

ANNUAL FINANCIAL REPORT

June 30, 2023



Schoolcraft
College®

Board of Trustees

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Management

Glenn R. Cerny, MBA, Ed.D., President; Jon Lamb, CPA, Chief Financial Officer

On the Cover

The transformation of the Vistatech Building, funded partially from a donation from the Schoolcraft College Foundation, includes state of the art equipment and programming to provide more experiential learning space for Schoolcraft's renowned Culinary Arts program as well as the addition of a new highly technological demonstration lab which will provide unique opportunities for academic, professional development, and community-based programs.

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Independent Auditor's Report

To the Board of Trustees
Schoolcraft College

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Schoolcraft College (the "College") as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the College's basic 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 respective financial position of the business-type activities and the aggregate discretely presented component units of the College as of June 30, 2023 and 2022 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. The discretely presented component units were not audited under *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 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.

To the Board of Trustees
Schoolcraft College

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the College's proportionate share of net pension and net OPEB liabilities, and schedules of college contributions for pension and OPEB 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 auditing standards generally accepted in the United States of America, 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 the College's basic financial statements. The consolidating statement of net position and consolidating statement of revenue, expenses, transfers and changes in net position 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 audit 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 auditing standards generally accepted in the United States of America. In our opinion, the consolidating statement of net position and consolidating statement of revenue, expenses, transfers and changes in net position are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees
Schoolcraft College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 on our consideration of the 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 the 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 the College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 11, 2023

Management's Discussion & Analysis - Unaudited

The discussion and analysis of Schoolcraft College's financial statements provides an overview of the College's financial position at June 30, 2023 and 2022 and its financial activities for the three years ended June 30, 2023. 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.

Using The Annual Report

The annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements, notes to financial statements, and required supplementary information. The financial statements report information on the College as a whole. Following the basic financial statements, footnotes, and required supplementary information are two supplementary schedules, the Consolidating Statement of Net Position and the Consolidating Statement of Revenue, Expenses, Transfers and Changes in Net Position. These additional schedules are required by the State of Michigan. Though the Governmental Accounting Standards Board does not require this information for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College not disclosed in the basic statements.

The College is required to include the Schoolcraft Development Authority, Inc., SC Development Unit 14, Inc., SC Sports Dome, Inc., SC Technology Center, Inc., SC Health Sciences, Inc., SC Health Sciences II, Inc., SC Unit 16, Inc. (collectively, the "Development Component Units"), and the Schoolcraft College Foundation as component units in the financial statements. The Development Component Units' statement of net position and statement of revenue, expenses, and changes in net position have been discretely presented on the face of the College statements. The Foundation's statement of financial position and statement of activities and changes in net assets have been included on separate pages.

Financial Highlights

The Statement of Net Position reports the College's financial position as of June 30, 2023 and 2022. The Statement of Revenues, Expenses, and Changes in Net Position reports the change in net position for the years ended June 30, 2023 and 2022. The College's financial position increased during the years ended June 30, 2023 and 2022, with net position increasing by \$9.7 million and \$23.0 million (as restated), respectively.

The increase in 2023 is primarily due to a sizeable increase in nongovernmental grants, as well as increases in state grant revenues, property tax revenue and support from component units, most notably \$2.0 million in support from the Schoolcraft College Foundation related to the Vistatech 2.0 renovation. The increases are offset by a decrease in federal grants and contracts. Additionally, the changes in the College's proportionate share of the State of Michigan Public Schools Employees' Retirement System's (MPERS) unfunded actuarial accrued pension and other postemployment benefit (OPEB) liabilities resulted in a \$7.2 million increase in net position.

The increase in 2022 is primarily due to a sizeable increase in tuition and fees, as well as increases in state grant revenues, property tax revenue and state appropriations, most notably \$10.0 million in state capital outlay appropriations related to the Health Sciences Building renovation. The increases are offset by a decrease in investment performance. Additionally, the changes in the College's proportionate share of the State of Michigan Public Schools Employees' Retirement System's (MPERS) unfunded actuarial accrued pension and other postemployment benefit (OPEB) liabilities resulted in an \$11.8 million increase in net position. Finally, miscellaneous revenue including American Harvest, Mainstreet Café, Henry's, Fitness Center, Firearms Training Center, and Vista Tech rentals, increased slightly due to COVID-19 restrictions lessening in 2022.

Management's Discussion & Analysis - Unaudited

Following is a summary of the major components of the financial position of the College as of June 30, 2023, 2022 (as restated), and 2021, in millions:

Financial Position (in millions)

	2023	2022 (as restated)	2021
Current assets	\$ 32.2	\$ 32.0	\$ 29.0
Non-current assets			
Other	27.7	24.9	27.1
Capital assets	165.7	163.9	158.4
Total assets	225.6	220.8	214.5
Deferred outflow of resources	50.2	24.8	38.0
Current liabilities	22.3	25.4	25.2
Long-term liabilities	209.2	155.1	220.1
Total liabilities	231.5	180.5	245.3
Deferred inflow of resources	51.9	82.4	47.5
Net position			
Net investment in capital assets	93.9	92.5	95.3
Restricted	1.8	0.1	0.1
Unrestricted	(103.3)	(109.9)	(135.7)
Total net (deficit) position	\$ (7.6)	\$ (17.3)	\$ (40.3)

During the year end June 30, 2023, total assets increased by \$4.8 million and total liabilities increased by \$51.1 million. The primary changes in assets include a decrease in unrestricted cash and investments of \$2.2 million due to funding of operations and capital expenditures, and an increase in restricted cash and cash equivalents of \$6.2 million due to unspent bond proceeds at year-end. Additionally, property and equipment increased \$1.8 million due to capital projects described below. The primary changes in liabilities include a decrease in accounts payable of \$1.4 million based on timing of payment for ongoing capital projects, an increase in short and long-term debt obligations combined of \$7.2 million due to the 2023 bond issue of \$10.4 million offset by principal payments made totaling \$3.2 million, a decrease in unearned revenue of \$2.3 million related to the conclusion of HEERF 3, and most notably an increase in net pension liability of \$46.2 million based on the change in value of the College's proportionate share of the MPSERS unfunded actuarial accrued liability as required by GASB 68, and an increase in the net OPEB liability of \$2.1 million based on the change in value of the College's proportionate share of the MPSERS unfunded actuarial accrued liability as required by GASB 75.

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 a future period and so will not be recognized as an outflow of resources (expense) until that time. During the year end June 30, 2023 deferred outflows increased by \$25.5 million. The primary changes in deferred outflows for the plan were an increase of \$20.3 million due to changes in actuarial assumptions, an increase of \$950,000 in the balance related to differences between projected and actual earnings on pension and OPEB plan assets, and an increase in contributions subsequent to the measurement date of \$4.3 million. In addition to liabilities, the statement of net position reports 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) until that time. During the year end June 30, 2023 deferred inflows related to retirement and postemployment benefits decreased by \$30.1 million. The primary changes in deferred inflows for the plan were a decrease of \$1.3 million due to changes in the difference between expected and actual experience, a decrease of \$34.5 million in the balance related to differences between projected and actual earnings on pension and OPEB plan assets, a decrease of \$154,000 due to changes in actuarial assumptions, and an increase of \$1.7 million due to changes in proportionate share of the total net pension and OPEB liabilities of the MPSERS plan. During the year end June 30, 2023 deferred inflows related to leases decreased \$495,000 which was a result of certain leases maturing in

Management's Discussion & Analysis - Unaudited

2023 in addition to the recognition of lease revenue for existing leases which decreases the deferred inflows.

During the year end June 30, 2022, total assets increased by \$4.7 million and total liabilities decreased by \$66.5 million. The primary changes in assets include an increase in unrestricted cash and investments of \$3.7 million due to positive operations during 2022, an increase in state appropriations receivable of \$2.1 million primarily due to the final amounts owed by the state of Michigan for the Health Sciences Building capital outlay project, as well as a \$1.1 million decrease in federal grants receivable primarily due to the Higher Education Emergency Relief Fund (HEERF) funding under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) (HEERF 2) and the American Rescue Plan Act (ARP) (HEERF 3) that was in receivables in 2021, but not in 2022. Additionally, amounts due from component units decreased by \$3.3 million based on timing of SC Health Sciences, Inc. and SC Health Sciences II, Inc. capital expenditures being processed through the College's accounts payable system, and subsequently reimbursed to the College from the aforementioned Development Component Units. Long-term investments decreased by \$2.2 million due to rising interest rate environment having an offset effect on bond yields, and lease receivables decreased \$875,000 current year receipts and the maturity of 3 leases. Finally, property and equipment increased \$5.5 million due to capital projects described below. The primary changes in liabilities include a decrease in accounts payable of \$1.2 million based on timing of payment for ongoing capital projects, a decrease in short and long-term debt obligations combined of \$4.3 million due to principal payments, and most notably a decrease in net pension liability of \$45.5 million based on the change in value of the College's proportionate share of the MPSERS unfunded actuarial accrued liability as required by GASB 68, and a decrease in the net OPEB liability of \$15.3 million based on the change in value of the College's proportionate share of the MPSERS unfunded actuarial accrued liability as required by GASB 75.

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 a future period and so will not be recognized as an outflow of resources (expense) until that time. During the year end June 30, 2022 deferred outflows decreased by \$13.2 million. The primary changes in deferred outflows for the plan were a decrease of \$675,000 due to differences between expected and actual experience, a decrease of \$11.6 million due to changes in actuarial assumptions, a decrease of \$760,000 in the balance related to differences between projected and actual earnings on pension and OPEB plan assets, a decrease of \$312,000 due to changes in proportionate share of the total net pension and OPEB liabilities of the MPSERS plan, and an increase in contributions subsequent to the measurement date of \$155,000. In addition to liabilities, the statement of net position reports 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) until that time. During the year end June 30, 2022 deferred inflows related to retirement and postemployment benefits increased by \$36.2 million. The primary changes in deferred inflows for the plan were an increase of \$1.2 million due to changes in the difference between expected and actual experience, an increase of \$34.5 million in the balance related to differences between projected and actual earnings on pension and OPEB plan assets, a decrease of \$732,000 due to changes in actuarial assumptions, and a decrease of \$536,000 due to changes in proportionate share of the total net pension and OPEB liabilities of the MPSERS plan. During the year end June 30, 2022 deferred inflows related to leases decreased \$1.2 million which was a result of certain leases maturing in 2022 in addition to the recognition of lease revenue for existing leases which decreases the deferred inflows.

Management's Discussion & Analysis - Unaudited

Following is a summary of the major components of the changes in net position of the College for the years ended June 30, 2023, 2022 and 2021, in millions:

Revenue, Expenses and Changes in Net Position (in millions)

	2023	2022	2021
Operating revenues			
Tuition and fees (net of scholarship allowance)	\$ 31.8	\$ 31.7	\$ 28.5
Federal grants and contracts	2.2	1.8	1.3
State and other grants and contracts	5.8	4.1	2.3
Sales and services of auxiliary activities	4.3	4.3	3.3
Gain on disposal of assets	0.1	0.2	0.1
Miscellaneous	2.6	2.9	2.6
Total operating revenue	46.8	45.0	38.1
Operating expenses			
Instruction	32.4	30.0	34.3
Information Technology	5.4	5.6	7.2
Public services	2.5	1.9	2.0
Instructional support	13.7	12.4	13.4
Student services	24.6	27.6	23.3
Institutional administration	9.2	10.1	10.4
Operation and maintenance of plant	13.9	14.1	12.9
Depreciation	10.7	9.1	8.5
Total operating expenses	112.4	110.8	112.0
Net operating loss	(65.6)	(65.8)	(73.9)
Nonoperating revenues and (expenses)			
State operating appropriations	22.7	22.1	20.6
Property taxes	37.9	36.0	35.1
Pell grants	9.2	9.4	10.3
Federal grants and contracts	5.3	14.1	11.4
Other nonoperating revenues and (expenses) - net	(1.8)	(2.8)	(1.5)
Net nonoperating revenues	73.3	78.8	75.9
Other			
State capital appropriations	-	10.0	-
Support from component units	2.0	-	-
Total other	2.0	10.0	-
Net decrease in net position	9.7	23.0	2.0
Net position, beginning of year	(17.3)	(40.3)	(43.0)
Adjustment for change in accounting principle	-	-	0.7
Net position, beginning of year, as restated	(17.3)	(40.3)	(42.3)
Net position, end of year	\$ (7.6)	\$ (17.3)	\$ (40.3)

Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees, the sale of books and supplies, and the sale of food by Food Service and Culinary Arts. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes.

Operating revenue changes were the result of the following for the year ended June 30, 2023:

- Student tuition and fee revenue increased \$81,000 due to enrollment declines offset by tuition and fee rate increases and a \$445,000 decrease in the scholarship allowance, which results in more Pell grants covering the cost of attendance. Actual tuition and fee revenue before scholarship allowances decreased \$364,000 or 0.93% due to tuition increases of 2.54%, as well as additional fee revenue charged for classes that require extra faculty time outside of the normal class credit hours, offset by an enrollment decrease of 3.83%.
- Federal grant revenue increased \$419,000 primarily due to the newly awarded Regional Talent Innovation Grant.
- Nongovernmental grant revenue increased \$1.6 million primarily due to the Detroit Drives Degrees Community College Collaborative (D3C3).

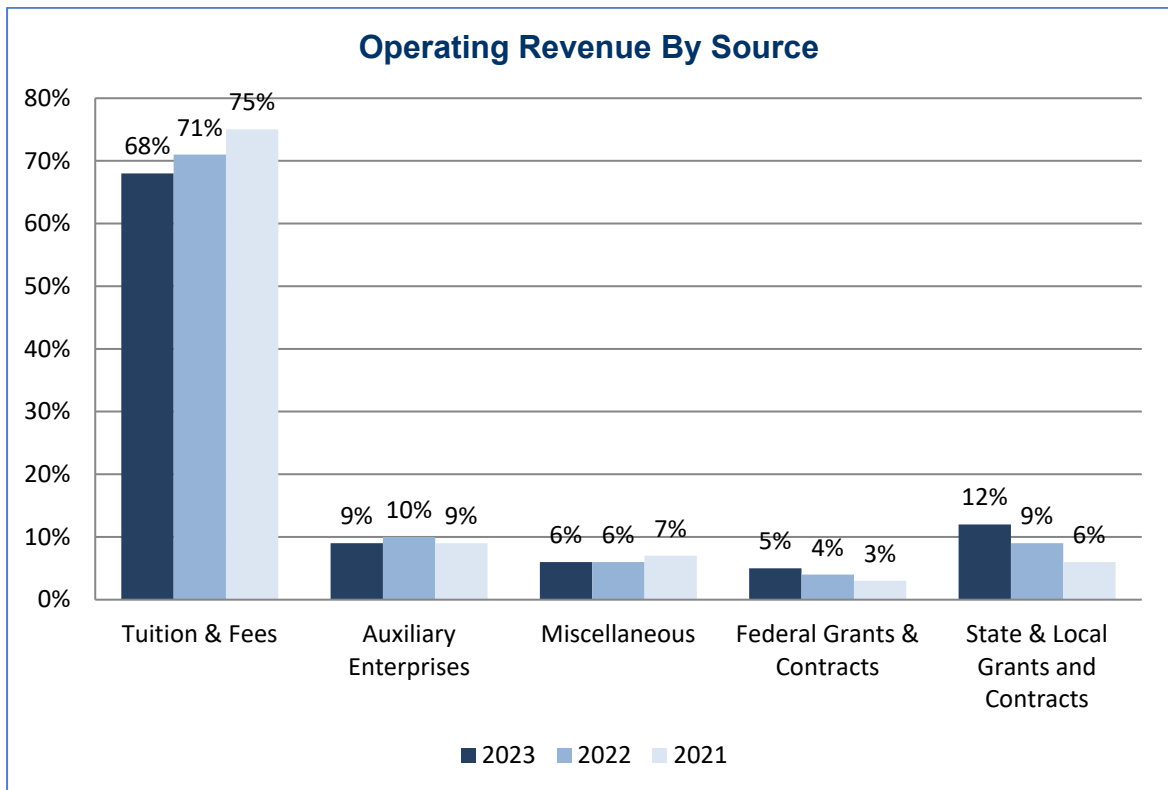
Management's Discussion & Analysis - Unaudited

- Miscellaneous revenue including American Harvest, Mainstreet Café, Fitness Center, Firearms Training Center, and Vista Tech rentals decreased \$177,000 primarily due to the ongoing construction related to the Vistatech 2.0 renovation.

Operating revenue changes were the result of the following for the year ended June 30, 2022:

- Student tuition and fee revenue increased \$3.1 million due to enrollment declines offset by tuition and fee rate increases and a \$1.2 million decrease in the scholarship allowance, which results in more Pell grants covering the cost of attendance. Actual tuition and fee revenue before scholarship allowances increased \$1.9 million or 5.10% due to tuition increases of 2.60%, as well as additional fee revenue charged for classes that require extra faculty time outside of the normal class credit hours, offset by an enrollment decrease of 2.57%.
- State grant revenue increased \$1.8 million primarily due to state of Michigan grants Futures for Frontliners and Reconnect.
- Auxiliary enterprises revenue increased by \$1.0 million primarily due to closures of the Bookstore, Children's Center, and Henry's as a result of COVID-19 in 2021 that did not occur in 2022.
- Miscellaneous revenue including American Harvest, Mainstreet Café, Fitness Center, Firearms Training Center, and Vista Tech rentals also increased due to their closures as a result of COVID-19 in 2021 that did not occur in 2022.

The following chart illustrates operating revenues by source as a percent of total operating revenue:



Management's Discussion & Analysis - Unaudited

Operating Expenses

Operating expenses are the costs associated with achieving the mission of the college; providing instruction, enrolling and counseling students, maintaining the facilities, and managing the finances.

