Audited Financial Statements

Northwestern Michigan College Foundation

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

AHPA
CPAs & ADVISORS
ANDREWS HOOPER PAVLIK PLC

Northwestern Michigan College Foundation

Audited Financial Statements

Years Ended June 30, 2026 and 2025

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Northwestern Michigan College Foundation

Audited Financial Statements

Years Ended June 30, 2026 and 2025

Board of Directors and Officers
June 30, 2026

Pat Warner (Chair)
Suzanne Allen (First Vice Chair)
Nick Nissley (Second Vice Chair)
Debbie Edson (Secretary)
Christopher Lamb (Treasurer)
Katharine Marvin (Executive Director)
Jayne Mohr (Immediate Past Chair)

Lorraine Beers
Barb Benson
Chris Branson
Jeff Caviston
Don Coe
Matt Desmond
Bill Donberg
Steve Fisher
Pam Horne (Trustee)
Peg Jonkhoff
Mark Keely (Trustee)
Mike Lipp
Eleanor Lynn
Laura Oblinger (Trustee)
Mary Pelcher
Andy Robitshek (Trustee)
Dave Shooltz
Timothy Young
Al Zelinski
Nancy Zimmer

Faculty Representative
Cheryl Bloomquist
Steve Rice

Student Representative
Liam Filson
Mitchell Mosley

Management's Discussion and Analysis

Northwestern Michigan College Foundation

Management's Discussion and Analysis

June 30, 2026

The discussion and analysis of Northwestern Michigan College Foundation's (the "Foundation") financial statements provides an overview of the Foundation'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 Foundation's management. This section is intended to assist readers in understanding the Foundation'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 section, the report of the independent auditors, the basic financial statements which include the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements.

The Northwestern Michigan College Foundation was organized and incorporated in 1981 for the purpose of stimulating voluntary private support from alumni, parents, friends, corporations, foundations, and others for the benefit of Northwestern Michigan College ("the College"), a public institution of higher education. The Foundation exists to raise and manage private resources supporting the mission and vision of the College, and is dedicated to building program and scholarship endowments on behalf of the College and addressing other long-term priorities of the College through financial support. The Foundation is a Michigan not-for-profit organization, and maintains tax-exempt status under IRS Section 501(c)(3).

Under accounting principles generally accepted in the United States of America ("U.S. GAAP"), a not-for-profit organization is considered 'governmental' for external financial reporting purposes if *one or more* of the following criteria 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

According to the Foundation's bylaws, its Board member appointments must be approved by the College's Board of Trustees, which has the authority to dissolve and revoke the Foundation's charter—in which case the net position of the Foundation would revert to the College. Therefore, the Foundation is deemed a governmental entity under U.S. GAAP and these financial statements were prepared following the business-type activities requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* as amended by GASB Statement No. 103, *Financial Reporting Model Improvements.*

Northwestern Michigan College Foundation

Management's Discussion and Analysis

June 30, 2026

Financial Summary

The statements of net position include all of the Foundation's assets, liabilities, net position, and deferred outflows and inflows of resources. The statements of revenues, expenses, and changes in net position include all revenues earned and expenses incurred during the period.

Net position, calculated as the Foundation's assets and deferred outflows less liabilities and deferred inflows, is one measure of the Foundation's financial health. Changes in net position may indicate whether the Foundation's financial position is improving or deteriorating.

Statements of Net Position

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

	2026	2025	2024
Assets			
Current assets	$ 8,551,177	$ 3,016,694	$ 4,261,502
Noncurrent assets	78,785,773	68,447,659	60,723,771
Total assets	87,336,950	71,464,353	64,985,273
Liabilities			
Current liabilities	3,209,780	2,158,319	2,296,048
Noncurrent liabilities	23,896	36,755	28,084
Total liabilities	3,233,676	2,195,074	2,324,132
Deferred inflows	123,123	82,305	48,637
Net position			
Restricted:			
Nonexpendable – endowment corpus	22,932,519	19,624,436	18,787,351
Expendable – College programs and student scholarships	53,805,888	43,583,220	38,290,135
Unrestricted	7,241,744	5,979,318	5,535,018
Total net position	$ 83,980,151	$ 69,186,974	$ 62,612,504

