University of Detroit Mercy

Financial Report
June 30, 2023

University of Detroit Mercy

Contents

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Independent Auditor's Report

To the Board of Trustees
University of Detroit Mercy

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of University of Detroit Mercy (the "University"), which comprise the balance sheet as of June 30, 2023 and 2022 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS 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.

To the Board of Trustees
University of Detroit Mercy

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Plante & Moran, PLLC

November 6, 2023

University of Detroit Mercy

Balance Sheet
Years Ended June 30, 2023 and 2022
(rounded to nearest thousand)

	2023	2022
Assets		
Cash and cash equivalents	$ 43,993	$ 53,504
Accounts receivable - Less allowance of $2,100 in 2023 and $1,790 in 2022:		
Student	7,653	6,853
Government	1,220	1,641
Other	1,055	1,147
Total accounts receivable - Net of allowance	9,928	9,641
Contributions receivable - Net	3,239	6,086
Notes receivable - Less allowance of $3,938 in 2023 and $4,315 in 2022 (Note 2)	12,730	13,803
Prepaids, deposits, and other assets	2,151	2,388
Investments (Note 4)	86,017	75,933
Property and equipment - Net (Note 5)	138,604	132,564
Total assets	**$ 296,662**	**$ 293,919**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 8,399	$ 9,643
Other accrued expenses	6,284	9,191
Fair value of interest rate swap agreement (Note 6)	230	1,780
Unearned revenue	10,007	9,868
Federal student loans	11,375	12,873
Notes and bonds payable (Note 6)	50,919	52,196
Accrued postretirement benefits (Note 7)	3,774	4,611
Total liabilities	90,988	100,162
Net Assets		
Without donor restrictions	110,798	109,214
With donor restrictions	94,876	84,543
Total net assets	205,674	193,757
Total liabilities and net assets	**$ 296,662**	**$ 293,919**

University of Detroit Mercy

Statement of Activities and Changes in Net Assets
Years Ended June 30, 2023 and 2022
(rounded to nearest thousand)

	2023	2022
Unrestricted Net Assets		
Operating Revenues		
Student tuition and fees	$ 172,412	$ 171,124
Less university-sponsored student financial aid	(44,785)	(44,657)
Less student financial aid funded from gifts and grants	(8,677)	(8,148)
Net student tuition and fees	118,950	118,319
Government appropriations, grants, and contracts	13,247	19,646
Private gifts, grants, and contracts	4,637	5,533
Investment income - Net	1,407	583
Realized and unrealized gain (loss) on investments - Net	990	(2,659)
Departmental activities and other revenue	10,450	11,523
Auxiliary enterprises	7,638	7,934
Net assets released from restrictions	4,487	4,430
Total Operating Revenues	161,806	165,309
Operating Expenses		
Salaries, wages, and benefits	106,311	104,678
Professional fees and contracted services	21,710	21,147
Depreciation	9,192	8,661
Occupancy, utilites, and maintenance	6,519	6,574
Materials, supplies, printing, and postage	8,588	7,652
Meetings, travel, and memberships	3,888	3,201
Interest	1,987	1,812
Other expenses	4,484	9,399
Total operating expenses	162,679	163,124
(Decline) Increase in net assets without donor restrictions from operations	(873)	2,185
Nonoperating activities		
Adjustment to value of interest rate swap agreement (Note 6)	1,550	3,646
Adjustment to pension and postretirement benefits (Note 7)	907	1,579
Total nonoperating revenue	2,457	5,225
Increase in net assets without donor restrictions	1,584	7,410
Donor Restricted Net Assets		
Contributions	7,472	13,292
Investment income - Net	1,211	3,077
Realized and unrealized gain (loss) on investments - Net	6,137	(15,464)
Net assets released from restrictions	(4,487)	(4,430)
Increase (decrease) in Donor Restricted Net Assets	10,333	(3,525)
Increase in Net Assets	11,917	3,885
Net Assets - Beginning of year	193,757	189,872
Net Assets - End of year	**$ 205,674**	**$ 193,757**

University of Detroit Mercy

Statement of Cash Flows
Years Ended June 30, 2023 and 2022
(rounded to nearest thousand)

	2023	2022
Cash Flows from Operating Activities		
Increase in net assets	$ 11,917	$ 3,885
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Realized and unrealized (gain) loss on investments - Net	(7,127)	18,123
Depreciation	9,192	8,661
Amortization of bond issuance costs	19	36
Provision for bad debt	1,718	1,684
Accrued postretirement benefits	(837)	(2,030)
Decrease in fair value of interst rate swap	(1,550)	(3,712)
Gifts restricted for long-term investments	(6,080)	(5,762)
(Increase) decrease in assets:		
Accounts receivable	(2,341)	(966)
Contributions receivable	2,847	(1,514)
Prepaids, deposits, and other assets	(271)	(1,167)
Increase (decrease) in liabilities:		
Accounts payable	(822)	(3,392)
Accrued other expenses	(2,907)	(209)
Unearned revenue	138	(529)
Net cash and cash equivalents provided by operating activities	3,896	13,108
Cash Flows from Investing Activities		
Purchases of investments	(20,630)	(40,097)
Proceeds from sales and maturities of investments	17,674	40,502
Disbursements of loans to students	(555)	(2,451)
Repayments of loans from students	1,964	2,334
Decrease in federal student loans payable	(1,498)	(1,085)
Acquisition of properties	(15,146)	(17,054)
Net cash and cash equivalents used in investing activities	(18,191)	(17,851)
Cash Flows from Financing Activities		
Proceeds from notes and bonds payable	600	13,300
Payments on notes and bonds payable	(1,896)	(1,360)
Gifts restricted for long-term investment	6,080	5,762
Net cash and cash equivalents provided by financing activities	4,784	17,702
Net (Decrease)/Increase in Cash and Cash Equivalents	(9,511)	12,958
Cash and Cash Equivalents - Beginning of year	53,504	40,546
Cash and Cash Equivalents - End of year	**$ 43,993**	**$ 53,504**
Supplemental Cash Flow Information - Cash paid for interest	**$ 2,068**	**$ 1,807**

See notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

Organization – University of Detroit Mercy (the "University") is an accredited coeducational higher education institution. University of Detroit Mercy is Michigan's largest and most comprehensive Catholic university. In 1990, the University of Detroit which was founded in 1877 by the Society of Jesus consolidated with Mercy College of Detroit, which was founded in 1941 by the Religious Sisters of Mercy, to form University of Detroit Mercy. The University of Detroit Mercy offers more than 100 academic degrees and programs through seven schools and colleges across three campuses. Current enrollment is approximately 5,400 students.

Basis of Accounting - The accompanying financial statements of the University have been prepared on the accrual basis.

Cash and Cash Equivalents - The University considers all investments with maturities of less than 90 days when purchased to be cash equivalents. The University maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The University maintains cash balances in excess of the $250,000 guarantee. The University has not experienced any losses in such accounts. Management believes the University is not exposed to any significant credit risk related to cash due to the size and stability of the institutions the University banks with.

Student Accounts Receivable - Accounts receivable are stated at net amounts. An allowance for doubtful accounts and related expense is established based on the age and historical collection results of receivables from students and others. Actual uncollectible accounts are charged against the allowance for doubtful accounts in the period that determination is made.

