Audited Financial Statements
and Other Supplementary Information

Northwestern Michigan College

Years Ended June 30, 2026 and 2025
with Report of Independent Auditors

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Northwestern Michigan College

Audited Financial Statements
and Other Supplementary Information

June 30, 2026

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Northwestern Michigan College

Board of Trustees and Administrative Officials

June 30, 2026

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Management's Discussion and Analysis

Northwestern Michigan College

Management's Discussion and Analysis

June 30, 2026

The discussion and analysis of Northwestern Michigan College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2026 and 2025. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management. This section is intended to assist readers in understanding the College's financial performance and condition and should be read in conjunction with the accompanying financial statements and notes.

Overview of the Financial Statements

This annual financial report includes management's discussion and analysis, the report of independent auditors, the basic financial statements, notes to the financial statements, required supplementary information, and any additional supplementary information including: schedules related to the MPSERS cost-sharing multiple-employer plan and combining financial statements. The basic financial statements are comprised of three statements: (1) the statements of net position, (2) the statements of revenues, expenses, and changes in net position, and (3) the statements of cash flows. The basic financial statements present the financial position, operating results, and cash flow activities of the College.

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

Northwestern Michigan College Foundation (the "Foundation") is included within the College's statements as a discretely presented component unit of the College. The Foundation is a legally separate not-for-profit entity governed by its own board of directors, who are formally appointed by the College's Board of Trustees. The Foundation's sole purpose is to provide support for the College. Based on these factors and its financial and operational relationship with the College, the Foundation qualifies as a component unit of the College under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

Financial Summary

The statements of net position and the statements of revenues, expenses, and changes in net position report information on the College's net position and changes therein. These statements include all assets, liabilities, and deferred inflows and outflows using the accrual basis of accounting.

Statements of Net Position

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

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2026	**2025**	**2024**
Current assets	$ 60,800	$ 36,286	$ 30,169
Noncurrent assets:			
Capital assets, net	85,208	85,153	78,338
Net OPEB asset	7,027	5,892	825
Other noncurrent assets	38,005	25,129	23,218
Total assets	191,040	152,460	132,550
Deferred outflows of resources	8,085	11,008	15,587
Current liabilities	11,938	12,034	9,666
Noncurrent liabilities:			
Net pension liability	27,332	33,797	46,672
Other noncurrent liabilities	40,463	30,883	24,099
Total liabilities	79,733	76,714	80,437
Deferred inflows of resources	19,084	23,137	18,743
Net position:			
Net investment in capital assets	59,147	64,235	58,023
Restricted surplus	7,638	6,442	2,541
Unrestricted net position (deficit) (Note 9)	33,523	(7,060)	(11,607)
Total net position	$ 100,308	$ 63,617	$ 48,957

Statements of Revenues, Expenses, and Changes in Net Position

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

	Operating Results Years Ended June 30 (in thousands)		
	2026	**2025**	**2024**
Operating revenues			
Tuition and fees, net	$ 18,046	$ 15,936	$ 21,052
Grants and contracts	13,210	12,809	9,169
Auxiliary services and other	8,365	7,631	7,541
Total operating revenues	39,621	36,376	37,762
Operating expenses			
Instruction and academic support	26,264	25,317	27,042
Student and public services	12,472	12,783	16,227
Institutional administration and information technology	13,306	12,570	11,946
Operation and maintenance of plant	5,472	5,453	4,854
Depreciation and amortization	6,456	5,852	5,232
Total operating expenses	63,970	61,975	65,301
Operating loss	(24,349)	(25,599)	(27,539)
Noncapital subsidies	34,265	36,198	36,043
Operating loss and noncapital subsidies	9,916	10,599	8,504
Other nonoperating revenues (expenses)			
Other nonoperating revenues (expenses) excluding gain on disposal	2,471	4,061	10,878
Gain on disposal of capital assets	24,304	-	-
Total other nonoperating revenues (expenses)	26,775	4,061	10,878
Increase in net position	36,691	14,660	19,382
Net position – beginning of year	63,617	48,957	29,575
Net position – end of year	$ 100,308	$ 63,617	$ 48,957

Detailed Analyses

Financial Position Analysis

Highlights of the major changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2026 and 2025 are as follows:

- Current assets increased $24.5 million due predominantly to the sale of the College's Boardman Lake Campus (BLC) for $27.0 million on April 15, 2026, after which the proceeds were invested in money market mutual funds. Prior to closing, on February 23, 2026, the board committed an additional $2.0 million to the Freshwater Research and Innovation Center (FRIC) joint venture, contingent upon execution of the sale; on April 28, 2026, the College transferred $2.0 million to FRIC to fulfill this commitment. On May 15, 2026, the College transferred $2.0 million to FRIC to fulfill its June 2024 commitment, thus shifting a total of $4.0 million of cash to long-term investments during the year (see Note 4). Additionally, in March and April 2026, the College received $8.9 million from the IRS for payment of Employee Retention Credit (ERC) claims filed on January 31, 2024 (see Note 5). Collection of the ERC had no net impact on current assets, but reduced current receivables and contributed, along with the BLC sale proceeds, to the College's $36.7 million increase in unrestricted cash and cash equivalents.

- Other noncurrent assets increased $12.9 million due to the aforementioned $4.0 million investment in the FRIC joint venture, management's reinvestment of a matured $5.0 million agency bond into long-term agency bonds, a net increase in unspent bond proceeds of $4.2 million, offset by a net $0.3 million of other minor decreases. The unspent bond proceeds increase is due to the College issuing bonds during the year to finance the Front St. Campus geothermal energy project, holding an unspent balance of $11.1 million at June 30, 2026 (including the net effect of bond premium and discounts), and expending $6.7 million of its 2024 bond proceeds towards the aviation hangar and fleet expansion project during the year.

- The College's net pension liability decreased $6.5 million primarily due to the difference between the projected and actual earnings on pension plan investments based on the market as of September 30, 2025, as well as a change in the proportionate share allocated to the College. The College's net other post-employment benefits (OPEB) asset increased $1.1 million from fiscal year 2025 due to changes in the net difference between projected and actual earnings on OPEB plan investments.

- Other noncurrent liabilities increased $9.6 million as a result of the $10.5 million facilities bonds issued in 2026, offset by principal payments of $1.7 million on its 2016, 2018, and 2024 series obligations.

- Deferred inflows are the acquisition of net position that applies to future reporting periods. Deferred outflows are the consumption of net position that applies to future reporting periods. The College's deferred inflows and outflows, and changes therein, stem exclusively from the Michigan Public School Employees' Retirement System (MPSERS) plan and include changes in actuarial assumptions, differences between expected and actual experience, changes in the proportionate share of the pension and OPEB liabilities, and contributions to the plan subsequent to the measurement date.

- As a result of the above activity, the College's net position was $100.3 million as of June 30, 2026, an increase of $36.7 million from 2025. Of the $36.7 million increase, $24.4 million is attributable to the gain on the sale of BLC and $8.7 million is attributable to favorable changes in the net pension liability and net OPEB asset previously described; their combined $33.1 million impact also drove the College's $40.6 million increase in unrestricted net position.

Highlights of the major changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2025 and 2024 are as follows:

- Current assets increased $6.1 million, due in large part to a $5.0 million U.S. government agency investment maturing in August 2025, thus shifting classifications from noncurrent assets in fiscal year 2024 to current assets in fiscal year 2025.

- Capital asset additions totaled $12.4 million, which includes $4.8 million in construction costs for the Aviation Hangar expansion project and $4.4 million of investment in aircraft to expand the program's fleet. Additionally, the College capitalized $1.0 million for the acquisition and improvements made to the *Robinson Bay*, a tug vessel gifted to the College's Great Lakes Maritime Academy, $0.4 million in renovations and technology upgrades at the Front Street Flats apartments, $0.2 million for improvements to the North courtyard at the Great Lakes Campus, and more. Additions were offset by current year depreciation of $5.6 million. As a result, net capital assets increased by $6.8 million.

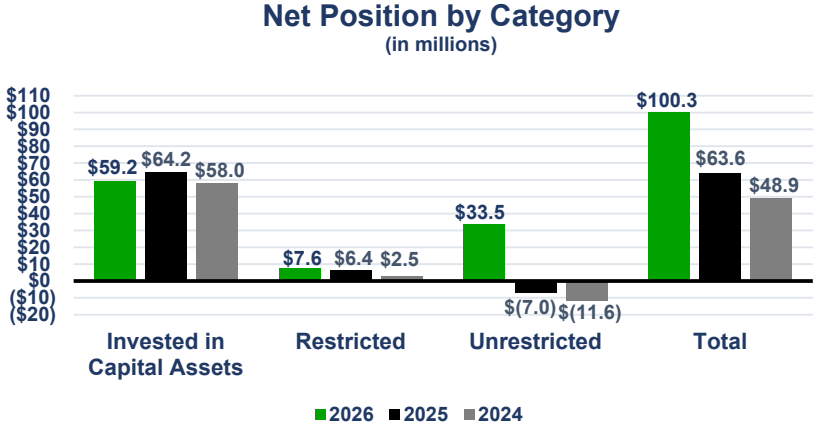
- Current liabilities increased $2.4 million, including a $1.5 million increase in accounts payable due to construction payables at June 30, 2025 including $1.3 million payable relating to the Aviation Hangar expansion project and $0.4 million owed for renovations to the *Robinson Bay* tug vessel. Also, the College's current portion of long-term obligations increased $0.6 million due to the College's issuance of new bonds during the year to finance an expansion of the aviation program's hangar and fleet of training planes.

- The College's net pension liability decreased $12.9 million primarily due to the difference between the projected and actual earnings on pension plan investments based on the market as of September 30, 2024 as well as a change in the proportionate share allocated to the College. The College's net OPEB asset increased $5.1 million from fiscal year 2024 due to changes in the net difference between projected and actual earnings on OPEB plan investments.

- The College's net position was $63.6 million as of June 30, 2025, an increase of $14.7 million from the prior year. Net position increased by $5.7 million in fiscal year 2025 before the effects of GASB 68 and 75.

Composition of Net Position

Net position was comprised of the following categories and amounts as of June 30, 2026, 2025, and 2024:



Operating Results Analyses

Operating Revenues Analysis

The College classifies as operating revenues any sales or receipts derived from primary operations of the College such as tuition and fees, housing, and other auxiliary operations. In addition, certain Federal, State, and private grants are considered operating if they are not for capital purposes and are deemed a contract for services.

Total operating revenues were $39.6 million, $36.4 million, and $37.8 million at June 30, 2026, 2025, and 2024, respectively.

Highlights of the major changes in operating revenues for fiscal year 2026 compared to 2025 were as follows:

- Gross tuition and fees increased $2.9 million due to the combination of 5.4% growth in contact hours and 4.0% increases in tuition and fee rates. The increase also reflects a $0.4 million increase in Aviation flight fees earned compared to 2025. Conversely, the College's scholarship allowance increased $0.8 million stemming largely from a $1.0 million increase in Michigan Community College Guarantee (MCCG) awards. The combination of these factors led to a $2.1 million increase in net tuition and fees.

- State grant revenue from operations increased $1.2 million primarily due to increased support from the MCCG program as previously described.

Highlights of the major changes in operating revenues for fiscal year 2025 compared to 2024 were as follows:

- Net tuition and fees decreased $5.1 million due to a $1.9 million increase in gross tuition and fees stemming from increased enrollment, which was offset by a $7.0 million increase in the College's scholarship allowance (contra-revenue) due to a change in methodology for the scholarship allowance that was implemented prospectively in 2025.

- State grant revenue from operations increased $1.7 million primarily due to support received from the State of Michigan for the MCCG program.

Operating Expenses Analysis

Operating expenses include all the costs necessary to perform and conduct the programs and primary functions of the College such as wages and benefits, professional services, software and technology maintenance, utilities, staff professional development, and depreciation and amortization expense. In the College's external financial statements, these expenses are categorized by function.

Total operating expenses were $64.0 million, $62.0 million, and $65.3 million for the years ended June 30, 2026, 2025, and 2024, respectively.

Highlights of the major changes in operating expenses between fiscal years 2026 and 2025 by category are as follows:

- Instruction costs increased $0.6 million due to contractual wage increases for faculty and increased adjunct instructor wage expenses necessary to support the current year enrollment increase.

- Institutional administration costs increased $1.0 million due to a $0.4 million increase in uncollectible debt expense and a $0.5 million increase in expenses stemming from changes to the College's net pension liability and net OPEB asset.

