College for Creative Studies

Consolidated Financial Report

June 30, 2024

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Independent Auditor's Report

To the Board of Trustees
College for Creative Studies

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of College for Creative Studies and its subsidiary (the "College"), which comprise the consolidated statement of financial position as of June 30, 2024 and 2023 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the College 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 Consolidated Financial Statements* section of our report. We are required to be independent of the College 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

To the Board of Trustees
College for Creative Studies

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 consolidated 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 consolidated 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 College'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College'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 7, 2024 on our consideration of College for Creative Studies' 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 College for Creative Studies' 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 College for Creative Studies' internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 7, 2024

Consolidated Statement of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	$ 34,868,321	$ 32,326,844
Receivables - Net of allowances:		
Student accounts	3,078	909,710
Grants	92,302	140,263
Investment redemption receivable (Note 5)	-	6,396,928
Contributions (Note 6)	4,156,706	6,517,819
Other	484,975	424,076
Inventory	329,897	369,077
Restricted cash	1,158,518	6,021,820
Prepaid expenses and other assets	2,433,681	2,444,355
Investments (Notes 4 and 5)	90,867,689	81,924,503
Property and equipment - Net (Note 7)	130,228,603	134,987,032
Total assets	**$ 264,623,770**	**$ 272,462,427**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 2,183,281	$ 2,244,722
Deferred revenue	2,366,777	2,448,831
Funds held for others	-	5,033,817
Accrued compensation and other accrued liabilities	4,215,178	4,310,558
Bonds payable - Net of premium and fees (Note 9)	33,852,305	34,722,063
Total liabilities	42,617,541	48,759,991
Net Assets		
Without donor restrictions:		
Undesignated	121,414,046	124,266,034
Noncontrolling interest	6,058	2,180
Board designated (Note 11)	75,513,932	72,865,875
With donor restrictions (Note 10)	25,072,193	26,568,347
Total net assets	222,006,229	223,702,436
Total liabilities and net assets	**$ 264,623,770**	**$ 272,462,427**

Consolidated 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:		
Tuition and fees - Net of student aid of $32,006,763 and $30,212,026 for the years ended June 30, 2024 and 2023, respectively	$ 33,581,225	$ 33,296,255
Auxiliary enterprises	7,835,714	7,363,587
Service agreement and other miscellaneous income	3,253,082	5,766,144
Contributions of cash and other financial assets	598,327	644,399
Special events - Net of direct expenses of $124,269 and $408,406 for the years ended June 30, 2024 and 2023, respectively	78,644	(89,924)
Grants	858,275	870,906
Investment income - Net of investment expenses of $272,574 and $286,331 for the years ended June 30, 2024 and 2023, respectively (Note 4)	7,109,575	3,772,021
Net assets released from restrictions (Note 10)	7,011,157	5,674,797
Total revenue, gains, and other support	60,325,999	57,298,185
Expenses:		
Program services:		
Instruction	23,102,967	23,038,649
Auxiliary activities	13,692,718	13,374,352
Student services	8,795,967	8,156,296
Scholarships and awards	206,250	200,477
Support services:		
Institutional support	13,584,207	16,433,313
Fundraising and development	1,155,611	1,093,165
(Gain) loss on disposal of property and equipment	(11,668)	16,925
Total expenses	60,526,052	62,313,177
Decrease in Net Assets without Donor Restrictions	(200,053)	(5,014,992)
Changes in Net Assets with Donor Restrictions		
Contributions of cash and other financial assets	4,941,544	7,079,425
Investment income - Net (Note 4)	573,459	427,924
Net assets released from restrictions (Note 10)	(7,011,157)	(5,674,797)
(Decrease) Increase in Net Assets with Donor Restrictions	(1,496,154)	1,832,552
Decrease in Net Assets	(1,696,207)	(3,182,440)
Net Assets - Beginning of year	223,702,436	226,884,876
Net Assets - End of year	**$ 222,006,229**	**$ 223,702,436**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Decrease in net assets	$ (1,696,207)	$ (3,182,440)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation	7,252,368	7,401,237
Bad debt expense	296,065	291,656
Net realized and unrealized gains on investments	(6,674,111)	(3,570,809)
(Gain) loss on disposal of property and equipment	(11,668)	16,925
Contributions restricted for permanent investment and endowment	(802,009)	(228,859)
Amortization of bond premium and deferred financing charges	(64,758)	(64,758)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Student accounts, grants, and other receivables	597,629	(47,934)
Contributions receivable	2,361,113	2,325,417
Inventory	39,180	8,576
Prepaid expenses and other assets	10,674	121,042
Accounts payable	(61,441)	178,876
Deferred revenue	(82,054)	585,829
Accrued compensation and other accrued liabilities	(95,380)	183,930
Net cash and cash equivalents provided by operating activities	1,069,401	4,018,688
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,495,702)	(3,437,054)
Proceeds from sale of property and equipment	13,431	-
Purchases of investments	(1,211,219)	(2,684,801)
Proceeds from sales and maturities of investments	5,339,072	5,277,553
Net cash and cash equivalents provided by (used in) investing activities	1,645,582	(844,302)
Cash Flows from Financing Activities		
Funds held for others	(5,033,817)	1,510,670
Contributions restricted for permanent investment and endowment	802,009	228,859
Payments on bonds payable	(805,000)	(770,000)
Net cash and cash equivalents (used in) provided by financing activities	(5,036,808)	969,529
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(2,321,825)	4,143,915
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	38,348,664	34,204,749
Cash, Cash Equivalents, and Restricted Cash - End of year	**$ 36,026,839**	**$ 38,348,664**
Consolidated Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 34,868,321	$ 32,326,844
Restricted cash	1,158,518	6,021,820
Total cash, cash equivalents, and restricted cash	**$ 36,026,839**	**$ 38,348,664**
Supplemental Cash Flow Information - Cash paid for interest	$ 1,616,111	$ 1,657,284