Operating expense changes were the result of the following for the year ended June 30, 2023:

- Operating expenses overall increased 1.48%, or \$1.6 million. The primary reason for the increase was an increase of approximately \$439,000 in expenses associated with the College's proportionate share of the MPSERS pension and OPEB plans in addition to moderate increases in average salary and benefit packages, a \$4.1 million increase in state of Michigan Section 147c2 payments related to the MPSERS pension plan, a \$3.9 million decrease in HEERF student portion expenditures, a \$463,000 decrease in state of Michigan grants Futures for Frontliners, Reconnect, and Wraparound, and a \$1.6 million increase in depreciation and amortization expense due to the adoption of GASB 96.
- Instruction and Instructional Support combined increased 8.66%, or \$3.7 million, primarily due to the increase in expenses associated with the College's proportionate share of the MPSERS pension and OPEB plans in addition to salary and benefit increases.
- Student Services decreased 10.86%, or \$3.0 million, primarily due to a decrease in HEERF student portion awards issued decreasing from 2022 by \$3.9 million offset by salary and benefit increases.
- Institutional Administration decreased 8.89%, or \$902,000, primarily due to a reduction in legal expenditures by \$786,000, in addition to reduced headcount offset by salary and benefit increases.
- Depreciation and amortization increased 18.48%, or \$1.7 million, primarily due to capitalization of the Health Sciences Center capital outlay project increasing depreciation expense by \$319,000 in addition to the adoption of GASB 96 increasing amortization expense by \$1.0 million.

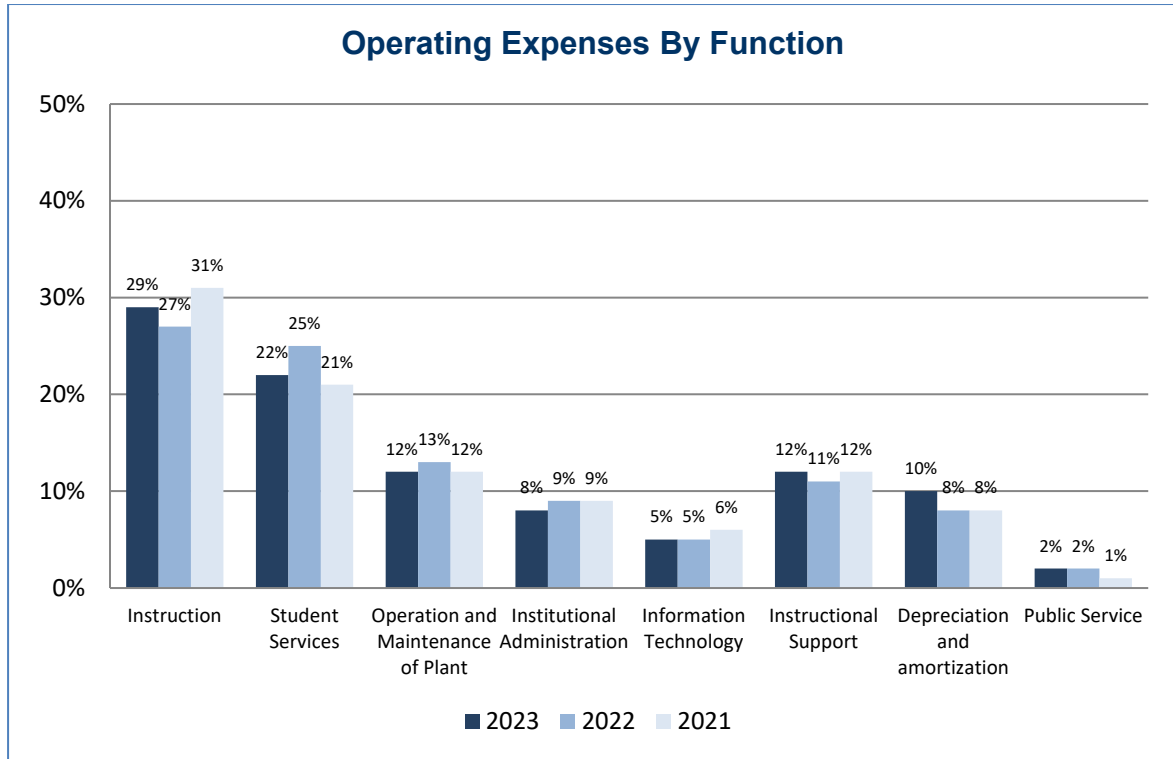
Operating expense changes were the result of the following for the year ended June 30, 2022:

- Operating expenses overall decreased 1.09%, or \$1.2 million. The primary reason for the decrease was a decrease of approximately \$14.6M in expenses associated with the College's proportionate share of the MPSERS pension and OPEB plans offset by moderate increases in average salary and benefit packages, a \$4.5 million increase in HEERF student portion expenditures, a \$1.8 million increase in state of Michigan grants Futures for Frontliners and Reconnect, a \$1.2 million increase in facilities costs due to the addition of the Manufacturing & Engineering Center and newly renovated Health Sciences Center, and a \$547,000 increase in depreciation and amortization expense.
- Instruction and Instructional Support combined decreased 10.94%, or \$5.2 million, primarily due to the decrease in expenses associated with the College's proportionate share of the MPSERS pension and OPEB plans offset by salary and benefit increases.
- Information Technology decreased 22.58%, or \$1.6 million, primarily due to the decrease in expenses associated with the College's proportionate share of the MPSERS pension and OPEB plans as well as a decrease in salary and benefit expenses due to reduced headcount.
- Student services increased 18.41%, or \$4.3 million, primarily due to an increase in HEERF student portion awards issued increasing from 2021 by \$4.5 million.
- Operating and maintenance of plant increased 9.35%, or \$1.2 million, primarily due to the addition of the Manufacturing & Engineering Center and newly renovated Health Sciences Center, in addition to salary and benefit increases.
- Depreciation and amortization increased 6.44%, or \$547,000, primarily due to capitalization of the Health Sciences Center capital outlay project, the Frank E. and Bessie Angileri Conference Center, Foundation office renovation, Biomedical

Management's Discussion & Analysis - Unaudited

Technology Center lab renovation, and security systems upgrade phase 2 on main campus.

The following chart illustrates operating expenses by function as a percent of total operating expenses:



Non-Operating Revenues and Expenses

Non-operating revenues represent all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property taxes, Pell grants, COVID-19 related federal funding, lease income including related interest income, and investment income.

Non-operating revenues and expenses changes were the result of the following factors for the year ended June 30, 2023:

- State operating appropriations increased by \$634,000. This is primarily due to an increase in operating receipts of \$592,000 offset by a one-time supplemental operations receipt of \$518,000 in 2022 that did not occur in 2023, an increase in personal property tax reimbursements of \$191,000, an increase of \$4.1 million in payments over last year from the State of Michigan for retirement contributions to the MPSERS plan in an effort to fund the difference between the College's capped contribution rate for unfunded accrued liabilities (26.18%) and the actual unfunded actuarial accrued liability contribution rate pursuant to MPSERS reform legislation, and a decrease of \$3.8 million due to the effects of GASB 68.
- State capital appropriations decreased by \$10.0 million due to the capital outlay project which renovated the Applied Sciences Building into the new Health Sciences Center in 2022.
- Property taxes increased by \$1.9 million (5.30%) primarily due to an increase in property tax values of 5.68%.
- Unrealized losses on investments of approximately \$567,000 were recognized compared to unrealized losses on investments of approximately \$1.6 million in 2022. Interest rates increased in fiscal year 2023, which affects the fair value of the College's bond investments.

Management's Discussion & Analysis - Unaudited

- Federal grants revenue decreased by \$8.8 million due to HEERF 3 under the ARP Act being awarded in full during fiscal year 2023.
- Pell grant awards decreased by \$167,000, or 1.78%, primarily due to an approximate 3.83% decrease in enrollment in addition to several other forms of aid being available including HEERF, and state of Michigan Futures for Frontliners, Reconnect, and Wraparound.

Non-operating revenues and expenses changes were the result of the following factors for the year ended June 30, 2022:

- State operating appropriations increased by \$1.5 million. This is primarily due to a one-time supplemental operations receipt of \$518,000, an increase in personal property tax reimbursements of \$188,000, an increase of \$344,000 in payments over last year from the State of Michigan for retirement contributions to the MPSERS plan in an effort to fund the difference between the College's capped contribution rate for unfunded accrued liabilities (26.18%) and the actual unfunded actuarial accrued liability contribution rate pursuant to MPSERS reform legislation, and a decrease of \$380,000 due to the effects of GASB 68.
- State capital appropriations increased by \$10.0 million due to the capital outlay project which renovated the Applied Sciences Building into the new Health Sciences Center.
- Property taxes increased by \$912,000 (2.60%) due to an increase in property tax values of 3.24% offset by a decrease in the millage rate levied of 0.77% due to the one-time winter levy of 0.0177 mills levied in 2021 only.
- Unrealized losses on investments of approximately \$1.6 million were recognized compared to unrealized losses on investments of approximately \$577,000 in 2021. Interest rates increased in fiscal year 2022, which affects the fair value of the College's bond investments.
- Federal grants revenue increased by \$2.6 million due to HEERF 2 and 3 under the CRRSAA and the ARP Acts.
- Pell grant awards decreased by \$854,000, or 8.31%, primarily due to an approximate 2.57% decrease in enrollment in addition to several other forms of aid being available including HEERF, and state of Michigan Futures for Frontliners and Reconnect.

Other

Other revenues and expenses consist of items that are typically nonrecurring, extraordinary, or unusual to the College. Included as other, the College received support of \$2.0 million from the Schoolcraft College Foundation as support for construction costs related to the Vistatech 2.0 renovation. Included as other, the College received state capital appropriations of \$10.0 million due to the capital outlay project which renovated the Applied Sciences Building into the new Health Sciences Center for the year ended June 30, 2022.

Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows may also help users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its need for external financing

The College's cash and cash equivalent position increased by \$7.0 million at June 30, 2023, primarily due to an increase in tuition and fees of \$2.3 million, an increase in grants and contracts of \$1.4 million, support from component units of \$2.0 million, proceeds from the 2023 bond issue of \$11.7 million, and a net increase in investment activity of \$2.1 million, offset by making investments in construction and facilities improvements of \$11.5 million.

Management's Discussion & Analysis - Unaudited

Statement of Cash Flows (in millions)

	2023	2022	2021
Cash (used in) provided by:			
Operating activities	\$ (68.9)	\$ (72.8)	\$ (68.6)
Noncapital financing activities	78.9	97.4	83.5
Capital and related financing activities	(6.1)	(21.8)	(29.8)
Investing activities	3.1	0.9	(2.5)
Net increase (decrease) in cash and equivalents	7.0	3.7	(17.4)
Cash and equivalents - beginning of year	17.1	13.4	30.8
Cash and equivalents - end of year	<u>\$ 24.1</u>	<u>\$ 17.1</u>	<u>\$ 13.4</u>

Capital Assets and Debt Administration:

Capital Assets

The College had \$165.7 million and \$163.9 million invested in property and equipment, net of accumulated depreciation and amortization of \$96.4 million and \$89.5 million at June 30, 2023 and 2022, respectively. Depreciation and amortization charges totaled \$9.7 and \$9.0 million, respectively, for the years then ended.

	2023	2022	2021
Land and land improvements	\$ 13.1	\$ 13.6	\$ 14.2
Buildings and improvements	123.9	127.2	110.7
Equipment	8.6	10.6	9.4
Infrastructure	10.5	11.2	12.0
Construction in progress	9.6	1.3	12.1
	<u>\$ 165.7</u>	<u>\$ 163.9</u>	<u>\$ 158.4</u>

Major capital additions include:

	Source of Funds:			
	Bond Proceeds	Donated Funds	Operating Funds	Total
Projects completed this year:				
Campus Sidewalk & Curb Replacements	\$ -	\$ -	\$ 108,450	\$ 108,450
Applied Science Fire Suppression	-	-	488,379	488,379
Security Systems Upgrade	-	-	219,580	219,580
Projects started this year or last year:				
Vistatech 2.0	9,171,212	-	-	9,171,212
Veteran's Resource Center Renovation	-	7,733	-	7,733
Total major additions	<u>\$ 9,171,212</u>	<u>\$ 7,733</u>	<u>\$ 816,409</u>	<u>\$ 9,995,354</u>

The College has entered into construction contracts and commitments totaling approximately \$12.6 million for the Vistatech 2.0 and Veteran's Resource Center Renovation projects. As of June 30, 2023 the College had incurred \$9.7 million relating to these projects. The projects are expected to be completed during the year ending June 30, 2024. The remaining commitments totaling \$2.9 million will be funded by a combination of bond, donated, and operating funds.

More detailed information about the College's capital assets is presented in the footnotes to the financial statements.

Management's Discussion & Analysis - Unaudited

Debt Administration

At year-end, the College had \$51.6 million in debt outstanding, which is made up of the outstanding principal balances of four general obligation, limited-tax bonds, issued for various construction projects. These five bond issuances provided proceeds of \$18.0 million, \$8.0 million, \$10.0 million, \$22.0 million, and \$10.3 million in the years issued, and were authorized by the Board of Trustees on March 27, 2013, March 23, 2016, November 14, 2018, September 25, 2019, and February 15, 2023 respectively. All construction projects funded by bonds other than the Vistatech 2.0 Renovation have been completed. Bond principal payments are due annually each May through maturity in fiscal year 2039. Interest payments are due semi-annually through maturity at rates ranging from 2.0% to 3.5%.

The College's general obligation bond rating was Aa1 by Moody's in March 2023 upon issuance. According to Moody's, at the time of the bond issuance, the strong rating was based upon the College's large and growing tax base, the successful ballot proposal in the fall 2018 elections which restored the College's millage rate to its full authorized level which is described in more detail in the economic factors which will affect the future section, above average resident income levels, and low debt and pension burdens.

Also at year-end, the College had \$1.1 million in debt outstanding from the lease agreement signed to fund the upgrade of the College's network through installation and implementation of hardware and software, which included desktop virtualization, and campus-wide network equipment enhancements, as authorized by the Board of Trustees on November 20, 2019. Lease payments, including principal and interest of 3.7%, are due annually through maturity in fiscal year 2024.

Also at year-end, the College had \$5.6 million in debt outstanding from the lease agreement signed to lease the St. Joe's Sports Dome from SC College Dome LLC, as authorized by the Board of Trustees on June 22, 2016. Lease payments, including principal and interest of 13.64%, are due monthly through maturity in fiscal year 2042.

Finally, at year-end, the College had \$7.7 million in debt outstanding from the lease agreement signed to lease the St. Joe's Mercy Elite Sports Center from SC Health Sciences 2, Inc., as authorized by the Board of Trustees on June 22, 2016. Lease payments, including principal and interest of 12.59%, are due monthly through maturity in fiscal year 2041.

Component Units

During 2016, the College formed two component unit entities, SC Development Unit 14, Inc. and SC Sports Dome, Inc. During 2017, the College formed one additional entity, SC Technology Center, Inc. During 2019, the College formed two additional entities, SC Health Sciences, Inc. and SC Health Sciences II, Inc. During 2022, the College formed one additional entity, SC Unit 16, Inc. All six entities were established as 501(c)(3) charitable, non-profit organizations in an effort to generate additional revenue streams for the College.

SC Development Unit 14, Inc. was formed to partner with an outside developer to develop College owned land, specifically Unit 14. The main purpose of the resulting partnership, Seven Delta, LLC, which was formed as a Michigan limited liability company, is to construct and subsequently lease a building to a Fortune 500 company to generate additional revenue for the charitable and educational purposes that support the College.

SC Sports Dome, Inc. was formed to partner with an outside developer to develop College owned land, specifically Unit 15. The main purpose of the resulting partnership, SC College Dome LLC, which was also formed as a Michigan limited liability company, is to build the College Soccer Dome to help bolster enrollment and generate additional revenue for the charitable and educational purposes that support the College.

Management's Discussion & Analysis - Unaudited

SC Technology Center, Inc. was formed to enter into lease agreements with third parties to sell services and amenities to generate additional revenue for the charitable and educational purposes that support the College.

During 2019, SC Health Sciences, Inc. and SC Health Sciences II, Inc. were formed to construct and subsequently lease a medical center and sports center, respectively, to generate additional revenue for the charitable and educational purposes that support the College. Construction on the medical center was completed as of June 30, 2022. Construction on the sports center was completed as of June 30, 2021.

Economic Factors Which Will Affect the Future

Revenue - In 2023/24 the College anticipates receiving State appropriation funding of \$14.5 million for operations, which excludes UAAL funding, and is only slightly above the amount received from the State in 2001/02 of \$12.7 million. State equalized value and taxable values have increased slightly in the College district along with new construction. Property tax revenue for 2023/2024 will increase by approximately 5-6% due to property tax base increases and is estimated to continue increasing at a modest rate for 2024/2025. The College's property tax base finally recovered to pre-recession property tax base levels in 2021/2022 which is 14 years after the initial decline in 2008/09. The Board has approved an average tuition and fee increase of 3.06% and per credit hour fees will increase \$1.00 each, effective with the fall 2023 term, making for an effective increase in tuition and fees of 3.74%, and enrollment for the fall semester compared to last year is projected to be flat.

MPERS - On September 5, 2012 Public Act 300 (or Senate Bill 1040) was signed into law by the Governor. The law outlines significant reforms to the MPERS retirement system that has dramatically affected the expected retirement rates paid by the College as well as the benefits provided to MPERS participants. In connection with Public Act 300, the College's MPERS contribution rate will be capped at 31.34% for 2023/24 until further legislation is enacted. Under these rates, this represents a cumulative increase from 2007/08 of approximately 87.44%. During that same period of time, the cumulative CPI for the United States increased 39.45%. If MPERS had limited increases to the CPI figures over that period, the current actual rate would be 23.32%. Schoolcraft's recurring revenue streams are relegated to increases tied to the CPI rate. Contributions to MPERS using the adjusted CPI figure of 23.32% would net the college a recurring savings of approximately \$2.4 million annually. Unfortunately, the MPERS contribution rate has increased beyond the CPI and the MPERS plan still has unfunded pension and postemployment benefit liabilities totaling approximately \$37.6 billion and \$2.1 billion, respectively.

