

FINANCIAL REPORT

2025-2026



NORTHERN MICHIGAN
UNIVERSITY



TABLE OF CONTENTS

Board of Trustees, Executive Officers, and Finance and Administrative Staff / 1

Independent Auditors' Report / 2

Management's Discussion and Analysis / 5

Statements of Net Position / 16

Statements of Revenues, Expenses, and Changes in Net Position / 18

Statements of Cash Flows / 19

Notes to Financial Statements / 21

Required Supplementary Information / 54

Notes to Required Supplementary Information / 56



Board of Trustees

Terms ending December 31 in year shown

Melissa A. Holmquist

Chair

Marquette

2026

Brigitte R. LaPointe-Dunham

Vice Chair

Baraga

2030

Venus J. Brown

Detroit

2032

Lisa I. Fittante

Kingsford

2032

Steven W. Lindberg

Marquette

2028

Gregory J. Seppanen

Marquette

2028

Greg M. Toutant

Marquette

2030

Stephen E. Young

Lansing

2026

Christopher J. Olsen

President of the University

Ex Officio

Executive Officers

Christopher J. Olsen

President

R. Gavin Leach

Executive Vice President for Finance &
Administration and Treasurer of the Board of
Trustees

Anne P. Dahlman

Provost & Vice President for Academic Affairs

Rhea E. Dever

Vice President for People, Culture, &
Wellbeing

Finance and Administrative Staff

Jamie R. Beauchamp

Controller

Jill M. Compton

Director of Internal Audit/Risk Management

Matthew J. Franti

Assistant Vice President for Budget & Finance

Dr. Christopher J. Kirkpatrick

Medical Director/Physician

Daniel L. Koenen

Director of Auxiliary Services

Patrick J. Lakenen

Director of Broadcast and Audio-Visual
Services

John D. Marra

Chief Technology Officer

Gregory P. Putra

Director of Financial Aid

Kathy A. Richards

Associate Vice President for Engineering &
Planning/Facilities

INDEPENDENT AUDITORS' REPORT

October 7, 2026

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, 2026 and 2025, 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, 2026 and 2025, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Northern Michigan University Foundation were not audited in accordance with *Government Auditing Standards*.



Implementation of GASB Statements No. 103 and No. 104

As described in Notes A and E, during the year ended June 30, 2026, the University implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Our opinion is not modified with respect to these matters.

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 7, 2026, 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.

A handwritten signature in dark ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Northern Michigan University's (the "University" or "NMU") annual financial report presents our discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2026, with selected comparative information for the years ended June 30, 2025 and 2024. For accurate contextual understanding, read this discussion prepared by management, along with the financial statements and related note disclosures, in its entirety. The financial statements, footnotes, and this discussion are the responsibility of management.

Overview of the Financial Statements

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.



Northern Michigan University issues basic financial statements for a special purpose government engaged only in business type activities. The basic statements comprise the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, along with notes that are an integral part of the statements. The University also reports a discretely presented component unit -- The Northern Michigan University Foundation (the "Foundation"). These statements present the financial position, operating results, and cash flow activities of the University's business type activities.

The financial statements of the University are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and follow the financial reporting model established by the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and Statement No. 103, *Financial Reporting Model Improvements*.

Financial Summary

Statements of Net Position

The University's statements of net position at June 30, 2026, 2025, and 2024 are summarized as follows:

	Condensed Statements of Net Position as of June 30		
	2026	2025	2024
Assets			
Current and other assets, net	\$ 277,526,613	\$ 212,464,084	\$ 210,077,076
Capital assets, net	<u>430,411,603</u>	<u>394,882,316</u>	<u>370,651,902</u>
Total assets	<u>707,938,216</u>	<u>607,346,400</u>	<u>580,728,978</u>
 Total deferred outflows of resources	 <u>1,360,169</u>	 <u>1,992,910</u>	 <u>2,275,990</u>
Liabilities			
Other liabilities	43,179,203	42,748,813	37,084,364
Long-term liabilities	<u>185,600,736</u>	<u>104,296,838</u>	<u>112,109,317</u>
Total liabilities	<u>228,779,939</u>	<u>147,045,651</u>	<u>149,193,681</u>
 Total deferred inflows of resources	 <u>72,950,460</u>	 <u>72,664,825</u>	 <u>63,033,474</u>
Net position			
Net investment in capital assets	209,709,290	230,759,741	209,394,652
Restricted			
Nonexpendable	1,135,937	1,154,437	1,102,629
Expendable	41,291,933	31,768,717	16,344,552
Unrestricted	<u>155,430,826</u>	<u>125,945,939</u>	<u>143,935,980</u>
Total net position	<u>\$ 407,567,986</u>	<u>\$ 389,628,834</u>	<u>\$ 370,777,813</u>





Statements of Revenues, Expenses, and Changes in Net Position

The University's major components of operating results for the years ended June 30, 2026, 2025, and 2024 is summarized as follows:

	Operating Results for the Years Ended June 30		
	2026	2025	2024
Operating revenues			
Tuition and fees, net	\$ 79,700,246	\$ 76,152,716	\$ 79,440,749
Grants and contracts	21,217,473	22,060,103	18,532,149
Auxiliary enterprises, net	29,868,829	29,754,708	28,468,930
Other operating revenues	<u>15,252,491</u>	<u>14,477,022</u>	<u>14,399,155</u>
Total operating revenues	<u>146,039,039</u>	<u>142,444,549</u>	<u>140,840,983</u>
Operating expenses			
Instruction	61,277,911	57,257,826	49,000,157
Research	2,710,190	2,623,569	1,859,069
Public service	10,461,279	10,060,329	9,502,785
Academic support	21,768,153	16,029,732	18,898,950
Student services	24,941,998	23,889,894	21,828,997
Institutional support	18,072,745	17,327,306	14,432,590
Operations and maintenance of plant	15,275,885	17,925,693	14,502,023
Student aid	3,971,099	3,397,156	10,696,598
Depreciation and amortization	18,543,317	17,518,240	16,366,494
Auxiliary enterprises	<u>26,192,516</u>	<u>25,151,486</u>	<u>22,490,504</u>
Total operating expenses	<u>203,215,093</u>	<u>191,181,231</u>	<u>179,578,167</u>
Operating loss	<u>(57,176,054)</u>	<u>(48,736,682)</u>	<u>(38,737,184)</u>
Noncapital subsidies			
State appropriations	58,103,767	56,272,077	72,715,283
Gifts from The NMU Foundation	<u>4,375,222</u>	<u>3,704,075</u>	<u>3,459,845</u>
Total noncapital subsidies	<u>62,478,989</u>	<u>59,976,152</u>	<u>76,175,128</u>
Operating loss and noncapital subsidies	<u>5,302,935</u>	<u>11,239,470</u>	<u>37,437,944</u>
Other nonoperating revenues (expenses)			
Investment income, net	10,391,397	9,590,244	9,076,183
Capital grants	11,660,768	3,325,494	7,546,649
Loss on asset disposal	(2,347,950)	(2,034,929)	(2,354,657)
Interest on capital asset-related debt	(7,067,998)	(3,269,258)	(3,522,054)
Capital State appropriations			<u>8,628,417</u>
Net nonoperating revenues	<u>12,636,217</u>	<u>7,611,551</u>	<u>19,374,538</u>
Increase in net position	<u>17,939,152</u>	<u>18,851,021</u>	<u>56,812,482</u>
Net position – beginning of the year	<u>389,628,834</u>	<u>370,777,813</u>	<u>313,965,331</u>
Net position – end of the year	<u>\$ 407,567,986</u>	<u>\$ 389,628,834</u>	<u>\$ 370,777,813</u>



Statements of Cash Flows

The following is a summary of the sources and uses of cash for the years ended June 30, 2026, 2025, 2024:

	Cash Flows for the Years Ended June 30		
	2026	2025	2024
Cash flows from:			
Operating activities	\$ (66,035,855)	\$ (47,190,838)	\$ (66,667,714)
Noncapital financing activities	78,159,494	74,144,133	84,813,102
Capital and related financing activities	26,847,539	(50,067,110)	(23,894,723)
Investing activities	(14,837,301)	4,038,700	393,094
Net change in cash	24,133,877	(19,075,115)	(5,356,241)
Cash, cash equivalents restricted cash, and restricted cash equivalents, beginning of year	23,445,415	42,520,530	47,876,771
Cash, cash equivalents restricted cash, and restricted cash equivalents, end of year	\$ 47,579,292	\$ 23,445,415	\$ 42,520,530

Detailed Analyses

Financial Position

2026-2025 Analysis

Total assets increased by \$100.6 million, rising from \$607.3 million to \$707.9 million. A major contributor was the \$25.5 million increase in investments, driven by management's decision to reposition cash into higher yield investment instruments. Management also invested bond proceeds in short-term investments while awaiting their use for planned capital projects, allowing the funds to generate additional investment income until they were needed. Cash and cash equivalents balances, including restricted cash and cash equivalents, increased by \$24.1 million, related mostly to restricted cash and cash equivalent balances from the Series 2025A bond issue. The proceeds were received during the fiscal year and are being held in restricted accounts until they are used for their intended purposes in accordance with the bond covenants and planned capital project expenses.

Capital assets increased by \$35.5 million, primarily due to the renovation of Harden Hall Library and the addition of the Kathleen Shingler Weston Hall academic laboratory facilities as well as additions to the Educational Access Network (EAN).

Deferred outflows decreased slightly at \$0.6 million, with increases in deferred other postemployment benefits (OPEB) amounts and decreases in deferred charge on refunding and deferred pension amounts.

Total liabilities increased by \$81.7 million, driven primarily by the issuance of the Series 2025A bonds for use in planned capital projects currently underway.

Deferred inflows remained relatively consistent at \$73.0 million, with increases in deferred lease amounts and pension-related items offset by decreases in OPEB and concessionaires arrangements deferred inflows.

As a result of these factors, the University's net position increased by \$17.9 million, ending the year at \$407.6 million.