- Depreciation and amortization increased by $0.6 million due to the capitalization of our new aviation hangar and training planes and a variety of other depreciable equipment and technology acquired and placed into service during the fiscal year.

Highlights of the major changes in operating expenses between fiscal years 2025 and 2024 by category are as follows:

- Instruction costs decreased by $1.2 million due primarily to changes in OPEB liabilities and their related deferred inflows and outflows.

- Student services decreased by $3.6 million primarily due to allocation of financial aid expenses as scholarship allowance in fiscal year 2025. This is partially offset by increased financial aid and scholarship award activity in fiscal year 2025.

Noncapital Subsidies Analysis

Noncapital subsidies are non-exchange in nature, meaning that the College receives value without directly giving equal value in return. Noncapital subsidies include state appropriations, property taxes, and support from component unit.

Noncapital subsidies included the following highlights for fiscal year 2026 compared to 2025:

- State appropriations decreased $1.5 million due in part to one-time payments from the state in the prior year totaling $1.4 million, $1.0 million of which stems from State legislative reforms to MPSERS employer and employee healthcare contributions, and $0.3 million stems from a one-time MPSERS UAAL payment that was passed through to the State.

- Property tax revenue increased by $0.9 million, or 6.2%, due to a 7.5% increase in Grand Traverse County taxable values, partially offset by increased tax abatements and millage rate erosion due to the Headlee Amendment.

- Support from the Foundation decreased by $1.4 million. The decrease is due to a $0.6 million reduction in scholarship awards in 2026, and two unique non-cash gifts totaling $0.4 million in the previous fiscal year. The decrease in scholarship awards is directly related to the growth of recently implemented State programs, such as MCCG and Michigan Reconnect, that supplanted the need for scholarships for many students. The College is exploring creative ways to award and distribute scholarships based on these morphing student needs. In 2025, the College recognized the following non-cash gifts: the previously mentioned *Robinson Bay* tugboat valued at $0.3 million, and a 3D concrete printer gifted to the Construction Technology program valued at $0.1 million.

Noncapital subsidies included the following highlights for fiscal year 2025 compared to 2024:

- State appropriations decreased $1.3 million primarily due to one-time Infrastructure, Technology, Equipment, and Maintenance (ITEM) and Critical Incident Mapping (CIM) funding received in fiscal year 2024 from the State of $1.2 million.

- Property tax revenue increased by $1.1 million, or 8.1%, due to a 9.6% increase in taxable values, offset by tax abatements and millage rate erosion due to the Headlee Amendment.

Other Nonoperating Revenues (Expenses) Analysis

Other nonoperating revenues (expenses) are also considered non-exchange in nature. Other nonoperating revenues (expenses) include investment income, Employee Retention Credit and related interest income, capital grants and gifts, bond issuance and amortization costs, interest expense on capital debt, and gains (losses) on disposal of capital assets.

Significant change to other nonoperating revenues (expenses) included the following factors for fiscal year 2026 compared to 2025:

- The $24.3 million gain on disposal of capital assets is to recognize the net impact of the previously mentioned sale of the BLC property (with a gain of $24.4 million), offset by other insignificant losses totaling $0.1 million after disposal of several assets that were not fully depreciated.

- Capital grants and gifts decreased by $1.1 million. The College earned $1.4 million in 2026 from the Department of Energy for the geothermal project, compared to $1.9 million from the Michigan Economic Development Corporation and $0.5 million from the Department of Education restricted for the Aviation hangar and fleet expansion project during 2025.

Significant changes to other nonoperating revenues (expenses) included the following factors for fiscal year 2025 compared to 2024:

- Investment income increased by $0.6 million due to the current year influx of cash (bond proceeds) and ongoing favorable market conditions during fiscal year 2025. The College recognized unrealized gains of $0.9 million in fiscal year 2025 versus $0.4 million in fiscal year 2024, a net increase of $0.5 million. Favorable market rates drove interest income of $1.2 million, which is comparable to 2024.

- Interest income of $0.3 million was also recognized on the ERC tax credit receivable which remained outstanding as of June 30, 2025.

- The decrease of $8.0 million in Employer Retention Credit is due to the one-time recognition of the credit in the year of filing in fiscal year 2024. More information on this credit is provided in Note 5.

Unusual or Infrequent Items

The College had no unusual or infrequent items reported in its financial statements for fiscal year 2026 or 2025.

Overall Change in Net Position

Net position increased $36.7 million in fiscal year 2026, following an increase of $14.7 million in fiscal year 2025. The increases in both years reflect strong operating and nonoperating revenue streams, favorable pension and OPEB related adjustments, and effective financial management.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

During fiscal year 2026, the College undertook a variety of capital asset transactions, highlighted by the following activity: the April 15, 2026 sale of the BLC property for $27.0 million, which resulted in a net gain on disposal of $24.4 million; the completion of the aviation hangar and fleet expansion project in September 2025 that encompassed $4.0 million in current year additions and $4.5 million of construction-in-progress (CIP) placed into service, $2.9 million in additions to CIP for the geothermal project, newly-branded gateway and wayfinding signage totaling $0.2 million, a new A/V system for the Hagerty Conference Center at Great Lakes Campus totaling $0.2 million, modifications to the Beckett Building of $0.2 million to support the strategic relocation of our university partners to the College's Front St. Campus, and $1.1 million of other miscellaneous capital asset additions.

The net effect of the above activity, combined with current year depreciation expense of $6.2 million, was a $55,000 increase in net capital assets compared to 2025.

The College had outstanding construction commitments for the geothermal project of $8.0 million as of June 30, 2026.

During fiscal year 2025, capital asset activity can be summarized by three major initiatives including: the acquisition or down-payments for new aircraft totaling $4.4 million, additions to CIP of $4.8 million for the aviation hangar expansion, and the acquisition of and modifications to the donated *Robinson Bay* tug boat totaling $1.0 million. Net capital assets increased $6.8 million from fiscal year 2024 after all additions were offset by $5.6 million in depreciation expense.

The College had outstanding construction commitments related to the aviation project of $2.3 million as of June 30, 2025.

Long-Term Financing Activity

Total long-term obligations increased $9.4 million in fiscal year 2026 due to the College issuing $10.5 million in limited tax, general obligation (LTGO) facilities bonds to finance the Front St. Campus geothermal project, offset by $1.7 million in principal payments on its outstanding 2016, 2018, and 2024 series bonds.

Total long-term obligations increased $7.8 million in fiscal year 2025 due the College issuing $8.2 million in LTGO bonds, to finance the aviation hangar and fleet expansion. This activity was offset by $1.2 million in principal payments on its outstanding 2016 and 2018 series bonds.

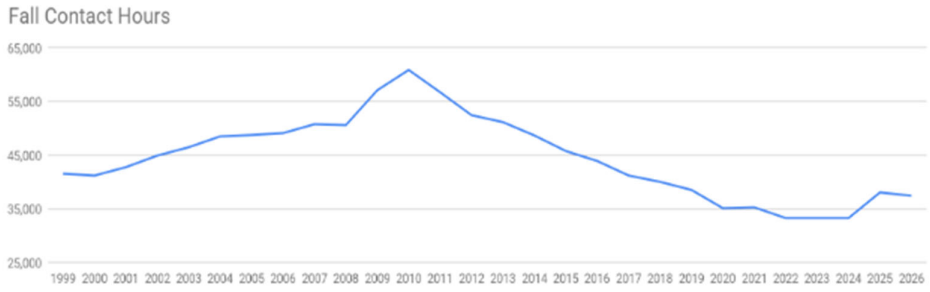
On December 16, 2025, S&P affirmed the College's 'AA' credit rating and revised the College's outlook from negative to stable. The 'AA' rating and stable outlook were reaffirmed on May 20, 2026, prior to the 2026 issuance previously described. The College's voted and non-voted legal debt margins were $1.3 billion and $103.7 million, respectively, as of June 30, 2026.

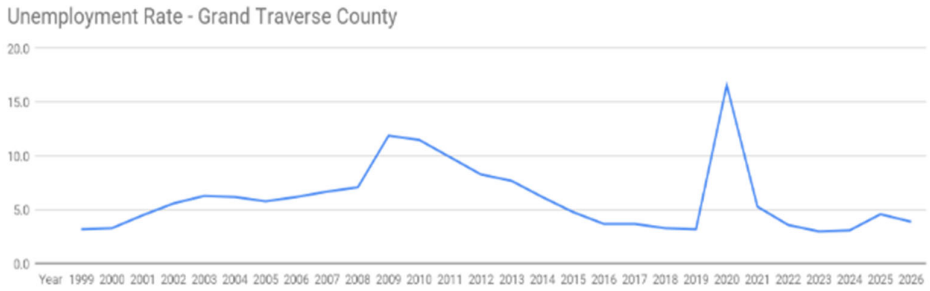
Currently Known Facts, Decisions, or Conditions

The College is currently aware of the following items that will impact future finances.

Enrollment

On a national scale, community college enrollment has a statistically significant, positive, and countercyclical relationship with unemployment rates; as unemployment rates rise, community college enrollment increases. This historical relationship reigns true for Grand Traverse County and Northwestern Michigan College.





The College experienced enrollment growth of 5.4%, 6.9%, and 2.5% for the fiscal years ended June 30, 2026, 2025, and 2024, respectively; however, the College's Fall 2026 semester reflected a 1.6% enrollment decrease as of Fall semester's add/drop deadline on September 3, 2026. Management uses models influenced by the local unemployment rate, demographics, and historical trends to project future enrollment and the resulting long-term budget implications. This data, in turn, supports the College's proactive strategic and financial planning processes.

Growth in Local Property Tax Base

Property tax revenue increased by $0.9 million in fiscal year 2026, reflecting continued expansion and rising taxable values within the College's tax district. Property tax values are a key component of the College's long-term financial stability and future economic conditions in the region will directly influence this revenue source. A 15-year history of property tax values, millage rates, tax abatements and adjustments, and net property tax revenues were as follows.

Fiscal Year	Grand Traverse County Taxable Values	% Chg in TV	NMC Maximum Allowable Millage Levy	NMC's Headlee Rollback	NMC Property Tax Revenues, before TIFs and other tax abatements	Less: TIF 97, Old Town TIF, Brownfield, and other tax abatements	NMC Property Tax Revenues
FY12	$ 4,285,384,931	-2.2%	2.1700	0.0%	$ 9,299,285	$ (169,585)	$ 9,129,700
FY13	$ 4,285,338,798	0.0%	2.1700	0.0%	$ 9,299,185	$ (103,134)	$ 9,196,051
FY14	$ 4,396,631,123	2.6%	2.1700	0.0%	$ 9,540,690	$ (187,985)	$ 9,352,705
FY15	$ 4,473,291,394	1.7%	2.1700	0.0%	$ 9,707,042	$ (176,394)	$ 9,530,648
FY16	$ 4,620,528,695	3.3%	2.1700	0.0%	$ 10,026,547	$ (208,594)	$ 9,817,953
FY17	$ 4,698,287,253	1.7%	2.1692	0.0%	$ 10,191,525	$ (156,737)	$ 10,034,788
FY18	$ 4,868,438,486	3.6%	2.1520	-0.8%	$ 10,476,880	$ (126,638)	$ 10,350,242
FY19	$ 5,106,798,342	4.9%	2.1439	-0.4%	$ 10,948,465	$ (262,760)	$ 10,685,705
FY20	$ 5,368,654,721	5.1%	2.1339	-0.5%	$ 11,456,172	$ (293,000)	$ 11,163,172
FY21	$ 5,651,352,613	5.3%	2.1137	-0.9%	$ 11,945,264	$ (376,123)	$ 11,569,141
FY22	$ 5,901,559,989	4.4%	2.0935	-1.0%	$ 12,354,916	$ (404,650)	$ 11,950,266
FY23	$ 6,383,535,930	8.2%	2.0574	-1.7%	$ 13,133,487	$ (470,960)	$ 12,662,527
FY24	$ 6,958,129,076	9.0%	2.0574	0.0%	$ 14,315,655	$ (543,757)	$ 13,771,898
FY25	$ 7,625,687,860	9.6%	2.0331	-1.2%	$ 15,503,786	$ (612,823)	$ 14,890,963
FY26	$ 8,196,743,941	7.5%	2.0050	-1.4%	$ 16,434,472	$ (615,372)	$ 15,819,100

Grand Traverse County taxable values experienced substantial growth of 45% over the 5-year period from 2021 to 2026, while net property tax revenues only grew 37% over the same period due to the impacts of Headlee rollbacks and increased tax abatements.