Contributions Receivable - Contributions receivable represent unconditional promises from donors to be used for capital and operating purposes. An allowance for uncollectible contributions and related expense is established based on the age and historical collection results of receivables from donors. Actual uncollectible contributions are charged against the allowance for uncollectible contributions in the period that determination is made. The receivables are also discounted at five-year T-bill discount rates ranging from 0.29 percent to 4.13 percent. The following table summarizes the University's unconditional contributions receivable at June 30:

	2023	2022
Due within one year	$ 2,217	$ 4,300
Due after one year but within five years	1,624	2,343
Total	3,841	6,643
Less allowance for uncollectible contributions	(544)	(488)
Less discount for present value	(58)	(69)
Net contributions receivable	$ 3,239	$ 6,086

Note 1 - Summary of Significant Accounting Policies (Continued)

Student Loans Receivable - The University participates in various student loan programs that provide loans to qualified students. The University makes uncollateralized loans to students based on financial need. Such loans are funded through government programs and institutional resources. These loans have mandated interest rates and repayment terms. The government-funded loans are subject to significant restrictions as to their transfer or disposition. Management reviews and assesses the collectability of notes receivable on an annual basis and provides an allowance when collection is doubtful (see Note 2). As of June 30, 2023 and 2022, notes receivable represented 4.3 percent and 4.7 percent of total assets, respectively.

Investments - The University invests in commercial paper, government bonds, corporate bonds, mutual funds, and common and preferred stocks. Substantially all of the investments are registered securities held by the University's custodians or by its agents and are subject to predetermined guidelines based on quality ratings issued by appropriate rating agencies. The University's investments in real estate are individually approved by the board of trustees.

Certain of the University's investments are pooled in a common investment fund. The pooled investment fund is reported at fair market value, which is determined by quoted market prices. Certain investments within the pooled investment fund without readily determinable fair values are valued based on the net asset value per share (or its equivalent). In management's opinion, the stated values approximate fair value as determined by the investment managers. Due to the inherent uncertainty of valuation, the estimated fair values may differ significantly from values that would have been used had readily available market values for the investments existed, and the differences could be material. Other investments are reported at fair value, which is determined by either quoted market prices or quoted prices for similar assets and liabilities in active markets or other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Earnings from investments represent investment gains and losses, dividends, and interest, net of direct investment expenses.

Properties - Properties are stated at cost or, if acquired by gift, at fair value at the date of gift. Depreciation of properties is provided by the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 50 years. Depreciation expense for the years ended June 30, 2023 and 2022 totaled approximately $9,192,000 and $8,661,000, respectively.

Unearned Revenue - Unearned revenue primarily represents unearned tuition and fees for class sessions to be conducted in the subsequent fiscal year.

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets - The University records net assets, revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

- **Without Donor Restrictions** - Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted support. Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Details of net assets without donor restrictions as of June 30 are as follows:

	2023	2022
Unrestricted for current operations	$ 10,424	$ 16,896
Board designated - quasi endowment	12,689	11,950
Investment in plant - Net of long-term debt	87,685	80,368
Total	$ 110,798	$ 109,214

- **With Donor Restrictions** - Donor restricted net assets may have restrictions for time or purpose or may have restrictions that are permanently maintained by the University. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as donor restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, donor restricted net assets are classified to without donor restrictions and reported as net assets released from restrictions. Income from net assets restricted by donors for time or purpose is predominantly intended to fund general operations, investment in properties, and scholarship expenditures. Unconditional promises from donors are reported as contributions receivable as part of donor restricted support and are recognized at the estimated present value of the future cash flows, net of allowances. Net assets with donor restrictions in perpetuity are permanently maintained by the University with only the income earned thereon available for current use. This includes gifts, trusts, and contributions that, by donor restriction, require the corpus be invested in perpetuity.

Note 1 - Summary of Significant Accounting Policies (Continued)

Details of donor restricted net assets as of June 30, 2023 and 2022 are as follows:

	2023	2022
Academic programs	$ 2,537	$ 2,681
Scholarships	16,365	12,383
Building and equipment	8,515	8,989
Other	3,067	2,201
Endowment	64,392	58,289
Total Donor Restricted Net Assets	$ 94,876	$ 84,543

Revenue Recognition - Tuition and fees are recorded as unrestricted revenue in the appropriate fiscal year. Tuition and fees received in advance of the following academic year are recorded as unearned revenue in the year in which the funds are received.

Revenue from government grant and contract agreements is recognized as it is earned through expenditure, in accordance with the agreement.

Unconditional promises to give cash and other assets to the University are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received.

Other sources of revenue not otherwise categorized are recognized in the fiscal year in which they are earned.

Revenue Recognition for Contract Revenue - The University has revenue streams that constitute significant revenue from contracts with customers; tuition revenue, room and board revenue, dental clinic revenue, and auxiliary services (including athletics).

The University typically satisfies its performance obligations for these revenue streams over time, as services are rendered, because students and patients typically obtain the benefits of such services as the services are performed. The University typically uses days elapsed during the semester to measure progress of tuition and room and board revenue toward completion of performance obligations satisfied over time.

Note 1 - Summary of Significant Accounting Policies (Continued)

For revenue streams such as dental clinic revenue and athletics, the time required to render a service is trivially short; in those cases, the University satisfies its performance obligation upon completion of the service. The service is completed upon transfer of control to the service, which is based upon when the University has right to payment and the student or patient has accepted the service.

Each contract with students or patients typically contains only one performance obligation. Accordingly, the University need not allocate the transaction price.

In addition, students who adjust their course load or withdraw completely within the first two weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Changes in student enrollment status during the current reporting period may result in changes to the revenue recognized for performance obligations that were previously fully or partially satisfied.

Invoices (Course and Fee Statement) for tuition, fees, and room and board are available to students online as soon as registration has occurred. Mailed invoices are sent to the student's postal address on record with the University. The University does not offer discounts if the student pays some or all of an invoiced amount prior to the due date. The University does not offer settlement at a lower amount for any balances remaining after semester end dates have passed. Payment early in the applicable semester or service period is reflected as unearned revenue, while payment late in the applicable semester or service period is reflected as contract assets, which may include student accounts receivable. Payment for dental clinic and auxiliary services are due at the time of delivery of the good or service.

Payments for tuition and room and board are due by the Friday before the first day of the semester. The amount of consideration to which the University will be entitled is variable as long as a student can withdraw from the semester and receive a refund. The University excludes estimated refunds from the transaction price. The University also maintains appropriate accounts to reflect the effects of expected refunds on the University's financial position and periodically adjusts those accounts to reflect its actual refund experience. The University estimates refunds using historical and projected refund and enrollment trends. When a consideration contingency is resolved such that a refund will not be made, an invoice is typically sent to the student within 3 business days. None of the University's exchange revenues have a significant financing component.

Note 1 - Summary of Significant Accounting Policies (Continued)

The nature, amount, timing and uncertainty of the University's tuition and room and board revenue and related cash flows vary depending on the following factors:

- Location of classes taken (e.g., McNichols, Riverfront or Corktown Campus)
- Student's enrollment status (e.g., freshman, senior, part-time, full-time)
- Classes attended (e.g., undergraduate, graduate, program-specific)
- Semester attended (i.e., fall, winter, summer)
- Scholarship awards
- Payer (e.g., student, parents, third-parties)

Payments for dental clinic revenue are due at the time the service is performed. The nature, amount, timing and uncertainty of the University's dental clinic revenue and related cash flows vary depending on the patient's insurance status.

