Lawrence Technological University

(a not-for-profit corporation)

Financial Report
with Additional Information
June 30, 2024

Contents

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Independent Auditor's Report

To the Board of Trustees
Lawrence Technological University

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Lawrence Technological University (the "University"), which comprise the statement of financial position as of June 30, 2024 and 2023 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, 2024 and 2023 and the changes in its net assets 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
Lawrence Technological University

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 December 4, 2024 on our consideration of Lawrence Technological 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 Lawrence Technological 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 Lawrence Technological University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 4, 2024

Statement of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	$ 3,763,515	$ 3,578,851
Short-term receivables:		
Trade accounts receivable - Net (Note 5)	4,448,578	6,115,696
Other accounts receivable (Note 5)	4,902,305	1,804,486
Current portion of related party notes receivable	58,245	-
Total short-term receivables	9,409,128	7,920,182
Current portion of pledges receivable - Net (Note 7)	280,488	312,600
Prepaid expenses and other	1,549,329	2,085,883
Total current assets	15,002,460	13,897,516
Investments (Note 6)	67,839,388	66,236,594
Long-term Receivables		
Pledges receivable - Net of current portion (Note 7)	828,735	779,707
Notes receivable from students - Net	217,014	222,337
Noncurrent portion of related party notes receivable	583,363	-
Total long-term receivables	1,629,112	1,002,044
Other Assets		
Deposits with bond trustee (Notes 4 and 9)	6,311,359	6,176,806
Beneficial interest in trust	15,816,178	14,074,583
Charitable lead annuity trust	318,559	350,054
Property and Equipment - Net (Note 8)	104,775,617	103,626,896
Total assets	**$ 211,692,673**	**$ 205,364,493**

Statement of Financial Position (Continued)

June 30, 2024 and 2023

	2024	2023
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,852,779	$ 1,982,608
Line of credit (Note 9)	5,000,000	5,000,000
Deferred revenue	4,505,471	5,713,232
Accrued liabilities and other	3,433,479	2,897,431
Current portion of long-term debt (Note 9)	3,774,018	2,819,731
Deposits from students	1,711,051	1,485,283
Current portion of accrued postretirement benefits (Note 11)	122,930	136,578
Total current liabilities	20,399,728	20,034,863
Long-term Debt - Net of current portion (Note 9)	52,346,679	51,547,008
Refundable Advances	5,928,524	6,289,413
Other Noncurrent Liabilities		
Accrued postretirement benefits - Net of current portion (Note 11)	1,004,674	1,115,290
Advances from federal government for student loans	160,867	173,208
Other noncurrent liabilities	500,000	-
Total liabilities	80,340,472	79,159,782
Net Assets		
Without donor restrictions:		
Undesignated	51,599,924	54,082,419
Board designated	2,896,969	2,656,544
Total without donor restrictions	54,496,893	56,738,963
With donor restrictions (Note 13)	76,855,308	69,465,748
Total net assets	131,352,201	126,204,711
Total liabilities and net assets	**$ 211,692,673**	**$ 205,364,493**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2024 and 2023

	2024	2023
Changes in Net Assets without Donor Restrictions		
Revenue, gains, and other support:		
Student tuition	$ 85,229,422	$ 81,617,198
Less scholarships and grants awarded	(27,016,042)	(23,632,168)
Total student tuition	58,213,380	57,985,030
Auxiliary enterprises	6,143,854	6,640,300
Registration and other fees	6,493,548	4,059,367
Continuing education	631,923	394,150
Other sources	1,366,662	1,185,607
Net investment income (Note 6)	2,112,075	1,642,616
Private contributions and government grants	7,245,025	5,965,254
Net assets released from restrictions for operations	9,913,464	8,629,471
Total revenue, gains, and other support	92,119,931	86,501,795
Expenses and losses - Educational expenses: (Note 16)		
Salaries and wages	38,787,284	36,490,519
Benefits	7,265,389	7,025,248
Contracted services	30,002,952	26,816,406
Supplies	4,027,359	3,563,714
Occupancy and utilities	4,246,170	4,610,334
Depreciation	8,045,855	6,441,248
Interest	2,703,604	2,394,751
Total expenses and losses	95,078,613	87,342,220
Decrease in Net Assets without Donor Restrictions - Before nonoperating activities	(2,958,682)	(840,425)
Nonoperating Activities		
Insurance proceeds	847,127	-
Adjustment to postretirement benefits (Note 11)	(130,515)	43,263
Total nonoperating activities	716,612	43,263
Decrease in Net Assets without Donor Restrictions	(2,242,070)	(797,162)
Changes in Net Assets with Donor Restrictions		
Private contributions and government grants	10,605,532	4,138,750
Net investment income (Note 6)	4,955,897	4,218,026
Change in value of beneficial interest in trust (Note 12)	1,741,595	478,482
Net assets released from restrictions	(9,913,464)	(8,629,471)
Increase in Net Assets with Donor Restrictions	7,389,560	205,787
Increase (Decrease) in Net Assets	5,147,490	(591,375)
Net Assets - Beginning of year	126,204,711	126,796,086
Net Assets - End of year	**$ 131,352,201**	**$ 126,204,711**