Statements of Revenues, Expenses, and Changes in Net Position

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

	2026	2025	2024
Operating revenues	$ -	$ -	$ -
Operating expenses	763,277	815,884	592,071
Operating loss	(763,277)	(815,884)	(592,071)
Noncapital subsidies revenues (expenses)			
Contributions	1,989,433	2,874,303	2,877,522
Grants to NMC and others	(3,601,900)	(4,644,864)	(4,729,229)
Total noncapital subsidies revenues (expenses)	(1,612,467)	(1,770,561)	(1,851,707)
Operating loss and noncapital subsidies	(2,375,744)	(2,586,445)	(2,443,778)
Other nonoperating revenues			
Other nonoperating revenues before capital and endowment revenues	12,765,860	7,800,225	7,219,224
Capital and endowment revenues	4,403,061	1,360,690	308,955
Total other nonoperating revenues	17,168,921	9,160,915	7,528,179
Change in net position	14,793,177	6,574,470	5,084,401
Net position – beginning of year	69,186,974	62,612,504	57,528,103
Net position – end of year	$ 83,980,151	$ 69,186,974	$ 62,612,504

Detailed Analyses

Financial Position Analysis

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

- Current assets increased $5.5 million, or 183%, due to an increase in cash equivalents of $6.1 million, offset by a reduction in current pledges receivable of $0.6 million. The increase in cash was driven by current year contributions, including $3.3 million in cash gifts to permanent endowments, $1.1 million for capital gifts, and $2.0 million in general contributions during fiscal year 2026.

- Noncurrent assets increased $10.3 million, or 15%, primarily due to $10.1 million in realized and unrealized gains on investments.
- Current liabilities increased $1.1 million, or 49%, due to the timing of the Foundation distributing payments to the College.
- Net position increased by $14.8 million, or 21%, resulting from net investment income and gains of $12.4 million, plus contributions, capital grants, and additions to permanent endowments of $6.4 million in aggregate, offset by operating expenses of $4.4 million.

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

- Total assets increased by $6.5 million, or 10%, driven by net investment income of $7.6 million and current year contributions, capital contributions, and additions to permanent endowments of $4.7 million, partially offset by $4.9 million in grants to the College for student scholarships and College programs. Current assets decreased by $1.2 million due in part to certain cash distributions to NMC for capital projects, as well as timing of investment purchases.
- Net position increased by $6.6 million, or 11%. The increases in restricted and unrestricted net position were each driven by net investment income and contributions in excess of grants to NMC and other operating expenses.

Operating Results Analysis

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

- None of the Foundation's revenues meet GASB's definition of operating revenues. Operating expenses include reimbursements to the College for staff salaries and benefits (categorized by function).
- Noncapital subsidies includes grants to Northwestern Michigan College, which decreased $1.3 million, or 27%. The change is primarily due to less scholarship support provided to students during 2026 as State financial aid programs, including Michigan Community College Guarantee (MCCG) and Michigan Reconnect, supplanted student needs for private scholarships.
- Other nonoperating revenues before capital and endowment revenues increased by $5.0 million, or 64%, due in large part to a $4.7 million increase in realized and unrealized gains on investments during 2026 compared to 2025.
- Capital and endowment revenues increased by $2.7 million, or 165%, due to a major capital gift during 2026 of $1.0 million to support the College's Osterlin Building renovation into an integrated student services hub, and a $2.4 million increase in additions to permanent

endowments resulting from current year collection of outstanding endowment pledges. Under GASB, revenues for endowment pledges are recognized as additions to permanent endowments when cash is collected.

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

- Capital and endowment revenues increased by $1.4 million, or 438%, due to a $0.7 million increase in additions to permanent endowments through the collection of outstanding endowment pledges, and a $0.7 million increase in capital gifts relating to a $0.3 million tug vessel gifted in-kind to the College's Great Lakes Maritime Academy (GLMA) plus $0.4 million in support of the College's aviation hangar and fleet expansion project.

Significant Capital Asset and Long-Term Financing Activity

The Foundation does not hold any long-term capital assets, nor enter into long-term financing agreements. Instead, the Foundation serves as an alternative financing source for the College by soliciting, collecting, and stewarding gifts in support the College's capital goals. From time to time, the Foundation receives large capital gifts-in-kind, which are passed through to the College. In 2025, for example, the Foundation received a gifted tug vessel valued at $0.3 million which was immediately transferred to the College in support of the GLMA. The Foundation does not maintain a credit rating.