The College's portion of the unfunded pension liability is approximately \$139.7 million and \$93.5 million as of June 30, 2023 and 2022, respectively. The College's portion of the unfunded postemployment benefit liability is approximately \$8.0 million and \$5.8 million as of June 30, 2023 and 2022, respectively.

Current retirement contribution rates are unsustainable long term and will require structural changes to the MPERS Plan or College operations in order for the College to be able to continue to provide affordable and effective services.

In light of this, on July 13, 2017, the State of Michigan passed Public Act 92 of 2017, Senate Bill 401, which provided that all employees hired on or after September 4, 2012 were given the opportunity to opt out of the Pension Plus retirement plan and enroll instead in a Defined Contribution (DC) plan. All DC participants who first worked on or after September 4, 2012 have new contribution and employer match amounts mandated by the new law. Employers began mandatory contributions of 4% for current DC participants hired since September 4, 2012 and all future DC participants. The contributions began with the first pay period after October 1, 2017. Employers will match 100% of the contributions made by the employee up to a maximum of 3% of compensation beginning on February 1, 2018. Employees must contribute at least 3% of wages to receive the 3% match from their employer. The DC plan is the default option for new employees who first work on or after February 1, 2018. PA 92 also requires the DC plan to offer one or more fixed and variable annuity options that members can use at retirement.

Management's Discussion & Analysis - Unaudited

This law establishes a new hybrid plan for Michigan public school employees who first work on or after February 1, 2018. This plan is similar to the Pension Plus retirement plan established in 2010 (and changed again in 2012) in that it will have both a pension component and a savings component.

Eligibility for pension benefits remains the same as Pension Plus at 60 years old with at least 10 years of service. Contributions are made in the savings component by both the employer and employee and are deposited into a 401(k) and/or 457 tax deferred account. An employee must affirmatively elect the new hybrid plan to participate. If the employee makes no choice, as mentioned above, the default set by the law means the employee will be enrolled in the DC plan. The Office of Retirement Services will provide each employee with a summary of the benefit options available.

Property Taxes - In 1978, Michigan voters approved an amendment to the Michigan Constitution known as the Headlee Amendment. This amendment included a number of provisions related to state and local taxes. These became Sections 25 through 33 of Article IX of the state constitution. Section 31, which concerns local government taxes, created several new laws related to local government taxation, including:

- Requiring voter approval for any local tax increases or new taxes established after Headlee was approved
- Limiting property tax revenue resulting from property tax assessments increasing
- Limiting revenue collected to the amount the millage originally was to generate (with factor for inflation)

The property tax revenue limitation requires that if the assessed value of a local tax unit's total taxable property increases by more than the inflation rate, the maximum property tax millage must be reduced so that the local unit's total taxable property yields the same gross revenue, adjusted for inflation.

The College's original millage rate of 2.2700 mills was approved by the voters in 1986. Headlee had rolled back that rate to 1.7662 as of June 30, 2019, which resulted in \$7.1 million less in property tax revenue for fiscal year 2019.

Accordingly, to address this significant shortfall in revenues, voters in the College's districts passed a ballot proposal in the fall 2018 elections which restored the College's millage rate levied to what the voters originally approved in 1986. This restoration, along with property value increases, generated an additional \$8.4 million in revenue for the College in 2020. This amount is expected to grow moderately each year with increases in property values.

COVID-19 - In 2020 and into 2021 and beyond, the COVID-19 pandemic affected the College's operations in a number of ways. Traditional and continuing education classes were moved to an online format in an effort to keep operations ongoing while complying with the Governor's executive orders. A number of spring 2020 continuing education classes were cancelled which resulted in numerous refunds issued to students in spring 2020. Additionally, all Vista Tech events from March 13, 2020 through the end of the 2021 fiscal year and beyond were cancelled which resulted in significant refunds to customers. Several revenue generating areas on campus were closed including American Harvest, Main Street Café, JC Café, the Ocelot Spot Café, Firearms Training Center, Children's Center, and the Fitness Center, which resulted in reduced revenues, all while the College continued to pay all employees. Effective with the beginning of the fall 2021 semester, all areas on campus reopened with certain restrictions in place to ensure the safety of students and staff. Revenue from HEERF 1, 2, and 3 as well as CRF replenished most of the lost revenues. HEERF funds of approximately \$2.9 million in student grants was awarded to students prior to June 30, 2023, which represented the final HEERF draw downs from all College awards. On the institutional side, HEERF 1, 2, and 3 were fully drawn down as of June 30, 2022.

Management's Discussion & Analysis - Unaudited

Non-Recurring Revenues - In 2023 and 2022, there were significant one-time revenue streams that won't recur in the future.

In 2023, the College received \$2.0 million from the Schoolcraft College Foundation to help fund construction costs for the Vistatech 2.0 Renovation project. Additionally, the impact of GASB 68/75 resulted in an \$7.2 million income pick-up due to investment performance as well as discount rate and actuarial assumptions. Finally, the College recognized \$2.4 million in HEERF institutional portion revenue in 2023, which was entirely in deferred revenue as of June 30, 2022. Backing out the effects of these large non-recurring revenue streams, the College would have recognized a net loss of \$1.9 million.

In 2022, the College received \$10.0 million from the state of Michigan related to the capital outlay project which renovated the Applied Sciences Building into the new Health Sciences Center. Additionally, the impact of GASB 68/75 resulted in an \$11.4 million income pick-up due to investment performance as well as discount rate and actuarial assumptions. Finally, the College recognized \$7.2 million in HEERF institutional portion revenue in 2022. As of June 30, 2022, the entirety of all HEERF institutional awards has been utilized. Backing out the effects of these large non-recurring revenue streams, the College would have recognized a net loss of \$5.6 million.

Management is currently evaluating revenue generation and cost cutting strategies for 2024 and beyond.

Statement of Net Position

	College As of June 30		Development Component Units As of June 30	
	2023	2022 (as restated)	2023	2022
Assets				
Current Assets				
Cash and cash equivalents - Note 2	\$ 17,868,039	\$ 17,117,385	\$ 3,396,848	\$ 2,763,343
Property taxes receivable, net of allowance for doubtful accounts of \$36,000 in 2023 and \$61,200 in 2022	221,341	469,878	-	-
State appropriation receivable	5,605,455	5,618,252	-	-
Accounts receivable, net of allowance for doubtful accounts of \$1,303,572 in 2023 and \$1,021,614 in 2022	2,487,577	2,618,569	95,560	267,027
Leases receivable - Note 12	676,915	689,551	4,108,085	3,901,816
Subscription based IT arrangements - Note 7	428,730	941,511	-	-
Accrued interest receivable	3,545	10,220	145,095	147,074
Federal and state grants receivable	1,736,259	1,159,542	-	-
Student loans receivable, net of allowance for doubtful accounts of \$0 in both 2023 and 2022	16,250	16,250	-	-
Inventories	1,063,143	1,158,496	-	-
Prepaid expenses and other assets	919,683	977,595	3,880	2,715
Deposits	492,536	481,109	-	-
Due from component units	643,666	724,564	-	-
Total Current Assets	32,163,139	31,982,922	7,749,468	7,081,975
Noncurrent Assets				
Restricted cash and cash equivalents - Note 2	6,224,271	-	761,769	637,383
Long-term investments - Note 2	7,340,501	10,327,445	12,056,646	8,931,827
Leases receivable - Note 12	13,725,944	13,915,577	103,776,283	107,884,371
Subscription based IT arrangements - Note 7	401,373	625,936	-	-
Property and equipment - Note 7	165,745,509	163,948,412	73,331,586	75,744,497
Total Assets	225,600,737	220,800,292	197,675,752	200,280,053
Deferred Outflows of Resources - Note 3	50,245,605	24,774,039	-	-
Liabilities				
Current Liabilities				
Current portion of debt obligations - Note 9	5,562,773	4,471,439	3,009,557	2,760,507
Accounts payable	3,743,446	5,194,931	12,592	835
Related party payable - Note 13	-	-	391,878	561,987
Accrued interest payable	366,653	338,410	168,566	173,596
Accrued payroll and other compensation	6,991,934	7,125,376	-	-
Deposits	742,285	486,208	-	-
Unearned revenue	4,537,422	6,831,034	862,007	835,913
Subscription liability - Note 10	428,730	941,511	-	-
Due to College	-	-	408,377	489,275
Total Current Liabilities	22,373,243	25,388,909	4,852,977	4,822,113
Noncurrent Liabilities				
Net pension liability - Note 3	139,686,196	93,457,616	-	-
Net OPEB liability - Note 3	7,959,360	5,848,028	-	-
Long-term debt obligations - Note 9	60,478,672	54,332,134	61,593,388	64,602,945
Unearned revenue	-	-	2,093,773	2,117,006
Subscription liability - Note 10	388,176	625,936	-	-
Accrued severance pay - Note 9	657,852	749,011	-	-
Total Liabilities	231,543,499	180,401,634	68,540,138	71,542,064
Deferred Inflows of Resources				
Retirement and postemployment benefits - Note 3	38,352,068	68,453,162	-	-
Leases - Note 12	13,541,391	14,036,420	100,278,279	106,938,484
Total Deferred Inflows of Resources	51,893,459	82,489,582	100,278,279	106,938,484
Net Position (Deficit)				
Net investment in capital assets	93,936,344	92,475,764	9,852,518	10,180,372
Restricted for:				
Expendable restricted grants	1,845,014	57,478	-	-
Nonexpendable Minority interest	-	-	7,362,504	6,994,944
Unrestricted	(103,371,974)	(109,850,127)	11,642,313	4,624,189
Total Net Position (Deficit)	\$ (7,590,616)	\$ (17,316,885)	\$ 28,857,335	\$ 21,799,505

The accompanying notes are an integral part of these statements.

Schoolcraft College Foundation Statement of Net Assets

	As of June 30	
	2023	2022
Assets		
Cash and cash equivalents	\$ 87,256	\$ 254,876
Marketable securities	18,435,487	17,651,265
Assets held under charitable remainder unitrust agreement	86,318	84,584
Accounts receivable	5,350	-
Contributions receivable - net	319,180	129,900
Beneficial interest in remainder trusts	5,557	5,297
Prepaid expenses	22,306	15,518
Total Assets	\$ 18,961,454	\$ 18,141,440
Liabilities And Net Assets		
Liabilities		
Payable to Schoolcraft College	\$ 333,742	\$ 235,289
Other liabilities	14,167	23,768
Liability under charitable remainder unitrust and gift annuity agreements	44,386	49,787
Total Liabilities	392,295	308,844
Net Assets		
Without donor restrictions	2,925,314	4,428,102
With donor restrictions	15,643,845	13,404,494
Total Net Assets	18,569,159	17,832,596
Total Liabilities And Net Assets	\$ 18,961,454	\$ 18,141,440

The accompanying notes are an integral part of these statements.

Statement of Revenue, Expenses and Changes in Net Position

	College Years Ended June 30		Development Component Units Years Ended June 30	
	2023	2022	2023	2022
Operating Revenue				
Tuition and fees (Net of scholarship allowances of \$7,183,026 in 2023 and \$7,628,394 in 2022)	\$ 31,754,350	\$ 31,673,251	\$ -	\$ -
Federal grants and contracts	2,190,927	1,771,698	-	-
State and local grants and contracts	4,145,877	4,127,181	-	-
Nongovernmental grants	1,645,642	46,930	-	-
Auxiliary enterprises	4,345,737	4,308,301	-	-
Gain on disposal of assets	103,845	240,642	-	-
Miscellaneous	2,614,745	2,791,494	686,357	643,085
Total Operating Revenue	46,801,123	44,959,497	686,357	643,085
Operating Expenses				
Instruction	32,422,324	30,014,939	-	-
Information Technology	5,415,405	5,551,493	-	-
Public service	2,445,696	1,829,863	-	-
Instructional support	13,683,451	12,417,304	-	-
Student services	24,627,430	27,629,253	-	-
Institutional administration	9,237,348	10,138,869	-	-
Operation and maintenance of plant	13,861,839	14,142,569	-	-
Depreciation and amortization	10,718,504	9,046,546	2,534,545	2,546,342
Other expenditures	-	-	940,409	1,411,560
Total Operating Expenses	112,411,997	110,770,836	3,474,954	3,957,902
Operating Loss	(65,610,874)	(65,811,339)	(2,788,597)	(3,314,817)
Nonoperating Revenue and (Expenses)				
State operating appropriations	22,736,419	22,101,988	-	-
Property tax levy	37,885,963	35,977,709	-	-
Lease income	938,757	1,164,983	6,008,622	5,998,335
Interest income on investments	572,679	398,224	210,629	166,292
Interest income on leases	384,760	405,711	6,274,110	6,449,653
Interest expense	(2,994,345)	(3,077,347)	(3,317,729)	(3,433,138)
Financing fees	(137,665)	(3,200)	-	(77,646)
Unrealized gain (loss) on investments	(567,368)	(1,604,391)	1,291,138	(2,171,351)
Federal grants and contracts	5,270,398	14,061,506	-	-
Pell grants	9,247,545	9,414,916	-	-
Net Nonoperating Revenue	73,337,143	78,840,099	10,466,770	6,932,145
Gain Before Other Revenue and (Expenses)	7,726,269	13,028,760	7,678,173	3,617,328
Other Revenue and (Expenses)				
State capital appropriations	-	10,000,000	-	-
Support from component units	2,000,000	-	-	-
Distribution to minority owner	-	-	(620,343)	(2,655,294)
Total Other Revenue and (Expenses)	2,000,000	10,000,000	(620,343)	(2,655,294)
Increase in Net Position	9,726,269	23,028,760	7,057,830	962,034
Net Position (Deficit)				
Net Position (Deficit) - Beginning of Year	(17,316,885)	(40,345,645)	21,799,505	20,837,471
Net Position (Deficit) - End of Year	\$ (7,590,616)	\$ (17,316,885)	\$ 28,857,335	\$ 21,799,505

The accompanying notes are an integral part of these statements.

Schoolcraft College Foundation Statement of Activities and Changes in Net Assets

	Years Ended June 30	
	2023	2022
Revenue		
Gifts and contributions of cash and other financial assets	\$ 1,768,426	\$ 878,003
Fund-raising events	123,163	98,132
Investment income	592,467	671,923
(Decrease) Increase in value of beneficial interest in remainder trusts	260	(2,548)
Change in cash surrender value of life insurance policy	-	-
Realized and unrealized (losses) gains on investments	1,270,181	(2,986,443)
(Decrease) Increase in actuarial value of charitable remainder unitrust agreement	5,555	(19,293)
Donated administrative support	580,119	692,790
Total Revenue	4,340,171	(667,436)
Expenses		
Scholarships	506,307	308,146
Other College support	2,173,311	203,020
Fund-raising expenses	67,124	42,963
Donated administrative expenses	580,119	692,790
Administrative expenses	276,747	222,669
Total Expenses	3,603,608	1,469,588
(Decrease) Increase in Net Assets	736,563	(2,137,024)
Net Assets - Beginning of Year	17,832,596	19,969,620
Net Assets - End of Year	\$ 18,569,159	\$ 17,832,596

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

	Years Ended June 30	
	2023	2022
Cash Flows From Operating Activities		
Tuition and fees	\$ 31,910,618	\$ 29,592,543
Grants and contracts	7,420,798	6,053,050
Payments to suppliers	(64,057,260)	(65,317,287)
Payments to employees	(51,213,337)	(50,479,966)
Auxiliary enterprise charges	4,345,737	4,308,301
Other	2,718,590	3,032,136
Net Cash Used For Operating Activities	(68,874,854)	(72,811,223)
Cash Flows From Noncapital Financing Activities		
Local property taxes	38,134,500	35,854,688
Pell grants	9,232,476	9,396,740
Federal grants and contracts	2,758,298	18,673,725
William D. Ford Direct Lending receipts	4,307,633	4,096,584
William D. Ford Direct Lending disbursements	(4,493,989)	(4,249,495)
State appropriations	26,861,756	30,352,227
Net payments from component units	2,080,898	3,273,329
Net Cash Provided by Noncapital Financing Activities	78,881,572	97,397,798
Cash Flows From Capital And Related Financing Activities		
Purchase of capital assets	(11,489,039)	(15,698,420)
Principal paid on capital debt	(3,165,000)	(3,085,000)
Interest paid on capital debt	(1,113,850)	(1,212,060)
Proceeds from issuance of debt	11,732,520	-
Lease principal payments	(1,238,918)	(1,181,142)
Interest paid on leases	(1,829,276)	(1,887,051)
Lease receipts	645,998	875,364
Interest on leases	384,760	405,712
Net Cash Used for Capital and Related Financing Activities	(6,072,805)	(21,782,597)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	2,461,658	1,507,963
Interest on investments	579,354	401,058
Purchase of investments	-	(963,399)
Net Cash Provided By Investing Activities	3,041,012	945,622
Net Increase In Cash, Cash Equivalents, and Restricted Cash	6,974,925	3,749,600
Cash And Cash Equivalents - Beginning Of Year	17,117,385	13,367,785
Cash, Cash Equivalents, and Restricted Cash - End Of Year	<u>\$ 24,092,310</u>	<u>\$ 17,117,385</u>

The accompanying notes are an integral part of these statements.