Note 1 - Nature of Organization

College for Creative Studies (CCS or the "College") is a Michigan nonprofit corporation that provides unique visual arts education and training. The College is a degree-granting institution accredited by the Higher Learning Commission and the National Association of Schools of Art and Design.

The consolidated financial statements include Argonaut Condominium Association (the "Association"), a separate legal entity that is a subsidiary of the College. The Association was created on June 23, 2017 and is responsible for the management, maintenance, operation, and administration of the common elements and affairs of the six condominium units of the Argonaut Building. The Association is owned 80.31 percent by CCS and 19.69 percent by an unrelated third party, TEF-SIX, LLC. The noncontrolling interest recognized on the consolidated statement of financial position represents TEF-SIX, LLC's interest in the equity of the Association, with a balance of $6,058 and $2,180 as of June 30, 2024 and 2023, respectively, all of which is attributed to TEF-SIX, LLC's portion of the Association's excess of revenue over expenses from continuing operations during the years ended June 30, 2024 and 2023.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the College and its majority-owned subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Classification of Net Assets

Net assets of the College 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 College. Net assets without donor restrictions may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

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 College 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.

Cash Equivalents

The College considers investments with an original maturity of three months or less when purchased to be cash equivalents unless the amounts are classified as investments. Cash equivalents used within the College's investment pool are classified as investments.

The total amount of bank deposits (checking and savings accounts) insured by the FDIC at year end was $250,000. Management believes the College is not exposed to any significant credit risk related to cash.

Note 2 - Significant Accounting Policies (Continued)

Student Accounts Receivable

Accounts receivable consist primarily of student obligations and are reported net of an allowance for credit losses based on management's estimate of collectibility using historical loss experience. The College evaluates receivables to determine the allowance for credit losses based on an evaluation of the current age of receivables, historical experience, and economic environmental factors. The College calculates the allowance using an expected loss model that considers the College's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The College considers past due amounts, prior payment history with affected students, and geographic and general economic conditions when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

Inventory

Inventory consists primarily of art supplies and textbooks held for sale at the student bookstore and is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method.

Restricted Cash

Restricted cash balances relate to agency accounts held by the College on behalf of a third party (described further in Note 15) and cash collected by the Association that is restricted for major repairs and replacements of common property in the Argonaut Building.

Investments

Investments are recorded at fair value in the consolidated statement of financial position. The alternative investments, composed primarily of hedge funds and limited partnerships that are not readily marketable, are measured at fair value, valued at net asset value per share as the practical expedient. The College records the net asset value of alternative investments based on the values reported in monthly or quarterly statements provided by fund managers. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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 financial statements.

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. Buildings and building improvements are depreciated over lives ranging from 10 to 50 years and equipment over lives ranging from 3 to 15 years. Leased property meeting certain criteria is capitalized, and the present value of the related lease payments is recorded as a liability. Amortization of capitalized leased assets is computed on the straight-line basis over the term of the lease. Each functional area is charged an allocation of depreciation, amortization, and certain operations and maintenance costs proportionate to their square-footage utilization. Computer software is generally expensed as purchased, as its useful life is limited in an academic environment and is often replaced annually.