To determine the transaction price of a contract, the University considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the University assumes that the services will be transferred to the student or patient as promised in accordance with existing contracts and that the contracts will not be cancelled, renewed, or modified.

At the end of each fiscal year, the University updates the estimated transaction prices of contracts having unsatisfied performance obligations. At those times, revenue and related account balances are adjusted to reflect any changes in transaction prices.

Services that the University transfers to students and patients are performed by the University. In no case does the University act as an agent; i.e. the University does not provide a service of arranging for another party to transfer services to students.

During the year ended June 30, 2023, the University recognized gross revenue from tuition and fees and revenue from room and board of $172,412,000 and $5,282,000, respectively. The related scholarship allowances for these revenue streams during the year ended June 30, 2023 are $52,557,000 and $905,000, respectively. During the year ended June 30, 2022, the University recognized gross revenue from tuition and fees and revenue from room and board of $171,124,000 and $5,778,000, respectively. The related scholarship allowances for these revenue streams during the year ended June 30, 2022 are $51,784,000 and $1,021,000, respectively.

During the year ended June 30, 2023, the University recognized gross revenue from dental clinic and auxiliary services of $7,387,020 and $5,418,000, respectively. During the year ended June 30, 2022, the University recognized gross revenue from dental clinic and auxiliary services of $7,317,000 and $5,292,000, respectively.

Note 1 - Summary of Significant Accounting Policies (Continued)

For the years ended June 30, 2023 and 2022, the closing balance of the University's student accounts receivable was $7,653,000 and $6,853,000, respectively, and the beginning balance was $6,853,000 and $6,220,000, respectively.

For the years ended June 30, 2023 and 2022, the closing balance of the University's dental clinic and auxiliary receivables was $1,055,000 and $1,147,000, respectively, and the beginning balance was $1,147,000 and $726,000, respectively.

For years ended June 30, 2023 and 2022, revenue yet to be recognized relates to fully or partially unsatisfied performance obligations. The closing balance of the University's unearned revenue for 2023 and 2022 was $10,007,000 and $9,868,000, respectively, and the beginning balance was $9,868,000 and $10,398,000, respectively.

Scholarship Discounts and Allowances - Student tuition and fee revenue and certain other revenue from students are reported net of scholarship discounts and allowances in the statement of activities and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Supplemental Education Opportunity grants and other federal, state, or nongovernmental programs, are recorded as operating revenue in the University's financial statements. To the extent that revenue from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Student Financial Aid - During 2023 and 2022, the University received and disbursed approximately $4.6 million and $4.4 million, respectively, to students under the U.S. Department of Education's Pell Grant program. In addition, the University received and disbursed approximately $84.1 million and $81.5 million, respectively, under the U.S. Department of Education's Direct Loan program for the years ended June 30, 2023 and 2022. This activity is not reported in the accompanying financial statements.

Functional Allocation of Expenditures - The consolidated statement of functional expenses present expenses by function and natural classification. The University reports categories of expenses that attribute by program and supporting services. The University's primary program service is institutional instruction. Expenses reported as student services, academic support and auxiliary enterprises are incurred in support of the University's primary program activity. Expenses that attribute to more than one functional expense category are allocated using the cost allocation based on square footage.

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenses by functional allocation for the year ended June 30, 2023 consist of the following:

Year Ended June 30, 2023	Program Activities		Supporting Activities			
	Academic Instruction & Support	Student Services & Auxiliaries	Administrative Support	Fundraising	Facilities Operation & Maintenance	Total Expense
Salaries, wages and benefits	$ 77,862	$ 13,352	$ 8,764	$ 3,189	$ 3,144	$ 106,311
Professional fees & contracted services	9,303	4,739	3,734	651	3,283	21,710
Depreciation	5,194	3,469	181	184	164	9,192
Occupancy, utilities, and maintenance	875	309	295	196	4,844	6,519
Meetings, travel, and memberships	1,688	1,670	413	117	-	3,888
Materials, supplies, printing & postgage	4,517	2,995	709	258	109	8,588
Interest	1,300	333	172	48	134	1,987
Other expenses	2,933	751	390	109	301	4,484
	103,672	27,618	14,658	4,752	11,979	162,679
Facilities Operation & Maintenance	6,589	4,432	719	239	(11,979)	0
Total expenses	$ 110,261	$ 32,050	$ 15,377	$ 4,991	$ (0)	$ 162,679

Expenses by functional allocation for the year ended June 30, 2022 consist of the following:

Year Ended June 30, 2022	Program Activities		Supporting Activities			
	Academic Instruction & Support	Student Services & Auxiliaries	Administrative Support	Fundraising	Facilities Operation & Maintenance	Total Expense
Salaries, wages and benefits	$ 73,844	$ 13,126	$ 11,643	$ 3,140	$ 2,925	$ 104,678
Professional fees & contracted services	9,442	4,366	3,609	634	3,094	21,147
Depreciation	4,787	3,197	354	173	150	8,661
Occupancy, utilities, and maintenance	1,202	541	212	197	4,421	6,574
Meetings, travel, and memberships	1,248	1,265	592	96	1	3,201
Materials, supplies, printing & postgage	4,393	2,488	513	230	29	7,652
Interest	1,185	304	157	44	122	1,812
Other expenses	6,149	1,574	816	228	632	9,399
	102,252	26,860	17,897	4,742	11,373	163,124
Facilities Operation & Maintenance	6,255	4,208	682	227	(11,373)	(0)
Total expenses	$ 108,507	$ 31,068	$ 18,579	$ 4,969	$ 0	$ 163,124

Advertising Expenses - Advertising expenses for the years ended June 30, 2023 and 2022 were approximately $1,389,000 and $1,525,000, respectively.

Nonoperating Activities - Nonoperating changes in net assets without donor restrictions reflect transactions that are peripheral to the University’s primary operating activities, providing a postsecondary education.

Income Tax Status - The University operates as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties - The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus, now known as COVID-19, a pandemic. As a result, the global economy has been negatively affected, and the University's operations were also impacted, which resulted in lost revenues for the University for the years ended June 30, 2023 and 2022.

The University was allocated Higher Education Emergency Relief Fund (HEERF) grants from the Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA") and the American Rescue Plan ("ARP"). For the year ended June 30, 2023 and 2022, the University recognized HEERF grant revenue totaling $1.63 million and $7.39 million, respectively, included in government appropriations, grants, and contracts in the Statement of Activities and Changes in Net Assets. All funds were spent by June 30, 2023.

The CARES Act also provided eligible employers the opportunity to defer payments of the employer portion of FICA taxes for any payroll paid between March 27, 2020 and December 31, 2020. Under the program, employers had until December 31, 2021 to pay 50 percent of deferred employer taxes, with the remaining 50 percent due on December 31, 2022. The University participated in the program, and its total liability at June 30, 2022 was approximately $2,128,000 which is recorded on the accompanying balance sheet in accounts payable. The University repaid the deferral during 2023 and has no liability recorded at June 30, 2023. The federal COVID-19 public health emergency declaration ended on May 11, 2023.

