



2024-2025

ANNUAL FINANCIAL REPORT



CENTRAL
MICHIGAN UNIVERSITY

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October 1, 2025

To the People of the State of Michigan:

Founded over 130 years ago to meet Michigan's need for educators and business leaders, Central Michigan University remains committed to addressing the state's evolving workforce demands. We offer more than 200 academic programs aligned with high-demand industries such as science, engineering, healthcare, business, and education. Recent additions include a four-year degree in Applied Artificial Intelligence, certificates in Gaming Operations and Design, a Bachelor of Science in Nursing and a graduate program in Public Health Systems Administration.

At CMU, we also prioritize student success and campus safety. Ongoing upgrades to residence halls, dining facilities, and network infrastructure continue to enhance the student experience. Expanded security systems and proactive community policing foster a safe, welcoming environment. Our Emergency Management team also leads preparedness initiatives to ensure safety across all campus locations.

Nearly 90% of CMU students come from Michigan, and 74% of 2024 graduates who responded to our survey have chosen to stay in the state. More than 94% of CMU's graduates are employed within six months of graduation. As a result, CMU plays a critical role in strengthening Michigan's workforce and economy. Forbes has recognized CMU as an "opportunity university" because we remain committed to ensuring students are well-prepared to lead and serve their communities, while keeping higher education accessible and affordable.

Despite state funding representing only 22% of our operating budget—equivalent to just 80 days of operations—and CMU ranking 7th in per-student funding among Michigan's 15 public universities, we continue to manage costs responsibly. Our leadership is focused on maintaining affordability through careful fiscal stewardship and efficient operations.

The success of our students and alumni defines us. Through the 2023–2028 Strategic Plan, we continue to track progress using key performance indicators across enrollment, financial health, outcomes, and operations. These measures ensure accountability and sustained institutional excellence.

With all the successful accomplishments, despite challenges encountered, I am proud to share CMU's financial performance for the fiscal year ending June 30, 2025, highlighting CMU's strong financial position, built through prudent management and a commitment to serving Michigan's students and communities.

Sincerely,

A handwritten signature in blue ink, reading 'Mary Moran Hill'.

Mary Moran Hill

Vice President for Finance and Administrative Services/CFO

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Financial Statements
Central Michigan University
June 30, 2025

Report of Independent Auditors	1-4
Management's Discussion and Analysis.....	5-20
Statements of Net Position – Central Michigan University	21
Statements of Revenues, Expenses and Changes in Net Position – Central Michigan University	22
Statements of Cash Flows-Direct Method – Central Michigan University	23-24
Statements of Fiduciary Net Position – Central Michigan University	25
Statements of Changes in Fiduciary Net Position – Central Michigan University	25
Statements of Net Assets – CMU Medical Education Partners	27
Statements of Activities and Changes in Net Assets – CMU Medical Education Partners	28
Notes to the Financial Statements	29-63
Required Supplemental Information	64
Schedule of the Institution's Proportionate Share of the Net Pension (Asset) Liability	65
Schedule of Institution Pension Contributions	65
Notes to Required Supplemental Information.....	66
Schedule of the Institution's Proportionate Share of the Net OPEB (Asset) Liability	67
Schedule of Institutional OPEB Contributions	67
Notes to Required Supplemental Information.....	68

INDEPENDENT AUDITORS' REPORT

October 31, 2025

Board of Trustees
Central Michigan University
Mount Pleasant, Michigan

Report on the Audit of the 2025 Financial Statements

Opinions

We have audited the financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of **Central Michigan University** (the "University"), a component unit of the State of Michigan, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the discretely presented component unit of the University, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Saginaw Cooperative Hospitals, Inc. d/b/a CMU Medical Education Partners. Those statements were audited by other auditors whose report thereon was furnished to us, and our opinions, insofar as they relate to the amounts included for the above entity, are based solely on the report of the other auditors.

Basis for Opinions on the 2025 Financial Statements

We conducted our audit 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 Independent Auditors' Responsibilities for the Audit of the 2025 Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Implementation of GASB Statement No. 101

As described in Notes 1 and 7, in fiscal 2025, the University implemented the provisions of GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the 2025 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 University'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 University'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 audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefits plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the accompanying annual financial report, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Predecessor Auditor

The financial statements of **Central Michigan University** as of June 30, 2024 were audited by other auditors whose report dated September 26, 2024, expressed unmodified opinions on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 31, 2025, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 University'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 University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Michigan University

INTRODUCTION

This section of the Central Michigan University (the university or CMU) annual financial report presents a discussion and analysis of the financial performance of the university for the fiscal year ended June 30, 2025, with selected comparative information for the years ended June 30, 2024, and 2023. For accurate contextual understanding, read this discussion prepared by management, along with the financial statements and related note disclosures, in its entirety. The discussion and analysis focus is on current activities, resulting changes and currently known facts.

REPORTING ENTITY

Central Michigan University is an institution of higher education and a component unit of the State of Michigan. The financial reporting entity consists of the university and other organizations for which the university is financially accountable.

Under the provision of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Central Michigan University Foundation has been determined to be a component unit. Their activity has been blended into the university's financial statements.

Under the same GASB Statement No. 61, Central Health Advancement Solutions (CHAS) has been determined to be a significant component unit. The sole purpose of CHAS is to hold a 90% membership interest in CMU Medical Education Partners (CMEP). Accordingly, the financial activity for CMEP on behalf of CHAS is discretely presented in the university's financial statements. In addition, during fiscal year 2025, CMU College of Medicine Campus, Inc. (CMC), was formed for the sole purpose of carrying out the purposes of the Board of Trustees of Central Michigan University through the construction and development of a medical school campus in the "Medical Diamond" located in Saginaw, Michigan. Accordingly, the financial activity of CMC is blended into the university's financial statements. Refer to Note 1 to the financial statements for more information regarding these component units and other affiliated entities.

FACTORS INFLUENCING FUTURE PERIODS

Central Michigan University, while facing external factors beyond our control, is committed to keeping higher education affordable and accessible to students and families. The university continues to explore marketable programs, undertake new initiatives, and meet its core mission and ongoing operating needs through effectively managing finances and streamlining processes. However, the continual decline in Michigan high school graduates, students' attainment of credit hours before entering CMU, and changing regulations, may have an adverse effect on the university's ability to meet its goals. The level of enrollment, amount of state support, compensation and benefit increases, inflation, costs related to deferred maintenance and the continual need to ensure safety for students are major impact factors on student tuition and fee increases.

Two decades ago, the university endured significant reductions to state appropriations and the increases since then have not kept pace with inflation, resulting in more reliance on student tuition and fees for revenue. In fiscal year 2025, state appropriations contributed approximately 19.7% of university revenues. In fiscal year 2005, state appropriations contributed approximately 24.5% of university revenues.

The university is committed to preserving academic quality and leadership opportunities, while providing excellent service and not dramatically increasing tuition and fees for our students and their families. The university continues to set the bar in maintaining low tuition and fee increases even though state appropriations provide a much smaller percentage of university revenues than what they did twenty years ago. Significant efforts, such as continuing to invest in the student financial wellness collaborative, student advising, counseling services, and the food pantry will allow us to better educate and assist students with financial and well-being needs, while we continue to identify and implement efficient and effective cost-saving measures. Recognizing the continued financial challenges of our students and their families, the university has increased total CMU aid from approximately \$31.2 million in 2008 to \$74.6 million in 2025, making degrees possible for many students who otherwise could not pursue their dream of higher education.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

Central Michigan University continues to be committed to addressing the financial needs of our students and their families.

The university, along with other universities across the United States are facing mounting challenges due to shifting federal regulations and a polarized political climate. Recent executive orders are creating uncertainty for institutions, like CMU, who are reliant on federal support to operate. The changes have the potential to significantly impact grants and federal financial aid. Central Michigan University is working diligently to mitigate the effects of these changes on the campus community and is committed to its top priorities of providing a safe and desirable campus community for learning and working.

Operating Budget and Deferred Maintenance

The university's Board of Trustees approved the operating budget for fiscal year 2026 of \$462.4 million. The balanced budget aligned our expenses with our anticipated revenue streams. This includes incremental increases to compensation that fulfill collective bargaining agreements, increases to staff compensation for employees not represented by a collective bargaining agreement, specific new investments, and adjustments to budgets for other necessary costs.

The university models a three-year forecast of its revenues and expenses. This model is significantly impacted by unpredictable future state appropriations funding, declining levels of Michigan high school graduates, causing potential enrollment challenges, and modest increases in salary, benefits, and equipment costs. The university remains steadfast in its commitment to achieve operational efficiencies, implement additional cost-saving measures where appropriate, and offer competitive financial aid packages for our students. With these economic factors in sight, the university is continuing its fiscally conservative approach as good stewards of its available resources.

The formal budget and modeling process includes the university's annual review of the priority needs and requirements for deferred maintenance, technology, renovations, and new construction projects. This comprehensive review allows for systematic prioritization on an institutional basis. Priorities are set based on anticipated future funding, with maintenance related projects having priority over many new initiatives.

The campus is currently facing significant deferred maintenance challenges, as outlined in the Facilities Condition Assessment included as an annex to the Campus Master Plan. The total estimated cost of addressing these needs is approximately \$350.7 million, with \$190.6 million attributed to facilities supported by the general fund.

Over the past decade, the university has dedicated between \$5.7 to \$8.4 million per year to address these needs, with a standard allocation of \$5.7 million annually. In fiscal year 2025, the university invested approximately \$11.3 million in plant-related projects. These expenditures were supported through a combination of funding sources, including installment debt, gifts, and other institutional funds.

Academic Priorities

The university has a longstanding tradition of enhancing student learning and success as well as contributing to the discovery and dissemination of knowledge. Dedicated faculty, committed to leading-edge pedagogy and research, work to grow the wisdom, technological sophistication, and creativity of CMU students. As part of our commitment to student success and academic excellence, periodic reviews are conducted in areas of academic structure, operations, and support services, focused on enhancing the delivery of learning experiences to support student needs, innovative scholarship, and the communities of Mount Pleasant, Michigan and beyond.