Note 2 - Significant Accounting Policies (Continued)

Impairment or Disposal of Long-lived Assets

The College reviews the recoverability of long-lived assets, including buildings and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. No impairment losses were recorded during the years ended June 30, 2024 and 2023.

Revenue Recognition for Tuition and Fees, Auxiliary Enterprises, Service Agreements, and Other Miscellaneous Income

The College is an educational facility that operates two campuses in Detroit, Michigan. During the years ended June 30, 2024 and 2023, the College recognized revenue from students, auxiliary services (including room and board, food service, and bookstore), and other customers of $44,670,021 and $46,425,986, respectively. See additional details of the revenue included in these categories in Note 12.

Revenue from tuition and room and board is generally recognized ratably over the applicable semester or the service period. The nature, amount, timing, and uncertainty of the College’s tuition and room and board revenue vary depending on the following factors:

- Semester attended (e.g., fall, winter, or summer)
- Scholarship discounts
- Payor (e.g., student, parents, or third parties)

The College typically satisfies its performance obligations for tuition and room and board over time as services are rendered because students typically obtain the benefits of such services as the services are performed. The College typically uses days elapsed during the semester to measure progress toward completion of performance obligations satisfied over time. Days elapsed during the semester most faithfully depict the College’s transfer of services because control of the services is transferred to the student during each day of the applicable semester.

For revenue streams such as food service and bookstore sales, the time required to render a service is trivially short; in those cases, the College satisfies its performance obligation upon completion of the service or delivery of the good. The service is complete upon transfer of control of the good or service, which is based upon when the College has right to payment and the student has accepted the good or service.

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. Student accounts are adjusted accordingly to reflect any adjustment. There were no significant changes in estimates or student enrollment status in 2024 or 2023 that affected amounts fully or partially satisfied in a prior year.

Payment for tuition and fees and room and board is typically due approximately 30 days prior to the start of the semester. Tuition and fee amounts due are available to students from the moment they register or make changes to their schedule. The College does not offer discounts if the student pays some or all of an invoiced amount prior to the due date. Payment early in the applicable semester or service period is reflected as deferred revenue, while payment late in the applicable semester or service period is reflected as accounts receivable. Payment for food service and bookstore sales is due at the time of delivery of the good or service.

Note 2 - Significant Accounting Policies (Continued)

The transaction price of a contract with a student is the amount of consideration to which the College expects to be entitled in exchange for transferring promised services to the student. To determine the transaction price of a contract, the College considers its customary business practices and the terms of the contract. For the purpose of determining transaction prices, the College 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 College will be entitled is variable as long as a student can withdraw from the semester and receive a refund. The College excludes estimated refunds from the transaction price and from the disclosure of the amounts of transaction prices allocated to remaining performance obligations. The College also maintains appropriate accounts to reflect the effects of expected refunds on the College’s financial position and periodically adjusts those accounts to reflect its actual refund experience. The College estimates refunds using historical and projected refund and enrollment trends. When a consideration contingency is resolved such that a refund will not be made, a letter is typically sent to the student within 10 business days of the decision not to refund. None of the College’s exchange revenue has a significant financing component.

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

Services that the College transfers to students are performed by the College, that is, the College does not provide a service of arranging for another party to transfer services to students.

Building space is leased to tenants under long-term leases, which are accounted for as operating leases and are recognized on a straight-line basis over the life of the lease. Revenue for rental income is recognized when earned in accordance with tenant lease agreements. Rental revenue also includes income related to the tenants' portion of real estate taxes, insurance, utilities, common area maintenance, and other expenses specified in the lease agreement.

Scholarship Allowances and Student Aid

Student tuition and fee revenue and certain other revenue from students are reported net of scholarship discounts and allowances in the consolidated statement of activities and changes in net assets. Scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the College and the amount that is paid by students 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 College has recorded a scholarship discount and allowance.

Contributions and Grants

The College reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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 gifts are reclassified to net assets without donor restrictions once the donated or acquired long-lived asset is placed in service.

Unconditional contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Conditional contributions are reported as revenue when the measurable barrier that the College is required to meet has been met.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as unrestricted support. Other restricted gifts are reported as restricted support and net assets with donor restrictions.

