



RFP#880817- University Auditor Q&A

1. *When does the University plan on having the financial statements (including Executive Summary and Footnotes) drafted and ready for the Auditor to perform audit work?*

Answer: **Audit fieldwork typically begins the last week of August with a consolidating trial balance and supporting documentation available. The draft statements and footnotes are then typically provided the first week of September with fieldwork continuing into the third week of September.**

2. *Do you have a mandatory firm rotation of audit firm?*

Answer: **Every six years we are required to go through the RFP process, but we do not have mandatory firm rotation. If the incumbent firm is rehired, a change in lead partner is required.**

3. *Have there been any significant changes in personnel within the office of the senior vice president for finance, chief financial officer, and treasurer or the office of the controller at the University in the past year?*

Answer: **No significant changes noted.**

4. *Have there been any control deficiencies in internal control reported for the previous two years that were not material weaknesses or significant deficiencies and thus not included in the GAGAS Report?*

Answer: **No control deficiencies noted. The 2024 single audit had a lingering significant deficiency related to notifications to direct loan borrowers (SFA cluster) that was fully corrected in January 2024.**

5. *Have the IT general controls been effective in the past year? Were there any major IT University failures or issues noted during the current fiscal year or previous fiscal years? Have there been any IT breaches?*

Answer: **No major failures, issues, or IT breaches noted. In FY 2024, the auditors provided various best-practice recommendations related to IT administrator activity monitoring and user access reviews that were implemented in FY 2025.**

6. *Are there any planned changes to the current IT environment?*

Answer: **No significant changes noted.**

7. *Have there been any regulatory audits performed or initiated in the past year? If so, have any outcomes been communicated?*

Answer: **None aside from the annual financial statement audit, WKAR public media audit, and regular grantor audits.**

8. *What does the University like and what would the University want to change in regard to the current audit process?*

Answer: **The audit has been completed remotely since COVID with daily calls to answer questions, etc. which has been very convenient and is something we like. The wrap up of our single audit has drifted into February-March the last few years due in part to COVID and delays in publishing OMB's Compliance Supplement. Ideally, we'd like to improve the timeliness of that wrap up.**

9. *What are the biggest issues currently being faced by the University or financial affairs department?*

Answer: **The rising cost of healthcare and other inflationary cost pressures in an environment where revenue growth is limited. Erratic actions of the federal government is causing uncertainty, as well as questions around the future status of state appropriations.**

10. *Are there any specific accounting or auditing concerns?*

Answer: **None noted.**

11. *Have there been any known instances of fraud, illegal acts, or material instances of noncompliance during the current fiscal year or in the previous two fiscal years?*

Answer: **None noted.**



12. Are there any significant changes in state, local or federal funding for the current fiscal year? Any known changes to upcoming years?

Answer: **The federal government has made significant cuts to federal research and continues to push to reduce F&A rates that could have an impact on the University. State appropriations increased 2.1% over FY25; however, all of the increase is noted as a one-time increase and not part of the base. Future levels are uncertain.**

13. Have there been any issues with the current auditor?

Answer: **Performance of incumbent auditor not relevant to this RFP.**

14. What are you looking for in an auditor (relationship, technical guidance, etc.)?

Answer: **Technical expertise, strong collaborative relationship, and great customer service.**

15. What were the audit fees and hours in the prior year by service? How many hours were utilized of internal audit, if any, and what was the focus of procedures performed?

Answer: **Please see "Historical Audit Fees" table at the end of this document. Internal audit commits 500 hours of time which is typically used for single audit detail testing (SFA or R&D).**

16. How many audit adjustments have the auditors proposed in the past? How many adjustments have been booked and how many have been reported as uncorrected audit adjustments?

Answer: **None in the past few years. Management identifies passed adjustments related to GASB 84 (insignificant) and timing items (late construction invoices, late investment balances, etc. when applicable).**

17. Does the University prefer on-site presentations to the Audit Committee and/or Board of Regents or can they be accomplished remotely? The same with entrance and exit conferences?

Answer: **Post-COVID most of these presentations have been done remotely. If in-person is requested by the Board, we will need to accommodate that request.**

18. Has the incumbent firm been invited to bid on this RFP?

Answer: **This RFP has been posted publicly, any firm that meets the minimum requirements is invited to bid.**

19. How many NAV investments are held approximately as of June 30, 2025?

Answer: **Approximately \$4 billion.**

19. Is an audit of WKAR – Public TV and radio being performed for the year ending June 30, 2025?

Answer: **Yes for 2025 – In the current environment we are not expecting to need to perform an audit in FY 2026, but that is not a certainty.**

20. Since the June 30, 2025 is close to complete, any findings anticipated?

Answer: **No findings noted.**

21. Please provide a copy of the previous filed 990-T, CA Form 100, CT -990-T, IL-990-T, CT-13, F-1120, RCT-101 and Form 600-T

Answer: **These document(s) will not be provided as part of the RFP process. The information in the RFP materials should be sufficient for bidders to assess the scope and complexity of the project to prepare a competitive proposal.**

22. How many K-1s does the University receive?

Answer: **Around 370.**

23. How many K-1s report unrelated business income?

Answer: **Typically between 70-80.**

24. Do you have a threshold for reporting UBI in any states meaning is there a ubi income level that is too low for reporting?

Answer: **We evaluate state UBI reporting on a number of business factors.**

25. The timeline indicates that the review and signing of the Form 990-T occur in April. When will MSU begin providing information for federal and state tax returns? When does MSU expect state returns to be finalized?



Answer: **We file for extensions that are available due to timing of when alternative investment data is available, so our federal return is due May 15 and state varies but is around the same time. We will provide state UBI reporting data mid-April along with final federal returns.**

26. Please provide a copy of the FY24 (2023) tax returns, including attachments:

- **Form 990-T**
- **All foreign filings (e.g., Form 926, 8865)**
- **State tax returns**

Answer: **These document(s) will not be provided as part of the RFP process. The information in the RFP materials should be sufficient for bidders to assess the scope and complexity of the project to prepare a competitive proposal.**

27. Does MSU or the audit firm calculate estimated tax payments and extensions for Form 990-T and state returns?

Answer: **MSU calculates estimated federal tax payments and extension. For state UBI it is mixed, dependent on the mechanism for filing and paying (efile vs. paper, check vs. electronic payment). Audit firm is engaged to help on state UBI estimated payments/extension as needed.**

28. If MSU invests directly into foreign investment vehicles, describe the process for determining foreign filing obligations and indicate the number of foreign filings associated with such investments:

- **Form 8865**
- **Form 926**
- **Form 5471**
- **Other relevant forms**

Answer: **For those that provide a K-1/substitute K-1 we review the information provided including footnotes to determine necessary reporting. For those that do not provide a K-1/substitute K-1 we review contributions made to the direct foreign investment and ownerships percentage to determine if any reporting thresholds are met.**

29. Please note if there are any anticipated changes to foreign investments (increase/reduction in number or amount of investment).

Answer: **To our knowledge there is no planned changes to our investment strategy as it relates to foreign investments.**

30. Does MSU or the audit firm have responsibility for determining the annual state tax filing requirements?

Answer: **MSU is responsible for determining annual state tax filing requirements, though they may consult with the audit firm should questions come up.**

31. Describe the information provided to the audit firm for purposes of reviewing MSU's Form 990-T and preparing the state tax returns. For example, is underlying financial and K-1 data summarized or provided in full; is a trial balance provided for each silo?

Answer: **For state returns a summary is provided and any required withholding documents. For federal only information necessary for questions or consulting is provided.**

32. How many Schedules K-1 does MSU receive and how many report UBI? Do you anticipate this number to substantively change?

Answer: **Typically around 370 K-1s with 70-80 producing UBI. While we don't anticipate significant changes in volume, whether the investment produces UBI is not within our control.**

33. Describe your process when a Schedule K-1 does not disclose UBTI or reports federal UBTI but does not allocate or apportion to states.

Answer: **If there is no disclosure of federal UBI we will follow up with the investment manager for confirmation. We do not automatically follow up when there is fed UBI, but no state UBI allocation unless it was provided in a previous year.**

34. Does the audit firm present the tax returns to the audit committee or board?

Answer: **No, not at this time.**



35. Highlight successes of the tax process that you want to maintain. Describe challenges that you would like to address.

Answer: **MSU's tax team has a robust UBI process that utilizes documentation and planning. Challenges include non-uniform K-1 footnotes and getting a heads up or notification on new tax law changes.**

36. If MSU has been audited by the IRS or state tax authorities within the last three years, please summarize the issues and related outcomes.

Answer: **No audit in the last three years.**

37. Number of firms invited to submit a proposal? Number of firms selected for finalist interview?

Answer: **This RFP has been posted publicly, any firm that meets the minimum requirements is invited to bid. The number of firms selected for finalist interviews is dependent upon the number of proposals received.**

38. Why is the University going out to RFP? Are incumbent auditors permitted to bid?

Answer: **MSU Board of Trustee policy requires a RFP process every 6 years to ensure MSU is receiving competitive price, service and terms and conditions. This RFP has been posted publicly, any firm that meets the minimum requirements is invited to bid.**

39. What were total audit fees paid for FY 2024 and Fy 2025? Did the incumbent auditors have an additional billings above the initial contract amount?

Answer: **Please see "Historical Audit Fees" table at the end of this document.**

40. Were any management comments / reportable control deficiencies reported in 2024? If so, please provide a copy of the letter(s)?

Answer: **None noted related to the FS audit. The 2024 single audit had a lingering significant deficiency related to notifications to direct loan borrowers (SFA cluster) that was fully corrected in January 2024.**

41. Were there any adjusting or passed journal entries identified during the FY24 audit? If so, how many and what did they relate to?

Answer: **Yes, we typically have a passed adjustment due to GASB 84 which is insignificant (~\$5-6 million) and thus we do not present fiduciary statements. We also periodically have passed adjustments related to immaterial amounts reported after internal deadlines (construction & retainage payable, investment balances, etc.).**

42. Any significant audit issues / areas that have caused delays?

Answer: **None noted.**

43. Are the accounting, treasury and finance functions centralized or decentralized? If decentralized provide which campuses perform their own accounting, treasury and finance functions and whether the prior auditors performed audit procedures at the individual campuses?

Answer: **The primary accounting, treasury, and finance functions are performed centrally and the audit is performed at MSU's main campus.**

44. Does the University maintain documentation of its processes and controls over significant transaction cycles such as payroll, cash disbursements, tuition and auxiliary billings, etc.?

Answer **Yes using the templates provided by our incumbent audit firm.**

45. What third party service providers does the University use (insurance claims, etc.)?

Answer: **The University uses a wide array of third party service providers and has significant experience in this area. Some prominent examples: ADP assists with payroll, Aon/Willis Towers Watson assists with benefits consulting and GASB 75 valuations, Concur is utilized for travel, Transact is used for payment administration, Nelnet is used for student payments, and the University partners with Levy for Athletics concessions.**

46. Please describe any significant anticipated transactions that may occur in the near future (such as capital campaigns, implementation of new software, new buildings, new debt or current debt restructuring).



Answer: **MSU is in the midst of a \$4 billion capital campaign, has regular ongoing construction, and has historically issued debt every 1-3 years.**

47. What major programs are currently under audit for FY 2025?

Answer: **R&D Cluster, Smith-Lever Program, FFELP, Medicaid Cluster, and Temporary Assistance for Needy Families.**

48. Are there any significant funding changes anticipated for FY 2026?

Answer: **Continued cuts by the federal government could result in a significant change in FY 2026. MSU continues to monitor discussions around State appropriations.**

49. Have there been any monitoring reports received from oversight agencies?

Answer: **Due to the large grant portfolio, the University has 25-35 external audits annually, though not all produce reports. Some of these audits are overall monitoring (NSF for example) while some are project specific.**

50. Has an IT specialist been used in the past to audit IT general controls and systems? If so, when was the last time this was performed?

Answer: **Our incumbent auditors use a separate IT team to perform our audit of IT general controls annually. No other standalone audits noted.**

51. Is the University using software for tracking the leases and SBITAs? If yes, please provide the name of the software and if it is integrated with the general ledger.

Answer: **Yes, Planon, and it is not integrated with the general ledger.**

52. Do all subsidiary programs – i.e. payroll processing, fixed asset management programs, etc. – integrate with the general ledger?

Answer: **Yes, they all feed into Kual Financial System.**

53. How does the University track fixed assets?

Answer: **There is a module within Kual Financial System.**

54. Do you anticipate any major IT transitions or improvements in the next 3 years?

Answer: **Always making improvements but nothing significant noted related to financial reporting.**

55. What is the typical prelim and fieldwork duration? How many auditors are normally in the field and/or remote?

Answer: **Typically, prelim fieldwork is conducted during two weeks in May with 3-5 auditors. IT general control testing is completed during the same two weeks using 1-2 auditors, and year end fieldwork typically lasts 3-4 weeks in September. Additionally, fieldwork for Single Audit, NCAA, and WKAR work ranges over October-November annually.**

56. When will the draft financial statements and final adjusted trial balances be provided to the auditor?

Answer: **Final adjusted trial balances (pending consolidated amounts from blended component unit and late reported investments) provided the last week of August with draft MD&A and footnotes following in the first week of September.**

57. When does the University have both prelim and final SEFAs available for the auditors?

Answer: **Preliminary SEFA for planning purposes provided in May with the final SEFA available in early-to-mid September.**

58. Does the University anticipate having any new bond issues in the next 2 years?

Answer: **Yes, the University regularly issues new bonds (issuances in 2025, 2024, 2023, 2022, and 2020).**

59. What firm(s) audit the following related parties? When are those audit reports typically issued?

Answer

- a. **Michigan State Research Foundation (discretely blended component unit) Grant Thornton – First week of October.**
- b. **MSU Health Care, Inc (blended component unit) Plante Moran– mid-September.**
- c. **Lysander Series, LLC (blended component unit) Aesir Series (calendar year) is audited by Carr Riggs & Ingram and issued in May-June. Unaudited amounts from Lysander are used for fiscal year reporting.**

60. Please provide a copy of the most recent WKAR audit.



Answer: **Attached**

61. Please provide a copy of the most recent NCAA Agreed Upon Procedure Report.

Answer: **Attached**

62. Will the University need any assistance from the auditors for implementation of new GASB standards, specifically GASB 103, Financial Reporting Model Improvements, which is effective for FY 2026?

Answer: **We will work with the auditors to ensure our conclusions are reasonable and both parties are on the same page. MSU staff will drive the discussion and recommendations and present proposals prior to year-end so there are no surprises at year-end.**

63. What are the primary reasons for issuing this RFP?

Answer: **MSU Board of Trustee policy requires a RFP process every 6 years to ensure MSU is receiving competitive price, service and terms and conditions.**

64. How long have the current auditors been the auditors for the University and are they eligible to submit a proposal for this RFP?

Answer: Yes, This RFP has been posted publicly, any firm that meets the minimum requirements is invited to bid. **The current auditors have been the University's auditors since FY 2006.**

65. What were the audit fees for FY 2024 and 2025? Does this amount include any overrun billings? Was the audit fee reduced in 2024 and 2025 for internal audit hours provided?

