

# FINANCIAL REPORT

## 2022-2023



NORTHERN MICHIGAN  
UNIVERSITY



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## Board of Trustees

Terms ending December 31 in year shown

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Lansing  
2026

Alexis M. Hart  
*Vice Chair*  
Royal Oak  
2024

Lisa I. Fittante  
Kingsford  
2024

Melissa A. Holmquist  
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2026

Brigitte R. LaPointe-Dunham  
Baraga  
2030

Steven W. Lindberg  
Marquette  
2028

Gregory J. Seppanen  
Marquette  
2028

Greg M. Toutant  
Negaunee  
2030

Brock F. Tessman  
President of the University  
*Ex Officio*

## Executive Officers

Brock F. Tessman  
President

R. Gavin Leach  
Vice President for Finance & Administration and  
Treasurer of the Board of Trustees

Dale P. Kapla  
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Jill M. Compton  
Director of Internal Audit/Risk Management

Rhea E. Dever  
Assistant Vice President for Human Resources

Matthew J. Franti  
Senior Director of Budget & Finance

Thomas E. Helgren  
Director of Auxiliary Services

Dr. Christopher J. Kirkpatrick  
Medical Director/Physician

Jeffrey L. Korpi  
Director of Partnerships and Events

Patrick J. Lakenen  
Director of Broadcast and Audio-Visual Services

Brian A. Larson  
Senior Director of ERP/Information Services

Christopher L. Lewis  
Senior Director - EAN/APP Dev/Support Services

John D. Marra  
Chief Technology Officer

Kathy A. Richards  
Associate Vice President for Engineering &  
Planning/Facilities

Michael R. Rotundo  
Director of Financial Aid

## INDEPENDENT AUDITORS' REPORT

October 18, 2023

Board of Trustees  
Northern Michigan University  
Marquette, Michigan

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the business-type activities, and the discretely presented component unit of **Northern Michigan University** (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2023 and 2022, and the respective changes in 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.

We did not audit the financial statements of The Northern Michigan University Foundation. Those statements were audited by other auditors whose report thereon was furnished to us, and our opinions, insofar as they relate to the amounts included for the above entity, are based solely on the report of the other auditors.

#### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Independent Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. The financial statements of The Northern Michigan University Foundation were not audited in accordance with *Government Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Implementation of GASB Statement No. 96***

As described in Notes A, E, and I, the University implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective July 1, 2021. 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 the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Independent Auditors' Responsibilities for the Audit 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University'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 the University'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefits plans, as listed in the table of contents, 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 who 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 18, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Northern Michigan University's (the "University") annual financial report presents our discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2023, 2022 and 2021. This discussion, which includes The Northern Michigan University Foundation, whenever appropriate, has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of management.



### Reporting Entity

Northern Michigan University is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Trustees is appointed by the Governor of the State of Michigan. Accordingly, the University is included in the State's financial statements as a discretely presented component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various state agencies, payments to State retirement programs for University employees, and reimbursements for capital outlay projects.

### Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities. The financial statements presented focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

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 the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Under the University reporting model, State appropriations, Pell grant revenue, Higher Education Emergency Relief Funds, Federal Perkins assignments, gifts, and investment income are reported as nonoperating revenues (expenses) and result in the University showing an operating loss of \$61.4 million for the year ended June 30, 2023, and \$52.8 million for the year ended June 30, 2022. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation and amortization, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.





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## Financial Highlights

The University's net position for the year ended June 30, 2023, of \$314.0 million increased by \$50.5 million from the prior year balance of \$263.5 million. The increase included a net operating loss of \$61.4 million and \$111.9 million net nonoperating revenues and capital items. The ending fund balance for fiscal year 2022 was increased by \$0.5 million as a result of the University recognizing certain subscription based information technology assets and liabilities for SBITA's that previously were classified as operating expenses. This ending balance adjustment resulted from the implementation of GASB 96, *Subscription-Based Information Technology Arrangements*.

Operating revenues for the year ended June 30, 2023 of \$125.1 million increased by \$6.5 million from the prior year. Student tuition and fees totaling \$72.8 million is the largest component of operating revenue and decreased by \$0.3 million from the prior year. All other operating revenues of \$52.3 million netted to a \$6.8 million increase over the prior year. Nonoperating revenues totaling \$105.1 million increased by \$38.6 million from the prior year. The largest components of this increase was a \$35.9 million increase in State appropriations, a \$12.1 million decrease in Higher Education Emergency Relief Funds (HEERF), a \$16.0 million increase in investment income, and a \$1.2 million decrease in other non-operating revenue. Other revenues totaling \$10.7 million netted to an increase of \$11.5 million from the prior year. The largest component of this increase was an increase of \$11.0 million in capital state appropriations related to the Career Tech and Engineering Technology Facility.

Operating revenues for the year ended June 30, 2022 of \$118.6 million increased by \$12.1 million from the prior year. Student tuition and fees totaling \$73.1 million is the largest component of operating revenue and increased by \$4.9 million from the prior year. All other operating revenues of \$45.5 million netted to a \$7.2 million increase over the prior year. Nonoperating revenues totaling \$66.6 million decreased by \$24.6 million from the prior year. The largest components of this decrease was a \$3.9 million increase in State appropriations, a \$7.4 million decrease in Higher Education Emergency Relief Funds (HEERF) and Federal Coronavirus Relief Fund grants, a \$22.1 million decrease in investment income and a \$1.0 million increase in other non-operating revenue.

Operating and nonoperating expenses (including HEERF related expenses) totaling \$190.5 million for the year ended June 30, 2023 increased by \$15.5 million from the prior year. Salaries, wages, and benefits of \$112.7 million, the largest component of operating and non-operating expenses, increased by \$18.6 million due primarily to Michigan Public School Employees' Retirement System (MPERS) adjustments for prepaid expenses. Supplies and support services of \$41.8 million increased by \$4.4 million from the prior year total of \$37.4 million. Scholarships of \$9.8 million decreased by \$8.7 million from the prior year total of \$18.4 million due primarily to HEERF funding being provided to students in the prior year. All other components of operating and nonoperating expenses increased by \$1.0 million which included increases in depreciation and amortization expense of \$0.9 million, and interest on capital asset related debt of \$0.2 million and a decrease in utilities of \$0.1 million.

Operating and nonoperating expenses (including HEERF related expenses) totaling \$175.0 million for the year ended June 30, 2022 increased by \$10.1 million from the prior year. Salaries, wages, and benefits of \$94.1 million, the largest component of operating and non-operating expenses, decreased by \$1.1 million. Supplies and support services of \$37.4 million increased by \$3.0 million from the prior year total of \$34.4 million. Scholarships of \$18.5 million increased by \$5.6 million from the prior year total of \$12.8 million due primarily to HEERF funding being provided to students. All other components of operating and nonoperating expenses increased by \$1.5 million which included increases in utilities of \$1.3 million, depreciation and amortization expense of \$1.0 million, and interest on capital asset related debt of \$0.2 million.





## Condensed Financial Information

### Condensed Statements of Net Position

	June 30		
	2023	2022 (as restated)	2021
<b>Assets</b>			
Current and other assets, net	\$ 199,202,218	\$ 211,362,127	\$ 184,330,326
Capital assets, net	359,426,230	331,324,909	326,687,010
<b>Total assets</b>	<b>558,628,448</b>	<b>542,687,036</b>	<b>511,017,336</b>
<b>Total deferred outflows of resources</b>	<b>5,584,315</b>	<b>14,681,069</b>	<b>7,398,997</b>
<b>Liabilities</b>			
Other liabilities	37,677,244	31,946,943	26,998,775
Long-term liabilities	147,519,941	177,245,977	169,091,441
<b>Total liabilities</b>	<b>185,197,185</b>	<b>209,192,920</b>	<b>196,090,216</b>
<b>Total deferred inflows of resources</b>	<b>65,050,247</b>	<b>84,683,753</b>	<b>68,261,788</b>
<b>Net position</b>			
Net investment in capital assets	196,293,594	176,094,174	173,193,651
Restricted			
Nonexpendable	1,014,307	982,525	1,141,269
Expendable	9,068,299	9,522,292	5,747,382
Unrestricted	107,589,131	76,892,441	73,982,027
<b>Total net position</b>	<b>\$ 313,965,331</b>	<b>\$ 263,491,432</b>	<b>\$ 254,064,329</b>

Current assets totaled \$66.5 million at June 30, 2023, \$66.6 million at June 30, 2022, and \$73.7 million at June 30, 2021. The ratio of current assets to current liabilities was 1.5 for the year ended June 30, 2023, 1.7 for the year ended June 30, 2022, and 2.1 for the year ended June 30, 2021. Cash and cash equivalents decreased by \$8.9 million from the prior year.

Current liabilities of \$45.6 million at June 30, 2023 increased by \$6.2 million from the prior year. Accounts payable, accrued liabilities, and accrued payroll increased by \$5.4 million due mostly to construction project activities. Unearned revenue increased by \$0.3 million from the prior year due primarily to more summer classes being held prior to the end of the fiscal year. Current portion of long-term liabilities increased by \$0.4 million due primarily to adoption of GASB 96.

Long-term debt including notes and bonds payable, is the largest liability totaling \$98.8 million at June 30, 2023, \$104.9 million at June 30, 2022, and \$79.2 million at June 30, 2021. Bonds and notes payable at June 30, 2023 included \$32.5 million in 2021 General Revenue Fixed Rate Bonds, \$54.5 million of 2018 General Revenue Fixed Rate Bonds, and remaining unamortized deferred costs and premiums of \$11.8 million. The University reported a net pension liability of \$30.2 million at June 30, 2023, \$53.1 million at June 30, 2022, and \$64.6 million at June 30, 2021 for its proportionate share of the MPSERS net pension liability. The University reported an other postemployment benefits (OPEB) asset of \$3.5 million at June 30, 2023 and \$4.0 at June 30, 2022, and an OPEB liability of \$4.0 million at June 30, 2021 for its proportionate share of the MPSERS net OPEB assets and liabilities.

## Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30		
	2023	2022 (as restated)	2021
<b>Operating revenues</b>			
Tuition and fees, net	\$ 72,844,024	\$ 73,116,473	\$ 68,213,279
Grants and contracts	12,532,005	8,078,560	6,606,291
Auxiliary enterprises, net	25,906,639	23,718,962	19,639,290
Other operating revenues	13,850,577	13,713,809	12,039,921
<b>Total operating revenues</b>	<b>125,133,245</b>	<b>118,627,804</b>	<b>106,498,781</b>
Operating expenses	186,550,666	171,468,100	161,531,716
<b>Operating loss</b>	<b>(61,417,421)</b>	<b>(52,840,296)</b>	<b>(55,032,935)</b>
<b>Nonoperating revenues</b>			
State appropriations	88,667,404	52,745,749	48,890,358
Pell grant revenue	8,778,936	9,350,693	9,354,436
Federal Perkins (expenses) revenues	(219,939)	145,903	109,436
Higher Education Emergency Relief Funds	1,170,461	13,319,801	15,391,288
Federal Coronavirus Relief Funds			5,358,200
Other nonoperating revenues (expenses), net	2,763,206	(12,513,494)	8,811,418
<b>Net nonoperating revenues</b>	<b>101,160,068</b>	<b>63,048,652</b>	<b>87,915,136</b>
<b>Income before other revenues</b>	<b>39,742,647</b>	<b>10,208,356</b>	<b>32,882,201</b>
Capital State appropriations	10,984,004		
Loss on asset disposal	(252,752)	(781,253)	(527,785)
<b>Total other revenues (expenses)</b>	<b>10,731,252</b>	<b>(781,253)</b>	<b>(527,785)</b>
<b>Total increase in net position</b>	<b>50,473,899</b>	<b>9,427,103</b>	<b>32,354,416</b>
<b>Net position - beginning of year</b>	<b>263,491,432</b>	<b>254,064,329</b>	<b>221,649,888</b>
Cumulative effect of change in accounting principle			60,025
<b>Adjusted net position - beginning of year</b>	<b>263,491,432</b>	<b>254,064,329</b>	<b>221,709,913</b>
<b>Net position - end of year</b>	<b>\$ 313,965,331</b>	<b>\$ 263,491,432</b>	<b>\$ 254,064,329</b>



## Tuition and Fees

The University currently has the second lowest annual tuition and fees out of the 15 state universities in Michigan. As part of tuition and fees, each full-time undergraduate student is provided the use of a notebook computer. A full-time undergraduate student normally takes 15 credit hours per semester and a full-time graduate student 12 credit hours per semester. The University charges tuition and fees under a lower division-upper division model. Undergraduate students with more than 56 credits are considered upper division students.

The following table sets forth the average annual student tuition and fees for full-time on-campus students for the academic year indicated.

**Average Annual Academic Year Full Time Student Tuition and Fees**

	2023	2022	2021
Undergraduate, resident			
Lower division	\$ 12,648	\$ 12,172	\$ 11,680
Upper division	13,248	12,748	12,232
Undergraduate, nonresident			
Lower division	18,144	17,668	17,176
Upper division	18,996	18,496	17,980
Graduate, resident	16,116	15,508	14,908
Graduate, nonresident	21,300	20,692	20,092

## Room and Board

The annual cost of room and board which includes laundry and other miscellaneous residence fees, was \$11,910 for fiscal year 2023, \$11,572 for fiscal year 2022, and \$11,072 for fiscal year 2021. The University provides on-campus residence hall and apartment facilities for students. Most students who are not living at home with their parents must live on campus through their first four semesters.



Nine residence halls with a rated capacity of 2,648 students have an average occupancy of 2,609 and are at 98.5% capacity. The increase in occupancy and capacity was due to the local housing shortage and affordability and an increase in late applications, likewise, a reconfiguration of room type was conducted to increase capacity within the residence halls. Campus apartments total 261 units. Most apartments are rented during the academic year with occupancy varying depending on the ratio of single students to student families and the size of the household. All residence hall students are required to be on one of four different meal plans which can be used at two on-campus dining facilities.

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## Operating Expenses

Operating expenses for June 30, 2023, including depreciation and amortization of \$15.3 million, totaled \$186.6 million. Of this total, \$88.1 million, or 47.2%, was used for instruction, research, student aid, and student services, \$30.9 million, or 16.5% was used for operation, maintenance, and depreciation and amortization, and \$23.1 million, or 12.4%, was used for auxiliary enterprises. Operating expenses for June 30, 2022 (as restated), including depreciation and amortization of \$14.4 million, totaled \$171.5 million. Of this total, \$84.1 million, or 49.0%, was used for instruction, research, student aid, and student services, \$30.2 million, or 17.6% was used for operation, maintenance, and depreciation and amortization, and \$19.6 million, or 11.4%, was used for auxiliary enterprises. Operating expenses for June 30, 2021, including depreciation and amortization of \$13.4 million, totaled \$161.5 million. Of this total, \$76.4 million, or 47.3%, was used for instruction, research, student aid, and student services, \$28.9 million, or 17.9% was used for operation, maintenance, and depreciation and amortization, and \$18.2 million, or 11.3%, was used for auxiliary enterprises.