2025-2024 Analysis

Total assets increased by \$26.6 million, rising from \$580.7 million to \$607.3 million. The most significant change was a \$5.6 million increase in investments, reflecting management's decision to reposition cash into higher-yield investment instruments. Cash and cash equivalents, including restricted cash, decreased by \$19.1 million, primarily due to expenses for capital improvement projects.

Capital assets increased by \$24.2 million, as the University invested in several capital projects including the Dome Turf replacement, the Berry Events Center infrastructure upgrades, and the Vandament Arena renovation.

Deferred outflows decreased slightly at \$0.3, with decreases in deferred charge on refunding, OPEB amounts, and deferred pension amounts.

Total liabilities decreased by \$2.1 million, driven primarily by a \$2.2 million reduction in the net pension liability resulting from updated actuarial assumptions. Long-term obligations also decreased due to scheduled debt payments. Current liabilities increased primarily due to higher contractor payables associated with the projects noted above.

Deferred inflows increased by \$9.6 million, primarily due to changes in pension and OPEB investment experience and related actuarial variances.

As a result of these factors, the University's net position increased by \$18.9 million, ending the year at \$389.6 million.



Operating Revenues

Operating revenues for fiscal year 2026 were as follows:

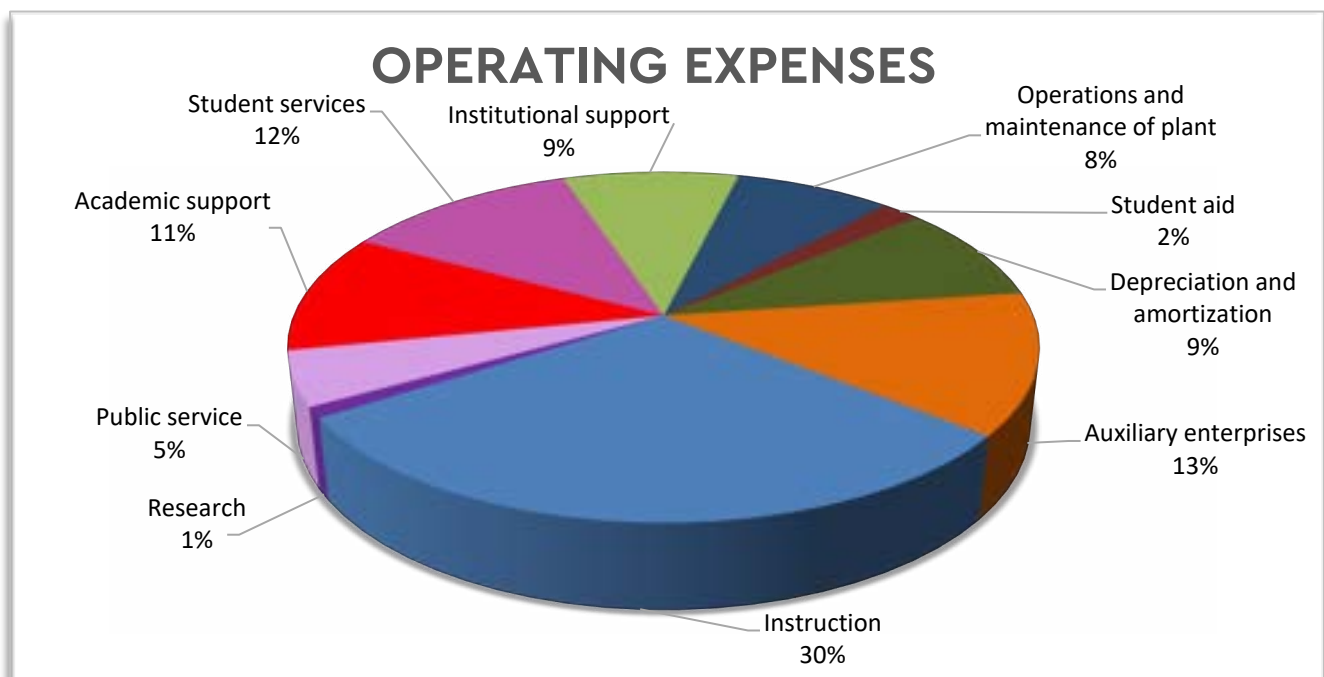


In fiscal year 2026, operating revenues totaled \$146.0 million, an increase of \$3.6 million from the prior year. The increase was primarily driven by a \$3.5 million increase in net tuition and fees, reflecting modest enrollment gains and increases in tuition rates. Grant and contracts revenues decreased by \$0.8 million, mostly due to less Federal Pell grant revenue, while auxiliary and other revenues remained relatively flat, largely due to continued operations at or near maximum capacity in both fiscal years.

In fiscal year 2025, operating revenues increased by \$1.6 million, with growth across grants and contracts, mainly due to one large federal research grant, and auxiliary activities, reflecting recovery and expanded activity following 2024 levels.

Operating Expenses

Operating expenses for fiscal year 2026 were as follows:



In fiscal year 2026, operating expenses totaled \$203.2 million, an increase of \$12.0 million from fiscal year 2025. The increase was driven by several factors. Costs associated with the Rip and Replace Supply Chain Grant contributed to the year-over-year increase, as the University incurred additional expenses related to the implementation of the grant-funded initiatives. Depreciation expense also increased following the capitalization of the campus projects mentioned earlier. In addition, personnel costs increased as a result of higher compensation and related employee expenses, while technology costs increased due to continued investments in technology. Collectively, these factors contributed to the overall increase in operating expenses during fiscal year 2026.

In fiscal year 2025, operating expenses increased by \$11.6 million compared with the prior fiscal year. The increase was primarily driven by higher pension-related expenses, increased expenses associated with grant-funded activities, and inflationary pressures affecting several major operating cost categories. Compensation costs increased as the University continued to experience higher wages and related employee expenses, while technology costs rose due to increased investments in technology. Facility-related costs also increased as a result of higher costs for maintenance, utilities, supplies, and other services. Collectively, these factors contributed to the overall increase in operating expenses during fiscal year 2025.



Noncapital Subsidies

In fiscal year 2026, noncapital subsidies increased by \$2.5 million primarily due to an increase in State appropriations. The increase in State appropriations resulted from a higher budget approved by the State of Michigan, providing additional noncapital funding during the fiscal year. This increase in State support contributed to the overall growth in noncapital subsidies compared with the prior year.

In fiscal year 2025, noncapital subsidies decreased by \$16.2 million compared with fiscal year 2024. The decrease was primarily attributable to a reduction in State appropriations, following a significant appropriation received in the prior year to support the repayment of the MPSERS liability. As a result, the decrease in this nonrecurring State support was the primary factor contributing to the year-over-year decline in noncapital subsidies in fiscal year 2025.

Other Nonoperating Revenues (Expenses)

In fiscal year 2026, other nonoperating revenues increased by \$5.0 million. Capital grants increased by \$8.3 million, primarily due to funding received through the Rip and Replace Supply Chain Grant. This increase was partially offset by a \$3.8 million increase in interest expense on capital asset-related debt, reflecting the issuance of the Series 2025A bonds.

In fiscal year 2025, other nonoperating revenues decreased by \$11.8 million primarily due to a decrease in Capital State appropriations as the Jacobetti project was completed and the University received the last of the State capital outlay funding in the prior year.

Overall Change in Net Position

Net position increased by \$17.9 million in fiscal year 2026, following an increase of \$18.9 million in fiscal year 2025. The increase in both years reflect strong operating, noncapital subsidies, and other nonoperating revenue streams, favorable pension and OPEB related adjustments, and effective financial management.

Capital Asset and Long-Term Financing Activity

Capital Assets

The University's capital asset activity for fiscal year 2026 included the capitalization of the Kathleen Shingler Weston Hall academic laboratory facilities of \$13.3 million, and the Harden Hall Library renovation of \$35.8 million, which increased total capital assets and resulted in higher depreciation expense for the year. Net capital assets increased from fiscal year 2025 due mostly to the capitalization of these projects.



The University also recorded a \$2.3 million loss on disposal of assets primarily due to the disposal of EAN assets, which was reported as other nonoperating expense.

During fiscal year 2026, the University also added 11 equipment leases totaling \$0.7 million and 15 subscription-based IT arrangements (SBITAs) totaling \$0.8 million.

During fiscal year 2025, capital asset activity included additions to the Educational Access Network (EAN) of \$3.8 million, upgrades to Berry Events Center infrastructure of \$2.9 million, renovation of the Vandeventer Arena of \$1.8 million, and Dome turf replacement of \$1.5 million. Net capital assets increased from fiscal year 2024 due to these major upgrades and renovations.

Long-Term Financing Activity



Long-term financing liabilities increased in fiscal year 2026 due mainly to the University issuing Series 2025A bonds in the amount of \$80.8 million. Lease liabilities increased by \$0.5 million due mostly to the addition of 7 new tower leases related to the EAN. SBITA liabilities decreased by \$0.7 million primarily due to the expiration of several SBITAs during the year.

Long-term financing liabilities decreased during fiscal year 2025, primarily as a result of the University making scheduled principal payments on its outstanding bond obligations. These payments reduced the University's outstanding debt balance and contributed to the overall

decline in long-term liabilities. Lease liabilities also decreased by approximately \$0.2 million, primarily due to the expiration and completion of existing lease agreements during the fiscal year. SBITA liabilities decreased by approximately \$0.1 million during fiscal year 2025. The decrease was primarily attributable to the expiration of certain SBITAs during the year, which reduced the remaining obligation associated with these arrangements.

Currently Known Facts, Decisions, or Conditions

The University is subject to a number of known facts, decisions, and conditions that are expected to have a significant effect on its financial position or that may result in significant differences from the current-year results of operations. The following matters were known as of October 7, 2026 and are considered significant to the University's future financial condition or operations.

Enrollment and Demographic Trends

Enrollment for Fall 2026 is decreasing compared with Fall 2025. Overall, enrollment for Fall 2026 decreased by 5.4% compared to Fall 2025.

For the 2025-26 academic year, as of the fall census date, thirty-six percent (36%) of the University's students were from the Upper Peninsula Michigan counties, forty-one percent (41%) 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.