Answer: **Please see "Historical Audit Fees" table at the end of this document. These fees are reflective of the reduced work due to internal audit's contribution.**

66. What were the most significant challenges faced during the FY 2025 audit?

Answer: **None noted.**

67. Please describe any audit adjustments, internal control findings and single audit findings that were the result of the 2024 audit and any anticipated in the 2025 audit.

Answer: **The 2024 single audit had a lingering significant deficiency related to notifications to direct loan borrowers (SFA cluster) that was fully corrected in January 2024. No anticipated findings in FY 2025.**

68. Are there any anticipated changes in the university's organizational structure, financial systems, or reporting entities that may impact the audit scope for 2026?

Answer: **No significant changes anticipated.**

69. Do you anticipate the level of federal and state funding for the University to be significantly different for FY 2026?

Answer: **The erratic actions of the federal government could continue to lead to research programs being cut in FY 2026.**

70. Do you anticipate any significant new programs, grants, or capital projects in the upcoming fiscal year that should be considered in audit planning?

Answer: **Nothing significant noted.**

71. Please describe the structure of MSU's internal control environment? Specifically, are key financial processes and internal controls (such as reconciliations, approvals, and monitoring) primarily centralized within a single department, or are they decentralized across various colleges, departments, and units? If decentralized, are there significant variations in processes or systems used across the university?

Answer: **Most key financial processes and internal controls are centralized. Departments do have their own accounting staff and approve transactions for their departments. These transactions route centrally when necessary and ultimately roll centrally where final reconciliations and financial reporting is handled. All ledger transactions are routed and approved within Quali Financial System through electronic routing.**

72. Are there any specific areas where MSU is seeking added value or recommendations from the audit firm?

Answer: **Always looking for best practices but no particular areas of concern noted.**

73. Do you typically have separate IT professionals perform IT general control review and other system testing?



Answer: **Our incumbent auditors typically use a separate IT team to perform the IT general controls review.**

74. Please provide copies of the following deliverables that are in-scope of this RFP

- **Most recent audit report for WKAR Public TV & Radio Station available Attached**
- **Most recent NCAA agreed-upon procedures report available Attached**
- **Most recent tax filings for the California form 100, CT-990-T, IL-990T, NY UBIT form CT-13, Florida tax return form F-1120, Pennsylvania Form RCT-101 and Georgia UBIT Form 600T These document(s) will not be provided as part of the RFP process. The information in the RFP materials should be sufficient for bidders to assess the scope and complexity of the project to prepare a competitive proposal.**

Answer – **See above**

75. Does MSU prepare and maintain ownership of the financial statements?

Answer: **Yes – Auditors insert opinion letter into financials prepared by MSU.**

76. How many internal audit hours were provided to Plante Moran in each of the past 3 years and were they all provided within the SFA and R&D cluster testing?

Answer: **500 hours per year and those programs are generally the focus of those hours. If extra hours are available, they will assist with other testing as directed.**

77. Has the current auditor done any control testing relative to the IT environment?

Answer: **Our incumbent auditors typically use a separate IT team to perform the IT general controls review annually.**

78. Did the current external auditor rely on internal audit for IT testing?

Answer: **Our incumbent auditors typically use a separate IT team to perform the IT general controls review annually.**

79. What prompted MSU to issue the RFP for audit services?

Answer: **MSU Board of Trustee policy requires a RFP process every 6 years to ensure MSU is receiving competitive price, service and terms and conditions.**

80. What would you consider to be the top three things you are looking for in a strategic partner?

Answer: **Technical mastery, collaborate relationship, and great customer service.**

81. What would prompt the University to make a change and switch to a new audit provider?

Answer: **Please see evaluation criteria.**

82. What are your most significant concerns regarding a change in your audit provider?

Answer: **Cost and effort to change to a new audit provider.**

83. What is your position on in person vs. hybrid vs. remote interactions with the audit provider over the course of the engagement? Is a team of “local” staff important to the selection committee?

Answer: **We have had a great experience with the audit being completed virtually with daily calls to discuss questions and would like for this to continue. A team of “local” staff is not an important consideration in this environment.**

84. Please discuss the approximate team structure/number of audit staff involved and how you prefer to interact with the audit team members. Do you have an estimate of the hours incurred on prior audits?

Answer: **Fieldwork for the financial statement audit usually consists of 3-4 staff, a senior, and a manager. Fieldwork has been virtual the last few years to great effect with daily calls to work through questions. Estimated hours for the various engagements is approximately: FS Audit – 1,300, Single Audit – 600, WKAR Public Media – 190, NCAA AUP – 145.**

85. What were the fees for these projects for the past three years? Please provide fees vs reimbursement of expenses, if possible, and indicate whether there are any out-of-scope services included in such fees.

Answer: **Please see “Historical Audit Fees” table at the end of this document. No separate billings for reimbursement of expenses and a few out of scope billings for unanticipated major programs, implementation of SAS 143 & 145, and additional procedures for HEERF funding.**

86. Please provide some insight into the areas of testing where there are challenges in executing the audits in accordance with the timeline required.



Answer: MSU has a large investment portfolio (including level 3 investments), where valuation testing can be challenging, and a lot of the investment managers do not report their final fiscal year values until late September. The University typically records investments in July using available balances, and updates those valuations where applicable in late September, if the change is significant.

87. Do you prepare and update annually process narratives covering key financial areas of the University as well as the Single Audit and are those made available to the external audit firm?

Answer: Yes, control and process narratives are provided to the auditors using templates provided by the incumbent firm.

88. Are you aware of any complex accounting or auditing challenges on recent audits or any expected for future audits that we should consider within scoping?

Answer: The implementation of new GASB standards always presents a challenge. The University presents the planned implementation conclusions in the months leading up to interim fieldwork to allow the auditors time to assess and ensure there are no surprises when testing begins. In recent years the University has also merged with a law college, separated out an operating unit, entered into new joint ventures, and brought on two blended component units. No imminent challenges noted aside from the implementation of GASB 103.

89. What is the status of and are there any concerns or challenges as they relate to the University's implementation efforts for new and forthcoming GASB pronouncements (GASB 103 and others)?

Answer: The University has representation on the NACUBO Accounting Principles Council and is very active in understanding new accounting standards. The University has reviewed GASB 103, has reached conclusions on most SRECNP line items, and is looking to the GASB for additional guidance on the remaining line items, primarily related to the definition of subsidies. The University will present their implementation plan and work with auditors in advance of fieldwork to make sure there are no surprises at year-end.

90. Are there any expected changes in the IT systems between expected in the near future?

Answer: The University is always working on improving IT infrastructure but no significant changes noted that will impact the audit.

91. Please provide information on third-party service providers utilized by University (i.e. payroll, investment custodians and advisor, federal student loan servicer, etc.)

Answer: The University uses a wide array of third party service providers and has significant experience in this area. Some prominent examples: ADP assists with payroll, Aon/Willis Towers Watson assists with benefits consulting and GASB 75 valuations, Concur is utilized for travel, Transact is used for payment administration, Nelnet is used for student payments, and the University partners with Levy for Athletics concessions.

92. Our understanding is that the issuance of this RFP is part of a routine procurement process. That said, how long have you been with your current provider? Are they allowed to propose?

Answer: This RFP has been posted publicly, any firm that meets the minimum requirements is invited to bid. The University has been with the current provider since 2006 and they are allowed to propose.

93. Timeline for services - can some of the compliance auditing related to the single audit take place during interim fieldwork?

Answer: Yes, this would be welcome.

94. When is trial balance and then the financial statements generally given to the auditor in the past?

Answer: The trial balance is typically provided the last week of August with the draft statements, MD&A and footnotes coming in the first week of September.

95. As it relates to the audits of MSU Health Care, Inc and Lysander: We did not see references to "Other Auditors" in the 2024 audit Independent Auditors' Report. Yet, page 10 of the RFP states that the blended component units are audited separately and not part of this RFP. Can you please clarify – do other auditors do the audit of these



component units? Please confirm you are not seeing information on our higher education medical center experience or pricing for these engagements, correct?

Answer: **Yes, separate auditors audit these component units, and we then consolidate their results into our financials. We are not seeking information on higher education medical center experience or pricing on those engagements.**

96. What is the timing for the component unit audits to be finalized. For the blended component units, how are they incorporated into the University's statements (excel spreadsheet/reporting writing software)?

Answer: **MSU Research Foundation (discrete) – First week of October, MSU Health Care, Inc (blended) – mid-September, and Lysander (blended) – Aesir series (calendar year) audit is issued in May-June and unaudited amounts from Lysander are used for fiscal year reporting. The blended component units are incorporated into a consolidated trial balance Excel workbook detailing their balances and related eliminations for transactions between MSU and the blended component units.**

97. Single audit requirements, should the price proposal be based on a set number of major programs with additional fees should the number of major programs exceed the set number?

Answer: **Yes please – The University typically has approximately four major programs.**

98. Can we please obtain copies of the most recent NCAA Agreed Upon Procedures report and WKAR audit reports?

Answer: **Attached**

99. Can we please obtain copies of all prior year tax filings included in the RFP?

Answer: **These document(s) will not be provided as part of the RFP process. The information in the RFP materials should be sufficient for bidders to assess the scope and complexity of the project to prepare a competitive proposal.**

100. What best practices in recent years are you looking for in your next services provider? What lessons learned over the years in the audit process is the University looking to avoid?

Answer: **The audit has been completed remotely since COVID with daily calls to answer questions, etc. which has been very convenient and is something we would like to continue. The wrap up of our single audit has drifted into February-March the last few years and we'd like to improve the timeliness of that wrap up.**

101. Request for revenues from the office that would service MSU - CLA assigns professionals with an industry first mind set, meaning the most qualified family members can come from multiple offices. Would it be acceptable to include the requested information in this table firm-wide and for our higher education practice?

Answer: **Yes that works**

102. In order to ensure our bid is competitive, can you disclose prior year fees by engagement type? We ask this as every client is different given the level of assistance needed in completing audit/tax work. As such, prior year fees (including any out-of-scope billings) by engagement type will assist us in estimating number of hours to complete the engagements.

Answer: **Please see "Historical Audit Fees" table at the end of this document.**

103. Approximately how many team members were involved with past audits annually and how many weeks (both interim and final) was fieldwork?

Answer: **Fieldwork for the financial statement audit usually consists of 3-4 staff, a senior, and a manager. Interim usually takes place over two weeks in May (with a week on the IT General Controls review from a separate IT team – Typically around two IT staff involved in that review), while year-end takes place over four weeks in late August/early September.**

104. Does the University engage a specialist to assist with the valuation of the derivatives, self-insurance liabilities or any other statement of net position account?

Answer: **Yes, we do use actuaries to assist in the valuation of self-insurance liabilities and GASB 75 OPEB valuations, and Hedgestar to assist in the valuation of derivatives.**

105. What is the impetus for seeking a proposal for these services at this time?



Answer: **MSU Board of Trustee policy requires a RFP process every 6 years to ensure MSU is receiving competitive price, service and terms and conditions.**

106. What are the key factors driving Michigan State University (MSU) decision in selecting an audit and tax firm?

Answer: **A mix of cost, auditor expertise, and level of customer service.**

107. How many firms will be participating in the RFP?

Answer: **This RFP has been posted publicly, any firm that meets the minimum requirements is invited to bid.**

108. Please provide copies of the most recently filed 990-T and state tax returns included within the RFP scope of services.

Answer: **These document(s) will not be provided as part of the RFP process. The information in the RFP materials should be sufficient for bidders to assess the scope and complexity of the project to prepare a competitive proposal.**

109. What is generating the state unrelated business income requiring state tax returns? Is it related to alternative investment activities in which there would be one activity? Or would any of the states have multiple state unrelated business income activities to comply with the siloing provisions under IRC 512(a)(6)?

Answer: **State UBI is generated by alternative investments.**

110. At this time, do you have any specific IRS Form 990-T consulting/advising questions you would like us to address within the RFP?

Answer: **No specific questions at this time.**

111. Do you currently leverage any technology in your tax compliance process?

Answer: **We utilize K1X CTRAC Platform and the K1 Analyzer Platform.**

112. What is your preferred timeline for approaching the tax engagement?

Answer: **Touching base the month before federal/state UBI extensions are due. December checking in for any consulting/questions that have come up during ongoing internal preparation. Touching base again in March/April as return is finalized and state UBI return info is due.**

113. Do you have a preference of on-site vs remote work? Are there certain items that can only be completed on-site?

Answer: **We prefer remote work but can make accommodations for on-site procedures from the auditors where needed.**

114. How much time did the prior auditors spend on-site?

Answer: **The audit has been fully remote since COVID.**

115. What was the prior year audit fee broken out by service?

Answer: **Please see "Historical Audit Fees" table at the end of this document.**

116. Has there been any delays with the component unit reports?

Answer: **Not to the extent it has caused a delay with issuing the report but the reports do occasionally come in after the requested target date.**

117. When is a preliminary trial balance and SEFA available?

Answer: **The preliminary trial balance is available the last week of August and a SEFA is available in early-to-mid September.**

118. How many adjustments normally occur after the preliminary trial balance and SEFA is provided?

Answer: **Adjustments are expected annually for the consolidation of MSU HCI (statements provided in mid-September) and for late reporting investment managers (final adjustment around the last week of September). There are occasionally unanticipated adjustments for actions after the internal cutoff dates... large construction invoices, lawsuits/settlements, etc.**

119. When are the draft financial statements provided?

Answer: **The initial draft statements, MD&A and footnotes are generally provided the first week of September.**

120. In previous years, when has the Internal Auditor's performed their work to assist with the audit process?

Answer: **The 500 hours of detail testing for either SFA or R&D typically begins in the summer months (July-August) with the goal to be complete before single audit fieldwork in mid-October.**



121. When do you prefer to receive all audit requests?

Answer: **We typically work with the incumbent firm to organize client requests 3-4 weeks before fieldwork (interim and year-end) and work to have everything ready before the start of fieldwork.**

122. Is the University open to completing the single audit at the same time as the financial statement audit?

Answer: **Yes**

123. When is the Schedule normally available for the NCAA procedures?

Answer: **Mid-October around the start of fieldwork.**

124. Please provide the fees and hours incurred by the incumbent for the prior 3 years, including any administrative or additional fees, for each of the items described in the Scope of Services.

Answer: **Please see "Historical Audit Fees" table at the end of this document.**

125. How many hours does Internal Audit provide for both the Financial Statement Audit and Single Audit? Does Internal Audit assist in NCAA AUP procedures and/or WKAR Audit?

Answer: **500 hours which is typically all applied to detail testing for the single audit but can be utilized elsewhere.**

126. Has internal audit had a peer review completed and can you provide a copy to proposers?

Answer: **Yes – The report is not available to share but they received a rating of "Generally Conforms".**

127. Are there any substantial changes expected in fiscal year 2026 for federal funding? How many major programs should the proposed Single Audit fees include? Which major programs are being audited in 2025 and are there any findings expected?

Answer: **The erratic behavior from the federal government makes it likely grants will continue to be cut. The University typically has four major programs. In 2025, major programs include the R&D Cluster, Smith-Lever Program, FFELP, Medicaid Cluster, and Temporary Assistance for Needy Families. At this time there are no findings expected.**

128. Were there any audit adjustments proposed by the auditors for the June 30, 2025 financial statements? If so, can you describe what the adjustments were and if they were corrected by management?