Currently Known Facts, Decisions, or Conditions

The Foundation relies on contributions, investment growth, and certain operational support from the College to carry out its mission, which is "to mobilize generosity to advance learning for a global community." While the Foundation has historically demonstrated stable giving and investment returns, social, political, and economic events could, individually or as a whole, positively or negatively impact the Foundation's donor support and investment income in the short or long-term depending on severity and duration.

Broad changes to Federal or State tax policy could have a positive or negative impact on charitable giving. Additionally, Federal or State policy changes that impact the College or its students (for example, the recent changes in State financial aid programs) will continue altering the type and amount of support needed from the Foundation for the College and its students.

Thanks to the generosity of our alumni and community members, the Northwestern Michigan College Foundation is recognized nationally as a leading community college foundation. Northwestern Michigan College, established in 1951, celebrated its 75th anniversary in calendar 2026. The Foundation, in support of the College's 75th anniversary, is in the planning phase of its next comprehensive fundraising campaign.

Audited Financial Statements

Report of Independent Auditors

Board of Directors
Northwestern Michigan College Foundation
Traverse City, Michigan

Opinion

We have audited the accompanying financial statements of Northwestern Michigan College Foundation (Foundation), a discretely presented component unit of Northwestern Michigan 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 Foundation's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 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), 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 Foundation 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 Foundation'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 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, 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 Northwestern Michigan College Foundation'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 Northwestern Michigan College Foundation'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.

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with 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 Information

Management is responsible for the accompanying listing of the board of directors and officers, 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 does not cover such information, and we do not express an opinion or any form of assurance thereon.

Andrews Hooper Pavlik PLC

Grand Rapids, Michigan
October 29, 2026

Northwestern Michigan College Foundation

Statements of Net Position

	June 30 2026	2025
Assets		
Current assets:		
Cash and cash equivalents	**$ 7,927,755**	$ 1,806,338
Current portion of receivables – net of allowance of $55,000 for 2026 and 2025	**610,583**	1,208,089
Prepaid expenses and other assets	**12,839**	2,267
Total current assets	**8,551,177**	3,016,694
Noncurrent assets:		
Receivables – net of current portion and discount	**343,800**	630,844
Long-term investments	**77,677,127**	67,113,710
Cash surrender value – life insurance	**764,846**	703,105
Total noncurrent assets	**78,785,773**	68,447,659
Total assets	**87,336,950**	71,464,353
Liabilities		
Current liabilities:		
Accounts payable	**152,143**	80,224
Due to Northwestern Michigan College	**3,020,557**	2,074,515
Current portion of annuity obligations	**3,580**	3,580
Deferred revenue	**33,500**	-
Total current liabilities	**3,209,780**	2,158,319
Annuity obligations – net of current portion and discount	**23,896**	36,755
Total liabilities	**3,233,676**	2,195,074
Deferred Inflows of Resources	**123,123**	82,305
Net Position		
Restricted:		
Nonexpendable – with donor restrictions	**22,932,519**	19,624,436
Expendable – college programs and student scholarships	**53,805,888**	43,583,220
Unrestricted	**7,241,744**	5,979,318
Total net position	**$ 83,980,151**	$ 69,186,974

See accompanying notes.

Northwestern Michigan College Foundation

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30	
	2026	**2025**
Operating revenues	**$ -**	$ -
Operating expenses		
Institutional administration	**32,500**	38,959
Fundraising	**730,777**	776,925
Total operating expenses	**763,277**	815,884
Operating loss	**(763,277)**	(815,884)
Noncapital subsidies revenues (expenses)		
Contributions	**1,989,433**	2,874,303
Grants to Northwestern Michigan College	**(3,514,785)**	(4,594,864)
Grants to Freshwater Research Center	**(87,115)**	(50,000)
Total noncapital subsidies revenues (expenses)	**(1,612,467)**	(1,770,561)
Operating loss and noncapital subsidies	**(2,375,744)**	(2,586,445)
Other nonoperating revenues		
Special event revenues	**330,845**	180,707
Investment income – net	**2,350,824**	2,278,882
Realized and unrealized gains on investments	**10,084,191**	5,340,636
Total other nonoperating revenues before capital and endowment revenues	**12,765,860**	7,800,225
Capital grants and gifts	**1,094,888**	794,560
Capital grants to Northwestern Michigan College	**-**	(300,000)
Additions to permanent endowments	**3,308,173**	866,130
Total capital and endowment revenues	**4,403,061**	1,360,690
Total other nonoperating revenues	**17,168,921**	9,160,915
Change in net position	**14,793,177**	6,574,470
Net position – beginning of year	**69,186,974**	62,612,504
Net position – end of year	**$ 83,980,151**	$ 69,186,974

See accompanying notes.