Capital Projects

The College is in process of procuring and contracting with a designer and construction manager at-risk for its board approved $13.5 million project to transform the Osterlin Building into a Student Service Hub. This building is centrally located on the College's Front St. Campus, and the project will be funded by the College's unrestricted reserves and private philanthropy through the Foundation.

Management is also committed to completing the ongoing geothermal project by Fall 2027. The College's contractual commitments of $8.0 million as of June 30, 2026 do not include the next phase of work ("Phase 2"), which is to upgrade the mechanical, electrical, and HVAC-related equipment in the five buildings it will serve as the College. The College expects to contract for Phase 2 by November 2026, perform any non-disruptive building and utility tunnel work between November 2026 and April 2027, then execute the building retrofits from May 2027 to August 2027 during the summer semester to limit campus disruption.

Expected Budgetary Changes

For fiscal year 2027, the College has a balanced budget that includes transfers to financial reserves, increased funding for deferred maintenance, and intentional investments in the College's strategic plan. For the 2026-2027 academic year, the budget anticipated a 0.6% increase in enrollment. We realized a 1.6% decrease in Fall 2026; this slight shortfall is not expected to have a significant impact on the operating budget, however management will continue to monitor registration data for Spring 2027 semester and our overall financial projections for fiscal year 2027 to determine if any action is needed to counter the potential shortfall.

The College budgeted for continued growth in property tax values and a slight increase in state appropriations, which are tracking as expected. Management continues to encourage fiscal stewardship, experimentation with AI to enhance productivity, and is directly focused on initiatives that improve the places, systems, and supports that shape life at the College, to make it easier for students and employees to connect, succeed, and take pride in their work and learning—one of three strategies in the College's 2026-2029 strategic plan.

The College has reviewed its cash flow data and reserve funds. Management believes Northwestern Michigan College is financially positioned to continue normal operations.

Basic Financial Statements

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ANDREWS HOOPER PAVLIK PLC
844-497-5300 | www.ahp.cpa

Report of Independent Auditors

To the Board of Trustees
Northwestern Michigan College
Traverse City, Michigan

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Northwestern Michigan College (College) and the Northwestern Michigan College Foundation (Foundation), a discretely presented component unit of the College, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the College's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Northwestern Michigan College and its discretely presented component unit, the Northwestern Michigan College Foundation, as of June 30, 2026 and 2025, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 College and to meet our other 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 U.S. GAAP 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 College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

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 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 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 Matters

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, schedule of pension contributions, schedule of the College's proportionate share of the net OPEB liability (asset), and schedule of OPEB contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwestern Michigan College's basic financial statements. The 2026 combining statement of net position and combining statement of revenue, expenses, and changes in net position and the 2025 comparative totals are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Additional Information

Management is responsible for the accompanying listing of board of trustees and administrative officials, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinion on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2026 on our consideration of Northwestern Michigan College'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 Northwestern Michigan College'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 Northwestern Michigan College's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Grand Rapids, Michigan
October 29, 2026

Northwestern Michigan College

Statements of Net Position

	June 30			
	College		Component Unit – Foundation	
	2026	2025	2026	2025
Assets				
Current assets:				
Cash and cash equivalents	**$ 41,295,965**	$ 4,561,212	**$ 7,927,755**	$ 1,806,338
Receivables, current	**10,843,865**	16,756,232	**610,583**	1,208,089
Short-term investments	**6,317,292**	12,172,572	**-**	-
Prepaid expenses and other assets	**2,343,149**	2,796,369	**12,839**	2,267
Total current assets	**60,800,271**	36,286,385	**8,551,177**	3,016,694
Noncurrent assets:				
Restricted cash and cash equivalents, unspent bond proceeds	**11,690,379**	8,525,316	**-**	-
Restricted short-term investments, unspent bond proceeds	**1,027,985**	-	**-**	-
Receivables, net of current portion	**-**	-	**343,800**	630,844
Long-term investments	**25,286,304**	16,603,518	**77,677,127**	67,113,710
Net OPEB asset	**7,026,809**	5,892,039	**-**	-
Capital assets, net	**85,208,047**	85,153,246	**-**	-
Cash surrender value of life insurance	**-**	-	**764,846**	703,105
Total noncurrent assets	**130,239,524**	116,174,119	**78,785,773**	68,447,659
Total assets	**191,039,795**	152,460,504	**87,336,950**	71,464,353
Deferred outflows of resources - related to pension and OPEB	**8,085,296**	11,008,106	**-**	-
Liabilities				
Current liabilities:				
Accounts payable	**3,629,501**	4,118,933	**152,143**	80,224
Due to Northwestern Michigan College	**-**	-	**3,020,557**	2,074,515
Accrued liabilities and other:				
Accrued wages and benefits	**2,616,936**	2,711,135	**-**	-
Accrued interest payable	**172,929**	167,860	**-**	-
Unearned revenue	**2,074,583**	1,738,921	**33,500**	-
Annuity obligations, current	**-**	-	**3,580**	3,580
Long-term obligations, current	**3,443,703**	3,297,625	**-**	-
Total current liabilities	**11,937,652**	12,034,474	**3,209,780**	2,158,319
Noncurrent liabilities:				
Annuity obligations, net of current portion	**-**	-	**23,896**	36,755
Net pension liability	**27,331,985**	33,796,611	**-**	-
Long-term obligations, net of current portion	**37,101,744**	27,857,816	**-**	-
Deposits	**3,361,845**	3,025,320	**-**	-
Total noncurrent liabilities	**67,795,574**	64,679,747	**23,896**	36,755
Total liabilities	**79,733,226**	76,714,221	**3,233,676**	2,195,074
Deferred inflows of resources				
Related to pension and OPEB	**19,083,984**	23,137,361	**-**	-
Related to annuity obligations	**-**	-	**123,123**	82,305
Total deferred inflows of resources	**19,083,984**	23,137,361	**123,123**	82,305
Net position				
Net investment in capital assets	**59,146,723**	64,235,015	**-**	-
Restricted:				
Nonexpendable - with donor restrictions	**-**	-	**22,932,519**	19,624,436
Expendable - College programs and student scholarships	**-**	-	**53,805,888**	43,583,220
Expendable - Capital projects	**611,125**	550,003	**-**	-
Expendable - Net OPEB asset	**7,026,809**	5,892,039	**-**	-
Unrestricted (deficit)	**33,523,224**	(7,060,029)	**7,241,744**	5,979,318
Total net position	**$ 100,307,881**	$ 63,617,028	**$ 83,980,151**	$ 69,186,974

See accompanying notes.

Northwestern Michigan College

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30			
	College		Component Unit – Foundation	
	2026	2025	2026	2025
Operating revenues				
Student tuition and fees - Net of scholarship allowance of $10,464,612 for 2026 and $9,626,122 for 2025	**$ 18,045,547**	$ 15,935,646	**$ -**	$ -
Federal Pell Grants	**5,742,720**	5,895,107	**-**	-
Federal grants and contributions	**3,256,276**	3,927,037	**-**	-
State grants and contributions	**4,211,171**	2,986,800	**-**	-
Private gifts, grants, and contracts	**507,708**	528,706	**-**	-
Sales and services of auxiliary activities - Net of allowance of $330,135 for 2026 and $348,775 for 2025	**6,941,865**	6,167,914	**-**	-
Other sources	**915,424**	935,039	**-**	-
Total operating revenues	**39,620,711**	36,376,249	**-**	-
Operating expenses				
Instruction	**19,148,867**	18,533,022	**-**	-
Public service	**2,479,638**	2,376,738	**-**	-
Academic support	**7,115,315**	6,783,931	**-**	-
Student services	**9,992,429**	10,405,964	**-**	-
Institutional administration	**9,273,413**	8,258,347	**32,500**	38,959
Operation and maintenance of plant	**5,471,825**	5,452,537	**-**	-
Depreciation and amortization	**6,456,022**	5,852,005	**-**	-
Information technology	**4,032,494**	4,312,314	**-**	-
Fundraising expense	**-**	-	**730,777**	776,925
Total operating expenses	**63,970,003**	61,974,858	**763,277**	815,884
Operating loss	**(24,349,292)**	(25,598,609)	**(763,277)**	(815,884)
Noncapital subsidies				
State appropriations	**14,242,818**	15,700,388	**-**	-
Property taxes	**15,819,100**	14,890,963	**-**	-
Contributions	**-**	-	**1,989,433**	2,874,303
Support from component unit (grants to College)	**4,203,163**	5,607,075	**(3,514,785)**	(4,594,864)
Grants to Freshwater Research Center	**-**	-	**(87,115)**	(50,000)
Total noncapital subsidies	**34,265,081**	36,198,426	**(1,612,467)**	(1,770,561)
Operating loss and noncapital subsidies	**9,915,789**	10,599,817	**(2,375,744)**	(2,586,445)
Other nonoperating revenues (expenses)				
Special event revenue	**-**	-	**330,845**	180,707
Investment income	**1,660,137**	2,202,553	**12,435,015**	7,619,518
Interest income from ERC	**513,283**	376,095	**-**	-
Bond issuance and amortization costs	**(16,266)**	(19,343)	**-**	-
Interest expense on capital-related debt	**(1,056,477)**	(924,593)	**-**	-
Gain on disposal of capital assets	**24,304,182**	-	**-**	-
Total other nonoperating revenues (expenses) before capital and endowment revenues	**25,404,859**	1,634,712	**12,765,860**	7,800,225
Capital grants and gifts	**1,370,205**	2,425,000	**1,094,888**	794,560
Capital grants to College	**-**	-	**-**	(300,000)
Additions to permanent endowments	**-**	-	**3,308,173**	866,130
Total capital and endowment revenues	**1,370,205**	2,425,000	**4,403,061**	1,360,690
Total other nonoperating revenues (expenses)	**26,775,064**	4,059,712	**17,168,921**	9,160,915
Change in net position	**36,690,853**	14,659,529	**14,793,177**	6,574,470
Net position, beginning of year	**63,617,028**	48,957,499	**69,186,974**	62,612,504
Net position, end of year	**$ 100,307,881**	$ 63,617,028	**$ 83,980,151**	$ 69,186,974

See accompanying notes.

Northwestern Michigan College

Statements of Cash Flows

	Year Ended June 30			
	College		Component Unit – Foundation	
	2026	2025	2026	2025
Cash flows from operating activities				
Student tuition and fees	**$ 18,696,487**	$ 15,693,810	**$ -**	$ -
Federal Pell Grants	**5,742,720**	5,895,107	**-**	-
Grants, contracts, and contributions	**6,777,781**	7,141,812	**-**	-
Payments to suppliers	**(29,458,456)**	(26,810,728)	**(701,930)**	(838,352)
Payments to employees	**(37,539,563)**	(35,047,439)	**-**	-
Auxiliary activities receipts	**6,941,865**	6,167,914	**-**	-
Other	**711,546**	489,426	**-**	-
Federal direct lending receipts	**4,943,035**	5,215,363	**-**	-
Federal direct lending disbursements	**(4,943,035)**	(5,215,363)	**-**	-
Net cash from operating activities	**(28,127,620)**	(26,470,098)	**(701,930)**	(838,352)
Cash flows from noncapital financing activities				
Property taxes	**15,819,100**	14,890,963	**-**	-
Gifts and contributions for other than capital purposes	**3,265,407**	5,424,232	**2,619,420**	2,575,012
State appropriations	**14,373,291**	15,001,432	**-**	-
Employee Retention Credit (ERC)	**8,926,820**	-	**-**	-
Gifts and grants to Northwestern Michigan College and Freshwater Research Center	**-**	-	**(2,655,858)**	(5,062,192)
Payments to annuitants	**-**	-	**(3,580)**	(3,580)
Other receipts	**-**	-	**330,845**	180,707
Net cash from noncapital financing activities	**42,384,618**	35,316,627	**290,827**	(2,310,053)
Cash flows from capital and related financing activities				
Purchase of capital assets	**(8,895,797)**	(12,412,845)	**-**	-
Proceeds received on new capital debt	**10,540,000**	8,190,000	**-**	-
Principal paid on capital debt	**(1,685,000)**	(1,215,000)	**-**	-
Proceeds received on new capital debt premium	**567,213**	798,025	**-**	-
Interest paid on capital debt	**(1,067,673)**	(894,331)	**-**	-
Proceeds on sale of capital assets	**27,000,000**	-	**-**	-
Capital grants received	**1,370,205**	2,425,000	**1,094,888**	794,560
Contributions for endowment purposes	**-**	-	**3,308,173**	866,130
Net cash from capital and related financing activities	**27,828,948**	(3,109,151)	**4,403,061**	1,660,690
Cash flows from investing activities				
Proceeds from sales and maturities of investments	**22,411,940**	18,622,880	**2,665,837**	2,607,480
Interest on investments	**1,456,930**	1,221,033	**2,342,434**	2,288,584
Purchase of investments, net	**(26,055,000)**	(20,743,356)	**(2,878,812)**	(4,880,285)
Net cash from investing activities	**(2,186,130)**	(899,443)	**2,129,459**	15,779
Net change in cash and cash equivalents	**39,899,816**	4,837,935	**6,121,417**	(1,471,936)
Cash and cash equivalents, beginning of year	**13,086,528**	8,248,593	**1,806,338**	3,278,274
Cash and cash equivalents, end of year	**$ 52,986,344**	$ 13,086,528	**$ 7,927,755**	$ 1,806,338
Classification of Cash and Cash Equivalents				
Cash and cash equivalents	**$ 41,295,965**	$ 4,561,212	**$ 7,927,755**	$ 1,806,338
Restricted cash and cash equivalents	**11,690,379**	8,525,316	**-**	-
Total cash and cash equivalents	**$ 52,986,344**	$ 13,086,528	**$ 7,927,755**	$ 1,806,338

See accompanying notes.