Labor Risks - Approximately 35 percent of the University's workforce is covered under five different collective bargaining agreements, which expire at various dates through June 30, 2026.

Reclassification – The endowment cash was reclassified in the June 30, 2022 financial statements to be comparative with the June 30, 2023 presentation of endowment cash.

Note 1 - Summary of Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement - In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets including the University's accounts receivable by requiring the University to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the University's year ending June 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The University is currently assessing the impact this new standard will have on its financial statements.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 6, 2023, which is the date the financial statements were available to be issued.

On September 28, 2023, the University refinanced and consolidated its long-term debt through a Higher Education Facilities Limited Obligation Revenue Refunding Bonds, Series 2023, par value $54,505,000. Bond proceeds of $55,448,362 included a Bond Premium of $943,362. Proceeds were used to pay off Series 2019 A, Series 2019 B, Series 2020, and Novi term loan, totaling $50,927,000 in principal and $160,808 in accrued interest. Remaining proceeds established a Debt Service Reserve Fund of $3,729,468 and paid bond issuance costs of $630,000.

The bonds carry an average coupon of 5% - 5.625% and maturity dates ranging from 2023 to 2052.

Bond Component	Par Value	Average Coupon
Serial Bonds	$11,255	5.00%
2035 Term Bond	$ 2,820	5.25%
2037 Term Bond	$ 3,115	5.00%
2039 Term Bond	$ 3,440	5.25%
2043 Term Bond	$ 8,060	5.375%
2048 Term Bond	$12,785	5.5%
2052 Term Bond	$13,030	5.625%
Total	$54,505	

As part of the refinancing, the University terminated its interest rate swap agreements. The University paid Citizens Bank $822,000 to terminate the 2007 IR Swap and received $1,300,000 from Fifth Third Bank upon termination of the 2020 IR Swap. The University recognized a total gain of $411,000 upon termination of the two IR Swaps.

Note 2 - Notes Receivable

At June 30, notes receivable and the related allowance for doubtful accounts consisted of the following:

	2023	2022
Perkins	$ 6,947	$ 8,286
Other federal loan programs	9,647	9,756
Institutional loans	74	76
Subtotal	16,668	18,118
Less allowance for doubtful accounts:		
Beginning of the year	(4,315)	(4,093)
(Increases) decreases	377	(222)
Balance - End of year	(3,938)	(4,315)
Notes receivable - Net	$ 12,730	$ 13,803

In addition to Perkins, the University participates in the Health Professionals Student, Nursing Student, Nurse Faculty, and ARRA-Nurse Faculty federal revolving loan programs. The availability of funds for loans under these programs is primarily dependent on reimbursements to the pool from repayments on outstanding loans. Loans disbursed under the federal programs are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed. At June 30, 2023 and 2022, the following amounts represent the aging of outstanding notes receivable under the student loan programs:

	Current	1-180 Days	181 days to 2 years	Over 2 years	Total
June 30, 2023	$ 10,955	$ 4,945	$ 332	$ 436	$ 16,668
June 30, 2022	$ 12,820	$ 4,421	$ 357	$ 520	$ 18,118

The University records an allowance for doubtful accounts for its portion of the student loan when, in management's judgment, it is probable a portion of the loan will not be collected. The allowance for doubtful accounts is assessed annually and based on prior collections and delinquency status.

Note 2 - Notes Receivable (continued)

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2023, the University has made approximately $1,661,000 in institutional capital contributions, which are reflected as part of the University's net assets. Under current guidance issued by the Department of Education, if the University liquidates the loan portfolio and assigns the student loans to the Department of Education, the University would forego its institutional capital contribution not yet received back through loan collections. There is currently no requirement for the University to liquidate the loan portfolio and the University is not currently expecting to liquidate the loan portfolio. If the Department of Education were to require liquidation or the University voluntarily elects to liquidate the loan portfolio and assign the student loans to the Department of Education, loss of the institutional capital contributions is not expected to have a material impact on the financial position of the University.

Note 3 - Donor-restricted and Board-designated Endowments

The University’s endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The State of Michigan enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in September 2009. The University has interpreted UPMIFA as requiring the preservation of donor-restricted endowment funds at the original value at the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

Note 3 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment in perpetuity		$ 64,392	$ 64,392
Donor-restricted endowment accumulated earnings for specified purpose		18,284	18,284
Board-designated endowment	12,689	-	12,689
Total	$ 12,689	$ 82,676	$ 95,365

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 11,950	$ 71,313	$ 83,263
Investment income	496	3,215	3,711
Net appreciation in market value	677	4,133	4,810
Appropriation of endowment net assets for expenditures	(450)	(2,062)	(2,512)
Transfers		(3)	(3)
Gifts	16	6,080	6,096
Endowment net assets - End of year	$ 12,689	$ 82,676	$ 95,365

Endowment Net Asset Composition by Type of Fund as of June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment in perpetuity	$ -	$ 58,289	$ 58,289
Donor-restricted endowment accumulated earnings for specified purpose		13,024	13,024
Board-designated endowment	11,950	-	11,950
Total	$ 11,950	$ 71,313	$ 83,263

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 14,408	$ 79,556	$ 93,964
Investment income	655	3,704	4,359
Net depreciation in market value	(2,780)	(16,052)	(18,832)
Appropriation of endowment net assets for expenditures	(374)	(1,660)	(2,034)
Transfers	-	3	3
Gifts	41	5,762	5,803
Endowment net assets - End of year	$ 11,950	$ 71,313	$ 83,263

Note 3 - Donor-restricted and Board-designated Endowments (Continued)

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America (GAAP), deficiencies of this nature are reported in net assets with donor restrictions, which together have an original gift value of $5,751,292 and $8,687,389, a current fair value of $5,558,193 and $7,916,992, and a deficiency of $193,100 and $770,397 as of June 30, 2023 and 2022, respectively.

Return Objectives and Risk Parameters - The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the market index while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 8.00 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The University has a policy of appropriating for distribution each year a certain percent of its endowment fund’s average fair value over the prior three years through the fiscal year end preceding the fiscal year in which the distribution is planned. The rate was 4.00 percent for the fiscal years ended June 30, 2023 and 2022. In establishing this policy, the University considered the long-term expected return on its endowment and is consistent with the University’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the University's assets and liabilities measured at fair value on a recurring basis at June 30, 2023 and 2022 and the valuation techniques used by the University to determine those fair values.

Level 1 - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the University has the ability to access.

Level 2 - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The University holds shares or interests in investments at year end whereby the fair value of the investment is presented using net asset value (NAV) per share as a practical expedient for the fair value of the investment.

At year end there were no unfunded commitments related to the pooled investment funds valued at NAV and the investment had a redemption frequency of 15 days.