As we move forward into the next academic year, the university's strategic plan has identified opportunities for investment and growth that position us well to meet the rapidly changing landscape of higher education. These include but are not limited to, enhancing high-impact and experiential learning experiences, expanding the use and knowledge of artificial intelligence, aligning transferable skills with professional pathways, and elevating the university's scholarly reputation through research and creative endeavors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

College of Medicine

The Central Michigan University College of Medicine (CMED) is the nation's 137th medical school and was founded to produce high-quality physicians for underserved communities in Michigan. In the 2024-2025 academic year, CMED focused on solidifying and strengthening existing relationships while exploring additional educational opportunities for our students.

The number of applicants to CMED continues to expand showing great interest in the program. The matriculating class of 2024 was selected from over 7,500 applicants, with 78% of the class calling Michigan home. CMED continued to be successful with their 2024-2025 Match. Match statistics provide evidence that CMED is advancing the mission of the medical school, with over 74% matching to primary care and just over 50% matching a residency program in Michigan.

CMED received full accreditation from the Liaison Committee for Medical Education (LCME) in June 2018 and hosted a successful reaccreditation review in March 2023. CMED updated a Continuous Quality Improvement (CQI) process to include monitoring all 12 accreditation standards and 93 elements via an element-based continuous quality matrix.

The Accreditation Council of Graduate Medical Education (ACGME) is the body responsible for reviewing and accrediting graduate medical education (GME) residency programs. The CMU College of Medicine is the academic sponsor of eight residency programs based at CMU Medical Education Partners (CMEP) in Saginaw. CMEP is a GME consortium and partnership between CMU, Covenant HealthCare and Ascension St. Mary's (MyMichigan Health as of August 1, 2024). All residency programs including family medicine, internal medicine, emergency medicine, emergency medical services, psychiatry, podiatry, general surgery, and pediatrics are accredited.

During the 2023-2024 academic year, the College worked to engage in strategic clinical affiliations to meet long-term educational and financial needs and secured a new 25-year affiliation agreement with primary clinical affiliate, Covenant HealthCare. The College's learning and working environment remains strong and the focus has shifted to building ongoing curricular continuous quality improvement that sustains the College's ability to attract the best students, to recruit and retain faculty, and engage support staff.

To fulfill its mission to train physicians who may work in underserved areas of Michigan, the College of Medicine participates in the MIDOCS program. MIDOCS is a state-funded program set up to expand graduate medical education residency positions in primary care and select specialties to recruit and retain physicians in underserved areas in the state of Michigan. In addition to training costs for the residents, the MIDOCS program also provides a \$75,000 debt relief incentive for those residents who commit to serving two years at an approved site following the residency. MIDOCS residents train alongside residents matched through CMU Medical Education Partners residency programs.

The College of Medicine, in partnership with the Michigan Department of Health and Human Services and the Centers for Medicare and Medicaid Services (CMS) provides support and funding to Michigan physicians to enhance access to healthcare services to Medicaid enrollees. The Public Entity Physician Payment Adjustment Program (PEPPAP) and Specialty Network Access Fee Program (SNAF) are designed to provide higher reimbursement to both public and private practitioners and practitioner groups who treat Medicaid patients. Higher reimbursement is used to maintain access to services. Eligibility for Payment Adjustments is limited to practitioners affiliated with seven public entities, including CMU. Currently, the CMU program enrolls over 860 practitioners committed to providing access to high quality medical services to Medicaid enrollees.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

Student Recruitment and Retention

The Student Recruitment and Retention (SRR) division, formed June 1, 2020, provides strategic leadership for the university's recruitment and retention efforts in support of fulfilling the university's vision and strategic priorities.

During the 2024-25 academic year, the university hired a consultant to assist with the writing of a Strategic Enrollment Management (SEM) plan, which got underway in March 2025. The final plan will be delivered in November 2025 and focuses on four main strategic priorities: Increase Market Share, Develop a Distinctive Position, Focus on Student Success and Develop New Online Programs.

Also, during this year, the university experienced the impact of utilizing a new partner to help deliver Financial Aid. This was especially critical as FAFSA simplification brought many changes to the way aid is calculated and packaged. The initial roll out, for fall 2024, went very well, however, awarding for subsequent semesters has been more challenging. CMU is working closely with the software vendor to drive improvements to the tool so it functions as intended moving forward.

The Office of Student Success again offered a program in January for fall 2024 'first time in any college students' (FTIACS), who earned less than a 2.0 grade point average in their first fall semester, based on the success of the initial pilot in January 2024. Students were invited to attend individual student success meetings with their academic advisors, and then to attend a series of five Student Success Seminars in January and February. The Fall 2023 cohort retained at 74.7%, a nearly 2-point increase in enrollment over the previous cohort. The university is currently on track to increase by 2 points again for the Fall 2024 cohort.

The Office of Scholarships and Financial Aid (OSFA) has populated a database, which contains all CMU endowed scholarships, implemented for the next award cycle. Collaborating with academic colleges to accomplish the initiative, students will begin applying for endowed scholarships, via the online tool, in October 2025. Awards will be made in January, in time for the aid awarding timeline.

Unfortunately, due to the impact of actions by the federal government during the early months of 2025, the international student enrollment is expected to be down in fall of 2025. CMU also will see a decrease in domestic undergraduates though the decreases will be offset by the improved retention rates of our continuing students. That rate is currently showing an increase of 3.3% for all undergraduate continuing students, which is a 5-point swing to the positive since last year and a 10.5-point swing to the positive since Fall 2023.

Campus Master Plan

The Campus Master Plan ensures that CMU's campus and facilities align with leadership direction for the university and enhances the success of CMU students. The Campus Master Plan includes a facilities condition assessment, four Area Development Plans, Capital Plan, and a campus land use plan. It also includes a space utilization study, benchmarked against similar universities. This comprehensive evaluation of the campus and facilities provides information that guides investment in new facilities, major renovations, and deferred maintenance.

The Campus Master Plan provides strategic guidance allowing for informed decisions related to prioritization of capital projects and deferred maintenance investments across campus. The Capital Plan was updated as part of the Master Plan in 2021 and is used to guide investments in future development and campus improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

CMU Research Corporation

Central Michigan University Research Corporation (CMURC) is a professional coworking space with accelerator programs focused on product and strategic development for entrepreneurs to positively impact the economy in the Great Lakes Bay Region. The organization is a single point of contact for startups and established businesses who want to harness the intellectual, technological, and material resources of Central Michigan University to grow their ideas and businesses. Created two decades ago, it brings together local, regional and statewide partners to accelerate the success of entrepreneurs, growing businesses, and jobs by leveraging the resources of Central Michigan University, the Mount Pleasant SmartZone, and the Michigan Economic Development Corporation's 21st Century Jobs Trust Fund.

Recognized as one of the top Michigan SmartZones, CMURC expanded from the Mount Pleasant location to open three new facilities: Uptown Bay City in March 2017, Riverfront Saginaw in September 2018, and Midland in 2020. Additionally, CMURC completed an Economic Development Administration grant funded renovation of the Mount Pleasant location in June 2024. These ventures demonstrate that CMU is a community partner in spurring economic development activities to graduate and retain more Michigan residents and improve the state's economy and future development.

USING THE ANNUAL REPORT

The university's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statements.

STATEMENTS OF NET POSITION

The Statements of Net Position include all assets and liabilities. The Statements of Net Position are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the services or goods/products are provided and expenses and liabilities are recognized when others provide the service or product, regardless of when cash is exchanged. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the university. Assets and liabilities are generally measured using current values. Investments are stated at fair value or amortized cost, and capital assets are stated at historical cost less an allowance for depreciation.

A three-year summarized comparison of the university's assets, liabilities and net position (shown in millions) at June 30 is as follows:

	2025	2024	2023
Current assets	\$ 163.7	\$ 144.7	\$ 133.7
Noncurrent assets			
Lease and SBITA assets, net	11.5	11.8	10.9
Capital assets, net	498.2	504.6	523.6
Other	639.0	537.0	479.9
TOTAL ASSETS	1,312.4	1,198.1	1,148.1
DEFERRED OUTFLOWS	2.8	4.8	13.6
Current liabilities	126.1	117.2	112.7
Noncurrent liabilities	145.4	157.4	241.5
TOTAL LIABILITIES	271.5	274.6	354.2
DEFERRED INFLOWS	41.6	15.2	15.2
TOTAL NET POSITION	\$ 1,002.1	\$ 913.1	\$ 792.3

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

ASSETS

Current assets consist of cash and cash equivalents, receivables net of the allowance for doubtful accounts, inventories, and prepaid expenses. Noncurrent assets include restricted cash and cash equivalents, pledges receivable, leases receivable, endowment investments at fair value, long-term investments, net pension and Other Post Employment Benefits (OPEB) assets under the Michigan Public School Employee's Retirement System (MPERS) plans and lease, SBITA, and capital assets. During 2025, total assets increased \$114.3 million. Significant changes in assets occurred in the following areas:

- Cash and cash equivalents, including restricted cash, increased \$16.0 million due primarily to the retainage of funds in liquid form to meet anticipated operational expenditures.
- Endowment investments increased \$19.2 million due primarily to investment appreciation resulting from favorable market conditions.
- Other long-term investments increased \$34.4 million due primarily to favorable market conditions.
- Net pension and OPEB assets for the MPERS plan increased \$21.9 million and \$13.5 million, respectively, due to an increase in the overfunded status of the plans as of the most recent valuation at the end of the fiscal year.
- Net capital assets decreased \$6.4 million primarily due to fewer new construction projects and capital asset purchases compared to the annual depreciation expense.

In 2024, total assets increased \$50.0 million due primarily to an increase in endowment investments of \$18.3 million due primarily to investment appreciation resulting from favorable market conditions, an increase of \$38.1 million in other long term investments due primarily to favorable market conditions, an increase of \$11.5 million in the net OPEB asset for the MPERS plans due to an increase in the overfunded status of the plan as of the most recent valuation at the end of the fiscal year, and a decrease in net capital assets of \$19.0 million due primarily due to fewer new construction projects and capital asset purchases compared to the annual depreciation expense.

Capital Assets

At June 30, 2025 the university had \$1.1 billion invested in capital assets and accumulated depreciation of \$591 million. Depreciation totaled \$27.6 million for the current fiscal year compared to \$27.8 million last year. Refer to Note 5 to the financial statements for details regarding capital assets.