Answer: **There were no audit adjustments proposed by the auditors.**

129. Is MSU contemplating any transactions of the following nature in the upcoming year:

- a. New debt offerings or refinancings** **Yes, the University regularly issues new bonds.**
- b. Significant change in Investment Strategy** **No**
- c. Significant changes in the investments in joint ventures** **No**
- d. Other non-routine accounting matters** **None noted aside from the implementation of GASB 103.**

Answer: **See above**

130. The RFP notes exceptions should be limited to the Master Services Agreement. Is the University willing to make changes for matters that appear to conflict with the applicable professional standards?

Answer: **You may redline or add language to the agreement, but it should be kept at a minimum and will be subject to further review.**

131. We see the 2025 audit is expected to be completed by October 31, 2025. Have any adjustments or findings been identified during the audit to-date?

Answer: **No adjustments or findings have been identified to date.**

132. When are the separate audits of the Foundation (discretely) and MSU Healthcare, Inc. & Lysander Series LLC (blended) available to incorporate into the MSU financial statements?

Answer: **MSU Research Foundation – First week of October, MSU Healthcare Inc – mid-September, and Lysander – mid-July.**

133. What are the top three things you look for in your relationship with your audit and tax service firm?

Answer: **Technical expertise, collaborative relationship, and outstanding customer service.**

134. What is the most serious accounting, reporting or auditing issue the University has faced in the past 3 years?



Answer: **For the financial statement audit - No significant issues noted – The implementation of new GASB standards is always a challenge so the University strives to provide the implementation plan well in advance of fieldwork to avoid surprises. The University implemented a new student system in the last 5 years. As part of the implementation, certain Single Audit compliance findings were identified as part of the SFA Cluster as internal control processes within the new system were developed and stabilized. All corrective actions were implemented by January 2024.**

135. What role does the MSU Board of Trustees Committee on Audit, Risk and Compliance have in the audit and what role will they have in the bidding process, in addition to the interviews?

Answer: **The Committee on Audit, Risk, and Compliance have ultimate oversight over the process and receives presentations in both the planning phase and wrap up phase from the auditors. The Committee will conduct the final auditor interviews and approve the selection of the firm the University hires.**

136. Have there been any compliance issues/investigations by the OIG? Other regulatory/oversight entities?

137. Answer: No significant issues noted.

138. How does Information Systems play a role in where you are trying to go as an institution?

Answer: **The University is always trying to improve its IT infrastructure and stay on the cutting edge of technological offerings.**

139. Any disagreements with prior auditors?

Answer: **None.**

140. What were fees for fiscal 2025?

Answer: **Please see "Historical Audit Fees" table at the end of this document.**

141. Which firms have also submitted questions related to this RFP process?

Answer: **All questions will be compiled, answered, and distributed. Identifying which firm asked the question is not relevant.**

142. How many hours did the prior auditor spend on the audit? Have there been any problems meeting the timetable outlined in the RFP?

Answer: **Estimated hours for the various engagements is approximately: FS Audit – 1,300, Single Audit – 600, WKAR Public Media – 190, NCAA AUP – 145. There have not been problems meeting the timetable outlined in the RFP.**

143. When does MSU close its books for year end?

Answer: **The preliminary trial balance is typically available the last week of August.**

144. How many investment managers does MSU use? Are there any unusual investments in the University's investment pool that result in special valuation issues?

Answer: **The University uses a variety of investment managers and routinely updates the investment managers utilized. The University does have a large investment pool which includes level 3 investments that can lead to valuation challenges.**

145. Are the University's investment records available in electronic format (for market value testing)?

Answer: **Yes, and the auditors will be granted access to the investment software.**

146. Could the University please confirm whether the cover letter, executive summary, table of contents, respondent information sheet, and responses to the mandatory minimum requirements count towards the 30-page page limit? Additionally, is an appendix allowed, and, if so, will it count toward the page limit?

Answer: **These items do not apply to the page limit. An appendix is permitted and also does not count toward the page limit.**

147. Regarding the Respondent Information Sheet, Firm Profile, and pricing tables, are we allowed to put these into our own format, provided that all of the questions/line items are answered?

Answer: **This is allowable.**



Historical Audit Fees:

Component	2024-25	2023-24	2022-23
AFS	293,000	285,000	272,000
990-T Return Review and State Reporting	29,000	27,750	26,250
Single Audit (A133)	59,500	57,500	55,000
NCAA Agreed Upon Procedures	17,000	16,500	15,500
WKAR	18,000	17,500	16,500
		-	-
Total Recurring Fees	416,500	404,250	385,250
Non-recurring:			
Requested R&D Single Audit (not required in FY23)	-	-	15,000
Additional Procedures - SFA Findings	-	-	30,000
Additional major program - Broadband Infrastructure P	-	20,000	-
SAS 143 and SAS 145 Implementation	-	7,500	-
Total Non-recurring Fees	-	27,500	45,000
Total Engagement Fees	416,500	431,750	430,250

Michigan State University
National Collegiate Athletic Association

Agreed-upon Procedures Report

June 30, 2024

Michigan State University
National Collegiate Athletic Association

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Independent Accountant's Report on Applying Agreed-upon Procedures

To President Kevin M. Guskiewicz, Ph.D.
Michigan State University

We have performed the procedures enumerated below on Michigan State University's ("University") Intercollegiate Athletics Program Statement of Revenues and Expenses ("Statement") under the National Collegiate Athletic Association (NCAA) Bylaw 20.2.4.17 for the year ended June 30, 2024. The University's management is responsible for the University's Intercollegiate Athletics Program Statement of Revenues and Expenses under NCAA Bylaw 20.2.4.17.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of performing testing on certain intercollegiate athletics activity. Additionally, the required agreed-upon procedures are prescribed by the NCAA annually through published instructions, which is deemed as acknowledgment that the procedures performed are appropriate for its purposes. The procedures below are specified in the NCAA's 2024 Agreed-Upon Procedures instructions. No other parties have agreed to and acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report; as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the sufficiency of these procedures, either for the purpose intended or for any other purpose.

An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. As agreed to by the University, for the purpose of performing these procedures, exceptions are reported in accordance with the NCAA's 2024 Agreed-Upon Procedures instructions.

Agreed-upon Procedures Related to the Intercollegiate Athletics Program Statement of Revenues and Expenses

The procedures that we performed and our results are as follows:

Internal Control Structure

A. Related to the University's internal control structure:

- 1) We discussed with the University's Manager of Financial Reporting to identify areas of significant interest and specific agreed-upon procedures related to both internal controls and other specified areas. The discussion identified areas of significant interest and other agreed-upon procedures as management has specifically directed us to perform procedures for NCAA distributions revenue; program sales, concessions, novelty sales, and parking revenue; severance payments expense; and equipment, uniform, and supplies expense, even if below 4 percent of total revenues or expenses. The discussion concluded on the number of samples for each step included in this report.

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- 2) We met with the University's Executive Senior Associate AD – Chief Business Officer of Intercollegiate Athletics and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment. The discussion did not identify any areas of significant interest or any other agreed-upon procedures.
- 3) We audited the financial statements of the University for the year ended June 30, 2024. No internal control structure issues were noted.
- 4) We obtained documentation of the accounting systems and procedures unique to the Intercollegiate Athletics Department related to cash receipts.
- 5) Cash disbursements and athletic employee payroll are addressed in connection with the audit of the University's financial statements. The following control environment and accounting systems related to the Athletic Department cash receipts are (a) unique to intercollegiate athletics and (b) have not been addressed in connection with the audit of the University's financial statements. We performed the following procedures:
 - i. We selected five athletic department cash receipts and agreed the following to those receipts:
 1. Remittance advices or copies of checks
 2. Deposits support

Result: We noted no exceptions. We noted all deposits were properly recorded and approved electronically. The cash receipt amounts for the five transactions were as follows:

Event Date	Sporting Event	Ticket Sales Amount	Deposit Amount	Deposit Date
10/21/2023	Men's Football vs. Michigan	\$ 3,740	\$ 985,923	10/23/2023
10/27/2023	Women's Volleyball vs. Wisconsin	430	607,222	10/30/2023
12/9/2023	Men's Hockey vs. Notre Dame	885	384,193	12/11/2023
2/24/2024	Women's Basketball vs. Rutgers	891	779,246	2/26/2024
2/25/2024	Men's Basketball vs. Ohio State	1,200	779,246	2/26/2024

NCAA Reporting

- B. **Procedure:** We obtained the Financial Report Submission to the NCAA, including the financial data detailing operating revenues, expenses, and capital related to the University's Intercollegiate Athletics Program that was submitted to the NCAA, and agreed the amounts to the Statement included in the agreed-upon procedures for the reporting period.

Result: We noted no discrepancies.

- C. **Procedure for Grants-in-Aid:** We agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from Compliance Assistant (CA) or equivalent supporting equivalency calculations from the University. The NCAA Membership Financial Reporting System populates the sports from the NCAA Sports Sponsorship and Demographics Form as they are reported by the University between April and June. We compared current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the

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Membership Financial Report submission. We inquired and documented an explanation for any variance greater than +/- four percent in the results.

Result: We noted no discrepancies. The following summarizes variances greater than +/- four percent:

Grants-in-Aid	2023-2024	2022-2023	Change	% Change	Explanation of Variance
	Total	Total			
Men's Basketball	12.59	12.00	0.59	5%	In FY 2023, the basketball program awarded 12 out of the 13 available scholarships. In FY 2024, they awarded all 13 scholarships, however the overall equivalency decreased to 12.59 due to less-than-full-time enrollment and other countable aid which requires a reduction in athletic aid for applicable athletes to prevent them from exceeding their cost of attendance.
Football	80.94	85.00	(4.06)	(5%)	In both FY 2023 and FY 2024, the program was at 85 equivalencies. The overall equivalency decreased to 80.94 due to less-than-full-time enrollment and other countable aid which requires a reduction in athletic aid for applicable athletes to prevent them from exceeding their cost of attendance.
Women's Basketball	12.79	15.00	(2.21)	(15%)	The women's basketball program awarded 13 out of the 15 available scholarships during the 2023-2024 school year. The total equivalency of 12.79 factors in less-than-full-time enrollment for applicable athletes.

- D. **Procedure for Sports Sponsorship:** We obtained the University's Sports Sponsorship and Demographics Form for the reporting year as of June. We validated that the countable sports reported by the University meet the minimum requirements set forth in Bylaw 20.10.6.3 related to the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement. We compared current year number of sports sponsored to prior year reported total per the Membership Financial Report submission. We inquired and documented an explanation for any variance in the results.

Result: We noted no discrepancies. We noted the number of sports sponsored in current and prior year was 23.

- E. **Procedure for Pell Grants:** We agreed the total number of Division I student-athletes who, during the academic year, received a Pell Grant award (e.g., Pell Grant recipients on full athletic aid, Pell Grant recipients on partial athletic aid, and Pell Grant recipients with no athletic aid) and the total dollar amount of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's financial aid records, of all student-athlete Pell Grants. We compared current year Pell Grants total to prior year reported total per the Membership Financial Report submission. We inquired and documented an explanation for any variance greater than +/- 20 grants in the results.

Result: We noted no exceptions. We noted the total Pell Grants in current and prior year were 104 and 94, respectively. No additional inquiry was necessary.

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Notes, Disclosures, and Other Procedures

- F. **Athletics-Related Capital Assets and Expenditures Procedure:** We obtained and described the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets, as described in Note 2. We obtained a schedule of athletics-related capital expenditures made by athletics, the University, and affiliated organizations during the period. We agreed the schedule to the University's general ledger. We selected a sample of five additions to validate existence of the transactions and accuracy of recording and recalculated totals.

Result: We noted no exceptions.

We obtained the contracts and invoices for the athletic additions tested below:

Description	Amount
LED Hallway for Breslin Center	\$ 145,412
Opengate Weapons Detection System	18,120
Spartan Stadium Facility	675,340
2023 Mercedes Benz	143,694
Breslin - Update Center Hung and Sound Systems	1,993,291

- G. **Athletics-Related and Total Institutional Debt Procedure:** We obtained repayment schedules for all outstanding intercollegiate athletics-related debt maintained by the University during the reporting period. We recalculated annual maturities (consisting of principal and interest) provided in the schedules obtained and agreed the total annual maturities to supporting documentation and the University's general ledger, as applicable. The repayment schedule are disclosed in Note 4. We agreed the total outstanding athletics-related debt and total University debt to supporting documentation and the University's audited financial statements, if available, or the University's general ledger.

Result: We noted no exceptions.

- H. **Excess Transfers to University Procedure:** We obtained the general ledger detail and compared the total expenses reported for excess transfers to the University. We were required to select a sample of five transactions to validate existence of the transactions and accuracy of recording and recalculated totals. However, we noted that there was only one transaction from which to choose our sample. This is noted below:

Result: We noted no exceptions. We tested the general ledger transfer documentation of the following transaction:

Description	Amount
BTN Funding to UR - 2023-24	\$ 100,000

- I. **Conference Realignment Expenses Procedure:** We were requested to obtain the general ledger detail and compared the total expenses reported for conference realignment expenses. We were required to select a sample of five transactions to validate existence of the transactions and accuracy of recording and recalculated totals. However, we noted that there were no transactions from which to choose our sample.

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Result: We noted no transactions related to conference realignment expenses.

J. **Procedure:** Changes in loan, endowment, or plant funds related to intercollegiate athletics shall not be included in the Statement.

- 1) We were requested to obtain and disclose significant additions to restricted funds related to intercollegiate athletics, as well as significant changes to endowment and plant funds. Significant is defined as exceeding 10 percent of total contributions.
- 2) We obtained and disclosed the value of endowments at the fiscal year-end that are dedicated to the sole support of athletics. We agreed the fair market value of the schedule to supporting documentation, the general ledger and the audited financial statements, if available. We agreed the total fair market value of athletics-dedicated endowments and University endowments to supporting documentation and the University's general ledger.
- 3) We obtained and disclosed the value of all pledges at the fiscal year-end that support athletics.
- 4) We obtained and disclosed the Athletics Department fiscal year-end fund balance.

Result: We received a report of all changes in endowments and plant funds, noting no additions or changes exceeding 10 percent of total contributions. Balances of endowments, pledges, and fund balance related to athletics are disclosed in Note 3.

Intercollegiate Athletics Program Statement of Revenues and Expenses

K. **Procedure:** We obtained the Intercollegiate Athletics Program Statement of Revenues and Expenses for the reporting period, prepared by management, and agreed all amounts back to the University's general ledger.

Result: We noted no exceptions.

L. **Procedure:** We agreed each revenue and expense amount from the Statement to prior year amounts. We were asked to compare to budget estimates as well, however, the Intercollegiate Athletics Program's budget information is not maintained at the same level of detail as the Statement of Revenues and Expenses; therefore, we were not able to compare. We compared each revenue and expense account over 10 percent of total revenues and expenses, respectively, to prior period amounts. We obtained and documented any variations exceeding 10 percent of prior year revenues or expenses.

Result: We noted no variances exceeding 10 percent of total revenues and expenses.

M. **Procedure:** We performed additional procedures on the following revenue and expense categories unless the specific reporting category is less than four percent of total revenues or expenses or was requested by management to be reviewed.

Result: See procedures below.

Revenues

N. **Procedure:** We agreed each revenue category reported in the Statement during the reporting period to supporting schedules provided by the University. Management directed us to

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perform procedures for NCAA distributions revenue, and program sales, concessions, novelty sales, and parking revenue, even if less than four percent of total revenues.