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## Other

State appropriations of \$88.7 million for the year ended June 30, 2023, \$52.7 million for the year ended June 30, 2022, and \$48.9 million for the year ended June 30, 2021 is the largest source of nonoperating revenues. The appropriation is recognized in the period for which it is appropriated.

Interest expense on outstanding debt, leases, and SBITAs was \$3.8 million for the year ended June 30, 2023, \$3.5 million for the year ended June 30, 2022, and \$3.3 million for the year ended June 30, 2021.





## The Statements of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the University during the year.

### Condensed Statements of Cash Flows

	June 30		
	2023	2022 (as restated)	2021
Cash provided (used) by:			
Operating activities	\$ (81,939,976)	\$ (38,960,192)	\$ (36,067,067)
Noncapital financing activities	99,468,870	75,568,745	62,292,743
Capital and related financing activities	(40,574,332)	8,463,981	(17,182,202)
Investing activities	1,149,506	(14,414,876)	619,898
Net (decrease) increase in cash and cash equivalents	(21,895,932)	30,657,658	9,663,372
Cash and cash equivalents, beginning of year	69,772,703	39,115,045	29,451,673
Cash and cash equivalents, end of year	<u>\$ 47,876,771</u>	<u>\$ 69,772,703</u>	<u>\$ 39,115,045</u>

Major sources of funds included in operating activities are student tuition and fees of \$73.0 million, grants and contracts of \$6.9 million and auxiliary sales of \$25.5 million for the year ended June 30, 2023; student tuition and fees of \$72.8 million, grants and contracts of \$16.9 million and auxiliary sales of \$23.3 million for the year ended June 30, 2022; student tuition and fees of \$68.2 million, grants and contracts of \$10.1 million and auxiliary sales of \$19.6 million for the year ended June 30, 2021. The major sources of funds included in noncapital financing activities are State appropriations of \$88.4 million and Pell grant revenue of \$8.8 million for the year ended June 30, 2023. State appropriations of \$52.7 million, HEERF of \$13.3 million, and Pell grant revenue of \$9.4 million for the year ended June 30, 2022. State appropriations of \$41.2 million, Federal Coronavirus Relief Funds (CRF) of \$5.4 million, HEERF Funds of \$6.6 million, and Pell grant revenue of \$9.4 million for the year ended June 30, 2021. See additional cash flow information related to capital assets and long-term debt within the footnotes.

## The Northern Michigan University Foundation

The mission of The Northern Michigan University Foundation (the "Foundation") is to cultivate and promote the private philanthropic support of the University's mission through a comprehensive advancement effort.

Net assets of \$65.9 million increased \$15.1 million for the year ended June 30, 2023 as compared to a decrease in net assets of \$5.5 million for the year ended June 30, 2022.

Net assets of \$50.8 million decreased \$5.5 million for the year ended June 30, 2022 as compared to an increase in net assets of \$12.4 million for the year ended June 30, 2021. The decrease in net position of \$5.5 million for fiscal year 2022 changed by \$17.9 million from the increase in net position of \$12.4 million for fiscal year 2021, predominately, as a result of investment fluctuations due to changes in the market.

The Foundation continues to engage in activities that increase donor awareness of giving opportunities to support the University by providing scholarships, facilities, and learning opportunities.





## Factors Impacting Future Periods

### Student Affairs and Student Success

Student Affairs and Student Success is made up of the Student Success Office, First Generation Programs, Student Conduct Program, Disability Services, Student Support Services (Trio), Veteran Services, Career Services, and the Dean of Students Office.

In recent years, new initiatives have been designed and implemented to assist in retaining students and to assist students in becoming academically successful.

The Student Success Office was launched in July 2023. The former centralized advising program for new students was combined with the embedded advising program for students after their first year into a program that places professional advisors in nine clusters of academic programs. The advisors are located in the academic departments. Holistic advising is provided for all students. If students



remain in the academic clusters they will be able to retain the same advisor until they graduate. Faculty mentoring is being encouraged so students can form meaningful relationships with professors. This advising will more easily enable the University to identify students at academic risk or in personal crisis, allowing for earlier intervention. This initiative will assist with improving the University's retention and completion rates, increase student knowledge and use of University resources, and improve student awareness of University processes.

The Educational Success Platform (ESP) is a retention and communication tool intended to assist faculty, advisors, and students to communicate more effectively, serves as an early warning system, and ultimately, will increase the retention of students at the University. Faculty may use the system to compliment students for their efforts, communicate with one or all students in a class section, and also let students know when they are not performing adequately. These notifications to students are copied to their academic advisors (and, if an athlete, to their head coach) so that they may be aware and also reach out to the student. Concerns about the wellbeing of students are sent to the University Case Manager.

The First Generation Programs Office was started in August 2023. Approximately 35% of our students are first generation students (our definition is that neither parent earned a bachelors degree). This will be the first time that we have had a person dedicated solely to these students. The purpose of this office is to increase the persistence, retention and completion rates of first generation students by providing them with the services they need to be successful. Fall 2023 and Winter 2024 will be dedicated to research, focus groups and program development. Pilot programs will be run in the 2024-2025 academic year.

The staff in Career Services was expanded from one to three professional staff members. This has allowed for increased meetings with students, increased workshops to help students research careers and apply for internships and jobs, and increased work with potential employers. This, too, should help with the retention of our students.



## Enrollment Data

For the 2022-23 academic year, as of the fall census date, thirty-five percent (35%) of the University's students were from Upper Peninsula Michigan counties, forty-two (42%) of the University's students came from Michigan's Lower Peninsula counties, and the remaining twenty-three percent (23%) came from other states and foreign countries.

The following table indicates the total beginning-of-semester (BOS) fall headcount enrollment of undergraduate and graduate students. Also indicated are the fiscal year equated students and total annual end-of-semester (EOS) credit hours for all students attending the University.

Academic Year	Fall BOS Headcount Enrollment			Fiscal Year Equated Students	Annual Total Credit Hours Taken		
	Undergraduate Students	Graduate Students	Total		Undergraduate Students	Graduate Students	Total
2019	7,136	596	7,732	6,768	193,665	7,329	200,994
2020	6,734	634	7,368	6,815	194,655	7,705	202,360
2021	6,611	603	7,214	6,509	183,659	9,138	192,797
2022	6,434	536	6,970	6,375	179,849	8,877	188,726
2023	6,584	613	7,197	6,149	N/A	N/A	N/A

## Admissions

The Admissions staff developed and executed strategic activities designed to positively impact enrollment in core markets and new markets. Through collaboration with University partners, Admissions created a variety of on-campus opportunities for prospective students, including large-scale open house events, personalized campus visits, organized group visits with academic components, and scholarship competitions. Over 3,060 prospective students and 4,200 parents/guests participated. Off campus, NMU was represented by Admissions staff at over 1,900 outreach activities to reach targeted markets. These included college fairs, presentations at high schools and community colleges, student-family meetings and other events. Investments in transfer initiatives and new geographic markets will impact future term enrollments.

The tables below set forth the total number of first year (including associate degree, vocational and one-year certificate students) and transfer applications received and accepted and the number of students enrolled for the fall semesters indicated.

### First-Year Student Admissions

Fall Semester	Applications Received	Applications Accepted	Percent Accepted	Total New Freshmen	
				Enrolled	Percent Enrolled
2018	7,768	5,007	64.5	1,608	32.1
2019	7,827	5,045	64.5	1,601	31.7
2020	6,389	4,169	67.0	1,354	32.5
2021	6,693	4,670	69.8	1,491	31.9
2022	6,340	4,386	69.2	1,407	32.1

By August 2, 2023, the University had received 7,023 freshman applications (as compared to 6,304 as of August 3, 2022) and had granted 4,840 acceptances (as compared to 4,391 as of August 3, 2022).

### Transfer Student Admissions

Fall Semester	Applications Received	Applications Accepted	Percent Accepted	Students Enrolled	Percent Enrolled
2018	1,547	782	50.5	488	62.4
2019	1,337	698	52.2	419	60.0
2020	1,229	701	57.0	393	56.1
2021	1,169	672	57.5	360	53.6
2022	1,216	700	57.6	386	55.1

By August 2, 2023, the University had received 1,322 transfer applications (as compared to 1,166 as of August 3, 2022) and had granted 722 acceptances (as compared to 678 as of August 3, 2022).





## Capital Plan

The University has adopted the 2022 Interim Strategic Plan with five focus areas aimed to guide NMU's future. Each focus area is supported by specific strategies including "investing in facilities projects that enhance the student experience." In support of this strategy, NMU's capital plan includes a number of major projects that directly impact the student experience. Three major projects recently completed totaling \$38.3 million include the Career Tech and Engineering Technology Facility (\$28.6 million completed in August 2023), WellBeing Center (\$7.7 million completed in June 2023) and Behavior Education Assessment and Research (BEAR) Center (\$2.0 million completed in January 2023).



The University intends to continue to improve the student experience through a number of planned projects totaling \$74.5 million scheduled to be completed over the next three years. More details regarding the upcoming projects follow:

The Northern Enterprise Center is identified in the University's capital outlay request to the State of Michigan. The new academic center, located in the academic mall as an addition onto C.B. Hedgcock, will be the home of the College of Business and will help reshape the campus by improving the academic core in order to make it more efficient, more concentrated, and more collaborative. It will enable the University to expand opportunities for students to interact with local businesses, increase economic growth and significantly enhance their overall learning experience. New classrooms and laboratories will provide dynamic, modern high-tech teaching spaces for our future business leaders based on the Universities expertise in collaborative learning design and incorporating technology into instruction. This project will also locate students next to classrooms to provide easy access to advising/student success counselors and faculty which matches with the University's initiatives to enhance retention and graduation rates. It will complete a physical link between the buildings in the Academic Mall enabling students to traverse the entire Academic Mall indoors, improving student access to facilities during the U.P.'s harsh winter months. This project represents the completion of a major Campus Master Plan element that focuses on moving academic departments to the center of campus in the "Academic Core". Finally, this project will assist in enabling the demolition of Gries Hall and will reduce the square footage, operating costs, and the University's overall carbon footprint. The project budget is estimated to be \$19.1 million.



The Harden Hall Library renovation in the academic mall will redevelop its program space to create a vibrant library and resource center that is more welcoming and user friendly for faculty, staff, and students. More collaborative and quiet study spaces will be provided along with incorporating more technology. The renovation will upgrade the furnishings and shelving, improve lighting and electrical systems, improve access to library public/technical services and co-locate Archives and the Beaumier U.P. Heritage Center. An emerging technologies area will provide students opportunities to experience virtual reality and create podcasts and other digital recordings. All on-campus tutoring centers will be co-located to create a Learning Commons for the sciences, math, language and writing labs. Classrooms will be relocated to the Third Floor creating the opportunity for student-experience space on the First Floor. A partial Fourth Floor will be constructed for four academic departments which will allow for the vacation and demolition of Gries Hall. Construction will begin in January 2024 and be completed by winter 2026. The project budget for the Harden Hall Library renovation is \$32.7 million.



The Natural Sciences Research Center project will address the need for additional teaching labs in Weston Hall and the Science Building. The additional labs will enhance the recruitment of new faculty and students. Expanded scheduling has been required to accommodate all the biology and chemistry classes in the teaching labs. This project would construct an addition onto the Science Complex to increase the number of wet labs for both teaching and faculty research. The project budget is \$11.7 million.



The Berry Event Center Infrastructure Improvements project will replace the end-of-life ice making system equipment to ensure system reliability. The rink size will be reduced and new dasher boards will be installed to increase player safety, improve player recruitment and reduce energy costs. Also, several major air handling units such as the dehumidification unit will be replaced to better regulate the environmental conditions within the building. Construction began in March 2023 with a project budget of \$6.5 million. Construction is expected to be completed by October 2023.

Vandament Arena will be renovated to incorporate basketball and volleyball. Vandament Arena currently is designed to serve as a single-use volleyball arena with a game court in the center. NMU men's and women's basketball teams currently play their GLIAC games in the Berry Event Center, which also serves as an ice arena for NMU hockey. To facilitate hockey and basketball within the Berry Event Center, insulated panels and a portable basketball court need to be installed over the ice for basketball and then removed for hockey. This conversion process is labor intensive. With this project, the Vandament Arena will be modified to host the GLIAC basketball games. The renovation will create a more intimate venue and greater spectator experience with approximately 1,600 seats in a bowl-like setting. Having basketball and volleyball share the Vandament Arena does not require flooring conversions and will eliminate the flooring conversion process required in the Berry Event Center. The revised space assignments will reduce building and portable equipment maintenance. The project budget is \$2.5 million and construction will begin in December 2023 with an expected completion by August 2024. The project will be funded by operational savings from eliminating the current flooring conversion process in the Berry Event Center.

The Superior Dome artificial turf has reached the end of its useful life and will be replaced to improve player safety and increase the reliability of the retraction system in the summer 2024. The project budget is \$2.0 million.

In 2019, the University completed a comprehensive update of their existing Campus Master Plan. The 2019 Campus Master Plan represents a new vision that aligns the University's academic mission, strategic plan, and physical planning goals into a single document which will help guide the future development of the campus. The master plan provides a 10-15 year framework for campus facilities and infrastructure that includes recommendations for building opportunities and additions, pedestrian and open space enhancements, roadway realignments, and new or reconfigured parking facilities. Several underutilized and inefficient buildings were identified for demolition. Total building square foot removal identified since this plan was adopted in 2019 through 2030 equals 260,000 gross square feet and supports the University's goals of improving space efficiency, and reducing operating costs while also reducing its carbon footprint. Remaining projects identified will be pursued dependent on available funding from a combination of donors, state funding, and University resources.