Northwestern Michigan College Foundation

Statements of Cash Flows

	Years Ended June 30 2026	2025
Cash flows from operating activities		
Payments for operating expenses	**$ (701,930)**	$ (838,352)
Net cash and cash equivalents from operating activities	**(701,930)**	(838,352)
Cash flows from noncapital financing activities		
Contributions for other than endowment or capital purposes	**2,619,420**	2,575,012
Payments to Northwestern Michigan College	**(2,568,743)**	(5,012,192)
Payments to Freshwater Research Center	**(87,115)**	(50,000)
Payment to annuitants	**(3,580)**	(3,580)
Other receipts	**330,845**	180,707
Net cash and cash equivalents from noncapital financing activities	**290,827**	(2,310,053)
Cash flows from capital and related financing activities		
Contributions for endowments	**3,308,173**	866,130
Capital grants and gifts	**1,094,888**	794,560
Net cash and cash equivalents from capital and related financing activities	**4,403,061**	1,660,690
Cash flows from investing activities		
Proceeds from sales of investments	**2,665,837**	2,607,480
Income on investments – net of fees paid	**2,342,434**	2,288,584
Purchase of investments	**(2,878,812)**	(4,880,285)
Net cash and cash equivalents from investing activities	**2,129,459**	15,779
Net change in cash and cash equivalents	**6,121,417**	(1,471,936)
Cash and cash equivalents – beginning of year	**1,806,338**	3,278,274
Cash and cash equivalents – end of year	**$ 7,927,755**	$ 1,806,338
Reconciliation of operating loss to net cash and cash equivalents from operating activities		
Operating loss	**$ (763,277)**	$ (815,884)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:		
Prepaid and other assets	**(10,572)**	(2,267)
Accounts payable	**71,919**	(20,201)
Total adjustments	**61,347**	(22,468)
Net cash and cash equivalents used in operating activities	**$ (701,930)**	$ (838,352)

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

Northwestern Michigan College Foundation (Foundation) was incorporated on July 8, 1981. The Foundation was organized to provide support exclusively for the objectives and purposes of Northwestern Michigan College (College) and to augment the facilities of the College in such a manner as may be designated by its board of directors, whose members are appointed by the College's board of trustees, creating a voting majority. The Foundation is a discretely presented component unit of the College. All distributions made out of the Foundation, other than normal operating expenses, are to be made to or for the benefit of the College. Upon dissolution of the Foundation, its remaining assets will be distributed to the College. The Foundation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Accounting and Reporting Principles

The Foundation follows accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). Based on these criteria, there are no component units of the Foundation that are to be included in the reporting entity. Other organizations, including not-for-profit organizations, are considered governmental and are required to comply with GASB 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.

Basis of Accounting

The Foundation reports as a special-purpose government engaged only in business-type activities. The Foundation qualifies for the reporting provisions originally provided in GASB Statement No. 34, paragraph 147, for governmental not-for-profit entities that reported under the American Institute of Certified Public Accountants' not-for-profit model. Accordingly, although the Foundation may not otherwise meet the enterprise fund criteria, it is permitted to use enterprise fund accounting and financial reporting. The Foundation applies the business-type activity reporting requirements of GASB Statement No. 34, as subsequently amended, including the amendments in GASB Statement No. 103.

Report Presentation

In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

1. Organization and Summary of Significant Accounting Policies (continued)

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of Foundation obligations. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available. Accordingly, the net positions of the Foundation have been grouped into the following categories:

- Restricted for Nonexpendable Purposes: Net position from gifts and other inflows of assets that represent permanent endowments. Use of these gifts is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation.

- Restricted Expendable Purposes: Net position whose use is subject to externally imposed stipulations that can be fulfilled by action of the Foundation pursuant to those stipulations or that expire by the passage of time. Such net position includes net appreciation of restricted and nonexpendable endowment funds and funds designated for student scholarships and other College programs.

- Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Foundation's board of directors or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits, time deposits, and money market funds with original maturities of three months or less.

Investment Valuation and Income Recognition

Investments in marketable securities are carried at quoted market value whenever possible. Hedge funds' fair values are based on information provided by the administrators of each underlying fund. Private equity and real estate funds that do not have readily determinable market values as of June 30 are valued using net asset value as a practical expedient. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity and real estate funds' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further discussion of fair value measurements.

1. Organization and Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition (continued)

Investment income includes dividends and interest income, net of commission and administrative fees related to investment management totaling $100,374 for the year ended June 30, 2026 and $87,949 for the year ended June 30, 2025. Realized and unrealized gains include $9,875,579 of recognized unrealized gains during the year ended June 30, 2026 and $5,334,962 during the year ended June 30, 2025. Realized gains or losses on investments sold are determined using the specific identification method.

Risks and Uncertainties

The Foundation invests in various investment securities, including mutual funds, corporate debt instruments, and alternative investments. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows represent an acquisition of net position that applies to a future period and, as such, is not recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of future revenue streams related to irrevocable split-interest agreements made up of charitable gift annuities.

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

Revenue and expense transactions are normally classified as operating revenue and expenses when such transactions are generated by the Foundation's principal ongoing operations. Due to the nature of the Foundation's primary purpose to support the College, there are no operating revenues.

1. Organization and Summary of Significant Accounting Policies (continued)

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

Subsidies include resources received from or paid to another party for which the Foundation does not provide or receive goods or services and that directly or indirectly keep the fees and charges lower than they otherwise would be. These noncapital subsidies revenues include noncapital contributions to support operations of the College, while noncapital subsidies expenses includes the grants distributed by the Foundation to the College and others during the year.

Capital subsidies consist of funding received by the Foundation to support ongoing capital projects for the College and are reported separately from other subsidies and are presented as capital grants and gifts in the other nonoperating revenues section of the statements of revenue, expenses, and changes in net position. Other nonoperating revenue includes the exchange portion of special event revenue, investment income and expenses, and capital and endowment contributions.

Contributions and Receivables

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Unconditional donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions for endowment are recorded when received.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received, increased by 1.00%. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Gifts in Kind

Donated items received by the Foundation (also known as gifts in kind) consist primarily of items donated for use in the College's programs, artwork for the Dennos Museum, and items to be used in special event fundraisers run by the Foundation. The gifts are recorded as contributions and recorded at acquisition value at the date of gift.

1. Organization and Summary of Significant Accounting Policies (continued)

Adoption of New Standard and Reclassification

During the year ended June 30, 2026, the Foundation 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 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 expenses 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.

2. Cash, Cash Equivalents, and Investments

The Foundation's cash, cash equivalents, and investments are subject to several types of risk, which are addressed within the Foundation's investment policy statement (IPS). The IPS has a primary emphasis on moderate capital growth. The asset allocation is a mix of equities, fixed income, alternative investments, and cash and cash equivalents, which is rebalanced when the overall portfolio exceeds the minimum or maximum constraints.

The primary long-term investment objective for the assets is to achieve a rate of return of 5 percent, net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark defined in the IPS. The goal for short-term assets is to protect the principal and provide a reasonable level of return while maintaining enough liquidity to meet the cash flow needs of the Foundation.

Custodial Credit Risk of Bank Deposits

Custodial credit risk for bank deposits is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation had bank deposits 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.

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

Custodial Credit Risk of Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. All investments are in the name of the Foundation, as applicable, and the investments are held in accounts with each financial institution from which they are purchased. At times during the year, balances may exceed insured limits.

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 Foundation's policy minimizes interest rate risk by structuring its fixed-income portfolio with securities that balance qualities and maturities consistent with current market conditions. The Foundation's policy also requires that no fixed income security from one issuer shall exceed 5% of its fixed income portfolio unless backed by the full faith and credit of the U.S. government.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Credit risk is mitigated by limiting investments to those specified in the board-approved investment policy statement and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Foundation. The Foundation invests in fixed-income mutual funds with a long -term growth objective. These funds are not rated by the rating agencies.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Foundation's policy does not have specific limits on concentration of credit risk. The following investments comprise 5.00% or more of the total 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
Total	57.00%	57.00%

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

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 Foundation's foreign investments as of June 30, 2026 and 2025 are valued in U.S. dollars; therefore, the Foundation is not subject to foreign currency risk.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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 Foundation'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.