Result: The supporting schedules provided by the University agreed to the Statement without exception.

- 1) **Ticket Sales Procedure:** We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the Statement and related attendance figures and recalculated totals.

Result: We noted no exceptions.

- 2) **Student Fees Procedure:** The University received no student fees for the purpose of intercollegiate athletics; therefore, no additional procedures were performed.
- 3) **Direct State or Other Governmental Support Procedure:** The University received no direct state or other governmental support for the purpose of intercollegiate athletics; therefore, no additional procedures were performed.
- 4) **Direct Institutional Support Procedure:** Direct institutional support was less than four percent of total revenue; therefore, no additional procedures were performed.
- 5) **Less - Transfers to University Procedure:** Transfers back to the University were less than four percent of total revenue; therefore, no additional procedures were performed.
- 6) **Indirect Institutional Support Procedure:** Indirect institutional support was less than four percent of total revenue; therefore, no additional procedures were performed.
- 7) **Guarantees Procedure:** Guarantee revenue was less than four percent of total revenue; therefore, no additional procedures were performed.
- 8) **Contributions Procedure:** We obtained supporting documentation for each contribution of moneys, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods. We disclosed the source and dollar value of these contributions in the report.

Result: We noted no exceptions. We obtained a detailed listing of contributions by donor during the reporting period and agreed it to the University's general ledger. See Note 1 for contributions over 10 percent.

- 9) **In-Kind Procedure:** In-kind was less than four percent of total revenue; therefore, no additional procedures were performed.
- 10) **Compensation and Benefits Provided by a Third Party Procedure:** Compensation and benefits provided by a third party were less than four percent of total revenue; therefore, no additional procedures were performed.
- 11) **Media Rights Procedure:** We obtained and inspected the one agreement related to the University's participation in revenues from broadcast, television, radio, and internet rights.

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We selected a sample of five receipts and agreed the media right revenues recorded to a summary statement of all media rights identified. We agreed related revenues to the University's general ledger and the Statement and recalculated totals.

Result: We noted no exceptions. The selected media rights are summarized below:

<u>Payment Description</u>	<u>Payment Amount</u>
Big Ten TV Rights Fee - Sept 2023	\$ 16,839,395
Big Ten TV Rights Fee - Dec 2023	15,942,751
Big Ten TV Rights Fee - Jan 2024	7,532,918
Big Ten TV Rights Fee - Apr 2024	4,407,240
Big Ten TV Rights Fee - June 2024	2,654,976

- 12) **NCAA Distributions Procedure:** We agreed the amounts recorded in the revenue and expense categories reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculated totals.

Result: We noted no exceptions.

- 13) **Conference Distributions and Conference Distributions of Football Bowl Generated Revenue Procedure:** We obtained and inspected the one agreement related to the University's conference distributions and participation in revenues from tournaments during the reporting period for the relevant terms and conditions. We compared the related revenues to the University's general ledger and the Statement and recalculated totals.

Result: We obtained and inspected the agreement and agreed amounts received to the University general ledger and Statement without exceptions. The agreement we reviewed is summarized below:

<u>Agreement</u>	<u>Amount</u>
Bowl Participation	\$ 7,869,398

- 14) **Program Sales, Concessions, Novelty Sales and Parking Procedure:** We agreed related revenues to the University's general ledger detail of program sales, concessions, novelty sales and parking as well as other corroborative supporting documents and recalculated totals.

Result: We noted no exceptions.

- 15) **Royalties, Licensing, Advertisements and Sponsorships Procedure:** We obtained and inspected all agreements related to the University's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period for the relevant terms and conditions. We agreed the related revenues to the University's general ledger and the Statement. We also recalculated totals.

Result: We obtained and inspected the agreements and agreed amounts received to the University general ledger and Statement without exceptions. The agreements we reviewed are summarized below:

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<u>Agreement</u>	<u>Amount</u>
1	\$ 3,584,320
2	56,000
3	3,410
4	215,000
5	50,000
6	2,965,803
7	8,786,045
8	283,071

- 16) **Sports Camp Revenues Procedure:** Sports camp revenue was less than four percent of total revenue; therefore, no additional procedures were performed.
- 17) **Athletics Restricted Endowment and Investment Income Procedure:** Athletics restricted endowment and investment income was less than four percent of total revenue; therefore, no additional procedures were performed.
- 18) **Football Bowl Revenues Procedure:** There were no football bowl revenues during the year; therefore, no additional procedures were performed.
- 19) **Other Revenues Procedure:** Other revenue was less than four percent of total revenue; therefore, no additional procedures were performed.

Expenses

- O. **Procedure:** We agreed each expense category reported in the Statement during the reporting period to supporting schedules provided by the University. Management specifically directed us to perform procedures for severance payments expense, and equipment, uniform, and supplies expense, even if below four percent of total expenses.

Result: The supporting schedules provided by the University agreed to the Statement without exception.

We performed the following procedures for the indicated expense category:

- 1) **Athletic Student Aid Procedures:** We selected a sample of 60 students from the listing of University student aid recipients during the reporting period (the University does not use NCAA's Compliance Assistant (CA) software; therefore, the sample is 20 percent of total student-athletes, with a maximum sample size of 60).
- a. We obtained individual student-athlete account detail for each selection and reconciled total athletic aid in the University's student system to the University report that ties directly to the NCAA Membership Financial Reporting System.
 - b. We performed a check of each student selected to ensure that their information was reported accurately when entered directly into the NCAA Membership Financial Reporting System using the following criteria:
 - i. The equivalency value for each student-athlete in all sports, including head-count sports, needs to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the

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Calculation of Revenue Distribution Equivalencies Report (CRDE) as the numerator and the full grant amount which is the total cost for tuition, fees, books, room and board for an academic year as the denominator.

- ii. Grants-in-aid is calculated by using the revenue distribution equivalencies by sport and in aggregate (athletic grant amount divided by the full grant amount).
 - iii. Other expenses related to attendance (also known as cost of attendance) should not be included in grants-in-aid revenue distribution equivalencies. Only tuition, fees, living expense, and course-related books are countable for grants-in-aid revenue distribution per Bylaw 20.02.10. For compliance purposes, equivalencies may include other expenses related to attendance per Bylaw 15.02.2; however, these expenses are not allowed to be included for revenue distribution equivalencies.
 - iv. Full grant amount should be entered as a full year of tuition, not a semester or quarter.
 - v. Student-athletes are to be counted once, regardless of multiple sport participation, and should not receive a revenue distribution equivalency greater than 1.00.
 - vi. Athletics grants are valid for revenue distribution purposes only in sports in which the NCAA conducts championships competition, emerging sports for women, and bowl subdivision football.
 - vii. Grants-in-aid are valid for revenue distribution purposes in NCAA sports that do not meet the minimum contests and participants' requirements of Bylaw 20.10.6.3.
 - viii. University providing grants to student-athletes listed on the CRDE as "Exhausted Eligibility (fifth-year)" or "Medical" receive credit in the grants-in-aid component.
 - ix. The athletics aid equivalency cannot exceed maximum equivalency limits. However, the total revenue distribution equivalency can exceed maximum equivalency limits due to exhausted eligibility and medical equivalencies (reference Bylaw 15.5.3.1).
 - x. If a sport is discontinued and the athletic aid is still being awarded/honored by the University, the athletic aid is countable for revenue distribution purposes.
 - xi. All equivalency calculations should be rounded to two decimal places.
 - xii. If a selected student received a Pell Grant, ensure that the value of the grant is not included in the calculation of equivalencies or the total dollar amount of student athletic aid expense for the University.
 - xiii. If a selected student received a Pell Grant, ensure that the student's grant was included in the total number and total value of Pell Grants reported for revenue distribution purposes in the NCAA Membership Financial Reporting System.
- c. We recalculated totals for each sport and overall.

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Result: We noted no exceptions. The student accounts tested are summarized below:

Student Tested	Amount Disbursed	Student Tested	Amount Disbursed	Student Tested	Amount Disbursed
1	\$ 57,549	21	\$ 26,705	41	\$ 30,846
2	8,345	22	26,705	42	32,696
3	20,029	23	35,749	43	59,365
4	16,691	24	43,184	44	57,463
5	21,826	25	25,024	45	63,227
6	46,666	26	47,270	46	61,691
7	58,027	27	27,017	47	37,816
8	17,875	28	46,268	48	50,582
9	22,420	29	20,856	49	13,446
10	28,450	30	33,237	50	26,357
11	35,749	31	11,683	51	13,389
12	30,846	32	47,270	52	46,268
13	63,027	33	15,614	53	29,208
14	54,691	34	67,151	54	12,512
15	36,844	35	33,381	55	26,070
16	63,027	36	62,143	56	33,319
17	61,691	37	68,673	57	46,268
18	30,846	38	43,184	58	67,151
19	29,014	39	55,608	59	33,771
20	62,359	40	12,605	60	63,227

- 2) **Guarantees Procedure:** We obtained and inspected all home-game settlement reports received by the University during the reporting period and agreed related expenses to the University's general ledger and the Statement. For a sample of five guarantees, we obtained and inspected all contractual agreements pertaining to expenses recorded by the University from contests during the reporting period. We agreed related amounts expensed by the University during the reporting period to the University's general ledger and the Statement. We also recalculated totals.

Result: We noted no exceptions. The five sampled home-game settlement reports and the related payments/check copies/wire transfers made are summarized below:

Date	Sport	Opponent	Guarantee Payment
11/17/2023	Women's Basketball	Oakland University	\$ 25,000
1/9/2024	Men's Basketball	Stony Brook University	100,000
1/30/2024	Men's Football	University of Richmond	650,000
3/20/2024	Men's Football	Central Michigan University	1,750,000
4/10/2024	Men's Baseball	Niagara University	11,000

To President Kevin M. Guskiewicz, Ph.D.
Michigan State University

- 3) **Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities Procedure:** We obtained and inspected a listing of coaches employed by the University during the reporting period. We selected a sample of five coaches' contracts that includes football, softball, volleyball, and men's and women's basketball from the above listing. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University in the Statement during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related coaching salaries, benefits, and bonuses paid by the University expense recorded by the University in the Statement during the reporting period and recalculated totals. We agreed the totals recorded to any employment contracts executed for the sample selected. There were no coaching salaries paid by related entities.

Result: We selected five coaches' contracts that included football, softball, volleyball, and men's and women's basketball. We noted no exceptions.

- 4) **Coaching Salaries, Benefits, and Bonuses Paid by a Third Party Procedure:** Coaching other compensation and benefits paid by a third party were less than four percent of total expenses; therefore, no additional procedures were performed.
- 5) **Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the University and Related Entities Procedure:** We selected a sample of five support staff/administrative personnel employed by the University during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related support staff/administrative salaries, benefits and bonuses paid by the University expense recorded by the University in the Statement during the reporting period. We also recalculated totals. There were no support staff/administrative salaries paid by related entities.

Result: We selected Director I, Assistant Coach, Information Technologist II, Graphic Artist III, and Accountant I. We noted no exceptions.

- 6) **Support Staff/Administrative Compensation, Benefits, and Bonuses Paid by a Third Party Procedure:** The University had no support staff/administrative other compensation and benefits paid by a third party; therefore, no additional procedures were performed.
- 7) **Severance Payments Procedure:** We selected one employee receiving severance payments by the University during the reporting period and agreed each severance payment to the related termination letter and recalculated totals.

Result: We selected the Interim Football Head Coach. We noted no exceptions.

- 8) **Recruiting Procedure:** Recruiting expense was less than four percent of total expenses; therefore, no additional procedures were performed.
- 9) **Team Travel Procedure:** We obtained documentation of the University's team travel policies and agreed to NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

Result: We noted no exceptions.

To President Kevin M. Guskiewicz, Ph.D.
Michigan State University

- 10) **Sports Equipment, Uniforms and Supplies Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We selected a sample of one transaction and agreed to supporting documentation. We also recalculated totals.

Result: We noted no exceptions. The transaction and related invoice selected dated November 9, 2023 was for football uniforms in the amount of \$329,149.55.

- 11) **Game Expenses Procedure:** Game expenses were less than four percent of total expenses; therefore, no additional procedures were performed.

- 12) **Fund Raising, Marketing, and Promotion Procedure:** Fund raising, marketing, and promotional expenses were less than four percent of total expenses; therefore, no additional procedures were performed.

- 13) **Sports Camp Expenses Procedure:** Sports camp expenses were less than four percent of total expenses; therefore, no additional procedures were performed.

- 14) **Spirit Groups Procedure:** Spirit group expenses were less than four percent of total expenses; therefore, no additional procedures were performed.

- 15) **Athletic Facilities Debt Service, Leases and Rental Fees Procedure:** We obtained a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. We selected a sample of five facility payments including the top two highest facility payments to additional supporting documentation (e.g., debt financing agreements, leases, rental agreements). We agreed amounts recorded to amounts listed in the general ledger detail and recalculated totals.

Result: We noted no exceptions. We noted the University does not have direct athletic bonds, and the athletic capital assets are part of general bonds of the University. The payments agreed to general ledger transfers of debt to the Athletic Department and wire transfer payments of general bonds of the University were as follows:

<u>Date</u>	<u>Amount</u>
2/27/2024	\$ 2,023,029
6/13/2024	550,000
6/14/2024	3,000,000
6/24/2024	319,827
6/24/2024	144,339

- 16) **Direct Overhead and Administrative Expenses Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We selected a sample of one transaction and agreed to supporting documentation. We also recalculated totals.

Result: We noted no exceptions. The transaction and related invoice selected was for platform access and academics access for the period of July 1, 2023 through June 30, 2024 in the amount of \$237,995.

- 17) **Indirect Institutional Support Procedure:** Indirect institutional support was less than four percent of total expenses; therefore, no additional procedures were performed.

To President Kevin M. Guskiewicz, Ph.D.
Michigan State University

- 18) **Medical Expenses and Insurance Procedure:** Medical expenses and insurance expenses were less than four percent of total expenses; therefore, no additional procedures were performed.
- 19) **Memberships and Dues Procedure:** Memberships and dues expense was less than four percent of total expenses; therefore, no additional procedures were performed.
- 20) **Student-Athlete Meals (non-travel) Procedure:** Student-athlete meals (non-travel) were less than four percent of total expenses; therefore, no additional procedures were performed.
- 21) **Football Bowl Expenses Procedure:** Football bowl expenses were less than four percent of total expenses; therefore, no additional procedures were performed.
- 22) **Other Operating Expenses Procedure:** We obtained general ledger detail and compared to the total expenses reported. We selected a sample of one transaction to validate existence of transaction and accuracy of recording and recalculated totals.

Result: We noted no exceptions. The transaction and related agreement selected dated 1/26/2024 was for the contract buyout agreement related to the head football coach and assistant football coaches in the amount of \$3,300,000.

Related to Affiliated and Outside Organizations not Under the University's Accounting Control

P. In preparation for our procedures related to the University's affiliated and outside organizations we:

- 1) Obtained from management a list of any affiliated and outside organizations that meet any of the following criteria:
 - i. Booster organizations established by or on behalf of an intercollegiate athletics program.
 - ii. Independent or affiliated foundations or other organizations that have as a principal, or one of their principal purposes, the generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments, or other moneys, goods, or services to be used primarily by the intercollegiate athletics program.
 - iii. Alumni organizations that have as a principal, or one of their principal purposes, the generating of moneys, goods or services for or on behalf of an intercollegiate athletics program and that contribute moneys, goods or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted.