Note 2 - Significant Accounting Policies (Continued)

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. 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 risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Functional Allocation of Expenses

Costs of providing program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Certain costs, including depreciation and operations and maintenance of plant, security, and information technology services, have been allocated between the various program and support services benefited based on square footage. Although the methods of allocation used are considered appropriate and consistent, other methods could be used that would produce different amounts.

Retirement Plan

All eligible full-time employees of the College may enroll in a retirement plan sponsored by the College. The plan is a defined contribution plan and meets the requirements of Section 403(b) of the Internal Revenue Code. All benefits under this plan are provided solely through individually owned, fully funded retirement annuities. Employees who elect to participate may contribute up to 100 percent of their annual compensation, subject to limits established under the Internal Revenue Code. The College may, at its discretion, contribute 6 percent of the participating employee's salary to the plan. Contributions by the College to the plan were approximately $739,000 and $763,000 for the years ended June 30, 2024 and 2023, respectively.

Income Taxes

CCS is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3) as an educational institution, as described in Internal Revenue Code Section 170(b)(1)(A) (ii). No provision for taxes has been made in the consolidated financial statements for CCS.

The Association is organized as a C corporation pursuant to the provisions of the Internal Revenue Code. There were no significant deferred tax assets or liabilities in the Association as of June 30, 2024 or 2023.

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.

Adoption of New Accounting Pronouncement

During 2024, the College adopted Financial Accounting Standards Board (FASB) 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 College's accounts receivable, by requiring the College to recognize an allowance for expected losses over the life of the financial asset at origination. This is different from the historical practice where an allowance was not recognized until losses were considered probable. The College adopted this standard using the modified retrospective transition method, which did not significantly impact the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including November 7, 2024, which is the date the consolidated financial statements were issued.

Note 3 - Liquidity and Availability of Resources

The College’s financial assets available within one year of June 30, 2024 and 2023 for general expenditure are as follows:

	2024	2023
Cash and cash equivalents	$ 34,868,321	$ 32,326,844
Student accounts receivable - Net	3,078	909,710
Grants receivable	92,302	140,263
Interest and dividends and other accounts receivable	484,975	424,076
Total	$ 35,448,676	$ 33,800,893

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 consolidated statement of financial position date.

The College has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $3.9 million per month. The College has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The College also realizes there could be unanticipated liquidity needs.

The College’s endowment funds include a board-designated endowment of $75,513,932 and $72,865,875 at June 30, 2024 and 2023, respectively. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 11, the board-designated endowment has a spending rate of 1 percent at June 30, 2024 and 2023. Although the College does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated endowment and donor-restricted endowments contain investments with lockup provisions that would reduce the total investments that could be made available (see Note 5 for disclosures about redemption restrictions on investments).

Note 4 - Investments

The College's investments at June 30 are composed of the following:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Money market mutual funds	$ 69,670	$ 94,427	$ 2,259,561	$ 2,259,561
Equity mutual funds and exchange-traded funds	-	-	5,044,621	5,375,385
Fixed-income mutual funds	10,466,670	9,366,888	3,244,023	3,510,489
Alternative investments - Global equity funds and commingled accounts	28,494,472	16,818,652	21,810,936	18,336,302
Alternative investments - Limited partnerships and hedge funds	51,836,877	41,479,480	49,565,362	37,482,142
Total	$ 90,867,689	$ 67,759,447	$ 81,924,503	$ 66,963,879

Alternative investments are those that do not have a readily determinable fair market value. By nature, these investments have a higher level of risk than typical investments. Alternative investments may consist of hedge funds, private equity funds, and real estate investments directed by third-party investment managers.

At June 30, 2023, the College had a pending redemption of an alternative investment, which is included in receivables in the consolidated statement of financial position.

The composition of investment income from investments for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Dividend and interest income	$ 1,263,320	$ 924,992
Net realized and unrealized gains	6,692,288	3,561,284
Investment expenses	(272,574)	(286,331)
Total	$ 7,683,034	$ 4,199,945

Note 5 - 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 College’s assets measured at fair value on a recurring basis at June 30, 2024 and 2023 and the valuation techniques used by the College to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the College 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.

Note 5 - Fair Value Measurements (Continued)

Investments that are measured at fair value using net asset value per share (or its equivalent) (NAV) as a practical expedient are not classified in the fair value hierarchy below.