The university had three significant projects in progress as of June 30, 2025:

- Northwest Apartment Demolition project on the north end of campus (\$3.5 million of construction in progress).
- Merrill Hall Dining Renovation project located in Merrill Hall (\$1.3 million of construction in progress). A full kitchen refresh encompassing venting, climate control, and kitchen equipment.
- Public Broadcasting Atlanta project in Atlanta, Michigan (\$1.4 million of construction in progress). The project includes repair of the broadcasting tower and replacement of the building and broadcasting equipment inside, following a fire in February of 2024 and ice storm in March of 2025.
- Lease and SBITA assets decreased modestly (\$0.3 million) primarily due to an increase in accumulated amortization.

The university has two significant projects that were placed in-service and capitalized as of June 30, 2025:

- Technology network upgrades utilized university wide, were completed in June 2025 and accounted for \$7.8 million in capitalized expenditures.
- Powerhouse upgrade including a 1250 Ton Absorber located in the Central Energy Facility was deemed to be completed as of February 2025 and accounted for \$2.0 million in capitalized expenditures.

In 2024, capital assets decreased \$19.0 million due to a net increase of \$8.8 million in capitalized costs primarily in the areas of construction in progress, buildings, land improvements, and equipment less \$27.8 million in depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

Endowment and Pooled Operating Investments

During 2025, endowment investments increased by \$19.2 million, and pooled operating investments increased by \$34.4 million. The endowment and pooled operating increases were a result of investment appreciation due to favorable market conditions. Investment income for 2025 within both investment portfolios is comprised of a \$21.3 million in market value, \$16.1 million of investment income net of financial fees, and \$10.4 million realized gain from the sale of long-term investments. Earnings distributed from endowments for scholarships and fellowships totaled \$10.2 million. This spending distribution was offset by gifts received for endowments of \$4 million and a decrease in cash on hand in the endowment of \$203.4 thousand.

During 2024, endowment investments increased by \$18.3 million, and pooled operating investments increased by \$37.7 million as a result of investment appreciation due to favorable market conditions. Investment income for 2024 within both investment portfolios is comprised of a \$26.5 million in market value, \$8.8 million of investment income net of financial fees, and \$5.8 million realized gain from the sale of long-term investments. Earnings distributed from endowments for scholarships and fellowships totaled \$10.2 million. This spending distribution was offset by gifts received for endowments of \$5.0 million and a change in cash on hand in the endowment of \$2.3 million.

DEFERRED OUTFLOWS

During 2025, deferred outflows decreased by \$2.0 million, primarily due to the elimination of hedging derivatives and reduction of deferred expense of the General Revenue Bonds Series 2014, following a partial bond refunding in July 2024.

During 2024, deferred outflows decreased by \$8.8 million due primarily to a \$0.5 million change in the market value position of hedging derivatives on variable rate debt which reduced deferred expense, a \$7.4 million decrease in deferral of expense related to statutorily required contributions and actuarial valuation changes to the Michigan Public School Employee's Retirement System (MPERS) plan net pension liability and a \$0.7 million decrease in deferral of expense related to actuarial valuation changes to the MPERS plan net Other Post Employment Benefits (OPEB) asset.

Refer to Note 9 to the financial statements for detail regarding the MPERS plans.

LIABILITIES

Current liabilities consist of accounts payable, accrued liabilities, unearned revenue, deposits, and the current portion of the long-term obligations payable within the next twelve months. During 2025, current liabilities increased \$8.8 million. Significant changes in current liabilities occurred in the following areas as of June 30, 2025:

- Accrued payables to vendors and accrued liabilities decreased \$3.6 million due primarily to a \$1.8 million decrease in the amount due to medical partners participating with the College of Medicine in the Specialty Network Access Fees program, a \$1.4 million decrease in debt service accruals due to the termination of the hedging derivative transaction for the General Revenue Bonds, Series 2008A, and a \$0.8 million decrease related to MPERS unfunded liability and the elimination of the payroll floor.
- Unearned revenue increased \$10.4 million due primarily to the increase in unearned grant and contract income resulting from a \$8.6 million prepayment from the State of Michigan for a grant funded project.

During 2024 current liabilities increased \$4.5 million primarily due to a \$5.1 million decrease in the amount due to medical partners participating with the College of Medicine in the Public Entity Physician Payment Adjustment Program and Specialty Network Access Fees program offset by a \$1.2 million increase in debt service accruals due to the termination of the hedging derivative transaction for the General Revenue Bonds, Series 2008A which was payable in fiscal year 2025, a \$2.5 million increase to accrued payables for charter schools due to an increase in state aid for fiscal year 2024, a \$5.1 million increase in unearned revenue primarily to the increase in unearned grant and contract income resulting from a \$5.5 million prepayment from the State of Michigan for a grant funded project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

Noncurrent liabilities consist of long-term debt, lease obligations and other obligations for which the principal is due more than one year from the statement of net position date. Also included is the Retirement Service Award program, accrued compensated absences, and bonded debt. Refer to Note 7 to the financial statements for the detail regarding the change in long-term debt, hedging instruments, and other obligations. During 2025, noncurrent liabilities decreased \$12.0 million. Significant changes in noncurrent liabilities occurred in the following areas as of June 30, 2025:

- Debt service had net reductions of \$10.7 million recorded on outstanding bond principal and premium amortization, resulting from a reduction of \$67.8 million offset by an addition of \$57.5 million of bond refunding.
- Financed Purchase, long-term portion, outstanding of \$5.2 million on a new agreement entered into in July 2024 for \$7.8 million related to the university technology network infrastructure.
- Recorded \$5.7 million decrease in net pension liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPERS) plan. Refer to Note 9 to the financial statements for the detail regarding MPERS.

During 2024, noncurrent liabilities decreased \$84.1 million primarily due to debt service of \$7.6 million being recorded on outstanding bond and note principal, and premium amortization, the market value of hedging derivatives decreasing by \$1.8 million due to the termination of the hedging derivative transaction for the General Revenue Bonds, Series 2008A, and a \$73.6 million decrease in net pension liability for unfunded obligations to the Michigan Public School Employee's Retirement System (MPERS) plan due to supplemental state appropriations provided to the university and forwarded back to the state as supplemental required contributions.

DEFERRED INFLOWS

During 2025, deferred inflows increased \$26.4 million due primarily to a \$24.6 million increase in the deferral of revenues resulting from recording the university's proportionate share of the net pension and OPEB assets related to the Michigan Public School Employee's Retirement System (MPERS) plans and the recording of \$2.0 million in the deferral of revenues related to debt defeasance.

During 2024, there was no significant change in deferred inflows due primarily to a \$0.5 million increase in the deferral of revenues resulting from recording the university's proportionate share of the net pension liability and net OPEB asset related to the Michigan Public School Employee's Retirement System (MPERS) plan, \$0.5 million increase in deferral of revenues resulting from split interest agreements and a \$0.7 million decrease resulting from deferral of revenue related to the university's lease agreements.

Refer to Note 9 to the financial statements for detail regarding the MPERS plans.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

NET POSITION

Net position represents the difference between the total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources. The university's net position (shown in millions) at June 30 are summarized as follows:

	2025	2024	2023	Net
Investment in capital assets	\$ 503.2	\$ 516.4	\$ 534.4	
Debt related to capital assets	(147.4)	(158.3)	(165.1)	
Deferred outflow on defeased debt	1.0	1.6	1.8	
Deferred inflow on defeased debt	(2.3)	(0.4)	(0.5)	
Net investment in capital assets	354.5	359.3	370.6	
Restricted for:				
Nonexpendable	86.5	82.8	78.3	
Expendable	195.2	126.6	114.5	
Unrestricted	365.9	344.4	228.9	
TOTAL NET POSITION	\$ 1,002.1	\$ 913.1	\$ 792.3	

Net investment in capital assets represents the university's lease, subscription-based IT arrangements, and capital assets, net of accumulated depreciation and amortization, and outstanding principal balances of debt, attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets decreased \$4.8 million in 2025 primarily due to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation and amortization expense. During 2024, net investment in capital assets decreased \$11.3 million primarily due to fewer new construction in progress projects being initiated compared to prior years offset by annual depreciation and amortization expense.

Restricted nonexpendable net position represents the historical value of gifts to the university's permanent endowment funds. Increases in restricted nonexpendable net position are primarily due to additions to permanent endowment funds.

Restricted expendable net position are funds restricted by outside parties or law. This includes net appreciation of permanent endowments and funds received that are restricted for operations, grants and contracts, facilities, and pension and OPEB. During 2025 restricted expendable net position increased \$68.6 million primarily due to an increase in the university's proportionate share of the net pension and OPEB assets, related to the Michigan Public School Employee's Retirement System (MPERS) plans. During 2024 restricted expendable net position increased \$12.1 million primarily due to an increase in the university's proportionate share of the net OPEB asset, related to the Michigan Public School Employee's Retirement System (MPERS) plan.