Northwestern Michigan College

Statements of Cash Flows

	Year Ended June 30			
	College		Component Unit – Foundation	
	2026	2025	2026	2025
Reconciliation of operating loss to net cash from operating activities				
Operating loss	**$ (24,349,292)**	$ (25,598,609)	**$ (763,277)**	$ (815,884)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	**6,456,022**	5,852,005	**-**	-
Changes in assets and liabilities:				
Receivables	**(1,422,499)**	(420,735)	**-**	-
Prepaid expenses and other assets	**38,793**	413,744	**(10,572)**	(2,267)
Deferred outflows of resources	**2,659,708**	5,442,800	**-**	-
Accounts payable	**(489,432)**	1,506,263	**71,919**	(20,201)
Accrued liabilities and other	**(94,199)**	383,711	**-**	-
Unearned revenue	**672,187**	(567,443)	**-**	-
Compensated absences	**53,865**	65,857	**-**	-
Net pension liability	**(6,464,626)**	(12,874,969)	**-**	-
Net OPEB asset	**(1,134,770)**	(5,067,356)	**-**	-
Deferred inflows of resources	**(4,053,377)**	4,394,634	**-**	-
Cash from operating activities	**$ (28,127,620)**	$ (26,470,098)	**$ (701,930)**	$ (838,352)

See accompanying notes.

1. Basis of Presentation and Significant Accounting Policies

Reporting Entity

Northwestern Michigan College (College) is a Michigan community college whose financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35, and subsequently amended by GASB Statement No. 103, and the Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001.

The College reports as a special-purpose government engaged only in business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on the application of the criteria, the College has one component unit, Northwestern Michigan College Foundation (Foundation). A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational or financial relationship with the College.

Northwestern Michigan College Foundation is a separate legal entity established as a 501(c)(3) corporation to solicit, collect, hold, and invest donations made for the promotion of educational activities at the College and to augment the facilities of the College. The Foundation's board members are appointed by the College's board of trustees, creating a voting majority, and upon dissolution of the Foundation, its remaining assets would be distributed to the College. Although the College does not necessarily control the timing or amount of receipts from the Foundation, the majority of resources, or income earned thereon, and the Foundation's holdings and investments are restricted by the donors for the activities of the College. Because of these factors, the Foundation is considered a component unit of the College.

The Foundation follows U.S. GAAP, as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the GASB. Other organizations, including not-for-profit organizations, are considered governmental and are required to comply with GASB requirements if one or more of the following characteristics are met: (i) popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments, (ii) the potential for unilateral dissolution by a government with the net assets reverting to a government, or (iii) the power to enact and enforce a tax levy. Separate financial statements of the Foundation may be obtained by contacting Northwestern Michigan College Foundation, 1701 East Front Street, Traverse City, MI 49686.

1. Basis of Presentation and Significant Accounting Policies (continued)

Basis of Presentation

The financial statements of the College use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Fair Value Measurements

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

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

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

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

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

For a further discussion of fair value measurement, refer to Note 4 to the financial statements.

1. Basis of Presentation and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less when acquired.

Investments

Investments are reported at fair value. Short-term investments consist of investments with original maturities greater than three months and as of year-end will mature in less than one year. Realized and unrealized gains and losses are reflected in the statement of revenue, expenses, and changes in net position as investment income. During the year ended June 30, 2026, the College recognized $203,207 of unrealized gains on investments and $981,520 during the year ended June 30, 2025. The Foundation recognized unrealized gains of $9,875,579 during the year ended June 30, 2026 and $5,334,962 during the year ended June 30, 2025.

Restricted Cash and Cash Equivalents and Investments

The proceeds of the 2016 Community College Facilities Bonds, the 2024 Community College Facilities Bonds, and the 2026 Community College Facilities Bonds are held in cash and short-term investments and are restricted for capital projects.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Capital Assets

Capital assets are recorded at cost or, if donated, the acquisition value at the time of donation. Expenses for maintenance and repairs are charged to current expenses as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land and the art collection. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Interest incurred during the construction of capital assets of business-type activities is expensed as incurred. Management reviews capital assets for impairment annually.

1. Basis of Presentation and Significant Accounting Policies (continued)

Capital Assets (continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvement	30-40 years
Land improvements and infrastructure	15 years
Furniture, fixtures, and equipment	4-10 years
Docks	10 years

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Unearned Revenue and Deposits

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue or deposits. As of June 30, 2026, the unearned revenue balance consists of approximately $1,040,000 for the 2026 summer semester and approximately $252,000 for the 2026 fall semester. As of June 30, 2025, the unearned revenue balance consists of approximately $1,019,000 for the 2025 summer semester and approximately $202,000 for the 2025 fall semester. Grants received prior to qualifying expenses of approximately $782,000 as of June 30, 2026 are also included in unearned revenue and approximately $518,000 as of June 30, 2025. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Deposits include approximately $1,986,000 as of June 30, 2026 ($1,892,000 as of June 30, 2025) related to the Michigan New Job Training Program (MNJTP). Under MNJTP, local employers may enter into training agreements with the College, then divert to the College any state withholding generated by the wages earned by their new employees. The diverted state taxes are held by the College and reimbursed back to the employer once the agreed-upon training has been delivered and paid for. The remaining balance of deposits consists of flight fees paid in advance, agency funds for student organizations, and miscellaneous other deposits.

1. Basis of Presentation and Significant Accounting Policies (continued)

Net Pension Liability

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as an expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs

For the purpose of measuring the net other postemployment benefit (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of MPSERS and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity of one year or less at the time of purchase, which are reported at cost.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue or expense reduction) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 8. The Foundation has deferred inflows of resources related to future revenue streams from its charitable gift annuities.

1. Basis of Presentation and Significant Accounting Policies (continued)

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the board, including amounts that the board has agreed to set aside under contractual agreements with third parties. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available. Unrestricted net position represents net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt.

Student Tuition and Fees

The academic programs are offered in traditional fall and spring semesters. Revenue from student tuition and fees is recognized during the academic term. Revenue from the summer semester, which commences in May and ends in August, is split and recognized proportionally to the number of days of the semester within the fiscal year. Tuition revenue is reported at established rates net of institutional financial aid and discounts provided by the College to the students.

Scholarship Discounts and Allowances

Student tuition, fee revenue, and certain other revenue from students are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell Grants, and other federal, state, or nongovernmental programs are recorded as either operating revenue or noncapital subsidies in the College's financial statements. 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.

Grants and Contributions

The College is often awarded grants from the federal government, the State of Michigan, and other agencies. Revenue from grants is recognized when all eligibility requirements, including time requirements, are met. Grants may be restricted for specific operating or capital purposes. Amounts restricted to capital acquisitions are reported as nonoperating revenues.

1. Basis of Presentation and Significant Accounting Policies (continued)

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (SEOG) grants, Federal Work-Study, and Federal Direct Lending programs. Federal programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Compliance Supplement*. During the year ended June 30, 2026, the College distributed $4,943,035 for direct lending through the U.S. Department of Education and $5,215,363 during the year ended June 30, 2025. These amounts are not included as revenue and expenditures on the accompanying financial statements.

Sales and Services of Auxiliary Activities

Auxiliary activities primarily represent revenue generated from housing, dining, conferences, and various other departmental activities that provide services to the student body, faculty, staff, and general public.

Compensated Absences

It is the College's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued in the financial statements when it is earned. The College does not have a policy to pay any accumulated sick time amounts when employees separate from service with the College; therefore, the College estimates how much of the accumulated leave is more likely than not to be used as paid leave. Based on this calculation, the College has not reported a liability related to accumulated unused sick benefits.

Voluntary Separation Plan

The College offered a voluntary separation plan to certain employees. The liability and expense are recognized when the employee accepts the offer and the amounts can be estimated.

Operating Revenues and Expenses, Noncapital Subsidies, and Other Nonoperating Revenues and Expenses

Revenue and expense transactions are normally classified as operating revenues and expenses when such transactions are generated by the College's principal ongoing operations. Operating revenues of the College consist of student tuition and fees, Federal Pell Grants, grants and contracts (including contributions and gifts), sales and services of auxiliary activities, and other sources of revenue. These revenues represent revenue earned from exchange transactions and are reported net of discounts and allowances.

1. Basis of Presentation and Significant Accounting Policies (continued)

Operating Revenues and Expenses, Noncapital Subsidies, and Other Nonoperating Revenues and Expenses (continued)

Subsidies include resources received from or paid to another party for which the College does not provide or receive goods or services and that directly or indirectly keep the fees and charges lower than they otherwise would be. Noncapital subsidies are reported separately and include noncapital state appropriations, property tax revenue, support from the Foundation, and the Foundation reported noncapital subsidies revenues from contributions and noncapital subsidies expenses from grants to the College and Freshwater Research Center. The Foundation recognizes contributions of cash and other assets, including unconditional promises to give in the future, as revenue when received or pledged, measured at fair value. Unconditional donor promises to give in the future are recorded at the present value of estimated future cash flows.

Nonoperating revenues and expenses includes special event revenue, investment income, ERC interest income, bond costs and interest expense on capital-related debt, resources from the disposal of capital assets, capital contributions, and additions to permanent and term endowments.

Internal Service Activities

Revenue and expenses related to internal service activities, including food and conference services, postage, and telecommunications, have been eliminated.

Adoption of New Standard and Reclassification

During the year ended June 30, 2026, the College adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The adoption of GASB Statement No. 103 was reported as a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections.* The adoption of GASB Statement No. 103 changed the presentation and classification of certain revenues and expenses in the statements of revenues, expenses, and changes in net position, including separate presentation of noncapital subsidies and revised presentation and classification of certain nonoperating revenues. Comparative amounts for the year ended June 30, 2025 have been reclassified, if practicable, to conform to the June 30, 2026 presentation. The reclassification affected only the presentation and classification of revenues and had no effect on the total change in net position, beginning net position, ending net position, assets, deferred outflows of resources, liabilities, or deferred inflows of resources.

1. Basis of Presentation and Significant Accounting Policies (continued)

Subsequent Event

On August 17, 2026, the College's Board of Trustees approved a $13.5 million project to renovate the Mark and Helen Osterlin building. See Note 9 for details related to project funding that was earmarked by the Board of Trustees.

2. Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by townships and cities within the College's taxing district, are collected through February 28. Uncollected real property taxes of the College are turned over to the county in which the district is located for subsequent collection. The College is subsequently paid all of the delinquent real property taxes through the county's tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the year ended June 30, 2026, the College's taxing district levied 2.005 mills of tax per $1,000 of taxable property value for general operating purposes and 2.0331 mills during the year ended June 30, 2025. Total operating property tax revenue was $15,819,100 for the year ended June 30, 2026 and $14,890,963 for the year ended June 30, 2025.

