

University of Detroit Mercy

Financial Report
June 30, 2024

University of Detroit Mercy

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University of Detroit Mercy

Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions Receivable - Contributions receivable represent unconditional promises from donors to be used for capital and operating purposes. An allowance for uncollectible contributions and related expense is established based on the age and historical collection results of receivables from donors. Actual uncollectible contributions are charged against the allowance for uncollectible contributions in the period that determination is made. The receivables are also discounted at five-year T-bill discount rates ranging from 0.29 percent to 4.33 percent. The following table summarizes the University's unconditional contributions receivable at June 30:

	2024	2023
Due within one year	\$ 3,143	\$ 2,217
Due after one year but within five years	977	1,624
Total	4,120	3,841
Less allowance for uncollectible contributions	(842)	(544)
Less discount for present value	(56)	(58)
Net contributions receivable	<u>\$ 3,222</u>	<u>\$ 3,239</u>

Student Loans Receivable - The University participates in various student loan programs that provide loans to qualified students. The University makes uncollateralized loans to students based on financial need. Such loans are funded through government programs and institutional resources. These loans have mandated interest rates and repayment terms. The government-funded loans are subject to significant restrictions as to their transfer or disposition. Management reviews and assesses the p >>BD9uent (onal)2.6(rTJ 0.105

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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 1 - Summary of Significant Accounting Policies (Continued)

estimated fair values may differ significantly from values that would have been used had readily available market values for the investments existed, and the differences could be material. Other investments are reported at fair value, which is determined by either quoted market prices or quoted prices for similar 32Td 7 0.00012f-6.y()Tj 0 Tti(pr)-56(hi)2.(rJ8108 585.1

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University of Detroit Mercy

Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Details of donor restricted net assets as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Academic programs	\$ 2,341	\$ 2,537
Scholarships	26,161	16,365
Building and equipment	9,796	8,515
Other	6,426	3,067
Endowment	<u>66,560</u>	<u>64,392</u>
Total Donor Restricted Net Assets	<u>\$ 111,284</u>	<u>\$ 94,876</u>

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

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

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

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

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Notes to Financial Statements
Years Ended June 30, 2024 and 2023
(rounded to nearest thousand)

Note 1 - Summary of Significant Accounting Policies (Continued)

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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 1 - Summary of Significant Accounting Policies (Continued)

an invoice is typically sent to the student within 3 business days. None of the University's exchange revenues have a significant financing component.

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

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

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

To determine the transaction price of a contract, the University considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the

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Notes to Financial Statements
Years Ended June 30, 2024 and 2023
(rounded to nearest thousand)

Note 1 - Summary of Significant Accounting Policies (Continued)

year ended June 30, 2023, the University recognized gross revenue from dental clinic and auxiliary services of \$7,387 and \$5,418,

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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Adoption of New Accounting Pronouncement - During 2024, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets, including the University's accounts receivable, by requiring the University to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the historical practice where an allowance was not recognized until losses were considered probable. The University adopted this standard using the modified retrospective transition method, which did not significantly impact the financial statements.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 18, 2024, which is the date the financial statements were available to be issued.

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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 2 - Notes Receivable (Continued)

In addition to Perkins, the University participates in the Health Professionals Student, Nursing Student, Nurse Faculty, and ARRA-Nurse Faculty federal revolving loan programs. The availability of funds for loans under these programs is primarily dependent on reimbursements to the pool from repayments on outstanding loans. Loans disbursed under the federal programs are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed. At June 30, 2024 and 2023, the following amounts represent the aging of outstanding notes receivable under the student loan programs:

	<u>Current</u>	<u>1-180 Days</u>	<u>181 days to 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
June 30, 2024	\$ 10,539	\$ 1,380	\$ 643	\$ 505	\$ 13,067
June 30, 2023	\$ 10,955	\$ 4,945	\$ 332	\$ 436	\$ 16,668

The University collectively evaluates receivables to determine the allowance for credit losses for its portion of the student loan based on an evaluation of the current age of receivables, historical experience, and economic environmental factors. The University calculates the allowance using an expected loss model that considers the University's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts.