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 College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Investments:				
Money market mutual funds	$ 69,670	$ -	$ -	$ 69,670
Equity mutual funds	10,466,670	-	-	10,466,670
Total	$ 10,536,340	$ -	$ -	10,536,340
Investments measured at NAV:				
Global equity funds				28,494,472
Limited partnerships				43,632,987
Hedge funds				8,203,890
Total investments measured at NAV				80,331,349
Total				$ 90,867,689

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Investments:				
Money market mutual funds	$ 2,259,561	$ -	$ -	$ 2,259,561
Equity exchange-traded funds	5,044,621	-	-	5,044,621
Equity mutual funds	3,244,023	-	-	3,244,023
Total	$ 10,548,205	$ -	$ -	10,548,205
Investments measured at NAV:				
Global equity funds				21,810,936
Limited partnerships				41,631,436
Hedge funds				7,933,926
Total investments measured at NAV				71,376,298
Total				$ 81,924,503

The College's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. For the years ended June 30, 2024 and 2023, there were no transfers between levels of the fair value hierarchy.

Note 5 - Fair Value Measurements (Continued)

An investment redemption receivable is recorded when an investment is sold before June 30 and the proceeds are received after June 30. For the year ended June 30, 2023 the receivable totaled $6,396,928. There were no investment redemptions receivable at June 30, 2024.

Investments in Entities that Calculate Net Asset Value per Share

The College holds shares or interests in investment companies and hedge funds at year end where the fair value of the investment held is measured on a recurring basis using net asset value per share (or its equivalent) of the investment company or hedge fund as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	2024	2023			
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Global equity commingled accounts (a)	$ 10,354,372	$ 9,406,284	$ -	Weekly or monthly	3-30 days
Global equity offshore funds (b)	18,140,100	12,404,652	-	Weekly or every three years	1-150 days
Limited partnerships (c)	43,632,987	41,631,436	15,009,546	Quarterly, semiannually, or illiquid	45-65 days
Offshore hedge funds (d)	8,203,890	7,933,926	-	Quarterly or annually	90-120 days
Total	$ 80,331,349	$ 71,376,298	$ 15,009,546		

(a) The investment strategy of the global equity commingled accounts is to maximize long-term growth primarily from a diversified portfolio of global equity securities, including, but not limited to, emerging markets countries and the United States.

(b) The investment strategy of the global equity offshore funds is to invest in a portfolio of equities from around the world to achieve higher returns than the average of the world's equity markets, without greater risk of loss.

(c) The investment strategy of limited partnerships is focused on a total return emerging markets (EM) strategy. The investment objective of the strategy is to identify the most attractive reward-risk opportunities in the global EM debt and equity universe. The strategy utilizes an integrated top-down and bottom-up investment process, emphasizing global and sectoral factors, as well as specific company/issuer characteristics, to achieve risk-adjusted returns.

(d) The investment strategy of the offshore hedge funds is to realize long-term compounded returns in excess of those available through conventional investments in the public equity markets by providing liquidity, capital, or partnering solutions to private equity investors and managers and by pursuing other investment opportunities. The offshore funds will consider investment opportunities on a global basis and across all sectors of the private equity market, including leveraged buyouts; growth capital; venture capital; distressed securities; senior, subordinated, and mezzanine financing; natural resources; real estate; and infrastructure.

Note 6 - Contributions Receivable

Outstanding pledges at June 30, 2024 and 2023 are composed of the following:

	2024	2023
Gross promises to give before unamortized discount	$ 4,744,897	$ 6,746,494
Less allowance for uncollectible contributions	(378,350)	(20,000)
Less net present value discount	(209,841)	(208,675)
Net contributions receivable	$ 4,156,706	$ 6,517,819
Amounts due in:		
Less than one year	$ 1,609,439	$ 4,337,470
One to five years	2,547,267	2,180,349
Total	$ 4,156,706	$ 6,517,819

Contributions receivable were discounted at the 3-year, 5-year, 7-year, or 10-year treasury rates in the initial year of receipt based on the expected payment schedule.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2024	2023
Land	$ 4,075,575	$ 4,075,575
Land improvements	3,439,879	3,439,879
Buildings	139,267,348	138,933,895
Building improvements	39,002,122	39,002,122
Furniture and equipment	56,709,856	55,450,408
Office equipment	1,565,152	1,525,733
Construction in progress	18,026	-
Total cost	244,077,958	242,427,612
Accumulated depreciation	113,849,355	107,440,580
Net property and equipment	$ 130,228,603	$ 134,987,032

Depreciation expense for 2024 and 2023 was $7,252,368 and $7,401,237, respectively.