Statement of Cash Flows (continued)

	Years Ended June 30	
	2023	2022
Statement of Net Position Classifications Of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	\$ 17,868,039	\$ 17,117,385
Restricted cash and cash equivalents	6,224,271	-
Total Cash, Cash Equivalents, and Restricted Cash	\$ 24,092,310	\$ 17,117,385
Reconciliation Of Net Loss To		
Net Cash Used For Operating Activities:		
Operating loss	\$ (65,610,874)	\$ (65,811,339)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	9,691,942	9,046,546
Decrease (increase) in assets and deferred outflows:		
Accounts receivable, net	130,992	(193,502)
Federal and state grant receivable	(561,648)	107,241
Inventories	95,353	165,859
Prepaid assets and other current assets	57,912	(635,192)
Deposits	(11,427)	7,394
Deferred outflows of assets	(25,471,566)	13,188,803
(Decrease) increase in liabilities and deferred inflows:		
Accounts payable	(1,451,485)	(1,191,876)
Accrued payroll and other compensation	(133,442)	(161,326)
Accrued severance pay	(91,159)	(483,686)
Deposits	256,077	44,817
Unearned revenue	98,193	(1,921,662)
Deferred inflows of assets	(34,213,634)	35,812,182
Net pension liability	46,228,580	(45,450,083)
Net OPEB liability	2,111,332	(15,335,399)
Net Cash Used For Operating Activities	\$ (68,874,854)	\$ (72,811,223)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1 - Reporting Entity, Basis of Presentation and Significant Accounting Policies

Reporting Entity

Schoolcraft College (College) is a community college located in Southeast Michigan. The Main Campus, Public Safety Training Complex, and Manufacturing & Engineering Center are all located in Livonia. Founded in 1961 and named after Henry Rowe Schoolcraft, a nineteenth century writer, historian, scientist and educator, it is governed by a seven-member Board of Trustees elected for six year overlapping terms.

The College has eight affiliated organizations, collectively referred to as "Component Units". Each organization is described below, with additional information provided regarding the impact to the College's financial statements and accompanying condensed financial statements.

The Schoolcraft College Foundation (Foundation) is discretely reported as a part of the College reporting entity (although it is a separate legal entity established as a 501(c)3 not-for-profit corporation and governed by its own Board of Governors) because its sole purpose is to provide support to the College and its students. Disclosures related to the Foundation that are immaterial compared to the College as a whole are not included in the financial statements of the College as separate audited financial statements of the Foundation are available by contacting the Schoolcraft College Foundation, 18600 Haggerty Rd, Livonia, Michigan 48152-2696.

Schoolcraft Development Authority, Inc. (SDA) is a Michigan nonprofit organization established by the College in March 1986 to direct College land development activities and operates and acts exclusively for the charitable and educational purposes that support the College. In accordance with GASB Statement No. 61, the SDA is reported as a discrete component unit because College employees manage operations of the SDA and the purpose of the SDA is to provide financial benefit to the College.

SC Development Unit 14, Inc. (SCDU 14) is a Michigan nonprofit organization established by the College in September 2015 to lease land, specifically Unit 14, from the College to be subleased to Seven Delta, LLC (7 Delta). SCDU 14 is reported as a discrete component unit because College employees manage operations of SCDU 14 and the purpose of SCDU 14 is to provide financial benefit to the College. SCDU 14 is the sole member of SD Member LLC (SDM), a Michigan limited liability company, which was formed in December 2015 to oversee and partner with an outside developer. 7 Delta is a Michigan limited liability company formed in December 2015 whose main purpose is to construct and subsequently lease a building constructed on College land. SDM holds a 51% voting interest and 50% interest in income in 7 Delta, with the outside developer holding a 49% voting interest and 50% interest in income. In accordance with GASB Statement No. 61, SDM is a component unit of SCDU 14 and 7 Delta is a component unit of SDM because each entity has a voting majority and there is a financial benefit and burden relationship. SDM and 7 Delta are blended with SCDU 14 for purposes of the College's financial statements.

SC Sports Dome, Inc. (SCSD) is a Michigan nonprofit organization established by the College in December 2015 to lease land, specifically Unit 15, from the College to be subleased to SC College Dome, LLC (SCCD) as well as to oversee and partner with an outside developer to build the Soccer Dome on Unit 15. SCSD is reported as a discrete component unit of the College because College employees manage operations of SCSD and the purpose of SCSD is to provide financial benefit to the College. SCCD is a Michigan limited liability company formed in June 2016 whose main purpose is to construct and subsequently lease the Soccer Dome facility to the College. SCSD holds a 51% voting interest in SCCD, with the outside developer holding a 49% voting interest. Income will be distributed in accordance with SCCD's operating agreement. In accordance with GASB Statement No. 61, SCCD is a component unit of SCSD because SCSD has a voting majority and there is a financial benefit and burden relationship. SCCD is blended with SCSD for purposes of the College's financial statements.

SC Technology Center, Inc. (SCTC) is a Michigan nonprofit organization established by the College in November 2016 to provide ancillary support services to tenants. SCTC is reported as a discrete component unit of the College because College employees manage operations of SCTC and the purpose of SCTC is to provide financial benefit to the College. Income will be distributed in accordance with SCTC's bylaws.

Notes to Financial Statements

SC Health Sciences, Inc. (SCH) is a Michigan nonprofit organization established by the College in December 2018 to lease land, specifically Unit 16, from the College and to build the Trinity Health Medical Center. SCH is reported as a discrete component unit of the College because College employees manage operations of SCH and the purpose of SCH is to provide financial benefit to the College. Income will be distributed in accordance with SCH's bylaws.

SC Health Sciences II, Inc. (SCH II) is a Michigan nonprofit organization established by the College in April 2019 to lease land from the College and to build the Trinity Health Sports Center. SCH II is reported as a discrete component unit of the College because College employees manage operations of SCH II and the purpose of SCH II is to provide financial benefit to the College. Income will be distributed in accordance with SCH II's bylaws.

SC Unit 16, Inc. (SCU16) is a Michigan nonprofit organization established by the College in May 2022 to lease land from the College for future development. SCU16 is reported as a discrete component unit of the College because College employees manage operations of SCU16 and the purpose of SCU16 is to provide financial benefit to the College. Income will be distributed in accordance with SCU16's bylaws.

Financial statements for the SDA, SCDU 14, SCSD, SCTC, SCH, SCH II, and SCU16 (collectively referred to as "Development Component Units") as of and for the years ended June 30, 2023 and 2022 are as follows:

Condensed Statement of Net Position								
	Schoolcraft Development Authority 2023	SC Development Unit 14, Inc. 2023	SC Sports Dome, Inc. 2023	SC Technology Center, Inc. 2023	SC Health Sciences, Inc. 2023	SC Health Sciences II, Inc. 2023	SC Unit 16, Inc. 2023	Combined Total 2023
Assets								
Current Assets	\$ 172,939	\$ 2,211,180	\$ 1,939,675	\$ 168,046	\$ 2,835,571	\$ 422,057	\$ -	\$ 7,749,468
Noncurrent Assets	24,831,086	52,920,931	11,259,869	58,142	86,045,901	14,601,978	208,377	189,926,284
Total Assets	25,004,025	55,132,111	13,199,544	226,188	88,881,472	15,024,035	208,377	197,675,752
Liabilities								
Current Liabilities	95,533	1,401,773	380,659	14,626	2,485,343	266,666	208,377	4,852,977
Noncurrent Liabilities	2,093,773	17,820,557	-	-	35,772,831	8,000,000	-	63,687,161
Total Liabilities	2,189,306	19,222,330	380,659	14,626	38,258,174	8,266,666	208,377	68,540,138
Deferred Inflows of Resources	23,764,097	15,168,151	4,983,966	8,722	49,345,316	7,008,027	-	100,278,279
Net Position								
Net investment in capital assets	-	4,088,990	5,705,386	58,142	-	-	-	9,852,518
Restricted for	-	3,362,504	4,000,000	-	-	-	-	7,362,504
Nonexpendable Minority interest	-	13,290,136	(1,870,467)	144,698	1,277,982	(250,658)	-	11,642,313
Unrestricted	(949,378)	-	-	-	-	-	-	-
Total Net Position	\$ (949,378)	\$ 20,741,630	\$ 7,834,919	\$ 202,840	\$ 1,277,982	\$ (250,658)	\$ -	\$ 28,857,335
	Schoolcraft Development Authority 2022	SC Development Unit 14, Inc. 2022	SC Sports Dome, Inc. 2022	SC Technology Center, Inc. 2022	SC Health Sciences, Inc. 2022	SC Health Sciences II, Inc. 2022	SC Unit 16, Inc. 2022	Combined Total 2022
Assets								
Current Assets	\$ 162,775	\$ 2,165,252	\$ 1,311,767	\$ 299,185	\$ 2,804,133	\$ 338,863	\$ -	\$ 7,081,975
Noncurrent Assets	24,849,837	51,959,913	11,695,403	86,047	89,378,579	15,141,556	86,743	193,198,078
Total Assets	25,012,612	54,125,165	13,007,170	385,232	92,182,712	15,480,419	86,743	200,280,053
Liabilities								
Current Liabilities	95,533	1,293,485	375,712	2,450	2,498,991	469,199	86,743	4,822,113
Noncurrent Liabilities	2,117,006	18,990,318	-	-	37,612,627	8,000,000	-	66,719,951
Total Liabilities	2,212,539	20,283,803	375,712	2,450	40,111,618	8,469,199	86,743	71,542,064
Deferred Inflows of Resources	24,137,607	16,869,252	5,255,766	145,615	53,116,933	7,413,311	-	106,938,484
Net Position								
Net investment in capital assets	-	4,036,722	6,066,742	76,908	-	-	-	10,180,372
Restricted for	-	2,994,944	4,000,000	-	-	-	-	6,994,944
Nonexpendable Minority interest	-	9,940,444	(2,691,050)	160,259	(1,045,839)	(402,091)	-	4,624,189
Unrestricted	(1,337,534)	-	-	-	-	-	-	-
Total Net Position	\$ (1,337,534)	\$ 16,972,110	\$ 7,375,692	\$ 237,167	\$ (1,045,839)	\$ (402,091)	\$ -	\$ 21,799,505

Notes to Financial Statements

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	Schoolcraft Development Authority	SC Development Unit 14, Inc.	SC Sports Dome, Inc.	SC Technology Center, Inc.	SC Health Sciences, Inc.	SC Health Sciences II, Inc.	SC Unit 16, Inc.	Combined Total
	2023	2023	2023	2023	2023	2023	2023	2023
Revenue								
Operating Revenue	\$ 23,232	\$ 21,313	\$ 497,808	\$ -	\$ 144,004	\$ -	\$ -	\$ 686,357
Expenses								
Operating Expenses	11,143	969,619	462,036	49,654	1,559,485	423,017	-	3,474,954
Nonoperating Revenue and (Expenses)								
Interest income on investments	150	210,479	-	-	-	-	-	210,629
Interest income on leases	902,407	978,280	1,043,798	2,933	1,961,131	1,385,561	-	6,274,110
Lease income	373,510	1,701,101	-	162,394	3,771,617	-	-	6,008,622
Interest expense	-	(1,110,174)	-	-	(1,396,444)	(811,111)	-	(3,317,729)
Financing fees	-	-	-	-	-	-	-	-
Unrealized gain on investments	-	1,291,138	-	-	-	-	-	1,291,138
Total Nonoperating Revenue and (Expenses)	1,276,067	3,070,824	1,043,798	165,327	4,336,304	574,450	-	10,466,770
Other Revenue and (Expenses)								
Transfers between Component Units	(900,000)	1,647,002	-	(150,000)	(597,002)	-	-	-
Distribution to minority owner	-	-	(620,343)	-	-	-	-	(620,343)
Total Other Revenue and (Expenses)	(900,000)	1,647,002	(620,343)	(150,000)	(597,002)	-	-	(620,343)
Increase in Net Position	388,156	3,769,520	459,227	(34,327)	2,323,821	151,433	-	7,057,830
Net Position - Beginning of Year	(1,337,534)	16,972,110	7,375,692	237,167	(1,045,839)	(402,091)	-	21,799,505
Net Position - End of Year	\$ (949,378)	\$ 20,741,630	\$ 7,834,919	\$ 202,840	\$ 1,277,982	\$ (250,658)	\$ -	\$ 28,857,335

	Schoolcraft Development Authority	SC Development Unit 14, Inc.	SC Sports Dome, Inc.	SC Technology Center, Inc.	SC Health Sciences, Inc.	SC Health Sciences II, Inc.	SC Unit 16, Inc.	Combined Total
	2022	2022	2022	2022	2022	2022	2022	2022
Revenue								
Operating Revenue	\$ 23,231	\$ 19,980	\$ 469,114	\$ -	\$ 130,760	\$ -	\$ -	\$ 643,085
Expenses								
Operating Expenses	15,464	956,242	467,357	70,944	2,018,680	429,215	-	3,957,902
Nonoperating Revenue and (Expenses)								
Interest income on investments	134	165,827	-	-	331	-	-	166,292
Interest income on leases	902,873	1,042,980	1,052,107	8,686	2,043,347	1,399,660	-	6,449,653
Lease income	373,511	1,701,101	-	152,106	3,771,617	-	-	5,998,335
Interest expense	-	(1,166,428)	-	-	(1,455,599)	(811,111)	-	(3,433,138)
Financing fees	-	-	-	-	(77,646)	-	-	(77,646)
Unrealized gain on investments	-	(2,171,351)	-	-	-	-	-	(2,171,351)
Total Nonoperating Revenue and (Expenses)	1,276,518	(427,871)	1,052,107	160,792	4,282,050	588,549	-	6,932,145
Other Revenue and (Expenses)								
Transfers between Component Units	(1,248,750)	3,896,640	-	(125,000)	(2,522,890)	-	-	-
Distribution to minority owner	-	-	(2,655,294)	-	-	-	-	(2,655,294)
Total Other Revenue and (Expenses)	(1,248,750)	3,896,640	(2,655,294)	(125,000)	(2,522,890)	-	-	(2,655,294)
Increase (Decrease) in Net Position	35,535	2,532,507	(1,601,430)	(35,152)	(128,760)	159,334	-	962,034
Net Position - Beginning of Year	(1,373,069)	14,439,603	8,977,122	272,319	(917,079)	(561,425)	-	20,837,471
Net Position - End of Year	\$ (1,337,534)	\$ 16,972,110	\$ 7,375,692	\$ 237,167	\$ (1,045,839)	\$ (402,091)	\$ -	\$ 21,799,505

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board Statement (GASB) No. 35 and the State of Michigan *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*.

The College reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or part by fees charged to external parties for goods and services.

Significant Accounting Policies

Measurement Focus and Basis of Accounting

The financial statements have been prepared using the economic resource management focus and the accrual basis, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value, based on quoted market prices.

Notes to Financial Statements

Accounts Receivable – College

Accounts receivable are recorded net of allowance for doubtful accounts. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance in the period that determination is made.

Accounts Receivable – Development Component Units

Revenue earned and not paid prior to year-end is recorded as a receivable. An allowance for bad debts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed uncollectible are charged against bad debt expense in the period that determination is made.

Leases Receivable – College and Development Component Units

The College and Development Component Units are lessors for noncancelable leases described in more detail in Note 12. The College and Development Component Units recognize leases receivable and deferred inflows of resources in the government-wide and fund financial statements. At the commencement of a lease, the College and Development Component Units initially measure the leases receivable at the present value of payments expected to be received during the lease term. Subsequently, the leases receivable are reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The College and Development Component Units monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the least assets and deferred inflows of resources if certain changes occur that are expected to significantly affect the amounts recorded. Lease assets are reported with other capital assets and deferred inflows of resources are reported in their own section on the statement of net position.

Subscription Based IT Arrangements

The College obtains the right to use vendors' information technology software through various long-term contracts. The College recognizes a subscription liability and an intangible right-of-use subscription asset (the "subscription asset") in the applicable governmental or business-type activities column in the government-wide financial statements. At the commencement of a subscription, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus initial implementation costs. Subsequently, the subscription asset is depreciated on a straight-line basis over its useful life. The College monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets, and subscription liabilities are reported with long-term debt on the statement of net position.

Due to/from College/Component Units

The College pays certain expenses on behalf of the Foundation and Development Component Units, which are expected to be reimbursed by the component units in the following year.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method and consist of books, food and supplies.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of mortgage and bond proceeds which are restricted for capital expenditures.

Property and Equipment

Property and equipment are recorded at cost or, if acquired by gift, at the acquisition value as of the date of acquisition. Depreciation is provided for on a straight-line basis over the estimated useful life of the assets.

Notes to Financial Statements

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, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) 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 3.

Unearned Revenue

Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue for the College at June 30, 2023 is for the summer 2023 semester which began July 5, 2023 and for the fall 2023 semester which began August 28, 2023. Unearned revenue for the College at June 30, 2022 is for the summer 2022 semester which began July 5, 2022 and for the fall 2022 semester which began August 29, 2022. In addition, unearned revenue of approximately \$2.5 million was recorded as of June 30, 2022 for the institutional portion of Higher Education Emergency Relief Fund (HEERF) amounts awarded under the American Rescue Plan Act (ARP) (HEERF 3) that were spent by the College before year-end but are not eligible for revenue recognition until the corresponding student portion is spent. Unearned revenue for the Development Component Units is for rental revenue received prior to year-end that relates to the next fiscal period. In addition, advance payments received in connection with leases or lease extensions are recorded as unearned revenue and recognized on a straight-line basis over the lease term.

Accrued Severance Pay

Accrued severance pay represents the accumulated liability to be paid under the College's current severance pay policy. Under the College's policy, certain employees earn severance pay based on length of service with the College.

Pensions

For purposes 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS 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 expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPERS and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPERS 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 at the time of purchase of one year or less, which are reported at cost.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports 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) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as funding received through state appropriations for contributions to the plans after the measurement date and the difference between projected and actual earnings of the plans' investments. More detailed information can be found in Note 3. The College also reports deferred inflows of resources for the net present value of leases

Notes to Financial Statements

that mature beyond June 30, 2023 and 2022, amortized to lease income on a straight-line basis over the lease terms. More detailed information can be found in Note 11.