Result: We inquired of the Senior Associate Athletic Director – Chief Financial Officer of Intercollegiate Athletics and the Controller's Office who identified the booster clubs reported on page 16 of this report. No other organizations were identified. There were no audited financial statements of the organizations and no additional reports or comments regarding internal controls or corrective action taken.

To President Kevin M. Guskiewicz, Ph.D.
Michigan State University

Q. **Procedure:** For expenses on or on behalf of intercollegiate athletics programs by affiliated and outside organizations not under the University's accounting control, we obtained each organization's statements for the reporting period. We agreed the amounts reported to the organization's general ledger.

We obtained a summary of revenue and expenses for or on behalf of the organizations and included it within the report as the schedule of intercollegiate athletics program support by booster club organizations in the notes of this report.

We performed the following supplemental procedure:

- 1) We obtained a sample of five operating expense transactions reported in the organization's statement during the reporting period to revenue received and recorded by the University (University Advancement).

Result: We noted no exceptions. We selected the following expense transactions and related invoices:

<u>Booster Organization</u>	<u>Expense Description</u>	<u>Amount</u>
Blue Line Club	Spartan Fund	\$ 500
Downtown Coaches	Spartan Fund	1,500
Fastbreak Club	Spartan Fund	3,000
SideOut Club	Spartan Fund	7,359
Takedown Club	Spartan Fund	14,389

We were engaged by the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the University's Intercollegiate Athletics Program Statement of Revenues and Expenses under National Collegiate Athletic Association Bylaw 20.2.4.17. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Michigan State University and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

Columbus, Ohio
January 13, 2025

Michigan State University

Intercollegiate Athletics Program Statement of Revenues and Expenses

Year Ended June 30, 2024

	Men's Football		Men's Basketball		Women's Basketball		Other Sports		Non-Program Specific		Total
Operating Revenue	\$		\$		\$		\$		\$		\$
Ticket Sales	19,635,237		7,790,482		235,897		1,880,888		314,459		29,656,963
Direct Institutional Support	2,044		84		713		180		644,005		647,026
Less - Transfers to Institution	-		-		-		-		(100,000)		(100,000)
Indirect Institutional Support	-		-		-		-		3,578,042		3,578,042
Guarantees	3,382,391		1,282,815		-		244,778		-		4,909,984
Contributions	118,17,582		3,573,968		506,113		10,840,663		7,515,661		34,253,987
In-Kind	19,320		138,288		33,851		171,886		296,902		660,247
Compensation and Benefits Provided by a Third Party	50,000		435,000		-		-		-		485,000
Media Rights	43,245,688		7,631,592		-		-		-		50,877,280
NCAA Distributions	-		3,701,205		47,085		89,117		1029,510		4,866,917
Conference Distributions (Non-Media and Non-Football Bowl)	432,985		136,524		-		-		70,669		640,178
Conference Distributions of Football Bowl Generated Revenue	7,869,398		-		-		-		-		7,869,398
Program Sales, Concessions, Novelty Sales and Parking	1,098,769		534,456		51,784		13,1036		15,669,919		15,943,649
Royalties, Licensing, Advertisements and Sponsorships	-		214,320		-		59,410		-		1816,045
Sports Camp Revenues	91,704		196,594		86,034		1,195,082		87,284		1,656,698
Athletics Restricted Endowment and Investment Income	577,411		462,308		49,130		661,105		2,041,729		3,791,683
Other Revenues	52,1672		115,630		3,920		469,404		1,072,205		2,182,831
Total Operating Revenue	88,744,201		26,213,266		10,14,527		15,543,549		32,220,385		163,735,928
Operating Expenses											
Athletic Student Aid	5,433,249		949,840		900,308		11,060,139		157,218		18,500,554
Guarantees	6,607,427		1,370,000		118,000		90,600		-		8,186,027
Coaching Salaries, Benefits, and Bonuses											
Paid by the University and Related Entities											
Coaching Salaries, Benefits, and Bonuses Paid by a Third Party	15,724,272		8,040,730		2,097,497		9,462,524		-		35,325,023
Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the Institution and Related Entities	50,000		435,000		-		-		-		485,000
Severance Payments	5,843,639		1,180,250		459,879		1,154,240		22,982,786		31,620,794
Recruiting	3,854,791		-		585,071		-		-		4,439,862
Team Travel	1,582,488		381,295		253,795		918,000		(214,238)		2,921,340
Sports Equipment, Uniforms and Supplies	1,961,161		1,695,462		1,260,099		6,059,685		-		11,016,407
Game Expenses	2,177,862		350,202		192,614		2,979,628		492,398		6,192,704
Fund Raising, Marketing and Promotion	3,468,485		1,277,655		598,384		1,355,732		35,264		6,735,520
Sports Camp Expenses	558,920		204,988		43,804		377,175		1,329,775		2,514,662
Spirit Groups	30,167		141,789		27,023		162,079		45,030		406,088
Athletic Facilities Debt Service, Leases and Rental Fees	25,501		78,579		51,947		157,15		364,299		536,041
Direct Overhead and Administrative Expenses	1,511,871		322,851		144,861		3,005,485		8,132,749		13,117,617
Indirect Institutional Support	1,860,867		453,433		145,897		888,417		10,322,801		13,671,415
Medical Expenses and Insurance	-		-		-		-		3,578,042		3,578,042
Memberships and Dues	132,771		14,260		18,970		17,978		1,765,303		1,949,282
Student-Athlete Meals (non-travel)	5,936		270		1,011		34,023		137,554		178,794
Other Operating Expenses	2,226,636		173,610		66,049		583,828		512,274		3,562,397
Football Bowl Expenses	5,544,324		515,994		712,011		5,000,226		3,747,113		15,519,668
Total Operating Expenses	58,600,073		17,586,008		7,677,020		43,205,474		53,388,368		180,456,943
Excess of Revenue Over (Under) Expenses	30,144,128		8,627,258		(6,662,493)		(27,661,925)		(21,167,983)		(16,721,015)

See notes to Intercollegiate Athletics Program Statement of Revenues and Expenses.

Michigan State University

Schedule of Intercollegiate Athletics Program Support by Booster Club Organizations

Contributions to or on Behalf of the Program										Year Ended June 30, 2024	
Booster Organization	Revenue	Spartan Fund		Non-Spartan		Total		Other		Total	Revenue (Under) Over Expenditures
		Cash	Contributions	Fund Cash	Contributions	Contributions	Contributions	Expenditures	Expenditures		
Blue Line Club	\$ 11,686	\$ 500	\$ 2,100	\$ 2,600	\$ 6,277	\$ 8,877	\$ 2,809				
Downtown Coaches	17,786	1,500	750	2,250	20,050	22,300	(4,514)				
Fastbreak Club	24,783	3,000	-	3,000	20,951	23,951	832				
Perfect 10 Club	43,038	1,000	-	1,000	39,327	40,327	2,711				
Rebounders Club	42,357	-	4,222	4,222	26,045	30,267	12,090				
Sideout Club	-	7,359	-	7,359	454	7,813	(7,813)				
Takedown Club	43,676	14,389	-	14,389	18,217	32,606	11,070				
Total	\$ 183,326	\$ 27,748	\$ 7,072	\$ 34,820	\$ 131,321	\$ 166,141	\$ 17,185				

See notes to Intercollegiate Athletics Program
Statement of Revenues and Expenses.

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenses

Year Ended June 30, 2024

Note 1 - Contributions

Individual contributions of moneys, good, or services received directly by the University's Intercollegiate Athletics Program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitute 10 percent or more of all contributions received for intercollegiate athletics during the year ended June 30, 2024 are as follows:

Source of Funds, Goods, and Services	Value
MSU Tennis Facility Pledge Payment	\$ 5,037,313

Note 2 - Intercollegiate Athletics-Related Assets

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Expense for maintenance and repairs is charged to current expense as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 4-40 years depending on class.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2024 are as follows:

	Current Year Additions	Current Year Deletions
	(in thousands)	
Football athletics facilities	\$ 21,328	\$ -
Basketball athletics facilities	2,830	-
Other athletics facilities	483	-
Total athletics facilities	<u>\$ 24,641</u>	<u>\$ -</u>
Other university facilities	<u>\$ 204,777</u>	<u>\$ 389</u>

The total book values of property, plant, and equipment, net of depreciation, of the University as of June 30, 2024 are as follows:

	Book Value (in thousands)
Athletically related property, plant, and equipment balance	<u>\$ 240,975</u>
University total property, plant, and equipment balance	<u>\$ 3,152,123</u>

Michigan State University

Notes to Intercollegiate Athletics Program
Statement of Revenues and Expenses

Year Ended June 30, 2024**Note 3 - Intercollegiate Endowments, Pledges and Fund Balance**

The total value of endowments, pledges, and fund balance dedicated solely to the support of athletics as of June 30, 2024 are as follows:

	Balance at June 30, 2024
Endowments	\$ 122,177,645
Pledges	28,333,234
Fund balance	43,774,675

We noted no endowment funds with a change greater than 10 percent during the year.

Note 4 - Intercollegiate Athletics-Related Debt

The annual debt service and debt outstanding for the University as of June 30, 2024 are as follows:

	Annual Debt Service	Debt Outstanding
	(in thousands)	
Athletically related facilities	\$ 11,979	\$ 90,955
University total	\$ 174,735	\$ 2,423,740

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University for the years ending is as follows:

Years Ending June 30	Total Principal	Total Interest	Total Payments
	(in thousands)		
2025	\$ 17,472	\$ 3,238	\$ 20,710
2026	14,238	2,625	16,863
2027	25,344	2,207	27,551
2028	6,266	1,330	7,596
2029	5,258	1,024	6,282
2030-2034	19,551	2,203	21,754
2035-2039	676	498	1,174
2040-2044	851	353	1,204
2045-2049	895	170	1,065
2050-2054	330	48	378
2055	74	1	75
	\$ 90,955	\$ 13,697	\$ 104,652

WKAR Public Media
(A Public Telecommunications Entity
Operated by Michigan State University)

Financial Report
June 30, 2024

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Independent Auditor's Report

To the Board of Trustees
WKAR Public Media
c/o Michigan State University

Opinion

We have audited the financial statements of WKAR Public Media (WKAR), a department of Michigan State University (the "University"), as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of WKAR, a department of Michigan State University, as of June 30, 2024 and 2023 and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of WKAR and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only WKAR Public Media and do not purport to, and do not, present fairly the financial position of Michigan State University as of June 30, 2024 and 2023 and the changes in its financial position and, where applicable, its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Trustees
WKAR Public Media
c/o Michigan State University

Auditor's Responsibilities for the Audits of the Financial Statements

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

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of WKAR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WKAR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

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

To the Board of Trustees
WKAR Public Media
c/o Michigan State University

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise WKAR's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

December 13, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Michigan State University – WKAR Public Media

Introduction

The following discussion provides an overview of the financial position and activities of Michigan State University's (MSU) WKAR-TV public television and WKAR-AM-FM public radio stations ("WKAR", the "Stations"), collectively known as WKAR Public Media, for the years ended June 30, 2024, and 2023.

Included in this discussion is an analysis of the Stations' Statement of Net Position, which presents the assets, liabilities, and net position of the Stations, and when applicable, deferred outflows of resources and deferred inflows of resources. All are measured as of the end of the fiscal year. Further, the Statement of Revenues, Expenses, and Changes in Net Position reflects revenues and expenses recognized during the fiscal year. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

Michigan State University's Board of Trustees holds the license for its noncommercial education television station, WKAR-TV, and two noncommercial education public radio stations, WKAR-AM and WKAR-FM. WKAR-TV is the Lansing/East Lansing area's Public Broadcasting Station (PBS), providing local and national public affairs, performing arts, and youth and lifelong education programming. WKAR-AM is a news and information station featuring local and national news, sports, and Spanish-language programming. WKAR-FM provides classical, folk, and jazz music and news and information programming, including National Public Radio's (NPR's) highly acclaimed news programs, "Morning Edition" and "All Things Considered".

The Stations' financial statements, related footnote disclosures, and required supplementary information (RSI), including management's discussion and analysis, have been prepared by management. GASB required supplementary information is not audited and should be read in conjunction with the financial statements and footnotes.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged. Deferred outflows of resources and deferred inflows of resources are recognized through the consumption or acquisition of resources by WKAR that is applicable to a future reporting period. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**Michigan State University – WKAR Public Media**

Below is a summarized comparison of the Stations' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2024, 2023, and 2022:

	2024	2023	2022
Current assets	\$ 7,979,739	\$ 8,409,688	\$ 9,803,801
Noncurrent assets			
Capital assets, net	2,494,414	2,887,430	2,039,861
Other	6,807,853	6,046,045	5,935,947
Total assets	17,282,006	17,343,163	17,779,609
Deferred outflows of resources	2,621,877	2,197,128	3,228,411
Current liabilities	2,264,922	2,283,739	2,248,380
Noncurrent liabilities	3,760,738	2,214,513	2,864,020
Total liabilities	6,025,660	4,498,252	5,112,400
Deferred inflows of resources	3,693,052	4,405,501	4,784,202
Net Investment in Capital Assets	2,494,414	2,887,430	2,039,861
Restricted:			
Nonexpendable	3,249,615	3,128,759	3,007,122
Expendable	1,302,699	637,439	527,253
Unrestricted	3,138,443	3,982,910	5,537,182
Net position	\$ 10,185,171	\$ 10,636,538	\$ 11,111,418

Current assets:

Current assets consist of cash, net accounts and pledges receivable, and prepaid expenses. The net decrease in current assets in 2024 is primarily due to a net decrease in cash of \$347,532. The decrease in prepaid expenses in 2024 is a result of the timing of payments for programming in the coming year. The net decrease in current assets in 2023 is primarily due to a net decrease in cash of \$1,531,718, partially offset by an increase in prepaid expenses of \$117,144. The increase in prepaid expenses in 2023 is a result of the timing of payments for programming in the coming year. The net changes in cash in 2024 and 2023 is primarily a function of the Stations' operating, financing, and investing activities as reported in the Statement of Cash Flows.

Noncurrent assets:**Long-term investments**

At June 30, 2024 and 2023, the Stations' long-term investments totaled \$6,798,844 and \$6,034,450, an increase of \$764,394 and \$116,641, respectively. Endowment gifts and University-designated additions to endowment investments totaled \$120,855 in 2024 and \$121,637 in 2023, while investment gains (losses) and fair value changes (realized and unrealized) within the investment portfolio accounted for a net increase of \$643,097 in 2024 and a decrease of \$4,996 in 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**Michigan State University – WKAR Public Media****Capital assets**

At June 30, 2024, 2023, and 2022, the Stations' investment in capital assets was as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Construction in progress	\$ -	\$ -	\$ 271,465
Building improvements	4,225,401	4,225,401	2,864,627
Equipment	3,754,185	4,546,032	4,719,197
Vehicles	73,777	73,777	8,777
Furniture and other	124,370	124,370	124,370
Less: accumulated depreciation	(5,683,319)	(6,082,150)	(5,948,575)
	<u>\$ 2,494,414</u>	<u>\$ 2,887,430</u>	<u>\$ 2,039,861</u>

Net capital assets decreased by \$393,016 in 2024 and increased by \$847,569 in 2023. Capital asset additions totaled \$173,385 and \$1,392,695, while depreciation expenses totaled \$564,951 and \$545,126 in 2024 and 2023, respectively.