Statement of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 5,147,490	$ (591,375)
Adjustments to reconcile increase (decrease) in net assets to net cash, cash equivalents, restricted cash, and restricted cash equivalents from operating activities:		
Depreciation	8,045,855	6,441,248
Amortization of bond premium/issuance costs	(185,777)	(189,024)
Provision for bad debt	524,626	581,001
Contributions with donor restrictions to be held in perpetuity	(2,217,437)	(226,532)
Contributions restricted for long-term use	(635,864)	(641,255)
Realized and unrealized gain on beneficial interest in trusts	(1,741,595)	(478,482)
Realized and unrealized gain on investments	(4,641,786)	(3,445,911)
Loss on disposal of property and equipment	-	173,180
Change in refundable advances	(360,889)	(360,890)
Changes in operating assets and liabilities that (used) provided cash, cash equivalents, restricted cash, and restricted cash equivalents:		
Accounts receivable	(1,886,243)	(947,385)
Pledges receivable	215,000	493,875
Prepaid expenses and other	536,554	(284,547)
Accounts payable	306,015	(34,646)
Accrued and other liabilities	1,080,583	114,637
Accrued postretirement benefits	(124,264)	(271,258)
Deferred revenue	(1,207,761)	624,310
Deposits from students	225,768	123,599
Advances on student loans	(12,341)	(15,249)
Net cash, cash equivalents, restricted cash, and restricted cash equivalents provided by operating activities	3,067,934	1,065,296
Cash Flows from Investing Activities		
Purchase of property and equipment	(9,176,500)	(5,443,503)
Purchases of investments	(2,518,547)	(2,063,275)
Proceeds from sales and maturities of investments	5,085,114	1,879,681
Issuance of related party note receivable	(670,000)	-
Proceeds from related party note receivable	39,541	-
Net repayment on student loans	(5,826)	61,553
Net cash, cash equivalents, restricted cash, and restricted cash equivalents used in investing activities	(7,246,218)	(5,565,544)
Cash Flows from Financing Activities		
Repayments of notes payable and bonds payable	(3,584,420)	(2,311,809)
Payments on lease liability	-	(258,529)
Decrease in charitable lead annuity trust	50,000	50,000
Change in annuities payable	(44,535)	(6,353)
Contributions restricted for long-term use	2,467,301	362,787
Contributions with donor restrictions to be held in perpetuity	85,000	25,707
Proceeds from issuance of notes payable and bonds payable	5,524,155	1,994,458
Net cash, cash equivalents, restricted cash, and restricted cash equivalents provided by (used in) financing activities	4,497,501	(143,739)
Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	319,217	(4,643,987)
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents - Beginning of year	9,755,657	14,399,644
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents - End of year	**$ 10,074,874**	**$ 9,755,657**
Supplemental Cash Flow Information - Cash paid for interest	$ 2,896,634	$ 2,725,692
Significant Noncash Transactions - Purchases of property and equipment included in accounts payable	$ 58,950	$ 494,794

See notes to financial statements.

Note 1 - Nature of Business

Lawrence Technological University (the "University") was founded in 1932 as Lawrence Institute of Technology in Highland Park, Michigan. In the 1950s, the University moved its campus to Southfield, Michigan and in 1989 adopted its current name. The University is an independent university whose mission is the development of innovative and agile leaders through a student-centric learning environment and applied research embracing theory and practice. The student body includes international students from over 50 countries as well as from across the United States. Although the roots of the University began in Engineering, today it offers more than 100 programs in five colleges: Architecture and Design (COAD), Engineering (COE), Business & Information Technology (COBIT), and Health Sciences (COHS). All programs provide a technological focus in order to prepare students for the future job market.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the University have been prepared in accordance with the accounting principles and financial statement format set forth in the American Institute of Certified Public Accountants' *Audit and Accounting Guide, Not-for-Profit Entities*. The financial statements of the University are maintained on an accrual basis.

Cash and Cash Equivalents

The University considers brokerage cash balances and certain money market accounts and short-term bond funds with an original maturity of three months or less when purchased to be cash and cash equivalents.

Concentration of Credit Risk Arising from Deposit Accounts

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 total amount of bank deposits that were not insured by the Federal Deposit Insurance Corporation at June 30, 2024 and 2023 was $3,224,335 and $2,827,568, respectively. 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.

Accounts Receivable

Accounts receivable consist of student obligations and grants and contracts due from outside parties. Accounts receivable are stated net of an allowance for expected credit losses. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The University calculates the allowance using an expected loss model that considers the University's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts that includes the enrollment status of students with receivable balances. Since the receivables share the same risk characteristics, the University pools the student balances in its analysis, taking into consideration the age of past-due accounts, an assessment of the student's ability to pay, and historical bad debt experience. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. Recoveries are amounts previously written off that are recognized when received.

Notes Receivable

Notes receivable are reported at original issue amount, plus accrued interest, less principal repaid. Interest is recognized according to terms of the specific notes. The University considers a financing loan receivable to be impaired when, based upon current information and events, it believes it is probable that the University will be unable to collect all amounts due according to the contractual terms of the loan agreement. The loans considered to be impaired or uncollectible were not significant as of June 30, 2024 and 2023. The full balance of these loans has been recorded, as well as an allowance for credit losses, determined in a similar manner as current student receivables as outlined above.

Note 2 - Significant Accounting Policies (Continued)

During the year ended June 30, 2024, the University issued a note to an employee for $670,000. The note bears monthly principal and interest payments at a market rate to the University. The note matures in December 2028.

Investments

Investments are recorded at fair value except for land and buildings held for rent, which are recorded at purchased cost. See Note 6 for additional information on properties held for rent. Realized gains or losses on the sale of investments are determined based on carrying value. Unrealized gains or losses in market values are recorded in the statement of activities and changes in net assets under realized and unrealized gains or losses on investments.

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 investments securities will occur in the near term and that these changes could materially affect the amounts reported in the statement of financial position.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Beneficial Interest in Trust

The University recognizes irrevocable beneficial interest agreements when they are executed and delivered. If an unrelated third party acts as trustee, co-trustee, or fiscal agent, a contribution is recognized when the University is notified of the agreement's existence. The beneficial interest in the trust is categorized as a nonperpetual trust because the University will ultimately receive the trust assets as remainder beneficiary upon the passing of the life beneficiary. The fair value of the interest in the trust is determined using the income approach. The University has calculated the present value of future distributions projected to be received over the term of the agreement, discounted at a rate commensurate with the inherent risks of the cash flows within the trust.

Property and Equipment

Property and equipment are recorded at cost for purchased assets and at estimated market value at the date of receipt for assets received as gifts. Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets. Works of art received as gifts are capitalized at an appraised value at the date of receipt and are not depreciated.

Leases

The University recognizes long-term lease arrangements as either finance or operating leases depending on the terms of the lease agreements and a right-of-use asset and lease liability is recorded within the statement of financial position. There was no right-of-use asset, lease liability, or remaining payments for long-term leases at June 30, 2024 and 2023.