State Appropriations and Legislative Actions

NMU's base State appropriation for fiscal year 2026-2027 is expected to increase slightly compared with fiscal year 2025-2026, due to the annual Indian Tuition Waiver (ITW) adjustment.

In addition to the base funding, NMU will receive one-time appropriations of \$2.2 million in 2026-2027, compared to one-time appropriations of \$1.6 million in 2025-2026.

Tuition, Fees, and Other Revenue Decisions

The Board of Trustees approved tuition and fee increases resulting in an increase of \$325.50 per semester for the average resident undergraduate student. The increases went into effect starting the Fall 2026 semester.

The University also expects increases in auxiliary revenue for housing and dining plans due to rate increases approved by the Board of Trustees. A rate increase of \$249 per semester for the standard double room and base required meal plan was approved for the Fall 2026 semester.

Budget and Operating Outlook

The revenue budget for fiscal year 2026-2027 is planned at \$181.8 million, a decrease of \$0.4 million (-0.2%) from the prior year. Tuition and fees are projected at \$105.9 million—a \$0.9 million decline driven by lower projected enrollment from demographic shifts and the third year of the state's free community college initiative. Partially offsetting this decline, state appropriations increased by \$0.6 million to \$55.8 million, accounting for cumulative changes across fiscal years 2025-2026 and 2026-2027. Residential life revenues grew by \$0.8 million to \$32.0 million due to a rate increase and sustained full capacity in residence halls and apartments, while all other operating revenues rose by \$0.4 million to \$15.2 million following adjustments to service rates. Additionally, scholarships and fellowships grew by \$1.3 million to \$27.2 million, primarily due to the final phase-in of the nonresident bridge scholarship—which helped increase our national market enrollment—and the Tuition Advantage Program, which leverages state and federal funding to deliver no-cost tuition for in-state students.

On the expense side of the fiscal year 2026-2027 budget, the \$181.8 million operating outlay includes \$116.8 million for personnel services. This net \$0.2 million increase reflects compensation raises that were mostly offset by staff reductions aimed at aligning workforce size with lower student enrollment. Reductions were also achieved across other expense categories. Utilities, equipment, maintenance, and reserves decreased by \$0.6 million to \$18.8 million—primarily due to a lower annual allocation to operating reserves—while supplies, materials, and transfers fell by \$0.1 million to \$29.0 million due to operational adjustments. Conversely, the cost of goods sold edged up by \$0.1 million to \$7.9 million, driven by inflationary pressure on dining services food costs and university pharmacy prescription drugs. University debt service remained steady at \$9.3 million.

The combination of these factors resulted in a planned overall operating budget for fiscal year 2026-2027 at \$181.8 million, a decrease of \$0.4 million (-0.2%) from the prior year.

Capital Improvement Plans

Construction is underway on 386 new beds of attractive-style housing along Presque Isle Avenue connecting the Athletic Campus to the main campus. This development is due to the high demand for housing on campus, which is due to ongoing enrollment growth and a housing shortage in the local community. The apartment facilities will consist of a mix of studio, two and four-bedroom units that will include kitchens, dishwashers, and clothes washers/dryers in each unit. Other amenities will include common spaces and on-site parking. The project budget is \$58 million. Construction is expected to be completed in the summer of 2027.



During this fiscal year, Northern Michigan University received state construction authorization and funding approval for the \$23.0 million Northern Enterprise Center (College of Business) project. Capital funding consists of a \$13.4 million state appropriation and a \$9.6 million institutional cost share funded through donor gifts, federal grants, and proceeds from the sale of the University's broadband network. The

project encompasses a 24,000-square-foot addition to the C.B. Hedgcock Building and the renovation of 15,000 square feet of existing space to provide modern instructional facilities, centralized faculty offices, collaborative workspaces, and cybersecurity laboratories. Physical construction is scheduled to commence in May 2027, following the completion of final design planning and the competitive bidding process, with final construction being completed by August 2028.

Subsequent Events

NMU has agreed to sell its Educational Access Network (EAN) broadband service and infrastructure to Michigan Broadband Services (MBS) for \$21 million. The transaction is pending final approval from the Federal Communications Commission (FCC), which is expected by the end of the calendar year.

Proceeds from the sale will help NMU address existing financial obligations—including retiring a \$6.5 million loan from the Michigan Economic Development Corporation for the original construction of the EAN and paying \$1 million in legal and brokerage expenses—while supporting strategic long-term priorities such as enrollment growth, student success, faculty excellence, and campus infrastructure. Aligning with the University's mission, MBS plans to build on the EAN's foundation by upgrading the network from 4G to 5G, expanding its coverage, and enhancing critical broadband access across Upper Peninsula communities.



NORTHERN MICHIGAN UNIVERSITY

Statements of Net Position

	Northern Michigan University		Component Unit	
	June 30		NMU Foundation	
	2026	2025	2026	2025
Assets				
Current assets				
Cash and cash equivalents	\$ 26,242,767	\$ 23,445,415	\$ 112,594	\$ 195,691
Short-term investments	22,560,999		6,603,401	5,055,632
State appropriation receivable	10,397,004	9,932,452		
Accounts receivable (less allowance 2026--\$2,412,000; 2025--\$2,323,000)	26,061,147	20,201,507		3,748
Student notes receivable (less allowance 2026--\$9,000; 2025--\$52,000)	72,228	230,307		
Pledges receivable (less allowance 2026--\$20,000; 2025--\$57,000)			518,220	2,867,605
Leases receivable	146,831	81,405		
Inventories	784,398	922,416		
Other assets	4,319,169	4,789,218	485,960	2,454,318
Total current assets	<u>90,584,543</u>	<u>59,602,720</u>	<u>7,720,175</u>	<u>10,576,994</u>
Noncurrent assets				
Restricted cash and cash equivalents	21,336,526			
Long-term investments	127,718,158	124,816,605	84,783,052	69,460,964
Student notes receivable (less allowance 2026--\$0; 2025--\$18,000), net of current portion		335,807		
Leases receivable-net of current portion	2,288,860	1,516,726		
Other long-term investments	353,000	353,000	3,329,029	3,179,061
Pledges receivable, net of current portion			1,518,464	1,098,646
Net OPEB asset	20,989,496	16,884,853		
Net pension asset	14,256,030	8,954,373		
Capital assets not being depreciated/amortized	115,805,375	124,258,499	847,409	847,409
Capital assets being depreciated/amortized, net	314,606,228	270,623,817	533,043	554,070
Total noncurrent assets	<u>617,353,673</u>	<u>547,743,680</u>	<u>91,010,997</u>	<u>75,140,150</u>
Total assets	<u>707,938,216</u>	<u>607,346,400</u>	<u>98,731,172</u>	<u>85,717,144</u>
Deferred outflows of resources				
Deferred charge on refunding	1,062,432	1,132,964		
Deferred OPEB amounts	82,602	34,428		
Deferred pension amounts	215,135	825,518		
Total deferred outflows of resources	<u>1,360,169</u>	<u>1,992,910</u>		
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	23,637,923	23,788,249	870,895	1,007,987
Accrued payroll and benefits	10,137,320	9,499,180		
Refundable advances				517,038
Unearned revenue (unearned student fees & deposits)	9,403,960	9,461,384		
Lease liabilities-current portion	217,293	165,033		
SBITA liabilities-current portion	1,154,302	1,237,271		
Long-term liabilities-current portion	11,554,987	8,607,542		
Other current liabilities				50,000
Total current liabilities	<u>56,105,785</u>	<u>52,758,659</u>	<u>870,895</u>	<u>1,575,025</u>

continued...



NORTHERN MICHIGAN UNIVERSITY

Statements of Net Position

	Northern Michigan University		Component Unit	
	June 30		NMU Foundation	
	2026	2025	2026	2025
Noncurrent liabilities				
Annuities payable			\$ 328,365	\$ 341,749
Long-term lease liabilities-net of current portion	\$ 1,018,212	\$ 555,578		
Long-term SBITA liabilities-net of current portion	417,877	1,055,876		
Long-term liabilities-net of current portion	171,238,065	92,675,538		
Total noncurrent liabilities	<u>172,674,154</u>	<u>94,286,992</u>	<u>328,365</u>	<u>341,749</u>
Total liabilities	<u>228,779,939</u>	<u>147,045,651</u>	<u>1,199,260</u>	<u>1,916,774</u>
Deferred inflows of resources				
Deferred lease amounts	2,249,033	1,442,807		
Deferred OPEB amounts	1,810,480	1,812,554		
Deferred pension amounts	9,080,365	8,706,187		
Concessionaires arrangement	59,810,582	60,703,277		
Total deferred inflows of resources	<u>72,950,460</u>	<u>72,664,825</u>		
Net position				
Net investment in capital assets	209,709,290	230,759,741	1,380,452	1,401,479
Restricted for:				
Nonexpendable	1,135,937	1,154,437	64,517,235	54,504,073
Expendable				
Instruction	1,445,889	1,312,098	5,401,672	3,920,176
Scholarships and fellowships	778,641	725,684	5,579,940	6,270,119
Loans	3,553,307	3,657,263		
Research	140,881	118,571		
Academic, student and public service	127,689	115,875	1,392,466	2,576,270
OPEB benefits	20,989,496	16,884,853		
Pension benefits	14,256,030	8,954,373		
Unrestricted	155,430,826	125,945,939	19,260,147	15,128,253
Total net position	<u>\$ 407,567,986</u>	<u>\$ 389,628,834</u>	<u>\$ 97,531,912</u>	<u>\$ 83,800,370</u>