Note 4 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2023

	Investments (at Fair Value)	Level 1	Level 2
Assets - Investments at fair value			
Pooled investment funds:			
Equity	$ 45,514	$ 45,514	$ -
Fixed income	17,257	17,257	-
Subtotal	62,771	62,771	-
Other investments:			
Debt securities	580	-	580
Mutual funds	527	527	-
Equity and other	147	-	147
Subtotal	64,025	$ 63,298	$ 727
Pooled investment funds - Equity (i)	17,966		
Pooled investment funds - Other (ii)	4,026		
Total investments at fair value	$ 86,017		
Liabilities - Interest rate swap agreement at fair value	$ 230	$ -	$ 230

(i) The University invests in pooled investment funds invested in equity securities. The funds seek to maximize return potential by investing in what it considers to be attractive equity securities, primarily in the international markets. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

(ii) The University invests in a pooled investment fund invested in real asset securities. The Fund seeks to offer diversification by investing approximately 25% of the Fund's assets in commodities, 25% in global natural resource stocks, 20% in global infrastructure stocks, 10% in U.S. REITs, and 20% in U.S. Intermediate TIPS. The fund is valued at net asset value, which is calculated using the most recent fund financial statements.

Note 4 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2022

Fair Value Measurements June 30, 2022	Investments (at Fair Value)	Level 1	Level 2
Assets - Investments at fair value			
Pooled investment funds:			
Equity	$ 38,429	$ 38,429	$ -
Fixed income	15,789	15,789	-
Multi-asset class	-	-	-
Subtotal	54,218	54,218	-
Other investments:			
Debt securities	851	-	851
Mutual funds	586	586	-
Equity and other	78	66	12
Subtotal	55,733	$ 54,870	$ 863
Pooled investment funds - Equity (i)	16,141		
Pooled investment funds - Other (ii)	4,059		
Total investments at fair value	$ 75,933		
Liabilities - Interest rate swap agreement at fair value	$ 1,780	$ -	$ 1,780

(i) The University invests in a pooled investment fund invested in equity securities. The fund seeks to maximize return potential by investing in what it considers to be attractive equity securities, primarily in the international markets. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

(ii) The University invests in pooled investment funds invested in real asset securities. The Fund seeks to offer diversification by investing approximately 25% of the Fund's assets in commodities, 25% in global natural resource stocks, 20% in global infrastructure stocks, 10% in U.S. REITs, and 20% in U.S. Intermediate TIPS. The fund is valued at net asset value, which is calculated using the most recent fund financial statements.

Note 5 - Property and Equipment

Properties at June 30 consist of the following:

	2023	2022
Land	$ 8,020	$ 7,993
Buildings and improvements	186,132	183,989
Furniture and equipment	47,247	44,980
Library books	38,612	37,990
Construction in progress	28,315	18,650
Total	308,326	293,602
Less accumulated depreciation	169,722	161,038
Net investment in properties	$ 138,604	$ 132,564

Note 6 - Revolving Lines of Credit, Notes, and Bonds Payable

Long-term debt at June 30 consists of the following:

	2023	2022
Michigan Facilities Authority Higher Education Limited Obligation Revenue Bonds - Series 2019A, bearing interest at a variable rate (an effective rate of 5.45 percent as of June 30, 2023), interest due monthly and principal due annually through 2036	$ 20,015	$ 21,040
Michigan Facilities Authority Higher Education Limited Obligation Revenue Bonds - Series 2019B, bearing interest at a variable rate (an effective rate of 5.45 percent as of June 30, 2023), interest due monthly and principal due annually through 2040	12,495	12,895
Michigan Facilities Authority Higher Education Limited Obligation Revenue Bonds - Series 2020, bearing interest at a variable rate (an effective rate of 5.76 percent as of June 30, 2023), interest due monthly and principal due annually through 2040	13,690	13,400
Fifth Third Bank Term Loan - Property purchase 41555 Twelve Mile Road, Novi, MI - Interest only for first 24 months beginning September 2020 through August 2022 (an effective rate of 7.10 percent as of June 30, 2023) - Maturity is 2026	4,781	4,942
Subtotal	$ 50,981	$ 52,277
Less unamortized bond issuance costs	(62)	(81)
Total	$ 50,919	$ 52,196

Note 6 - Revolving Lines of Credit, Notes, and Bonds Payable (Continued)

Future principal maturities of the bonds are as follows:

Years Ending June 30		Amount
2024		2,020
2025		2,110
2026		2,195
2027		2,280
2028		2,375
2029 and after		40,001
	Total	$ 50,981

In January 2019, the University privately placed the Michigan Higher Education Facilities Authority Limited Obligation Revenue Bonds Series 2019A and 2019B Bonds to Fifth Third Commercial Funding, Inc. in the amounts of $23,860,000 and $13,985,000 respectively, collateralized by the University's unrestricted receivables. This was primarily for refinancing existing debt as of January 2019. Bond issuance costs were approximately $87,000. The bonds bear interest at a variable rate, with interest due monthly and principal due annually through 2040. Principal payments began on November 1, 2019. The average variable interest rate on the Series 2019 Bonds for the years ended June 30, 2023 and June 30, 2022 was 4.50 and 1.59, respectively.

In January 2020, The University privately placed the Michigan Higher Education Facilities Authority Limited Obligation Revenue Bonds Series 2020 to Fifth Third Commercial Funding, Inc. in the amount of up to $14,000,000, collateralized by the University's unrestricted receivables. Bond issuance costs were approximately $97,000. The bonds bear interest at a variable rate, with interest due monthly. Proceeds from the Series 2020 bond issue were used to fund various capital projects through January 2023, including the Student Union Project and improvements in student residence halls and other buildings on the main campus. Principal advances are requested as costs are incurred. During the year ended June 30, 2022, the University advanced an additional $13.3 million to finance construction related to the Student Union Project and amended the agreement to extend the availability through January 2023. The University advanced the remaining $700,000 during 2023.

In August 2020, the University entered into a mortgage note payable with Fifth Third Bank in the amount of $4,942,000, collateralized by the University's Novi building and land. The mortgage bears interest at a variable rate, with interest due monthly. Principal payments commenced on September 1, 2022. Proceeds from the mortgage were used to purchase the new Novi campus which will be primarily used for the optometry program, currently in development.

Note 6 - Revolving Lines of Credit, Notes, and Bonds Payable (Continued)

The University has agreed to certain covenants, including maintenance of operations, debt service ratios, and liquidity ratios.

During 2007, the University entered into an interest rate swap agreement on the bonds for the purpose of managing the risk associated with interest rates on variable rate borrowings. The interest rate swap agreement is considered a derivative financial instrument for reporting purposes.

During 2020, the University entered into a forward interest rate swap agreement on the Series 2020 bonds for the purpose of managing the risk associated with interest rates on variable rate borrowings. The interest rate swap agreement is considered a derivative financial instrument for reporting purposes. The effective date for the forward interest rate swap is February 1, 2022 at which point the University agreed to exchange, at specified intervals, the calculated difference between fixed- and variable-interest amounts on a $14,000,000 declining notional amount. The fixed rate as defined by the interest rate swap agreement is 1.51 percent with interest payments having commenced on March 1, 2022.

Any gains or losses recognized on the interest rate swaps are recognized in current year earnings. Under the 2007 interest rate swap, the University has agreed to exchange, at specified intervals, the calculated difference between fixed- and variable-interest amounts on a declining notional amount, which was $20,015,000 and $21,040,000 at June 30, 2023 and 2022, respectively. The fixed rate as defined by the interest rate swap agreement is 3.61 percent.