The University has operating leases for housing and education space with a lease term of one year or less that the University elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability. Total expense related to short-term leases was approximately $649,000 and $1,283,000 for 2024 and 2023, respectively.

Note 2 - Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets of the University are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the University.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the University or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contribution Revenue

Contribution revenue consists of nonreciprocal transactions that are conditional or unconditional.

The University receives government grants that are nonreciprocal transactions, typically with conditions. Revenue is recognized from government grants after conditions are met. The University has not recognized conditional grant revenue under the grant agreements as of June 30, 2024 and 2023 of approximately $15,300,000 and $14,500,000, respectively. Of these amounts, approximately $2,016,000 and $3,060,000 have been funded by the grantor in advance of revenue recognition and are recorded as deferred revenue at June 30, 2024 and 2023, respectively. Grant expenditures are subject to audit and acceptance by the granting agency, and, as a result of such audit, adjustments could be required. Donor-restricted contributions and grants whose restrictions are met within the same year as received are reported as contributions and grants without donor restrictions in the accompanying financial statements.

The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received. In the absence of such promise, revenue is recognized when the pledge is paid. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the U.S. Treasury index. During 2024, pledges were discounted at rates ranging from 0.52 percent to 1.19 percent. Amortization of the discount is recorded as revenue over the period of the pledge and is subject to the donor-imposed restrictions.

Conditional promises are recorded when donor stipulations are substantially met, and cash or other assets received related to conditional promises are recorded as refundable advances until the conditions are met. The refundable advances at June 30, 2024 and 2023 include conditional contributions received of $5,928,524 and $6,289,413, respectively. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports the expiration of donor restrictions when the assets are placed in service.

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition

The University utilizes a portfolio approach to group contracts with similar characteristics, including tuition and housing contracts. The University has two revenue streams that constitute significant revenue from contracts with customers: tuition revenue (which includes registration and other fees) and room and board revenue. The University is an educational facility that operates three campuses in Michigan. During the years ended June 30, 2024 and 2023, the University recognized revenue from tuition and fees and room and board of $64,706,928 and $6,143,854 and $62,044,397 and $6,640,300, respectively. Revenue for tuition and fees, room and board, and services is generally recognized ratably over the applicable semester or the service period. The nature, amount, timing, and uncertainty of the University's tuition and room and board revenue vary depending on the following factors:

- Student's enrollment status (e.g., freshman, senior, part time, or full time)
- Classes attended (e.g., undergraduate, graduate, or program specific)
- Semester attended (i.e., fall, winter, spring, or summer)
- Scholarship discounts
- Payor (e.g., student, parents, or third parties)

For the years ended June 30, 2024 and 2023, the closing balance of the University's student accounts receivable was $9,913,238 and $11,251,949, respectively, and the beginning balance was $11,570,610 at July 1, 2022. During the years ended June 30, 2024 and 2023, the University recognized credit losses on student accounts receivable of $524,626 and $581,001, respectively. For the years ended June 30, 2024 and 2023, the closing balance of the University's deferred tuition revenue was $2,453,583 and $2,651,257, respectively, and the beginning balance was $2,865,598 at July 1, 2022. Deferred tuition revenue primarily represents unearned tuition and fees for class sessions to be conducted. The closing balance of unearned revenue is recognized in the subsequent fiscal year.

The University typically satisfies its performance obligations over time, as services are rendered, because students typically obtain the benefits of such services as the services are performed. In some cases, 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 University uses days elapsed during the semester to measure progress toward completion of performance obligations satisfied over time.

Changes in estimates or 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 for tuition, fees, and room and board are available to a student's online account as soon as registration has occurred. Payment for tuition and fees is typically due within 45 days of issuance of the invoice. Invoices for tuition and fees are sent to students once the drop/add date for the semester has passed, which typically occurs 5 to 25 business days after the start of the semester. Payment for other services is typically due within 45 days of issuance of the invoice. Invoices for other services are typically sent 45 business days after the service is completed. The University does not offer discounts if the student pays some or all of an invoiced amount prior to the due date.

The transaction price of a contract with a student is the amount of consideration to which the University expects to be entitled in exchange for transferring promised services to the student. Scholarships and other sources of financial aid reduce the total transaction price. 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. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Note 2 - Significant Accounting Policies (Continued)

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

For tuition and fees, 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 (and from the disclosure of the amounts of transaction prices allocated to remaining performance obligations). The University 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. When a consideration contingency is resolved such that a refund will not be made, an invoice is typically sent to the student within 45 business days. None of the University's exchange revenue has a significant financing component.

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.

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

Services that the University transfers to students are performed by the University. In no case does the University act as an agent except for in providing student meals; meals are contracted with a third-party provider, with all revenue passed through to the third party.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2024 and 2023 was approximately $4,608,000 and $3,770,000, respectively.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 16. The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated between academic and research and administration on an actual basis, where available, or based upon reasonable estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Nonoperating Activities

Nonoperating changes in net assets without donor restrictions reflect transactions that are peripheral to the University's primary operating activity, providing postsecondary education.

Internal Revenue Code Status

The University has received a determination letter from the Internal Revenue Service indicating that the University is a tax-exempt organization, as provided in Section 501(c)(3) of the Internal Revenue Code, and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the University has had no significant unrelated business income.

Note 2 - Significant Accounting Policies (Continued)

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 4, 2024, which is the date the financial statements were issued.

Note 3 - Adoption of New Accounting Pronouncement

As of July 1, 2023, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses*, which changed how entities account for credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. This guidance requires entities to consider reasonable and supportable forecasts of future economic conditions in the estimate of expected credit losses. See Note 2 for policy on estimating expected credit losses and Note 5 for additional information regarding the allowance for expected credit losses.