Note 8 - Operating Leases - Lessor

CCS has an agreement to lease commercial space within a CCS building to Shinola/Detroit, LLC through April 2025. The lessee has an option to renew for an additional term that will end on August 31, 2028. Rent consists of monthly payments of base rent, parking fees, and security costs. Rental income was $1,509,292 and $1,503,292 for 2024 and 2023, respectively. CCS recognizes rental income on a straight-line basis over the lease term. The difference between rental income on a straight-line basis and the cash rent received under provisions of the lease agreement is recorded as accrued rental revenue in prepaid expenses and other assets on the consolidated statement of financial position.

The minimum future rent payment on noncancelable leases as of June 30, 2024 for the next year is as follows:

Year Ending June 30	Amount
2025	$ 1,333,695

Note 9 - Long-term Debt

Long-term debt at June 30 is as follows:

	2024	2023
Series 2015 Limited Obligation Revenue and Revenue Refunding Bond	$ 32,460,000	$ 33,265,000
Unamortized premium	1,733,681	1,814,317
Deferred financing charges	(341,376)	(357,254)
Total	$ 33,852,305	$ 34,722,063

The College will make aggregate principal payments of long-term debt as follows:

Years Ending	Amount
2025	$ 850,000
2026	890,000
2027	940,000
2028	985,000
2029	1,035,000
Thereafter	27,760,000
Total	$ 32,460,000

Limited Obligation Revenue and Revenue Refunding Bonds, Series 2015 (the “Series 2015 Bonds”) were issued on January 7, 2016 through the Michigan Finance Authority (the “Issuer”) totaling $37,930,000. The majority of the Series 2015 Bonds’ proceeds were used to advance the refund of $24,135,000 of the College’s previously issued Series 2008 bonds and finance the acquisition and construction of certain modifications, improvements, and renovations to the educational facilities of the College. The interest on the Series 2015 Bonds varies from 3.00 to 5.00 percent over the lives of the bonds based on a fixed rate set for each year.

CCS granted a security interest in favor of the Issuer in the moneys at any time held in the Project Fund and the Bond Fund and any proceeds thereof. As additional security, CCS granted the Issuer a security interest in CCS’ accounts receivable and general intangibles arising from or related to tuition and fee revenue and all proceeds thereof. The Series 2015 Bonds are subject to certain financial and other covenants.

Interest on the Series 2015 Bonds is payable each June 1 and December 1. Principal payments in amounts ranging from $580,000 to $2,355,000 are payable each December 1 through fiscal year 2046.

Total interest expense for 2024 and 2023 was approximately $1,616,000 and $1,657,000, respectively.

Note 10 - Net Assets with Donor Restrictions

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

	2024	2023
Campus master plan	$ 2,523,017	$ 2,523,017
Scholarships	3,785,304	3,132,433
Academic programs	1,144,834	1,172,569
Faculty enrichment	816	42,291
Art fellowship program	1,891,540	3,762,066
Other	2,599,311	3,610,610
Total net assets with donor restrictions, excluding endowments	$ 11,944,822	$ 14,242,986

Note 10 - Net Assets with Donor Restrictions (Continued)

Net assets to be held in perpetuity for the endowment are $13,127,371 and $12,325,361 for the years ended June 30, 2024 and 2023, respectively. Income derived from these funds is expended primarily for operations and scholarships.

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Art fellowship program	$ 2,520,526	$ 2,046,898
Scholarships	1,223,077	909,734
Academic programs	1,281,931	976,648
Faculty enrichment	277,711	129,086
Other	1,707,912	1,612,431
Total net assets released from restrictions	$ 7,011,157	$ 5,674,797

Gifts received for the campus master plan are released to net assets without donor restrictions when the related long-lived assets are placed in service.

Note 11 - Donor-restricted and Board-designated Endowments

The College'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 board of trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanent donor-restricted endowments: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The accumulated earnings on donor-restricted endowments are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds, make and retain investments, and delegate investment management of institutional funds:

- The duration and preservation of the fund
- The purpose of the College 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 College
- The investment policies of the College

Note 11 - 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
Board-designated endowment funds	$ 75,513,932	$ -
Donor-restricted endowment funds:		
Accumulated investment earnings	-	380,774
Permanent endowment	-	13,127,371
Total	$ 75,513,932	$ 13,508,145