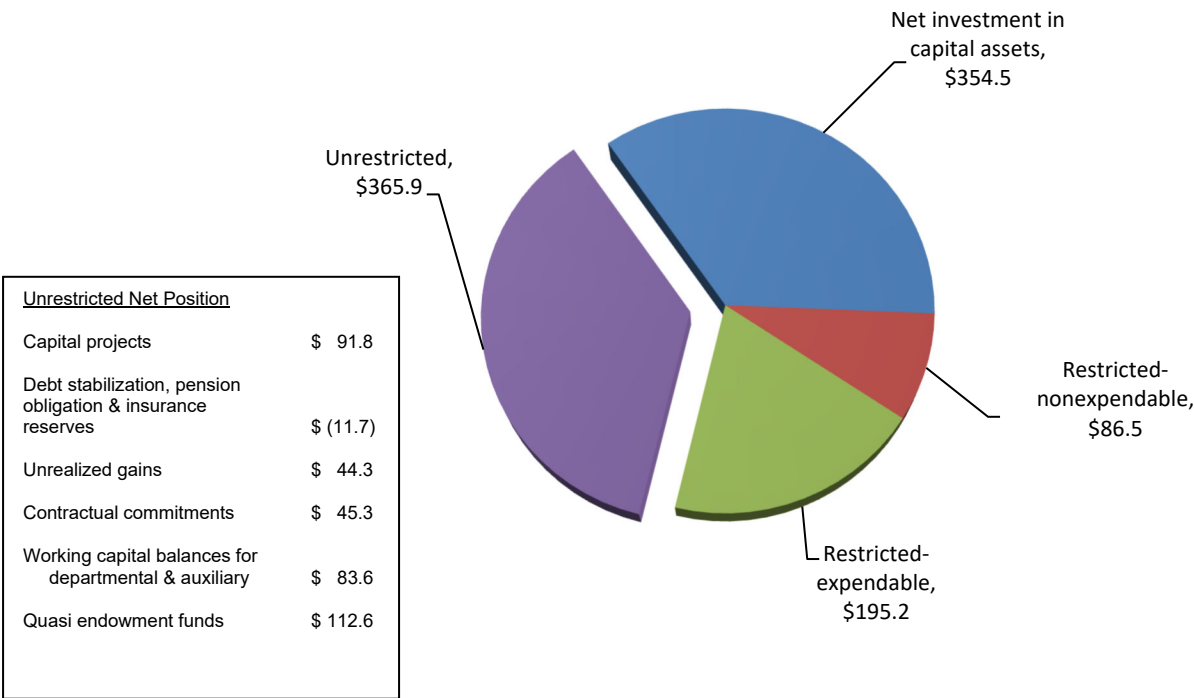
Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the university, such as donors or grant agencies. This includes funds that have been designated by the governing board for specific purposes, including funds functioning as endowment, as well as amounts that have been contractually committed for goods and services, not yet received.

During 2025 unrestricted net position increased primarily due to favorable market conditions related to investments and a decrease in the university's proportionate share of the net pension liability related to the Michigan Public School Employee's Retirement System (MPERS) plan. During 2024 unrestricted net position increased primarily due to favorable market conditions related to investments and a decrease in the university's proportionate share of the net pension liability related to the Michigan Public School Employee's Retirement System (MPERS) plan.

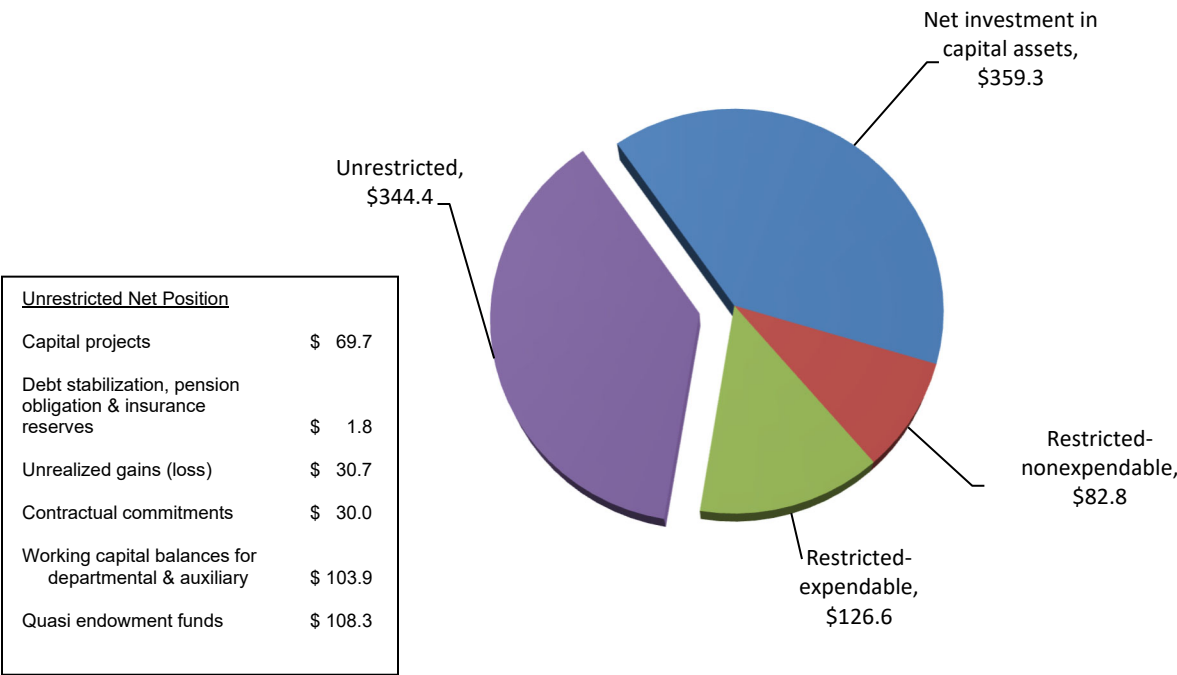
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

The following is a breakdown of net position at June 30, 2025 (shown in millions):



The following is a breakdown of net position at June 30, 2024 (shown in millions):



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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and the expenses incurred during the year. Activities are reported as operating or non-operating. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation. Depreciation amortizes the cost of an asset over its expected useful life. A summarized comparison of the university's revenues, expenses, and changes in net position (shown in millions) for the years ended June 30 is as follows:

	2025	2024	2023
OPERATING REVENUES			
Tuition, net	\$ 157.5	\$ 172.1	\$ 161.2
Grants and contracts	23.1	22.2	19.2
Auxiliary enterprises, net	77.6	69.0	59.9
Other operating revenues	35.2	34.7	33.5
TOTAL OPERATING REVENUES	<u>293.4</u>	<u>298.0</u>	<u>273.8</u>
OPERATING EXPENSES	<u>412.1</u>	<u>405.1</u>	<u>448.3</u>
OPERATING LOSS	(118.7)	(107.1)	(174.5)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	99.8	154.9	191.0
Other nonoperating revenues	80.0	71.6	55.7
Interest on debt	(4.9)	(5.8)	(6.3)
NET NONOPERATING REVENUES	<u>174.9</u>	<u>220.7</u>	<u>240.4</u>
INCOME BEFORE OTHER REVENUES	56.2	113.6	65.9
OTHER REVENUES			
Capital grants and gifts	29.3	2.7	(1.0)
Additions to permanent endowments	3.5	4.5	7.2
TOTAL OTHER REVENUES	<u>32.8</u>	<u>7.2</u>	<u>6.2</u>
INCREASE IN NET POSITION	89.0	120.8	72.1
NET POSITION			
NET POSITION AT BEGINNING OF YEAR	913.1	792.3	720.2
NET POSITION AT END OF YEAR	<u>\$ 1,002.1</u>	<u>\$ 913.1</u>	<u>\$ 792.3</u>

OPERATING REVENUES

Operating revenues for fiscal year ending June 30, 2025, decreased compared to fiscal year 2024. Gross tuition for fiscal years ended June 30, 2025, 2024, and 2023 were \$234.3 million, \$225.7 million, and \$218.1 million, respectively. Scholarship allowances for fiscal years ended June 30, 2025, 2024, and 2023 were \$76.7 million, \$53.6 million, and \$56.9 million, respectively. Auxiliary enterprises include residence halls, apartments, food services, intercollegiate athletics, university bookstore, university press, parking services, energy facility, telecommunications, university recreation, events activities, events center and clinics. Auxiliary enterprise operations are intended to be self-supporting. Grants and contracts include all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent the funds have been expended for exchange transactions. Non-exchange revenues are recorded when received or when an eligibility criterion has been met. During 2025, operating revenues decreased \$4.7 million. Significant changes in operating revenues occurred in the following areas as of June 30, 2025:

- Tuition before scholarship allowance increased by \$8.5 million due to an increase in enrollment paired with an increase in tuition rates. Scholarship allowances increased by \$23.1 million due to a change in calculation methodology related to tuition discounting resulting in a decrease in net tuition of \$14.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

- Auxiliary enterprise operating revenues, before room and food discount, increased \$3.9 million primarily due to higher residence hall occupancy and an increase in room and food rates. A decrease of \$4.6 million in room and food allowance due to a change in calculation methodology related to tuition discounting resulting in an overall increase of \$8.5 million.
- Grants and Contracts revenues increased by \$0.9 million due primarily to an increase in externally sponsored projects awarded.

During 2024, operating revenues increased \$24.2 million. Tuition before scholarship allowance increased by \$7.6 million due to an increase in tuition rates. Scholarship allowances decreased by \$3.3 million resulting in an increase in net tuition of \$10.9 million. Auxiliary enterprise operating revenues, before room and food discount, increased \$8.4 million primarily due to higher residence hall occupancy and an increase in room and food rates. A decrease in room and food allowance resulted in an overall increase of \$9.1 million. Grants and Contracts revenues increased by \$3.0 million due primarily to an increase in externally sponsored projects awarded.

OPERATING EXPENSES

Operating expenses include compensation and benefits, scholarships and fellowships, utilities, supplies, operation and maintenance of plant expenses, and depreciation and amortization. Interest expense is classified as a non-operating expense.