The College's property tax revenue is affected by tax abatements entered into by other governments. The College's property tax revenue was reduced as follows for the years ended June 30:

	2026	**2025**
City of Traverse City	**$ 215,463**	$ 199,686
Blair Township	**20,875**	18,670
Fife Lake Township	**1,533**	1,180
Garfield Township	**116,367**	110,445
Green Lake Township	**1,115**	1,095
Acme Township	**413**	407
Paradise Township	**-**	1,592
Long Lake Township	**3,347**	3,292
Peninsula Township	**1,061**	1,076
	$ 360,174	$ 337,443

3. Cash, Cash Equivalents, and Investments

State statutes and the College's investment policy authorize the College to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The College is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, state obligations, commercial paper rated prime at the time of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The College's deposits are in accordance with statutory authority.

Deposits and investments of the College and Foundation are reported in the financial statements as follows as of June 30:

	College		Foundation	
	2026	**2025**	**2026**	**2025**
Cash and cash equivalents	**$ 41,295,965**	$ 4,561,212	**$ 7,927,755**	$ 1,806,338
Restricted cash and cash equivalents	**11,690,379**	8,525,316	**-**	**-**
Short-term investments	**6,317,292**	12,172,572	**-**	**-**
Restricted short-term investments	**1,027,985**	**-**	**-**	**-**
Long-term investments	**25,286,304**	16,603,518	**77,677,127**	67,113,710
	$ 85,617,925	$ 41,862,618	**$ 85,604,882**	$ 68,920,048

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the College's deposits. The College thoroughly examines the banks with which it chooses to deposit funds for the following qualifications: federally chartered, State of Michigan qualified depository, Federal Reserve System, FDIC member, compliance with Community Reinvestment Act, Bauer bank rating of adequate to good, and Bankrate rating of sound to performing. As of June 30, 2026, the College's deposit balances in checking and savings accounts of $1,838,582 had bank deposits of $1,338,582 that was uninsured and uncollateralized. As of June 30, 2025, the College's deposit balances in checking and savings accounts of $1,964,853 had bank deposits of $1,464,853 that was uninsured and uncollateralized.

The Foundation had deposit accounts held at banks with balances of $7,938,202 as of June 30, 2026, and $1,821,194 as of June 30, 2025. The Foundation had $5,613,863 exposed to custodial credit risk because the deposits were uninsured or uncollateralized as of June 30, 2026 and $1,508,834 as of June 30, 2025.

The College and the Foundation believe that, due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

3. Cash, Cash Equivalents, and Investments (continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the College will do business using the criteria established in the investment policy. All investment securities that are uninsured and unregistered are held by counterparties.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The College's and the Foundation's policies minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. State law limits investments in commercial paper to prime ratings issued by nationally recognized statistical rating organizations. The College's investment policy does not further limit its investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of the potential losses from any one type of security or issuer will be minimized.

3. Cash, Cash Equivalents, and Investments (continued)

Concentration of Credit Risk (continued)

The College had the following cash equivalents and investments subject to credit risk as of June 30:

	Carrying Value	Less than 1 Year	1 to 5 Years	6 to 10 Years
2026				
Commercial paper	**$ 7,060,719**	**$ 7,060,719**	**$ -**	**$ -**
U.S. government agency securities	**20,286,304**	**-**	**17,305,204**	**2,981,100**
Certificates of deposit	**284,558**	**284,558**	**-**	**-**
Total	**$ 27,631,581**	**$ 7,345,277**	**$ 17,305,204**	**$ 2,981,100**
2025				
Commercial paper	$ 8,368,660	$ 8,368,660	$ -	$ -
U.S. government agency securities	20,573,068	4,969,550	10,739,942	4,863,576
Certificates of deposit	274,189	274,189	-	-
Total	$ 29,215,917	$ 13,612,399	$ 10,739,942	$ 4,863,576

The nationally recognized statistical rating organization utilized by the College is primarily Standard & Poor's Rating Services. The College's investments subject to credit risk (interest rate fluctuations) and related ratings consisted of the following as of June 30:

	AA+	A1	A2
2026			
Commercial paper	**$ -**	**$ 5,430,638**	**$ 1,630,081**
U.S. government agency securities	**20,286,304**	**-**	**-**
	$ 20,286,304	**$ 5,430,638**	**$ 1,630,081**
2025			
Commercial paper	$ -	$ 8,368,660	$ -
U.S. government agency securities	20,573,068	-	-
	$ 20,573,068	$ 8,368,660	$ -

The Foundation invests in fixed-income mutual funds with a long-term growth objective and due to the nature of mutual funds, do not have maturities for consideration with credit risk. Additionally, these funds are not rated by the rating agencies.

3. Cash, Cash Equivalents, and Investments (continued)

Concentration of Credit Risk (continued)

The following investments comprise 5.00% or more of the College's investments as of June 30:

	2026	2025
Federal National Mortgage Association bonds	**28.00%**	48.00%
Federal Home Loan Mortgage Corporation term notes	**25.00**	18.00
Federal Home Loan Consolidated	**-**	5.00
Mackinac Funding Co LLC commercial paper	**-**	5.00
Lexington Parker Capital Co LLC commercial paper	**-**	5.00
Federal Farm Credit Banks bonds	**9.00**	**-**
	62.00%	81.00%

The following investments comprise 5.00% or more of the Foundation's investments as of June 30:

	2026	2025
Vanguard Institutional Index	**33.00%**	33.00%
Vanguard Total International Stock Index	**12.00**	12.00
iShares Russell 2500 ETF	**7.00**	6.00
Vanguard Total Bond Market Index	**5.00**	6.00
	57.00%	57.00%

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. All of the College's and Foundation's foreign investments as of June 30, 2026 and 2025 are valued in U.S. dollars; therefore, they are not subject to foreign currency risk.

4. Fair Value Measurements

In instances where inputs used to measure fair value fall into different levels in the 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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The following tables present information about the College's assets measured at fair value on a recurring basis as of June 30:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2026				
U.S. government agency securities	**$ 20,286,304**	**$ -**	**$ -**	**$ 20,286,304**
Joint venture	**-**	**-**	**5,000,000**	**5,000,000**
Total	**$ 20,286,304**	**$ -**	**$ 5,000,000**	**$ 25,286,304**
2025				
U.S. government agency securities	$ 20,573,068	$ -	$ -	$ 20,573,068
Joint venture	-	-	1,000,000	1,000,000
Total	$ 20,573,068	$ -	$ 1,000,000	$ 21,573,068

The remaining funds held by the College are either cash or cash equivalents/investments that are valued at amortized cost. These funds are not subject to fair value measurements and consisted of the following as of June 30:

	2026	2025
Cash	**$ 1,408,893**	$ 1,498,573
Money market mutual funds	**51,577,451**	10,148,128
Commercial paper	**7,060,719**	8,368,660
Certificates of deposit	**284,558**	274,189
	$ 60,331,621	$ 20,289,550

4. Fair Value Measurements (continued)

The following tables present information about the Foundation's assets measured at fair value on a recurring basis as of June 30:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2026				
Mutual funds:				
Domestic equity	**$ 34,871,596**	**$ -**	**$ -**	**$ 34,871,596**
International equity	**18,869,829**	**-**	**-**	**18,869,829**
Fixed income	**14,264,174**	**-**	**-**	**14,264,174**
Real estate	**593,858**	**-**	**-**	**593,858**
Total	**$ 68,599,457**	**$ -**	**$ -**	**68,599,457**
Investments measured at NAV:				
Private equity funds				**5,227,483**
Infrastructure and energy fund				**702,534**
Real estate funds				**2,027,183**
Multistrategy hedge funds				**1,120,470**
Total investments measured at NAV				**9,077,670**
Total				**$ 77,677,127**
2025				
Mutual funds:				
Domestic equity	$ 28,507,266	$ -	$ -	$ 28,507,266
International equity	16,186,733	-	-	16,186,733
Fixed income	13,607,484	-	-	13,607,484
Real estate	1,254,304	-	-	1,254,304
Total	$ 59,555,787	$ -	$ -	59,555,787
Investments measured at NAV:				
Private equity funds				4,899,936
Real estate funds				1,618,349
Multistrategy hedge funds				1,039,638
Total investments measured at NAV				7,557,923
Total				$ 67,113,710

4. Fair Value Measurements (continued)

The College and Foundation's debt and equity securities are classified as Level 1 and are valued using prices quoted in active markets for those securities.

During the year ended June 30, 2025, the College entered into an agreement for a joint venture for the Freshwater Center. Under the agreement's payment schedule, the College was required to invest the initial $1,000,000 commitment prior to June 30, 2025, and another $2,000,000 by December 2026. During the year ended June 30, 2026, the College invested an additional $4,000,000 for a total of $5,000,000 committed, exceeding the total $3,000,000 commitment that was required. With this investment, the College has 50% ownership. Due to the unique nature of this investment, it is classified as Level 3 and valuation is based on the initial cost of the investment, adjusted for the earnings and return of investment under the equity method of accounting.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in a subsequent table.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. The fair value, unfunded commitments, and redemption rules of those investments are as follows as of June 30:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
2026				
Private equity funds	**$ 5,227,483**	**$ 174,333**	**Quarterly**	**30-60 days**
Infrastructure and energy funds	**702,534**	**-**	**Quarterly**	**45 days**
Real estate funds	**2,027,183**	**-**	**Monthly**	**15-30 days**
Multistrategy hedge funds	**1,120,470**	**-**	**Semiannual**	**95 days**
Total investments measured at NAV	**$ 9,077,670**	**$ 174,333**		
2025				
Private equity funds	$ 4,899,936	$ 172,148	Quarterly	30-60 days
Real estate funds	1,618,349	-	Monthly	15-30 days
Multistrategy hedge funds	1,039,638	-	Semiannual	95 days
Total investments measured at NAV	$ 7,557,923	$ 172,148		

4. Fair Value Measurements (continued)

Investments in Entities that Calculate Net Asset Value per Share (continued)

The private equity funds class includes several private equity funds that invest in a diverse portfolio of companies. The infrastructure and energy funds class invests in funds that focus on renewable power and infrastructure. The real estate fund invests directly into a diverse portfolio of private real estate. The multistrategy hedge funds class invests in funds that pursue multiple strategies to diversify risks and reduce volatility.

5. Accounts and Contributions Receivable

The following is the detail of accounts and contributions receivable as of June 30:

	College		Foundation	
	2026	**2025**	**2026**	**2025**
Student	**$ 2,521,786**	$ 2,603,891	**$ -**	$ -
Grants and contracts	**2,390,520**	928,717	**-**	-
State appropriations	**2,590,362**	2,457,733	**-**	-
Foundation	**3,020,557**	2,074,515	**-**	-
Third party and other	**1,263,222**	1,059,344	**-**	-
Contributions	**-**	-	**1,030,663**	1,961,932
Employee Retention Credit	**-**	8,413,537	**-**	-
Gross accounts receivable	**11,786,447**	17,537,737	**1,030,663**	1,961,932
Allowance for doubtful accounts	**(942,582)**	(781,505)	**(55,000)**	(55,000)
Allowance for net present value discount	**-**	-	**(21,280)**	(67,999)
Total accounts receivable, net	**$ 10,843,865**	$ 16,756,232	**$ 954,383**	$ 1,838,933

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under U.S. GAAP, government grants are recognized as revenue in the period in which an organization substantially overcomes all eligibility criteria to be entitled to the funding.

Based on meeting the threshold for gross receipts decline in 2021 compared to 2019 and incurring eligible payroll expenses, the College filed for the credit on January 31, 2024. For the year ended June 30, 2024, the College recorded $8,037,442 of ERC receivable. This receivable was increased during the year ended June 30, 2025 for $376,095 of anticipated interest. During the year ended June 30, 2026, the College received $8,926,820, including $513,283 of additional interest.