The value of the swap instruments represents the estimated benefit or cost to the University to cancel the agreement as of the reporting date and is based on the option-pricing models that consider risks and other market factors. The fair value of the interest rate swaps at June 30, 2023 and 2022 was recorded in the University's financial statements as a liability of approximately $230,000 and $1,780,000, respectively.

Accordingly, the University recognized unrealized gain of approximately $1,550,000 and $3,646,000 for the years ended June 30, 2023 and 2022, respectively, related to the adjustment of value of the interest rate swap agreements.

Note 7 - Retirement Benefits

Substantially all University employees participate in either a defined contribution pension plan sponsored by the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), or a noncontributory defined benefit pension plan, The Sisters of Mercy - Province of Detroit Retirement Plan.

Note 7 - Retirement Benefits (Continued)

The University and participants in the defined contribution retirement plan make annual contributions to TIAA-CREF to purchase individual annuities or to invest in tax-deferred savings plans. The University's contribution to the defined contribution plan totaled approximately $5,482,000 in 2023 and $5,334,000 in 2022.

Benefits under The Sisters of Mercy - Province of Detroit Retirement Plan are based on years of service and employees' compensation during the last 10 years of employment. Contributions are made in amounts necessary to fund the plan's benefits as computed by an independent actuary. The University amended its defined benefit pension plan effective July 1, 2002. As a result, no pension benefits have been earned by participants after June 2002.

In addition to providing pension benefits, the University pays a portion of the premiums for healthcare benefits provided to certain retired employees who reach retirement age while working for the University. Healthcare benefits for retirees and survivors are provided through insurance agreements, the premiums of which are based in part on the benefits paid. The University's costs are capped at certain amounts per month per person dependent on the age of the eligible participants as defined in the plan agreement. The Plan was unfunded at June 30, 2023 and 2022.

Changes in projected benefit obligation and plan assets during the year, the funded status of the plan, and the reconciliation to the amount recognized on the balance sheet were as follows as of June 30 (using an actuarial measurement date of June 30):

Obligations and Funded Status

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Projected benefit obligation	$ 4,255	$ 4,820	$ 3,774	$ 4,611
Fair value of plan assets	4,270	4,312	-	-
Funded status at end of year	$ 15	$ (508)	$ (3,774)	$ (4,611)

Amounts recognized in the balance sheet consist of the following:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Other accrued expenses	$ (15)	$ 508	$ -	$ -
Accrued postretirement benefits	-	-	3,774	4,611
Total	$ (15)	$ 508	$ 3,774	$ 4,611

Note 7 - Retirement Benefits (Continued)

Accumulated net periodic benefit cost recognized as net assets without restrictions is as follows:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Net loss (gain)	$ 2,021	$ 2,452	$ (1,638)	$ (1,026)
Prior service (credit) cost	(35)	(37)	-	-
Total	$ 1,986	$ 2,415	$ (1,638)	$ (1,026)

Net periodic benefit cost, which is included in functional expenses, contributions, and benefits paid, is as follows:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Net periodic benefit cost	$ 105	$ 53	$ 70	$ 182
Employer contributions	198	84	296	311
Benefits paid	314	314	296	311

As of June 30, the following items are included in nonoperating activities as a pension and postretirement adjustment and are not yet recognized as components of net periodic benefit cost:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Net (gain) / loss	$ (341)	$ (5)	$ 731	$ (1,901)
Amortization of prior service credit (cost)	2	2		-
Amortization of net gain (loss)	(88)	(82)	(119)	-
Total recognized in nonoperating activities	$ (427)	$ (85)	$ 612	$ (1,901)
Total recognized in functional expenses and nonoperating activities	$ 324	$ (33)	$ (33)	$ (541)

The net loss and prior service credit for the defined benefit pension plan that was amortized into net periodic benefit cost during the year was approximately $88,000 and $2,000, respectively. No amortization of net loss and prior service credit into net periodic benefit cost is expected over the next fiscal year.

There was no net loss and prior service cost for the other postretirement plan that was amortized into net periodic benefit cost during the years ended June 30, 2023 and 2022. No amortization of net loss and prior service credit into net periodic benefit cost is expected over the next fiscal year.

Mortality assumptions for participants in the University's pension and postretirement plans were updated to use the most recently available tables published by the Society of Actuaries (SOA).

Note 7 - Retirement Benefits (Continued)

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Discount rate	5.90%	5.15%	4.88%	4.38%

Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Discount rate	5.90%	5.15%	4.88%	4.38%
Expected long-term return on plan assets	5.90%	5.15%	N/A	N/A

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of returns of the respective asset classes.

Pension Plan Assets

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the University, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

The investment program employs a total return investment approach whereby a mix of equities and fixed-income investments is used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition.

The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Other investments such as hedge funds, interest rate swaps, and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments.

Note 7 - Retirement Benefits (Continued)

The target allocation of plan assets at the June 30, 2023 and 2022 measurement dates, by asset category, as a percentage, was as follows: 18 percent global and traditional equity securities, 78 percent fixed-income obligations, 2 percent hedge funds, 2 percent other types of investments.

The following tables summarize the pension plan assets measured at fair value as of June 30, 2023 and 2022:

Pension Plan Assets Measured at Fair Value at June 30, 2023

	Level 1	Level 2	Level 3	Balance
Assets - Investments				
Short-term investment funds	$ 85	$ -	$ -	$ 85
Common stock - Domestic	262	-	-	262
Debt securities:				
U.S. government/federal agency	-	546	-	546
Corporate bonds	-	2,060	-	2,060
Mutual funds - Equities	35	-	-	35
Other	34	-	-	34
Subtotal	$ 416	$ 2,606	$ -	3,022
Investments measured at net asset value (i)				1,248
Total				$ 4,270

(i) The pension plan invests in various hedge fund strategies and private equity funds. The hedge funds utilize a “fund-of-funds” approach resulting in diversified multi-strategy, multimanager investments. Underlying investments in these funds may include equities, fixed-income securities, commodities, currencies, and derivatives. The private equity funds invest primarily in Europe, both directly and on the secondary market. These funds are valued at net asset value, which is calculated using the most recent partnership financial statements.

Pension Plan Assets Measured at Fair Value at June 30, 2022

	Level 1	Level 2	Level 3	Balance
Assets - Investments				
Short-term investment funds	$ 129	$ -	$ -	$ 129
Common stock - Domestic	227	-	-	227
Debt securities:				
U.S. government/federal agency	-	580	-	580
Corporate bonds	-	2,011	-	2,011
Mutual funds - Equities	33	-	-	33
Other	35	-	-	35
Subtotal	$ 424	$ 2,591	$ -	3,015
Investments measured at net asset value (i)				1,297
Total				$ 4,312

Note 7 - Retirement Benefits (Continued)

(i) The pension plan invests in various hedge fund strategies and private equity funds. The hedge funds utilize a "fund-of-funds" approach resulting in diversified multi-strategy, multimanager investments. Underlying investments in these funds may include equities, fixed-income securities, commodities, currencies, and derivatives. The private equity funds invest primarily in Europe, both directly and on the secondary market. These funds are valued at net asset value, which is calculated using the most recent partnership financial statements.

Investments in Entities that Calculate Net Asset Value per Share

The pension plan 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.

The tables on the previous page present information about the pension plan assets measured at fair value at June 30, 2023 and 2022 and the valuation techniques used by the University to determine those fair values. See Note 4 for definitions of Levels 1, 2, and 3 of the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

The University's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2023 and 2022.