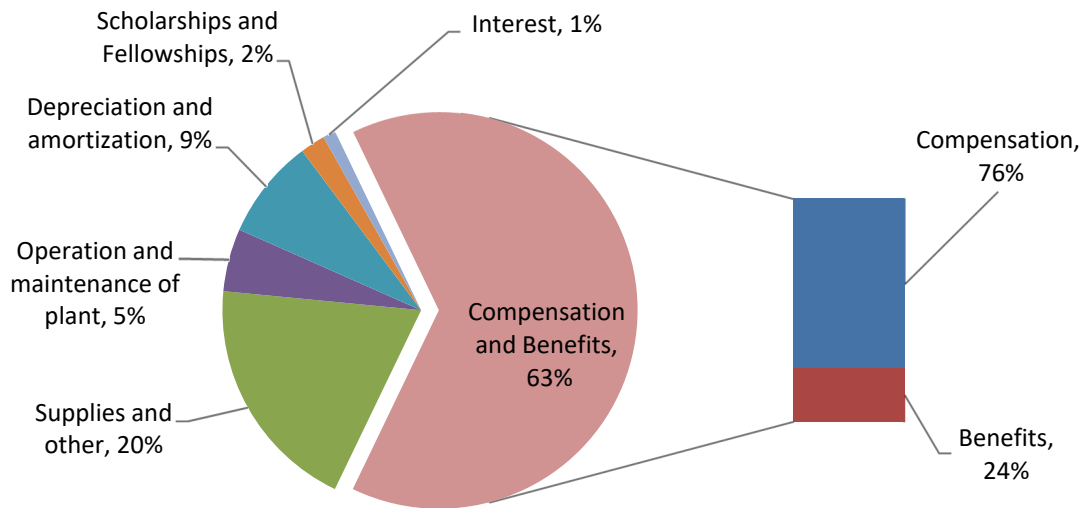
A comparative summary of the expenses (shown in millions) for the years ended June 30 is as follows:

	2025	2024	2023
Operating			
Compensation and benefits	\$ 265.3	\$ 259.3	\$ 258.8
Supplies and other	80.6	62.8	108.3
Operation and maintenance of plant	22.1	29.8	30.4
Depreciation and amortization	34.5	33.7	34.0
Scholarships and fellowships	9.6	19.5	16.8
TOTAL OPERATING EXPENSES	412.1	405.1	448.3
Nonoperating			
Interest	4.9	5.8	6.3
TOTAL EXPENSES	\$ 417.0	\$ 410.9	\$ 454.6

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MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
Central Michigan University

A summary of the expenses by natural classification for the year ended June 30, 2025, excluding component unit expenses is as follows:



Significant changes in operating expenses occurred in the following areas as of June 30, 2025:

- Compensation and benefit expenses increased \$6.0 million. Of this increase, the university compensation increased 4.8% and benefits decreased 4.8%. The increase in compensation is primarily due to annual wage increases and the decrease in benefits primarily resulted from a reduction in required contributions for the unfunded portion of the Michigan Public School Employee’s Retirement System (MPERS) pension and OPEB plans.
- Supplies and Other increased \$17.8 million primarily due to a \$10.6 million net increase in expense to support the unfunded portion of the MPERS pension and OPEB plans.
- Scholarship and Fellowship expenses decreased \$9.8 million due primarily to a change in calculation methodology related to tuition discounting.

During 2024, compensation and benefit expenses increased \$0.5 million. Of this increase, the university compensation increased 2.6% and benefits decreased 6.3%. The increase in compensation is primarily due to annual wage increases and the decrease in benefits primarily resulted from a reduction in required contributions for the unfunded portion of the Michigan Public School Employee’s Retirement System (MPERS) pension and OPEB plans. Supplies and Other decreased \$45.5 million primarily due to a \$43.6 million net decrease in expense to support the unfunded portion of the MPERS pension and OPEB plans. Scholarship and Fellowship expenses increased \$2.7 million due primarily to significant support from new State funded scholarship programs which reduced the scholarship allowances resulting in more university funded student aid reported as an expense.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

A comparative summary of the expenses by functional classification (shown in millions) for the years ended June 30 is as follows:

	2025		2024		2023	
Instruction	\$ 116.8	28 %	\$ 116.0	28 %	\$ 117.2	26 %
Research	25.0	6	24.8	6	23.3	5
Public Service	17.6	4	17.6	4	18.9	4
Academic Support	63.8	15	57.9	14	45.6	10
Student Services	29.4	7	27.7	7	26.9	6
Institutional Support	44.4	11	45.3	11	38.6	9
Scholarships and Fellowships	2.8	1	16.9	4	14.6	3
Operation and Maintenance of Plant	23.1	5	30.1	7	31.0	7
Auxiliary Services	77.9	19	67.9	17	86.8	19
Depreciation	27.6	7	27.8	7	28.7	6
Other	(16.3)	-4	(26.9)	-6	16.7	4
Interest Expense	4.9	1	5.8	1	6.3	1
Total Expenses by Function	\$ 417.0	100 %	\$ 410.9	100 %	\$ 454.6	100 %

Note: Component unit expenses are not shown on the above report, unless blended.

Significant changes in functional expenses occurred in the following areas as of June 30, 2025:

- Academic Support expenses increased \$5.9 million due primarily to an increase of \$3.5 million related to negotiated compensation increases.
- Scholarships and Fellowships decreased \$14.1 million due primarily to a change in calculation methodology related to tuition discounting.
- Auxiliary Services expenses increased \$10.0 million due primarily to an increase of \$4.3 million related to a change in calculation methodology for room and board discounting.
- Other expenses increased \$10.6 million due primarily to a \$10.6 million net increase in expense to support the unfunded portion of the MPSERS pension and OPEB plans.

During 2024, Academic Support expenses increased \$12.3 million due primarily to the implementation of a new budget model which shifted the information technology division from an Auxiliary Service to supported by central resources resulting in a \$12.0 million increase in Academic Support over the prior year. Institutional Support increased \$6.7 million due primarily to the changes resulting from the implementation of a new budget model including a \$5.9 million increase from the elimination of an overhead expense credit for the portion allocated to Auxiliary Services in prior years and a \$0.6 million increase due to the shift of the information technology division from an Auxiliary Service to central resource supported. Auxiliary Services expenses decreased \$18.9 million primarily due to the implementation of a new budget model which shifted the information technology division from an Auxiliary Service to central resource supported resulting in a \$12.6 million decrease and a \$7.0 million decrease from the elimination of overhead expense allocation to Auxiliary Services. Other expenses decreased \$43.6 million primarily due to a net decrease in expense to support the unfunded portion of the MPSERS pension and OPEB plans.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues (expenses) consist of state appropriations, gifts and pledges (net of allowance), investment income including realized gains and losses, Federal Pell grant program, governmental coronavirus support programs, lease agreements, and other non-operating revenues less interest on debt-financed capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Central Michigan University

Significant changes in non-operating revenues (expenses) occurred in the following areas as of June 30, 2025:

- State Appropriations decreased \$55.1 million primarily due to a decrease in state aid supplemental appropriations provided to support the MPSERS program.
- Investment income increased \$6.8 million primarily due to favorable market conditions.

During 2024, State Appropriations decreased \$36.1 million primarily due to a decrease in state aid supplemental appropriations provided to support the MPSERS program. Investment income increased \$13.6 million primarily due to an increase of \$10.0 million in unrealized gains due to favorable market conditions.

OTHER REVENUES

Other revenues consist of capital appropriations and capital grants and gifts, including pledges and additions to permanent endowments. A gift received by the university, where a donor has specified that only the investment earnings from that gift can be expended for the purpose designated by the donor, is classified as a permanent endowment. The principal cannot be expended. Endowment gifts do not include pledges. Other revenue in 2025 increased \$25.6 million primarily due to a \$15.9 million capital gift to CMU College of Medical Campus, Inc. (CMC).

During 2024, other revenue increased \$1.0 million primarily due to the absence in fiscal year 2024 of the reclassification of a pledge agreement that was formerly classified as a capital gift and reclassified to an operating gift in fiscal year 2023.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the university during the year. A comparative summary of the statements of cash flows (shown in millions) for the years ended June 30 is as follows:

	2025	2024	2023
Cash received from operations	\$ 769.9	\$ 758.2	\$ 683.9
Cash expended for operations	(866.5)	(912.0)	(878.1)
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	(96.6)	(153.8)	(194.2)
Net change in cash from noncapital financing activities	135.5	185.6	199.5
Net change in cash from capital financing activities	(17.7)	(23.0)	(26.4)
Net change in cash from investing activities	(5.3)	(14.8)	21.8
NET CHANGE IN CASH, CASH EQUIV, AND RESTRICTED CASH	15.9	(6.0)	0.7
CASH, CASH EQUIV, & RESTRICTED CASH			
BEGINNING OF THE YEAR	44.7	50.7	50.0
CASH, CASH EQUIV, & RESTRICTED CASH			
END OF THE YEAR	<u>\$ 60.6</u>	<u>\$ 44.7</u>	<u>\$ 50.7</u>

The most significant components of cash flows are changes in cash from operating activities related to tuition and fees, auxiliary activities, and grants and contracts. Net cash used in operating activities was \$96.6 million (\$153.8 million at June 30, 2024). To offset this, the net change in cash from noncapital financing activities, consisting primarily of state appropriations, was \$135.5 million (\$185.6 million at June 30, 2024).

Net cash used in capital financing activities was \$17.7 million (\$23.0 million at June 30, 2024), primarily the result of the investment in capital construction projects, capital asset purchases and payment of debt and interest on bonds and lease agreements.

Net cash used in investing activities was \$5.3 million (\$14.8 million used in investment activities at June 30, 2024) due to purchases of investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS (concluded)

Central Michigan University

REQUESTS FOR INFORMATION

Questions concerning information provided in the Management's Discussion and Analysis or other required supplemental information, financial statements and notes thereto, or requests for additional financial information should be addressed to Central Michigan University, Warriner 104, Mount Pleasant, Michigan 48859.

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STATEMENTS OF NET POSITION

Central Michigan University

	YEAR ENDED JUNE 30	
	2025	2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 60,641,352	\$ 44,688,027
Accounts, leases and pledges receivable, net	30,830,089	28,174,655
State appropriations receivable, operations	17,776,702	17,347,960
State appropriations receivable, Charter Schools	48,785,950	48,780,666
Inventories	2,445,688	2,591,330
Other assets	3,192,957	3,155,825
TOTAL CURRENT ASSETS	163,672,738	144,738,463
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	87	22,051
Pledges receivable, net	17,146,563	3,129,393
Leases receivable, net	6,487,531	7,377,330
Endowment investments	282,660,234	263,438,743
Other long-term investments	276,632,475	242,208,315
Net pension asset	21,859,149	
Net OPEB asset	34,305,393	20,849,165
Lease and SBITA assets, net	11,500,317	11,783,973
Capital assets, net	498,180,087	504,589,713
TOTAL NONCURRENT ASSETS	1,148,771,836	1,053,398,683
TOTAL ASSETS	1,312,444,574	1,198,137,146
DEFERRED OUTFLOWS		
Deferred Outflows of Resources	2,841,172	4,850,051
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	75,611,598	79,250,316
Unearned revenue	34,317,320	23,927,201
Deposits	1,253,981	971,596
Current portion of long-term debt and other obligations	14,915,474	13,107,236
TOTAL CURRENT LIABILITIES	126,098,373	117,256,349
NONCURRENT LIABILITIES:		
Long-term debt, hedging instruments, and other obligations	145,416,162	151,642,589
Net pension liability		5,735,757
TOTAL NONCURRENT LIABILITIES	145,416,162	157,378,346
TOTAL LIABILITIES	271,514,535	274,634,695
DEFERRED INFLOWS		
Deferred Inflows of Resources	41,633,389	15,228,733
NET POSITION		
Net investment in capital assets	354,510,051	359,348,829
Restricted for:		
Nonexpendable		
Scholarships, fellowships and research	86,522,221	82,783,217
Expendable		
Scholarships, fellowships and research	92,233,105	81,652,866
Instructional department uses	20,722,944	21,099,938
Capital projects	26,049,750	3,000,153
Pension & OPEB	56,164,542	20,849,165
Unrestricted	365,935,209	344,389,601
TOTAL NET POSITION	\$ 1,002,137,822	\$ 913,123,769