**Bonds and notes payable at June 30, 2023 consist of the following:**

Maturity Dates	Interest Rates		Maturity Value
	Coupon	Yield	
12/1/2023	3.630%		\$ 1,025,000
12/1/2024	3.730%		895,000
12/1/2025	3.770%		800,000
12/1/2026	3.800%		830,000
12/1/2027	3.900%		865,000
12/1/2028	4.000%		895,000
6/1/2038	4.000%	1.820%	1,235,000
6/1/2039	4.000%	1.850%	1,285,000
6/1/2040	4.000%	1.880%	1,335,000
6/1/2041	4.000%	1.920%	1,385,000
6/1/2042 - 6/1/2046	4.000%	2.060%	7,810,000
12/1/2029	4.100%		920,000
12/1/2030	4.150%		950,000
12/1/2031	4.200%		880,000
12/1/2032	4.250%		915,000
12/1/2033	4.300%		955,000
12/1/2034-12/1/2038	4.450%		3,745,000
12/1/2039-12/1/2043	4.500%		4,105,000
12/1/2023	5.000%	2.400%	3,310,000
12/1/2024	5.000%	2.560%	3,545,000
12/1/2025	5.000%	2.700%	3,240,000
12/1/2026	5.000%	2.820%	2,970,000
12/1/2027	5.000%	2.910%	3,095,000
12/1/2028	5.000%	2.990%	3,290,000
12/1/2029	5.000%	3.060%	3,475,000
12/1/2030	5.000%	3.110%	3,615,000
12/1/2031	5.000%	3.170%	1,775,000
12/1/2032	5.000%	3.210%	1,850,000
12/1/2033	5.000%	3.240%	1,930,000
12/1/2034	5.000%	3.290%	2,015,000
12/1/2035	5.000%	3.340%	2,450,000
12/1/2036	5.000%	3.400%	65,000
12/1/2037	5.000%	3.430%	65,000
12/1/2038	5.000%	3.450%	70,000
6/1/2024	5.000%	0.470%	1,280,000
6/1/2025	5.000%	0.610%	1,345,000
6/1/2026	5.000%	0.790%	1,410,000
6/1/2027	5.000%	0.930%	1,480,000
6/1/2028	5.000%	1.110%	1,550,000
6/1/2029	5.000%	1.240%	1,635,000
6/1/2030	5.000%	1.350%	1,715,000
6/1/2031	5.000%	1.410%	1,800,000
6/1/2032	5.000%	1.450%	1,885,000
6/1/2033	5.000%	1.510%	965,000
6/1/2034	5.000%	1.540%	1,015,000
6/1/2035	5.000%	1.570%	1,065,000
6/1/2036	5.000%	1.590%	1,120,000
6/1/2037	5.000%	1.620%	1,175,000
<b>Total</b>			<b>\$ 87,030,000</b>

## Teaching, Learning, and Communication (TLC) Initiative

Access to Global Campus academic programs and online personal and professional development offerings has increased significantly over the past several years due to the rapid buildout of the University's unique wireless LTE network. More than 7,000 students and nearly 7,500 Educational Access Network customers use the network to manage course related activities and research, including bandwidth intensive applications such as streaming media, video conferencing, and large data file transfers. The University began building the network in fall 2017 with a goal of serving 64 communities over a two-year period, putting a priority on bringing high-speed educational broadband to students – pre-school through lifelong learner – in the most unserved and underserved rural Upper Peninsula communities. Today, the network serves 115 Upper Peninsula communities and two Lower Peninsula communities. The University's success with LTE in Marquette County has spread throughout Michigan's Upper Peninsula, northern Lower Peninsula and northeastern Wisconsin, and is positively changing the lives of many citizens and erasing the "homework gap" for K-12 schoolchildren in these rural areas.



The system runs on spectrum that is licensed to the University by the Federal Communications Commission (FCC) to serve six General Service Areas (GSAs). The network covers more than 16,000 square miles and crosses a geographic service area roughly the size of four New England states. To accelerate the buildout, the University received financial assistance from the Michigan Economic Development Corporation (MEDC) and partners with area K-12 schools, colleges and universities to deliver educational broadband to rural communities in an effort to engage learners of all ages in credit and no-credit educational experiences. As a result, learners of all ages are able to successfully earn high school and college credentials, receive continuing education needed in workforce development programs across the region, and engage in online personal enrichment learning modules.



The University continues its Teaching, Learning and Communication (TLC) initiative of providing all full-time students, faculty and staff with a laptop computer and a comprehensive technology package. To provide even greater access to education for the citizens of the region, The University continues its use of instructional career pathway and "virtual field trip" experiences for K-12 schools in response to high graduation requirements and shrinking school budgets. Programs are conducted using internet-based videoconferencing technology, along with streaming media. Content experts from within the University and surrounding areas provide "real world" information to students interested in career pathway information. In addition, the University offers continuing education for teacher re-certification and enrichment using interactive TV and works with local Regional Education Services Agencies (RESA) to support the technology needs of area schools.

WNMU-TV and WNMU-FM spent much of the year focused on maintaining the delivery of high-quality local programming. Both stations welcomed a transition back from a hybrid setting to mostly in-person productions. Adapting to mostly remote productions for the prior two years was a uniquely challenging experience with many lessons learned. The primary benefit is that, if necessary, both stations are well prepared to operate in a remote production environment in the future.

WNMU-FM was honored with a Broadcast Excellence Merit Award from the Michigan Association of Public Broadcasters (MAPB). This award was possible from the hard work and dedication of a staff member creating a pledge drive spot called Voices. Another honor for the station was a pair of WNMU donors receiving the Public Media Impact Award from the MAPB for their ongoing support of the station. In addition, WNMU-TV also won an award in sports broadcasting with a staff member accepting the SVG College Sports Media Award for Outstanding Live Game Production in the Collegiate Student - Championship division presented by Sports Video Group (SVG) & the National Association of Collegiate Directors of Athletics (NACDA). This award was a true team award that was recognition of not only the drive and dedication of station staff, but also for the team of students that worked on the sports production project.

WNMU-TV's main production space, Studio A, underwent its first major renovation and update in over 40 years. The renovation included a new epoxy floor covering, updated electrical service, a new lighting grid, LED lighting system, a new production set with LED color changing lighting, a wall mounted display, a rolling mobile display on a cart, a new motion graphics system, and an updated digital audio mixing system. The updates have allowed for a modern look that has enhanced local productions. Studio A is also an academic hands-on experiential lab serving the video production courses in Communication and Media Studies (CAMS). The studio also hosts the student run daily news program called Public Eye News.

High school students were welcomed back on campus to produce the 44th season of High School Bowl. The quiz bowl program showcases the academic strength and competitiveness of Upper Peninsula and Northern Lower Peninsula high school students. In addition to being aired locally, the Michigan Learning Channel (MLC) requested access to the program and is now broadcasting it across the State of Michigan. WNMU-TV is one of six public television stations that broadcasts the MLC.

In March 2022, WNMU-TV applied for and received grant funding from Twin Cities Public TV. The grant focused on raising awareness on suicide prevention which is something that is unfortunately a concern in the local community. The grant was fulfilled in the fall of 2022 with a handful of local productions and a live event that included a panel of experts. There was also a grant opportunity with the Michigan Learning Channel that focused on showcasing the local community through a virtual field trip. The intended audience was for students in grades K-5. The videos were available via broadcast on the MLC, and shared as education engagement resources for elementary school teachers.



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## State Appropriations

The University expects to receive \$53.2 million in base State Appropriations for the upcoming fiscal year. This is an increase of \$2.5 million from the prior year base funding level of \$50.7 million. The University has set annual student tuition and fees at \$676 above the prior fiscal year and has met the State tuition restraint requirements.

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## NORTHERN MICHIGAN UNIVERSITY STATEMENTS OF NET POSTION

	Northern Michigan University		Component Unit	
	June 30		NMU Foundation	
	2023	2022 as restated	2023	2022
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 32,227,327	\$ 41,084,672	\$ 639,699	\$ 773,449
Short-term investments			4,379,242	373,869
State appropriation receivable	9,211,504	8,961,577		
Accounts receivable (less allowance 2023--\$2,282,000; 2022--\$2,561,000)	19,692,528	11,301,595		
Student notes receivable (less allowance 2023--\$146,000; 2022--\$968,000)	543,129	1,238,251		
Pledges receivable (less allowance 2023--\$38,000; 2022--\$50,200)			879,725	491,882
Lease receivable	95,053	112,457		
Inventories	960,515	840,776		
Other assets	3,762,047	3,070,063	617,621	788,080
<b>Total current assets</b>	<u>66,492,103</u>	<u>66,609,391</u>	<u>6,516,287</u>	<u>2,427,280</u>
<b>Noncurrent assets</b>				
Restricted cash	15,649,444	28,688,031		
Long-term investments	110,794,537	108,460,701	52,690,290	43,913,566
Student notes receivable (less allowance 2023--\$309,000; 2022--\$1,490,000)	1,150,971	1,905,776		
Lease receivable	1,389,046	1,458,871		
Other long-term investments	194,962	194,962	3,096,912	3,072,407
Pledges receivable			1,187,246	730,226
Net OPEB asset	3,531,155	4,044,395		
Capital assets not being depreciated/amortized	113,089,435	93,295,647	6,363,522	828,650
Capital assets being depreciated/amortized, net	246,336,795	238,029,262	1,029,074	600,029
<b>Total noncurrent assets</b>	<u>492,136,345</u>	<u>476,077,645</u>	<u>64,367,044</u>	<u>49,144,878</u>
<b>Total assets</b>	<u>558,628,448</u>	<u>542,687,036</u>	<u>70,883,331</u>	<u>51,572,158</u>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	1,274,026	1,344,557		
Deferred OPEB amounts	312,678	987,259		
Deferred pension amounts	3,997,611	12,349,253		
<b>Total deferred outflows of resources</b>	<u>5,584,315</u>	<u>14,681,069</u>		
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	21,933,336	16,932,499	644,886	402,590
Accrued payroll and benefits	8,651,719	8,240,825		
Refundable advances			4,000,000	
Unearned revenue (unearned student fees & deposits)	7,092,189	6,773,619		
Lease liabilities-current portion	252,348	271,462		
SBITA liabilities-current portion	1,003,372	794,774		
Long-term liabilities-current portion	6,664,255	6,426,701		
<b>Total current liabilities</b>	<u>45,597,219</u>	<u>39,439,880</u>	<u>4,644,886</u>	<u>402,590</u>
<b>Noncurrent liabilities</b>				
Annuities payable			353,339	367,099
Net pension liability	30,178,176	53,111,511		
Long-term lease liability-net of current portion	584,424	650,256		
Long-term SBITA liability-net of current portion	1,667,251	1,016,920		
Long-term liabilities-net of current portion	107,170,115	114,974,353		
<b>Total noncurrent liabilities</b>	<u>139,599,966</u>	<u>169,753,040</u>	<u>353,339</u>	<u>367,099</u>
<b>Total liabilities</b>	<u>185,197,185</u>	<u>209,192,920</u>	<u>4,998,225</u>	<u>769,689</u>
<b>Deferred inflows of resources</b>				
Deferred lease amounts	1,334,723	1,435,203		
Deferred OPEB amounts				
Deferred pension amounts	1,226,856	17,214,298		
Concessionaires arrangement	62,488,668	63,381,363		
<b>Total deferred inflows of resources</b>	<u>65,050,247</u>	<u>84,683,753</u>		

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**Net position**

Net investment in capital assets	\$ 196,293,594	\$ 176,094,174	\$ 7,392,596	\$ 1,428,679
Restricted for:				
Nonexpendable				
Scholarships and fellowships	63,757	63,757	2,863,097	2,600,647
Loans	60,038	60,038		
Instruction	890,512	858,730		
Expendable				
Instruction	1,133,701	1,093,239	11,354,801	9,938,365
Scholarships and fellowships	626,930	605,521	30,995,936	27,101,799
Loans	3,532,030	3,468,647		
Research	143,530	213,911		
Academic, student and public service	100,953	96,579	4,454,818	5,384,445
OPEB benefits	3,531,155	4,044,395		
Unrestricted	107,589,131	76,892,441	8,823,858	4,348,534
<b>Total net position</b>	<u>\$ 313,965,331</u>	<u>\$ 263,491,432</u>	<u>\$ 65,885,106</u>	<u>\$ 50,802,469</u>
				concluded





**NORTHERN MICHIGAN UNIVERSITY**  
**Statements of Revenues, Expenses, and Changes in Net Position**

	Northern Michigan University June 30		Component Unit	
			NMU Foundation June 30	
	2023	2022 as restated	2023	2022
<b>Operating revenues</b>				
Student tuition and fees (less allowance 2023--\$20,333,000; 2022--\$20,757,000)	\$72,844,024	\$ 73,116,473		
Gifts and contributions			\$ 17,291,726	\$ 6,254,304
Federal grants and contracts	9,631,038	4,325,624		
State and local grants and contracts	1,195,282	1,936,476		
Nongovernmental grants and contracts	1,705,685	1,816,460		
Sales and services of educational activities	13,792,874	13,561,353		
Auxiliary enterprise				
Residential life (less allowance 2023--\$5,143,000; 2022--\$4,833,000)	22,919,846	20,569,058		
Other auxiliary	2,986,793	3,149,904		
Other operating revenues	57,703	152,456		
<b>Total operating revenues</b>	<b>125,133,245</b>	<b>118,627,804</b>	<b>17,291,726</b>	<b>6,254,304</b>
<b>Operating expenses</b>				
Educational and general				
Instruction	54,092,725	44,907,141		
Research	1,788,925	1,804,265		
Public service	9,437,556	9,049,939		
Academic support	17,930,574	13,442,761		
Student services	22,458,189	18,888,051		
Institutional support	17,095,843	15,103,478	3,177,657	1,492,832
Operations and maintenance of plant	15,583,583	15,836,161		
Student aid	9,763,365	18,450,837		
Depreciation and amortization	15,289,557	14,400,842		
Auxiliary enterprise				
Residential life	18,376,313	15,633,690		
Other	4,734,036	3,950,935		
<b>Total operating expenses</b>	<b>186,550,666</b>	<b>171,468,100</b>	<b>3,177,657</b>	<b>1,492,832</b>
<b>Operating (loss) income</b>	<b>(61,417,421)</b>	<b>(52,840,296)</b>	<b>14,114,069</b>	<b>4,761,472</b>
<b>Nonoperating revenues (expenses)</b>				
State appropriations	88,667,404	52,745,749		
Pell grant revenue	8,778,936	9,350,693		
Federal Higher Education Emergency Relief Funds grant	1,170,461	13,319,801		
Federal Perkins assignments (expense) revenue	(219,939)	145,903		
Gifts from The NMU Foundation	3,057,901	3,497,607		
Payments to and on behalf of the University			(3,094,038)	(3,489,559)
Investment income (loss) (net of investment expense for the University 2023--\$113,400 and 2022--\$104,000; and for the NMU Foundation 2023--\$95,000 and 2022--\$109,400)	3,455,379	(12,495,230)	4,062,606	(6,767,878)
Interest expense on capital asset-related debt	(3,750,074)	(3,515,871)		
<b>Net nonoperating revenues (expenses)</b>	<b>101,160,068</b>	<b>63,048,652</b>	<b>968,568</b>	<b>(10,257,437)</b>
<b>Income (loss) before other revenues (expenses)</b>	<b>39,742,647</b>	<b>10,208,356</b>	<b>15,082,637</b>	<b>(5,495,965)</b>
Capital State appropriations	10,984,004			
Loss on asset disposal	(252,752)	(781,253)		
<b>Total other revenues (expenses)</b>	<b>10,731,252</b>	<b>(781,253)</b>		
<b>Increase (decrease) in net position</b>	<b>50,473,899</b>	<b>9,427,103</b>	<b>15,082,637</b>	<b>(5,495,965)</b>
<b>Net position - beginning of year</b>	<b>263,491,432</b>	<b>254,064,329</b>	<b>50,802,469</b>	<b>56,298,434</b>
<b>Net position - end of year</b>	<b>\$313,965,331</b>	<b>\$263,491,432</b>	<b>\$65,885,106</b>	<b>\$50,802,469</b>