Deferred outflows of resources:

At June 30, 2024 and 2023, deferred outflows of resources totaled \$2,621,877 and \$2,197,128, an increase of \$424,749 and a decrease of \$1,031,283 respectively. This represents deferred amounts due to changes in assumptions and experience used to calculate the valuation of other postemployment benefits, changes in the Stations' proportionate share of the postemployment benefits liability, and related contributions made subsequent to the measurement date (in accordance with the adoption of GASB 75).

Current liabilities:

Current liabilities consist of accounts payable, accrued payroll, unearned support and revenues, and the current portion of net postemployment benefit obligations. The net decrease in current liabilities in 2024 is primarily due to a net decrease in unearned support and revenues of \$41,971. This was however offset by a slight increase in accrued payroll of \$326 caused by fluctuations in the Station's operating activities. The net increase in current liabilities in 2023 was primarily due to a net increase in unearned support and revenues of \$77,371, offset by a decrease in accrued payroll of \$32,823 due to fluctuations in the Station's operating activities. Fluctuations in sponsored program unearned amounts are primarily due to timing differences of cash draws from the grantor.

Noncurrent liabilities, postemployment benefit obligations:

At June 30, 2024 and 2023, the noncurrent portion of the Stations' net postemployment benefit obligations (OPEB) totaled \$3,760,738 (an increase of \$1,546,225) and \$2,214,513 (a decrease of \$649,507). Provisions of GASB 75 require revaluing the unfunded liability using a 20-year tax-exempt municipal rate on an annual basis. As a result, the liability estimate for financial reporting is susceptible to dramatic variation from year to year. Although the financial reporting liability will be changing, the University's approach to funding the retirement benefits continue to be on a pay-as-you-go basis. Thus, there will be no impact on the payment of the other postemployment benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

Deferred inflows of resources:

At June 30, 2024 and 2023, deferred inflows of resources totaled \$3,693,052 (a decrease of \$712,449) and \$4,405,501 (a decrease of \$378,701), respectively. Deferred inflows of resources represent deferred amounts due to changes in assumptions used to calculate the valuation of other postemployment benefits and changes in the Stations' proportionate share of the other postemployment benefits liability.

Net position:

Net position represents residual WKAR Public Media assets and deferred outflows after liabilities and deferred inflows are deducted. Many factors affect the increase or decrease of net position in a given year, including obtaining new endowments and gifts and the performance of the Stations' investments. The Stations' net position at June 30, 2024, 2023, and 2022 is summarized as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net investment in capital assets	\$ 2,494,414	\$ 2,887,430	\$ 2,039,861
Restricted:			
Nonexpendable	3,249,615	3,128,759	3,007,122
Expendable	<u>1,302,699</u>	<u>637,439</u>	<u>527,253</u>
Total restricted	4,552,314	3,766,198	3,534,375
Unrestricted	<u>3,138,443</u>	<u>3,982,910</u>	<u>5,537,182</u>
Total net position	<u>\$ 10,185,171</u>	<u>\$ 10,636,538</u>	<u>\$ 11,111,418</u>

Net investment in capital assets represents the Stations' equipment and infrastructure net of accumulated depreciation.

Restricted nonexpendable net position is subject to externally imposed stipulations that they be maintained permanently. Such net position includes the corpus portion (historical value) of gifts to the Stations' permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Such net position includes the net appreciation of the Stations' permanent endowment funds that have not been stipulated by the donor to be reinvested permanently, restricted gifts, and federal and state sponsored programs.

Unrestricted net position is not subject to externally imposed restrictions but may be subject to internal designation to meet various specific commitments.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the operating results of the Stations, as well as the nonoperating revenues and expenses. In conformity with the Corporation for Public Broadcasting's *Financial Reporting Guidelines*, operating revenues include all major sources of revenue that constitute the principal ongoing operations of the Stations, which primarily include contributions, general appropriations from MSU, and grants from Corporation for Public Broadcasting (CPB). Although

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**Michigan State University – WKAR Public Media**

nonoperating revenues and expenses are not part of the principal ongoing operations of the Stations, they are an integral component in determining the increase or decrease in net position.

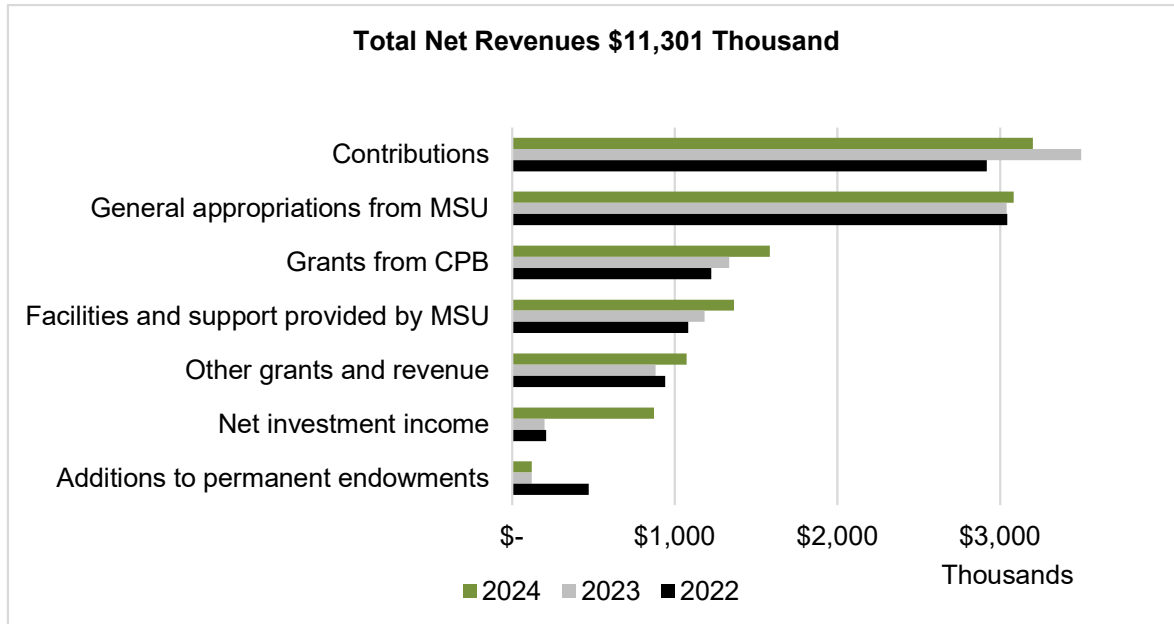
A summarized comparison of the Stations' revenues, expenses, and changes in net position for the years ended June 30, 2024, 2023, and 2022 follows:

	2024	2023	2022
Operating revenues	\$ 10,307,011	\$ 9,940,233	\$ 9,213,713
Operating expenses	11,752,106	10,735,950	9,697,633
Operating loss	(1,445,095)	(795,717)	(483,920)
Nonoperating revenues:			
Investment income and other	872,873	199,200	210,543
Net nonoperating revenues	872,873	199,200	210,543
Loss before other	(572,222)	(596,517)	(273,377)
Additions to permanent endowments	120,855	121,637	470,876
(Decrease) increase in net position	(451,367)	(474,880)	197,499
Net position, beginning of year	10,636,538	11,111,418	10,913,919
Net position, end of year	\$ 10,185,171	\$ 10,636,538	\$ 11,111,418

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

Total net revenues by source for the years ended June 30, 2024, 2023, and 2022, respectively, are presented as follows in thousands of dollars:



The Stations are limited in the number of sources of revenue from which they must draw. The Stations continue the development of a variety of plans to increase revenue-raising activities including more aggressive program underwriting activities and major giving initiatives. In addition, the Stations continue to evaluate expenses and streamline services to ensure funds are used in the most efficient way possible.

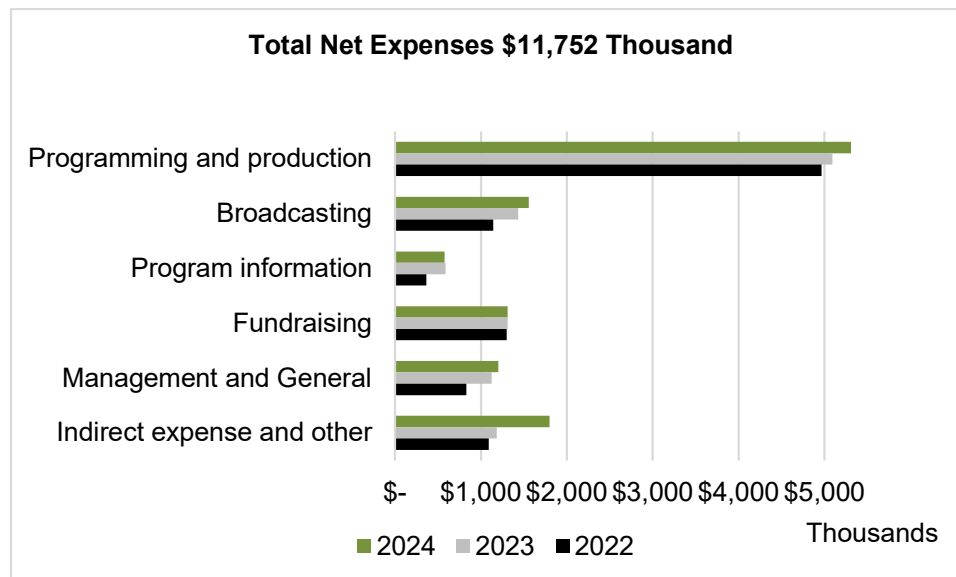
The most significant sources of operating revenue for the Stations are general appropriations from Michigan State University (MSU) and contributions. General appropriations from MSU are approved by the University's Board of Trustees annually and totaled \$3,083,647 (an increase of \$42,227) and \$3,041,420 (a decrease of \$3,699) in 2024 and 2023, respectively. Contributions totaled \$3,201,910 (a decrease of \$296,685) and \$3,498,595 (an increase of \$580,764) in 2024 and 2023, respectively. The University also provides indirect administrative support to the Stations, which consists of an allocation of costs of certain central University units that provide services or support to WKAR.

Net nonoperating and other revenues consist primarily of additions to permanent endowments and net investment income. Net nonoperating and other revenues increased by \$672,891 in 2024 primarily due to an increase in Investment income. Net nonoperating and other revenues decreased by \$360,582 in 2023 primarily due to a decrease in additions to permanent endowments.

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

Operating expenses by source for the years ended June 30, 2024, 2023, and 2022, respectively, are presented as follows in thousands of dollars:



During 2024, \$7,441,546 was expended for the core missions of the Stations – programming and production, broadcasting, and program information, an increase of \$324,378 from 2023. During 2023, \$7,117,168 was expended for the core missions of the Stations – programming and production, broadcasting, and program information, an increase of \$643,403 from 2022. These increases can be attributed to normal variability in operations and inflation.

Economic Outlook

During fiscal year 2024 the leadership team at WKAR conducted a comprehensive review of annual spending with the intent of identifying opportunities for efficiencies. The review team was charged with assessing how WKAR could effectively maintain critical systems and preserve the station’s ability to create high quality content while keeping spending at or near fiscal year 2023 levels.

The team focused on three key areas – staff positions and organizational structure, association and membership fees, and systems modernization. A recommendation to restructure the organization to consolidate key functions under a smaller number of senior leaders was adopted. The adjustments are anticipated to bring salary cost savings and allow WKAR to hire more entry level content creators which will result in more fundraising opportunities.

Association and membership fees for public media were up across the board. In an effort to anticipate and offset increases in the coming fiscal year, WKAR is actively assessing the ROI for each association membership as well as the performance of purchased programming. On the equipment modernization front, WKAR is creating a prioritization matrix for critical systems replacement and reviewing long-running maintenance and extended warranty fees.

The team’s focus on responsible belt tightening while increasing opportunities for new revenue, continues to reinvigorate community interest and support of WKAR. The station is making preliminary but notable strides

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Michigan State University – WKAR Public Media

connecting with new audiences and bringing more relevant and timely news, information, and entertainment to viewers and listeners.

The tactics and strategies used during the pandemic to ensure WKAR continued to effectively create and deliver quality content are being refined, expanded and normalized as part of a digital transformation focused on reaching more audiences where, when and how they prefer.

The station also made a strong push in fiscal year 2024 to integrate more Michigan State University students into WKAR operations and programming through paid, credit granting internships. During the fall 2024 semester, WKAR will have 12 student interns working at the station between 15 and 20 hours per week. The students will work across five concentration areas including journalism, education, and production.

Deliberate efforts to expand the current list of WKAR partners to include more small businesses, community organizations, and academic units are contributing to the station's economic success. During fiscal year 2024, WKAR established an agreement to lease tower space to a local commercial station resulting in additional passive income for the next five years.

Supporting local schools and families through educational programing and literacy kits remained a top priority throughout fiscal year 2024. Community engagements continue to focus on introducing public media to younger audiences while working toward the shared goal of increased K-12 literacy.

The overall economic outlook for the station is bright as WKAR continues to meet or exceed fundraising goals and reposition to create new programming that will drive new revenue. We were encouraged by moderate growth in contract revenue during fiscal year 2024 and anticipate this trend to continue.

The year ahead is about sustaining and building WKAR's relevance in the community through a comprehensive, well-executed digital transformation. The station has begun the work of adapting our content, resources, programming schedules, and engagements to meet the needs of a changing audience. It is a daunting but essential task that WKAR is approaching with innovation, creativity, and an unyielding drive to succeed.