concluded

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



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

	Northern Michigan University		Component Unit	
			NMU Foundation	
	June 30		June 30	
	2026	2025	2026	2025
Operating revenues				
Student tuition and fees (less allowance 2026--\$34,128,000; 2025--\$34,078,000)	\$ 79,700,246	\$ 76,152,716		
Federal Pell grant	12,507,241	13,369,940		
Federal grants and contracts	5,539,600	6,003,749		
State and local grants and contracts	1,245,288	935,425		
Nongovernmental grants and contracts	1,925,344	1,750,989		
Sales and services of educational activities	15,252,491	14,477,022		
Auxiliary enterprise				
Residential life (less allowance 2026--\$6,845,000; 2025--\$6,650,000)	25,642,261	26,083,124		
Other auxiliary	4,226,568	3,671,584		
Other operating revenues			\$ 1,621	\$ 1,442
Total operating revenues	146,039,039	142,444,549	1,621	1,442
Operating expenses				
Educational and general				
Instruction	61,277,911	57,257,826		
Research	2,710,190	2,623,569		
Public service	10,461,279	10,060,329		
Academic support	21,768,153	16,029,732		
Student services	24,941,998	23,889,894		
Institutional support	18,072,745	17,327,306	2,034,272	2,468,286
Operations and maintenance of plant	15,275,885	17,925,693		
Student aid	3,971,099	3,397,156		
Depreciation and amortization	18,543,317	17,518,240		
Auxiliary enterprise				
Residential life	20,403,394	20,054,703		
Other	5,789,122	5,096,783		
Total operating expenses	203,215,093	191,181,231	2,034,272	2,468,286
Operating loss	(57,176,054)	(48,736,682)	(2,032,651)	(2,466,844)
Noncapital subsidies				
State appropriations	58,103,767	56,272,077		
Gifts from The NMU Foundation	4,375,222	3,704,075		
Gifts and contributions			5,132,342	8,521,510
Payments to and on behalf of the University			(4,403,071)	(3,749,214)
Net noncapital subsidies	62,478,989	59,976,152	729,271	4,772,296
Operating loss and noncapital subsidies	5,302,935	11,239,470	(1,303,380)	2,305,452
Other nonoperating revenues (expenses)				
Investment income (net of investment expense for the University 2026--\$108,100 and 2025--\$93,000; and for The NMU Foundation 2026--\$141,000 and 2025--\$133,900)	10,391,397	9,590,244	11,720,272	7,821,097
Gifts of endowments			3,330,387	3,872,365
Capital grants and gifts	11,660,768	3,325,494		
Loss on asset disposal	(2,347,950)	(2,034,929)	(15,737)	(765,084)
Interest on capital asset-related debt	(7,067,998)	(3,269,258)		
Net other nonoperating revenues	12,636,217	7,611,551	15,034,922	10,928,378
Increase in net position	17,939,152	18,851,021	13,731,542	13,233,830
Net position - beginning of year	389,628,834	370,777,813	83,800,370	70,566,540
Net position - end of year	\$ 407,567,986	\$ 389,628,834	\$ 97,531,912	\$ 83,800,370

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



NORTHERN MICHIGAN UNIVERSITY

Statements of Cash Flows

	Year Ended June 30	
	2026	2025
Cash Flows from Operating Activities		
Tuition and fees	\$ 79,631,331	\$ 75,728,748
Grants and contracts	3,714,506	9,368,766
Payments to suppliers	(58,557,579)	(49,713,856)
Payments to employees	(130,272,935)	(123,022,889)
Payments for scholarships and fellowships	(3,915,626)	(3,379,472)
Loans issued to students and employees	(772,134)	(205,705)
Collection of loans to students and employees	493,885	466,981
Auxiliary enterprise		
Residential life	25,831,049	26,005,707
Other	4,268,236	3,675,992
Sales and services of educational activities and other receipts	13,543,412	13,884,890
Net change in cash from operating activities	(66,035,855)	(47,190,838)
Cash Flows from Noncapital Financing Activities		
State appropriations	57,639,215	56,017,767
Federal Pell grant revenue	12,507,241	13,369,940
William D. Ford direct lending receipts	26,565,534	27,838,538
William D. Ford direct lending disbursements	(26,565,534)	(27,838,538)
Gifts and grants received for other than capital purposes	4,373,509	3,701,345
Other	3,639,529	1,055,081
Net change in cash from noncapital financing activities	78,159,494	74,144,133
Cash Flows from Capital and Related Financing Activities		
Capital financing	516,261	215,204
Net proceeds from the issuance of revenue bonds	83,375,528	
Purchase of capital assets	(54,010,949)	(42,138,001)
Principal paid on capital debt	(5,930,000)	(5,785,000)
Principal paid on subscription liabilities	(1,406,444)	(1,791,987)
Principal paid on lease liabilities	(174,373)	(192,442)
Capital grants and gifts	11,660,768	3,325,494
Interest paid on capital debt	(7,183,251)	(3,700,378)
Net change in cash from capital and related financing activities	26,847,540	(50,067,110)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	39,812,149	36,599,052
Interest on investments	9,641,589	6,205,281
Purchase of investments	(64,291,039)	(38,765,633)
Net change in cash from investing activities	(14,837,301)	4,038,700
Net change in cash, cash equivalents and restricted cash and restricted cash equivalents	24,133,878	(19,075,115)
Cash, cash equivalents, restricted cash, and restricted cash equivalents - beginning of year	23,445,415	42,520,530
Cash, cash equivalents, restricted cash, and restricted cash equivalents - end of year	\$ 47,579,293	\$ 23,445,415
Reconciliation to statements of net position		
Cash and cash equivalents	\$ 26,242,767	\$ 23,445,415
Restricted cash and cash equivalents	21,336,526	
Cash, cash equivalents, restricted cash, and restricted cash equivalents - end of year	\$ 47,579,293	\$ 23,445,415

continued...



NORTHERN MICHIGAN UNIVERSITY

Statements of Cash Flows

	Year Ended June 30	
	2026	2025
Reconciliation of Operating Loss to Change in Cash from Operating Activities		
Operating loss	\$ (57,176,054)	\$ (48,736,682)
Adjustments to reconcile operating loss		
to net change in cash from operating activities:		
Federal Pell grants	(12,507,241)	(13,369,940)
Depreciation and amortization expense	18,543,317	17,518,240
Amortization of The Woods commitments	(48,009)	(47,627)
Change in operating assets and liabilities		
which (used) provided cash:		
Receivables, net	(5,752,476)	(438,184)
Inventories	138,020	(72,150)
Other assets	472,372	337,160
Accounts payable and accrued liabilities	(850,900)	4,729,319
Unearned revenue	(116,973)	896,108
Accrued payroll and benefits	626,771	(173,336)
Deferred inflows - pension amounts	374,178	8,532,390
Deferred inflows - OPEB amounts	(2,074)	1,803,366
Deferred outflows - pension amounts	610,383	210,468
Deferred outflows - OPEB amounts	(48,174)	2,081
Deferred inflows - concessionaires arrangement	(892,695)	(892,695)
Net pension asset	(5,301,657)	(11,163,115)
Net OPEB asset	(4,104,643)	(6,326,241)
Net change in cash from operating activities	\$ (66,035,855)	\$ (47,190,838)
Noncash transactions		
Subscription additions	\$ 835,409	\$ 1,658,794
Lessee additions	738,654	167,486
Lessor additions	940,671	296,395
Early termination of subscription arrangements	149,933	148,730
Early termination of lease agreements	49,387	
Payables related to acquisition of capital assets	1,804,478	1,640,053
		concluded

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



NOTES TO FINANCIAL STATEMENTS

Northern Michigan University

June 30, 2026

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 is a public institution of higher education that reports as a business-type activity in accordance with accounting principles generally accepted in the United States of America (GAAP) for state and local governments. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The University's financial report includes:

- 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

Net Position represents the residual of all assets and deferred outflows of resources less liabilities and deferred inflows of resources and is reported in the following categories:

- Net investment in capital assets: capital assets, net of accumulated depreciation and amortization, unspent bond proceeds, and outstanding principal balances of debt and liabilities attributable to the acquisition, construction or improvement of those assets.
- Restricted:
 - Nonexpendable -- Net position subject to externally imposed constraints that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.
 - Expendable -- Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
- Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic, research, and outreach programs and initiatives, pension and postemployment benefits, operating and stabilization reserves, capital projects and capital asset renewals and replacements.

CHANGE IN ACCOUNTING PRINCIPLE

GASB 101 *Compensated Absences*

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement were effective for the fiscal year ended June 30, 2025 to be applied on a retrospective basis. The resulting impact of adoption was determined to be insignificant to the 2025 financial statements. As such, the University recognized any additional liability required under the provisions of this statement during fiscal year 2025. Additional information for accrued compensated absences can be found in Note J.



GASB 102 *Certain Risk Disclosures*

In April 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires governments to disclose information about certain risks that could significantly impact their ability to meet obligations. The requirements of GASB 102 were effective for the fiscal year ended June 30, 2025. Specifically, the statement requires disclosure of:

- Risks related to concentrations in revenue sources, borrowers, or counterparties.
- Risks related to constraints, such as limitations on the availability of resources.
- Any events or conditions that have occurred, or are more likely than not to occur, that could adversely affect the University's ability to continue to provide services or meet obligations as they come due.

The adoption of this statement did not have any impact on the disclosures in these financial statements.

GASB 103 *Financial Reporting Model Improvements*

For 2026, the University adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, on a retrospective basis. This new standard introduces targeted enhancements to key components of the financial reporting model in order to improve clarity, consistency, and decision usefulness of governmental financial statements. As part of the implementation, MD&A content is now streamlined to focus on prescribed sections with clearer analytical explanations and reduced duplication. The University has updated reporting processes and presentation formats to comply with these requirements. The adoption of GASB 103, effective July 1, 2024, and as of and for the year ended June 30, 2026, did not have an impact on the University's net position, changes in net position, or overall financial reporting results.

GASB 104 *Disclosure of Certain Capital Assets*

For 2026, the University adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This new standard establishes additional disclosure requirements for certain capital assets and capital assets held for sale. The requirements are intended to provide financial statement users with more detailed information regarding certain intangible capital assets and assets that the University intends to sell. GASB 104 requires governments to separately disclose certain capital assets within the capital asset note disclosures. These assets include:

- Lease assets recognized under GASB Statement No. 87, *Leases*, disclosed by major class of underlying asset;
- Intangible right-to-use assets recognized by an operator under GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, disclosed by major class of underlying asset;
- Subscription assets recognized under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and
- Other intangible capital assets, disclosed by major class of underlying asset.

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 nineteen members of the Board of Trustees of the Foundation.