Net Position

GASB No. 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

Unrestricted Net Position

Unrestricted net position represents net position that is not subject to externally imposed restrictions. A portion of the unrestricted net position has been designated for certain future expenditures and contingent liabilities of the College. While these items are not actual liabilities, they do represent commitments of College resources at June 30, 2023 and 2022 and the Board of Trustees believes that provision should be made for these future expenditures. These designations are as follows:

College	2023	2022
Designated for:		
Scholarships	\$ 379,000	\$ 359,000
Technology replacements	-	279,000
Major maintenance & renovation	2,928,297	7,325,794
Instructional and student support systems	750,000	750,000
Auxiliary activities	-	753,000
Personnel commitments, self insurance reserves and working capital	6,842,000	6,774,000
Reserve for executive orders	2,500,000	2,500,000
Debt service costs	5,563,000	4,471,000
Unrestricted and unallocated	(122,334,271)	(133,061,921)
Total Unrestricted Net Position	<u>\$ (103,371,974)</u>	<u>\$ (109,850,127)</u>

Unrestricted net position of the Development Component Units is entirely unrestricted and unallocated at both June 30, 2023 and 2022.

Net Investment in Capital Assets

Capital assets and unspent restricted debt proceeds, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Expendable

Net position whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time.

Restricted Net Position - Nonexpendable

Net position whose use by the College is subject to externally imposed constraints as amounts relate to the noncontrolling interest share of income and capital contributions in 7 Delta and SCCD.

Operating Revenue and Expenses

Revenue and expense transactions are normally classified as operating revenue and expenses when such transactions are generated by the College's principal ongoing operations. However, most revenue that is considered to be non-exchange, such as tax revenue and state appropriations, are non-operating revenues.

Miscellaneous Revenue - College

Miscellaneous revenue for the College includes a number of items including library copier revenue, restaurant receipts related to educational activities, fitness center membership revenue, university partnerships revenue, road naming rights revenue, indirect cost rate recoveries for various grants, Vistatech Center facility rental revenue, and Michigan New Jobs Training Program receipts.

Notes to Financial Statements

Miscellaneous Revenue - Development Component Units

Miscellaneous revenue for the Development Component Units primarily includes naming rights revenue and property management revenue.

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 district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to the counties in which the district is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

Property tax revenue levied for general operating purposes was \$38,301,463 and \$36,241,260 based on \$2.2700 of tax per \$1,000 of taxable property value in the community college taxing district for the years ended June 30, 2023 and 2022, respectively.

Risks and Uncertainties

The College continues to be affected by the COVID-19 pandemic. While all locations are currently open since the "shelter-at-home" guidelines were lifted during the fall 2021 semester, changing student preferences and reduced in-person events and conferences have resulted in significant lost revenues for the College for the years ended June 30, 2023 and 2022. To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, the College received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP) Act. The College was allocated Higher Education Emergency Relief Fund (HEERF) grants under each of these Acts. HEERF 1 which was funded by CARES, totaled \$4,676,826, of which 50 percent was required to be given directly to students. HEERF 2 which was funded by CRRSAA, totaled \$10,389,325, of which \$2,338,413 was required to be given directly to students. HEERF 3 which was funded by ARP, totaled \$18,544,862, of which \$9,515,825 was required to be given directly to students. For the years ended June 30, 2023 and 2022, the College recognized HEERF grant revenue totaling \$5,270,398 and \$14,061,505, respectively. An additional \$2,391,805 of HEERF institutional qualifying expenditures was spent in the year ended June 30, 2022, but not yet recognized as revenue as of June 30, 2022 due to contingencies related to spending the student portion. The College spent the remaining HEERF funds of approximately \$2.9 million before the end of the grant period in fiscal year 2023. No impairments were recorded as of the balance sheet date based on the effect on the College's operations to date; however, due to uncertainty surrounding the situation, management's judgment regarding this could change in the future. The severity of the continued impact due to COVID-19 on the College's financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the College's community, all of which are uncertain and cannot be predicted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 11, 2023, which is the date the financial statements were available to be issued.

Adoption of New Accounting Pronouncements

During the year ended June 30, 2023, the College adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. As a result, the statement of net position now includes subscription liabilities for the present value of payments expected to be made and intangible right-to-use subscription assets for SBITAs. The subscription liabilities and assets have been added to Notes 9 and 7,

Notes to Financial Statements

respectively, as of the beginning of the year. Subscription activity is further described in Note 10. The statement of net position for the year ended June 30, 2022 have been restated in order to adopt GASB Statement No. 96.

The effects of this new standard were as follows:

	College		
	June 30, 2022 As previously reported	GASB No. 96 Adoption	June 30, 2022 As restated
Subscription based IT arrangements	-	1,567,447.00	1,567,447.00
Subscription liability	-	1,567,447.00	1,567,447.00
Net Position (Deficit) - End of Year	(17,316,885.00)	-	(17,316,885.00)

Upcoming Accounting Pronouncement

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2025. The College is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 2 - Deposits and Investments

The College's deposits and investments are included on the statement of net position under the following classifications:

	2023	2022
Cash and cash equivalents	\$ 17,868,039	\$ 17,117,385
Restricted cash and cash equivalents	6,224,271	-
Long-term investments	7,340,501	10,327,445
Total	<u>\$ 31,432,811</u>	<u>\$ 27,444,830</u>

The Development Component Units' deposits and investments are included on the statement of net position under the following classifications:

	2023	2022
Cash and cash equivalents	\$ 3,396,848	\$ 2,763,343
Restricted cash and cash equivalents	761,769	637,383
Long-term investments	12,056,646	8,931,827
Total	<u>\$ 16,215,263</u>	<u>\$ 12,332,553</u>

As of June 30, 2023 and 2022, the College's investments are comprised entirely of federal government agency bonds with maturities of more than 5 years.

As of June 30, 2023, the Development Component Units' have fixed-rate debt securities with the following maturities:

	Fair Market Value	Less Than One Year	1-5 Years	More Than 5 Years
Corporate bonds	\$ 337,912	\$ -	\$ 106,968	\$ 230,944
Federal government agency securities	563,747	-	-	563,747
Total	<u>\$ 901,659</u>	<u>\$ -</u>	<u>\$ 106,968</u>	<u>\$ 794,691</u>

Notes to Financial Statements

As of June 30, 2022, the Development Component Units' have fixed-rate debt securities with the following maturities:

	Fair Market Value	Less Than One Year	1-5 Years	More Than 5 Years
Corporate bonds	\$ 249,739	\$ -	\$ 102,129	\$ 147,610
Federal government agency securities	450,247	-	323,863	126,384
Total	<u>\$ 699,986</u>	<u>\$ -</u>	<u>\$ 425,992</u>	<u>\$ 273,994</u>

Deposits

The above College deposits were reflected in the accounts of the bank at June 30, 2023 and 2022 (without recognition of checks written but not yet cleared or of deposits in transit) at \$17,296,633 and \$15,915,744 respectively. Of this amount \$250,000 in both 2023 and 2022 was covered by federal depository insurance and \$17,046,633 and \$15,665,744, respectively, was uninsured and uncollateralized. The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits.

The above Development Component Units deposits were reflected in the accounts of the bank at June 30, 2023 and 2022 at the same amount due to no outstanding checks or deposits in transit at year-end. At June 30, 2023 and 2022, \$2,166,914 and \$2,059,414, respectively, was covered by federal depository insurance and \$1,991,704 and \$1,341,312, respectively, was uninsured and uncollateralized.

Interest Rate Risk

The College and Development Component Units do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The College is authorized by Michigan Public Act 331 of 1966, as amended through 2012, and by resolution of the Board of Trustees to invest surplus monies in bonds, bills and notes of the United States or obligations of the State of Michigan, mutual funds and investment pools that are composed of authorized investments, bankers acceptances, commercial paper rated prime by at least one of the standard rating services, negotiable certificates of deposits and certain repurchase agreements. The College has no investment policy that would further limit its investment choices. As of June 30, 2023, the College's investments in federal government agency bonds were rated Aaa by Moody's Investor Services and AA+ by Standard & Poor's, and cash equivalents in commercial paper were rated A2 by Standard & Poor's and P-2 by Moody's Investor Services. As of June 30, 2022, the College's investments in federal government agency bonds were rated AA+/Aaa by Standard & Poor's, and cash equivalents in commercial paper were rated A1 by Standard & Poor's and P-1 by Moody's Investor Services. The Development Component Units do not have a policy limiting credit risk. As of June 30 2023, the Development Component Units investments in corporate bonds were rated BAA1/AA2 by Moody's Investor Service and BBB/A+ by Standard & Poor's and investments in federal government agency securities were rated AAA by Moody's Investors Service and AA+ by Standard & Poor's. As of June 30 2022, the Development Component Units investments in corporate bonds were rated BAA1/AA2 by Moody's Investor Service and BBB/A+ by Standard & Poor's and investments in federal government agency securities were rated AAA by Moody's Investors Service and AA+ by Standard & Poor's.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. More than 5 percent of the College's investments at June 30, 2023 and 2022 were invested in federal government-backed securities.

The Development Component Units place no limit on the amount that may be invested in any one issuer. There were no individual investments comprising more than 5 percent of the Development Component Unit's investments at June 30, 2023 and 2022.

Custodial Credit Risk

The College's and Development Component Units' investments are all in the name of the respective entity. The investments are custodied with each bank they were purchased from. Therefore, custodial risk is limited.

Notes to Financial Statements

Schoolcraft College Foundation Investments

Investments are comprised of mutual funds with a fair market value of \$18,435,487 and \$17,651,265 as of June 30, 2023 and June 30, 2022, respectively.

Note 3 - Retirement Plans and Postemployment Benefits

Michigan Public Schools Employees' Retirement System

Plan Description

The College participates in the Michigan Public Schools Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan covering substantially all college employees. Certain College employees also receive defined contribution retirement and healthcare benefits through MPERS. MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. MPERS also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits. MPERS is administered by the Office of Retirement Services (ORS). MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. That report may be obtained at www.michigan.gov/orsschools.

Benefits Provided

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

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. 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 0.50 percent 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, MPERS offers the option of participating in the Defined Contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for non-duty 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 percent of the participant's final average compensation with an increase of 2 percent 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 percent. Some members that do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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

Contributions

State of Michigan 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

Notes to Financial Statements

provisions, each participating employer'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 percent, or 20 percent 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 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

College contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates during the periods covered by this report is as follows:

	Pension	OPEB
October 1, 2020 – September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 – September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 – September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

Depending on the plan selected, member pension contributions range from 0 percent up to 7 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to MPSERS for the years ended June 30, 2023 and 2022 were approximately \$16,773,000 and \$12,433,000, respectively, which include the College's contributions for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of approximately \$9,861,000 and \$5,749,000 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate for the years ended June 30, 2023 and 2022, respectively.

The College's required and actual OPEB contributions to MPSERS for the years ended June 30, 2023 and 2022 were approximately \$2,945,000 and \$2,893,000, respectively, which include the College's contributions for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2023 and 2022, the College reported a liability of approximately \$139,686,000 and \$93,458,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 and 2020, which used updated procedures to roll forward the estimated liability to September 30, 2022 and 2021. 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. At September 30, 2022, 2021 and 2020, the College's proportion was 0.371, 0.395, and 0.404 percent, respectively, representing a 6.076 percent decrease and 2.228 percent decrease for the years ended September 30, 2022 and 2021, respectively.

Notes to Financial Statements

Net OPEB Liability

At June 30, 2023 and 2022, the College reported a liability of approximately \$7,959,000 and \$5,848,000, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021 and 2020, which used updated procedures to roll forward the estimated liability to September 30, 2022 and 2021. The College's proportion of the net OPEB 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. At September 30, 2022, 2021 and 2020, College's proportion was 0.376, 0.383, and 0.395 percent, respectively, representing a 1.828 percent decrease and 3.038 percent decrease for the years ended September 30, 2022 and 2021, respectively.

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

For the years ended June 30, 2023 and 2022, the College recognized pension expense of \$12,237,077 and \$7,350,861, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate.

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,397,349	\$ 312,323
Changes of assumptions	24,003,094	-
Net difference between projected and actual earnings on pension plan assets	327,564	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	9,463,991
College contributions subsequent to the measurement date	14,728,119	-
Total	<u>\$ 40,456,126</u>	<u>\$ 9,776,314</u>

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,447,699	\$ 550,354
Changes of assumptions	5,891,234	-
Net difference between projected and actual earnings on pension plan assets	-	30,046,323
Changes in proportion and differences between College contributions and proportionate share of contributions	-	7,149,450
College contributions subsequent to the measurement date	10,502,619	-
Total	<u>\$ 17,841,552</u>	<u>\$ 37,746,127</u>

Notes to Financial Statements

In addition, \$9,861,192 and \$5,748,652 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 201(5) of the State School Aid Act (PA 94 of 1979) will be recognized as state appropriations revenue for the years ended June 30, 2023 and 2022, respectively.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a future increase to pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 3,295,443
2025	2,558,482
2026	2,715,096
2027	7,382,672
Total	<u>\$ 15,951,693</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2024).

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

For the years ended June 30, 2023 and 2022, the College recognized OPEB recovery of \$4,202,243 and \$4,287,489, respectively.

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 15,589,337
Changes of assumptions	7,094,433	577,669
Net difference between projected and actual earnings on OPEB plan assets	622,087	-
Changes in proportion and differences between College contributions and proportionate share of contributions	36,780	2,547,556
College contributions subsequent to the measurement date	<u>2,036,179</u>	<u>-</u>
Total	<u>\$ 9,789,479</u>	<u>\$ 18,714,562</u>

Notes to Financial Statements

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 16,692,779
Changes of assumptions	4,888,661	731,526
Net difference between projected and actual earnings on OPEB plan assets	-	4,407,764
Changes in proportion and differences between College contributions and proportionate share of contributions	47,755	3,126,314
College contributions subsequent to the measurement date	1,996,071	-
Total	<u>\$ 6,932,487</u>	<u>\$ 24,958,383</u>

There are no deferred inflows of resources resulting from the OPEB portion of state aid payments at June 30, 2023 and 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as a reduction of OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 3,993,003
2025	3,387,112
2026	2,863,377
2027	443,955
2028	255,278
Thereafter	18,537
Total	<u>\$ 10,961,262</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the next year (2024).

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2022 and 2021 are based on the results of an actuarial valuation as of September 30, 2021 and 2020, respectively, and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return (Pension)	6.00 percent, net of investment expenses based on the groups
Assumed rate of return (OPEB)	6.00 percent, net of investment expenses based on the groups
Salary increases	2.75 percent to 11.55 percent, including wage inflation of 2.75 percent
Healthcare cost trend rate	5.25 percent to 7.75 percent, year 1 graded to 3.50 percent in year 15, 3.00 percent in year 120 (2022 and 2021)

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 pension 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.

Notes to Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	2023		2022	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.0%	5.10%	25.0%	5.40%
Private equity pools	16.0%	8.70%	16.0%	9.10%
International equity pools	15.0%	6.70%	15.0%	7.50%
Fixed-income pools	13.0%	-0.20%	10.5%	-0.70%
Real estate & infrastructure pools	10.0%	5.30%	10.0%	5.40%
Absolute return pools	9.0%	2.70%	9.0%	2.60%
Real return & opportunistic pools	10.0%	5.80%	12.5%	6.10%
Short-term investment pools	2.0%	-0.50%	2.0%	-1.30%
Total	<u>100.0%</u>		<u>100.0%</u>	

Long-term rates of return are net of administrative expense and inflation of 2.2% and 2.0% as of September 30, 2022 and 2021, respectively.

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 current discount rate depending on the plan option, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2023			
1.00 percent decrease (5.00 percent)	Current discount rate (6.00 Percent)	1.00 percent increase (7.00 percent)	
\$ 184,333,885	\$ 139,686,196	\$ 102,894,490	

2022			
1.00 percent decrease (5.00-5.80 percent)	Current discount rate (6.00- 6.80 Percent)	1.00 percent increase (7.00-7.80 percent)	
\$ 133,619,045	\$ 93,457,616	\$ 60,161,157	

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

The following presents the net OPEB liability of the College, calculated using the current discount rate, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2023			
1.00 percent decrease (5.00 percent)	Current discount rate (6.00 Percent)	1.00 percent increase (7.00 percent)	
\$ 13,351,061	\$ 7,959,360	\$ 3,418,879	

2022			
1.00 percent decrease (5.95 percent)	Current discount rate (6.95 Percent)	1.00 percent increase (7.95 percent)	
\$ 10,866,691	\$ 5,848,028	\$ 1,588,975	

Notes to Financial Statements

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

The following presents the net OPEB liability of the College, calculated using the current healthcare cost trend rate, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2023			
1.00 percent decrease	Current healthcare cost trend rate	1.00 percent increase	
\$ 3,332,999	\$ 7,959,360	\$ 13,152,542	
2022			
1.00 percent decrease	Current healthcare cost trend rate	1.00 percent increase	
\$ 1,423,363	\$ 5,848,028	\$ 10,826,308	

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 and OPEB Plan

At June 30, 2023, the College reported a payable of \$1,924,280 and \$109,714 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023. At June 30, 2022, the College reported a payable of \$1,969,601 and \$168,700 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

Defined Contribution Pension Plan

Full-time faculty, administrators and full-time classified employees may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Under ORP, the College contributes 12.00%, and the participant contributes 4.00% of the participant's compensation. Compensation covered under the plan for the year ended June 30, 2023 was approximately \$14,120,000, resulting in contributions of approximately \$1,694,000 and \$565,000 for the College and employee, respectively. Compensation covered under the plan for the year ended June 30, 2022 was approximately \$13,177,000, resulting in contributions of approximately \$1,581,000 and \$527,000 for the College and employee, respectively.

Note 4 - Risk Management

The College is exposed to various risks of loss related to property loss, general liability, errors and omissions, workers' compensation as well as medical benefits provided to employees. The College is self-insured for vision benefits and is partially self-insured for workers' compensation to a maximum of \$400,000 for each claim and, in the aggregate, for claims up to \$1,000,000 for the two-year insurance policy period through June 30, 2024.

The College is self-insured for medical benefits for substantially all employees with a maximum of \$200,000 and \$170,000 for each enrolled contract and up to \$4,494,300 and \$4,396,600 for calendar years 2023 and 2022, respectively, in the aggregate. Claims are funded by the College and paid by the plan administrator on a fiscal year basis. Actual payments are based on claims filed. The College pays administrative and estimated claims costs of the plan up to their obligation under PA152.