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2024, the University has made approximately \$1,427 in institutional capital contributions, which are reflected as part of the University's net assets. Under current guidance issued by the Department of Education, if the University liquidates the loan portfolio and assigns the student loans to the Department of Education, the University would forego its institutional capital contribution not yet received back through loan collections. There is currently no requirement for the University to liquidate the loan portfolio and the University is not currently expecting to liquidate the loan portfolio. If the Department of Education were to require liquidation or the University voluntarily elects to liquidate the loan portfolio and assign the student loans to the Department of Education, loss of the institutional capital contributions is not expected to have a material impact on the financial position of the University.

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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment in perpetuity	\$ -	\$ 66,560	\$ 66,560
Donor-restricted endowment accumulated earnings for specified purpose	-	26,927	26,927
Board-designated endowment	15,083	-	15,083
Total	<u>\$ 15,083</u>	<u>\$ 93,487</u>	<u>\$ 108,570</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 12,689	\$ 82,676	\$ 95,365
Investment income	218	1,975	2,193
Net appreciation in market value	2,230	8,925	11,155
Appropriation of endowment net assets for expenditures	(432)	(2,257)	(2,689)
Transfers	210	-	210
Gifts	168	2,168	2,336
Endowment net assets - End of year	<u>\$ 15,083</u>	<u>\$ 93,487</u>	<u>\$ 108,570</u>

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

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 11,950	\$ 71,313	\$ 83,263
Investment income	496	3,215	3,711
Net appreciation in market value	677	4,133	4,810
Appropriation of endowment net assets for expenditures	(450)	(2,062)	(2,512)
	<u>_____</u>	<u>_____</u>	<u>_____</u>
	<u>_____</u>	<u>_____</u>	<u>_____</u>

University of Detroit Mercy

Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

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

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America (GAAP), deficiencies of this nature are reported in net assets with donor restrictions, which together have an original gift value of \$5,751, a current fair value of \$5,558, and a deficiency of \$193 as of June 30, 2023. There were no funds with a deficiency at June 30, 2024.

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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 4 - Fair Value Measurements (Continued)

The following tables present information about the University's assets and liabilities measured at fair value on a recurring basis at June 30, 2024 and 2023 and the valuation techniques used by the University to determine those fair values.

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

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

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

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



Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 4 - Fair Value Measurements (Continued)

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

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

- (i) The University invests in a pooled investment fund invested in equity securities. The fund seeks to maximize return potential by investing in what it considers to be attractive equity securities, primarily in the international markets. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.
- (ii) The University invests in pooled investment funds invested in real asset securities. The Fund seeks to offer diversification by investing approximately 25% of the Fund's assets in commodities, 25% in global natural resource stocks, 20% in global infrastructure stocks, 10% in U.S. REITs, and 20% in U.S. Intermediate TIPS. The fund is valued at net asset value, which is calculated using the most recent fund financial statements.

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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 5 - Property and Equipment

Properties at June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 8,041	\$ 8,020
Buildings and improvements	214,846	186,132
Furniture and equipment	51,992	47,247
Library books	39,333	38,612
Construction in progress	<u>9,634</u>	<u>28,315</u>
Total	323,846	308,326
Less accumulated depreciation	<u>179,557</u>	<u>169,722</u>
Net investment in properties	<u>\$ 144,289</u>	<u>\$ 138,604</u>

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

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

	<u>2024</u>	<u>2023</u>
Michigan Facilities Authority Higher Education Limited Obligation Revenue Bonds - Series 2019A, bearing interest at a variable rate (an effective rate of 5.45 percent as of June 30, 2023), interest due monthly and principal due annually through 2036. Facility was refinanced and consolidated as part of the Series 2023 refinancing transaction.	\$ -	\$ 20,015
Michigan		



Michigan Finance Authority Higher Education Facilities



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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 7 - Retirement Benefits

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

The University and participants in the defined contribution retirement plan make annual contributions to TIAA-CREF to purchase individual annuities or to invest in tax-deferred savings plans. The University's contribution to the defined contribution plan totaled approximately \$5,246 in 2024 and \$5,482 in 2023.