STATEMENTS OF NET POSITION**Michigan State University - WKAR Public Media**

	June 30,	
	2024	2023
ASSETS		
Current assets:		
Cash	\$ 7,761,160	\$ 8,108,692
Accounts receivable, net	66,545	78,887
Pledges receivable, net of allowance of \$3,632 and \$17,602 for 2024 and 2023, respectively	8,473	52,183
Prepaid expenses	143,561	169,926
Total current assets	<u>7,979,739</u>	<u>8,409,688</u>
Noncurrent assets:		
Pledges receivable, net of allowance of \$3,861 and \$4,970 for 2024 and 2023, respectively	9,009	11,595
Long-term investments	6,798,844	6,034,450
Capital assets, net	2,494,414	2,887,430
Total noncurrent assets	<u>9,302,267</u>	<u>8,933,475</u>
Total assets	<u>17,282,006</u>	<u>17,343,163</u>
 DEFERRED OUTFLOWS OF RESOURCES	 2,621,877	 2,197,128
 LIABILITIES		
Current liabilities:		
Accounts payable	71,735	74,580
Accrued payroll	46,125	45,799
Unearned support and revenues	2,005,822	2,047,793
Current portion of net postemployment benefit obligation	141,240	115,567
Total current liabilities	<u>2,264,922</u>	<u>2,283,739</u>
Noncurrent liabilities:		
Net other postemployment benefit obligation	3,760,738	2,214,513
Total noncurrent liabilities	<u>3,760,738</u>	<u>2,214,513</u>
Total liabilities	<u>6,025,660</u>	<u>4,498,252</u>
 DEFERRED INFLOWS OF RESOURCES	 3,693,052	 4,405,501
 NET POSITION		
Net investment in capital assets	2,494,414	2,887,430
Restricted		
Nonexpendable	3,249,615	3,128,759
Expendable - programming	1,302,699	637,439
Unrestricted	<u>3,138,443</u>	<u>3,982,910</u>
 TOTAL NET POSITION	 <u>\$ 10,185,171</u>	 <u>\$ 10,636,538</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Michigan State University - WKAR Public Media

	Year ended June 30,	
	2024	2023
OPERATING REVENUES		
General appropriations from Michigan State University	\$ 3,083,647	\$ 3,041,420
Contributions	3,201,910	3,498,595
Grants from Corporation for Public Broadcasting	1,585,036	1,333,199
Program underwriting	424,337	528,844
Contract services	220,649	202,751
Facilities and support provided by Michigan State University	1,363,719	1,183,796
Other grants and revenue	427,713	151,628
TOTAL OPERATING REVENUES	10,307,011	9,940,233
OPERATING EXPENSES		
Program services:		
Programming and production	5,306,798	5,091,756
Broadcasting	1,556,264	1,435,555
Program information	578,484	589,857
Support services:		
Fundraising	1,312,382	1,312,302
Management and general	1,199,759	1,123,357
Other post-employment benefit obligations	434,700	(673)
Indirect expense	1,363,719	1,183,796
TOTAL OPERATING EXPENSES	11,752,106	10,735,950
Operating loss	(1,445,095)	(795,717)
NONOPERATING REVENUES (EXPENSES)		
Investment income	874,323	199,200
Other	(1,450)	-
Net nonoperating revenue	872,873	199,200
LOSS BEFORE OTHER	(572,222)	(596,517)
Additions to permanent endowments	120,855	121,637
Decrease in net position	(451,367)	(474,880)
Net position, beginning of year	10,636,538	11,111,418
NET POSITION, END OF YEAR	\$ 10,185,171	\$ 10,636,538

STATEMENTS OF CASH FLOW

Michigan State University - WKAR Public Media

	Year ended June 30,	
	2024	2023
Cash flows from operating activities		
General appropriations from Michigan State University	\$ 2,241,626	\$ 2,165,077
Contributions	3,248,206	3,533,516
Corporation for Public Broadcasting grants	1,580,265	1,410,570
Program underwriting	434,154	480,005
Contract services	220,649	202,751
Other revenue and grants	393,038	151,628
Payments to employees	(4,849,739)	(4,664,324)
Payments to suppliers	(3,531,446)	(3,666,039)
Other receipts	(141,684)	43,597
Net cash used in operating activities	(404,931)	(343,219)
Cash flows from noncapital financing activities		
Endowment contributions	120,855	121,637
Net cash provided by noncapital financing activities	120,855	121,637
Cash flows from capital and related financing activities		
Purchase of buildings and equipment	(173,385)	(1,392,695)
Net cash used in capital and related financing activities	(173,385)	(1,392,695)
Cash flows from investing activities		
Purchase of investments	(121,296)	(121,637)
Investment income	231,225	204,196
Net cash provided by investing activities	109,929	82,559
Net decrease in cash	(347,532)	(1,531,718)
Cash, beginning of year	8,108,692	9,640,410
Cash, end of year	7,761,160	8,108,692
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,445,095)	\$ (795,717)
<i>Adjustment to reconcile operating loss to net cash used in operating activities:</i>		
Depreciation expense	564,951	545,126
<i>Changes in assets and liabilities:</i>		
Accounts receivable	12,342	(48,839)
Pledges receivable	46,296	34,921
Prepaid expense	26,365	(117,144)
Accounts payable	(2,845)	(5,441)
Accrued payroll	326	(32,823)
Unearned support and revenues	(41,971)	77,371
Net postemployment benefit obligation	1,571,898	(653,255)
<i>Change in deferred outflows</i>	<i>(424,749)</i>	<i>1,031,283</i>
<i>Change in deferred inflows</i>	<i>(712,449)</i>	<i>(378,701)</i>
Net cash used in operating activities	\$ (404,931)	\$ (343,219)

NOTES TO THE FINANCIAL STATEMENTS

Michigan State University – WKAR Public Media

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

Basis of presentation:

WKAR-Television and WKAR-Radio (“WKAR”, the “Stations”) are public telecommunications entities owned and operated by Michigan State University. They do not have separate legal status or existence. The financial position and the revenues and expenses of WKAR are included in the financial statements of Michigan State University.

WKAR follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and is presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 63. WKAR follows the “business-type” activities requirements of GASB Statement No. 34. This approach requires the following components of WKAR’s financial statements:

- Management’s Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements

GASB Statement No. 34, as amended establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted:
 - Nonexpendable – Net position subject to externally imposed constraints that they be maintained permanently by WKAR. Nonexpendable net position includes the corpus portion (historical value) of gifts to WKAR’s permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.
 - Expendable – Net position whose use by WKAR is subject to externally imposed constraints that can be fulfilled by actions of WKAR pursuant to those constraints or that expire by the passage of time. Expendable net position includes net appreciation of WKAR’s permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.
- Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties. Unrestricted net position is generally designated for academic, research, and outreach programs and initiatives, postemployment benefits, and capital asset renewals and replacements.

Summary of significant accounting policies:

Cash and investments – Cash and investments are held in Michigan State University Funds. The amounts reflected in the accompanying balance sheet represent the net amounts due to the Stations from the University’s pooled cash and investment system. Investments are stated at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The University values its investments using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University, while unobservable inputs reflect the University’s own assumptions about how market participants would value an asset or a liability based on the best information available.

Accounts Receivable – Accounts receivable consist primarily of underwriting revenues. All accounts receivable are deemed fully collectible.

Pledges receivable – Financial support in the form of pledges is received from business enterprises, foundations and individuals. Revenue from gift pledges are recorded only when there is an unconditional promise to pay and all eligibility requirements, including time requirements, have been met. Contributions to permanent and term endowments are not recognized as assets until actually received.

Capital assets – Capital assets and equipment are recorded at cost, or, in the case of donated property, at estimated acquisition value at date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 4 to 20 years, with a full-year expense in the year of acquisition and none in the year of disposal. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The cost of maintenance and repairs are expensed as incurred; significant renewals and improvements are capitalized.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

Deferred outflows of resources – This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. Deferred outflows of resources consist of contributions subsequent to the measurement date and changes in assumptions related to the valuation of other postemployment benefits.

Deferred inflows of resources – Deferred inflows of resources represent an addition to net position that applies to a future period and so will not be recognized as revenue until then. Deferred inflows of resources consist of changes in assumptions related to the valuation of other postemployment benefits.

Unearned revenue – Unearned revenue consists primarily of contract and sponsored program advances that will be recognized in the period in which it is earned.

Operating and nonoperating revenues – Operating activities as reported on the Statements of Revenue, Expenses, and Changes in Net Position are those activities that generally result from principal ongoing operations, such as payments received from general appropriations, contributions, grants, and underwriting activities. Certain grants restricted for use for capital asset acquisitions and additions of permanent endowments are reported as nonoperating revenue. Restricted and unrestricted resources are spent and tracked within the guidelines of the donor restrictions, if any.

Facilities and support provided by Michigan State University - Facilities and administrative support from the University consist of an allocation of occupancy cost, operation and maintenance, utilities, and other institutional support expenses of the University.

Donor restricted endowments – Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 (“UPMIFA”), the University’s Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the University Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purpose of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. Under the University’s programmatic spending policy established by the University’s Board, 4.4% of the average market value of endowment investments for the twenty quarters of the five fiscal years prior to the beginning of the fiscal year was authorized for expenditure for fiscal year 2024. For the fiscal year 2025, the rate will remain at 4.4%.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

2. Investments

WKAR has received certain contributions that are restricted to use as endowments. Such endowment assets are held within the University’s Endowment Fund and are held in a common investment pool that invests in high-grade equities, bonds or other marketable securities. The fair value of WKAR’s endowment investments was \$6,798,844 and \$6,034,450 as at June 30, 2024 and 2023, respectively. The historical value of WKAR’s endowment investments was \$4,139,444 and \$4,018,150 as at June 30, 2024 and 2023, respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

3. Capital assets

Capital asset activity for the years ended June 30, 2024, and 2023 is as follows:

	2023	Additions (Deductions)	Disposals	Transfers	2024
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciated capital assets:					
Buildings improvements	4,225,401	-	-	-	4,225,401
Equipment	4,546,030	173,385	(965,232)	-	3,754,183
Vehicles	73,778	-	-	-	73,778
Furniture and other	124,370	-	-	-	124,370
Less: accumulated depreciation					
Building improvements	(2,077,083)	(143,278)	-	-	(2,220,361)
Equipment	(3,871,918)	(421,673)	963,782	-	(3,329,809)
Vehicles	(8,778)	-	-	-	(8,778)
Furniture and other	(124,370)	-	-	-	(124,370)
Total depreciated capital assets	2,887,430	(391,566)	(1,450)	-	2,494,414
Total capital assets	\$ 2,887,430	\$ (391,566)	\$ (1,450)	\$ -	\$ 2,494,414

	2022	Additions (Deductions)	Disposals	Transfers	2023
Construction in progress	\$ 271,465	\$ 1,089,309	\$ -	\$ (1,360,774)	\$ -
Depreciated capital assets:					
Building improvements	2,864,627	-	-	1,360,774	4,225,401
Equipment	4,719,196	238,386	(411,552)	-	4,546,030
Vehicles	8,778	65,000	-	-	73,778
Furniture and other	124,370	-	-	-	124,370
Less: accumulated depreciation					
Building improvements	(1,935,941)	(141,142)	-	-	(2,077,083)
Equipment	(3,879,486)	(403,984)	411,552	-	(3,871,918)
Vehicles	(8,778)	-	-	-	(8,778)
Furniture and other	(124,370)	-	-	-	(124,370)
Total depreciated capital assets	1,768,396	(241,740)	-	1,360,774	2,887,430
Total capital assets	\$ 2,039,861	\$ 847,569	\$ -	\$ -	\$ 2,887,430

For the years ended June 30, 2024 and 2023, depreciation expense for WKAR totaled \$564,951 and \$545,126, respectively. In conformity with the Corporation of Public Broadcasting's *Financial Reporting Guidelines*, depreciation expense is allocated to the various operating functional expense categories in the Statement of Revenues, Expenses and Changes in Net Position based on the operational function of each individual piece of property or equipment.

4. Facilities and support provided by Michigan State University

Included in revenue and expenditures are facilities and administrative support from Michigan State University, amounting to \$1,363,719 and \$1,183,796 for the years ending June 30, 2024 and 2023, respectively. They are reported as indirect expenses in the Statement of Revenues, Expenses and Changes in Net Position. Calculations are based on instructions provided by the Corporation for Public Broadcasting.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

5. Retirement benefits

The University has a defined contribution retirement plan covering all qualified employees. This contributory plan consists of employee-owned annuity contracts funded on a current basis. The University also funds and provides for termination benefits upon retirement resulting from unused sick days along with certain other separation benefits. The total contributions of the University necessary to fund the above-mentioned retirement benefits attributable to WKAR are estimated to be \$368,000 and \$359,000 for the years ended June 30, 2024 and 2023, respectively.

6. Other postemployment benefits (OPEB)

The University provides retiree health and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries. This is a closed single employer defined benefit plan administered by the University effective for employees hired prior to July 1, 2010. Employees hired on or after July 1, 2010, are eligible to purchase insurance at the average cost of the defined benefit plan. Benefits are provided to eligible faculty, academic staff and support staff who meet normal retirement requirements while still working for the University. Currently, the plan has approximately 87 members attributable to WKAR. The plan does not issue a separate stand-alone financial statement. Terms of benefit plans are generally determined as part of collective bargaining agreements or set by the University for employees who are not represented. The Provost and Executive Vice President for Academic Affairs and the Executive Vice President for Administration are authorized to enter into collective bargaining agreements. In addition, the President and Senior Vice President and Chief Financial Officer are authorized to approve benefit plan changes.

The University's retiree medical plan is a Medicare advantage and prescription drug plan for those retirees eligible for Medicare. Medicare advantage and prescription drug plans are offered by private companies approved by Medicare to provide bundled Medicare benefits. The University pays a premium for each eligible retiree, spouse, and covered dependent to enroll in the plan and the actual claims are paid by the provider. The University's pre-Medicare medical and prescription drug plan is self-funded and the plan's premiums are updated annually based on actual claims of enrolled retirees, spouses, and covered dependents. Retirees are responsible for various co-payments. The University does not maintain a separate legal trust to hold assets used to fund postemployment benefits, has no obligation to make contributions in advance of when insurance premiums or claims are due for payment, and currently pays for postemployment benefits on a pay-as-you-go basis.

The University's annual postemployment benefits expense is actuarially determined in accordance with GASB 75. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

For the year ended June 30, 2024, the University's reported liability for providing retiree health and dental care benefits is estimated based on an actuarial valuation date of January 1, 2024 and measurement date of December 31, 2023 in accordance with GASB 75. The University's liability is calculated using the entry age normal level percent of pay method. The actuarial assumptions are as follows:

Discount rate	3.26%, based on the Bond Buyer 20-year General Obligation Municipal Bond Index
Salary increases	5.0%
Healthcare cost trend rates	0%/84.29% for 2024, reflecting renegotiated premiums. The trends move to 6.25%/6.25% in 2025, decreasing 0.25% per year, to an ultimate rate of 4.5% for 2032 and later years. Trend rates shown are for pre-65 rates/post-65 rates, respectively.

For the year ended June 30, 2023, the University's reported liability for providing retiree health and dental care benefits is estimated based on an actuarial valuation date of January 1, 2022, and measurement date of December 31, 2022 in accordance with GASB 75. The University's liability is calculated using the entry age normal level percent of pay method. The actuarial assumptions are as follows:

Discount rate	3.72%, based on the Bond Buyer 20-year General Obligation Municipal Bond Index
Salary increases	5.0%
Healthcare cost trend rates	6.50%/8.31% for 2023, decreasing 0.25% per year, to an ultimate rate of 5% for 2029 and later years. Trend rates shown are for pre-65 rates/post-65 rates, respectively. As of July 1, 2010, internal policy caps healthcare cost increases at a maximum of 5% per year.