**NORTHERN MICHIGAN UNIVERSITY**  
**Statements of Cash Flows**

	<b>Year Ended June 30</b>	
	<b>2023</b>	<b>2022 as restated</b>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 72,955,004	\$ 72,810,063
Grants and contracts	6,872,071	16,900,584
Payments to suppliers	(46,117,979)	(43,632,210)
Payments to employees	(144,400,190)	(103,351,178)
Payments for scholarships and fellowships	(9,763,365)	(18,450,836)
Collection of loans to students and employees	1,519,752	484,804
Auxiliary enterprise		
Residential life	22,695,494	20,360,330
Other	2,813,264	2,946,440
Other receipts	<u>11,485,973</u>	<u>12,971,811</u>
<b>Net cash used in operating activities</b>	<u>(81,939,976)</u>	<u>(38,960,192)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	88,417,476	52,660,479
Pell grant revenue	8,778,936	9,350,693
Federal Perkins assignments	(219,939)	145,903
Federal Higher Education Emergency Relief Funds	1,170,461	13,319,801
William D. Ford direct lending receipts	29,855,924	31,139,107
William D. Ford direct lending disbursements	(29,855,924)	(31,139,107)
Gifts and grants received for other than capital purposes	3,057,901	3,498,963
Other	<u>(1,735,965)</u>	<u>(3,407,094)</u>
<b>Net cash provided by noncapital financing activities</b>	<u>99,468,870</u>	<u>75,568,745</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital financing	(188,519)	138,444
Net proceeds from sale of revenue bonds		40,891,848
Purchases of capital assets	(41,166,463)	(12,769,326)
Proceeds from sale of capital assets	654,195	
Principal paid on capital debt	(5,355,000)	(14,532,477)
Principal paid on subscription liabilities	(992,594)	(1,263,415)
Principal paid on lease liabilities	(310,964)	(249,543)
Capital State appropriations receipts	10,984,004	
Interest paid on capital debt	<u>(4,198,991)</u>	<u>(3,751,550)</u>
<b>Net cash (used in) provided by capital and related financing activities</b>	<u>(40,574,332)</u>	<u>8,463,981</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	1,143,435	15,761,280
Interest on investments	3,538,004	2,253,113
Purchase of investments	<u>(3,531,933)</u>	<u>(32,429,269)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>1,149,506</u>	<u>(14,414,876)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(21,895,932)	30,657,658
<b>Cash, cash equivalents and restricted cash - beginning of the year</b>	<u>69,772,703</u>	<u>39,115,045</u>
<b>Cash, cash equivalents, and restricted cash - end of year</b>	<u>\$ 47,876,771</u>	<u>\$ 69,772,703</u>

continued...



**Reconciliation of Operating Loss to Net Cash Used in Operating Activities**

Operating loss	\$	(61,417,421)	\$	(52,840,296)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization expense		15,289,557		14,400,842
Amortization of the Woods commitments		(46,871)		(46,498)
Change in operating assets and liabilities which provided (used) cash:				
Receivables, net		(6,180,302)		9,765,985
Inventories		(119,739)		60,323
Other assets		(597,616)		(270,365)
Accounts payable and accrued liabilities		3,402,703		1,140,944
Unearned revenue		286,084		(1,034,113)
Accrued payroll and benefits		370,527		583,656
Deferred inflows - pension amounts		(15,987,442)		15,216,901
Deferred inflows - OPEB amounts		(2,652,889)		2,210,401
Deferred outflows - pension amounts		8,351,642		(7,913,786)
Deferred outflows - OPEB amounts		674,581		129,683
Deferred inflows - concessionaires arrangement		(892,695)		(892,695)
Net pension liability		(22,933,335)		(11,456,804)
Net OPEB asset		513,240		(8,014,370)
<b>Net cash used in operating activities</b>	<b>\$</b>	<b>(81,939,976)</b>	<b>\$</b>	<b>(38,960,192)</b>
<b>Noncash transactions</b>				
Subscription additions	\$	(2,429,292)	\$	(395,253)
Lease additions		(229,117)		(396,995)
Early termination of subscription arrangements		577,769		
Early termination of lease agreements		3,099		
<b>Net noncash transactions</b>	<b>\$</b>	<b>(2,077,541)</b>	<b>\$</b>	<b>(792,248)</b>
				concluded



## NOTES TO FINANCIAL STATEMENTS

### NOTE A—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***BASIS OF PRESENTATION***

The financial statements of Northern Michigan University (the "University") have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The University follows the "business-type" activities requirements of GASB Statement No. 35, rather than issuing fund-type financial statements and has the following components in the financial statements:

- Management's discussion and analysis
- Basic financial statements including statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows for the University as a whole
- Notes to financial statements
- Other required supplementary information and related notes

#### **GASB 87 Lease Accounting**

This standard was effective for the University's fiscal year 2022 and establishes new requirements for universities to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognize inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of the change, the University restated its fiscal year 2021 statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows. Due to the restatement, the University recognized an increase in assets of \$2,393,111; an increase in liabilities and deferred inflows of \$2,324,267 and an increase to net position of \$68,844. Also, as a result of the restatement, the University recognized lease revenues of \$21,747 and lease expenses of \$12,928 resulting in a cumulative change in accounting principle of \$60,025. More detailed information can be found in Notes E and H.

#### ***CHANGE IN ACCOUNTING PRINCIPLES***

#### **GASB 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

This standard is effective for the University's fiscal year 2023 and improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As a result, transferors in public-private or public-public arrangements recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services, such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time, in an exchange, or exchange-like transaction. There was no significant impact to the University's financial statements upon adoption of GASB 94.



## GASB 96 Subscription-Based Information Technology Arrangements (SBITAs)

This standard is effective for the University's fiscal year 2023 and addresses accounting and financial reporting issues regarding the right-to-use subscription assets (an intangible asset) and the corresponding subscription liability, and capitalization criteria for outlays other than subscription payments, including implementation costs. The present value of existing subscription-based arrangements was \$2,679,856 as of July 1, 2021, with the College recording both subscription-based right-to-use assets and related obligations for this amount (no impact on net position). As a result of the change, the University restated its fiscal year 2022 statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows. Due to the restatement, the University recognized an increase in assets of \$2,278,138; an increase in liabilities of \$1,824,918 and an increase to net position of \$453,220. Also, as a result of the restatement, the University recognized SBITA expenses of \$827,964. More detailed information can be found in Notes E and I.

### **REPORTING ENTITY**

Northern Michigan University is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Trustees is appointed by the Governor of the State of Michigan. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various State agencies, payments to State retirement programs for University employees, and reimbursements for capital outlay projects.

The Northern Michigan University Foundation (the "Foundation") is a legally separate, tax-exempt organization supporting Northern Michigan University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. There are currently twenty members of the Board of Trustees of the Foundation.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The Foundation's financial statements are reported in a separate column to emphasize that a) it is legally separate from the University and b) its assets are not necessarily available to satisfy all liabilities of the University.

During the years ended June 30, 2023 and 2022, the Foundation made distributions of \$3.1 million and \$3.5 million, respectively, to or on behalf of, the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from their office at 603 Cohodas Administrative Center, Marquette, MI 49855.

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting—Northern Michigan University**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Operating revenues of the University consist of tuition and fees, grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues. These revenues represent revenue earned from exchange transactions and are reported net of discounts. Transactions related to capital and related financing activities, investing activities, State appropriations, Federal Pell Grants, and Federal Higher Education Emergency Relief Fund grant (HEERF) are components of nonoperating and other revenues. Restricted and unrestricted resources are spent and tracked at the University level within the guidelines of donor restrictions.



## **Basis of Accounting—Component Unit**

The Foundation is a nonprofit organization that reports under the provisions of Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

### **Cash Equivalents**

Cash equivalents include all highly liquid investments with original maturity dates of 90 days or less.

### **Restricted Cash**

Restricted cash includes unspent bond proceeds to be used to pay the costs of renovating several campus facilities.

### **Investments (including component unit)**

All investments are stated at fair value. Investments in publicly traded securities are stated at fair value as established by major securities markets. Non-publicly traded investments are valued based on estimates considering market prices of similar investments. Investment income includes realized and unrealized gains and losses on investments, interest, and dividends, and is presented net of external investment expenses.

### **Fair Value Measurements**

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

**Level 1:** Valuation is based upon quoted prices for identical instruments traded in active markets.

**Level 2:** Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

**Level 3:** Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For further discussion of fair value measurement, refer to Notes B and C to the financial statements.

### **Inventories**

Inventories are stated at the lower of cost, determined on a first-in, first-out method, or market.



## Capital Assets

Capital assets are stated at cost when purchased and at appraised value for other acquisitions. At the time of disposal, capital assets are removed from the records and any gain or loss is recognized in the statements of revenues, expenses, and changes in net position.

Depreciation and amortization is provided for physical properties on a straight line basis over the estimated useful lives, 50 years for buildings, 5 to 50 years for building and land improvements, 10 to 30 years for infrastructure, 5 years for books, 5 to 20 years for equipment, 2 to 6 years for subscription assets, and 3 to 12 years for leased buildings and equipment. Depreciation and amortization expense for 2023 and 2022 was approximately \$15,300,000 and \$14,400,000, respectively. The University capitalizes assets with a cost of \$5,000 and greater, and an estimated useful life in excess of one year.

## Leases

**Lessee.** The University is a lessee for noncancellable leases of certain equipment and buildings. The University recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The University recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the University initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the University determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The University uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the University generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the University is reasonably certain to exercise.

The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**Lessor.** The University is lessor for a noncancellable leases of buildings and infrastructure. The University recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the University initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the University determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The University uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.



The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### **Subscription-Based Information Technology Arrangements (SBITA)**

The University has noncancellable subscription-based information technology arrangements. The University recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements. The University recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the University initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the University determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments. The University uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the University generally uses its estimated incremental borrowing rate as the discount rate for subscriptions. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the University is reasonably certain to exercise.

The University monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

### **Deferred Outflows of Resources**

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The University reports deferred outflows of resources for certain pension and other postemployment benefits ("OPEB") related amounts, such as net difference between projected and actual earnings on plan investments, and certain contributions made to the plan subsequent to the measurement date, as well as for the deferred charge on refunding. A deferred refunding charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. More detailed information for the pension and OPEB related amounts can be found in Note M.

### **Deferred Inflows of Resources**

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources related to The Woods concessionaire's arrangement with Greystar discussed in Note Q and deferred inflows of resources related to leases discussed in Note H. The University also reports deferred inflows of resources for net difference between projected and actual



earnings on plan investments provided in its pension and OPEB plans and State appropriations for pensions and OPEB received subsequent to the measurement dates. More detailed information for the pension and OPEB related amounts can be found in Note M.

### **Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) pension plan and additions to/deductions from the MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan MPSERS OPEB plan and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **State Appropriations**

State appropriation revenue is recognized in the period for which it is appropriated.

### **Non-Exchange Transactions**

In accordance with accounting principles generally accepted in the United States of America (GAAP), gifts and grants are recognized at the later of the date pledged or when the eligibility requirements of the gifts and grants are met.

### **Compensated Absences**

University employees earn vacation benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation. Certain limitations have been placed on the hours of vacation that employees may accumulate. Unused hours exceeding these limitations are forfeited.

### **Unearned Revenue**

Unearned revenue consists primarily of advance payment for sports camps, laptop sales, sales for athletic events, summer school tuition not earned during the current year, and contract and sponsored program advances.

### **Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the accounts receivable allowance for bad debts, the useful lives of depreciable capital assets, the assumptions used to estimate accrued employee compensated absences, the assumptions based on historical trends and industry standards used in the actuarial



valuations of the MPSERS pension and OPEB plans, and the present value calculations for trash removal and insurance liabilities on the Greystar owned buildings.

### **Income Taxes**

The University is classified as a political subdivision of the State of Michigan under Internal Revenue Code Section 115(A) and is therefore exempt from Federal Income Taxes. Certain activities of the University, to the extent profitable, may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The Foundation is exempt from Federal Income Taxes under Internal Revenue Code Section 501(c)(3).

### **Reclassifications**

Certain amounts as reported in the 2022 financial statements have been reclassified to conform with the 2023 presentation.

### **Risks and Uncertainties**

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. While the pandemic introduced unprecedented challenges to higher education systems, such as different modes of teaching, unpredictable enrollment, and changing business operations, the University's financial condition remained stable. As a result, the University received approximately \$9,981,000 in funding through the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) (HEERF II), which was signed into law December 27, 2020; and approximately \$17,395,000, through the March 11, 2021, American Rescue Plan (ARP) (HEERF III). Of these amounts awarded, the University recognized revenues of \$1,170,461 and \$13,319,801 during 2023 and 2022, respectively. While management reasonably expects the global events to impact the University, operating results, and timing and amounts of cash flows, and the related financial consequences are highly uncertain.

## **NOTE B—DEPOSITS AND INVESTMENTS—UNIVERSITY**

### **Investment of Operating Funds**

The operating portfolio is invested in accordance with the Investment Policy Statement for Operating Cash as established by the Board of Trustees. The Finance Committee, acting on behalf of the Board of Trustees, is responsible for implementing the Investment Policy Statement and has delegated the administration of the investment portfolio to the Vice President of Finance & Administration in consultation with the Committee/Board.

Investment pool accounts and objectives have been established to provide maximum financial resources for the University while balancing risk and return. The Short-Term Investment Pool's assets are intended to cover the investment of University funds that are required for daily liquidity and expenditures of one year or less. They are invested in Government Money Market Fixed Income. The Intermediate Term Investment Pool's assets are intended for use in the next one to three years. They are invested in Short Term and Intermediate Term Fixed Income. The Long-Term Investment Pool's assets are those needed in three years or greater. These are invested in capital appreciation and capital preservation funds.



## Investment of Endowed Funds

The endowment portfolio is invested in accordance with the Investment Policy Statement for Endowments as established by the Board of Trustees. The Finance Committee, acting on behalf of the Board of Trustees, is responsible for implementing the Investment Policy Statement and has delegated the administration of the endowment portfolio to the Vice President of Finance & Administration in consultation with the Committee/Board.