5. Accounts and Contributions Receivable (continued)

Future maturities of the Foundation's contributions receivable were as follows as of June 30:

	2026	2025
Current receivables due within 1 year	**$ 610,583**	$ 1,208,089
Noncurrent receivables due within 2-5 years	**343,800**	630,844
Total	**$ 954,383**	$ 1,838,933

6. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2026:

	July 1, 2025	Additions	Disposals	Transfers	June 30, 2026
Capital assets not being depreciated:					
Land	**$ 4,626,042**	**$ -**	**$ -**	**$ -**	**$ 4,626,042**
Construction in progress	**6,385,843**	**3,196,666**	**-**	**(5,051,843)**	**4,530,666**
Art collection	**1,877,707**	**1,313**	**-**	**-**	**1,879,020**
	12,889,592	**3,197,979**	**-**	**(5,051,843)**	**11,035,728**
Capital assets being depreciated:					
Infrastructure	**7,943,394**	**-**	**(239,782)**	**-**	**7,703,612**
Buildings and improvements	**126,319,310**	**2,455,823**	**(7,685,880)**	**5,051,843**	**126,141,096**
Docks	**2,359,401**	**-**	**-**	**-**	**2,359,401**
Furniture, fixtures, and equipment	**39,638,503**	**2,944,925**	**(11,847,165)**	**-**	**30,736,263**
Land improvements	**6,249,601**	**297,070**	**(54,631)**	**-**	**6,492,040**
	182,510,209	**5,697,818**	**(19,827,458)**	**5,051,843**	**173,432,412**
Accumulated depreciation:					
Infrastructure	**7,580,006**	**70,988**	**(236,785)**	**-**	**7,414,209**
Buildings and improvements	**63,947,313**	**3,326,954**	**(5,155,224)**	**-**	**62,119,043**
Docks	**2,178,419**	**51,709**	**-**	**-**	**2,230,128**
Furniture, fixtures, and equipment	**30,988,292**	**2,599,954**	**(11,706,166)**	**-**	**21,882,080**
Land improvements	**5,552,525**	**95,574**	**(33,466)**	**-**	**5,614,633**
	110,246,555	**6,145,179**	**(17,131,641)**	**-**	**99,260,093**
Net capital assets being depreciated	**72,263,654**	**(447,361)**	**(2,695,817)**	**5,051,843**	**74,172,319**
Capital assets, net	**$ 85,153,246**	**$ 2,750,618**	**$(2,695,817)**	**$ -**	**$ 85,208,047**

6. Capital Assets (continued)

Capital asset activity was as follows for the year ended June 30, 2025:

	July 1, 2024	Additions	Disposals	Transfers	June 30, 2025
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	515,299	6,318,949	-	(448,405)	6,385,843
Art collection	1,877,006	701	-	-	1,877,707
	7,018,347	6,319,650	-	(448,405)	12,889,592
Capital assets being depreciated:					
Infrastructure	7,943,394	-	-	-	7,943,394
Buildings and improvements	125,391,726	719,195	-	208,389	126,319,310
Docks	2,359,401	-	-	-	2,359,401
Furniture, fixtures, and equipment	34,070,028	5,328,459	-	240,016	39,638,503
Land improvements	6,204,060	45,541	-	-	6,249,601
	175,968,609	6,093,195	-	448,405	182,510,209
Accumulated depreciation:					
Infrastructure	7,491,005	89,001	-	-	7,580,006
Buildings and improvements	60,682,972	3,264,341	-	-	63,947,313
Docks	2,126,710	51,709	-	-	2,178,419
Furniture, fixtures, and equipment	28,888,830	2,099,462	-	-	30,988,292
Land improvements	5,459,486	93,039	-	-	5,552,525
	104,649,003	5,597,552	-	-	110,246,555
Net capital assets being depreciated	71,319,606	495,643	-	448,405	72,263,654
Capital assets, net	$ 78,337,953	$ 6,815,293	$ -	$ -	$ 85,153,246

7. Long-term Obligations

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

	July 1, 2025	Additions	Reductions	June 30, 2026	Current Portion
Bonds payable:					
2016 Community College Facilities Bonds	**$ 14,805,000**	**$ -**	**$ (935,000)**	**$ 13,870,000**	**$ 970,000**
2018 Community College Facilities Bonds	**5,300,000**	**-**	**(330,000)**	**4,970,000**	**340,000**
2024 Community College Facilities Bonds	**8,190,000**	**-**	**(420,000)**	**7,770,000**	**440,000**
2026 Community College Facilities Bonds	**-**	**10,540,000**	**-**	**10,540,000**	**-**
Total principal outstanding	**28,295,000**	**10,540,000**	**(1,685,000)**	**37,150,000**	**1,750,000**
Unamortized bond premiums	**1,148,547**	**567,213**	**(86,072)**	**1,629,688**	**104,703**
Total bonds payable	**29,443,547**	**11,107,213**	**(1,771,072)**	**38,779,688**	**1,854,703**
Accrued vacation and sick leave	**1,670,972**	**94,787**	**-**	**1,765,759**	**1,589,000**
Voluntary separation plan	**40,922**	**-**	**(40,922)**	**-**	**-**
Total long-term obligations	**$ 31,155,441**	**$11,202,000**	**$ (1,811,994)**	**$ 40,545,447**	**$ 3,443,703**

7. Long-term Obligations (continued)

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

	July 1, 2024	Additions	Reductions	June 30, 2025	Current Portion
Bonds payable:					
2016 Community College Facilities Bonds	$ 15,705,000	$ -	$ (900,000)	$ 14,805,000	$ 935,000
2018 Community College Facilities Bonds	5,615,000	-	(315,000)	5,300,000	330,000
2024 Community College Facilities Bonds	-	8,190,000	-	8,190,000	420,000
Total principal outstanding	21,320,000	8,190,000	(1,215,000)	28,295,000	1,685,000
Unamortized bond premiums	416,379	799,594	(67,426)	1,148,547	85,703
Total bonds payable	21,736,379	8,989,594	(1,282,426)	29,443,547	1,770,703
Accrued vacation and sick leave	1,525,681	1,487,627	(1,342,336)	1,670,972	1,486,000
Voluntary separation plan	120,356	81,844	(161,278)	40,922	40,922
Total long-term obligations	$ 23,382,416	$ 10,559,065	$(2,786,040)	$ 31,155,441	$ 3,297,625

The College has no direct borrowings.

Community College Facilities Bonds, 2016

The College issued $20,890,000 in Limited Tax General Obligation Bonds with an interest rate of 2.78%. The 2016 bonds are payable from operating revenue of the College in installments ranging from $405,000 to $1,405,000 and mature at varying amounts through 2038. The net proceeds of $20,788,154 (after payment of $101,846 in underwriting fees and other issuance cost) were used to construct residence housing, renovations to the museum, a new library, and various other campus infrastructure projects.

Community College Facilities Bonds, 2018

The College issued $7,300,000 in Limited Tax General Obligation Bonds with an interest rate of 3.25% to 3.50%. The 2018 bonds are payable from operating revenue of the College in installments ranging from $260,000 to $495,000 and mature at varying amounts through 2038. The net proceeds of $7,130,750 (after payment of $169,250 in underwriting fees and other issuance cost) were used to finance the West Hall Innovation Center renovation.

Community College Facilities Bonds, 2024

The College issued $8,190,000 in Limited Tax General Obligation Bonds with an interest rate of 4.00% to 5.00%. The 2024 bonds are payable from operating revenue of the College in installments ranging from $420,000 to $780,000 and mature at varying amounts through 2039. The net proceeds of $8,018,378 (after payment of $171,622 in underwriting fees and other issuance cost) were used to finance the expansion and renovation of its existing aircraft hangar and purchase of additional aircraft.

7. Long-term Obligations (continued)

Community College Facilities Bonds, 2026

The College issued $10,540,000 in Limited Tax General Obligation Bonds with an interest rate of 5.00%. The 2026 bonds are payable from operating revenue of the College in installments ranging from $115,000 to $660,000 and mature at varying amounts through 2056. The net proceeds of $10,384,796 (after payment of $155,204 in underwriting fees and other issuance cost) are being used to finance the College's geothermal project. The project will replace existing heating and cooling components in five central campus buildings with a ground-source geothermal exchange system.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds obligations are as follows for years ending June 30:

	Principal	Interest	Total
2027	$ 1,750,000	$ 1,406,014	$ 3,156,014
2028	1,935,000	1,421,450	3,356,450
2029	2,015,000	1,351,025	3,366,025
2030	2,095,000	1,277,563	3,372,563
2031	2,185,000	1,201,075	3,386,075
2032-2036	12,280,000	4,734,775	17,014,775
2037-2041	7,070,000	2,540,600	9,610,600
2042-2046	2,025,000	1,762,500	3,787,500
2047-2051	2,585,000	1,202,750	3,787,750
2052-2056	3,210,000	489,000	3,699,000
Total	$ 37,150,000	$ 17,386,752	$ 54,536,752

8. Retirement Plans

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. Certain College employees also receive defined contribution retirement and health care benefits through MPSERS. MPSERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. MPSERS also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

8. Retirement Plans (continued)

Plan Description (continued)

MPSERS, and all assumptions therein, is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25% to 1.50%. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50% for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100% of the participant's final average compensation, with an increase of 2% each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3%. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years in which investment earnings exceed actuarial assumptions.

8. Retirement Plans (continued)

Benefits Provided (continued)

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80% to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the College to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10%, or 20% for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The College's contributions are determined based on employee elections. There are multiple pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time.

8. Retirement Plans (continued)

Contributions (continued)

Contribution rates are adjusted annually by the ORS. The ranges of rates are as follows:

	Pension	OPEB
October 1, 2023 – September 30, 2024	13.90% – 23.03%	7.06% – 8.31%
October 1, 2024 – September 30, 2025	20.96% – 30.11%	0.00% – 1.25%
October 1, 2025 – September 30, 2026	15.21% – 26.08%	0.00% – 3.83%

Depending on the plan selected, member pension contributions range from 0% up to 7.0% of gross wages. For certain plan members, a 4% employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3% employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to the plan for the year ended June 30, 2026 were $6,252,323 and $6,145,467 for June 30, 2025, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $2,185,118 for the year ended June 30, 2026 and $1,922,016 for the year ended June 30, 2025 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate.

The College's required and actual OPEB contributions to the plan for the year ended June 30, 2026 were $318,236 and $563,497 for the year ended June 30, 2025, which include the College's contributions required for those members with a defined contribution benefit.

Net Pension Liability

As of June 30, 2026, the College reported a liability of $27,331,985 for its proportionate share of the net pension liability and $33,796,611 as of June 30, 2025. The net pension liability was measured as of September 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2024 and 2023, which used update procedures to roll forward the estimated liability to September 30, 2025 and 2024.

8. Retirement Plans (continued)

Net Pension Liability (continued)

The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. As of September 30, 2025, the College's proportion was 0.136435%, 0.138047% as of September 30, 2024, and 0.144199% as of September 30, 2023, representing a change of (1.167718)% between fiscal years 2024 to 2025 and (4.266326)% between fiscal years 2023 to 2024.

Net OPEB Asset

As of June 30, 2026, the College reported an asset of $7,026,809 and $5,892,039 as of June 30, 2025, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of September 30, 2025 and 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2024 and 2023, which used update procedures to roll forward the estimated liability to September 30, 2025 and 2024. The College's proportion of the net OPEB asset liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. As of September 30, 2025, the College's proportion was 0.115589%, 0.136884% as of September 30, 2024, and 0.145781% as of September 30, 2023, representing a change of (15.556968)% between fiscal years 2024 to 2025 and (6.102990)% between fiscal years 2023 to 2024.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2026, the College recognized pension recovery of $457,071 and pension expense of $640,665 for June 30, 2025, inclusive of payments to fund the MPSERS UAAL stabilization rate.