Contributions

The University expects to contribute approximately $150,000 to its pension plan and $295,000 to its postretirement benefit plan during the year ending June 30, 2024.

The expected benefits to be paid in the next fiscal years are as follows:

Years Ending June 30	Pension Benefits	Other Postretirement Benefits
2024	425	295
2025	348	277
2026	357	273
2027	354	258
2028	345	263
2029-2033	1,640	1,319

Note 8 - Insurance Commitments

The University funds a reserve for dental malpractice claims. At June 30, 2023 and 2022, the University owned a bank account administered by a third party with balances of $527,000 and $510,000, respectively, which is included as cash and cash equivalents and investments. Claims and related costs are paid from the University-owned bank trust account. Estimated claims at June 30, 2023 and 2022 were insignificant. In addition to the reserve, effective January 1, 2009, the University purchased professional liability insurance for dental malpractice risk. The additional insurance has a $100,000 deductible per occurrence and a $5,000,000 limit per occurrence. The aggregate coverage limit is $7,000,000.

The University is a member of the Michigan Independent Colleges and Universities (MICU) Workers' Compensation Self-Insurers Fund. The University records workers' compensation expense at the time its contribution is due in accordance with the MICU Workers' Compensation Trust agreement. Dividends are recorded as income in the year received. Additional provision for workers' compensation expense may be required if claims pending settlement by the fund exceed available fund equity. At June 30, 2023 and 2022, no such additional provision was required.

Note 9 - Contingencies

The University is a defendant in certain lawsuits. For those claims whereby the likelihood of loss is probable and measurable, a provision has been made in the accompanying financial statements related to such claims. Management believes that the resolution of these claims will not have a material impact on the financial statements.

Note 10 - Financial Assets and Liquidity Resources

The following table reflects the University's financial assets as of June 30, 2023, reduced by amounts not available for general expenditures within one year. Financial assets are unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are perpetual endowments and accumulated earnings net of appropriations within one year, amounts restricted by donors for nonoperating activities, amounts limited by the University's Board of Trustees, and student loans receivable. The University considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for current operating activities to be available to meet cash needs for general expenditures. The University considers all expenditures related to its operating activities that are incurred in the course of the normal business operations of the University to be general expenditures.

Note 10 - Financial Assets and Liquidity Resources (Continued)

	2023	2022
Financial Assets		
Cash and cash equivalents	$ 37,473	$ 48,592
Endowment cash and cash equivalents	6,520	4,912
Accounts receivable, net	9,928	9,641
Contributions receivable, net	3,239	6,086
Notes receivable, net	12,730	13,803
Investments	86,017	75,933
Financial assets at June 30, 2023	155,907	158,967
Less financial assests unavailable for general expenditure within one year:		
Accounts receivable, net, beyond one year	-	-
Contributions receivable, net, beyond one year	1,624	2,343
Notes receivable, net, restricted for financial aid purposes	12,730	13,803
Other assets with donor or board restrictions	12,689	11,950
Endowment assets, net of appropriation for next fiscal year of $3.4M	79,276	67,913
Financial assets unavailable for general expenditure within one year	106,319	96,009
Financial assets available to meet the cash needs for general expenditure within one year	$ 49,588	$ 62,958

The University's practice is to structure its financial assets to be available as its general expenses, liabilities, and obligations come due. In addition to financial assets available to meet general expenditures over the next year, the University's goal is to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of the University's cash generated by operating activities for the year ending June 30, 2023.

Cash in excess of daily requirements is typically invested in short-term, liquid securities. The University maintains sufficient liquidity within the endowment to cover board-designated amounts, funding commitments, and appropriations for spending distributions. The University's endowment funds consist of donor-restricted endowments and a quasi-endowment of $12,689,000 and $11,950,000 at June 30, 2023 and 2022, respectively. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 3, the quasi-endowment has a spending rate of 4 percent. $2,062,000 and 1,661,000 of appropriations from the quasi-endowment will be available within the next 12 months for fiscal year June 30, 2023 and 2022, respectively. Although the University does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Note 11 - Related Party Transactions

The following is a description of transactions between the University and related parties, including board members of the University:

Contributions Receivable

As of June 30, 2023 there were no pledges receivable from related parties, including board members of the University. As of June 30, 2022 pledges receivable from related parties, including board members, totaled approximately $209,000, respectively.

Contributions Revenue

During the years ended June 30, 2023 and 2022, contributions received from related parties, including board members of the University, totaled approximately $231,000 and $171,000, respectively.

Additional Information

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Independent Auditor's Report on Additional Information

To the Board of Trustees
University of Detroit Mercy

We have audited the financial statements of University of Detroit Mercy as of and for the years ended June 30, 2023 and 2022 and have issued our report thereon dated November 6, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial responsibility supplemental schedule is presented for the purpose of additional analysis, as required by Title 34 U.S. Code of Federal Regulations (CFR) Section 668.172 Department of Education Financial Ratios, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

November 6, 2023

University of Detroit Mercy

Financial Responsibility Supplemental Schedule
Year Ended June 30, 2023
(Rounded to Nearest Thousand)

Ratio	Cross-Reference to the Financial Statement Line or Note Disclosure: Section	Cross-Reference to the Financial Statement Line or Note Disclosure: Line item or subsection	Financial Element Needed to Calculate the Composite Score Ratios	Gross Amounts	Net Amounts
Primary Reserve Ratio:					
Expendable Net Assets:					
	Balance Sheet	Net assets without donor restrictions	Net assets without donor restrictions	$ -	$ 110,798
		Net assets with donor restrictions	Net assets with donor restrictions	-	94,876
	N/A	N/A	Secured and Unsecured related party receivable	-	-
	N/A	N/A	Unsecured related party receivable	-	-
	Balance Sheet	Property, Plant, and Equipment, net	Property, and equipment, net (including construction in progress)	138,604	-
	Financial Statement Footnotes	Property, Plant, and Equipment, net - Pre-implementation	Property and equipment, net - Pre-implementation less any construction in progress	-	110,289
	N/A	N/A	Property, plant, and equipment, net - Post-implementation less any construction in progress with outstanding debt for original purchase	-	8,185
	N/A	N/A	Property and equipment, net - Post-implementation less any construction in progress without outstanding debt for original purchase	-	25,115
		Property, Plant, and Equipment - Construction in process	Construction in progress	-	28,315
	N/A	N/A	Lease right-of-use asset	659	
	N/A	N/A	Lease right-of-use asset - Pre-implementation		-
	N/A	N/A	Lease right-of-use asset - Post-implementation	659	-
	N/A	N/A	Intangible assets		
		Post-employment and pension liability	Post-employment and defined pension plan liabilities	-	3,760
		Notes payable and line of credit (both current and long-term) and line of credit for contruction in process	Long-term debt - For long-term purposes and construction in process debt	50,919	-
	Financial Statement Footnotes	Notes payable and line of credit (both current and long-term) and line of credit for contruction in process	Long-term debt for long-term purposes - Pre-implementation	-	32,510
		Notes payable and line of credit (both current and long-term) for purchase of property, plant, and equipment	Qualified long-term debt for long-term purposes - Post-implementation for purchase of property, plant, and equipment	-	18,471
		N/A	Line of credit for construction in process	-	-
	N/A	N/A	Lease right-of-use asset liability	685	-
	N/A	N/A	Pre-implementation right-of-use asset liability	-	-
		N/A	Post-implementation right-of-use asset liability	685	-
			Annuities with donor restrictions	-	-
		N/A	Term endowments with donor restrictions	-	-
		N/A	Life income funds with donor restrictions	-	-
	Financial Statement Footnotes	Perpetual Funds	Net assets with donor restrictions: restricted in perpetuity	-	64,392
Total Expenses and Losses:					
	Statement of Activities	Total operating expenses	Total expenses without donor restrictions	-	162,679
		Non-operating (investment return appropriated for spending), investments, net of annual spending, gain (loss), other components of net periodic pension costs, pension-related changes other than net periodic pension, change in value of split-interest agreements, and other gains (losses)	Non-operating and net investment (loss)	-	-
		Non-operating (investment return appropriated for spending), investments, net of annual spending, gain (loss)	Net investment losses	-	-
		Pension-related changes other than periodic pension	Pension-related changes other than net periodic costs	-	-