Although the University does not control the timing or number 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, 2026 and 2025, the Foundation made distributions of \$4.4 million and \$3.7 million, respectively, to or on behalf of, the University for both restricted and unrestricted purposes. As of June 30, 2026 and 2025, the University had receivables of \$541,342 and \$151,041 respectively, due from the Foundation. 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, Federal Pell Grants, grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues. These revenues represent amounts earned from exchange transactions and are reported net of applicable discounts and allowances. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A subsidy represents amounts received from or provided to another party of Northern Michigan University. Amounts received from another party are considered a subsidy if it is unrelated to the services provided by the entity and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the entity charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

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 and cash equivalents

Restricted cash and cash equivalents include unspent bond proceeds to be used to pay the costs of renovating several campus facilities. Restricted cash equivalents include all highly liquid investments with original maturity dates of 90 days or less.

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 lease buildings and equipment. Depreciation and amortization expense for 2026 and 2025 was approximately \$18,500,000 and \$17,500,000, 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 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, 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 certain pension and OPEB amounts. More detailed information for the pension and OPEB related amounts can be found in Note M.

Pension

For purposes of measuring the net pension asset, 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

The University recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, primarily one type of leave qualifies for liability recognition for compensated absences - vacation leave.



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. The liability includes salary-related payments such as the University's share of Social Security and Medicare taxes.

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 the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and OPEB plans.

Change in Estimate - Scholarship Allowance Methodology

During the fiscal year ended June 30, 2025, the University revised its methodology for estimating scholarship allowances applied against tuition and fee revenue. Previously, the University employed an allocation-based approach, which utilized summary-level financial aid data due to limitations in system capabilities. In alignment with updated guidance from the National Association of College and University Business Officers (NACUBO Advisory Report 2023-01), and following enhancements to the student information system, the University adopted a student-fiscal year level methodology (Method B). This change allows for more precise identification and classification of discountable student financial aid transactions and improves the accuracy of scholarship allowance estimates. Management believes this change provides a more faithful representation of financial aid activity and complies with GASB Statements No. 34 and 35.

Tuition Discounts, Scholarships, and Allowances

In accordance with the National Association of College and University Business Officers (NACUBO) Advisory Report and related implementation guidance, the University records tuition discounts, scholarships, and other student aid that reduce the amount of revenue recognized from student tuition and fees as a reduction of tuition and fee revenue, rather than as an expense.

During fiscal year 2025, the University implemented a change in the methodology used to value tuition discounts and allowances to better align with updated NACUBO guidance. Under the revised approach, the University includes both institutional awards and certain externally funded scholarships applied directly to student accounts in the calculation of tuition discounts and allowances.

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 2025 financial statements have been reclassified to conform with the 2026 presentation.



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:

	2026	2025
Cash and cash equivalents	\$ 26,242,767	\$ 23,445,415
Short-term investments	22,560,999	
Restricted cash and cash equivalents	21,336,526	
Long-term investments	127,718,158	124,816,605
Other long-term investments	353,000	353,000
Total	<u>\$ 198,211,450</u>	<u>\$ 148,615,020</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, 2026 and 2025, the carrying amounts of the University's deposits were \$28,988,596 and \$23,187,708 respectively. The bank balance of the University's deposits at June 30, 2026 and 2025 was \$29,600,915 and \$23,711,420, respectively. Of that amount, \$5,099,196 and \$1,858,492 was insured in 2026 and 2025, respectively. The remaining \$24,501,719 and \$21,852,928 at June 30, 2026 and 2025, 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, 2026 and 2025, the University's bond mutual funds, equity mutual funds, money market mutual funds, stocks & exchange traded funds (ETFs), and real estate 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, 2026 and 2025 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, 2026 and 2025, the University did not have investments in any one issuer that was greater than 5% of total investments, with the exception of US government issues.

At June 30, 2026, the University had the following investments and maturities:

	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Money Market Mutual Funds	\$ 18,590,697	\$ 18,590,697			
US Treasury Notes	23,147,220	22,560,999	\$ 586,221		
Bond Mutual Funds	102,215,944		33,549,685	\$ 56,764,163	\$ 11,902,096
Equity Mutual Funds	16,650,430				16,650,430
Stocks & ETFs	8,265,563				8,265,563
Real Estate	353,000				353,000
Total	169,222,854	\$ 41,151,696	\$ 34,135,906	\$ 56,764,163	\$ 37,171,089
Less Investments Reported as "Cash Equivalents" on the Statement of Net Position	(18,590,697)				
Total Investments	\$ 150,632,157				

At June 30, 2025, the University had the following investments and maturities:

	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Money Market Mutual Funds	\$ 257,710	\$ 257,710			
Bond Mutual Funds	101,479,264		\$ 32,906,144	\$ 41,194,589	\$ 27,378,531
Equity Mutual Funds	18,916,194				18,916,194
Stocks & ETFs	4,421,147				4,421,147
Real Estate	353,000				353,000
Total	125,427,315	\$ 257,710	\$ 32,906,144	\$ 41,194,589	\$ 51,068,872
Less Investments Reported as "Cash Equivalents" on the Statement of Net Position	(257,710)				
Total Investments	\$ 125,169,605				

Fair Value Measurements

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, 2026 or 2025.

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.

US Treasury Notes: Shares held in US treasury notes are valued at quoted market prices for similar securities and other observable market inputs and are classified as level 2.

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 estimated fair value at June 30, 2026 and 2025. Fair value measurement is based upon a valuation appraisal conducted by an independent, third-party professional real estate appraiser in fiscal year 2024 (Level 2).



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, 2026:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Money Market Mutual Funds	\$ 18,590,697			\$ 18,590,697
US Treasury Notes		\$ 23,147,220		23,147,220
Bond Mutual Funds	102,215,944			102,215,944
Equity Mutual Funds	16,650,430			16,650,430
Stocks & ETFs	8,265,563			8,265,563
Real Estate		353,000		353,000
Leveled investment total	\$ 145,722,634	\$ 23,500,220		\$ 169,222,854

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, 2025:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Money Market Mutual Funds	\$ 257,710			\$ 257,710
Bond Mutual Funds	101,479,264			101,479,264
Equity Mutual Funds	18,916,194			18,916,194
Stocks & ETFs	4,421,147			4,421,147
Real Estate		\$ 353,000		353,000
Leveled investment total	\$ 125,074,315	\$ 353,000		\$ 125,427,315

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 income for the Foundation for the years ended June 30 consists of:

	2026	2025
Realized gain on sale of investments	\$ 2,198,146	\$ 409,898
Unrealized gain on investments	7,222,464	5,627,584
Interest and dividends	2,440,696	1,917,465
Investment fee	(141,034)	(133,850)
Total	\$ 11,720,272	\$ 7,821,097

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, \$100,000 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 of or counterparty to an investment will not fulfill its obligations. The Foundation's 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, 2026:

	Balance at June 30, 2026	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Mutual and ETF Funds:				
Index Funds	\$ 13,967,329	\$ 13,967,329		
Balanced Funds	7,023,883	7,023,883		
Growth Funds	27,140,231	27,140,231		
Fixed Income Funds	13,679,358	13,679,358		
Total Mutual and ETF funds	61,810,801	61,810,801		
Alternative Investments measured at net asset value:				
Private Equity Funds (a)	2,467,454			
Hedge Funds (b)	3,570,290			
Private and Distressed Credit (c)	2,405,002			
Separately Managed Accounts (d)	19,526,857			
Total Alternative Investments measured at net asset value	27,969,603			
Cash Equivalents	1,606,049	1,606,049		
Held by Third Party	3,329,029			\$ 3,329,029
Total Assets	\$ 94,715,482	\$ 63,416,850		\$ 3,329,029
Liabilities				
Liabilities on Annuity Contracts and Trusts	\$ 328,365			\$ 328,365

- (a) Private Equity Funds – This category includes investments in private equity funds which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The funds may also invest in operating companies as direct investments or co-investment opportunities. The funds are ineligible for redemption.
- (b) Hedge Funds - This category includes investments in hedge funds which invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and can shift investments based on market, economic, political, and government-driven events. These investments can only be redeemed on a quarterly or semi-annual basis and require notice periods varying from 20 calendar days plus 5 business days to 90 calendar days to 5 business days to 90 calendar days to 5 business days. Certain funds are subject to gate provisions which could limit the amount of withdrawals.
- (c) Private and Distressed Credit – This category includes investments in private and distressed credit funds. These funds typically negotiate loans directly with companies as an alternative to traditional bank financing or public debt markets. The investments are often illiquid and may not be eligible for redemption, or may only permit redemptions on a quarterly or semi-annual basis, typically requiring up to 90 days' notice. Certain funds may impose gate and lock-up provisions, which can limit or delay the amount that can be withdrawn.
- (d) Separately Managed Accounts - This category includes portfolios of stocks, bonds, and other assets that are closely matched to specific financial goals and risk tolerance and managed by professional portfolio managers. These investments can be redeemed, and 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, 2025:

	Balance at June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Mutual and ETF Funds:				
Index Funds	\$ 11,944,798	\$ 11,944,798		
Balanced Funds	6,010,013	6,010,013		
Growth Funds	17,144,826	17,144,826		
Fixed Income Funds	11,867,092	11,867,092		
Total Mutual and ETF Funds	46,966,729	46,966,729		
Alternative Investments measured at net asset value				
Private Equity Funds (a)	1,870,215			
Hedge Funds (b)	3,128,521			
Private and Distressed Credit (c)	2,035,200			
Separately Managed Accounts (d)	16,696,371			
Total Alternative Investments measured at net asset value	23,730,307			
Cash Equivalents	3,819,560	3,819,560		
Held by Third Party	3,179,061			\$ 3,179,061
Total Assets	\$ 77,695,657	\$ 50,786,289		\$ 3,179,061
Liabilities				
Liabilities on Annuity Contracts and Trusts	\$ 341,749			\$ 341,749

- (a) Private Equity Funds – This category includes investments in private equity funds which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The funds may also invest in operating companies as direct investments or co-investment opportunities. The funds are ineligible for redemption.
- (b) Hedge Funds - This category includes investments in hedge funds which invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and can shift investments based on market, economic, political, and government-driven events. These investments can only be redeemed on a quarterly or semi-annual basis and require notice periods varying from 20 calendar days plus 5 business days to 90 calendar days to 5 business days. Certain funds are subject to gate provisions which could limit the amount of withdrawals.
- (c) Private and Distressed Credit – This category includes investments in private and distressed credit funds. These funds typically negotiate loans directly with companies as an alternative to traditional bank financing or public debt markets. The investments are often illiquid and may not be eligible for redemption, or may only permit redemptions on a quarterly or semi-annual basis, typically requiring up to 90 days' notice. Certain funds may impose gate and lock-up provisions, which can limit or delay the amount that can be withdrawn.
- (d) Separately Managed Accounts - This category includes portfolios of stocks, bonds, and other assets that are closely matched to specific financial goals and risk tolerance and managed by professional portfolio managers. These investments can be redeemed, and 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, 2026 and 2025, the Foundation estimates the value of the perpetual trust to be \$1,613,834 and \$1,463,866, respectively and the irrevocable charitable remainder trusts to be \$1,715,195.