The performance objective is to maintain the purchasing power of the Endowment while minimizing, to the greatest extent possible, the possibility of a significant loss of principal. Asset allocation guidelines have been established to maintain a diversified portfolio and include equity, fixed income, and public real estate.

The University's cash and investments are included in the statements of net position under the following classifications at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 32,227,327	\$ 41,084,672
Restricted cash	15,649,444	28,688,031
Long-term investments	110,794,537	108,460,701
Other long-term investments	194,962	194,962
Total	<u>\$ 158,866,270</u>	<u>\$ 178,428,366</u>

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses resulting from rising interest rates, the University's investment policy limits the average weighted maturities and the maximum maturities of its investments. For investments in the Short-Term pool, the average weighted maturity generally will not exceed one year. For investments in the Intermediate pool, the average weighted duration of the portfolio is expected to be less than six years. For investments in the Long-term pool, the average weighted duration of fixed income holdings shall be no greater than 20% that of the Barclays Aggregate Bond Index.

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. At June 30, 2023 and 2022, the carrying amounts of the University's deposits were \$44,110,820 and \$66,139,004 respectively. The bank balance of the University's deposits at June 30, 2023 and 2022 was \$47,788,850 and \$66,985,224, respectively. Of that amount, \$2,276,376 and \$2,251,032 was insured in 2023 and 2022, respectively. The remaining \$45,512,474 and \$64,734,192 at June 30, 2023 and 2022, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits. To limit its exposure to custodial credit risk for investments, the University intends to select and retain only pooled/mutual funds that will meet the requirements set forth in the investment policy.

**Credit Risk** – Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. To limit its exposure to credit risk, the University's investment policy limits the average credit rating of its portfolios. For investments within the Short-Term pool, the weighted average credit quality must be AAA (or its equivalent rating by two national rating agencies) and the minimum acceptable credit quality at the time of purchase shall be AA. For Intermediate-Term investments, the weighted average credit quality must be BBB (or its equivalent rating by two national rating agencies) and the minimum acceptable credit quality at the time of purchase shall be BBB. For Long-Term investments, the weighted average credit quality in fixed income investments shall be no less than BBB (or its equivalent rating by two national rating agencies) and the minimum acceptable credit quality at the time of purchase shall be no less than B. At June 30, 2023 and 2022, the University's bond mutual funds, and money market mutual funds are not rated.





**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the investment. All of the University's foreign investments at June 30, 2023 and 2022 are valued in US dollars, therefore the University was not subject to foreign currency risk.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's general policy shall be to diversify investments within both equity and fixed income securities to provide a balance between return and undue risk concentrations in any single issuer. As of June 30, 2023 and 2022, the University did not have investments in any one issuer that was greater than 5% of total investments.

At June 30, 2023, the University had the following investments and maturities:

	Fair Market	Less Than 1	1-5	6-10	More Than 10
Money Market Mutual Funds	\$ 3,765,952	\$ 3,765,952			
Bond Mutual Funds	89,826,058		\$ 33,474,700	\$ 32,736,822	\$ 23,614,536
Equity Mutual Funds	20,573,398				20,573,398
Stock & ETFs	395,081				395,081
Real Estate	194,962				194,962
Total	114,755,451	\$ 3,765,952	\$ 33,474,700	\$ 32,736,822	\$ 44,777,977
Less Investments Reported as "Cash Equivalents" on Statement of Net Position	(3,765,952)				
Total Investments	\$ 110,989,499				

At June 30, 2022, the University had the following investments and maturities:

	Fair Market	Less Than 1	1-5	6-10	More Than 10
Money Market Mutual Funds	\$ 3,633,699	\$ 3,633,699			
Bond Mutual Funds	88,161,767		\$ 32,964,545	\$ 52,982,020	\$ 2,215,202
Equity Mutual Funds	19,644,309				19,644,309
Stock & ETFs	654,625				654,625
Real Estate	194,962				194,962
Total	112,289,362	\$ 3,633,699	\$ 32,964,545	\$ 52,982,020	\$ 22,709,098
Less Investments Reported as "Cash Equivalents" on Statement of Net Position	(3,633,699)				
Total Investments	\$ 108,655,663				

## Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

**Level 2** – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.



**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's own data.

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2023 or 2022.

*Mutual funds:* Shares held in mutual funds are valued at quoted market prices that represent the net asset value (NAV) of shares held by the University at year end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding.

*Stocks & ETFs:* Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

*Real estate:* Real estate investments includes a property that was purchased by the University and is carried at cost which approximates fair value and as a result is classified as Level 3 as the University has not obtained a recent appraisal.

The following table sets forth by level, within the fair value hierarchy, the University's investments measured at fair value on a recurring basis as of June 30, 2023:

	<b>Quoted Prices Level 1</b>	<b>Observable Inputs Level 2</b>	<b>Unobservable Inputs Level 3</b>	<b>Total 2023</b>
Money Market Mutual Funds	\$ 3,765,952			\$ 3,765,952
Bond Mutual Funds	89,826,058			89,826,058
Equity Mutual Funds	20,573,398			20,573,398
Stock & ETFs	395,081			395,081
Real Estate			\$ 194,962	194,962
Leveled investment total	<u>\$ 114,560,489</u>		<u>\$ 194,962</u>	<u>\$ 114,755,451</u>

The following table sets forth by level, within the fair value hierarchy, the University's investments measured at fair value on a recurring basis as of June 30, 2022:

	<b>Quoted Prices Level 1</b>	<b>Observable Inputs Level 2</b>	<b>Unobservable Inputs Level 3</b>	<b>Total 2022</b>
Money Market Mutual Funds	\$ 3,633,699			\$ 3,633,699
Bond Mutual Funds	88,161,767			88,161,767
Equity Mutual Funds	19,644,309			19,644,309
Stock & ETFs	654,625			654,625
Real Estate			\$ 194,962	194,962
Leveled investment total	<u>\$ 112,094,400</u>		<u>\$ 194,962</u>	<u>\$ 112,289,362</u>

## NOTE C—INVESTMENTS—FOUNDATION

The Foundation, a legally separate, tax exempt organization, manages its investments under an investment policy separate from the University. The primary objective of the Foundation investments for endowed funds is to provide for long-term growth of principal without undue exposure risk, through capital appreciation, income, donor development and gifts.

The purpose of this policy is to provide a disciplined approach to moving money from the endowment to fulfill donor intentions on a timely, predictable, and consistent basis while preserving intergenerational equity.

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at quoted fair value. Both realized and unrealized gains and losses are included in investment income on the Statements of Revenues, Expenses and Changes in Net Position. Investments acquired by gift or bequest are recorded at the market value on the date of donation and thereafter carried in accordance with the above provision.

Investment (loss) income for the Foundation for the years ended June 30 consists of:

	<u>2023</u>	<u>2022</u>
Realized gain on sale of investments	\$ 434,923	\$ 556,986
Unrealized gain (loss) on investments	1,884,496	(9,110,924)
Interest and dividends	1,838,230	1,895,458
Investment fee	(95,043)	(109,398)
Total	<u>\$ 4,062,606</u>	<u>\$ (6,767,878)</u>

Investments are not insured by the Federal Deposit Insurance Corporation (FDIC).

Resources from the net assets with and without donor restrictions have been pooled and invested through a national financial institution. Investment guidelines are established for each investment manager, consistent with their investment style, and the Foundation's return, risk, and liquidity objectives. Benchmarks are developed as a means of independently determining whether investment objectives are being achieved. Each manager has specific performance standards based on their investment style, which incorporate return, risk, and time horizon. Conformance to these standards and policies is closely monitored and evaluated in an unbiased analysis each quarter.

The primary objective of the Holding (Non-endowed) Pool is to provide stability of principal and a total return that maintains the purchasing power of the assets. Funds need to be available on demand while focusing on a total return that keeps pace with inflation.

The primary objective of the Charitable Gift Annuity Pool is to provide income for annuity payments and to create sufficient long-term growth of principal to ensure a residuum of assets upon the passing of the annuitants. Moreover, emphasis shall be placed on maintaining "real" growth of assets, net of inflation, annuity payments, and fees.

The primary objective of the Endowment Pool is to provide for long-term growth of principal through capital appreciation, income, and donor development and gifts, without undue exposure to risk. The focus will be on consistent, long-term appreciation, with income generation as a secondary objective. Moreover, emphasis shall be placed on maintaining "real" growth of assets, net of inflation, spending, and fees.



The purpose of the Foundation's policy is to provide a disciplined approach to moving money from the endowment to fulfill donor intentions on a timely, predictable, and consistent basis while preserving intergenerational equity.

The Foundation is committed to administering and investing endowment funds in compliance with all relevant Foundation bylaws, organizational concerns, industry standards, and federal and state laws and regulations, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Gains and losses, as well as investment interest earned on endowment funds, have been allocated based on the net asset balance percentage participation less an operating fee. The net asset balance percentage participation is recalculated on a monthly basis with investment earnings, gains, and losses allocated to the respective endowment funds.

The Foundation will calculate funds available for spending on funds that reach endowed status as of June 30 of the previous year. Endowed status is defined as \$25,000 for discretionary accounts, \$50,000 for scholarship accounts, and \$500,000 for professorship accounts.

The annual distribution is currently 3.85 percent of a 20-quarter rolling average of the endowment's market value (MV), but only to the extent that such distribution does not cause the value of the endowment fund to fall below 95 percent of the historic gift value (HGV) of the fund on the annual valuation date. No distributions will be made from an endowment whose MV on the annual valuation date is less than 85 percent of the HGV.

### **Credit Risk**

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Foundation investment policy does not limit exposure to credit risk.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit exposure to fair value loss by limiting investments by maturity.

### **Fair Value Hierarchy**

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, the Foundation groups its investments, contributions receivable from remainder trusts, annuity payment liabilities, and split-interest agreements at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

#### Level 1:

Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

#### Level 2:

Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.



Level 3:

Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2023:

	Balance at June 30, 2023 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments:				
Mutual and ETF funds:				
Index funds	\$ 8,809,355	\$ 8,809,355		
Balanced funds	5,244,478	5,244,478		
Growth funds	17,878,346	17,878,346		
Fixed income funds	9,914,218	9,914,218		
Total mutual and ETF funds	<u>41,846,397</u>	<u>41,846,397</u>		
Alternative investments measured at net asset value				
Private equity funds (a)	881,111			
Hedge funds (b)	2,868,525			
Total alternative investments measured at net asset value	<u>3,749,636</u>			
Cash equivalents	11,473,499	11,473,499		
Held by third party	3,096,912			\$ 3,096,912
Total assets	<u>\$ 60,166,444</u>	<u>\$ 53,319,896</u>		<u>\$ 3,096,912</u>
<b>Liabilities</b>				
Liabilities on annuity contracts and trusts	\$ 353,339			\$ 353,339

(a) Private equity funds - The purpose is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The partnerships may also invest in operating companies as direct investments or co-investment opportunities.

(b) Hedge funds - This category includes investments in hedge funds that invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using net asset value per share of the investments. These investments can be redeemed, and currently, there are no restrictions.





The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2022:

	Balance at June 30, 2022 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments:				
Mutual and ETF funds:				
Index funds	\$ 10,401,754	\$ 10,401,754		
Balanced funds	5,147,018	5,147,018		
Growth funds	15,633,996	15,633,996		
Fixed income funds	7,838,086	7,838,086		
Total mutual and ETF funds	<u>39,020,854.00</u>	<u>39,020,854.00</u>		
Alternative investments measured at net asset value				
Private equity funds (a)	2,881,797			
Hedge funds (b)	1,115,214			
Total alternative investments measured at net asset value	<u>3,997,011</u>			
Cash equivalents	1,269,570	1,269,570		
Held by third party	3,072,407			\$ 3,072,407
Total assets	<u>\$ 47,359,842</u>	<u>\$ 40,290,424</u>		<u>\$ 3,072,407</u>
<b>Liabilities</b>				
Liabilities on annuity contracts and trusts	\$ 367,099			\$ 367,099

(a) Private equity funds - The purpose is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The partnerships may also invest in operating companies as direct investments or co-investment opportunities.

(b) Hedge funds - This category includes investments in hedge funds that invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using net asset value per share of the investments. These investments can be redeemed, and currently, there are no restrictions.

Held by third party assets categorized as Level 3 consists of a perpetual trust, in which the Foundation is the 100 percent beneficiary of future distributions, and two irrevocable charitable remainder trusts in which the Foundation will receive a remainder portion of the trust assets once there are no longer any individual beneficiaries and the trusts are liquidated. As of June 30, 2023 and 2022, the Foundation estimates the value of the perpetual trust to be \$1,322,199 and \$1,301,060, respectively and the irrevocable charitable remainder trusts to be \$1,774,713 and \$1,771,347, respectively.

Liabilities on annuity contracts and trusts characterized as Level 3 liabilities consist primarily of charitable gift annuity agreements. The agreements require payments during the life of the annuitant at various rates up to 8.2 percent of the principal amounts. The Foundation estimates the fair value of these contributions based on estimated rate of return, anticipated future payments to be made to donors during the donors' lives, the donors' life expectancies, and an assumed discount rate between 0.6 percent and 7.8 percent. Changes in the value of annuity obligations payable are reported in the Statements of Revenues, Expenses and Changes in Net Position.



## Investments in Entities that Calculate Net Asset Value Per Share

The Foundation holds shares or interests in investment companies at year-end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At June 30, 2023, the fair value and unfunded commitments totaled \$3,749,636 and \$1,936,985, respectively. At June 30, 2022, the fair value and unfunded commitments totaled \$3,997,011 and \$625,538, respectively. The funds are ineligible for redemption resulting in no redemption notice period being required.

## Concentration of Credit Risk

The Foundation's current asset allocation policy was established to meet the Foundation's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward and risk characteristics, correlation with other asset classes, and manager roles. Conformance with statutory investment guidelines is also considered.

The NMU Foundation Finance Committee (the "Committee") established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes based on investment opportunities and changing capital market conditions. The Committee selected the target allocation for each asset class based on the Foundation's current investments and present market conditions. The Committee intends to review the allocation targets at least annually, focusing on changes in the financial needs, investment objectives, and asset class performance.

The Committee intends to review these allocation targets at least annually, focusing on changes in the Fund's financial needs, investment objectives and asset class performance.

### Short-term Asset Allocation Targets for the Holding (Non-endowed) Pool Target 40% of Total Holding (Non-endowed) Pool

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash and Cash Equivalents	0%	20%	50%
Global Equity	0%	20%	50%
Fixed Income	40%	60%	100%

### Intermediate-term Asset Allocation Targets for the Holding (Non-endowed) Pool Target 60% of Total Holding (Non-endowed) Pool

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash and Cash Equivalents	0%	5%	10%
Global Equity	35%	50%	80%
Fixed Income	5%	20%	35%
Liquid Alternative Investments (a)	5%	25%	40%

(a) Includes but not limited to Global/Flexible Managers, Real Estate, Commodities, and Managed Futures. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.