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	$ 72,865,875	$ 12,682,159
Investment income	7,939,552	573,457
Contributions	-	701,111
Appropriation of endowment assets for expenditure	(5,291,495)	(448,582)
Endowment net assets - End of year	$ 75,513,932	$ 13,508,145

	Endowment Net Asset Composition by Type of Fund as of June 30, 2023	
	Without Donor Restrictions	With Donor Restrictions
Board-designated endowment funds	$ 72,865,875	$ -
Donor-restricted endowment funds:		
Accumulated investment earnings	-	356,798
Permanent endowment	-	12,325,361
Total	$ 72,865,875	$ 12,682,159

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	$ 74,747,663	$ 12,418,294
Investment income	3,334,434	427,924
Contributions	-	183,559
Appropriation of endowment assets for expenditure	(5,216,222)	(347,618)
Endowment net assets - End of year	$ 72,865,875	$ 12,682,159

Note 11 - 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 College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no donor-restricted endowment funds below the level that the donor or UPMIFA requires as of June 30, 2024 and 2023.

Return Objectives and Risk Parameters

The College 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 College 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 produce results that achieve a long-term total return that outpaces spending and inflation. 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 College 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 College 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 College has a policy of appropriating for distribution each year 5.5 percent of its endowment fund's average market value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment to grow annually. This is consistent with the College'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 12 - Exchange Revenue Recognition

The following table shows revenue from contracts with customers, including tuition and fees, auxiliary enterprises, service agreement, and other miscellaneous income, by revenue stream and timing of revenue recognition:

	2024	2023
Revenue streams:		
Tuition and fees	$ 33,581,225	$ 33,296,255
Room and board	5,786,907	5,258,662
Food service and catering	900,103	928,430
Bookstore	532,695	550,750
Rental income	1,509,292	1,503,292
Other	2,359,799	4,888,597
Total	$ 44,670,021	$ 46,425,986
Timing of revenue recognition:		
Over time	$ 40,942,110	$ 42,937,589
Point in time	3,727,911	3,488,397
Total	$ 44,670,021	$ 46,425,986

Accounts Receivable

As of June 30, 2024, the College's student accounts receivable and other receivables related to transactions with customers and lease agreements were $3,078 and $484,975, respectively. As of June 30, 2023, the College's student accounts receivable and other receivables related to transactions with customers and lease agreements were $909,710 and $424,076, respectively. As of July 1, 2022, the College's student accounts receivable and other receivables related to transactions with customers and lease agreements were $617,990 and $904,219, respectively.

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

Balance - Beginning of year	$ 250,000	$ 250,000
Additions charged to expense	299,728	301,656
Deductions/Write-offs	(299,728)	(301,656)
Balance - End of year	$ 250,000	$ 250,000

Contract Assets

The College has not recorded any contract assets as of June 30, 2024; June 30, 2023; or July 1, 2022.

Contract Liabilities and Performance Obligations

As of June 30, 2024, $1,907,465 of revenue from transactions with students and customers yet to be recognized was recorded as deferred revenue and relates to fully or partially unsatisfied performance obligations. That revenue is expected to be recognized during 2025. As of June 30, 2023, $2,423,311 of revenue from transactions with students and customers yet to be recognized was recorded as deferred revenue and related to fully or partially unsatisfied performance obligations. That revenue was recognized during 2024. As of July 1, 2022, $1,893,887 of revenue from transactions with students and customers yet to be recognized was recorded as deferred revenue and related to fully or partially unsatisfied performance obligations. That revenue was recognized during 2023.

Note 13 - Functional Allocation of Expenses

The tables below present expenses by function and natural classification. The College's primary program service is instruction. Expenses reported as instruction, auxiliary activities, student services, and scholarships and awards are incurred in support of the College's primary program activity. Certain costs have been allocated between the various program and support services benefited. The expenses allocated include depreciation, operations and maintenance of plant, security, and information technology services and are allocated on a square-footage basis. Total expenses below include the special events direct expenses reported with special events revenue of $124,269 and $129,688 for the years ended June 30, 2024 and 2023, respectively.