For the December 31, 2023 measurement date, the University utilized separate mortality assumptions for faculty and non-faculty staff. Faculty mortality is based on the Pub T.H-2010.H (A) Public Retirement Plans Mortality Tables with MP-2021 improvement scale. Non-faculty staff mortality is based on the RP-2014 Generational Healthy Mortality Tables, with mixed collar adjustments,

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

projected back to 2006 using scale MP-2014 and then projected forward using MP-2021. For the December 31, 2022 measurement date, the University utilized separate mortality assumptions for faculty and non-faculty staff. Faculty mortality was based on the Pub T.H-2010.H (A) Public Retirement Plans Mortality Tables with MP-2021 improvement scale. Non-faculty staff mortality was based on the RP-2014 Generational Healthy Mortality Tables, with mixed collar adjustments, projected back to 2006 using scale MP-2014 and then projected forward using MP-2021. Additional assumptions utilized include employee withdrawal rates up to 1.5% at age 65 for certain employee groups, a retirement age up to 69.0 for certain employee groups, 90% of males and 60% of females having covered spouses, and a retiree opt-out rate of 8%. These additional assumptions are based on an experience study performed in 2019. Changes in the total reported liability for postemployment benefits obligations for the year ended June 30, 2024 and 2023, are summarized as follows

	2024	2023
Balance, beginning of year	\$ 2,330,080	\$ 2,983,335
Changes in proportionate share	270,939	(194,566)
Service cost	54,542	71,062
Interest cost	95,366	57,246
Changes in benefit terms	65,453	-
Changes in assumptions	1,188,677	(475,980)
Difference between expected and actual plan experience	80,899	50,813
Benefits payments	(183,978)	(161,830)
Balance, end of year	3,901,978	2,330,080
Less current portion	141,240	115,567
Noncurrent portion	\$ 3,760,738	\$ 2,214,513

Changes in assumptions reflect a change in the discount rate at both the measurement dates of December 31, 2023 and 2022, respectively. Changes in assumption at the December 31, 2023, measurement date also reflects renegotiated premium rates with the plan provider driven by the Inflation Reduction Act and current health insurance market conditions

Changes in proportionate share reflects a change in the share of the University's total OPEB liability that is allocated to the Stations. The amount the University allocated to the Stations is based on the number of the Stations' employees participating in the OPEB plan as a percentage of the University's total plan participants. At June 30, 2024 and June 30, 2023, the Stations' allocation of the university's total OPEB liability was 0.48% (an increase of .05%) and 0.43% (a decrease of .03%), respectively.

Under the Medicare advantage plan, the Medicare Retiree Drug Subsidy is paid directly to the plan provider, and thus has the effect of reducing the University's postemployment benefits obligations at June 30, 2024 and 2023, respectively.

The December 31, 2023, measurement date amounts are based on the valuation date of January 1, 2024. The December 31, 2022, measurement date amounts are based on the valuation date of January 1, 2022. Therefore, census data, including the number of plan participants attributable to WKAR consisted of the following:

	2024	2023
Active employees - Hired before July 1, 2010	13	15
Active employees - Hired after July 1, 2010	22	29
Retirees receiving benefits	31	26
Dependents	21	18
	<u>87</u>	<u>88</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend.

A one percentage-point change in the discount rate and assumed health care cost trend rates would have the following impact on the liability for postemployment benefits obligations at June 30, 2024:

	1% Decrease	Current Rates	1% Increase
Discount rate:			
Net OPEB obligations	\$ 4,433,390	\$ 3,901,978	\$ 3,460,018
Increase (decrease)	531,412	-	(441,960)
Health care trend rate:			
Net OPEB obligations	\$ 3,408,091	\$ 3,901,978	\$ 4,511,726
Increase (decrease)	(493,887)	-	609,748

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

A one percentage-point change in the discount rate and assumed health care cost trend rates would have the following impact on the liability for postemployment benefits obligations at June 30, 2023:

	1% Decrease	Current Rates	1% Increase
Discount rate:			
Net OPEB obligations	\$ 2,675,946	\$ 2,330,080	\$ 2,043,248
Increase (decrease)	345,866	-	(286,832)
Health care trend rate:			
Net OPEB obligations	\$ 1,858,899	\$ 2,330,080	\$ 2,379,611
Increase (decrease)	(471,181)	-	49,532

The components of postemployment benefits expense attributable to WKAR for the year ended June 30, 2024, and 2023 are summarized as follows:

	2024	2023
Service cost	\$ 54,542	\$ 71,062
Interest cost	95,366	57,246
Change in benefit terms	65,453	-
Amortization of differences between expected and actual experience	42,221	30,504
Amortization of changes in assumptions and proportionate share	177,118	(159,485)
	<u>\$ 434,700</u>	<u>\$ (673)</u>

Deferred outflows and inflows of resources related to postemployment benefits obligations attributable to WKAR at June 30, 2024 are summarized as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Impact to OPEB
Changes in assumptions	\$ 2,687,463	\$ 1,417,272	\$ 1,270,191
Changes in proportionate share	(463,549)	2,257,142	(2,720,691)
Difference between expected and actual experience	302,937	18,638	284,299
Benefit payments made after measurement date	95,026	-	95,026
	<u>\$ 2,621,877</u>	<u>\$ 3,693,052</u>	<u>\$ (1,071,175)</u>

Deferred outflows and inflows of resources related to postemployment benefits obligations attributable to WKAR at June 30, 2023 are summarized as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Impact to OPEB
Changes in assumptions	\$ 1,746,716	\$ 1,512,788	\$ 233,928
Changes in proportionate share	135,398	2,873,230	(2,737,832)
Difference between expected and actual experience	239,519	19,483	220,036
Benefit payments made after measurement date	75,495	-	75,495
	<u>\$ 2,197,128</u>	<u>\$ 4,405,501</u>	<u>\$ (2,208,373)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Michigan State University – WKAR Public Media

Of the total amount reported as deferred outflows of resources related to OPEB at June 30, 2024, \$95,026 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction in the net OPEB liability in the year ended June 30, 2025. Deferred outflows and inflows related to changes in assumptions and the difference between expected and actual plan experience will be amortized into expense in the following years ended June 30 based upon the average future work life expectancy of plan participants.

2025	(187,517)
2026	(187,517)
2027	(184,967)
2028	(216,113)
2029	(216,114)
2030 and beyond	(173,973)
Total	<u>\$ (1,166,201)</u>

7. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV Community Service Grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating NFFS. This change excludes all revenues received for any capital purchases.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

The assets, liabilities and net position of the Stations are accounted for using the following funds for CPB purposes:

Television Fund - This fund includes the resources that are available for support of WKAR's television transmission operations.

Radio Fund - This fund includes the resources that are available for support of WKAR-FM and WKAR-AM.

Reported NFFS for WKAR was \$5,049,440 and \$5,011,607 for the television fund and \$3,466,076 and \$3,680,920 for the radio fund for the years ended June 30, 2024, and 2023, respectively.

8. New Accounting Pronouncement

The University will be required to implement the provisions of GASB Statement No. 101, *Compensated Absences*, effective for the fiscal year ending June 30, 2025. This GASB Statement updates the recognition and measurement guidance for compensated absences. WKAR is in the process of determining the full impact of this standard on its financial statements.

The University will be required to implement the provisions of GASB Statement No. 102, *Certain Risk Disclosures*, effective for the fiscal year ending June 30, 2025. This GASB Statement updates the required disclosures to include information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make the University vulnerable to a substantial impact. WKAR is in the process of determining the full impact of this standard on its financial statements.

The University will be required to implement the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ending June 30, 2026. This GASB Statement improves the key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the University's accountability. WKAR is in the process of determining the full impact of this standard on its financial statements.

Required Supplementary Information

Michigan State University – WKAR Public Media

REQUIRED SUPPLEMENTARY INFORMATION

Michigan State University – WKAR Public Media

Schedule of Changes in the Stations' total OPEB liability and related ratios

The historical reconciliation of the total reported liability for postemployment benefit obligations for the year ended June 30, 2024, 2023, 2022, 2021, 2020, 2019, and 2018 is summarized as follows:

	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 54,542	\$ 71,062	\$ 90,579	\$ 349,731	\$ 285,543	\$ 347,054	\$ 300,840
Changes in proportionate share	270,939	(194,566)	(945,143)	(1,713,072)	(494,200)	(201,603)	-
Interest cost	95,366	57,246	62,008	362,401	458,684	506,326	510,474
Changes in benefit terms	65,453	-	-	(10,654,181)	-	-	-
Changes in assumptions	1,188,677	(475,980)	(106,646)	1,037,075	2,779,775	(3,220,524)	842,931
Differences between expected and actual plan experience	80,899	50,813	166,980	(39,498)	188,349	-	-
Benefit payments	(183,978)	(161,830)	(128,023)	(274,122)	(303,717)	(287,590)	(281,773)
Net changes	\$ 1,571,898	\$ (653,255)	\$ (860,245)	\$ (10,931,666)	\$ 2,914,434	\$ (2,856,337)	\$ 1,372,472
Total liability, beginning of year	\$ 2,330,080	\$ 2,983,335	\$ 3,843,580	\$ 14,775,246	\$ 11,860,812	\$ 14,717,149	\$ 13,344,677
Total liability, ending of year	\$ 3,901,978	\$ 2,330,080	\$ 2,983,335	\$ 3,843,580	\$ 14,775,246	\$ 11,860,812	\$ 14,717,149
Covered employee payroll	\$ 4,185,355	\$ 3,995,125	\$ 3,790,521	\$ 3,576,957	\$ 3,749,295	\$ 3,389,836	\$ 3,845,442
Total liability as a percentage of Stations' covered employee payroll	93.23%	58.3%	78.7%	107.5%	394.1%	349.9%	382.7%
Stations' proportionate share of University OPEB liability	0.48%	0.43%	0.46%	0.61%	0.69%	0.72%	0.73%

Notes to Schedule:

No assets are accumulated in a trust to pay related other postemployment benefits.

Discount rates used in determining the total reported liability for postemployment benefits obligations were 3.26%, 3.72%, 2.06%, 2.12%, 2.73%, 4.09%, 3.44%, and 3.78% at the measurement dates of December 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016, respectively.

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

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

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

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

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

Additional Information

Michigan State University – WKAR Public Media

CONSOLIDATING STATEMENTS OF NET POSITION
Michigan State University - WKAR Public Media

	June 30, 2024			June 30, 2023		
	Television	Radio	Total	Television	Radio	Total
ASSETS						
Current assets:						
Cash	\$ 4,490,913	\$ 3,270,247	\$ 7,761,160	\$ 4,530,890	\$ 3,577,802	\$ 8,108,692
Accounts receivable, net	38,195	28,350	66,545	50,802	28,085	78,887
Pledges receivable, net of allowance of \$3,632 and \$17,602 for 2024 and 2023, respectively						
Prepaid expenses	3,286	5,187	8,473	29,368	22,815	52,183
Total current assets	21,552	122,009	143,561	39,470	130,456	169,926
	4,553,946	3,425,793	7,979,739	4,650,530	3,759,158	8,409,688
Noncurrent assets:						
Pledges receivable, net of allowance of \$3,861 and \$4,970 for 2024 and 2023, respectively	5,265	3,744	9,009	3,718	7,877	11,595
Long-term investments	3,297,707	3,501,137	6,798,844	2,901,599	3,132,851	6,034,450
Capital assets, net	2,413,499	80,915	2,494,414	2,779,725	107,705	2,887,430
Total noncurrent assets	5,716,471	3,585,796	9,302,267	5,685,042	3,248,433	8,933,475
Total assets	10,270,417	7,011,589	17,282,006	10,335,572	7,007,591	17,343,163
DEFERRED OUTFLOWS OF RESOURCES	1,528,554	1,093,323	2,621,877	1,272,137	924,991	2,197,128
LIABILITIES						
Current liabilities:						
Accounts payable	42,438	29,297	71,735	54,245	20,335	74,580
Accrued payroll	38,970	7,155	46,125	38,778	7,021	45,799
Unearned support and revenues	1,775,834	229,988	2,005,822	1,609,832	437,961	2,047,793
Current portion of net postemployment benefit obligation	82,343	58,897	141,240	66,913	48,654	115,567
Total current liabilities	1,939,585	325,337	2,264,922	1,769,768	513,971	2,283,739
Noncurrent liabilities:						
Net other postemployment benefit obligation	2,192,510	1,568,228	3,760,738	1,282,203	932,310	2,214,513
Total noncurrent liabilities	2,192,510	1,568,228	3,760,738	1,282,203	932,310	2,214,513
Total liabilities	4,132,095	1,893,565	6,025,660	3,051,971	1,446,281	4,498,252
DEFERRED INFLOWS OF RESOURCES	2,153,050	1,540,002	3,693,052	2,550,785	1,854,716	4,405,501
NET POSITION						
Net investment in capital assets						
Restricted	2,413,499	80,915	2,494,414	2,779,725	107,705	2,887,430
Nonexpendable	1,721,561	1,528,054	3,249,615	1,652,282	1,476,477	3,128,759
Expendable - programming	689,775	612,924	1,302,699	299,485	337,954	637,439
Unrestricted	688,991	2,449,452	3,138,443	1,273,461	2,709,449	3,982,910
TOTAL NET POSITION	\$ 5,513,826	\$ 4,671,345	\$ 10,185,171	\$ 6,004,953	\$ 4,631,585	\$ 10,636,538

CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Michigan State University - WKAR Public Media

	Year ended June 30, 2024			Year ended June 30, 2023		
	Television	Radio	Total	Television	Radio	Total
OPERATING REVENUES						
General appropriations from Michigan State University	\$ 1,831,720	\$ 1,251,927	\$ 3,083,647	\$ 1,775,817	\$ 1,265,603	\$ 3,041,420
Contributions	1,840,796	1,361,114	3,201,910	1,944,226	1,554,369	3,498,595
Grants from Corporation for Public Broadcasting	1,148,383	436,653	1,585,036	1,124,622	208,577	1,333,199
Program underwriting	219,938	204,399	424,337	277,327	251,517	528,844
Contract services	216,984	3,665	220,649	198,065	4,686	202,751
Facilities and support provided by Michigan State University	869,599	494,120	1,363,719	732,209	451,587	1,183,796
Other grants and revenue	417,962	9,751	427,713	125,508	26,120	151,628
TOTAL OPERATING REVENUES	6,545,382	3,761,629	10,307,011	6,177,774	3,762,459	9,940,233
OPERATING EXPENSES						
Program services:						
Programming and production	3,369,854	1,936,944	5,306,798	3,217,814	1,873,942	5,091,756
Broadcasting	1,373,691	182,573	1,556,264	1,209,829	225,726	1,435,555
Program information	305,773	272,711	578,484	334,724	255,133	589,857
Support services:						
Fundraising	702,067	610,315	1,312,382	709,357	602,945	1,312,302
Management and general	656,663	543,096	1,199,759	580,658	542,699	1,123,357
Other post-employment benefit obligations	271,585	163,115	434,700	(68,476)	67,803	(673)
Indirect expense	869,599	494,120	1,363,719	732,209	451,587	1,183,796
TOTAL OPERATING EXPENSES	7,549,232	4,202,874	11,752,106	6,716,115	4,019,835	10,735,950
Operating loss	(1,003,850)	(441,245)	(1,445,095)	(538,341)	(257,376)	(795,717)
NONOPERATING REVENUES (EXPENSES)						
Investment income	444,895	429,428	874,323	98,178	101,022	199,200
Other	(1,450)	-	(1,450)	-	-	-
Net nonoperating revenues	443,445	429,428	872,873	98,178	101,022	199,200
LOSS BEFORE OTHER	(560,405)	(11,817)	(572,222)	(440,163)	(156,354)	(596,517)
Additions to permanent endowments	69,278	51,577	120,855	63,012	58,625	121,637
(Decrease) increase in net position	(491,127)	39,760	(451,367)	(377,151)	(97,729)	(474,880)
Net position, beginning of year	6,004,953	4,631,585	10,636,538	6,382,104	4,729,314	11,111,418
NET POSITION, END OF YEAR	\$ 5,513,826	\$ 4,671,345	\$ 10,185,171	\$ 6,004,953	\$ 4,631,585	\$ 10,636,538