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 7.5 percent of the principal amounts. The Foundation estimates the fair value of these contributions based on the 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 5.6 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, 2026, the fair value and unfunded commitments totaled \$27,969,603 and \$2,691,195, respectively. At June 30, 2025, the fair value and unfunded commitments totaled \$23,730,307 and \$2,435,517, respectively.

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

Asset Class	Minimum	Target	Maximum
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

Asset Class	Minimum	Target	Maximum
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

Asset Class	Minimum	Target	Maximum
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

Asset Class	Minimum	Target	Maximum
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 at least 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, 2026 and 2025, the Foundation's assets are held in combination of mutual funds and ETFs, hedge funds, private and distressed credit, 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 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 (INCLUDING RELATED PARTY)

Receivables of the University include the following at June 30:

	2026	2025
State appropriations	\$ 10,397,004	\$ 9,932,452
Student notes receivable - net	72,228	566,114
Interest receivable	6,668	4,093
Lease receivable	2,435,691	1,598,131
Charter schools	9,182,571	8,943,479
The NMU Foundation	541,322	151,041
State, federal and private grants	12,717,888	7,432,229
Students, employees and vendors - net	3,612,698	3,670,665
Total	<u>\$ 38,966,070</u>	<u>\$ 32,298,204</u>

For the years ended June 30, 2026 and 2025, the University received approximately \$52,911,000 and \$49,996,000, 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, 2026:

	Beginning Balance	Additions and Transfers	Retirements	Ending Balance
Depreciable assets:				
Land improvements	\$ 12,009,695			\$ 12,009,695
Buildings and improvements	382,260,111	\$ 46,670,939	\$ 685,487	428,245,563
Infrastructure	19,727,239	334,396		20,061,635
Equipment	112,642,706	16,049,379	7,963,785	120,728,300
Lease buildings	569,129			569,129
Lease equipment	564,554	738,654	91,613	1,211,595
Subscription assets	5,460,907	835,409	916,669	5,379,647
Books	6,388,014	268,026	35,172	6,620,868
Subtotal depreciable assets	539,622,355	64,896,803	9,692,726	594,826,432
Nondepreciable assets:				
Land	6,763,970			6,763,970
Building (see Note Q)	75,748,937			75,748,937
Construction in progress	41,745,592		8,453,124	33,292,468
Subtotal nondepreciable assets	124,258,499		8,453,124	115,805,375
Total depreciable and nondepreciable assets	663,880,854	64,896,803	18,145,850	710,631,807
Less accumulated depreciation/amortization for:				
Land improvements	9,022,014	181,481		9,203,495
Buildings and improvements	173,947,691	8,376,192	677,654	181,646,229
Infrastructure	14,564,997	318,367		14,883,364
Equipment	63,176,202	7,697,617	5,649,760	65,224,059
Lease buildings	212,220	74,127		286,347
Lease equipment	208,529	138,590	76,556	270,563
Subscription assets	2,619,668	1,577,497	896,445	3,300,720
Books	5,247,217	179,446	21,236	5,405,427
Total accumulated depreciation/amortization	268,998,538	18,543,317	7,321,651	280,220,204
Capital assets, net	\$ 394,882,316	\$ 46,353,486	\$ 10,824,199	\$ 430,411,603



The following table summarizes, by major class of asset, the recorded costs and accumulated depreciation and amortization of capital assets as of June 30, 2025:

	Beginning Balance	Additions and Transfers	Retirements	Ending Balance
Depreciable assets:				
Land improvements	\$ 11,714,588	\$ 295,107		\$ 12,009,695
Buildings and improvements	380,160,387	3,595,543	\$ 1,495,819	382,260,111
Infrastructure	16,855,580	2,969,100	97,441	19,727,239
Equipment	107,301,315	12,329,265	6,987,874	112,642,706
Lease buildings	569,129			569,129
Lease equipment	714,644	167,486	317,576	564,554
Subscription assets	5,333,235	1,658,794	1,531,122	5,460,907
Books	6,162,138	273,199	47,323	6,388,014
Subtotal depreciable assets	528,811,016	21,288,494	10,477,155	539,622,355
Nondepreciable assets:				
Land	6,686,562	77,408		6,763,970
Building (see Note Q)	75,748,937			75,748,937
Construction in progress	18,826,991	22,918,601		41,745,592
Subtotal nondepreciable assets	101,262,490	22,996,009		124,258,499
Total depreciable and nondepreciable assets	630,073,506	44,284,503	10,477,155	663,880,854
Less accumulated depreciation/amortization for:				
Land improvements	8,831,901	190,113		9,022,014
Buildings and improvements	167,109,839	7,886,189	1,048,337	173,947,691
Infrastructure	14,353,429	266,380	54,812	14,564,997
Equipment	61,053,809	7,205,257	5,082,864	63,176,202
Lease buildings	138,094	74,126		212,220
Lease equipment	402,273	123,832	317,576	208,529
Subscription assets	2,377,315	1,637,985	1,395,632	2,619,668
Books	5,154,944	134,358	42,085	5,247,217
Total accumulated depreciation/amortization	259,421,604	17,518,240	7,941,306	268,998,538
Capital assets, net	\$ 370,651,902	\$ 26,766,263	\$ 2,535,849	\$ 394,882,316

Capital Assets Held for Sale

At June 30, 2026, the University had certain capital assets that met the criteria for assets held for sale under GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The assets consist of buildings, infrastructure, land improvements, and equipment. The University has committed to a plan to sell these assets and believes that the sales are probable of being completed within one year.

The carrying amounts of capital assets held for sale by major class were as follows:

Capital Asset Class	Historical Cost	Accumulated Depreciation	Net Carrying Amount
Land improvements	\$ 9,975	\$ 2,020	\$ 7,955
Buildings and improvements	61,436	15,205	46,231
Infrastructure	49,525	24,732	24,793
Equipment	18,701,870	4,391,055	14,310,815
Construction in progress	1,743,678		1,743,678
Total	\$ 20,566,484	\$ 4,433,012	\$ 16,133,472

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 \$10,500,000 and \$24,500,000 at June 30, 2026 and 2025, respectively. The University is also in the process of constructing two new apartment buildings. Contractual commitments relating to this new construction were approximately \$31,250,000 at June 30, 2026.



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:

	2026	2025
Accrued payroll and benefits	\$ 10,137,320	\$ 9,499,180
Construction contractors	7,065,638	5,135,707
Charter schools	8,907,093	8,675,175
Vendors	5,604,822	8,331,891
Utilities	499,232	529,457
Interest payable	1,561,138	1,116,019
Total	<u>\$ 33,775,243</u>	<u>\$ 33,287,429</u>

NOTE H—LEASES

Lessee - The University was 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 interest rates of 3.73 and 4.44 percent based on the University's 2026 and 2025 borrowing rates.

	Remaining Term of Agreements
Asset Type	
Buildings	2 to 13 years
Equipment	1 to 25 years

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

	2026	2025
Buildings and equipment	\$ 1,780,724	\$ 1,133,683
Less accumulated amortization	(556,910)	(420,749)
Net book value	<u>\$ 1,223,814</u>	<u>\$ 712,934</u>



The net present value of future minimum payments as of June 30, 2026, were as follows:

Year Ended June 30,	Principal	Interest
2027	\$ 217,293	\$ 40,256
2028	207,368	32,536
2029	169,706	25,720
2030	152,493	20,379
2031	111,540	15,763
2032-2036	135,107	57,111
2037-2041	96,667	36,706
2042-2046	103,660	17,479
2047-2051	41,671	3,645
Total	\$ 1,235,505	\$ 249,595

Lease liability activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	\$ 720,611	\$ 738,654	\$ (223,760)	\$ 1,235,505	\$ 217,293

Lease liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	\$ 745,567	\$ 167,486	\$ (192,442)	\$ 720,611	\$ 165,033

Lessor - The University was involved in 11 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, 2026 and 2025 was \$134,445 and \$108,105 respectively. The present values are discounted using interest rates of 3.73 and 4.44 percent based on the University's 2026 and 2025 borrowing rates.

Remaining Term of Agreements

Asset Type

Buildings and Infrastructure

1 to 25 years

Lease receivable activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Leases receivable	\$ 1,598,131	\$ 940,671	\$ (103,111)	\$ 2,435,691

Lease receivable activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Leases receivable	\$ 1,389,046	\$ 296,395	\$ (87,310)	\$ 1,598,131



NOTE I—Subscription-Based Information Technology Arrangements

The University was involved in 54 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 3.73 and 4.44 percent based on the University's 2026 and 2025 borrowing rates.