Note 4 - Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

Cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statement of financial position and the statement of cash flows as of and for years ended June 30 are composed of the following:

	2024	2023
Deposit accounts	$ 3,636,595	$ 3,238,799
Money market and bond funds	126,920	340,052
Deposits with bond trustee - Restricted cash and restricted cash equivalents	6,311,359	6,176,806
Total	$ 10,074,874	$ 9,755,657

Note 5 - Accounts Receivable

The composition of accounts receivable as of June 30 is summarized as follows:

	2024	2023
Student tuition	$ 9,913,238	$ 11,251,949
Less allowance for credit losses	5,464,660	5,136,253
Net student tuition	4,448,578	6,115,696
Federal grants and other	4,902,305	1,804,486
Net accounts receivable	$ 9,350,883	$ 7,920,182

Note 5 - Accounts Receivable (Continued)

The activity in the allowance for credit losses is as follows:

Balance - June 30, 2023	$ 5,136,253
Additions charged to expense	528,278
Deductions/Write-offs	(199,871)
Balance - June 30, 2024	$ 5,464,660

Note 6 - Investments

Investments are recorded at fair market value, except for land and buildings held for rent, and are composed of the following at June 30:

	2024	2023
Money market mutual funds	$ 4,630,386	$ 3,621,767
Mutual funds:		
Fixed income	21,934,580	22,326,268
Equity	34,576,210	33,717,696
Land	1,360,069	1,360,069
Buildings held for rent	5,338,143	5,210,794
Total	$ 67,839,388	$ 66,236,594

	2024	2023
With donor restrictions	$ 58,391,942	$ 55,667,501
Without donor restrictions	9,447,446	10,569,093
Total	$ 67,839,388	$ 66,236,594

Investment income for the years ended June 30 is as follows:

	2024	2023
Investment income:		
Dividend and interest income	$ 2,320,892	$ 2,336,431
Net realized and unrealized gains	4,747,080	3,524,211
Total investment income	$ 7,067,972	$ 5,860,642

Land and buildings held for rent are recorded at cost or estimated fair value at the date on which they are contributed by the donor if received as a gift. Accumulated depreciation on the buildings held for rent at June 30, 2024 and 2023 was $3,748,477 and $3,294,556, respectively. Depreciation expense for the buildings held for rent during 2024 and 2023 was $453,920 and $413,525, respectively. The current market value of land and buildings held for rent has not been determined. These buildings are primarily residential rent or commercial rental properties with various rental periods and lengths; the expectation is that the leases will be renewed at least annually.

The estimated future annual rental income for land and buildings held for rent based on rental contracts in place as of June 30, 2024 is as follows:

Years Ending	Amount
2025	$ 89,643
2026	27,079
Total	$ 116,722

Note 7 - Pledges Receivable

The University has received pledges from donors on certain prior year capital fundraising campaigns and annual fundraising programs.

	2024	2023
Pledges receivable	$ 1,442,244	$ 1,356,244
Unamortized discount	(22,210)	(17,876)
Allowance for doubtful pledges	(310,811)	(246,061)
Net	$ 1,109,223	$ 1,092,307

Pledges receivable as of June 30, 2024 are scheduled to be collected as follows:

Amounts due in:	
Less than one year	$ 482,750
One to five years	959,494
Total	$ 1,442,244

As of June 30, 2024 and 2023, pledges receivable from related parties, including University leadership and board members, totaled approximately $216,000 and $201,000, respectively. For the years ended June 30, 2024 and 2023, contributions from related parties, including University leadership and board members, totaled $191,411 and $5,500, respectively.

Note 8 - Property and Equipment

Property and equipment, net of accumulated depreciation, at June 30 are summarized as follows:

	2024	2023	Depreciable Life - Years
Land	$ 1,264,174	$ 1,264,174	-
Land improvements	11,121,375	11,083,271	10
Buildings	161,378,143	159,653,007	30-60
Equipment, furniture, and fixtures	26,703,754	25,560,361	3-10
Computer equipment and software	28,485,307	22,651,284	3-4
Total cost	228,952,753	220,212,097	
Accumulated depreciation	124,177,136	116,585,201	
Net property and equipment	$ 104,775,617	$ 103,626,896	

Total depreciation, excluding depreciation on buildings held for rent (see Note 6), amounted to $7,591,935 and $6,027,723 for the years ended June 30, 2024 and 2023, respectively.

Note 9 - Long-term Debt

Long-term debt at June 30 is as follows:

	2024	2023
Bonds payable - Michigan Finance Authority - Series 2017 bonds	$ 36,525,000	$ 37,895,000
Bonds payable - Michigan Finance Authority - Series 2022 bonds	12,630,000	13,070,000
Term note payable - Equipment	4,759,468	959,732
Note payable - Aramark 2015 (maturity date of June 30, 2025, effective interest rate of 0.00 percent)	79,166	129,166
Unamortized bond premium	2,873,058	3,123,992
Unamortized debt issuance costs	(745,995)	(811,151)
Total	56,120,697	54,366,739
Less amounts due within one year	3,774,018	2,819,731
Long-term portion	$ 52,346,679	$ 51,547,008

Michigan Finance Authority

On June 1, 2017, the University issued $44,295,000 in revenue and refunding bonds, Series 2017 to finance student housing facilities. The outstanding bonds were issued in multiple tranches, which bear interest rates between 5.00 percent and 5.25 percent and mature in fiscal years 2022 through 2047. Under the terms of the bonds, annual principal payments range from $665,000 to $4,195,000 until the maturity dates of the bonds. Deposits are held by a trustee in accordance with the project fund, debt service fund, and capitalized interest fund requirements.

On January 27, 2022, the University issued $13,070,000 in refunding bonds, Series 2022 to refund the Series 2010 and Series 2014 bonds. The outstanding bonds are issued in multiple tranches, which bear interest rates at 4.00 percent and mature in fiscal years 2027 through 2042. Under the terms of the bonds, annual principal payments range from $440,000 to $1,850,000 until the maturity dates of the bonds. Deposits are held by a trustee in accordance with the project fund, debt service fund, and capitalized interest fund requirements.

Funds held by the trustee represent payments made by the University to bond payment funds for both the Series 2017 and Series 2022 bonds in the amount of $6,311,359 and $6,176,806 at June 30, 2024 and 2023, respectively.