8. Retirement Plans (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of June 30:

	2026		2025	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	**$ 1,058,646**	**$ (243,444)**	$ 916,926	$ (367,205)
Changes in assumptions	**981,023**	**(1,444,561)**	3,523,497	(2,476,223)
Net difference between projected and actual earnings on pension plan investments	**-**	**(6,531,759)**	-	(6,449,826)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	**35,309**	**(2,283,839)**	36,650	(3,627,199)
The College's contributions to the plan subsequent to the measurement date	**4,931,181**	**-**	5,098,921	-
Total	**$ 7,006,159**	**$ (10,503,603)**	$ 9,575,994	$ (12,920,453)

For the year ended June 30, 2026, $2,185,118 is reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment and was recognized as state appropriations revenue, and $1,922,016 for the year ended June 30, 2025. Amounts reported as deferred outflows of resources and (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2027	$ (1,557,164)
2028	(3,630,913)
2029	(2,529,922)
2030	(710,626)
Total	$ (8,428,625)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

8. Retirement Plans (continued)

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

For the year ended June 30, 2026, the College recognized OPEB recovery of $2,568,767 and $2,537,329 for the year ended June 30, 2025. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources as of June 30:

	2026		2025	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	**$ -**	**$ (4,810,887)**	$ -	$ (6,243,762)
Changes in assumptions	**937,803**	**(74,526)**	1,286,906	(147,919)
Net difference between projected and actual earnings on OPEB plan investments	**-**	**(987,420)**	-	(1,115,431)
Changes in proportion and differences between the College's contributions	**24,208**	**(522,430)**	32,868	(787,780)
The College's contributions to the plan subsequent to the measurement date	**117,126**	**-**	112,338	-
Total	**$ 1,079,137**	**$ (6,395,263)**	$ 1,432,112	$ (8,294,892)

Amounts reported as deferred outflows of resources and (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows, reduced by employer contributions subsequent to the measurement date:

Year Ending June 30	**Amount**
2027	$ (1,494,024)
2028	(1,430,599)
2029	(1,286,476)
2030	(841,520)
2031	(292,624)
Thereafter	(88,009)
Total	$ (5,433,252)

8. Retirement Plans (continued)

Actuarial Assumptions

The total pension and OPEB liabilities as of September 30, 2025 and 2024 are based on the results of an actuarial valuation as of September 30, 2024 and 2023, respectively, and rolled forward. The total liabilities were determined using the following actuarial assumptions:

Actuarial cost method	Entry age, normal
Investment rate of return:	
Pension	6.00%, net of investment expenses based on the groups
OPEB	6.00%, net of investment expenses based on the groups
Salary increases	2.75%-11.55% (including wage inflation of 2.75%)
Healthcare cost trend rate	Pre 65: 7.75% as of September 30, 2024 and 7.25% as of September 30, 2023 (year 1 graded to 3.5% year 15) Post 65: 6.50% Year 1 graded to 3.50% Year 15
Mortality	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% (retirees: 116% for males and 116% for females) and adjusted for mortality improvements using projection scale MP-2021 from 2010
Cost of living pension adjustments	3.00% (Annual noncompounded for MIP members)

Assumption changes as a result of an experience study for the periods from 2017 to 2022 have been adopted by MPSERS for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2025, are based on the results of an actuarial valuation date of September 30, 2024, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4524 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.4654 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5.0000 years.

Discount Rate

The discount rate used to measure the total pension liability and OPEB (asset)/liability was 6.00% as of September 30, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that College contributions will be made at statutorily required rates.

8. Retirement Plans (continued)

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB asset.

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

	2026			**2025**	
	Pension Target Allocation	**OPEB Target Allocation**	**Long-term Expected Real Rate of Return**	**Pension and OPEB Target Allocation**	**Long-term Expected Real Rate of Return**
Asset Class					
Domestic equity pools	**21.00%**	**16.00%**	**5.80%**	25.00%	5.30%
Private equity pools	**16.00**	**16.00**	**9.30**	16.00	9.00
International equity pools	**14.00**	**11.00**	**5.60**	15.00	6.50
Fixed-income pools	**15.00**	**26.00**	**2.50**	13.00	2.20
Real estate and infrastructure pools	**8.00**	**5.00**	**7.00**	10.00	7.10
Absolute return pools	**13.00**	**15.00**	**4.40**	9.00	5.20
Real return/Opportunistic pools	**9.00**	**7.00**	**7.00**	10.00	6.90
Short-term investment pools	**4.00**	**4.00**	**1.30**	2.00	1.40

Long-term rates of return are net of administrative expense and inflation of 2.40% for September 30, 2025 and 2.30% for September 30, 2024.

8. Retirement Plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the College, calculated using the discount rate depending on the plan option. The following also reflects what the College's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1.00 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1.00 Percentage Point Increase (7.00%)
2026			
Net pension liability of the College	**$ 43,131,380**	**$ 27,331,985**	**$ 14,173,112**
2025			
Net pension liability of the College	$ 49,546,195	$ 33,796,611	$ 20,682,052

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the College, calculated using the current discount rate. It also reflects what the College's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1.00 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1.00 Percentage Point Increase (7.00%)
2026			
Net OPEB asset of the College	**$ (6,054,041)**	**$ (7,026,809)**	**$ (7,878,192)**
2025			
Net OPEB asset of the College	$ (4,553,416)	$ (5,892,039)	$ (7,049,420)

8. Retirement Plans (continued)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB asset of the College, calculated using the current healthcare cost trend rate, as noted in the aforementioned actuarial assumptions. It also reflects what the College's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1.00 Percentage Point Decrease	Current Healthcare Cost Trend Rate	1.00 Percentage Point Increase
2026			
Net OPEB asset of the College	**$ (7,870,424)**	**$ (7,026,809)**	**$ (6,141,042)**
2025			
Net OPEB asset of the College	$ (7,049,432)	$ (5,892,039)	$ (4,650,741)

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

As of June 30, 2026, the College reported a payable of $668,961 for the outstanding amount of contributions to the pension plan and $11,138 to the OPEB plan. As of June 30, 2025, the College reported a payable of $566,212 for the outstanding amount of contributions to the pension plan and $9,907 to the OPEB plan.

Defined Contribution Pension Plan

Full-time faculty, administrators, and other employees providing professional services in the discharge of the educational and administrative functions of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a qualified defined contribution plan under IRC Section 401(a) administered by the Teachers' Insurance and Annuity Association (TIAA). The College has elected to contribute 11.50% of the participant's compensation for the years ended June 30, 2026 and 2025. The College's contributions to the plan was $1,401,329 for the year ended June 30, 2026 and $1,342,914 for the year ended June 30, 2025.

9. Unrestricted Net Position (Deficit)

The College, through application of the board-approved resources guidelines, reserved the use of unrestricted net position (deficit) as follows as of June 30:

	2026	2025
Reserved for General Operating Fund	**$ 14,849,509**	$ 13,954,055
Reserved for other contingencies in Board Designated Fund	**1,209,880**	1,209,880
Reserved for maintenance and replacement after bond commitments	**15,487,685**	3,323,575
Reserved for auxiliary expenses	**6,355,857**	7,249,018
Reserved for Great Lakes Maritime Academy equipment and vessel	**246,639**	343,389
Reserved for transformation	**1,422,476**	1,422,755
Reserved for strategic projects	**1,403,624**	1,585,764
Reserved for wellness initiatives	**364,114**	364,114
Employee retention credit (Note 5)	**8,926,820**	8,413,537
Reserved for investment in joint venture	**5,000,000**	1,000,000
Boardman Lake Campus sale proceeds reserved for capital and strategic priorities	**15,087,543**	-
Reserved for new capital projects	**1,500,000**	-
Total reserves before pension and OPEB activity	**71,854,147**	38,866,087
Reserved for OPEB fund deficit	**(5,316,126)**	(6,862,780)
Reserved for pension fund deficit	**(33,014,797)**	(39,063,336)
Total	**$ 33,523,224**	$ (7,060,029)

Subsequent to year-end, in August 2026, the Board of Trustees approved to earmark $10,000,000 of the Boardman Lake Campus sale proceeds and $1,500,000 of the new capital projects fund for the Mark and Helen Osterlin building renovation.

10. Risk Management

The College is exposed to various risks of loss related to property loss, torts, errors, omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The College participates in risk management pools for claims relating to auto, property, workers' compensation, errors, omissions, and liability.

10. Risk Management (continued)

Risk-sharing Programs

The College participates in the Michigan Community College Risk Management Authority (MCCRMA) risk management pool for auto, property, and liability claims and in the SET-SEG risk management pool for workers' compensation claims, errors, and omissions coverage. Both programs operate as claims servicing pools for amounts up to member retention limits and operate as common risk-sharing management programs for losses in excess of member retention amounts. Although premiums are paid annually to the pools, which the pools use to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

Self-insurance

The College is self-insured for unemployment compensation and health benefits. The College estimates the liability for self-insured claims that have been incurred through the end of the fiscal year, including both those claims that have been reported and those that have not yet been reported. The estimated liabilities for unemployment compensation for the fiscal years ended June 30, 2026 and 2025 were insignificant. Changes in the estimated liability for health benefits were as follows for the fiscal years ended June 30:

	2026	**2025**	**2024**
Unpaid claims – beginning of year	**$ 212,247**	$ 234,956	$ 158,329
Incurred claims, including claims incurred but not reported	**4,350,182**	4,305,167	3,968,316
Claim payments	**(4,296,123)**	(4,327,876)	(3,891,689)
Unpaid claims – end of year	**$ 266,306**	$ 212,247	$ 234,956

11. Contingent Liabilities and Commitments

The College is subject to various legal proceedings and claims that arise in the ordinary course of its activities. The College believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

In April 2026, the board of trustees approved engaging a construction company for the College's geothermal project. The project will replace existing heating and cooling components with a ground-source geothermal exchange system. As of June 30, 2026, there was $7,957,992 of open commitments under this contract.

12. Dennos Museum Center

Dennos Museum Center operates as an auxiliary function of the College. Revenue and expenses for Dennos Museum Center were as follows for the years ended June 30:

	2026	2025
Revenue:		
Sales and services	**$ 424,658**	$ 420,973
Federal grants and contracts	**-**	1,000
State grants and contracts	**-**	1,800
Support from component unit	**546,498**	825,765
Other sources	**88,137**	65,039
Total revenue	**1,059,293**	1,314,577
Operating and capital expenses:		
Public service	**1,224,313**	1,123,617
Operations and maintenance of plant	**113,531**	76,189
Total operating and capital expenses	**1,337,844**	1,199,806
Change in net position before nonoperating revenue (expense) and transfers	**(278,551)**	114,771
Transfers in (out)	**300,000**	(116,055)
Change in net position	**21,449**	(1,284)
Net position - beginning of year	**5,391**	6,675
Net position - end of year	**$ 26,840**	$ 5,391

13. Risks and Uncertainties

The College is subject to various risks and uncertainties related to Federal, State, and local economic factors. The Federal and State government funding has a significant impact on the College's operations. There is heightened uncertainty at the Federal level due to an ongoing government shutdown as well as a variety of proposed policy and Agency oversight changes. Due to this uncertainty, it is at least reasonably possible an impact in the near term could materially affect the operations of the College and the amounts reported in the financial statements.

Required Supplementary Information

Northwestern Michigan College

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Proportionate Share of the Net Pension Liability

	Years Ended June 30									
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
College's proportion of the net pension liability	**0.13643%**	0.13805%	0.14420%	0.15010%	0.16061%	0.16534%	0.17481%	0.18127%	0.18535%	0.18849%
College's proportionate share of the net pension liability	**$ 27,331,985**	$ 33,796,611	$ 46,671,580	$ 56,452,154	$ 38,026,148	$ 56,797,390	$ 57,892,016	$ 54,492,788	$ 48,031,699	$ 47,027,079
College's covered payroll	**$ 15,110,177**	$ 14,770,047	$ 14,813,238	$ 14,902,492	$ 14,371,428	$ 14,416,413	$ 15,079,019	$ 15,354,013	$ 15,460,385	$ 16,077,647
College's proportionate share of the net pension liability as a percentage of its covered payroll	**180.88%**	228.82%	315.07%	378.81%	264.60%	393.98%	383.92%	354.91%	310.68%	292.50%
Plan fiduciary net position as a percentage of the total pension liability	**79.44%**	74.44%	65.91%	60.77%	72.32%	59.49%	60.08%	62.12%	63.96%	63.01%

The amounts presented for the fiscal year were determined as of September 30 of the preceding year.