	<u>Remaining Term of Agreements</u>
Asset Type	
Subscription assets	1 to 5 years

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

	<u>2026</u>	<u>2025</u>
Subscription assets	\$ 5,379,647	\$ 5,460,907
Less accumulated amortization	(3,300,720)	(2,619,668)
Net book value	<u>\$ 2,078,927</u>	<u>\$ 2,841,239</u>

The net present value of future minimum payments as of June 30, 2026, were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 1,154,302	\$ 60,355
2028	282,771	16,727
2029	121,137	5,374
2030	13,969	521
Total	<u>\$ 1,572,179</u>	<u>\$ 82,977</u>

Subscription liability activity for the year ended June 30, 2026, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Subscription liability	\$ 2,293,147	\$ 835,409	\$ (1,556,377)	\$ 1,572,179	\$ 1,154,302

Subscription liability activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Subscription liability	\$ 2,426,340	\$ 1,658,794	\$ (1,791,987)	\$ 2,293,147	\$ 1,237,271



NOTE J—LONG-TERM LIABILITIES

In July 2025, the University issued fixed rate General Revenue Bonds, tax-exempt Series 2025A Bonds in the amount of \$80,775,000. The Bonds were issued for the purpose of providing funds to be used to (i) pay all or part of the costs of certain capital projects of the University, as described below, (ii) pay capitalized interest on a portion of the Bonds, and (iii) pay costs incidental to the issuance of the Bonds.

The projects expected to be financed with the proceeds of the Bonds include: (i) construction of an approximately 400-bed apartment-style housing facility for faculty and undergraduate and graduate students; (ii) construction of an addition to the Science Complex to house additional wet labs for both teaching and faculty research; and (iii) renovations to Harden Hall, including development of an enhanced library and resource center and the creation of new classrooms and new offices for academic departments. Approximately \$77,479,000 of the total cost of the projects will be funded from the proceeds of the Bonds. The balance of the cost of the projects will be funded from other available funds of the University. The University received a reoffering premium of \$3.2 million in the issuance of the 2025 Bonds that bear interest at 5.00% to 5.50% and mature at varying amounts through 2055.

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 was 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 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 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, 2018 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 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.

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.



As of June 30, 2026, debt service requirements of the bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2027	\$ 5,715,000	\$ 7,448,703	\$ 13,163,703
2028	5,965,000	7,168,691	13,133,691
2029	6,300,000	6,874,048	13,174,048
2030	6,610,000	6,562,413	13,172,413
2031	6,890,000	6,235,841	13,125,841
Total Five Years	31,480,000	34,289,696	65,769,696
Thereafter			
2032-2036	25,655,000	27,270,130	52,925,130
2037-2041	19,990,000	21,952,955	41,942,955
2042-2046	26,650,000	16,593,452	43,243,452
2047-2051	23,955,000	10,252,026	34,207,026
2052-2055	22,745,000	3,262,600	26,007,600
Total	150,475,000	\$ 113,620,859	\$ 264,095,859
Deferred re-offering premium	12,622,595		
Total	\$ 163,097,595		

Long-term liability activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Bonds payable	\$ 75,630,000	\$ 80,775,000	\$ 5,930,000	\$ 150,475,000	\$ 5,715,000
Premium on bond issuance	10,279,572	3,186,754	843,731	12,622,595	843,731
Total bonds payable	85,909,572	83,961,754	6,773,731	163,097,595	6,558,731
Other Liabilities:					
Early retirement incentive (Note N)		4,588,104		4,588,104	2,457,145
Michigan Strategic Fund loan (direct borrowing)	6,500,000			6,500,000	
The Woods commitments (Note Q)	4,320,382		48,009	4,272,373	48,395
Compensated absences	3,941,879	3,292,039	3,044,107	4,189,811	2,490,716
Federal capital contribution of Perkins Loan Program	611,247		466,078	145,169	
Total other liabilities	15,373,508	7,880,143	3,558,194	19,695,457	4,996,256
Total long-term liabilities	\$ 101,283,080	\$ 91,841,897	\$ 10,331,925	\$ 182,793,052	\$ 11,554,987



Long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Bonds payable	\$ 81,415,000		\$ 5,785,000	\$ 75,630,000	\$ 5,450,000
Premium on bond issuance	11,017,078		737,506	10,279,572	737,506
Total bonds payable	92,432,078		6,522,506	85,909,572	6,187,506
Other Liabilities:					
Michigan Strategic Fund loan (direct borrowing)	6,500,000			6,500,000	
The Woods commitments (Note Q)	4,368,009		47,627	4,320,382	48,009
Compensated absences	3,027,806	\$ 3,436,901	2,522,828	3,941,879	2,372,027
Federal capital contribution of Perkins Loan Program	400,775	549,239	338,767	611,247	
Total other liabilities	14,296,590	3,986,140	2,909,222	15,373,508	2,420,036
Total long-term liabilities	\$ 106,728,668	\$ 3,986,140	\$ 9,431,728	\$ 101,283,080	\$ 8,607,542

NOTE K—NET INVESTMENT IN CAPITAL ASSETS

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

	2026	2025
Capital assets, net	\$ 430,411,603	\$ 394,882,316
Bonds payable	(150,475,000)	(75,630,000)
Restricted cash and cash equivalents - Unspent bond proceeds	21,336,526	
Deferred reoffering premium	(12,622,595)	(10,279,572)
Deferred charge on refunding	1,062,432	1,132,964
Contractor payable	(6,613,037)	(4,808,550)
Lease liabilities	(1,235,505)	(720,611)
Subscription liabilities	(1,572,179)	(2,293,147)
Concessions arrangement	(59,810,582)	(60,703,277)
Michigan Strategic Fund loan	(6,500,000)	(6,500,000)
The Woods commitments	(4,272,373)	(4,320,382)
Total	\$ 209,709,290	\$ 230,759,741

NOTE L—OPERATING EXPENSES

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

	2026	2025
Salaries, wages and benefits	\$ 122,427,718	\$ 115,908,502
Supplies and support services	51,050,567	47,270,583
Utilities	7,277,865	7,104,435
Depreciation and amortization expense	18,543,317	17,518,240
Scholarships	3,915,626	3,379,471
Total	\$ 203,215,093	\$ 191,181,231



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, 2026, 2025, and 2024 the plan had 997, 854, and 931 participants, respectively.

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

	2026	2025	2024
University contributions	\$ 9,697,759	\$ 9,452,549	\$ 8,403,976
Covered payroll	74,410,175	72,743,641	65,931,687

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.

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, 2022 valuation will be amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.



The schedule below summarizes pension contribution rates in effect for fiscal year 2026.

Pension Contribution Rates		
Benefit Structure	Members	Employer
Basic	0.0 - 4.0%	10.92%
Member Investment Plan	3.0 - 7.0	10.92
Pension Plus	3.0 - 6.4	N/A
Pension Plus 2	6.2	N/A
Defined Contribution	0.0	2.22

The University's required contributions to MPSERS under all pension plans as described above for the years ended June 30, 2026, 2025, and 2024 were \$763,824, \$781,632, and \$2,390,225 respectively.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2026:

OPEB Contribution Rates		
Benefit Structure	Members	Employer
Premium Subsidy	0.00-3.00%	1.53%
Personal Healthcare Fund (PHF)	0.00	0.00

The University required contributions to the OPEB plan for the years ended June 30, 2026, 2025, and 2024 were \$45,591, \$48,832, and \$30,796 respectively.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The University reported an asset of \$14,256,030 and \$8,954,373 as of June 30, 2026 and 2025, respectively, for its proportionate share of the MPSERS net pension asset. The net pension asset was measured as of September 30, 2025 and 2024 respectively, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation rolled forward from September 30, 2024 and 2023 respectively. The University's proportion of the net pension asset 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, 2025, the University's proportion (as calculated by MPSERS) was 10.19094%, which was a decrease of 0.0249% points from its proportion measured as of September 30, 2024 of 10.21584%.

For the year ended June 30, 2026, the University recognized a pension recovery of \$3,674,948 from changes in MPSERS related net pension asset, deferred inflows, and deferred outflows. At June 30, 2026, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Net difference between expected and actual earnings on pension plan investments		\$ 9,080,365	\$ (9,080,365)
		9,080,365	(9,080,365)
University contributions subsequent to the measurement date	\$ 215,135		215,135
Total	\$ 215,135	\$ 9,080,365	\$ (8,865,230)



The amount of deferred outflows of resources related to University contributions, subsequent to the measurement date, of \$215,135 will be recognized as an addition to net pension asset for the year ending June 30, 2027. Other amounts reported as deferred outflows/inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30	Amount
2027	\$ (1,635,037)
2028	(3,483,508)
2029	(3,042,037)
2030	(919,783)
Total	<u>\$ (9,080,365)</u>

For the year ended June 30, 2025, the University recognized a pension recovery of \$2,347,764 from changes in MPSERS related net pension asset/liability, deferred inflows, and deferred outflows. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Net difference between expected and actual earnings on pension plan investments		\$ 8,207,515	\$ (8,207,515)
		8,207,515	(8,207,515)
State appropriations for MPSERS		498,672	(498,672)
University contributions subsequent to the measurement date	\$ 825,518		825,518
Total	<u>\$ 825,518</u>	<u>\$ 8,706,187</u>	<u>\$ (7,880,669)</u>

OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The University reported a net OPEB asset of \$20,989,496 and \$16,884,853 as of June 30, 2026 and 2025, respectively for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025 and 2024, respectively and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2024 and 2023, 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, 2025, the University's proportion (as calculated by MPSERS) was 12.00760% which was a decrease of 0.08893% points from its proportion measured as of September 30, 2024 of 12.09653%.

For the year ended June 30, 2026, the University recognized an OPEB recovery of \$4,062,840. At June 30, 2026, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Net difference between expected and actual earnings on OPEB plan investments		\$ 1,810,480	\$ (1,810,480)
		1,810,480	(1,810,480)
University contributions subsequent to the measurement date	\$ 82,602		82,602
Total	<u>\$ 82,602</u>	<u>\$ 1,810,480</u>	<u>\$ (1,727,878)</u>



The \$82,602 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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2027	\$ (149,013)
2028	(786,333)
2029	(684,914)
2030	(190,220)
Total	<u>\$ (1,810,480)</u>

For the year ended June 30, 2025, the University recognized an OPEB recovery of \$4,474,042. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Net difference between expected and actual earnings on OPEB plan investments		\$ 1,812,554	\$ (1,812,554)
University contributions subsequent to the measurement date	\$ 34,428		34,428
Total	<u>\$ 34,428</u>	<u>\$ 1,812,554</u>	<u>\$ (1,778,126)</u>

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 liabilities in the September 30, 2024 and 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB assets as of September 30, 2024, are based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 1 year which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 1 year which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.