Equipment Term Note

On May 31, 2023, the University signed a term loan with a lender to purchase certain equipment over the period from May 31, 2023 to September 30, 2023 for a total of $7,518,613. At June 30, 2023, a total of $1,994,458 of equipment was financed. The remaining equipment was financed and the remaining amount available was drawn down by September 30, 2023. The term note requires semiannual payments of $1,034,727 from June 2023 through the maturity date of December 1, 2026. The implied effective interest rate of the note is 5.69 percent.

Note 9 - Long-term Debt (Continued)

The balance of the above debt matures as follows:

Years Ending	Amount
2025	$ 3,774,018
2026	3,948,537
2027	3,091,079
2028	2,195,000
2029	2,300,000
Unamortized issuance cost and premium - Net	2,127,063
Thereafter	38,685,000
Total	$ 56,120,697

Interest expense for 2024 and 2023 was approximately $2,677,000 and $2,369,000, respectively.

Line of Credit

The line of credit agreement has a maximum borrowing capacity of $5,000,000 and an expiration date of August 31, 2024. The outstanding balance was $5,000,000 at both June 30, 2024 and 2023. Subsequent to year end, and effective as of August 31, 2024, the line of credit was renewed, extending the maturity date to August 31, 2025 and increasing the maximum borrowing capacity to $7,500,000.

Interest accrues at the daily SOFR plus 250 to 300 basis points per annum depending upon the University's S&P rating. The effective rate was 7.08 percent and 6.89 percent at June 30, 2024 and 2023, respectively. Interest expense on the line of credit was insignificant during 2024 and 2023.

Collateral Interest

The University has a master indenture agreement that offers gross revenue as collateral for the outstanding debt. Under the agreement, the University grants a lien on gross revenue to the master trustee for the benefit of certain lenders and bondholders designated by the University through the issuance of a supplemental indenture and a promissory note to such lenders. The master trustee is a collateral agent. The obligations covered by the master indenture agreement include the bonds payable with the Michigan Finance Authority and line of credit.

The University has agreed to certain covenants under the bonds, notes payable, and line of credit agreements described above. The covenants included, among other things, maintenance of a debt service coverage ratio and a ratio of minimum expendable resources to long-term debt.

Note 10 - Retirement Plan

The University has a contributory retirement plan for substantially all employees. The plan is administered by Teachers Insurance and Annuity Association of America - College Retirement Equities Fund (TIAA-CREF). The University's contribution to TIAA-CREF on behalf of employees amounted to $342,067 and $332,009 in 2024 and 2023, respectively.

Note 11 - Postretirement Benefit Obligation

The University provides postretirement medical benefits that cover certain retirees. The plan provides a flat dollar amount of benefits, with no change in this amount anticipated in the future. The benefit is capped at $150 per month for the life of the retiree. The spouse of a retiree receives $150 toward his or her premium for life, independent of the continued survival of the retiree. The plan is unfunded, and the measurement date for these benefits is June 30.

Note 11 - Postretirement Benefit Obligation (Continued)

Obligations and Funded Status

Changes in accumulated postretirement benefit obligation and plan assets during the year, the funded status of the plan, and the reconciliation to the amount recognized in the statement of financial position were as follows for the years ended June 30:

	2024	2023
Accumulated postretirement benefit obligation	$ 1,127,604	$ 1,251,868
Fair value of plan assets	-	-
Total accumulated postretirement benefit obligation	$ 1,127,604	$ 1,251,868

Amounts recognized in the statement of financial position consist of the following:

	2024	2023
Current liabilities	$ 122,930	$ 136,578
Noncurrent liabilities	1,004,674	1,115,290
Total	$ 1,127,604	$ 1,251,868

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

	2024	2023
Net gain	$ (416,613)	$ (547,128)

Net periodic benefit cost, which is included in expenses and losses, is as follows:

	2024	2023
Net periodic benefit cost	$ (151,047)	$ (111,298)
Employer contributions	103,732	116,697
Benefits paid	(103,732)	(116,697)

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

	2024	2023
Total recognized in nonoperating activities due to amortization of net gain and change in assumptions and experience	$ 130,515	$ (43,263)
Total recognized in expenses and losses and nonoperating activities	(20,532)	(154,561)

Assumptions

At June 30, 2024 and 2023, the weighted-average discount rate assumption used in determining the accumulated postretirement benefit obligation was 5.19 percent and 4.82 percent, respectively.

Contributions

The University expects to contribute $122,930 to its postretirement benefit plan during the year ending June 30, 2025.

Note 11 - Postretirement Benefit Obligation (Continued)

The expected benefits to be paid are as follows:

Fiscal Years Ending	Amount
2025	$ 122,930
2026	117,534
2027	111,930
2028	107,648
2029	104,293
2030-2034	461,149
Thereafter	102,120
Total	$ 1,127,604

Note 12 - 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.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the University has the ability to access.

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 in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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. 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.

In instances where 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.

Note 12 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2024		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Assets			
Cash equivalents:			
Money market mutual funds (1)	$ 63,200	$ -	$ 63,200
Treasury bond funds (2)	63,720	-	63,720
Total cash equivalents	126,920	-	126,920
Investments:			
Money market mutual funds (1)	4,630,386	-	4,630,386
Equity - Mutual funds - Domestic	28,027,914	-	28,027,914
Equity - Mutual funds - Foreign	6,548,296	-	6,548,296
Fixed income - Mutual funds - Domestic	21,934,580	-	21,934,580
Total investments	61,141,176	-	61,141,176
Charitable lead annuity trust	-	318,559	318,559
Beneficial interest in trust	-	15,816,178	15,816,178
Total assets	$ 61,268,096	$ 16,134,737	$ 77,402,833

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Assets			
Cash equivalents:			
Money market mutual funds (1)	$ 169,919	$ -	$ 169,919
Treasury bond funds (2)	170,133	-	170,133
Total cash equivalents	340,052	-	340,052
Investments:			
Money market mutual funds (1)	3,621,767	-	3,621,767
Equity - Mutual funds - Domestic	26,437,859	-	26,437,859
Equity - Mutual funds - Foreign	7,279,837	-	7,279,837
Fixed income - Mutual funds - Domestic	22,326,268	-	22,326,268
Total investments	59,665,731	-	59,665,731
Charitable lead annuity trust	-	350,054	350,054
Beneficial interest in trust	-	14,074,583	14,074,583
Total assets	$ 60,005,783	$ 14,424,637	$ 74,430,420

(1) This class invests primarily or exclusively in short-term debt securities designed to maximize current income with liquidity and capital preservation. Short-term investments are valued at a constant amount, such as $1, which approximates fair value.