Expenses by functional allocation for the year ended June 30, 2024 consist of the following:

	Program Services			Support Services		
	Instruction	Auxiliary Activities	Student Services and Scholarships and Awards	Institutional Support	Fundraising and Development and Special Events	Total
Compensation and benefits	$ 15,118,735	$ 3,272,923	$ 5,615,172	$ 4,214,307	$ 1,016,435	$ 29,237,572
Office and classroom supplies	1,167,461	84,857	264,584	51,896	46,523	1,615,321
Financial aid	-	-	206,250	-	-	206,250
Contracted services	112,220	4,392,019	525,780	600,907	42,332	5,673,258
Maintenance and repairs	84,717	429,062	6,708	150,965	36,801	708,253
Facilities	2,956,075	3,011,306	747,457	3,155,572	3,041	9,873,451
Depreciation	2,671,704	1,451,714	598,917	2,530,033	-	7,252,368
Interest expense	-	-	-	1,616,111	-	1,616,111
Professional development	27,361	42,330	22,922	186,292	12,721	291,626
Travel and entertainment	310,748	80,552	122,290	129,033	109,781	752,404
Marketing and advertising	20,120	22,158	-	711,389	-	753,667
Other expenses	633,826	905,797	892,137	237,702	12,246	2,681,708
Total	$ 23,102,967	$ 13,692,718	$ 9,002,217	$ 13,584,207	$ 1,279,880	$ 60,661,989

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

	Program Services			Support Services		
	Instruction	Auxiliary Activities	Student Services and Scholarships and Awards	Institutional Support	Fundraising and Development and Special Events	Total
Compensation and benefits	$ 14,650,487	$ 3,108,219	$ 5,105,149	$ 6,667,146	$ 899,395	$ 30,430,396
Office and classroom supplies	1,295,480	109,456	343,807	98,753	46,594	1,894,090
Financial aid	-	-	200,477	-	-	200,477
Contracted services	109,419	3,898,969	385,718	729,283	118,375	5,241,764
Maintenance and repairs	109,194	654,292	5,400	142,019	37,549	948,454
Facilities	3,405,847	3,061,218	774,608	3,272,215	2,913	10,516,801
Depreciation	2,726,546	1,481,513	611,211	2,581,967	-	7,401,237
Interest expense	-	-	-	1,657,284	-	1,657,284
Professional development	28,989	29,440	35,141	171,808	4,451	269,829
Travel and entertainment	354,017	70,051	82,203	106,032	91,701	704,004
Marketing and advertising	9,999	45,846	575	888,268	-	944,688
Other expenses	348,671	915,348	812,484	118,538	32,739	2,227,780
Total	$ 23,038,649	$ 13,374,352	$ 8,356,773	$ 16,433,313	$ 1,233,717	$ 62,436,804

Note 14 - Tax Increment Financing Reimbursement Agreement

The City of Detroit Brownfield Redevelopment Authority (the "Authority") and CCS have a Tax Increment Financing Reimbursement Agreement (TIFRA). Pursuant to the TIFRA, the Authority shall collect certain tax increment revenue and use a portion of such funds to reimburse CCS for qualified costs of certain eligible activities, as set forth in the brownfield plan adopted by the Authority and approved by the Detroit City Council for the Argonaut Building (the "Plan"). Under the Plan, the reimbursements for qualified costs for which CCS is entitled to seek reimbursement total $11,200,000; however, it is anticipated that less than $4,400,000 of qualified costs will be certified for reimbursement.

Reimbursement payments to CCS are further limited to captured tax increment revenue under the TIFRA. CCS has received approximately $217,000 through June 30, 2024. CCS has not recorded any receivable as of June 30, 2024 and 2023 related to the TIFRA because of the uncertainty surrounding the amount of captured tax increment revenue currently available to CCS and the timing of any payments from the City of Detroit, Michigan and the TIFRA.

Note 15 - Related Party Transactions

During fiscal year 2022, the College entered into a joint venture agreement with Pensole, Inc. to reopen Michigan's only historically black college and university (HBCU) in Detroit with a design focus, called Pensole-Lewis College of Business and Design (Pensole-LCB). The College was operating as the fiscal sponsor for Pensole-LCB and had a minority board representation on Pensole-LCB; in which Pensole-LCB was considered a related party until the joint venture was terminated effective June 30, 2023. The College held funds for Pensole-LCB totaling $5,033,817 as of June 30, 2023, reflected as funds held for others on the consolidated statement of financial position. In addition, Pensole-LCB paid the College $2,879,380 for reimbursement of direct expenses and limited administrative fee for the year ended June 30, 2023. The funds held for Pensole-LCB were paid to Pensole-LCB in fiscal year 2024.

The College's related party transactions include amounts received as contributions from board members totaling $3.5 million and $3.0 million for June 30, 2024 and 2023, respectively, with related contributions receivable of $1.8 million and $2.4 at June 30, 2024 and 2023, respectively.