### Asset Allocation Targets for the Charitable Gift Annuity Pool

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash and Cash Equivalents	0%	5%	20%
Global Equity	25%	45%	70%
Fixed Income	15%	20%	50%
Liquid Alternative Investments (b)	5%	30%	45%

(b) Includes but not limited to Global/Flexible Managers, Absolute Return Funds, Real Estate, Commodities, and Managed Futures. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

### Asset Allocation Targets for the Endowment Pool

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash and Cash Equivalents	0%	0%	10%
Global Equity	30%	50%	80%
Fixed Income	10%	15%	50%
Liquid Alternative Investments (c)	10%	35%	50%

(c) Includes but not limited to Global/Flexible Managers, Real Estate, Commodities, Managed Futures, Private Equity, and Hedge Funds. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

The investments shall be reviewed quarterly to ensure the endowment assets are within these ranges.

### Custodial Credit Risk

The Foundation has engaged Morgan Stanley to serve as custodian of the endowment investments. The custodian maintains physical possession of securities owned by the Foundation, collects dividend and interest payments, redeems maturing securities, and affects receipt and delivery following purchases and sales. The custodian also performs regular accounting of all assets owned, purchased or sold.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At June 30, 2023 and 2022, the Foundation's assets are held in combination of mutual funds and exchange traded funds (ETFs), hedge funds, and private equity programs.

## Foreign Currency Risk

The Foundation's investment policy also allows up to ten percent of its portfolio to be invested in foreign-denominated securities; all other investments must be denominated in U.S. dollars. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at quoted fair value. Both realized and unrealized gains and losses are included in investment income (loss) in the statement of revenues, expenses, and changes in net position. Investments acquired by gift or bequest are recorded at the market value on the date of donation and thereafter carried in accordance with the above provision.

## NOTE D—RECEIVABLES

Receivables of the University include the following at June 30:

	<u>2023</u>	<u>2022</u>
State appropriations	\$ 9,211,504	\$ 8,961,577
Student notes receivable - net	1,694,100	3,144,027
Interest receivable	3,781	4,119
Lease receivable	1,484,099	1,571,328
Charter schools	8,201,231	7,539,376
NMU Foundation	123,287	115,389
State, federal and private grants	5,964,436	792,839
Students, employees and vendors - net	<u>5,399,793</u>	<u>2,849,872</u>
Total	<u>\$ 32,082,231</u>	<u>\$ 24,978,527</u>

For the years ended June 30, 2023 and 2022, the University received approximately \$45,026,000 and \$41,198,000, respectively, for charter schools which was forwarded, net of an administrative fee, to nine charter schools.



## NOTE E—CAPITAL ASSETS

The following table summarizes, by major class of asset, the recorded costs and accumulated depreciation and amortization of capital assets as of June 30, 2023:

	Beginning Balance	Additions and Transfers	Retirements	Ending Balance
Depreciable assets:				
Land improvements	\$ 11,182,406	\$ 358,185	\$ 261,407	\$ 11,279,184
Buildings and improvements	341,286,378	14,999,707	604,801	355,681,284
Infrastructure	16,855,580			16,855,580
Equipment	94,843,909	6,876,930	1,066,535	100,654,304
Leased buildings	527,505	172,135	130,511	569,129
Leased equipment	1,029,793	56,982	24,788	1,061,987
Subscription assets	3,075,109	2,429,292	1,051,389	4,453,012
Books	6,371,581	188,725	452,531	6,107,775
Subtotal depreciable assets	<u>475,172,261</u>	<u>25,081,956</u>	<u>3,591,962</u>	<u>496,662,255</u>
Nondepreciable assets:				
Land	6,632,524	54,038		6,686,562
Building (see Note Q)	75,748,937			75,748,937
Construction in progress	10,914,186	19,739,750		30,653,936
Subtotal nondepreciable assets	<u>93,295,647</u>	<u>19,793,788</u>		<u>113,089,435</u>
Total depreciable and nondepreciable assets	<u>568,467,908</u>	<u>44,875,744</u>	<u>3,591,962</u>	<u>609,751,690</u>
Less accumulated depreciation/amortization for:				
Land improvements	8,648,467	228,056	261,407	8,615,116
Buildings and improvements	154,639,698	7,162,988	361,691	161,440,995
Infrastructure	13,866,771	260,693		14,127,464
Equipment	53,045,049	6,254,574	493,568	58,806,055
Leased buildings	116,706	74,807	127,545	63,968
Leased equipment	565,207	198,111	24,788	738,530
Subscription assets	796,971	1,023,071	495,707	1,324,335
Books	5,464,130	87,257	342,390	5,208,997
Total accumulated depreciation/amortization	<u>237,142,999</u>	<u>15,289,557</u>	<u>2,107,096</u>	<u>250,325,460</u>
Capital assets, net	<u>\$ 331,324,909</u>	<u>\$ 29,586,187</u>	<u>\$ 1,484,866</u>	<u>\$ 359,426,230</u>





The following table summarizes, by major class of asset, the recorded costs and accumulated depreciation of capital assets as of June 30, 2022:

	Beginning Balance *	Additions and Transfers	Retirements	Ending Balance
Depreciable/amortizable assets:				
Land improvements	\$ 11,160,617	\$ 21,789		\$ 11,182,406
Buildings and improvements	342,094,970	860,164	1,668,756	341,286,378
Infrastructure	16,855,580			16,855,580
Equipment	92,128,664	5,193,447	2,478,202	94,843,909
Lease buildings	130,510	396,995		527,505
Lease equipment	1,029,793			1,029,793
Subscription assets	2,679,856	395,253		3,075,109
Books	6,532,542	266,658	427,619	6,371,581
Subtotal depreciable/amortizable assets	<u>472,612,532</u>	<u>7,134,306</u>	<u>4,574,577</u>	<u>475,172,261</u>
Nondepreciable/amortizable assets:				
Land	6,207,480	425,044		6,632,524
Building (see Note Q)	75,748,937			75,748,937
Construction in progress	1,317,979	9,596,207		10,914,186
Subtotal nondepreciable/amortizable assets	<u>83,274,396</u>	<u>10,021,251</u>		<u>93,295,647</u>
Total depreciable/amortizable and nondepreciable/amortizable assets	<u>555,886,928</u>	<u>17,155,557</u>	<u>4,574,577</u>	<u>568,467,908</u>
Less accumulated depreciation/amortization for:				
Land improvements	8,406,093	242,374		8,648,467
Buildings and improvements	149,294,788	7,013,666	1,668,756	154,639,698
Infrastructure	13,565,441	301,330		13,866,771
Equipment	49,048,993	5,720,348	1,724,292	53,045,049
Leased buildings	71,188	45,518		116,706
Leased equipment	366,781	198,426		565,207
Subscription assets		796,971		796,971
Books	5,766,778	82,209	384,857	5,464,130
Total accumulated depreciation/amortization	<u>226,520,062</u>	<u>14,400,842</u>	<u>3,777,905</u>	<u>237,142,999</u>
Capital assets, net	<u>\$ 329,366,866</u>	<u>\$ 2,754,715</u>	<u>\$ 796,672</u>	<u>\$ 331,324,909</u>

\* The University implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the current year. In accordance with this Statement, subscription assets have been added to the beginning balance shown above and a corresponding subscription payable has been recorded.

Capital assets are capitalized at cost including ancillary charges necessary to place the asset into use. The University is in the process of renovating various campus buildings. Contractual commitments relating to renovations were approximately \$9,400,000 and \$3,838,000 at June 30, 2023 and 2022, respectively.

Renovations began on the career tech and engineering technology facility. The project is scheduled to be financed by \$20,000,000 in State Building Authority (SBA) bonds which will be secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements between the SBA, the State of Michigan, and the University. The remaining \$8,600,000 will be paid from University funds. During the lease term, the SBA will hold title to the building and the University will pay all operating and maintenance costs. Construction costs as of June 30, 2023 totaled \$22,996,000 and are recorded in construction in progress. In 2023, the University recognized \$10,984,004 in revenue related to the capital appropriations received from the State for this project.



Facilities financed in whole or in part by the SBA are the Jacobetti Complex, the John X. Jamrich Hall, the Seaborg Center Complex, the Art and Design addition, the Hedgcock Building, and the Thomas Fine Arts Building. At the expirations of the individual leases, the SBA has agreed to sell each building to the University for one dollar. The cost and accumulated depreciation for these facilities are recorded in the statements of net position.

## NOTE F—COLLECTIONS

The University has the Moses Coit Tyler Collection that has not been capitalized. This collection is maintained for public exhibition and education.

## NOTE G—PAYABLES

Payables of the University include the following at June 30:

	<u>2023</u>	<u>2022</u> <u>(as restated)</u>
Accrued payroll and benefits	\$ 8,651,719	\$ 8,240,825
Construction contractors	4,673,283	4,095,225
Charter schools	7,955,194	7,313,195
Vendors	7,881,204	4,044,175
Utilities	546,469	748,907
Interest payable	877,186	730,997
Total	<u>\$ 30,585,055</u>	<u>\$ 25,173,324</u>

## NOTE H—LEASES

**Lessee** - The University is involved in 32 agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not financed purchases, as the University will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year. The present values are discounted using an interest rate of 3.18 and 2.46 percent based on the University's 2023 and 2022 borrowing rates.



**Remaining Term of Agreements**

<b>Asset Type</b>	
Buildings	1 to 9 years
Equipment	1 to 7 years

The assets acquired through leases are summarized as follows at June 30:

	<b><u>2023</u></b>	<b><u>2022</u></b>
Buildings and equipment	\$ 1,631,116	\$ 1,557,298
Less accumulated amortization	(802,498)	(681,913)
<b>Net book value</b>	<b><u>\$ 828,618</u></b>	<b><u>\$ 875,385</u></b>

The net present value of future minimum payments as of June 30, 2023, were as follows:

<b><u>Year Ended</u></b> <b><u>June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2024	\$ 252,348	\$ 19,110
2025	101,856	14,022
2026	94,768	11,398
2027	96,395	8,814
2028	84,750	6,219
2029-2032	206,655	9,162
<b>Total</b>	<b><u>\$ 836,772</u></b>	<b><u>\$ 68,725</u></b>

Lease liability activity for the year ended June 30, 2023, was as follows:

	<b><u>Beginning</u></b> <b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Ending</u></b> <b><u>Balance</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Leases payable	<u>\$ 921,718</u>	<u>\$ 229,117</u>	<u>\$ (314,063)</u>	<u>\$ 836,772</u>	<u>\$ 252,348</u>

Lease liability activity for the year ended June 30, 2022, was as follows:

	<b><u>Beginning</u></b> <b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Ending</u></b> <b><u>Balance</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Leases payable	<u>\$ 774,266</u>	<u>\$ 396,995</u>	<u>\$ (249,543)</u>	<u>\$ 921,718</u>	<u>\$ 271,462</u>

**Lessor** - The University is involved in 13 agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the lessor will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the years ended June 30, 2023 and 2022 was \$132,800 and \$135,300 respectively. The present values are discounted using an interest rate of 3.18 and 2.46 percent based on the University's 2023 and 2022 borrowing rate.



Remaining Term of Agreements

**Asset Type**

Buildings and Infrastructure 1 to 24 years

Lease receivable activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Leases receivable	\$ 1,571,328	\$ 32,345	\$ (119,574)	\$ 1,484,099

Lease receivable activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Leases receivable	\$ 1,666,751	\$ 22,666	\$ (118,089)	\$ 1,571,328

## NOTE I—SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

The University is involved in 28 arrangements that qualify as long-term subscription-based information technology arrangements (SBITA). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the University has control of the right to use another party's IT software and the noncancelable term of the arrangement surpasses one year. The present values are discounted using an interest rate of 3.18 and 1.48 percent based on the University's 2023 and 2022 borrowing rates.

Remaining Term of Agreements

**Asset Type**

Subscription assets 1 to 5 years

The assets acquired through subscription based information technology agreements are summarized as follows at June 30:

	<u>2023</u>	<u>2022</u>
Subscription assets	\$ 4,453,012	\$ 3,075,109
Less accumulated amortization	(1,324,335)	(796,971)
<b>Net book value</b>	<u>\$ 3,128,677</u>	<u>\$ 2,278,138</u>



The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 1,003,372	\$ 64,188
2025	770,374	48,625
2026	461,567	27,631
2027	435,310	13,843
<b>Total</b>	<b>\$ 2,670,623</b>	<b>\$ 154,287</b>

Subscription liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Subscription payable	\$ 1,811,694	\$ 2,429,292	\$ (1,570,363)	\$ 2,670,623	\$ 1,003,372

Subscription liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Subscription payable	\$ 2,679,856	\$ 395,253	\$ (1,263,415)	\$ 1,811,694	\$ 794,774

\* The University implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the current year. In accordance with this Statement, subscription payables have been added to the beginning balances shown above and a corresponding subscription asset has been recorded.

## NOTE J—LONG-TERM LIABILITIES

In December 2021, the University issued fixed rate General Revenue Bonds, tax-exempt Series 2021 Bonds in the amount of \$34,410,000. A portion of the proceeds of the Series 2021 Bonds, were used to defease in substance \$10,230,000 of the 2012 outstanding bonds by depositing funds in an irrevocable trust with an escrow agent. The refunding resulted in an economic gain of \$1,032,000 and a net present value savings of approximately \$1,081,000 due to the reduction of the interest rate. As of June 30, 2022, the General Revenue Bonds Series 2012 bonds are considered defeased and the liability has been removed from the statement of net position. A portion of the proceeds of the Series 2021 bonds is expected to be used to pay a portion of the costs of certain capital improvement projects on the main campus of the University including: (i) construction of a new academic center, located in the academic mall, that will be the home of the College of Business and a newly renovated library and resource center, which will include more collaborative and quiet study spaces and an emerging technology area; (ii) construction of a new student health and wellness center; and (iii) various other capital improvements to University facilities, including classroom upgrades, improvements to athletic facilities, and campus parking and other infrastructure enhancements (collectively, the "Projects"). Approximately \$31,150,000 of the total cost of the Projects will be



financed with the proceeds of the Bonds. The balance of the cost of the Projects will be paid from other available funds of the Board. The University received a reoffering premium of \$7.3 million in the issuance of the 2021 Bonds that bear interest at 4.00% to 5.00% and mature in varying amounts through 2046.

The refunding was undertaken to reduce future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by approximately \$0.4 million. This amount is included in deferred charge on refunding and amortized over the remaining life of the new debt.