Note 12 - Fair Value Measurements (Continued)

(2) This class invests primarily or exclusively in short-term Treasury bonds designed to maximize liquidity and capital preservation. Short-term Treasury bonds have identical assets that are actively traded in an active market for which quoted prices are available.

Quantitative Information about Level 3 Fair Value Measurements

Assets categorized as Level 3 assets consist of a beneficial interest in a charitable lead annuity trust and a beneficial interest in trust.

The significant unobservable input used in the fair value measurements of the charitable lead annuity trust and beneficial interest in trust measured with Level 3 inputs on a recurring basis is the discount rate for each. Plus, the beneficial interest in the trust's other significant unobservable inputs include remaining life of the life beneficiary, withdrawal rate, interest and dividend rate, long-term growth rate, and management fees. Significant increases or decreases in these unobservable inputs in isolation would result in a significantly lower or higher fair value measurement.

The valuation of the beneficial interest in the charitable lead annuity trust is measured as the net present value of the annuity cash flow stream discounted at the IRC Section 7520 rate as of the measurement date.

The following table summarizes the valuation methods and inputs used to determine fair value at June 30, 2024 and 2023 for assets measured at fair value on a nonrecurring basis using unobservable inputs (Level 3 inputs). The disclosure below excludes information on unobservable inputs that are nonquantitative, such as unadjusted prices from recent transaction or third-party valuation.

	Fair Value June 30, 2024	Valuation Technique	Significant Unobservable Inputs Used	Range
Charitable lead annuity trust	$ 318,559	Discounted cash flow	Discount rate	1.80%
Beneficial interest in trust	15,816,178	Discounted cash flow	Discount rate	4.58%
			Remaining life	4.4 years
			Withdrawal rate	0.79% - 2.14%
			Long-term growth	2.18%
			Income and dividend	2.81%
			Management fees	0.53%

	Fair Value June 30, 2023	Valuation Technique	Significant Unobservable Inputs Used	Range
Charitable lead annuity trust	$ 350,054	Discounted cash flow	Discount rate	1.80%
Beneficial interest in trust	14,074,583	Discounted cash flow	Discount rate	3.85%
			Remaining life	4.7 years
			Withdrawal rate	1.52% - 2.29%
			Long-term growth	1.44%
			Income and dividend	2.81%
			Management fees	0.54%

Note 13 - Net Assets

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2024	2023
Scholarships	$ 835,895	$ 798,111
General operations	174,869	215,364
Departmental support	1,436,342	1,766,133
Capital improvements	477,201	1,666,737
Research funding	5,955,656	731,781
Beneficial interest in trust for support of the University	15,816,178	14,074,583
Other resources	721,298	1,667,043
Total net assets with donor restrictions excluding endowments	25,417,439	20,919,752
Perpetual endowment funds	29,890,765	27,664,305
Accumulated earnings on perpetual endowment funds	8,796,266	6,779,190
Term endowment funds	12,750,838	14,102,501
Total net assets with donor restrictions	$ 76,855,308	$ 69,465,748

Note 14 - 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 University is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the University had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The University has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, 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 purpose 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 14 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 2,896,969	$ -	$ 2,896,969
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	29,890,765	29,890,765
Accumulated investment gains	-	8,796,266	8,796,266
Term endowment	-	12,750,838	12,750,838
Total donor-restricted endowment funds	-	51,437,869	51,437,869
Total	$ 2,896,969	$ 51,437,869	$ 54,334,838

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 2,656,544	$ 48,545,996	$ 51,202,540
Investment gain (loss):			
Investment gain	1,053,455	4,880,677	5,934,132
Net depreciation on buildings held for rent	(453,920)	-	(453,920)
Total investment gain	599,535	4,880,677	5,480,212
Contributions	-	2,870,391	2,870,391
Appropriation of endowment assets for expenditure	(359,110)	(4,925,238)	(5,284,348)
Other changes - Transfer to temporarily restricted endowment	-	66,043	66,043
Endowment net assets - End of year	$ 2,896,969	$ 51,437,869	$ 54,334,838

	Endowment Net Asset Composition by Type of Fund as of June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 2,656,544	$ -	$ 2,656,544
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	27,664,305	27,664,305
Accumulated investment gains	-	6,779,190	6,779,190
Term endowment	-	14,102,501	14,102,501
Total donor-restricted endowment funds	-	48,545,996	48,545,996
Total	$ 2,656,544	$ 48,545,996	$ 51,202,540

Note 14 - Donor-restricted and Board-designated Endowments (Continued)

	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	$ 2,408,174	$ 45,276,295	$ 47,684,469
Investment gain (loss):			
Investment gain	920,589	3,896,988	4,817,577
Net depreciation on buildings held for rent	(413,525)	-	(413,525)
Total investment gain	507,064	3,896,988	4,404,052
Contributions	-	883,128	883,128
Appropriation of endowment assets for expenditure	(258,694)	(1,593,242)	(1,851,936)
Transfers for changes in donor intent	-	82,827	82,827
Endowment net assets - End of year	$ 2,656,544	$ 48,545,996	$ 51,202,540

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 SPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature exist in the donor-restricted endowment fund, which together have an original gift value of $170,976 and $417,718, a current fair value of $158,963 and $381,591, and a deficiency of $12,013 and $36,127 as of June 30, 2024 and 2023, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted and continued appropriation for certain programs that was deemed prudent by the board of trustees. The endowment assets include $6,698,212 and $6,570,863 as of June 30, 2024 and 2023, respectively, that is invested in land and buildings held for rent, as disclosed in Note 6, carried at historical cost and depreciated over an estimated useful life. The depreciation expense, net of income, related to these buildings held for rent is recorded in endowment assets without donor restrictions. The resulting net accumulated deficit on these buildings was approximately $462,000 and $549,000 as of June 30, 2024 and 2023, 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 a donor-specified period 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 achieve a return that outpaces spending and inflation. Actual returns in any given year may vary from this amount. The University's spending policy determines the amount of endowment income to be distributed for spending purposes during the year.