Additional information as of the latest actuarial valuation follows:

Valuation Date	September 30, 2024 and 2023
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return Pension	
MIP and Basic Plans (Non-Hybrid)	6.00% net of investment expenses
Pension Plus Plan (Hybrid)	6.00% 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% net of investment expenses
Cost-of-living Pension Adjustments	3% annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate	Pre 65: 7.75% (7.25% for 2023) Year 1 graded to 3.5% Post 65: 6.5% Year 1 graded to 3.5% Year 15
Mortality	PubT-2010 Male and Female Employee Retiree Mortality Tables, adjusted for mortality improvements using projection scale MP-2021 from 2010. For retirees, the tables were scaled by 116% for both males and 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 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB asset as of September 30, 2025, are based on the results of an actuarial valuation date of September 30, 2024, 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 2025 and 2024 MPSERS Comprehensive Annual Financial Report (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, 2025 and 2024 are summarized in the following tables:



Pension
As of September 30, 2025

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	21.0%	5.80%
Private equity pools	16.0	9.30
International equity pools	14.0	5.60
Fixed income pools	15.0	2.50
Real estate and infrastructure pools	8.0	7.00
Absolute return pools	13.0	4.40
Real return/opportunistic pools	9.0	7.00
Short-term investment pools	4.0	1.30
Total	100.0%	

Pension
As of September 30, 2024

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.0%	5.30%
Private equity pools	16.0	9.00
International equity pools	15.0	6.50
Fixed income pools	13.0	2.20
Real estate and infrastructure pools	10.0	7.10
Absolute return pools	9.0	5.20
Real return/opportunistic pools	10.0	6.90
Short-term investment pools	2.0	1.40
Total	100.0%	

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, 2025 and 2024, are summarized in the following tables:

OPEB
As of September 30, 2025

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	16.0%	5.80%
Private equity pools	16.00	9.30
International equity pools	11.00	5.60
Fixed income pools	26.00	2.50
Real estate and infrastructure pools	5.00	7.00
Absolute return pools	15.00	4.40
Real return/opportunistic pools	7.00	7.00
Short-term investment pools	4.00	1.30
Total	100.0%	



OPEB
As of September 30, 2024

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.0%	5.30%
Private equity pools	16.00	9.00
International equity pools	15.00	6.50
Fixed income pools	13.00	2.20
Real estate and infrastructure pools	10.00	7.10
Absolute return pools	9.00	5.20
Real return/opportunistic pools	10.00	6.90
Short-term investment pools	2.00	1.40
Total	100.0%	

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, 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, 2025, a discount rate of 6.00% was used to measure the total pension and OPEB asset. 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 2.4% 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 and OPEB 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 asset.

For the fiscal year ended September 30, 2024, a discount rate of 6.00% was used to measure the total pension and OPEB asset. 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 2.3% 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 and OPEB 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 asset.

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

The following presents the University's proportional share of net pension asset calculated using the discount rate of 6.00%, as well as what the University's net pension 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, 2026:

	1% Decrease (5.00%)	Current Single Discount Rate Assumption (6.00%)	1% Increase (7.00%)
University's proportionate share of net pension asset	\$ (3,957,892)	\$ (14,256,030)	\$ (23,122,650)



The following presents the University's proportional share of net pension liability/asset calculated using the discount rate of 6.00%, as well as what the University's net pension liability/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, 2025:

	1% Decrease (5.00%)	Current Single Discount Rate Assumption (6.00%)	1% Increase (7.00%)
University's proportionate share of net pension liability/asset	\$ 1,773,048	\$ (8,954,373)	\$ (18,174,172)

Sensitivity of the University's Proportionate Share of Net 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, 2026:

	1% Decrease (5.00%)	Current Single Discount Rate Assumption (6.00%)	1% Increase (7.00%)
University's proportionate share of net OPEB asset	\$ (20,074,282)	\$ (20,989,496)	\$ (21,786,175)

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, 2025:

	1% Decrease (5.00%)	Current Single Discount Rate Assumption (6.00%)	1% Increase (7.00%)
University's proportionate share of net OPEB asset	\$ (15,675,773)	\$ (16,884,853)	\$ (17,931,392)

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, 2026:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
University's proportionate share of net OPEB asset	\$ (21,833,840)	\$ (20,989,496)	\$ (20,052,180)

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, 2025:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
University's proportionate share of net OPEB asset	\$ (17,995,072)	\$ (16,884,853)	\$ (15,641,302)



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.

NOTE N—EARLY RETIREMENT INCENTIVE PLAN

During fiscal year 2026, the University established an Early Retirement Incentive Plan (ERIP) available to all current full-time employees who completed ten years of service by June 30, 2026, and their base salaries were funded by the General Fund. Employees had to apply for the ERIP no later than April 15, 2026. Approved employees were eligible for post-separation cash severance benefits. Employees could elect COBRA (Consolidated Omnibus Budget Reconciliation Act) 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 2027. The ERIP liability as of June 30, 2026 was approximately \$4,588,000, of which approximately \$2,457,000 is payable in fiscal year 2027.

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 \$15,819,908 at June 30, 2026, 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 \$600,000 and \$575,000 per covered individual for fiscal years ended June 30, 2026 and 2025, respectively. 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, 2026 and 2025, the aggregate excess insured maximum liability is \$5,000,000. Changes in the estimated liability for the fiscal years ended June 30, 2026 and 2025 for health benefits, including dental and vision, were as follows:

Claims activity for the year ended June 30, 2026:

	Liability - Beginning of Year	Claims incurred, including changes in estimates	Claims Payments	Liability - End of Year
Medical claims	\$ 3,347,307	\$ 15,129,683	\$ (15,149,102)	\$ 3,327,888
Workers' compensation	28,514	191,161	(187,526)	32,149
Total	<u>\$ 3,375,821</u>	<u>\$ 15,320,844</u>	<u>\$ (15,336,628)</u>	<u>\$ 3,360,037</u>



Claims activity for the year ended June 30, 2025:

	Liability - Beginning of Year	Claims incurred, including changes in estimates	Claims Payments	Liability - End of Year
Medical claims	\$ 4,584,018	\$ 13,195,364	\$ (14,432,075)	\$ 3,347,307
Workers' compensation	19,637	180,556	(171,679)	28,514
Total	<u>\$ 4,603,655</u>	<u>\$ 13,375,920</u>	<u>\$ (14,603,754)</u>	<u>\$ 3,375,821</u>

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—RELATED PARTY TRANSACTIONS

Management is not aware of any related party transactions, other than the transactions with The Northern Michigan University Foundation.

NOTE S—SUBSEQUENT EVENTS

Subsequent to year end, NMU has agreed to sell its Educational Access Network (EAN) broadband service and infrastructure to Michigan Broadband Services (MBS) for \$21 million. The transaction is pending final approval from the Federal Communications Commission (FCC), which is expected by the end of the calendar year.

Proceeds from the sale will help NMU address existing financial obligations—including retiring a \$6.5 million loan from the Michigan Economic Development Corporation for the original construction EAN and paying \$1 million in legal and brokerage expenses—while supporting strategic long-term priorities such as enrollment growth, student success, faculty excellence, and campus infrastructure. Aligning with the university's mission, MBS plans to build on the EAN's foundation by upgrading the network from 4G to 5G, expanding its coverage, and enhancing critical broadband access across Upper Peninsula communities.



REQUIRED SUPPLEMENTARY INFORMATION

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

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

	University's proportion of the Universities collective MPERS net pension (asset) liability:		University's covered payroll	University's proportional share of the collective pension (asset) liability (amount), as a percentage of the University's covered payroll	MPERS fiduciary net position as a percentage of the total pension (asset) liability
	As a percentage	Amount			
2025	10.19094%	(\$14,256,030)	\$22,447,000	-63.51%	112.57%
2024	10.21584%	(\$8,954,373)	\$22,007,000	-40.69%	107.71%
2023	9.57543%	\$2,208,742	\$21,575,000	10.24%	98.02%
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%

Schedule of Northern Michigan University's Pension Contributions (Amounts determined as of June 30 of each Fiscal Year)

	Statutorily required contribution	Contributions in relation to the actuarily determined contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2026	\$763,824	\$763,824		\$22,783,705	3.35%
2025	\$781,632	\$781,632		\$22,337,105	3.50%
2024	\$2,390,225	\$2,390,225		\$21,898,625	10.91%
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%

See notes to the required supplemental information.



REQUIRED SUPPLEMENTARY INFORMATION

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	MPERS fiduciary net position as a percentage of the total OPEB (asset)
	As a percentage	Amount			
2025	12.00760%	(\$20,989,496)	\$22,447,000	-93.51%	283.99%
2024	12.09653%	(\$16,884,853)	\$22,007,000	-76.72%	219.63%
2023	12.48717%	(\$10,558,612)	\$21,575,000	-48.94%	158.96%
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 OPEB Contributions **(Amounts determined as of June 30 of each Fiscal Year)**

	Statutorily required contribution	Contributions in relation to the actuarly determined contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2026	\$45,591	\$45,591		\$22,783,705	0.20%
2025	\$48,832	\$48,832		\$22,337,105	0.22%
2024	\$30,796	\$30,796		\$21,898,625	0.14%
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%

See notes to the required supplemental information.



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Northern Michigan University

June 30, 2026

Pension Information

The amounts presented in the schedule of the University's Proportionate Share of the Net Pension Asset/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:

- 2026 - There have been no material changes in the valuation assumptions.
- 2025 - The method of amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.0% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 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 Asset/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:

- 2026 - Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.
- 2025 - The method of amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.0% to 1.5% and 1.50% to 0.75%, respectively. In addition, the Pub-T-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 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%. 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%.

Northern Michigan University
1401 Presque Isle Avenue
Marquette, MI 49855