The Michigan Community College Risk Management Authority (MCCRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to MCCRMA, which MCCRMA uses to pay claims up to the retention amounts, the ultimate liability for those claims remains with the College.

Notes to Financial Statements

The College and nineteen other Michigan community colleges have formed MCCRMA to provide liability, vehicle physical damage and property and crime insurances. For the year ended June 30, 2023, the College is responsible for a self-insured retention (SIR) of \$21,000 per occurrence and \$63,000 in the aggregate. Claims in excess of the SIR are covered by the Authority and are reinsured through third party insurance carriers, up to coverage limits of \$15 million for liability, \$300,000 per vehicle and \$650,000 per disaster for vehicle physical damage, and \$320 million aggregate for property and crime coverage of buildings and personal property. The College made contributions during the years ended June 30, 2023 and 2022 to the MCCRMA of approximately \$372,000 and \$360,000 respectively for insurance coverage.

Changes in the estimated self-insured liabilities are as follows:

	2023	2022	2021
Balance, beginning of year	\$ 529,194	\$ 489,421	\$ 481,368
Claims incurred and changes in estimates	3,098,555	2,976,324	3,124,925
Claims and premium payments	(2,762,958)	(2,936,551)	(3,116,872)
Balance, end of year	<u>\$ 864,791</u>	<u>\$ 529,194</u>	<u>\$ 489,421</u>

Note 5 - Fair Value Measurements

The College and its Component Units categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets that the College and its Component Units have the ability to access; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

The College has the following recurring fair value measurements as of June 30, 2023 and 2022:

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

Fair Value Measurements Using				
	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets by fair value level:				
Debt Securities				
Federal government agency securities	\$ 7,340,501	\$ -	\$ 7,340,501	\$ -
Total assets by fair value level	<u>\$ 7,340,501</u>	<u>\$ -</u>	<u>\$ 7,340,501</u>	<u>\$ -</u>
Total assets measured at fair value	<u>\$ 7,340,501</u>			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2022

Fair Value Measurements Using				
	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets by fair value level:				
Debt Securities				
Federal government agency securities	\$ 10,327,445	\$ -	\$ 10,327,445	\$ -
Total assets by fair value level	<u>\$ 10,327,445</u>	<u>\$ -</u>	<u>\$ 10,327,445</u>	<u>\$ -</u>
Total assets measured at fair value	<u>\$ 10,327,445</u>			

The fair value of the Federal government agency securities at June 30, 2023 and 2022 were determined primarily based on level 2 inputs. The College estimates the fair value of these assets using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Notes to Financial Statements

The Development Component Units have the following recurring fair value measurements as of June 30, 2023 and 2022:

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

Fair Value Measurements Using				
	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets by fair value level:				
Equity Securities				
Publicly traded stocks	\$ 10,008,379	\$ 10,008,379	\$ -	\$ -
Debt Securities				
Corporate bonds	337,912	-	337,912	-
Fixed income mutual funds	1,146,608	1,146,608	-	-
Federal government agency securities	563,747	-	563,747	-
Total assets by fair value level	<u>\$ 12,056,646</u>	<u>\$ 11,154,987</u>	<u>\$ 901,659</u>	<u>\$ -</u>
Total assets measured at fair value	<u>\$ 12,056,646</u>			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2022

Fair Value Measurements Using				
	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets by fair value level:				
Equity Securities				
Publicly traded stocks	\$ 7,342,791	\$ 7,342,791	\$ -	\$ -
Debt Securities				
Corporate bonds	249,739	-	249,739	-
Fixed income mutual funds	889,050	889,050	-	-
Federal government agency securities	450,247	-	450,247	-
Total assets by fair value level	<u>\$ 8,931,827</u>	<u>\$ 8,231,841</u>	<u>\$ 699,986</u>	<u>\$ -</u>
Total assets measured at fair value	<u>\$ 8,931,827</u>			

Securities classified in level 1 are valued using prices quoted in active markets for those securities. The fair value of the corporate bonds and federal government agency securities at June 30, 2023 and 2022 were determined primarily based on level 2 inputs. The Development Component Units estimate the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The Foundation has the following recurring fair value measurements as of June 30, 2023 and 2022:

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

Fair Value Measurements Using				
	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets by fair value level:				
Equity Securities				
Domestic mutual funds	\$ 9,459,269	\$ 9,459,269	\$ -	\$ -
International mutual funds	3,634,627	3,634,627	-	-
Fixed Income Mutual Funds	3,915,546	3,915,546	-	-
Real Assets Mutual Funds	1,238,465	1,238,465	-	-
Money Market Mutual Fund	187,580	187,580	-	-
Assets Held Under Charitable Remainder Unitrust				
Money Market Mutual Fund	77,259	77,259	-	-
Exchange Traded Funds	9,059	9,059	-	-
Beneficial Interest in Remainder Trusts	5,557	-	-	5,557
Total assets by fair value level	<u>\$ 18,527,362</u>	<u>\$ 18,521,805</u>	<u>\$ -</u>	<u>\$ 5,557</u>
Total assets measured at fair value	<u>\$ 18,527,362</u>			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2022

Fair Value Measurements Using				
	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets by fair value level:				
Equity Securities				
Domestic mutual funds	\$ 10,266,947	\$ 10,266,947	\$ -	\$ -
International mutual funds	3,020,215	3,020,215	-	-
Fixed Income Mutual Funds	2,974,815	2,974,815	-	-
Real Assets Mutual Funds	1,188,897	1,188,897	-	-
Money Market Mutual Fund	200,391	200,391	-	-
Assets Held Under Charitable Remainder Unitrust	84,584	84,584	-	-
Beneficial Interest in Remainder Trusts	5,297	-	-	5,297
Total assets by fair value level	<u>\$ 17,741,146</u>	<u>\$ 17,735,849</u>	<u>\$ -</u>	<u>\$ 5,297</u>
Total assets measured at fair value	<u>\$ 17,741,146</u>			

Notes to Financial Statements

The following table summarizes the valuation methods and inputs used to determine fair value at June 30, 2023 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

Asset	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Beneficial interest in remainder trust	Discounted Cash Flow	Discount Rate Life expectancy of beneficiary Fair value of trust assets	3.11% 15 years

The Foundation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include management's review of annual statements from the outside trustee for the beneficial interest in remainder trust. The Foundation cannot independently assess the value of these underlying positions through a public exchange or over the counter market.

For the year ended June 30, 2023, changes in level 3 assets measured at fair value on a recurring basis included an unrealized gain of \$260. For the year ended June 30, 2022, changes in level 3 assets measured at fair value on a recurring basis included an unrealized loss of \$2,548.

Note 6 - Commitments, Contingencies and Capital Outlay

The College is involved in various legal proceedings which have arisen in the normal course of operations. Management does not believe that the ultimate resolution of these proceedings will have a material effect on the College's financial position.

The College has entered into construction contracts and commitments totaling \$12,584,044, for the Vista Tech 2.0 project and Veterans Resource Center renovation. As of June 30, 2023 the College incurred \$9,655,747 relating to these projects. The projects are expected to be completed at various points during the year ending June 30, 2024.

Notes to Financial Statements

Note 7 - Property and Equipment

The following tables presents the changes in the various fixed asset class categories for the College for the years ended June 30, 2023 and June 30, 2022 (as restated):

Year ended June 30, 2023	Beginning Balance	Additions	Deletions / Transfers	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Land	\$ 1,831,228	\$ -	\$ -	\$ 1,831,228	
Construction in Progress	1,309,987	9,995,354	(1,649,594)	9,655,747	
Total Nondepreciable Capital Assets	3,141,215	9,995,354	(1,649,594)	11,486,975	
Depreciable Capital Assets					
Land Improvements	20,698,138	108,450	-	20,806,588	10-30
Buildings and Improvements	169,723,203	1,541,144	-	171,264,347	10-40
Infrastructure	16,719,347	-	-	16,719,347	20
Furniture, Fixtures and Equipment	29,288,942	1,515,537	(2,811,303)	27,993,176	5-7
Total Depreciable Capital Assets	236,429,630	3,165,131	(2,811,303)	236,783,458	
Total Capital Assets	239,570,845	13,160,485	(4,460,897)	248,270,433	
Less Accumulated Depreciation					
Land Improvements	8,933,433	625,347	-	9,558,780	
Buildings and Improvements	55,205,034	4,104,835	-	59,309,869	
Infrastructure	5,473,550	784,322	-	6,257,872	
Furniture, Fixtures and Equipment	18,679,491	3,500,355	(2,789,451)	19,390,395	
Total Accumulated Depreciation	88,291,508	9,014,859	(2,789,451)	94,516,916	
Amortizeable Lease Assets - Buildings	13,905,033	-	-	13,905,033	20-25
Less Accumulated Amortization	1,235,958	677,083	-	1,913,041	
Total Capital Assets, Net	\$ 163,948,412	\$ 3,468,543	\$ (1,671,446)	\$ 165,745,509	
Subscription Based IT Arrangements	2,493,205	289,218	-	2,782,423	3-5
Less Accumulated Amortization	925,758	1,026,562	-	1,952,320	
Subscription Based IT Arrangements, Net	\$ 1,567,447	\$ (737,344)	\$ -	\$ 830,103	

Notes to Financial Statements

Year ended June 30, 2022	Beginning Balance	Additions	Deletions / Transfers	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Land	\$ 1,831,228	\$ -	\$ -	\$ 1,831,228	
Construction in Progress	12,116,484	10,566,013	(21,372,510)	1,309,987	
Total Nondepreciable Capital Assets	13,947,712	10,566,013	(21,372,510)	3,141,215	
Depreciable Capital Assets					
Land Improvements	20,698,138	-	-	20,698,138	10-30
Buildings and Improvements	152,188,928	21,372,510	(3,838,235)	169,723,203	10-40
Infrastructure	16,719,347	-	-	16,719,347	20
Furniture, Fixtures and Equipment	29,188,529	4,582,609	(4,482,196)	29,288,942	5-7
Total Depreciable Capital Assets	218,794,942	25,955,119	(8,320,431)	236,429,630	
Total Capital Assets	232,742,654	36,521,132	(29,692,941)	239,570,845	
Less Accumulated Depreciation					
Land Improvements	8,307,278	626,155	-	8,933,433	
Buildings and Improvements	54,875,735	3,867,700	(3,538,401)	55,205,034	
Infrastructure	4,683,336	790,214	-	5,473,550	
Furniture, Fixtures and Equipment	19,826,329	3,085,394	(4,232,232)	18,679,491	
Total Accumulated Depreciation	87,692,678	8,369,463	(7,770,633)	88,291,508	
Amortizeable Lease Assets - Buildings	13,905,033	-	-	13,905,033	20-25
Less Accumulated Amortization	558,875	677,083	-	1,235,958	
Total Capital Assets, Net	\$ 158,396,134	\$ 27,474,586	\$ (21,922,308)	\$ 163,948,412	
Subscription Based IT Arrangements	2,269,050	224,155	-	2,493,205	3-5
Less Accumulated Amortization	-	925,758	-	925,758	
Subscription Based IT Arrangements, Net	\$ 2,269,050	\$ (701,603)	\$ -	\$ 1,567,447	

The following table presents the changes in the various fixed asset class categories for the Development Component Units for the years ended June 30, 2023 and 2022, as restated:

Year ended June 30, 2023	Beginning Balance	Additions	Deletions / Transfers	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Construction in Progress	86,743	121,634	-	208,377	
Total Nondepreciable Capital Assets	86,743	121,634	-	208,377	
Depreciable Capital Assets					
Land Improvements	4,005,254	-	-	4,005,254	9-20
Buildings and Improvements	78,470,595	-	-	78,470,595	40
Equipment	210,591	-	-	210,591	5-30
Total Depreciable Capital Assets	82,686,440	-	-	82,686,440	
Total Capital Assets	82,773,183	121,634	-	82,894,817	
Less Accumulated Depreciation					
Land Improvements	1,171,128	224,558	-	1,395,686	
Buildings and Improvements	5,723,874	2,291,222	-	8,015,096	
Equipment	133,684	18,765	-	152,449	
Total Accumulated Depreciation	7,028,686	2,534,545	-	9,563,231	
Total Capital Assets, Net	\$ 75,744,497	\$ (2,412,911)	\$ -	\$ 73,331,586	

Notes to Financial Statements

Year ended June 30, 2022	Beginning Balance	Additions	Deletions / Transfers	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Construction in Progress	7,763,074	10,045,313	(17,721,644)	86,743	
Total Nondepreciable Capital Assets	7,763,074	10,045,313	(17,721,644)	86,743	
Depreciable Capital Assets					
Land Improvements	4,005,254	-	-	4,005,254	9-20
Buildings and Improvements	60,748,951	17,721,644	-	78,470,595	40
Equipment	210,591	-	-	210,591	5-30
Total Depreciable Capital Assets	64,964,796	17,721,644	-	82,686,440	
Total Capital Assets	72,727,870	27,766,957	(17,721,644)	82,773,183	
Less Accumulated Depreciation					
Land Improvements	946,570	224,558	-	1,171,128	
Buildings and Improvements	3,435,083	2,288,791	-	5,723,874	
Equipment	100,691	32,993	-	133,684	
Total Accumulated Depreciation	4,482,344	2,546,342	-	7,028,686	
Total Capital Assets, Net	\$ 68,245,526	\$ 25,220,615	\$ (17,721,644)	\$ 75,744,497	

Note 8 - Federal Loan Programs

The College participates in the U.S. Department of Education William D. Ford direct lending program and disbursed \$4,493,989 and \$4,249,495 for the years ended June 30, 2023 and 2022, respectively, for student loans. These distributions and related funding source are not included as expenses and revenue in the accompanying financial statements.

Note 9 - Long-Term Liabilities

Long-Term liability activity for the College for the years ended June 30, 2023 and 2022 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Year ended June 30, 2023					
Accrued Severance Pay	\$ 749,011	\$ 7,895	\$ 99,054	\$ 657,852	\$ -
Financed Purchase - Equipment	2,148,199	-	1,055,670	1,092,529	1,092,530
Lease Payable - Dome	5,693,430	-	64,769	5,628,661	74,178
Lease Payable - Sports Center	7,846,724	-	118,479	7,728,245	134,292
Bonds Payable	43,115,220	11,732,520	3,255,730	51,592,010	4,261,773
Subscription Liability	1,567,447	190,970	941,511	816,906	428,730
Total Long Term Liabilities	\$ 61,120,031	\$ 11,931,385	\$ 5,535,213	\$ 67,516,203	\$ 5,991,503
Year ended June 30, 2022					
Accrued Severance Pay	\$ 1,232,697	\$ 150,095	\$ 633,781	\$ 749,011	\$ -
Financed Purchase - Equipment	3,168,260	-	1,020,061	2,148,199	1,055,670
Lease Payable - Dome	5,749,983	-	56,553	5,693,430	64,769
Lease Payable - Sports Center	7,951,251	-	104,527	7,846,724	118,479
Bonds Payable	46,267,741	-	3,152,521	43,115,220	3,232,521
Subscription Liability	2,493,205	-	925,758	1,567,447	941,511
Total Long Term Liabilities	\$ 66,863,137	\$ 150,095	\$ 5,893,201	\$ 61,120,031	\$ 5,412,950

Accrued Severance Pay – The College provides termination benefits to certain employees upon departure from the College resulting from years of service under the vesting method. Under the vesting method, the liability is accrued for employees based on the amount eligible and certain assumptions used to determine probability of reaching the criteria required for eligibility.

Notes to Financial Statements

Financed Purchase Payable (Direct Borrowing) – During the year ended June 30, 2020, the College signed an agreement with a vendor to upgrade the College's servers through installation and implementation of hardware and software campus-wide. The College then entered into a financing arrangement with a financial institution, which is classified as a financed purchase payable. At the end of the financing term, the College has the option to purchase the assets subject to the lease for \$1 or return all products to the lessor. As of June 30, 2020, the College has fully drawn down the authorized principal amount of \$5,284,613. As of June 30, 2023 and 2022, the College's outstanding liability is \$1,092,529 and \$2,148,199, respectively. The financed purchase is listed as a long-term liability and the related asset is listed as equipment. The College is required to meet certain financial covenants in accordance with the financing agreement. The interest rate is 3.7%. Interest expense related to the financed purchase was \$66,917 and \$102,831 for the years ended June 30, 2023 and 2022, respectively.

Under the financing agreement, the future minimum payments are as follows:

Year	Principal	Interest	Total
2024	\$ 1,092,529	\$ 38,159	\$ 1,130,688

Leases Payable (Related Party) – The College leases certain assets from various related third parties. The assets leased include the Trinity Health Sports Dome and the Trinity Health Elite Sports Center. Payments are fixed monthly.

During the year ended June 30, 2016, the College signed an agreement with SCCD to lease the Trinity Health Sports Dome. As of June 30, 2023 and 2022, the College's outstanding lease liability is \$5,628,661 and \$5,693,430, respectively. The lease is listed as a long-term liability and the related asset is listed as a lease asset. The interest rate implicit in the lease is 13.64%. Interest expense related to the lease was \$771,999 and \$780,308 for the years ended June 30, 2023 and 2022, respectively.

Under the lease agreement, the future principal and interest payment requirements are as follows:

Year	Principal	Interest
2024	74,178	763,326
2025	84,955	752,549
2026	97,297	740,207
2027	111,433	726,072
2028	127,621	709,883
2029 - 2033	976,308	3,211,213
2034 - 2038	1,923,726	2,263,794
2039 - 2042	2,233,143	558,537
Total	\$ 5,628,661	\$ 9,725,581

During the year ended June 30, 2021, the College signed an agreement with SCH II to lease the Trinity Health Sports Center. As of June 30, 2023 and 2022, the College's outstanding lease liability is \$7,728,244 and \$7,846,723, respectively. The lease is listed as a long-term liability and the related asset is listed as a lease asset. The imputed interest rate is 12.59%. Interest expense related to the lease was \$980,278 and \$994,376 for the years ended June 30, 2023 and 2022, respectively.