3. Fair Value Measurements (continued)

The Foundation has the following recurring fair value measurements as of June 30, 2026:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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 funds				**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**

The Foundation has the following recurring fair value measurements as of June 30, 2025:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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

3. Fair Value Measurements (continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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. As of June 30, 2026, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
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**		

As of June 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
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		

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.

4. Receivables

Receivables consist of contributions receivable from donors which may be restricted by donors for scholarships and fellowships, property and equipment, or for specific College programs. Contributions receivable have been reported at their discounted, net realizable values based on the Treasury risk free rate increased by 1.00%, which ranges from approximately 2.00% - 5.90% at the date of the gift for the year ended June 30, 2026, and a rate of approximately 4.00% at the date of the gift for the year ended June 30, 2025.

The following table shows the components of the contributions receivable balance to be collected by the Foundation as of June 30:

	2026	2025
Gross contributions receivable	**$ 1,030,663**	$ 1,961,932
Allowance for uncollectible contributions	**(55,000)**	(55,000)
Net present value discount	**(21,280)**	(67,999)
Contributions receivable, net	**$ 954,383**	$ 1,838,933
Further classified as:		
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

5. Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of life insurance policies with death benefit values of approximately $1,900,000 as of June 30, 2026 and 2025. The assignments of these policies were received as gifts for various college programs, student scholarships, and other designations. As of June 30, 2026, the cash surrender value of these policies was $764,846 and $703,105 as of June 30, 2025 as reported on the statements of net position.

6. Split-Interest Agreements

The Foundation is party to split-interest agreements with certain donors. Under the agreements, the donor contributed funds to the Foundation. Investments related to these gift annuities were $70,848 as of June 30, 2026 and $65,155 as of June 30, 2025. As a condition of accepting the gift, the Foundation is required to pay a specified amount each year to the donors or a designated beneficiary until his or her death. Payments to beneficiaries were $3,580 in 2026 and 2025. Upon the death of the beneficiaries, the remaining funds become the property of the Foundation. Obligations under the split-interest agreements represent the present value of future payments required to be paid to beneficiaries under the agreements. The present value is computed based on the normal life expectancy of the beneficiaries using discount rates ranging from 1.8% to 7.0%.

7. Related Party Transactions

Northwestern Michigan College is a public higher education institution offering a broad array of programs. During the year ended June 30, 2026, the Foundation incurred $3,480,670 of expenses related to grants to the College and $4,530,435 during the year ended June 30, 2025, primarily for scholarships and college programs. The Foundation also provided gifts in kind of $34,115 during the year ended June 30, 2026 and $364,429 during the year ended June 30, 2025. The Foundation made grants of $87,115 to the College's joint venture project, Freshwater Research Center, during the year ended June 30, 2026 and $50,000 during the year ended June 30, 2025.

The Foundation also reimbursed the College for operating expenses totaling $730,777 for the year ended June 30, 2026 and $776,925 for the year ended June 30, 2025. Amounts payable to the College were $2,193,872 as of June 30, 2026 and $2,074,515 as of June 30, 2025.

During the year ended June 30, 2026, the Foundation received approximately $188,000 of donations from College employees, board members, or companies owned or managed by board members, and approximately $223,000 during the year ended June 30, 2025.

8. Functional Expenses

Expenses identified as applying to a specific program or supporting service are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or supporting service are allocated between service areas based on percentages formulated through ongoing time studies of professional staff time and usage of resources.

The costs of providing program and other activities have been summarized on a functional basis below for the year ended June 30, 2026:

	Noncapital Subsidies Expenses	**Operating Expenses**		
	Support to Others	**Institutional Administration**	**Fundraising**	**Total**
Grants to the College	**$ 3,480,670**	**$ -**	**$ -**	**$ 3,480,670**
Grants to Freshwater Research Center	**87,115**	**-**	**-**	**87,115**
Gifts in kind	**34,115**	**-**	**-**	**34,115**
Contracted services	**-**	**-**	**730,777**	**730,777**
Professional development	**-**	**609**	**-**	**609**
Insurance premiums	**-**	**29,636**	**-**	**29,636**
Other	**-**	**2,255**	**-**	**2,255**
Total	**$ 3,601,900**	**$ 32,500**	**$ 730,777**	**$ 4,365,177**