Northwestern Michigan College

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Pension Contributions

	Years Ended June 30									
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Statutorily required contributions	**$ 5,988,084**	$ 5,892,922	$ 5,685,980	$ 6,711,860	$ 5,070,861	$ 4,818,835	$ 4,571,582	$ 4,688,968	$ 4,683,462	$ 4,397,619
Contributions in relation to the statutorily required contributions	**(5,988,084)**	(5,892,922)	(5,685,980)	(6,711,860)	(5,070,861)	(4,818,835)	(4,571,582)	(4,688,968)	(4,683,462)	(4,397,619)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	**$ 15,693,544**	$ 14,978,336	$ 14,664,103	$ 15,286,828	$ 14,879,380	$ 14,250,782	$ 14,429,193	$ 15,279,724	$ 15,376,191	$ 15,454,034
Contributions as a percentage of covered payroll	**38.16%**	39.34%	38.77%	43.91%	34.08%	33.81%	31.68%	30.69%	30.46%	28.46%

Northwestern Michigan College

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability

	Years Ended June 30								
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
College's proportion of the net OPEB liability	**0.11559%**	0.13688%	0.14578%	0.15093%	0.15665%	0.16096%	0.17119%	0.17928%	0.18655%
College's proportionate share of the net OPEB liability	**$ (7,026,809)**	$ (5,892,039)	$ (824,683)	$ 3,196,794	$ 2,390,998	$ 8,622,821	$ 12,287,488	$ 14,250,585	$ 16,520,072
College's covered payroll	**$ 15,110,177**	$ 14,770,047	$ 14,813,238	$ 14,902,492	$ 14,371,428	$ 14,416,413	$ 15,079,019	$ 15,354,013	$ 15,460,385
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	**-46.50%**	-39.89%	-5.57%	21.45%	16.64%	59.81%	81.49%	92.81%	106.85%
Plan fiduciary net position as a percentage of the total OPEB liability	**164.94%**	143.08%	105.04%	83.09%	88.87%	59.76%	48.67%	43.10%	36.53%

The amounts presented for the fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Northwestern Michigan College

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Other Postemployment Benefits Contributions

	Years Ended June 30								
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Statutorily required contributions	**$ 155,914**	$ 414,151	$ 1,159,087	$ 1,181,825	$ 1,178,001	$ 1,164,378	$ 1,148,856	$ 1,192,398	$ 1,109,834
Contributions in relation to the statutorily required contributions	**(155,914)**	(414,151)	(1,159,087)	(1,181,825)	(1,178,001)	(1,164,378)	(1,148,856)	(1,192,398)	(1,109,834)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	**$ 15,693,544**	$ 14,978,336	$ 14,664,103	$ 15,286,828	$ 14,879,380	$ 14,250,782	$ 14,429,193	$ 15,279,724	$ 15,376,191
Contributions as a percentage of covered payroll	**0.99%**	2.77%	7.90%	7.73%	7.92%	8.17%	7.96%	7.80%	7.22%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Northwestern Michigan College

Notes to Required Supplementary Information

June 30, 2026

Pension Information

GASB 68 was implemented in fiscal year 2015.

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

Significant changes in assumptions were as follows for the years ended June 30:

- 2024 – The discount rate used in the September 30, 2022 actuarial valuation decreased to 6.00% for the MIP and Basic Plans and the Pension Plus Plan for the September 30, 2023 actuarial valuation.
- 2020 – The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic Plans and the Pension Plus Plan for the September 30, 2019 actuarial valuation.
- 2019 – The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic Plans, 7.00% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan for the September 30, 2018 actuarial valuation.
- 2018 – The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic Plans and 7.00% for the Pension Plus Plan for the September 30, 2017 actuarial valuation.

OPEB Information

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

The amounts presented in the schedules of the College's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

Significant changes in assumptions were as follows for the years ended June 30:

- 2024 – The discount rate used in the September 30, 2022 actuarial valuation decreased to 6.00% for the September 30, 2023 actuarial valuation.
- 2020 – The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95% for the September 30, 2019 actuarial valuation.
- 2019 – The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15% for the September 30, 2018 actuarial valuation.

Other Supplementary Information

Northwestern Michigan College

Combining Statement of Net Position

Year Ended June 30, 2026
(With Comparative Totals for June 30, 2025)

	Current Funds									
	General Fund	Board Designated Fund	Auxiliary Fund	Restricted Fund	Plant Fund	Loan Fund	Pension & OPEB Liabilities Fund	Agency Fund	June 30, 2026	June 30, 2025
Assets										
Current assets:										
Cash and cash equivalents	$ 26,203,596	$ 15,087,543	$ 4,626	$ 200	$ -	$ -	$ -	$ -	$ 41,295,965	$ 4,561,212
Receivables, current	7,864,529	-	262,054	2,473,754	1,418	225,726	-	16,384	10,843,865	16,756,232
Short-term investments	6,317,292	-	-	-	-	-	-	-	6,317,292	12,172,572
Prepaid expenses and other assets	1,544,195	-	463,627	197,708	137,619	-	-	-	2,343,149	2,796,369
Due (to) from other funds	(41,159,063)	15,077,930	6,359,160	832,461	17,005,895	(225,726)	(250)	2,109,593	-	-
Total current assets	770,549	30,165,473	7,089,467	3,504,123	17,144,932	-	(250)	2,125,977	60,800,271	36,286,385
Noncurrent assets:										
Restricted cash and cash equivalents, unspent bond proceeds	-	-	-	-	11,690,379	-	-	-	11,690,379	8,525,316
Restricted short term investments, unspent bond proceeds	-	-	-	-	1,027,985	-	-	-	1,027,985	-
Long-term investments	20,286,304	5,000,000	-	-	-	-	-	-	25,286,304	16,603,518
Net OPEB asset	-	-	-	-	-	-	7,026,809	-	7,026,809	5,892,039
Capital assets, net	-	-	-	-	85,208,047	-	-	-	85,208,047	85,153,246
Total noncurrent assets	20,286,304	5,000,000	-	-	97,926,411	-	7,026,809	-	130,239,524	116,174,119
Total assets	21,056,853	35,165,473	7,089,467	3,504,123	115,071,343	-	7,026,559	2,125,977	191,039,795	152,460,504
Deferred outflows of resources	-	-	-	-	-	-	8,085,296	-	8,085,296	11,008,106

Northwestern Michigan College

Combining Statement of Net Position

Year Ended June 30, 2026
(With Comparative Totals for June 30, 2025)

	Current Funds									
	General Fund	Board Designated Fund	Auxiliary Fund	Restricted Fund	Plant Fund	Loan Fund	Pension & OPEB Liabilities Fund	Agency Fund	June 30, 2026	June 30, 2025
Liabilities										
Current liabilities:										
Accounts payable	$ 1,728,628	$ 4,377	$ 252,622	$ 125,125	$ 1,489,602	$ -	$ -	$ 29,147	$ 3,629,501	$ 4,118,933
Accrued liabilities and other:										
Accrued wages and benefits	1,131,984	-	-	-	-	-	-	1,484,952	2,616,936	2,711,135
Accrued interest payable	5,284	-	-	-	167,645	-	-	-	172,929	167,860
Unearned revenue	1,136,314	-	156,006	782,233	-	-	-	30	2,074,583	1,738,921
Long-term obligations, current	1,589,000	-	-	-	1,854,703	-	-	-	3,443,703	3,297,625
Total current liabilities	5,591,210	4,377	408,628	907,358	3,511,950	-	-	1,514,129	11,937,652	12,034,474
Noncurrent liabilities:										
Net pension liability	-	-	-	-	-	-	27,331,985	-	27,331,985	33,796,611
Long-term obligations, net of current portion	176,759	-	-	-	36,924,985	-	-	-	37,101,744	27,857,816
Deposits	439,375	-	324,982	1,985,640	-	-	-	611,848	3,361,845	3,025,320
Total noncurrent liabilities	616,134	-	324,982	1,985,640	36,924,985	-	27,331,985	611,848	67,795,574	64,679,747
Total liabilities	6,207,344	4,377	733,610	2,892,998	40,436,935	-	27,331,985	2,125,977	79,733,226	76,714,221
Deferred inflows of resources	-	-	-	-	-	-	19,083,984	-	19,083,984	23,137,361
Net position										
Net investment in capital assets	-	-	-	-	59,146,723	-	-	-	59,146,723	64,235,015
Restricted:										
Expendable - Capital projects	-	-	-	611,125	-	-	-	-	611,125	550,003
Expendable - Net OPEB asset	-	-	-	-	-	-	7,026,809	-	7,026,809	5,892,039
Unrestricted (deficit)	14,849,509	35,161,096	6,355,857	-	15,487,685	-	(38,330,923)	-	33,523,224	(7,060,029)
Total net position (deficit)	$ 14,849,509	$ 35,161,096	$ 6,355,857	$ 611,125	$ 74,634,408	$ -	$ (31,304,114)	$ -	$ 100,307,881	$ 63,617,028

Northwestern Michigan College

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2026
(With Comparative Totals for June 30, 2025)

	Current Funds								
	General Fund	Board Designated Fund	Auxiliary Fund	Restricted Fund	Plant Fund	Pension & OPEB Liabilities Fund	Eliminations	June 30, 2026	June 30, 2025
Operating revenues									
Student tuition and fees	$ 28,466,991	$ -	$ 43,168	$ -	$ -	$ -	$ (10,464,612)	$ 18,045,547	$ 15,935,646
Federal Pell Grants	-	-	-	5,742,720	-	-	-	5,742,720	5,895,107
Federal grants and contributions	9,200	-	-	3,247,076	-	-	-	3,256,276	3,927,037
State grants and contributions	-	-	-	4,211,171	-	-	-	4,211,171	2,986,800
Private gifts, grants, and contracts	37,730	-	-	469,978	-	-	-	507,708	528,706
Expended for plant facilities	-	-	-	-	10,734,224	-	(10,734,224)	-	-
Sales and services of auxiliary activities	8,000	-	7,264,000	-	-	-	(330,135)	6,941,865	6,167,914
Other sources	705,684	-	2,135	3,282	204,323	-	-	915,424	935,039
Total operating revenues	29,227,605	-	7,309,303	13,674,227	10,938,547	-	(21,528,971)	39,620,711	36,376,249
Operating expenses									
Instruction	22,277,805	149,290	389	1,232,617	1,684,580	(4,154,307)	(2,041,507)	19,148,867	18,533,022
Public service	173,132	200	2,476,060	227,003	281,014	(334,035)	(343,736)	2,479,638	2,376,738
Academic support	8,352,344	28,694	571	355,026	-	(1,621,320)	-	7,115,315	6,783,931
Student services	5,790,464	8,446	3,996,000	12,262,778	14,328	(1,153,687)	(10,925,900)	9,992,429	10,405,964
Institutional administration	8,708,117	362,399	304,973	255,951	219,826	(292,639)	(285,214)	9,273,413	8,258,347
Operation and maintenance of plant	5,949,203	-	431,986	-	7,922,788	(942,114)	(7,890,038)	5,471,825	5,452,537
Depreciation and amortization	296,881	-	-	-	6,159,141	-	-	6,456,022	5,852,005
Information technology	4,203,751	-	36	17,634	348,612	(494,963)	(42,576)	4,032,494	4,312,314
Total operating expenses	55,751,697	549,029	7,210,015	14,351,009	16,630,289	(8,993,065)	(21,528,971)	63,970,003	61,974,858
Operating income (loss)	(26,524,092)	(549,029)	99,288	(676,782)	(5,691,742)	8,993,065	-	(24,349,292)	(25,598,609)
Noncapital subsidies									
State appropriations	14,505,920	-	-	-	-	(263,102)	-	14,242,818	15,700,388
Property taxes	15,819,100	-	-	-	-	-	-	15,819,100	14,890,963
Support from component unit	1,336,631	-	754,767	1,494,811	616,954	-	-	4,203,163	5,607,075
Total noncapital subsidies	31,661,651	-	754,767	1,494,811	616,954	(263,102)	-	34,265,081	36,198,426
Operating income (loss) and noncapital subsidies	5,137,559	(549,029)	854,055	818,029	(5,074,788)	8,729,963	-	9,915,789	10,599,817
Other nonoperating revenues (expenses)									
Investment income	1,409,562	125,802	-	-	124,773	-	-	1,660,137	2,202,553
Interest income from ERC	-	513,283	-	-	-	-	-	513,283	376,095
Bond issuance and amortization costs	-	-	-	-	(16,266)	-	-	(16,266)	(19,343)
Interest expense on capital-related debt	(39,361)	-	-	-	(1,017,116)	-	-	(1,056,477)	(924,593)
Gain (loss) on disposal of capital assets	-	27,000,000	-	-	(2,695,818)	-	-	24,304,182	-
Transfers (out) in	(5,612,305)	(5,268,400)	(2,747,216)	(2,127,112)	15,755,033	-	-	-	-
Total other nonoperating revenues (expenses) before capital and endowment revenues	(4,242,104)	22,370,685	(2,747,216)	(2,127,112)	12,150,606	-	-	25,404,859	1,634,712
Capital grants and gifts	-	-	-	1,370,205	-	-	-	1,370,205	2,425,000
Total capital and endowment revenues	-	-	-	1,370,205	-	-	-	1,370,205	2,425,000
Total other nonoperating revenues (expenses)	(4,242,104)	22,370,685	(2,747,216)	(756,907)	12,150,606	-	-	26,775,064	4,059,712
Change in net position	895,455	21,821,656	(1,893,161)	61,122	7,075,818	8,729,963	-	36,690,853	14,659,529
Net position (deficit), beginning of year	13,954,054	13,339,440	8,249,018	550,003	67,558,590	(40,034,077)	-	63,617,028	48,957,499
Net position (deficit), end of yea	$ 14,849,509	$ 35,161,096	$ 6,355,857	$ 611,125	$ 74,634,408	$ (31,304,114)	$ -	$ 100,307,881	$ 63,617,028