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

In addition to providing pension benefits, the University pays a portion of the premiums for healthcare benefits provided to certain retired employees who reach retirement age while working for the University. Healthcare benefits for retirees and survivors are provided through insurance agreements, the premiums of which are based in part on the benefits paid. The University's costs are capped at certain amounts per month per person dependent on the age of the eligible participants as defined in the plan agreement. The Plan was unfunded at June 30, 2024 and 2023.

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

Obligations and Funded Status

	Pension Benefits		Other Postretirement Benefits	
	2024	2023	2024	2023
Projected benefit obligation	\$ 4,146	\$ 4,255	\$ 3,374	\$ 3,774
Fair value of plan assets	4,260	4,270	-	-
Funded status at end of year	<u>\$ 114</u>	<u>\$ 15</u>	<u>\$ (3,374)</u>	<u>\$ (3,774)</u>

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Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 7 - Retirement Benefits (Continued)

Amounts recognized in the balance sheet consist of the following:

Pension Benefits			

	Pension		2024		2023	
	2024	2023	2024	2023	2024	2023
Net (gain) / loss	\$	57	\$	(341)	\$	(324)
Amortization of prior service costs						
Amortization of net gain (loss)						
Total recognized in net operating activities	\$	(14)	\$	(48)	\$	(324)
Total recognized in net operating activities and other comprehensive income	\$	(49)	\$	(324)	\$	(324)

University of Detroit Mercy

Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 7 - Retirement Benefits (Continued)

There was no net loss and prior service cost for the other postretirement plan that was amortized into net periodic benefit cost during the years ended June 30, 2024 and 2023. No amortization of net loss and prior service credit into net periodic benefit cost is expected over the next fiscal year.

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

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Notes to Financial Statements
Years Ended June 30, 2024 and 2023
(rounded to nearest thousand)

Note 7 - Retirement Benefits (Continued)

Contributions

The University expects to contribute approximately \$30 to its pension plan and \$275 to its postretirement benefit plan during the year ending June 30, 2024.

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

Years Ending	Pension Benefits
<u>June 30</u>	<u>_____</u>

University of Detroit Mercy

Notes to Financial Statements Years Ended June 30, 2024 and 2023 (rounded to nearest thousand)

Note 9 - Contingencies

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

Note 10 - Financial Assets and Liquidity Resources

The following table reflects the University's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general expenditures within one year. Financial assets are unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are perpetual endowments and accumulated earnings net of appropriations within one year, amounts restricted by donors for nonoperating activities, amounts limited by the University's Board of Trustees, and student loans receivable. The University considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for current operating activities to be available to meet cash needs for general expenditures. The University considers all expenditures related to its operating activities that are incurred in the course of the normal business operations of the University to be general expenditures.

	2024	2023
Financial Assets		
Cash and cash equivalents	\$ 41,008	\$ 37,473
Endowment cash and cash equivalents	7,367	6,520
Accounts receivable, net	10,919	9,928
Contributions receivable, net	3,222	3,239
Notes receivable, net	9,922	12,730
Investments	<u>100,462</u>	<u>86,017</u>
Financial assets at June 30, 2024	<u>172,900</u>	<u>155,907</u>
Less financial assets unavailable for general expenditure within one year:		
Contributions receivable, net, beyond one year	977	1,624
Notes receivable, net, re6(i)-1(nanc)-56. receivable,41,008		
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Notes to Financial Statements
Years Ended June 30, 2024 and 2023
(rounded to nearest thousand)

Note 10 - Financial Assets and Liquidity Resources (Continued)

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Notes to Financial Statements
Years Ended June 30, 2024 and 2023
(rounded to nearest thousand)

Note 12 – Related Party Transactions

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

Contributions Receivable

As of June 30, 2024 pledges receivable from related parties, including board members of the University, totaled \$248,671. As of June 30, 2023 there were no pledges receivable from related parties.

Contributions Revenue

During the years ended June 30, 2024 and 2023, contributions received from related parties, including board members of the University, totaled 388,894 and \$231,000, respectively.