8. Functional Expenses (continued)

The costs of providing program and other activities have been summarized on a functional basis below for the year ended June 30, 2025:

	Noncapital Subsidies Expenses	Operating Expenses		
	Support to Others	Institutional Administration	Fundraising	Total
Grants to the College	$ 4,530,435	$ -	$ -	$ 4,530,435
Grants to Freshwater Research Center	50,000	-	-	50,000
Gifts in kind	364,429	-	-	364,429
Contracted services	-	-	776,925	776,925
Professional development	-	4,107	-	4,107
Insurance premiums	-	32,356	-	32,356
Other	-	2,496	-	2,496
Total	$ 4,944,864	$ 38,959	$ 776,925	$ 5,760,748

9. Donor-restricted and Board-designated Endowments

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

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net position – restricted expendable because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures or are purpose restricted until the criteria are met. The board of directors of the Foundation had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

9. Donor-restricted and Board-designated Endowments (continued)

Interpretation of Relevant Law (continued)

The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Position

As of June 30, the Foundation's endowment net position by type of fund was:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
2026			
Board-designated endowment funds	**$ 1,642,811**	**$ -**	**$ 1,642,811**
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	**-**	**22,932,519**	**22,932,519**
Accumulated investment gains	**-**	**23,113,042**	**23,113,042**
Total donor-restricted endowment funds	**-**	**46,045,561**	**46,045,561**
Total	**$ 1,642,811**	**$ 46,045,561**	**$ 47,688,372**

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
2025			
Board-designated endowment funds	$ 1,608,559	$ -	$ 1,608,559
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	19,624,432	19,624,432
Accumulated investment gains	-	16,805,759	16,805,759
Total donor-restricted endowment funds	-	36,430,191	36,430,191
Total	$ 1,608,559	$ 36,430,191	$ 38,038,750

9. Donor-restricted and Board-designated Endowments (continued)

Endowment Net Position (continued)

The changes in endowment fund net position was as follows for the year ended June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net position – Beginning of year	**$ 1,608,559**	**$ 36,430,191**	**$ 38,038,750**
Investment return:			
Investment income	**10,823**	**1,374,570**	**1,385,393**
Realized and unrealized gains on investments	**23,612**	**5,708,872**	**5,732,484**
Total investment return	**34,435**	**7,083,442**	**7,117,877**
Contributions	**-**	**3,308,173**	**3,308,173**
Appropriation of endowment assets for expenditure	**(183)**	**(776,245)**	**(776,428)**
Endowment net position – End of year	**$ 1,642,811**	**$ 46,045,561**	**$ 47,688,372**

The changes in endowment fund net position was as follows for the year ended June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net position – Beginning of year	$ 1,590,025	$ 32,136,498	$ 33,726,523
Investment return:			
Investment income	5,940	1,322,859	1,328,799
Realized and unrealized gains on investments	18,351	3,030,139	3,048,490
Total investment return	24,291	4,352,998	4,377,289
Contributions	-	866,130	866,130
Appropriation of endowment assets for expenditure	(169)	(892,340)	(892,509)
Other change – transfers	(5,588)	(33,095)	(38,683)
Endowment net position – End of year	$ 1,608,559	$ 36,430,191	$ 38,038,750

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve a return of 5 percent, net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual return in any given year may vary from this amount.

9. Donor-restricted and Board-designated Endowments (continued)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

In the absence of unique or special circumstances and subject to the determination of the Foundation's finance and audit committee, distributions from donor-restricted funds held in perpetuity or any funds treated as donor-restricted funds held in perpetuity (DRFHP) will be determined according to the following formula and will occur on a monthly or quarterly basis:

70% (up to 5% of the five-year moving average market value of DRFHP as of prior fiscal year end)
+ 30% (prior year spending level) (prior year CPI + 1%)
= Annual target spending

Additionally, the treatment and accounting of gifts with donor restrictions versus gifts without donor restrictions to the Foundation will be managed by College staff. The Foundation’s board of directors will periodically review and approve policies and procedures governing gifts to the Foundation.

As of June 30, 2025, the Foundation’s Board had approved a general policy to allow a maximum annual distribution of 4.25%. An exception was approved to allow up to 4.50% for the years ended June 30, 2026 and 2027, and reverts back to the maximum 4.25% beginning with the year ending June 30, 2028.