003 was \$32,610,000.

The Retirement Service Award program, Federal Perkins loans to students and compensated absences have been determined to be primarily long-term liabilities.

## NOTE H--RETIREMENT PLANS

The university has established retirement plans for all qualified employees. Full-time faculty and professional administrators have the option to participate in the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) and/or Fidelity Investment Tax Exempt Services Company. The university contributes 12% of each qualified employee's pay to these defined contribution plans. For new hires on or after January 1, 1996, the university contributes 10% for all salaried employees and 4-6% for hourly staff. University contributions begin immediately for all employees.

Hourly employees hired prior to January 1, 1996, and other eligible employees choosing this option participate in the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit plan through the State of Michigan. The university contribution rate was 6.47% of employees' pay at June 30, 2004 and 6.47% at June 30, 2003, which was actuarially determined by the plan's actuaries. Employees starting between January 1, 1990 and December 31, 1995 are required to contribute between 3.0% and 4.3% of their annual pay. The university is required to pay a monthly supplemental contribution for retiree health care benefits, which aggregated to \$4,406,312 during the 2003-2004 university fiscal year (\$4,799,799 during the 2002-2003 university fiscal year). Employees hired on or after January 1, 1996 cannot participate in MPERS unless they previously were enrolled in the plan at Central Michigan University, or one of the other six universities that are part of MPERS. MPERS issues an annual financial report that includes financial statements and required supplementary information. The report may be obtained at Michigan Public School Employees' Retirement System, P.O. Box 30673, Lansing, Michigan 48909-8103. Separate pension information related to the university's employees included in this plan is not available.

Contributions and covered payroll under all plans in fiscal year 2004 are summarized as follows:

	TIAA-CREF and Fidelity	MPERS	University Total
University Contributions	\$ 9,294,725	\$ 1,991,139	\$ 11,285,864
Required Employee Contributions		486,063	486,063
Covered payroll	88,730,549	25,206,520	113,937,069
Total Payroll			135,611,205

The university's contributions, which equaled required contributions, to MPERS totaled \$1,729,829 in fiscal 2003 and \$1,724,532 in fiscal 2002. Required employee contributions were \$525,793 in fiscal 2003 and \$515,195 in fiscal 2002.

# CENTRAL MICHIGAN UNIVERSITY

## NOTE H—RETIREMENT PLANS—continued

The university also sponsors the Retirement Service Award program covering certain employees hired before a specific date in 1976 and all maintenance and food service employees. The plan provides for distributions to qualifying employees at retirement based principally on length of service and salary at retirement. Assets and liabilities of \$4,059,221 for fiscal year 2003-2004 (\$4,321,093 for fiscal year 2002-2003) related to this program are included in the university statement of net assets. The assets are included with the university's cash and cash equivalents. The corresponding liabilities have been included with long-term debt and other long-term obligations in the statement of net assets. Annual covered payroll for participants of the plan (employees are also included in benefit plans noted above) was \$15,688,991 at June 30, 2000. The university annually contributes the actuarially determined amount to the plan which was \$54,760 for the year ended June 30, 2004.

### Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Overfunded	Funded Ratio	Covered Payroll	Ratio Of Overfunded To Covered Payroll
06/30/96	\$ 6,105,698	\$ 4,867,489	\$ 1,238,209	125.44%	\$ 23,480,491	-5.27%
06/30/98	5,890,439	5,751,008	139,431	102.42%	22,440,114	-0.62%
06/30/00	5,209,217	4,278,279	930,938	121.76%	15,688,991	-5.93%

### Schedule of Employer Contributions:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 54,760	100%	-
2003	54,760	100%	-
2004	54,760	100%	-

The information above has been taken from the actuarial valuation reports. The most recent report is for the fiscal year ended June 30, 2000 (7% discount rate) and included disclosure and recognition information under GASB No. 27.

## NOTE I—CONTINGENCIES AND COMMITMENTS

In the normal course of its activities, the university is a party in various legal and administrative actions. Although some actions have been brought for large amounts, the university has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, the university is of the opinion that the outcome thereof will not have a material effect on the financial statements.

# CENTRAL MICHIGAN UNIVERSITY

## NOTE J--PLEDGES

The university receives pledges of financial support from corporations, foundations and individuals. The change in pledges has been recorded as gifts and certain pledges are recorded at present value using a discount rate of 3%. The present value of pledges outstanding is \$6,378,000 at June 30, 2004 and \$7,103,000 at June 30, 2003.

## NOTE K--LEASE COMMITMENTS

The university has entered into various operating leases, primarily for College of Extended Learning facilities. The following is a schedule of the university's aggregate minimum rental commitment for operating leases of real and personal property for each of the succeeding five years ending June 30 and thereafter:

2005	\$	2,097,701
2006		1,772,621
2007		1,363,622
2008		1,077,148
2009		596,400
2010-2023		<u>415,134</u>
Total	\$	<u><u>7,322,626</u></u>

## NOTE L--LIABILITY AND PROPERTY INSURANCE

The university participates with other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC). This corporation's purpose is to provide insurance coverage for errors and omissions liability, comprehensive general liability, property loss, and automobile liability. The university has a retention amount from which it would pay losses related to errors and omissions, comprehensive general liability claims, and property claims. The second layer of coverage for losses exceeding the retention level is the responsibility of MUSIC. MUSIC has purchased excess insurance coverage for errors and omissions, comprehensive general liability, property claims, and automobile liability that exceed its level of responsibility. The payments made to MUSIC and premiums to excess carriers reflect the claims experience of each university.

## NOTE M--AFFILIATED ORGANIZATIONS

The Central Michigan University Research Corporation (CMURC) was formed as an independent 501(c) (3) nonprofit corporation on February 15, 2002. The corporation's sole member is Central Michigan University. The purpose for which the corporation was formed is to solicit, collect, receive and administer funds exclusively for the support of the scientific, literary and educational programs of the university as permitted to be carried on by an organization exempt from federal income taxation. The university has contributed \$700,000 and has a remaining commitment of \$400,000 in support of this endeavor. Fiscal year 2004 is the third year of the commitment. At June 30, 2004 and 2003, the net assets of CMURC were \$(2,708) and \$123,049, respectively.

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## CENTRAL MICHIGAN UNIVERSITY

### NOTE M--AFFILIATED ORGANIZATIONS—continued

The Charter Schools Development & Performance Institute, a Michigan nonprofit corporation was formed on November 29, 2001. The institute incorporated as a private tax-exempt corporation with the primary goal to facilitate the development and performance of Charter Schools in Michigan and throughout the nation, and to pursue multiple related objectives in support of Charter Schools. There are two classes of members of the corporation, Category A and Category B. The Category A members consist of persons who are the president or members of the Board of Trustees of Central Michigan University. Category B members of the corporation consist of individuals serving as members of the Board of Trustees of the corporation. The university transferred \$500,000 to the Charter Schools Development and Performance Institute for the years ended June 30, 2004 and 2003, respectively.

Although both entities meet the GASB 14 requirements as component units, the university has excluded the amounts from the financial statements due to immateriality. Should the operations of either of these entities become material, the university will discretely present the entity in the financial statements in the applicable year.