In March of 2021, the University's TV and FM stations entered into a loan agreement in the amount of \$239,800 under the Paycheck Protection Program (PPP). The loan had an interest rate of 1% with deferred payments for 10 months and a scheduled maturity date of March 25, 2026. The terms of the loan were subject to the U.S. Small Business Administration (SBA) Paycheck Protection Program. The note was subject to loan forgiveness as determinable by the sole approval of the SBA upon submission of the Loan Forgiveness application and supporting documents. The University received notification from the SBA of forgiveness of the entire loan November 2, 2021. Accordingly, the University has recognized \$239,800, received under the PPP loan program as federal grant revenue.

In June 2018, the University issued fixed rate General Revenue Bonds, tax-exempt Series 2018A Bonds in the amount of \$49,325,000 and taxable Series 2018B Bonds in the amount of \$22,655,000. The proceeds of the Series 2018A Bonds, together with a portion of the proceeds from the 2018B Bonds were used to defease in substance \$64,325,000 of the 2008A outstanding bonds by depositing funds in an irrevocable trust with an escrow agent. The balance of the 2008A defeased bonds at June 30 was \$64,325,000. A portion of the proceeds of the Series 2018B bonds were used to pay the costs of the demolition, reconstruction, furnishing, and equipping of the south and east wings of the Don H. Bottom University Center located on the main campus of the University (the "Project"). The estimated cost of the Project was approximately \$22.0 million. Approximately \$14 million of the cost of the Project was paid from the proceeds of the Series 2018B Bonds, and the balance of the cost of the Project was paid from available reserves of the Board. The University received a reoffering premium of \$6.7 million in the issuance of the 2018A Bonds that bear interest at 5% and mature in varying amounts through 2038. The series 2018B Bonds bear interest rates from 3.08% to 4.5% and mature in varying amounts through 2044.

The refunding was undertaken to reduce future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$2.2 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued.

In October 2017, the University entered into an investment agreement with the Michigan Strategic Fund (the "MSF") to provide \$6.5 million to reimburse the University for fees, costs and expenses incurred to build out the NMU Educational Access Network ("EAN"), a high-speed broadband service, across Michigan's Upper Peninsula. The University provided matching cost-share funds of thirty-three percent of total project costs, or approximately \$9.8 million. The EAN project is expected to be a self-liquidating operation. Revenue is generated from subscription fees, equipment sales and rentals, tower rental, and other sources. During 2021, the build-out was completed and the EAN provides service to 113 Upper Peninsula communities and two Lower Peninsula communities. As of June 30, 2020, the University had received \$6.5 million in reimbursements from the MSF. As of June 30, 2023, there is currently no future maturity or payment schedule related to these borrowings.

Structured repayment of the investment award will be made in annual installments equal to thirty-five percent (35%) of positive net revenue of the EAN project in each fiscal year, beginning with operations for fiscal year 2030, and continuing each year thereafter until the MSF has been repaid in full plus interest at the rate of two percent (2%) per annum. Any amount remaining outstanding, together with accrued and unpaid interest, is required to be paid by the University in full no later than December 31, 2047.



In February 2012, the University issued fixed rate General Revenue Bonds, Series 2012, in the amount of \$18,190,000 for construction of a new solid biomass fuel combined heat and power plant as an addition to the existing Ripley Heating Plant to generate steam and electricity for the University's campus, an energy efficiency steam optimization project, steam tunnel improvements, and various building and renovation projects. During 2021, the University refunded the Series 2012 bonds as described above.

As of June 30, 2023, debt service requirements of the bonds payable were as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 5,615,000	\$ 3,977,907	\$ 9,592,907
2025	5,785,000	3,707,237	9,492,237
2026	5,450,000	3,438,590	8,888,590
2027	5,280,000	3,181,990	8,461,990
2028	5,510,000	2,923,728	8,433,728
Total Five Years	27,640,000	17,229,452	44,869,452
<b>Thereafter</b>			
2029-2033	26,565,000	10,455,234	37,020,234
2034-2038	16,120,000	5,205,988	21,325,988
2039-2043	10,945,000	2,488,859	13,433,859
2044-2046	5,760,000	414,338	6,174,338
Total	87,030,000	\$ 35,793,871	\$ 122,823,871
Deferred re-offering premium	11,754,584		
Total	\$ 98,784,584		

Long-term liability activity for the year ended June 30, 2023, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Bonds Payable:					
Bonds payable	\$ 92,385,000		\$ 5,355,000	\$ 87,030,000	\$ 5,615,000
Premium on bond issuance	12,492,090		737,506	11,754,584	737,506
Total bonds payable	104,877,090		6,092,506	98,784,584	6,352,506
Other Liabilities:					
Severance benefits (Note N)	44,660		44,660		
Michigan Strategic Fund loan (direct borrowing)	6,500,000			6,500,000	
The Woods commitments (Note Q)	4,462,127		46,871	4,415,256	47,247
Compensated absences	2,826,432	\$ 2,504,054	2,219,820	3,110,666	264,502
Federal capital contribution of Perkins Loan Program	2,690,745		1,666,881	1,023,864	
Total other liabilities	16,523,964	2,504,054	3,978,232	15,049,786	311,749
Total long-term liabilities	\$ 121,401,054	\$ 2,504,054	\$ 10,070,738	\$ 113,834,370	\$ 6,664,255



Long-term liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Bonds payable	\$ 72,955,000	\$ 34,410,000	\$ 14,980,000	\$ 92,385,000	\$ 5,355,000
Premium on bond issuance	6,252,203	7,341,230	1,101,343	12,492,090	737,506
Total bonds payable	79,207,203	41,751,230	16,081,343	104,877,090	6,092,506
Other Liabilities:					
Severance benefits (Note N)	3,044,239	37,034	3,036,613	44,660	44,660
WNMU-TV & WNMU-FM PPP loan (direct borrowing)	239,800		239,800		
Michigan Strategic Fund loan (direct borrowing)	6,500,000			6,500,000	
The Woods commitments (Note Q)	4,508,625		46,498	4,462,127	46,871
Finance leases (direct borrowing)	75,795		75,795		
Compensated absences	2,850,872	2,206,853	2,231,293	2,826,432	242,664
Federal capital contribution of Perkins Loan Program	3,352,351		661,606	2,690,745	
Total other liabilities	20,571,682	2,243,887	6,291,605	16,523,964	334,195
Total long-term liabilities	\$ 99,778,885	\$ 43,995,117	\$ 22,372,948	\$ 121,401,054	\$ 6,426,701

## NOTE K—NET INVESTMENTS IN CAPITAL ASSETS

Following is a summary of the net investment in capital assets as of June 30:

	2023	2022 (as restated)
Capital assets, net	\$ 359,426,230	\$ 331,324,909
Bonds payable	(87,030,000)	(92,385,000)
Restricted cash - Unspent bond proceeds	15,649,444	28,688,031
Deferred Reoffering premium	(11,754,584)	(12,492,090)
Deferred charge on refunding	1,274,026	1,344,557
Contractor payable	(4,360,203)	(3,309,331)
Lease liabilities	(836,772)	(921,718)
Subscription liabilities	(2,670,623)	(1,811,694)
Concessions arrangement	(62,488,668)	(63,381,363)
Michigan Strategic Fund loan	(6,500,000)	(6,500,000)
Woods commitments	(4,415,256)	(4,462,127)
Total	\$ 196,293,594	\$ 176,094,174

## NOTE L—OPERATING EXPENSES

Operating expenses by natural classification for the years ended June 30 were as follows:

	2023	2022 (as restated)
Salaries, wages and benefits	\$ 112,740,915	\$ 94,102,458
Supplies and support services	41,826,147	37,442,525
Utilities	6,930,682	7,071,438
Depreciation and amortization expense	15,289,557	14,400,842
Scholarships	9,763,365	18,450,837
Total	\$ 186,550,666	\$ 171,468,100



## NOTE M—RETIREMENT PLANS

The University has two retirement plans: Teachers Insurance and Annuities Association (TIAA) and the Michigan Public School Employees' Retirement System (System or MPSERS). New University employees hired after January 1, 1996 can only participate in TIAA based on changes in state legislation during 1995.

The University does not provide health care benefits to retirees under the TIAA plan. Group medical, prescription, drug, dental and vision are provided to retirees as part of the University's participation in MPSERS.

### Teachers Insurance and Annuities Association (TIAA)

The TIAA plan is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA plan. Employee benefits vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract, and has no liability beyond its own contribution. As of June 30, 2023, 2022, and 2021 the plan had 868, 843, and 820 participants, respectively.

The University's contributions to the TIAA plans are as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
University contributions	\$ 8,374,148	\$ 7,740,915	\$ 7,613,855
Covered payroll	60,751,450	57,895,761	55,826,813

### Michigan Public School Employees' Retirement System (MPSERS)

#### *Plan Description*

The University contributes to the MPSERS, a cost-sharing multi-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the system. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the options of receiving health, prescription drug, dental and vision coverage under the Michigan Public Schools Employees Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).



Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

*The Member Investment Plan (MIP)* includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the *MIP* plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7%* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution plan*. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

#### *Pension Benefits Provided*

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her membership contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate the service through repayment of the refund upon satisfaction of certain requirements.

#### *Other Postemployment Benefits Provided*

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees



and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of OPEB, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the MPSERS, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

### *Contributions*

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the system are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.



The schedule below summarizes pension contribution rates in effect for fiscal year 2023, which includes supplemental MPSERS UAAL employer stabilization contributions that are passed through the University to MPSERS:

<b>Pension Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Members</b>	<b>Employer</b>
Basic	0.0 - 4.0%	26.38%
Member Investment Plan	3.0 - 7.0%	26.38%
Pension Plus	3.0 - 6.4%	N/A
Pension Plus 2	6.2%	N/A
Defined Contribution	0.0%	19.86%

The University's required contributions to MPSERS under all pension plans as described above for the years ended June 30, 2023, 2022, and 2021 were \$5,700,368, \$5,460,575, and \$4,788,721 respectively.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2023, which includes supplemental MPSERS UAAL employer stabilization contributions that are passed through the University to MPSERS:

<b>OPEB Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Members</b>	<b>Employer</b>
Premium Subsidy	3.00%	6.79%
Personal Healthcare Fund (PHF)	0.00%	5.87%

The University required contributions to the OPEB plan for the years ended June 30, 2023, 2022, and 2021 were \$1,274,414, \$1,286,655, and \$1,245,672 respectively.

### **Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

The University reported a liability of \$30,178,176 and \$53,111,511 as of June 30, 2023 and 2022, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022 and 2021 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021 and 2020 respectively. The University's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the University's proportion (as calculated by MPSERS) was 9.43948%, which was a decrease of 0.01341% points from its proportion measured as of September 30, 2021 of 9.45289%.



For the year ended June 30, 2023, the University recognized pension expense of \$9,985,266 from changes in MPSERS related net pension liability, deferred inflows, and deferred outflows. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 1,614,500		\$ 1,614,500
	<u>1,614,500</u>		<u>1,614,500</u>
State appropriations for MPSERS		\$ 1,226,856	(1,226,856)
University contributions subsequent to the measurement date	2,383,111		2,383,111
	<u>2,383,111</u>		<u>2,383,111</u>
Total	\$ 3,997,611	\$ 1,226,856	\$ 2,770,755
	<u>\$ 3,997,611</u>	<u>\$ 1,226,856</u>	<u>\$ 2,770,755</u>

The amount of deferred outflows of resources related to University contributions, subsequent to the measurement date, of \$2,383,111 will be recognized as a reduction in net pension liability for the year ending June 30, 2024. Deferred inflows of resources resulting from the pension portion of State aid payments received pursuant to UAAL stabilization payments of \$1,226,856 will be recognized as State appropriations revenue for the year ending June 30, 2024. Other amounts reported as deferred outflows/inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Amount</b>
2024	\$ 150,158
2025	(41,682)
2026	(206,145)
2027	1,712,169
	<u>1,712,169</u>
Total	\$ 1,614,500
	<u>\$ 1,614,500</u>



For the year ended June 30, 2022, the University recognized pension expense of \$1,236,836 from changes in MPSERS related net pension liability, deferred inflows, and deferred outflows. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments		\$ 7,150,960	\$ (7,150,960)
		<u>7,150,960</u>	<u>(7,150,960)</u>
State appropriations for MPSERS		10,063,338	(10,063,338)
University contributions subsequent to the measurement date	\$ 12,349,253		12,349,253
	<u>\$ 12,349,253</u>		<u>12,349,253</u>
Total	<u>\$ 12,349,253</u>	<u>\$ 17,214,298</u>	<u>\$ (4,865,045)</u>

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

The University reported a net OPEB asset of \$3,531,155 and \$4,044,395 as of June 30, 2023 and 2022, respectively for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2022 and 2021, respectively and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2021 and 2020, respectively. The University's proportion of the net OPEB asset was determined by dividing each employers statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the University's proportion (as calculated by MPSERS) was 9.43168% which was a decrease of 0.00063% points from its proportion measured as of September 30, 2021 of 9.43231%.



For the year ended June 30, 2023, the University recognized a reduction in OPEB expense of \$825,025. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ 289,455		\$ 289,455
	<u>289,455</u>		<u>289,455</u>
University contributions subsequent to the measurement date	23,223		23,223
Total	<u>\$ 312,678</u>		<u>\$ 312,678</u>

The \$23,223 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended June 30</b>	<b>Amount</b>
2024	\$ (22,252)
2025	(68,311)
2026	(120,581)
2027	<u>500,599</u>
Total	<u>\$ 289,455</u>



For the year ended June 30, 2022, the University recognized a reduction in OPEB expense of \$4,419,892. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments	<u>\$</u>	<u>2,313,698</u>	<u>\$</u> (2,313,698)
		<u>2,313,698</u>	<u>(2,313,698)</u>
State appropriations for MPSERS University contributions subsequent to the measurement date	<u>\$</u> 987,259	339,191	(339,191) <u>987,259</u>
Total	<u>\$</u> 987,259	<u>\$</u> 2,652,889	<u>\$</u> (1,665,630)

#### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liability in the September 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.