See notes to the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Central Michigan University

	YEAR ENDED JUNE 30	
	2025	2024
REVENUES		
OPERATING REVENUES:		
Tuition	\$ 234,252,577	\$ 225,703,841
Less: Scholarship allowances	76,730,919	53,572,050
Net tuition	157,521,658	172,131,791
Federal grants and contracts	12,506,270	12,376,405
State and local grants and contracts	2,038,262	618,000
Nongovernmental grants and contracts	8,520,309	9,196,552
Sales and services of educational activities	35,206,500	34,651,264
Auxiliary enterprises (net of room & food allowances of \$5,610,705 in 2025 and \$10,204,200 in 2024)	77,539,537	69,017,966
TOTAL OPERATING REVENUES	293,332,536	297,991,978
EXPENSES		
OPERATING EXPENSES:		
Compensation:		
Faculty	97,303,245	94,936,667
Staff	93,773,673	87,843,469
Benefits	63,651,454	66,849,743
Student	10,528,970	9,669,762
Scholarships and fellowships	9,607,797	19,445,260
Utilities	8,341,993	8,305,973
Supplies and other	72,280,918	54,515,384
Operation and maintenance of plant expenses	22,109,016	29,808,708
Depreciation and amortization	34,470,429	33,728,998
TOTAL OPERATING EXPENSES	412,067,495	405,103,964
OPERATING LOSS	(118,734,959)	(107,111,986)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	97,675,429	102,928,409
State appropriations - MPSERS	2,107,804	51,949,287
Gifts and pledges (net of allowance)	7,123,706	9,136,354
Gifts of term endowments	476,182	521,000
Investment income (net of investment expense)	47,985,427	41,186,536
Interest on lease and capital assets related debt	(4,932,877)	(5,806,739)
Federal Pell grant program	22,062,177	16,843,757
Governmental coronavirus support programs	754,237	1,076,210
Other nonoperating revenues	1,649,255	2,877,324
NET NONOPERATING REVENUES (EXPENSES)	174,901,340	220,712,138
INCOME BEFORE OTHER REVENUES	56,166,381	113,600,152
OTHER REVENUES		
Capital grants and gifts	29,319,926	2,692,906
Additions to permanent endowments	3,527,746	4,507,178
TOTAL OTHER REVENUES	32,847,672	7,200,084
INCREASE IN NET POSITION	89,014,053	120,800,236
NET POSITION		
NET POSITION AT BEGINNING OF YEAR	913,123,769	792,323,533
NET POSITION AT END OF YEAR	\$ 1,002,137,822	\$ 913,123,769

See notes to the financial statements.

STATEMENTS OF CASH FLOWS – DIRECT METHOD

Central Michigan University

	YEAR ENDED JUNE 30	
	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES		
Tuition	\$ 158,009,693	\$ 168,860,590
Grants and contracts	31,411,369	27,604,366
Payments to suppliers	(113,779,657)	(166,249,535)
Payments for utilities	(8,341,993)	(8,305,973)
Payments to employees	(201,340,515)	(192,275,899)
Payments for benefits	(65,548,731)	(67,431,550)
Payments for scholarships and fellowships	(9,607,797)	(19,445,260)
Auxiliary activities	77,032,066	69,516,520
Sales and services of educational activities	35,242,461	32,919,165
Other receipts	85,369	880,722
William D. Ford PLUS direct lending receipts	97,206,109	107,263,484
William D. Ford PLUS direct lending disbursements	(97,206,109)	(107,263,484)
Third Party Scholarship receipts	36,792,800	28,074,802
Third Party Scholarship disbursements	(36,567,430)	(27,934,109)
Charter School funding receipts	334,081,856	323,125,294
Charter School funding disbursements	(334,081,856)	(323,125,294)
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	(96,612,365)	(153,786,161)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	100,675,979	154,087,296
Federal Pell grant program	22,062,177	16,843,757
Governmental coronavirus support programs	797,524	1,032,922
Gifts for other than capital purposes	8,011,792	8,646,549
Gifts for endowment purposes	4,003,928	5,028,178
NET CHANGE IN CASH FROM NONCAPITAL FINANCING ACTIVITIES	135,551,400	185,638,702
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	1,824,080	
Capital grants and gifts received	12,637,029	2,290,886
Sales of capital assets		53,425
Purchases of capital assets	(12,340,290)	(8,770,946)
Principal paid on capital debt	(8,306,710)	(6,660,000)
Principal payments on leases	(7,132,104)	(6,047,405)
Interest paid on capital debt and leases	(6,200,612)	(6,755,986)
Insurance proceeds	774,000	1,685,000
Other receipts leases	1,008,203	1,192,903
NET CHANGE IN CASH FROM CAPITAL FINANCING ACTIVITIES	(17,736,404)	(23,012,123)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	173,301,006	147,863,779
Income on investments, net	26,688,932	14,703,554
Purchase of investments	(205,261,208)	(177,349,013)
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	(5,271,270)	(14,781,680)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	15,931,361	(5,941,262)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
BEGINNING OF YEAR	44,710,078	50,651,340
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
END OF YEAR	\$ 60,641,439	\$ 44,710,078

See notes to the financial statements.

STATEMENTS OF CASH FLOWS – DIRECT METHOD

Central Michigan University

	YEAR ENDED JUNE 30	
	2025	2024
RECONCILIATION OF OPERATING LOSS		
TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES		
Operating Loss	\$ (118,734,959)	\$ (107,111,986)
Adjustments to reconcile operating loss to change in cash from operating activities		
Depreciation and amortization and loss on disposal of capital assets	34,522,930	33,921,361
Change in assets, liabilities and deferred resources:		
Receivables, net	(1,655,740)	(6,862,435)
Inventories	145,642	207,952
Other assets	(37,133)	482,739
Accounts payable, accrued liabilities and deposits	(4,693,932)	(3,819,035)
Unearned revenue	10,217,363	5,864,727
Retirement service award program	(114,518)	(55,003)
Compensated absences	48,924	190,425
Other obligations	53,755	3,171
Net pension and OPEB asset and liability	(41,051,134)	(85,187,965)
Deferred resources - pension and OPEB	24,686,437	8,579,888
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	\$ (96,612,365)	\$ (153,786,161)

SIGNIFICANT NONCASH DISCLOSURES

Property acquired under lease and subscription-based information technology arrangements	\$ <u>6,278,045</u>	\$ <u>6,914,643</u>
Property acquired under financed purchase agreements	\$ <u>7,780,259</u>	\$ <u></u>

See notes to the financial statements.

STATEMENTS OF FIDUCIARY FUNDS

Central Michigan University

STATEMENTS OF FIDUCIARY NET POSITION

	CUSTODIAL FUNDS YEAR ENDED JUNE 30	
	2025	2024
ASSETS		
Cash and cash equivalents	\$ 1,041,859	\$ 1,411,278
TOTAL ASSETS	<u>1,041,859</u>	<u>1,411,278</u>
LIABILITIES		
Deposits		
TOTAL LIABILITIES		
NET POSITION		
Restricted for:		
Organizations	1,041,859	1,411,278
TOTAL NET POSITION	<u>\$ 1,041,859</u>	<u>\$ 1,411,278</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	CUSTODIAL FUNDS YEAR ENDED JUNE 30	
	2025	2024
ADDITIONS		
CONTRIBUTIONS:		
University Pediatrics	\$ 2,402,154	\$ 2,397,317
Ascension St. Mary's		50,000
Covenant	10,000	
TOTAL ADDITIONS	<u>2,412,154</u>	<u>2,447,317</u>
DEDUCTIONS		
University Pediatrics	<u>2,781,573</u>	<u>2,257,897</u>
TOTAL DEDUCTIONS	<u>2,781,573</u>	<u>2,257,897</u>
INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>(369,419)</u>	<u>189,420</u>
NET POSITION		
NET POSITION AT BEGINNING OF YEAR	1,411,278	1,221,858
NET POSITION AT END OF YEAR	<u>\$ 1,041,859</u>	<u>\$ 1,411,278</u>

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STATEMENTS OF NET ASSETS

CMU Medical Education Partners

	YEAR ENDED JUNE 30	
	2025	2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,080,935	\$ 1,225,099
Cash - designated funds	151,788	142,183
Investments	3,081,555	4,525,515
Patient accounts receivable, less allowance for credit losses of \$531,039 for 2025 and \$353,210 in 2024	1,258,075	1,136,445
Receivables - member hospitals	598,365	959,811
Receivables - funding support	765,908	963,018
Prepaid expenses	1,209,155	1,120,844
TOTAL CURRENT ASSETS	8,145,781	10,072,915
ASSETS WHOSE USE IS LIMITED:		
Investments held for designated purposes	1,198,880	1,091,829
Investments held for 457(b) plan participants	6,082,027	5,185,181
Investments held for MiDocs Program	1,030,000	975,000
TOTAL ASSETS WHOSE USE IS LIMITED	8,310,907	7,252,010
Other Assets	13,540	13,540
Intangible right-of-use asset - operating leases	4,160,204	4,863,079
Intangible right-of-use asset - financing lease	463,973	462,744
Leasehold improvements, furniture, and equipment, net	2,390,680	2,889,738
TOTAL ASSETS	\$ 23,485,085	\$ 25,554,026
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 722,109	\$ 1,075,076
Payroll and related liabilities	3,786,998	3,709,138
Other accrued liabilities	7,794	1,794
Deferred revenue	10,000	434,859
Current portion of operating lease liability	811,200	816,396
Current portion of financing lease liability	136,092	115,848
TOTAL CURRENT LIABILITIES	5,474,193	6,153,111
Deferred obligations - MIDOCs program	1,030,000	1,066,506
Amounts due to 457(b) plan participants	6,082,027	5,185,181
Malpractice liability	200,000	200,000
Operating lease liability - net of current position	3,349,004	4,046,683
Financing lease liability - net of current position	327,881	346,896
TOTAL LIABILITIES	16,463,105	16,998,377
NET ASSETS		
Without donor restrictions	7,021,980	8,555,649
TOTAL LIABILITIES AND NET ASSETS	\$ 23,485,085	\$ 25,554,026