Notes to Financial Statements

Under the lease agreement, the future principal and interest payment requirements are as follows:

Year	Principal	Interest
2024	134,292	965,708
2025	152,216	947,785
2026	172,532	927,469
2027	195,559	904,441
2028	221,660	878,340
2029 - 2033	1,639,378	3,860,622
2034 - 2038	3,067,089	2,432,912
2039 - 2041	2,145,518	329,480
Total	\$ 7,728,244	\$ 11,246,757

Bonds Payable – During 2013, the College issued \$18.0 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on March 27, 2013. The total amount of \$6,965,628 including unamortized bond premium of \$60,628, was outstanding as of June 30, 2023. The total amount of \$8,243,172 including unamortized bond premium of \$73,172, was outstanding as of June 30, 2022. Bond principal payments are due annually each May through maturity in fiscal year 2028. Interest payments are due semi-annually through maturity at rates ranging from 2.0% to 3.0%.

During 2016, the College issued \$8.045 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on March 23, 2016. The total amount of \$4,434,185 including unamortized bond premium of \$39,185, was outstanding as of June 30, 2023. The total amount of \$4,969,187 including unamortized bond premium of \$44,187, was outstanding as of June 30, 2022. Bond principal payments are due annually each May through maturity in fiscal year 2031. Interest payments are due semi-annually through maturity at rates ranging from 2.0% to 2.5%.

During 2019, the College issued \$10.0 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on November 14, 2018. The total amount of \$8,489,069 including unamortized bond premium of \$59,069, was outstanding as of June 30, 2023. The total amount of \$8,933,143 including unamortized bond premium of \$63,143, was outstanding as of June 30, 2022. Bond principal payments are due annually each May through maturity in fiscal year 2038. Interest payments are due semi-annually through maturity at rates ranging from 3.0% to 3.5%.

During 2020, the College issued \$22.0 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on September 25, 2019. The total amount of \$19,993,817 including unamortized bond premium of \$703,817, was outstanding as of June 30, 2023. The total amount of \$20,969,718 including unamortized bond premium of \$749,718, was outstanding as of June 30, 2022. Bond principal payments are due annually each May through maturity in fiscal year 2039. Interest payments are due semi-annually through maturity at a rate of 3.0%.

During 2023, the College issued \$10.3 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on February 15, 2023. The total amount of \$11,709,311 including unamortized bond premium of \$1,369,311, was outstanding as of June 30, 2023. Bond principal payments are due annually each May through maturity in fiscal year 2033. Interest payments are due semi-annually through maturity at a rate of 5.0%.

Notes to Financial Statements

As of June 30, 2023 bonds payable, excluding unamortized bond premiums of \$2,232,010, mature as follows:

Year	Principal	Interest	Total
2024	4,055,000	1,661,815	5,716,815
2025	4,200,000	1,525,182	5,725,182
2026	4,325,000	1,395,607	5,720,607
2027	4,460,000	1,253,057	5,713,057
2028	4,605,000	1,105,607	5,710,607
2029 - 2033	16,180,000	3,585,213	19,765,213
2034 - 2038	10,060,000	1,187,763	11,247,763
2039	1,475,000	44,250	1,519,250
	<u>\$ 49,360,000</u>	<u>\$ 11,758,494</u>	<u>\$ 61,118,494</u>

Long-term liability activity for the Development Component Units for the years ended June 30, 2023 and 2022 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Year ended June 30, 2023					
Mortgages Payable	\$ 67,363,452	\$ -	\$ 2,760,507	\$ 64,602,945	\$ 3,009,557
Total Long Term Liabilities	<u>\$ 67,363,452</u>	<u>\$ -</u>	<u>\$ 2,760,507</u>	<u>\$ 64,602,945</u>	<u>\$ 3,009,557</u>
Year ended June 30, 2022					
Mortgage Payable	\$ 69,809,802	\$ -	\$ 2,446,350	\$ 67,363,452	\$ 2,760,507
Total Long Term Liabilities	<u>\$ 69,809,802</u>	<u>\$ -</u>	<u>\$ 2,446,350</u>	<u>\$ 67,363,452</u>	<u>\$ 2,760,507</u>

Mortgage Payable (Direct Borrowing) – 7 Delta – During 2016, 7 Delta issued two series of senior secured bank notes directly to a bank totaling \$23,401,202 for construction of a building. Mortgage principal payments on series A1, with a loan amount of \$19,401,202, are due monthly beginning June 15, 2018 through maturity in fiscal year 2032. Interest payments on series A1 are due monthly through maturity in fiscal year 2032 at a rate of 5.56%. Only one mortgage principal payment on series A2, with a loan amount of \$4,000,000, is due upon maturity in fiscal year 2032. Interest payments on series A2 are due monthly through maturity in fiscal year 2032 at a rate of 6.17%. The notes are secured by substantially all assets of 7 Delta. In addition, all leases and rental income received by 7 Delta are assigned to the notes. The notes are guaranteed by an owner of the co-member of 7 Delta and are subject to certain covenants. Outstanding amounts become immediately due in an event of default.

As of June 30, 2023 7 Delta mortgage maturities are as follows:

Year	Principal	Interest	Total
2024	1,169,761	1,050,846	2,220,607
2025	1,282,810	982,955	2,265,765
2026	1,402,308	908,616	2,310,924
2027	1,528,621	827,461	2,356,082
2028	1,662,139	739,101	2,401,240
2029 - 2032	11,944,679	1,893,261	13,837,940
	<u>\$ 18,990,318</u>	<u>\$ 6,402,240</u>	<u>\$ 25,392,558</u>

Mortgage Payable (Direct Borrowing) – SCH – During 2020, SCH issued a note payable directly to a bank totaling \$42,835,000 for construction of a medical office building. The funding of the note was subject to a

Notes to Financial Statements

schedule with advances occurring from April 7, 2020 to May 15, 2021. The amount was subsequently reduced to \$41,000,000 due to construction costs coming in under budget. As of June 30, 2021, the full \$41,000,000 had been advanced. Mortgage principal payments are due monthly beginning June 15, 2021 through maturity in fiscal year 2036. Interest payments are due monthly through maturity in fiscal year 2036 at a rate of 3.63%. The notes are secured by substantially all assets of SCH as well as a letter of credit issued by a separate bank on the account of the minority owner of SCCD. The letter of credit amount increased as the note payable was funded, up to a maximum of \$30,266,000 on May 15, 2021. The letter of credit was subsequently released in fiscal year 2022 due to the fact that no draws on the letter of credit were required after rent on the building lease had commenced and other documentation of completion of construction had been received. In addition, all leases and rental income received by SCH are assigned to the notes. The note is subject to certain covenants, including a minimum debt service coverage ratio. Outstanding amounts become immediately due in an event of default. The funds advanced are also subject to an escrow and servicing agreement and construction disbursement and monitoring agreement that restricts the use of funds to approved construction costs.

As of June 30, 2023 SCH mortgage maturities are as follows:

Year	Principal	Interest	Total
2024	1,839,796	1,335,039	3,174,835
2025	1,989,126	1,265,789	3,254,915
2026	2,146,004	1,190,994	3,336,998
2027	2,310,759	1,110,373	3,421,132
2028	2,483,733	1,023,637	3,507,370
2029 - 2033	15,326,782	3,581,008	18,907,790
2034 - 2036	11,516,427	644,842	12,161,269
	<u>\$ 37,612,627</u>	<u>\$ 10,151,682</u>	<u>\$ 47,764,309</u>

Mortgage Payable (Direct Borrowing) – SCH II – During 2020, SCH II issued a loan directly to a lender, co-owned by the minority owner of SCCD and a third party, totaling \$8,000,000 for construction of a sports center. As of June 30, 2021, the full \$8,000,000 of the total principal has been advanced to SCH II. The first two loan principal payments are due in fiscal year 2026 and fiscal year 2029. A third principal payment is due in fiscal year 2032 with the amount to be determined by the lender. If the lender does not elect for the third principal payment to equal the full remaining balance on the note, a fourth principal payment will be required between fiscal year 2032 and fiscal year 2041. Interest payments are due monthly through maturity in fiscal year 2032 at a rate of 10.0%. The loan is secured by substantially all assets of SCH II. In addition, all leases and rental income received by SCH II are assigned to the loan. Outstanding amounts become immediately due in an event of default.

As of June 30, 2023 SCH II mortgage maturities are as follows:

Year	Principal	Interest	Total
2024	-	813,333	813,333
2025	2,500,000	726,389	3,226,389
2026	-	557,639	557,639
2027	-	557,639	557,639
2028	2,500,000	474,444	2,974,444
2029 - 2032	3,000,000	1,115,833	4,115,833
	<u>\$ 8,000,000</u>	<u>\$ 4,245,278</u>	<u>\$ 12,245,278</u>

Notes to Financial Statements

Note 10 - Subscriptions

The College obtains the right to use vendors' information technology software through various long-term contracts. Payments are generally fixed annually.

Subscription based IT arrangement asset activity of the College is included in Note 7.

Future principal and interest payment requirements related to the College's subscription liability at June 30, 2023 are as follows:

Year	Principal	Interest	Total
2024	428,730	11,610	440,340
2025	330,729	2,632	333,361
2026	57,447	574	58,021
Total	<u>\$ 816,906</u>	<u>\$ 14,816</u>	<u>\$ 831,722</u>

Note 11 - Tax Abatements

The College receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Brownfield Redevelopment Agreements granted by cities and townships within Wayne County that impact the College. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal years ended June 30, 2023 and 2022, the College's property tax revenues were reduced by \$590,736 and \$417,685, respectively, under these programs.

There are no abatements made by the College.

Note 12 - Lease Receivables

The College leases certain assets to various third parties. The assets leased include buildings and land. Payments are generally fixed monthly and include annual escalations ranging from 1% to 3%. For the fiscal years ended June 30, 2023 and 2022, one of the College's leases contains a fixed annual minimum amount of \$250,000 and \$200,000, respectively, with certain variable payments not included in the measurement of the lease receivable required based on the number of seats sold.

On December 22, 2015, the College entered into a sublease agreement with a third-party Soccer Club. The sublease agreement is for 25 years and is for use of the dome facilities during specific times each week. The base rent, payable in monthly installments of \$35,417 or \$425,000 per year, commenced on November 1, 2016 and is due on the first day of each month thereafter. According to the sublease agreement, the rent is to increase 1.0% each lease year from month 37 through month 180, and 2.0% each lease year from month 181 until the end of the lease term. The tenant will also pay the College \$37,500 in turf maintenance fees annually, increasing 1.0% each lease year from month 13 through month 180, and 2.0% each lease year from month 181 until the end of the lease term. The tenant also paid security deposits of \$100,000 and \$231,250 during the years ended June 30, 2021 and 2016, respectively.

On June 23, 2016, SCCD entered into a master lease agreement with Schoolcraft College for use of the Soccer Dome. The lease agreement is for 25 years and commenced on November 4, 2016. The lease agreement provides for base monthly rental payments due in advance of \$69,792 or \$837,500 per year. SCCD has recognized a lease receivable of \$5,628,661 and \$5,693,430 as of June 30, 2023 and 2022, respectively, which represents the net present value of the future minimum lease payments.

On May 15, 2019, the College entered into an additional sublease agreement with the same third-party Soccer Club. The sublease agreement is for 21 years and is for additional use of the dome facilities during specific times each week. The base rent, payable in monthly installments of \$4,167 or \$50,000 per year, commenced on October 15, 2020, and is due on the first day of each month thereafter. According to the

Notes to Financial Statements

sublease agreement, the rent is to increase 1.0% each lease year from month 37 until the end of the lease term.

In May 2019, the College entered into three sublease agreements with separate third parties. The first sublease agreement, dated May 15, 2019 is for 21 years and is for use of the Sports Center. The base rent, payable in monthly installments of \$4,167 or \$50,000 per year, commenced on November 2, 2020, and is due on the first day of each month thereafter. According to the sublease agreement, the rent is to increase 1.0% each lease year from month 37 through month 252. The second sublease agreement, dated May 28, 2019 is for 15 years and is for use of the Sports Center. The base rent, payable in monthly installments of \$10,625 or \$127,500 per year, commenced on October 16, 2020, and is due on the first day of each month thereafter. According to the sublease agreement, the rent is to increase 1.0% each lease year from month 13 through month 180. The tenant also paid a security deposit of \$196,035 during the year ended June 30, 2023. The third and final sublease agreement, dated May 29, 2019 is for 10 years and is for use of the Sports Center. The base rent, payable in monthly installments of \$10,158 or \$121,900 per year, commenced on October 16, 2020, and is due on the first day of each month thereafter. According to the sublease agreement, the rent is to increase 2.0% each lease year from month 13 through month 120.

During the years ended June 30, 2023 and 2022, the College recognized the following related to its lessor agreements:

	2023	2022
Lease revenue	938,757	1,164,983
Interest income related to its leases	384,760	405,711
Total	\$ 1,323,517	\$ 1,570,694

Future principal and interest payment requirements related to the College's lease receivable at June 30, 2023 are as follows:

Year	Principal	Interest	Total
2024	676,915	376,641	1,053,556
2025	707,176	358,351	1,065,527
2026	787,663	339,243	1,126,906
2027	820,429	318,036	1,138,465
2028	854,260	295,944	1,150,204
2029 - 2033	4,449,645	1,128,044	5,577,689
2034 - 2038	3,798,750	549,861	4,348,611
2039 - 2042	2,308,017	105,137	2,413,154
	<u>\$ 14,402,855</u>	<u>\$ 3,471,257</u>	<u>\$ 17,874,112</u>

The Development Component Units lease certain assets to various third parties maturing at various dates through 2115. The assets leased include buildings and equipment. Payments are generally fixed monthly and include annual escalations ranging from 1% to 2.5%.

On September 29, 2020, SCH II entered into a master lease agreement with Schoolcraft College for use of the Sports Center. The lease agreement is for 20 years and commenced on September 30, 2020. The lease agreement provides for base monthly rental payments due in advance of \$91,667 or \$1,100,000 per year. SCH II has recognized a lease receivable of \$7,728,244 and \$7,846,723 as of June 30, 2023 and 2022, respectively, which represents the net present value of the future minimum lease payments. The schedule of the future minimum lease payments is described in more detail in Note 9.

Notes to Financial Statements

During the year ended June 30, 2023 and 2022, the Development Component Units recognized the following related to its lessor agreements:

	2023	2022
Lease revenue	6,008,622	5,998,335
Interest income related to its leases	6,274,110	6,449,653
Total	\$ 12,282,732	\$ 12,447,988

Future principal and interest payment requirements related to the Development Component Units lease receivable at June 30, 2023 are as follows:

Year	Principal	Interest	Total
2024	4,108,085	5,411,295	9,519,380
2025	4,460,099	5,208,910	9,669,009
2026	4,847,798	4,987,788	9,835,586
2027	5,258,705	4,746,297	10,005,002
2028	5,689,145	4,483,179	10,172,324
2029 - 2033	32,922,179	17,676,709	50,598,888
2034 - 2038	22,315,795	10,083,328	32,399,123
2039 - 2043	5,073,274	5,169,872	10,243,146
2044 - 2048	950,900	4,135,547	5,086,447
2049 - 2053	1,262,746	3,935,828	5,198,574
2054 - 2058	1,636,284	3,676,616	5,312,900
2059 - 2063	2,088,719	3,340,764	5,429,483
2064 - 2068	2,630,809	2,917,568	5,548,377
2069 - 2073	3,285,301	2,384,343	5,669,644
2074 - 2078	4,069,625	1,723,748	5,793,373
2079 - 2083	462,414	1,283,605	1,746,019
2084 - 2088	580,033	1,190,985	1,771,018
2089 - 2093	723,408	1,072,611	1,796,019
2094 - 2098	892,713	928,306	1,821,019
2099 - 2103	1,098,009	748,010	1,846,019
2104 - 2108	1,341,497	529,522	1,871,019
2109 - 2113	1,635,667	260,352	1,896,019
2114 - 2115	551,163	17,637	568,800
	<u>\$ 107,884,368</u>	<u>\$ 85,912,820</u>	<u>\$ 193,797,188</u>

Note 13 - Related Party Transactions

The College provided management and administration services totaling \$85,681 and \$84,290 to the Development Component Units during the year ended June 30, 2023 and 2022, respectively.

SCSD leases land from the College. The lease, dated June 23, 2016, is for 50 years and requires annual payments of \$1. SCSD may use the land to enter into the partnership described in Note 1. At the end of the lease term the land and improvements revert to the College. SCSD then subleased the land to SCCD. The sublease, also dated June 23, 2016, is for 50 years and requires annual payments of \$1. The sublease may be terminated by SCSD or SCCD after the later of 25 years or the date the dome being built on the land is no longer reasonably operational. These leases were excluded from GASB 87 since they are nonexchange transactions.

Under the terms of the SCCD operating agreement, a preferred return of 10% per annum is incurred on the first \$6 million of the minority owner's contributed capital until the capital is returned. During the year ending June 30, 2022, the first return of capital of \$2 million was made in accordance with the operating agreement. During the years ended June 30, 2023 and 2022, \$400,000 and \$2,466,667 was distributed and \$100,000

Notes to Financial Statements

was in related party payable, respectively. Additional distributions of \$220,343 in 2023 and \$188,628 in 2022 were also made to the minority owner based on provisions of the operating agreement with \$81,878 and \$76,931 payable as of June 30, 2023 and 2022, respectively.

Under the terms of the SCH lease and development agreements, an asset management, development, and financing agreement was consummated which includes an excess cash provision whereby 50% of excess cash, as defined in the agreement, is payable to SCDU 14 and the other 50% to the asset manager, who is the minority owner of SCCD. There was excess cash of \$210,000 as of June 30, 2023, therefore, expense and payable of \$210,000 is recorded as of June 30, 2023. There was excess cash of \$300,000 as of June 30, 2022, therefore, expense and payable of \$300,000 is recorded as of June 30, 2022.