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.

Note 14 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year 4.5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. The spending policy also provides for the spending level to include the net annual income from all income-producing real estate, including capital expense, but excluding depreciation, on June 30. In establishing this policy, the University considered the long-term expected rate of return on its endowment to grow annually. This 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 15 - Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require accounting and reporting for obligations associated with the retirement of tangible, long-lived assets and the associated asset retirement costs. The University has buildings on campus with asbestos-containing materials (the “materials”) that are currently encapsulated. In order to remove the materials, the buildings encapsulating the materials would need to be demolished. The University currently has no plans or intentions to demolish the buildings as the current structures, in management's opinion, have effectively concealed the materials with no current requirement by third parties to remediate. Therefore, the University believes the integrity of the structure encapsulating the materials results in an indeterminate settlement date for the establishment of an obligation associated with the removal of the asbestos-containing materials. If the University decides to demolish the buildings or if there is any structural damage to the buildings, the assumptions related to the need to establish an asset retirement obligation could change.

Note 16 - Functional Expenses

The costs of providing various program and other activities have been summarized by natural classification in the statement of activities and changes in net assets. The University considers the following to be functional classifications of expenses to academic and research and administration. Fundraising expenses of the University included within the administration function totaled approximately $2,300,000 and $1,900,000 for the years ended June 30, 2024 and 2023, respectively.

Academic and research represents the primary program service of the University, which includes educational activities, research, student support services, and auxiliary services. Administration includes the departments that support the operations of the University but are not directly related to academic and research. This includes the University's management and general administration, fiscal operations, human resources, advancement, and support services for these departments. Significant costs are allocated as described below.

Salaries and wages, benefits, contracted services (which includes professional services, marketing, dining services, maintenance, recruitment, and travel costs), supplies, and occupancy and utilities are allocated based on departmental assignments by the University of these expenses within the general ledger of the University.

Indirect costs of depreciation and interest expense are allocated based on the square footage used to support each function of the University. Direct costs of these natural expense classifications are allocated based on departmental assignments.

Note 16 - Functional Expenses (Continued)

Expenses by functional classification are as follows for the years ended June 30:

	2024	2023
Academic and research:		
Salaries and wages	$ 29,001,428	$ 27,758,378
Benefits	5,850,853	5,752,850
Contracted services	8,100,102	7,548,608
Supplies	2,666,325	2,666,580
Occupancy and utilities	3,822,530	3,934,489
Depreciation	7,243,121	5,753,140
Interest	2,433,865	2,138,924
Total academic and research	59,118,224	55,552,969
Administration:		
Salaries and wages	9,785,856	8,732,141
Benefits	1,414,536	1,272,398
Contracted services	21,902,850	19,267,798
Supplies	1,361,034	897,134
Occupancy and utilities	423,640	675,845
Depreciation	802,734	688,108
Interest	269,739	255,827
Total administration	35,960,389	31,789,251
Total	$ 95,078,613	$ 87,342,220

Note 17 - Liquidity and Availability of Resources

The University's financial assets at June 30, 2024 2023 available for general expenditure within one year of the statement of financial position date are as follows:

	2024	2023
Cash and cash equivalents	$ 3,263,473	$ 3,564,065
Accounts receivable - Net	9,350,883	7,920,182
Pledges receivable - Net	280,488	312,600
Short-term investments	6,550,477	7,912,548
Other investments appropriated for current use	2,896,969	2,656,545
Total	$ 22,342,290	$ 22,365,940

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The pledges receivable are subject to implied time restrictions, but the amount reported above is expected to be collected within one year.

As of June 30, 2024 and 2023, approximately 90 percent of the University's investment portfolio consists of highly liquid market-based investments, and the remaining 10 percent is invested in real estate assets that may take a significant period of time to liquidate. These constraints may limit the University's ability to respond quickly to changes in market conditions.

The University also realizes there could be unanticipated liquidity needs. The University has a committed line of credit in the amount of $5,000,000 at June 30, 2024 and 2023 that it could draw upon if needed, as further described in Note 9. Subsequent to year end, the line of credit was repaid, resulting in additional borrowing capacity for the fiscal year ending June 30, 2025.

Note 17 - Liquidity and Availability of Resources (Continued)

The University's endowment funds consist of donor-restricted endowments and a quasi endowment, as described in Note 14. The University invests those assets to produce income in accordance with donor restrictions and its spending policy. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. 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.

Additional Information

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Independent Auditor's Report on Additional Information

To the Board of Trustees
Lawrence Technological University

We have audited the financial statements of Lawrence Technological University as of and for the years ended June 30, 2024 and 2023 and have issued our report thereon dated December 4, 2024, which contained an unmodified opinion on those financial statements. Our audits were 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*. 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