See notes 1 and 12 to the Central Michigan University financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

CMU Medical Education Partners

	YEAR ENDED JUNE 30	
	2025	2024
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Member hospitals	\$ 24,671,376	\$ 21,112,553
Net patient service revenue	19,547,693	16,953,776
Quality incentive programs:		
PPAP/SNAF	1,613,467	2,186,379
Other incentive programs	509,133	368,339
Contract revenue	16,414,351	15,202,925
Donations and grants:		
Contributed office space	714,568	714,568
Other donations and grant	869,950	1,393,889
Other Revenue	271,078	348,925
Investment income	334,782	671,811
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	64,946,398	58,953,165
OPERATING EXPENSES		
Salaries, wages, and payroll taxes	46,839,050	41,960,239
Employee benefits	7,324,047	6,800,574
Other employee benefits	229,491	231,291
Recruiting	421,869	259,209
Consumable Supplies	1,324,428	1,235,784
Educational supplies and services	558,895	462,854
Consulting and contractual services	2,671,087	2,048,435
Communications	257,722	290,276
Continuing medical education	453,831	308,886
Education, conferences and travel	739,265	685,447
Insurance	1,622,953	1,618,654
Facility and equipment	2,415,683	2,377,508
Other expenses	347,530	455,159
Depreciation	599,281	583,336
Patient bad debts expense	781,614	623,944
TOTAL OPERATING EXPENSES	66,586,746	59,941,596
Unrestricted Revenues and other support under operating expenses	(1,640,348)	(988,431)
Other nonoperating revenue (expense):		
Net investment income and interest	114,467	126,123
Professional liability expense	(7,788)	(6,930)
Decrease in net assets without donor restrictions	(1,533,669)	(869,238)
NET ASSETS		
NET ASSETS AT BEGINNING OF YEAR	8,555,649	9,424,887
NET ASSETS AT END OF YEAR	\$ 7,021,980	\$ 8,555,649

See notes 1 and 12 to the Central Michigan University financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Central Michigan University

NOTE 1--ORGANIZATION, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Central Michigan University (the university or CMU) is an institution of higher education and is considered to be a component unit of the State of Michigan because the Governor of the State of Michigan appoints its Board of Trustees (the board). Accordingly, the university is included in the state's financial statements as a discrete component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, appropriations for Charter Schools, grants from various state agencies, State Building Authority (SBA) revenues and payments to the state retirement program for university employees. The university has five affiliated organizations that were evaluated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, which the university adopted July 1, 2010 and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which the university adopted July 1, 2016. Each organization is described below as well as the impact that it has on the university's financial statements:

- Central Health Advancement Solutions (CHAS) is a Michigan nonprofit corporation established January 28, 2011 and is organized on a non-stock membership basis. The sole member of the corporation is the Board of Trustees of Central Michigan University. The sole purpose is to hold a 90% membership interest in CMU Medical Education Partners (CMEP) whose mission is to integrate medical education, research, and service, primarily for the training of medical residents and other medical related personnel. In accordance with the provisions of GASB Statement No. 61, the financial activity for CMEP on behalf of CHAS is discretely presented in the university's financial statements (refer to pages 27 and 28 for CMEP financial statements). The June 30, 2025 audited financial statements for CMEP can be found at: www.cmich.edu
- The Central Michigan University Research Corporation (CMURC) was formed as an independent 501(c)(3) nonprofit corporation on February 15, 2002. The corporation's sole member is Central Michigan University. The purpose for which the corporation was formed is to solicit, collect, receive and administer funds exclusively for the support of the scientific, literary and educational programs of the university as permitted by an organization exempt from federal income taxation. In April 2024, the university's Board of Trustees approved extending an annual contribution of \$500,000 through FY 2029. Fiscal year 2025 was the twenty-fourth year of the commitment. At June 30, 2025, and 2024, the net assets of CMURC were \$2,137,046, and \$1,865,682, respectively. At June 30, 2025, and 2024, the total assets of CMURC were \$9,848,725, and \$11,673,783, respectively. At June 30, 2025, and 2024, the total revenues of CMURC were \$3,298,828, and \$3,051,319, respectively. In accordance with the provisions of GASB Statement No. 80, CMURC is considered a component unit of the university and the operations of CMURC should be blended into the university's financial statement because the university is the corporation's sole member. However, the university has excluded the amounts from the financial statements overall due to insignificance.

CMU College of Medicine Campus, Inc. (CMC) was formed as a separate 509(a)(3) nonprofit corporation on July 19, 2024. CMC is organized on a non-stock directorship basis and is governed by a three-member board of directors, two of whom are appointed by the CMU Board of Trustees. The sole purpose for which the corporation was formed is to carry out the purposes of the Board of Trustees of Central Michigan University through the construction and development of a medical school campus in the "Medical Diamond" located in Saginaw, Michigan. In accordance with the provisions of GASB Statement No. 61, CMC is blended into the university's financial statements because CMC provides services entirely to the university.

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NOTES TO THE FINANCIAL STATEMENTS (continued)**Central Michigan University**

Condensed financial information for CMC is provided below:

CMU College of Medicine Campus, Inc.**Statement of Net Position**

	PERIOD ENDED JUNE 30, 2025
ASSETS	
Current assets	\$ 6,751,107
Noncurrent assets	8,495,251
TOTAL ASSETS	15,246,358
LIABILITIES	
Current liabilities	37,896
TOTAL LIABILITIES	37,896
NET POSITION	
Net investment in capital assets	121,935
Restricted	
Expendable	15,086,527
TOTAL NET POSITION	\$ 15,208,462

Statement of Revenues, Expenses and Changes in Net Position

	PERIOD ENDED JUNE 30, 2025
OPERATING EXPENSES	
Supplies and other	\$ 755,359
TOTAL OPERATING EXPENSES	755,359
OPERATING LOSS	(755,359)
NONOPERATING REVENUES	
Investment income	40,505
TOTAL NONOPERATING REVENUES	40,505
OTHER REVENUES	
Capital grants and gifts	15,923,316
TOTAL OTHER REVENUES	15,923,316
INCREASE IN NET POSITION	15,208,462
NET POSITION	
NET POSITION AT BEGINNING OF PERIOD	
NET POSITION AT END OF PERIOD	\$ 15,208,462

Statement of Cash Flows

	PERIOD ENDED JUNE 30, 2025
CASH FLOW FROM	
Operating activities	\$ (717,463)
Capital financing activities	4,928,065
Investing activities	40,505
Net Increase in Cash and Cash Equivalents	4,251,107
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH BEGINNING OF PERIOD	
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF PERIOD	\$ 4,251,107

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

- The CMU Foundation (Foundation) is a Michigan nonprofit corporation established during fiscal year 1998. The purpose for which the corporation is organized and operated is to solicit, collect, receive and administer funds to provide support for the objectives and purposes of the university. There were insignificant assets and no liabilities as of June 30, 2025 and 2024. In accordance with the provisions of GASB Statement No. 61, the Foundation is blended into the university's financial statements because the Foundation operates exclusively to benefit the university and the governing body of the Foundation is substantively the same as the university. There was no financial activity to be reported for the fiscal years ended June 30, 2025 and 2024.
- CMU Charter Schools are nonsectarian public schools of choice that operate with freedom from many of the regulations that apply to traditional public schools. The "charter" establishing each such school is a performance contract detailing the school's mission, program, goals, students served, methods of assessment and ways to measure success. In accordance with the provisions of GASB Statement No. 61, the CMU Charter Schools are considered a related organization because there is no financial benefit/burden to the university, nor can the university impose its will on the charter schools. According to GASB Statement No. 61, only note disclosure is required for related organizations.

Therefore, the financial statements include the operations of the university, CHAS, CMC and the Foundation, collectively known as the university's financial statements, based on the evaluation of the entities and provisions of GASB Statements No. 61 and No. 80.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. The statements incorporate all fund groups utilized internally by the university. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The university follows the "business-type" activities requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. This statement requires the following components of the university's financial statements:

- Management's discussion and analysis
- Basic financial statements including a Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows for the university as a whole
- Notes to the financial statements

GASB Statement 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 four net asset categories:

- Net investment in capital assets: Capital, lease, and subscription based IT arrangement assets, net of accumulated depreciation and amortization, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
 - Nonexpendable – Net position subject to externally imposed constraints that they be maintained permanently by the university. Such assets include the university's permanent endowment funds.
 - Expendable – Net position whose use by the university is subject to externally imposed constraints that can be fulfilled by actions of the university pursuant to those constraints or that expire by the passage of time.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

- Unrestricted: Net positions that are not subject to externally imposed constraints. Unrestricted net positions may be designated for specific purposes by action of management or the board or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net positions are designated for academic, research and outreach programs and initiatives, postemployment benefits, operating and stabilization reserves, capital projects and capital asset renewals and replacements.

This statement also requires the university to report revenues net of discounts and allowances. Gift and grant revenues are recognized at the later of the pledge date or when the eligibility requirement of the gifts and grants are met. In addition, direct lending is not reported as federal revenue and scholarship expenditures but is instead treated as a fiduciary transaction.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

The university and its component units define cash and cash equivalents as highly liquid, short-term investments that bear little or no market risk and are stated at fair value.

Restricted cash and cash equivalents represent cash held in trust accounts related to bonded debt and unspent bond proceeds.

Both cash and cash equivalents and restricted cash and cash equivalents are included in cash and cash equivalents on the Statements of Cash Flows.

Pledges

Financial support to the university and CMC in the form of pledges is received from business enterprises, foundations and individuals. Revenue from gift pledges is recorded only when there is an unconditional promise to pay and all eligibility requirements, including time requirements, have been met. Contributions to permanent and term endowments are not recognized as assets until actually received by the university.