In addition, the SCH II lender is a related party to the minority owner of SCCD. Interest payments of \$811,111 were paid to this related party during both the years ended June 30, 2023 and 2022.

The College provided construction funding to SCH II in a previous fiscal year. As of June 30, 2023, \$200,000 is still outstanding, which will be paid back to the College during the year ending June 30, 2024.

SCH II leases land from the College. The lease, dated March 3, 2020, is for 50 years and requires annual payments of \$1. SCH II may use the land to construct, maintain, and operate the sports center described in Note 1. At the end of the lease term the land and improvements revert to the College. This lease was excluded from GASB 87 since it is a nonexchange transaction.

See Note 15 for a description of the transactions between the College and the Foundation.

Note 14 - State Building Authority

Certain College facilities have been financed in part by State Building Authority (SBA) bond issuances, which are secured by a pledge of rentals to be received by the State of Michigan pursuant to an arrangement between the SBA, the State of Michigan, and the College. While the SBA bonds are outstanding, the SBA will hold title to the respective buildings, although the College has capitalized the buildings and pays all operating and maintenance costs. Once the SBA bonds are fully paid, the SBA will transfer titles of the buildings to the College.

Note 15 - Schoolcraft College Foundation

Schoolcraft College Foundation (Foundation) is a separate legal entity established as a 501(c)3 not-for-profit corporation and governed by its own Board of Governors to accept, collect, hold and invest donations made for the promotion of educational and cultural activities. The College receives support from the Foundation whose bylaws require that the Foundation's net assets be used solely for the benefit of Schoolcraft College. During the years ended June 30, 2023 and 2022 the College and its students received support from the Foundation of approximately \$2,680,000 and \$511,000 respectively. The College provides supervisory and clerical staff and office space to the Foundation at no charge, valued at approximately \$580,000 and \$693,000 for the years ended June 30, 2023 and 2022, respectively. The College also pays expenses on behalf of the Foundation with subsequent reimbursement from the Foundation. Approximately \$334,000 and \$235,000 is owed from the Foundation to the College as of June 30, 2023 and 2022, respectively. One member of the College Board of Trustees, the College Chief Financial Officer and the College Executive Director of Development are ex-officio members of the Foundation Board of Governors.

The Foundation financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the College's financial report to account for these differences.

Required Supplementary Information

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

	As of September 30								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the collective MPSERS net pension liability:									
As a percentage	0.37142%	0.39475%	0.40438%	0.42311%	0.44357%	0.45082%	0.43904%	0.41995%	0.41935%
Amount	\$ 139,686,196	\$ 93,457,616	\$ 138,907,699	\$ 140,119,793	\$ 133,344,428	\$ 116,825,440	\$ 109,537,407	\$ 102,572,130	\$ 92,367,456
College's covered payroll	\$ 36,556,207	\$ 34,736,552	\$ 35,147,786	\$ 36,012,509	\$ 37,164,747	\$ 38,344,336	\$ 37,139,786	\$ 35,623,198	\$ 35,788,975
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered payroll	382.11%	269.05%	395.21%	389.09%	358.79%	304.67%	294.93%	287.94%	258.09%
MPSERS fiduciary net position as a percentage of the total pension liability	60.77%	72.32%	59.49%	60.08%	62.12%	63.96%	63.01%	63.17%	66.20%

Schedule of College Contributions - Pension:

	As of June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	16,348,710	12,057,360	11,775,915	11,081,588	11,022,048	11,182,180	10,780,622	10,174,578	8,313,567
Contributions in relation to the actuarially determined contractually required contribution	16,348,710	12,057,360	11,775,915	11,081,588	11,022,048	11,182,180	10,780,622	10,174,578	8,313,567
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 34,374,599	\$ 33,612,381	\$ 34,571,882	\$ 35,607,920	\$ 35,753,783	\$ 37,475,378	\$ 39,285,558	\$ 36,796,837	\$ 35,928,448
Contributions as a percentage of covered payroll	47.56%	35.87%	34.06%	31.12%	30.83%	29.84%	27.44%	27.65%	23.14%

Schedule of College's Proportionate Share of Net OPEB Liability:

	As of September 30					
	2022	2021	2020	2019	2018	2017
College's proportion of the collective MPSERS net OPEB liability:						
As a percentage	0.37578%	0.38313%	0.39541%	0.41088%	0.43517%	0.45212%
Amount	\$ 7,959,360	\$ 5,848,028	\$ 21,183,427	\$ 29,491,647	\$ 34,591,329	\$ 40,036,949
College's covered payroll	\$ 36,556,207	\$ 34,736,552	\$ 35,147,786	\$ 36,012,509	\$ 37,164,747	\$ 38,344,336
College's proportionate share of the collective OPEB liability (amount), as a percentage of the College's covered payroll	21.77%	16.84%	60.27%	81.89%	93.08%	104.41%
MPSERS fiduciary net position as a percentage of the total OPEB liability	83.09%	88.87%	59.76%	48.67%	43.10%	36.53%

Schedule of College Contributions - OPEB:

	As of June 30					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	2,716,625	2,689,999	2,831,437	2,832,254	2,782,315	2,686,750
Contributions in relation to the actuarially determined contractually required contribution	2,716,625	2,689,999	2,831,437	2,832,254	2,782,315	2,686,750
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	\$ 34,374,599	\$ 33,612,381	\$ 34,571,882	\$ 35,607,920	\$ 35,733,783	\$ 37,475,378
Contributions as a percentage of covered payroll	7.90%	8.00%	8.19%	7.95%	7.79%	7.17%

Notes to Required Supplementary Information

Pension Information

Ultimately, 10 years of data will be presented in both the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

The required contributions for the year ended June 30, 2023 include a one-time contribution of \$3,767,046, referred to as 147c(2), related to funding received from the State and remitted to the System for the purpose of contributing additional assets to the System.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no changes of assumptions for the plan years ended September 30, except for the following:

2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80%.

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25%.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45%. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50%.

OPEB Information

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no changes of assumptions for the plan years ended September 30, except for the following:

2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95% percentage points. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.

2021 - The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75% for members under 65 and decreased by 1.75% for members over 65. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.3 billion in 2021.

2020 - The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50% and actual per person health benefit costs were lower than projected. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.8 billion in 2020.

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20%. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35%. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2018.

Consolidating Statement of Net Position**As of June 30, 2023 (With Comparative Totals for 2022)**

	General	Designated	Auxiliary Activities	Expendable Restricted	Student Loan	Plant	Agency	College Combined Total	
	Fund	Fund	Funds	Funds	Funds	Funds	Fund	2023	2022 (as restated)
Assets									
Current Assets									
Cash and cash equivalents	\$ 11,427,411	\$ 6,059,274	\$ -	\$ 166,029	\$ -	\$ -	\$ 215,325	\$ 17,868,039	\$ 17,117,385
Property taxes receivable	221,341	-	-	-	-	-	-	221,341	469,878
State appropriation receivable	5,605,455	-	-	-	-	-	-	5,605,455	5,618,252
Accounts receivable	2,120,899	174,009	190,669	-	-	2,000	-	2,487,577	2,618,569
Leases receivable	174,099	-	502,816	-	-	-	-	676,915	689,551
Subscription based IT arrangements	248,203	180,527	-	-	-	-	-	428,730	941,511
Accrued interest receivable	3,545	-	-	-	-	-	-	3,545	10,220
Federal and state grants receivable	-	-	-	1,736,259	-	-	-	1,736,259	1,159,542
Student loans receivable	-	-	-	-	16,250	-	-	16,250	16,250
Inventories	352,347	-	710,796	-	-	-	-	1,063,143	1,158,496
Prepaid expenses and other assets	823,086	-	96,597	-	-	-	-	919,683	977,595
Deposits	492,536	-	-	-	-	-	-	492,536	481,109
Due from (to) component units	235,289	-	-	-	-	408,377	-	643,666	724,564
Due from (to) other funds	10,837,266	-	(238,383)	-	-	(10,598,883)	-	-	-
Total Current Assets	32,541,477	6,413,810	1,262,495	1,902,288	16,250	(10,188,506)	215,325	32,163,139	31,982,922
Noncurrent Assets									
Restricted cash and cash equivalents	-	-	-	-	-	6,224,271	-	6,224,271	-
Long-term investments	5,787,581	1,511,505	-	41,415	-	-	-	7,340,501	10,327,445
Leases receivable	3,213,230	-	10,512,714	-	-	-	-	13,725,944	13,915,577
Subscription based IT arrangements	216,187	185,186	-	-	-	-	-	401,373	625,936
Property and Equipment:									
Land and improvements	-	-	-	-	-	13,079,036	-	13,079,036	13,595,934
Infrastructure	-	-	-	-	-	10,461,475	-	10,461,475	11,245,797
Buildings and improvements	-	-	11,991,992	-	-	111,954,479	-	123,946,471	127,187,245
Equipment	-	-	-	-	-	8,602,780	-	8,602,780	10,609,449
Construction in progress	-	-	-	-	-	9,655,747	-	9,655,747	1,309,987
Total Property and Equipment	-	-	11,991,992	-	-	153,753,517	-	165,745,509	163,948,412
Total Assets	41,758,475	8,110,501	23,767,201	1,943,703	16,250	149,789,282	215,325	225,600,737	220,800,292
Deferred Outflows of Resources									
	50,245,605	-	-	-	-	-	-	50,245,605	24,774,039

Consolidating Statement of Net Position (Continued)**As of June 30, 2023 (With Comparative Totals for 2022)**

	General	Designated	Auxiliary Activities	Expendable Restricted	Student Loan	Plant	Agency	College Combined Total	
	Fund	Fund	Fund	Funds	Funds	Funds	Fund	2023	2022 (as restated)
Liabilities									
Current Liabilities									
Current portion of debt obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,562,773	\$ -	5,562,773	\$ 4,471,439
Accounts payable	1,557,477	1,714	114,647	62,038	-	2,007,245	325	3,743,446	5,194,931
Accrued interest payable	-	-	146,338	-	-	220,315	-	366,653	338,410
Accrued payroll and other compensation	6,821,643	32,290	101,350	36,651	-	-	-	6,991,934	7,125,376
Deposits	-	-	527,285	-	-	-	215,000	742,285	486,208
Unearned revenue	4,085,991	158,111	293,320	-	-	-	-	4,537,422	6,831,034
Subscription liability	248,203	180,527	-	-	-	-	-	428,730	941,511
Total Current Liabilities	12,713,314	372,642	1,182,940	98,689	-	7,790,333	215,325	22,373,243	25,388,909
Noncurrent Liabilities									
Net pension liability	139,686,196	-	-	-	-	-	-	139,686,196	93,457,616
Net OPEB liability	7,959,360	-	-	-	-	-	-	7,959,360	5,848,028
Long-term debt obligations	-	-	-	-	-	60,478,672	-	60,478,672	54,332,134
Subscription liability	200,662	187,514	-	-	-	-	-	388,176	625,936
Accrued severance pay	657,852	-	-	-	-	-	-	657,852	749,011
Total Liabilities	161,217,384	560,156	1,182,940	98,689	-	68,269,005	215,325	231,543,499	180,401,634
Deferred Inflows of Resources									
Retirement and postemployment benefits	38,352,068	-	-	-	-	-	-	38,352,068	68,453,162
Leases	3,138,342	-	10,403,049	-	-	-	-	13,541,391	14,036,420
Total Deferred Inflows of Resources	41,490,410	-	10,403,049	-	-	-	-	51,893,459	82,489,582
Net Position									
Net investment in capital assets	-	-	-	-	-	93,936,344	-	93,936,344	92,475,764
Restricted for:									
Expendable restricted grants	-	-	-	1,845,014	-	-	-	1,845,014	57,478
Unrestricted	(110,703,714)	7,550,345	12,181,212	-	16,250	(12,416,067)	-	(103,371,974)	(109,850,127)
Total Net Position	\$ (110,703,714)	\$ 7,550,345	\$ 12,181,212	\$ 1,845,014	\$ 16,250	\$ 81,520,277	\$ -	\$ (7,590,616)	\$ (17,316,885)

Consolidating Statement of Revenue, Expenses, Transfers and Changes in Net Position**For the Year Ended June 30, 2023 (With Comparative Totals for 2022)**

	General	Designated	Auxiliary Activities	Expendable Restricted	Student Loan	Plant		College Combined Total	
	Fund	Fund	Funds	Funds	Funds	Funds	Elimination	2023	2022
Revenue									
Operating Revenue									
Tuition and fees (Net of scholarship allowances of \$7,183,026 in 2023 and \$7,628,394 in 2022)	\$ 37,836,379	\$ 1,100,997	\$ -	\$ -	\$ -	\$ -	\$ (7,183,026)	\$ 31,754,350	\$ 31,673,251
Federal grants and contracts	-	-	-	2,190,927	-	-	-	2,190,927	1,771,698
State and local grants and contracts	9,200	67,196	-	4,069,481	-	-	-	4,145,877	4,127,181
Nongovernmental grants	-	-	-	1,645,642	-	-	-	1,645,642	46,930
Auxiliary enterprises	-	-	4,490,874	-	-	-	(145,137)	4,345,737	4,308,301
Indirect cost recoveries	145,324	-	-	-	-	-	(145,324)	-	-
Gain on disposal of assets	-	-	-	-	-	103,845	-	103,845	240,642
Miscellaneous	587,177	1,937,366	5,605	107,048	-	-	(22,451)	2,614,745	2,791,494
Total Operating Revenue	38,578,080	3,105,559	4,496,479	8,013,098	-	103,845	(7,495,938)	46,801,123	44,959,497
Expenses									
Operating Expenses									
Instruction	31,068,150	996,124	46,025	986,832	-	-	(674,807)	32,422,324	30,014,939
Information Technology	5,429,590	-	-	-	-	-	(14,185)	5,415,405	5,551,493
Public service	1,033,153	380,592	-	1,306,248	-	-	(274,297)	2,445,696	1,829,863
Instructional support	12,657,023	314,386	103,764	728,889	-	-	(120,611)	13,683,451	12,417,304
Student services	10,034,245	1,494,560	4,870,692	15,481,896	-	-	(7,253,963)	24,627,430	27,629,253
Institutional administration	9,444,168	3,285	-	-	-	-	(210,105)	9,237,348	10,138,869
Operation and maintenance of plant	12,235,105	90,826	-	-	-	483,878	1,052,030	13,861,839	14,142,569
Depreciation and amortization	848,248	178,314	677,083	-	-	9,014,859	-	10,718,504	9,046,546
Total Operating Expenses	82,749,682	3,458,087	5,697,564	18,503,865	-	9,498,737	(7,495,938)	112,411,997	110,770,836
Operating Loss	(44,171,602)	(352,528)	(1,201,085)	(10,490,767)	-	(9,394,892)	-	(65,610,874)	(65,811,339)

Consolidating Statement of Revenue, Expenses, Transfers and Changes in Net Position (Continued)**For the Year Ended June 30, 2023 (With Comparative Totals for 2022)**

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	College Combined Total	
								2023	2022
Nonoperating Revenue and (Expenses)									
State operating appropriations	\$ 22,736,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,736,419	\$ 22,101,988
Property tax levy	37,885,963	-	-	-	-	-	-	37,885,963	35,977,709
Lease income	270,465	-	668,292	-	-	-	-	938,757	1,164,983
Interest income on investments	572,679	-	-	-	-	-	-	572,679	398,224
Interest income on leases	82,271	-	302,489	-	-	-	-	384,760	405,711
Interest expense	(14,123)	(9,595)	-	-	-	(2,970,627)	-	(2,994,345)	(3,077,347)
Financing fees	-	-	-	-	-	(137,665)	-	(137,665)	(3,200)
Unrealized gain (loss) on investments	(1,104,172)	-	-	-	-	536,804	-	(567,368)	(1,604,391)
Federal grants and contracts	-	-	-	5,270,398	-	-	-	5,270,398	14,061,506
Pell grants	-	-	-	9,247,545	-	-	-	9,247,545	9,414,916
Net Nonoperating Revenue and (Expenses)	<u>60,429,502</u>	<u>(9,595)</u>	<u>970,781</u>	<u>14,517,943</u>	<u>-</u>	<u>(2,571,488)</u>	<u>-</u>	<u>73,337,143</u>	<u>78,840,099</u>
Gain (Loss) Before Other Revenue and Expenses	16,257,900	(362,123)	(230,304)	4,027,176	-	(11,966,380)	-	7,726,269	13,028,760
Other Revenue and (Expenses)									
State capital appropriations	-	-	-	-	-	-	-	-	10,000,000
Support from component units	-	-	-	-	-	2,000,000	-	2,000,000	-
Total Other Revenue	-	-	-	-	-	2,000,000	-	2,000,000	10,000,000
Increase (Decrease) in Net Position	16,257,900	(362,123)	(230,304)	4,027,176	-	(9,966,380)	-	9,726,269	23,028,760
Transfers In (Out)	<u>(4,367,402)</u>	<u>253,051</u>	<u>(1,881,806)</u>	<u>(2,239,640)</u>	<u>-</u>	<u>8,235,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Position	11,890,498	(109,072)	(2,112,110)	1,787,536	-	(1,730,583)	-	9,726,269	23,028,760
Net Position - Beginning of Year	<u>(122,594,212)</u>	<u>7,659,417</u>	<u>14,293,322</u>	<u>57,478</u>	<u>16,250</u>	<u>83,250,860</u>	<u>-</u>	<u>(17,316,885)</u>	<u>(40,345,645)</u>
Net Position - End of Year	<u>\$ (110,703,714)</u>	<u>\$ 7,550,345</u>	<u>\$ 12,181,212</u>	<u>\$ 1,845,014</u>	<u>\$ 16,250</u>	<u>\$ 81,520,277</u>	<u>\$ -</u>	<u>\$ (7,590,616)</u>	<u>\$ (17,316,885)</u>



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