December 4, 2024

Ratio	Cross-reference to the financial statement line or note disclosure: Section	Line item or subsection	Financial element needed to calculate the composite score ratios	Gross Amounts	Net Amounts
Primary Reserve Ratio:					
Expendable Net Assets:					
	Statement of Financial Position	Net assets without donor restrictions	Net assets without donor restrictions	-	$ 54,496,893
	Statement of Financial Position	Net assets with donor restrictions	Net assets with donor restrictions	-	76,855,308
	Notes to the Financial Responsibility Supplemental Schedule	Secured and Unsecured related party receivable	Secured and Unsecured related party receivable	857,852	-
	Notes to the Financial Responsibility Supplemental Schedule	Unsecured related party receivable	Unsecured related party receivable	-	857,852
	Statement of Financial Position	Property and Equipment - Net (Note 8)	Property, plant, and equipment, net (including construction in progress)	104,775,617	-
	Notes to the Financial Responsibility Supplemental Schedule	Property, plant, and equipment, net - Pre-implementation less any construction in progress	Property, plant, and equipment, net - Pre-implementation less any construction in progress	-	90,543,457
	N/A	N/A	Property, plant, and equipment, net - Post-implementation less any construction in progress with outstanding debt for original purchase	-	-
	Notes to the Financial Responsibility Supplemental Schedule	Property, plant, and equipment, net - Post-implementation less any construction in progress without outstanding debt for original purchase	Property, plant, and equipment, net - Post-implementation less any construction in progress without outstanding debt for original purchase	-	14,232,160
	Notes to Financial Statements	N/A	Construction in progress	-	-
	Notes to Financial Statements	N/A	Lease right-of-use asset	-	-
	N/A	N/A	Lease right-of-use asset - Pre-implementation	-	-
	N/A	N/A	Lease right-of-use asset - Post-implementation	-	-
	N/A	N/A	Intangible assets	-	-
	Notes to Financial Statements	Note 11 - Postretirement Benefit Obligation	Post-employment and defined pension plan liabilities	-	1,127,604
	Notes to Financial Statements	Note 9 - Long-term Debt	Long-term debt - For long-term purposes and construction in process debt	56,120,698	
	Notes to Financial Statements	Note 9 - Long-term Debt	Line of credit for construction in process	-	-
	Notes to the Financial Responsibility Supplemental Schedule	Long-term debt for long-term purposes - Pre-implementation	Long-term debt for long-term purposes - Pre-implementation	-	51,361,229
	Notes to the Financial Responsibility Supplemental Schedule	Qualified long-term debt for long-term purposes - Post-implementation for purchase of property, plant, and equipment	Qualified long-term debt for long-term purposes - Post-implementation for purchase of property, plant, and equipment	-	4,759,468
	N/A	N/A	Line of credit for construction in process	-	-
	N/A	N/A	Lease right-of-use asset liability		
	N/A	N/A	Pre-implementation right-of-use asset liability		
	N/A	N/A	Post-implementation right-of-use asset liability	-	-
	Notes to the Financial Responsibility Supplemental Schedule	Annuities with donor restrictions	Annuities with donor restrictions	-	21,757
	Statement of Financial Position	Beneficial interest in trust	Beneficial interest in trust with donor restrictions	-	15,816,178
	Notes to Financial Statements	Note 14 - Donor-restricted and Board-designated Endowments	Net assets with donor restrictions: restricted in perpetuity	-	29,890,765
Total Expenses and Losses:					
	Statement of Activities and Changes in Net Assets	Total expenses and losses	Total expenses without donor restrictions	-	95,078,613
	N/A	N/A	Non-operating and net investment (loss)	-	-
	N/A	N/A	Net investment losses	-	-
	Statement of Activities and Changes in Net Assets	Nonoperating Activities - Adjustment to postretirement benefits	Pension-related changes other than net periodic costs	-	130,515

Ratio	Cross-reference to the financial statement line or note disclosure: Section	Line item or subsection	Financial element needed to calculate the composite score ratios	Gross Amounts	Net Amounts
Equity Ratio:					
Modified Net Assets:					
	Statement of Financial Position	Net assets without donor restrictions	Net assets without donor restrictions	-	$ 54,496,893
	Statement of Financial Position	Net assets with donor restrictions	Net assets with donor restrictions	-	76,855,308
	N/A	N/A	Intangible assets	-	-
	Notes to the Financial Responsibility Supplemental Schedule	Secured and Unsecured related party receivable	Secured and Unsecured related party receivable	857,852	-
	Notes to the Financial Responsibility Supplemental Schedule	Unsecured related party receivable	Unsecured related party receivable	-	857,852
Modified Assets:					
	Statement of Financial Position	Total assets	Total assets	-	211,692,673
	N/A	N/A	Lease right-of-use asset - Pre-implementation	-	-
	N/A	N/A	Pre-implementation right-of-use liability	-	-
	N/A	N/A	Intangible assets	-	-
	Notes to the Financial Responsibility Supplemental Schedule	Secured and Unsecured related party receivable	Secured and Unsecured related party receivable	857,852	-
	Notes to the Financial Responsibility Supplemental Schedule	Unsecured related party receivable	Unsecured related party receivable	-	857,852
Net Income Ratio:					
Change in Net Assets Without Donor Restrictions	Statement of Activities and Changes in Net Assets	Increase (Decrease) in Net Assets without Donor Restrictions	Change in net assets without donor restrictions	-	(2,242,070)
Total revenues and gains	Statement of Activities and Changes in Net Assets	Total revenue, gains and other support	Net assets released from restrictions, total operating revenue and other additions and sale of fixed assets, gains (losses)	-	92,119,931

1. Basis of Presentation

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 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.

2. Department of Education Fiscal Responsibility Standards

As disclosed in the accompanying schedule, the Department of Education finalized new borrower defense rules that require the inclusion of a supplemental schedule to the audited financial statements that contains all financial elements needed to calculate the composite score ratios with a cross-reference to the financial statement line, or notes disclosure, that contains the element. The required financial elements as of June 30, 2024 not already included in a previous footnote are outlined in the table below.

FINANCIAL ELEMENTS IN THE SUPPLEMENTAL SCHEDULE NOT READILY AVAILABLE IN THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Element	June 30, 2024
Secured and Unsecured related party receivable	857,852
Unsecured related party receivable	857,852
Property, plant, and equipment, net - Pre-implementation less any construction in progress	90,543,457
Property, plant, and equipment, net - Post-implementation less any construction in progress without outstanding debt for original purchase	14,232,160
Long-term debt for long-term purposes - Pre-implementation	51,361,229
Qualified long-term debt for long-term purposes - Post-implementation for purchase of property, plant, and equipment	4,759,468
Annuities with donor restrictions	21,757