Additional information as of the latest actuarial valuation follows:

Valuation Date	September 30, 2021 and 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return Pension	
MIP and Basic Plans (Non-Hybrid)	6.00% (6.80% for 2020) net of investment expenses
Pension Plus Plan (Hybrid)	6.00% (6.80% for 2020) net of investment expenses
Pension Plus 2 Plan (Hybrid)	6.00% net of investment expenses
Projected Salary Increases	2.75-11.55%, including wage inflation at 2.75%
Investment Rate of Return OPEB	6.00% (6.95% for 2020) net of investment expenses
Cost-of-living Pension Adjustments	3% annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate	Pre 65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Post 65: 5.25% Year 1 graded to 3.5% Year 15;
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liability as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 1.0000 year which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years. Full actuarial assumptions are available in the 2022 and 2021 MPSERS Annual Comprehensive Financial Report ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liability as of September 30, 2021, is based



on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension and OPEB liabilities is 1.0000 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years. Full actuarial assumptions are available in the 2021 and 2020 MPSERS Annual Comprehensive Financial Report ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

*Long-term Expected Return on Pension Plan Assets*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 and 2021 are summarized in the following tables:

**Pension  
As of September 30, 2022**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity pools	25.0%	5.10%
Alternative investment pools	16.0%	8.70%
International equity pools	15.0%	6.70%
Fixed income pools	13.0%	-0.20%
Real estate and infrastructure pools	10.0%	5.30%
Absolute return pools	9.0%	2.70%
Real return/opportunistic pools	10.0%	5.80%
Short-term investment pools	2.0%	-0.50%
Total	<u>100.0%</u>	

**Pension  
As of September 30, 2021**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity pools	25.0%	5.40%
Alternative investment pools	16.0%	9.10%
International equity pools	15.0%	7.50%
Fixed income pools	10.5%	-0.70%
Real estate and infrastructure pools	10.0%	5.40%
Absolute return pools	9.0%	2.60%
Real return/opportunistic pools	12.5%	6.10%
Short-term investment pools	2.0%	-1.30%
Total	<u>100.0%</u>	



The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022 and 2021, are summarized in the following tables:

**OPEB  
As of September 30, 2022**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity pools	25.0%	5.10%
Alternative investment pools	16.0%	8.70%
International equity pools	15.0%	6.70%
Fixed income pools	13.0%	-0.20%
Real estate and infrastructure pools	10.0%	5.30%
Absolute return pools	9.0%	2.70%
Real return/opportunistic pools	10.0%	5.80%
Short-term investment pools	2.0%	-0.50%
Total	<u>100.0%</u>	

**OPEB  
As of September 30, 2021**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity pools	25.0%	5.40%
Alternative investment pools	16.0%	9.10%
International equity pools	15.0%	7.50%
Fixed income pools	10.5%	-0.70%
Real estate and infrastructure pools	10.0%	5.40%
Absolute return pools	9.0%	2.60%
Real return/opportunistic pools	12.5%	6.10%
Short-term investment pools	2.0%	-1.30%
Total	<u>100.0%</u>	

*Rate of Return*

For the fiscal year ended Sept. 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. For the fiscal year ended Sept. 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



### Discount Rate

For the fiscal year ended September 30, 2022, a discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00% and is net of administrative expenses and 2.2% inflation. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

For the fiscal year ended September 30, 2021, a discount rate of 6.80% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.95% and is net of administrative expenses and 2.0% inflation. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

### Sensitivity of the University's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportional share of net pension liability calculated using the discount rate of 6.00%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate as of June 30, 2023:

	1% Decrease (5.00%)	Current Single Discount Rate Assumption (6.00%)	1% Increase (7.00%)
University's proportionate share of net pension liability	\$ 42,040,588	\$ 30,178,176	\$ 20,108,430

The following presents the University's proportional share of net pension liability calculated using the discount rate of 6.80%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.80%) or 1% higher (7.80%) than the current rate as of June 30, 2022:

	1% Decrease (5.80%)	Current Single Discount Rate Assumption (6.80%)	1% Increase (7.80%)
University's proportionate share of net pension liability	\$ 63,813,630	\$ 53,111,511	\$ 43,975,007



*Sensitivity of the University's Proportionate Share of OPEB Asset to Changes in the Discount Rate*

The following presents the University's proportional share of net OPEB asset calculated using the discount rate of 6.00%, as well as what the University's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate as of June 30, 2023:

	<b>1% Decrease (5.00%)</b>	<b>Current Single Discount Rate Assumption (6.00%)</b>	<b>1% Increase (7.00%)</b>
University's proportionate share of net OPEB asset	\$ (1,889,054)	\$ (3,531,155)	\$ (4,926,092)

The following presents the University's proportional share of net OPEB asset calculated using the discount rate of 6.95%, as well as what the University's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (5.95%) or 1% higher (7.95%) than the current rate as of June 30, 2022:

	<b>1% Decrease (5.95%)</b>	<b>Current Single Discount Rate Assumption (6.95%)</b>	<b>1% Increase (7.95%)</b>
University's proportionate share of net OPEB asset	\$ (2,474,826)	\$ (4,044,395)	\$ (5,387,918)

*Sensitivity of the University's Proportional Share of Net OPEB Asset to Healthcare Cost Trend Rate*

The following presents the University's proportional share of net OPEB asset calculated using assumed trend rates, as well as what the University's net OPEB asset would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2023:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
University's proportionate share of net OPEB asset	\$ (5,013,651)	\$ (3,531,155)	\$ (1,830,824)

The following presents the University's proportional share of net OPEB asset calculated using assumed trend rates, as well as what the University's net OPEB asset would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2022:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
University's proportionate share of net OPEB asset	\$ (5,488,809)	\$ (4,044,395)	\$ (2,396,981)

*Pension and OPEB Plans Fiduciary Net Position*

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).



### *Payable to the Pension Plan*

As of June 30, 2023 and 2022, the University had no amounts payable to the plan for outstanding pension contributions required for the years ended June 30, 2023 and 2022, respectively.

### *Payable to the OPEB Plan*

As of June 30, 2023 and 2022, the University had no amounts payable to the plan for outstanding OPEB contributions required for the years ended June 30, 2023 and 2022, respectively.

## **NOTE N—EARLY RETIREMENT INCENTIVE PLAN**

During fiscal year 2020, the University established an Early Retirement Incentive Plan (ERIP) available to all current full-time employees who completed ten years of service by August 31, 2020. Employees had to apply for the ERIP no later than June 19, 2020. Approved employees were eligible for post-separation cash severance benefits. Employees could elect Consolidated Omnibus Budget Reconciliation Act ("COBRA") health coverage benefits at the employee's expense for a period not to exceed 36 months. The ERIP is expected to be paid over a three-year period beginning in fiscal year 2021. The ERIP liability as of June 30, 2023 and 2022 was approximately \$0 and \$45,000, respectively.

## **NOTE O—LIABILITY INSURANCE**

The University participates in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.), which provides indemnity to members against comprehensive general liability, property and casualty, and errors and omissions losses, commonly covered by insurance and provides risk management and loss control services and programs. M.U.S.I.C. provides coverage for claims in excess of agreed upon deductibles.

Loss coverages are structured on a three layer basis with each member retaining a portion of its losses; M.U.S.I.C. covering the second layer and commercial carriers covering the third layer. Comprehensive general liability coverage is provided on an occurrence basis; errors and omissions coverage are provided on a claim made basis.

M.U.S.I.C. was established on May 28, 1987 pursuant to the State of Michigan Constitution of 1963, Article 8, Sections 5 and 6, and subsequently they incorporated as a Michigan nonprofit corporation pursuant to the provisions of Act 162 Public Acts of 1982. Eleven Michigan Public universities participate in M.U.S.I.C. All members have signed a participation agreement. Participant contributions are assessed on an annual basis to cover insurance risks retained as a group, costs related to excess coverage, and general and administrative expenses. Members' equity totaled \$7,644,417 at June 30, 2023, based on the last published financial statements.

### **Self-insurance**

The University is self-insured for health, dental, vision, workers' compensation, and short-term disability for all employees. Liabilities for estimates of losses retained by the University under self-insurance programs have been established.



Stop-loss coverage has been purchased by the University for the self-funded hospital/medical benefits, including prescription drugs, and workers' compensation claims. The medical stop-loss insurance limits the claims for medical/prescription benefits to \$525,000 per covered individual for fiscal years ended June 30, 2023 and 2022. The workers' compensation stop-loss insurance limits the University's liability for claims paid per individual to \$500,000 for fiscal years ended June 30, 2023 and 2022, the aggregate excess insured maximum liability is \$5,000,000. Changes in the estimated liability for the fiscal years ended June 30, 2023 and 2022 for health benefits, including dental and vision, were as follows:

Claims activity for the year ended June 30, 2023:

	<b>Liability - Beginning of Year</b>	<b>Claims incurred, including changes in estimates</b>	<b>Claims Payments</b>	<b>Liability - End of Year</b>
Medical claims	\$ 3,369,813	\$ 14,636,546	\$ (14,204,322)	\$ 3,802,037
Workers' compensation	65,918	176,541	(237,875)	4,584
<b>Total</b>	<b>\$ 3,435,731</b>	<b>\$ 14,813,087</b>	<b>\$ (14,442,197)</b>	<b>\$ 3,806,621</b>

Claims activity for the year ended June 30, 2022:

	<b>Liability - Beginning of Year</b>	<b>Claims incurred, including changes in estimates</b>	<b>Claims Payments</b>	<b>Liability - End of Year</b>
Medical claims	\$ 3,003,225	\$ 12,684,363	\$ (12,317,775)	\$ 3,369,813
Workers' compensation	23,881	138,406	(96,369)	65,918
<b>Total</b>	<b>\$ 3,027,106</b>	<b>\$ 12,822,769</b>	<b>\$ (12,414,144)</b>	<b>\$ 3,435,731</b>

## NOTE P—CONTINGENCIES

The University receives significant financial assistance from State and Federal agencies in the form of grants and awards. The use of these funds generally requires compliance with grantor terms and conditions and is subject to audit by the grantor agency.

Disallowed expenditures resulting from grantor audits could become a liability of the University, however, management believes that any future disallowances, if any, would not have a material effect on the University's financial statements.

In the normal course of its activities, the University is a party in various legal actions. The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.



## NOTE Q—STUDENT HOUSING PARTNERSHIP

The University entered into an agreement on July 22, 2016 with a third party developer, Education Realty Trust (EdR), to construct and manage the premises of six resident living-learning community buildings with connectors, housing 1,229 beds, multipurpose meeting spaces, tutoring center, and classrooms. On September 20, 2018, EdR was acquired by Greystar. The project, known as the Woods, has a cost of \$79.6 million and is built on land owned by the University and leased to Greystar for a 75-year term. Under the terms of the Lease Agreement and the Operating Agreement, Greystar will control, manage, maintain and operate the project and will receive the Gross Revenue of the project, which consists of substantially all of the revenues and other income received from the operation of the project. Greystar is currently making rental payments to the University for the duration of the lease term based on a percentage of the Gross Revenue of the project. The University accounts for the Lease Agreement as a concession arrangement in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. As a result, the University will begin depreciating the building at the end of the lease term.

## NOTE R—SUBSEQUENT EVENTS

In accordance with Michigan Public Act 103 of 2023, Section 236(h), the State of Michigan allocated funding to the participating MPSERS universities. The purpose of the funding is for payments toward pension and OPEB UAAL liabilities associated with university member and pension recipients. The University's proportionate share of this allocation was \$18,724,881. This funding was received from the State and transferred back to the Office of Retirement Services in September of 2023.



## REQUIRED SUPPLEMENTARY INFORMATION

### MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

***Schedule of Northern Michigan University's Proportionate Share of the Net Pension Liability  
(Amounts determined as of September 30 of each Fiscal Year)***

	University's proportion of the Universities collective MPERS net pension liability		University's covered payroll	University's proportional share of the collective pension liability (amount) as a percentage of the University's covered payroll	MPERS fiduciary net position as a percentage of the total pension liability
	As a percentage	Amount			
2022	9.43948%	\$30,178,176	\$21,152,000	142.67%	74.39%
2021	9.45289%	\$53,111,511	\$20,737,000	256.12%	52.26%
2020	9.45336%	\$64,568,315	\$20,331,000	317.59%	43.07%
2019	9.42796%	\$63,128,769	\$19,932,000	316.72%	44.24%
2018	9.35723%	\$59,796,196	\$19,541,488	306.00%	45.87%
2017	9.36203%	\$53,856,163	\$19,829,000	271.60%	47.42%
2016	9.40606%	\$52,696,531	\$7,004,463	752.33%	46.77%
2015	9.91719%	\$54,405,703	\$7,585,630	717.22%	47.45%
2014	9.80724%	\$367,875,466	\$8,338,570	441.17%	63.00%

***Schedule of Northern Michigan University's Proportionate Share of the Net Pension Contributions  
(Amounts determined as of June 30 of each Fiscal Year)***

	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2023	\$5,700,368	\$5,700,368		\$21,469,280	26.55%
2022	\$5,460,575	\$5,460,575		\$21,048,055	25.94%
2021	\$4,788,721	\$4,788,721		\$20,635,965	23.21%
2020	\$4,712,064	\$4,712,064		\$20,230,980	23.29%
2019	\$4,731,455	\$4,731,455		\$19,834,372	23.85%
2018	\$4,391,052	\$4,391,052		\$19,613,000	22.39%
2017	\$4,085,736	\$4,085,736		\$6,484,390	63.01%
2016	\$3,402,937	\$3,402,937		\$7,382,355	46.10%
2015	\$3,315,213	\$3,315,213		\$7,750,117	42.78%



**Schedule of Northern Michigan University's Proportionate Share of the Net OPEB (Asset) Liability  
(Amounts determined as of September 30 of each Fiscal Year)**

	University's proportion of the Universities collective MPERS net OPEB (asset) liability		University's covered payroll	University's proportional share of the collective OPEB (asset) liability as a percentage of the University's covered payroll	MPERS fiduciary net position as a percentage of the total OPEB (asset) liability
	As a percentage	Amount			
2022	9.43168%	\$(3,531,155)	\$21,152,000	-16.69%	121.19%
2021	9.43231%	\$(4,044,395)	\$20,737,000	-19.50%	123.91%
2020	9.39544%	\$ 3,969,975	\$20,331,000	19.53%	80.04%
2019	9.37673%	\$ 8,605,973	\$19,932,000	43.18%	61.07%
2018	9.36784%	\$11,114,061	\$19,541,488	56.87%	51.90%
2017	9.37099%	\$13,335,045	\$19,829,000	67.25%	44.11%

**Schedule of Northern Michigan University's Proportionate Share of the Net OPEB Contributions  
(Amounts determined as of June 30 of each Fiscal Year)**

	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2023	\$1,274,414	\$1,274,414		\$21,469,280	5.94%
2022	\$1,286,655	\$1,286,655		\$21,048,055	6.11%
2021	\$1,245,672	\$1,245,672		\$20,635,965	6.04%
2020	\$1,216,972	\$1,216,972		\$20,230,980	6.02%
2019	\$1,215,813	\$1,215,813		\$19,834,372	6.13%
2018	\$1,558,414	\$1,558,414		\$19,613,000	7.95%

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the University's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

### OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the University's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year). The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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