University of Detroit Mercy

Financial Responsibility Supplemental Schedule
Year Ended June 30, 2023
(Rounded to Nearest Thousand)

Ratio	Cross-Reference to the Financial Statement Line or Note Disclosure: Section	Cross-Reference to the Financial Statement Line or Note Disclosure: Line item or subsection	Financial Element Needed to Calculate the Composite Score Ratios	Gross Amounts	Net Amounts
Equity Ratio:					
Modified Net Assets:					
	Balance Sheet	Net assets without donor restrictions	Net assets without donor restrictions	$ -	$ 110,798
		Net assets with donor restrictions	Net assets with donor restrictions	-	94,876
	N/A	N/A	Intangible assets	-	-
	N/A	N/A	Secured and Unsecured related party receivable	-	
		N/A	Unsecured related party receivable	-	-
Modified Assets:					
	Balance Sheet	Total assets	Total assets	-	296,662
	N/A	N/A	Lease right-of-use asset - Pre-implementation	-	-
		N/A	Pre-implementation right-of-use liability	-	-
	N/A	N/A	Intangible assets	-	-
	N/A	N/A	Secured and Unsecured related party receivable	-	
		N/A	Unsecured related party receivable		-
Net Income Ratio:					
Change in Net Assets Without Donor Restrictions	Statement of Activities	Change in net assets without donor restrictions	Change in net assets without donor restrictions	-	1,584
Total revenues and gains	Statement of Activities	Net assets released from restrictions, total operating revenue and other additions and sale of fixed assets, gains (losses)	Net assets released from restrictions, total operating revenue and other additions and sale of fixed assets, gains (losses)	-	164,260

University of Detroit Mercy

Notes to the Financial Responsibility Supplemental Schedule
Year Ended June 30, 2023
(Rounded to Nearest Thousand)

The accompanying Financial Responsibility Supplemental Schedule (the "Schedule") includes the information necessary to calculate the financial responsibility score required by the Department of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 34 CFR 668.172 Department of Education Financial Ratios. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

The Department of Education modified the calculation of the financial responsibility ratio that is required to be computed by all schools that receive Title IV funding. This modification requires schools to disclose certain pre and post amounts relating to long-term debt, property plant and equipment and right of use leases.

Property, Plant, and Equipment, net		
1 Pre-implementation property, plant, and equipment, net (PP&E, net)		
a. Beginning pre-implementation property, plant and equipment, net as of beginning of year	$	98,729
b. Less subsequent depreciation and amortization		(7,944)
c. Less subsequent disposals		-
d. Ending pre-implementation property, plant, and equipment, net as of end of year		90,785
2 Post-implementation property, plant, and equipment, net acquired without debt:		
a. Beginning post-implementation property, plant, and equipment, net as of beginning of year		11,773
b. Long-lived assets acquired without use of debt		14,078
c. Transfer of post-implementation construction in progress placed into service (4c below)		-
d. Less subsequent depreciation and disposals		(738)
e. Ending post-implementation property, plant, and equipment, net as of end of year		25,113
3 Post-implementation construction in progress, acquired without debt:		
a. Beginning post-implementation construction in progress as of beginning of year		4,033
b. Construction in progress acquired without use of debt		-
c. Transfer construction in progress put into service (2c above)		-
d. Ending post-implementation construction in progress as of end of year		4,033
4 Post-implementation property, plant, and equipment, net acquired with debt:		
a. Beginning post-implementation property, plant, and equipment, net as of beginning of year		8,185
b. Long-lived assets acquired without use of debt		-
c. Transfer of post-implementation construction in progress placed into service		-
d. Less subsequent depreciation and disposals		-
e. Ending post-implementation property, plant, and equipment, net as of end of year		8,185
5 Post-implementation construction in progress, acquired with debt:		
a. Beginning post-implementation construction in progress as of beginning of year		9,844
b. Construction in progress acquired with use of debt		600
c. Transfer construction in progress put into service (2d above)		-
d. Ending post-implementation construction in progress as of end of year		10,444
4 Total property, plant, and equipment, net as of end of year	$	138,560
Long-term debt, for long term purposes		
5 Pre-implementation debt:		
a. Beginning pre-implementation debt, net as of beginning of year	$	33,954
b. Less subsequent debt repayments		(1,406)
c. Less net effect of refinancing on existing debt		-
d. Ending pre-implementation debt, net as of end of year		32,548
6 Post-implementation debt, net:		
a. Beginning post-implementation debt for purchase of property, plant, and equipment, net beginning of year		18,242
b. Less subsequent debt repayments		-
c. Debt for property, plant, and equipment, net		600
d. Ending post-implementation debt for purchase of property, plant, and equipment, net as of end of year		18,842
7 Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		-
8 Total debt, net as of end of year	$	51,390

University of Detroit Mercy

Notes to the Financial Responsibility Supplemental Schedule
Year Ended June 30, 2023
(Rounded to Nearest Thousand)

Lease Right-of-Use Asset and Right-of-Use Liability

9 Lease right-of-use assets (pre-implementation):	
a. Beginning pre-implementation Lease right-of-use asset, net as of beginning of year	$ -
b. Less subsequent amortization and disposals	-
c. Ending pre-implementation lease right-of-use assets, net as of end of year	-
10 Lease right-of-use assets (post-implementation):	
a. Beginning post-implementation Lease right-of-use asset, net as of beginning of year	852
b. Less subsequent amortization	(192)
c. New lease assets	-
d. Ending post-implementation lease right-of-use assets, net as of end of year	660
11 Total Lease right of use asset - end of year	$ 660
12 Lease right-of-use liabilities (pre-implementation):	
a. Beginning pre-implementation right-of-use liabilities, net as of beginning of year	$ -
b. Less subsequent repayments	-
c. Ending pre-implementation lease right-of-use liabilities, net as of end of year	-
13 Lease right-of-use liabilities (post-implementation):	
a. Beginning post-implementation right-of-use liabilities, net as of beginning of year	866
b. Less subsequent repayments	(181)
c. New lease liability	-
c. Ending post-implementation lease right-of-use liabilities, net as of end of year	685
14 Total lease right of use liability, as of end of year	$ 685