Inventories

Inventories are primarily stated at actual cost, using the first-in first-out method.

Investments

All investments are stated at fair value.

Leases and Subscription-Based Information Technology Arrangements

Leases

The university is a lessee for noncancelable leases of land, buildings, equipment and vehicles. The university recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the applicable governmental or business-type activities column in the government-wide financial statements. The university recognizes lease assets and liabilities with an initial value of \$0 or more.

At the commencement of a lease, the university initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Key estimates and judgments related to leases include how the university determines the discount rate it uses to discount the expected lease payments to present value, the lease term, and the lease payments. The university uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the university generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the university is reasonably certain to exercise.

The university monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other subscription arrangement assets and lease liabilities are reported with long-term debt on the statement of net position.

The university is a lessor for noncancelable leases of land, buildings and equipment. The university recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the university initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow 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.

Key estimates and judgments include how the university determines the discount rate it uses to discount the expected lease receipts to present value, the lease term, and the lease receipts. The university uses the actual rate charged to lessees as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The university monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements

The university obtains the right to use vendors' information technology software through various long-term contracts. The university recognizes a subscription liability and an intangible right-of-use subscription asset (subscription asset) in the applicable governmental or business-type activities column in the government-wide financial statements. The university recognizes subscription assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a subscription, the university 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.

Key estimates and judgments related to subscriptions include how the university determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term.

The university uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the university generally uses its estimated incremental borrowing rate as the discount rate for subscriptions. The subscription term includes the noncancelable period of the subscription.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

The university monitors changes in circumstances that would require a remeasurement of its subscription 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 lease assets and subscription liabilities are reported with long-term debt on the statement of net position.

Capital Assets

Capital assets for the university are stated at cost or, when donated, at acquisition value at date of gift. Depreciation is computed using the straight-line method from the date of acquisition. University building additions and improvements with a cost in excess of \$50,000 are capitalized if the life of the building is extended; equipment with a cost in excess of \$5,000 and a useful life greater than one year is capitalized; and software in excess of \$250,000. Assets are depreciated over the estimated useful life for the respective asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The university does not capitalize certain works of art or historical treasures (except for certain museum collections) that are held for exhibition, education, research or public service.

Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property as follows:

Asset Classification	Useful Life
Buildings and Improvements more than \$100,000	40 years
Buildings and Improvements \$50,000 to \$100,000	10 years
Infrastructure	20 years
Technology Infrastructure	7 years
Leasehold Improvements	10 years
Land Improvements	8 years
Intangible Assets	40 years or indefinite
Equipment – Digital TV	20 years
Equipment	8 years
Library books	8 years
Vehicles	4 years
Software	The lesser of 5 years or actual life

Compensated Absences

University employees earn vacation and sick leave benefits based, in part, on hours worked and length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation based upon the nature of separation (death, retirement or termination). Certain limitations have been placed on the hours of vacation that employees may accumulate and carry over for payment at death, retirement or termination. Unused hours exceeding these limitations are forfeited. Sick hours also accumulate to specified limits, with any excess hours forfeited. Accumulated sick leave is not paid upon separation of employment.

Pension and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension (asset) liability and other post-employment benefits (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Unearned Revenue

Unearned revenue consists primarily of dining services support provided by the vendor which will be recognized over the life of the contract, advance ticket sales for athletic events, summer school tuition, fall room and food not earned during the current year, and contract and sponsored program advances.

CMEP Estimated Professional Liability

The provision for estimated self-insured medical malpractice claims is actuarially determined and includes estimates of the costs for both reported claims and claims incurred but not reported. The liability is approximately \$200,000 at June 30, 2025 and June 30, 2024, and is included in the member hospital and malpractice fund liability. Additionally, CMEP has malpractice funding held by trustee of approximately \$1.2 million at June 30, 2025 and \$1.1 million at June 30, 2024.

Deferred Outflows and Deferred Inflows

In addition to assets, the statements 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 as such, is not recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources consist of interest rate swap agreements that are stated at fair value based on the zero coupon valuation method, gains or losses on the defeasance of debt and deferred resources related to the university's proportionate share of the net pension (asset) liability and other post-employment benefits asset for the Michigan Public School Employee's Retirement System (MPERS) plans. The university recorded no deferred outflows for hedging instruments (noncurrent liabilities) at June 30, 2025, and \$1,337,600 at June 30, 2024. Also included in deferred outflows is the loss on the defeasance of three General Revenue Bonds Series: Series 2005 valued at \$148,745 and \$602,823, net of amortization, at June 30, 2025 and 2024 respectively; Series 2006 valued at \$120,457 and \$132,209, net of amortization, at June 30, 2025 and 2024 respectively and Series 2012 valued at \$766,347 and \$872,050, net of amortization, at June 30, 2025 and 2024 respectively. The value of deferred outflows related to the MPERS plan for pensions was \$1,733,882 and \$1,825,277 as of June 30, 2025 and 2024 respectively, and for other post-employment benefits (OPEB) was \$71,741 and \$80,092 as of June 30, 2025 and 2024, respectively. See Note 9 for additional information on deferred outflows related to the MPERS plans.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and as such, is not recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of future revenue streams related to the defeasance of debt, split-interest agreements and lease agreements, deferred inflows of resources related to state appropriations received after the measurement date, and deferred inflows of resources related to the university's proportionate share of the net pension (asset) liability and net OPEB asset for the MPERS plan. The university recorded deferred inflows of resources related to the gain on the defeasance of the General Revenue Bonds Series 2009 valued at \$196,894 and \$354,408, net of amortization, at June 30, 2025 and 2024 respectively. Additionally, deferred inflows of \$2,137,827, net of amortization, were recorded as of June 30, 2025 related to defeasance of the General Revenue Bonds Series 2008 and Series 2014. Deferred inflows of resources applicable to split-interest agreements include \$6,502,878 and \$6,113,922 at June 30, 2025 and 2024 respectively. See Note 8 for additional information on deferred inflows related to split-interest agreements. At June 30, 2025, and June 30, 2024, respectively, deferred inflows related to leasing agreements was \$7,755,746 and \$8,290,938. See Note 11 for additional information on leases. At June 30, 2025, the value related to changes in the pension portion of the MPERS plan was \$21,357,430, of which \$1,321,488 is directly related to the special allocation 236(15) payment and \$20,035,942 was a result of the net difference between projected and actual plan investment earnings for the plan. At June 30, 2024, the value related to changes in the pension portion of the MPERS plan was \$451,323 and there were no deferred inflows related to funding received through state appropriations for contributions to the MPERS plan, after the measurement date. The value related to changes in the OPEB portion of the MPERS plan was \$3,682,614 and \$18,142 at June 30, 2025 and 2024, respectively. See Note 9 for additional information on deferred inflows related to the MPERS plan.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Bond Issuance Costs

Bond issuance costs are expensed when incurred.

Operating and Non-operating Revenues

Operating revenues of the university consist of tuition, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 34, including state appropriations, federal Pell grant revenue, federal COVID revenue, insurance proceeds, gifts and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the recipient university department within the guidelines of donor restrictions, if any.

Revenue Recognition

Revenues are recognized when earned and expenditures are recognized when the good or service is provided. Restricted grant revenue is recognized only to the extent expended.

Student Tuition

Student tuition revenues are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances represent the difference between the stated charge for goods and services provided by the university and the amount that is paid by the students or third parties on behalf of the students, where the university has discretion over such expenses.

Auxiliary Enterprises

Auxiliary enterprises primarily represent revenues generated from university residence services, intercollegiate athletics, clinics and various other departmental activities that provide services to the student body, faculty, staff and general public.

CMEP Revenue

CMEP has agreements with third-party payers that provide for reimbursements to the corporation at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the corporation's established rates for services and amounts reimbursed by third-party payers. The corporation grants credit without collateral to its patients, most of who are Michigan residents and are insured under third-party payer agreements. Significant concentrations of CMEP accounts receivable at June 30, 2025 and June 30, 2024 include Medicare (20.5% and 27.4%), Blue Cross (16.7% and 13.1%), Medicaid (24.2% and 23.1%), other commercial insurers (12.4% and 15.1%) and self-pay (26.2% and 21.3%), respectively.

CMEP patient accounts receivable and revenue are recorded when patient services are performed. Patient accounts receivable are recorded at the corporation's established rates with contractual adjustments, charity allowances, policy discounts and the provision for uncollectible accounts deducted to arrive at net patient accounts receivable. Patient services recorded net of an allowance for credit losses were \$531,039 and \$353,210 at June 30, 2025 and 2024, respectively.

Donor Restricted Endowments

Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Michigan in 2009, the board acts in a fiduciary capacity as trustee of its endowment funds. The UPMIFA requires that the board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the university as well as the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. See Note 2 for the university spending policy. Endowment realized and unrealized appreciation is reported consistently with the net position categorization of the related endowment, net of spending policy distributions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Fiduciary Activity

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the university's programs. The university maintains a fund to record the escrow transactions of University Pediatrics. The funds are segregated and held separately for them.

The university's business-type activities may report assets with a corresponding liability that otherwise should be reported in a custodial fund in the statement of net position of the business-type activity if those assets, upon receipt, are normally expected to be held for three months or less. Examples of this activity include direct loans, third party scholarships and charter school funding activity.

Eliminations

In preparing the financial statements, the university eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the Statements of Net Position. Similarly, revenues and expenses related to internal service activities are also eliminated from the Statements of Revenues, Expenses and Changes in Net Position. Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts where the university has discretion over such expenses, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates include the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and OPEB plans.

Income Taxes

The university is a part of the State of Michigan for purposes of Internal Revenue Code Section 115, and is an organization as described in Internal Revenue Code Section 501(c)(3). The university's income generally is exempt from federal income taxes, although income from certain activities may be subject to taxation as unrelated business income. The component units are also exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code for activities related to their exempt purposes.

Adoption of New Standards

During the current year, the university adopted GASB Statement No. 101, *Compensated Absences*. As a result, the university's financial statements now include a liability for the present value of expected future payments for unused leave, including both leave that has been earned but not yet used, and leave that has been earned but not yet paid in cash or settled through non-cash means. The provisions of this statement were effective for the fiscal year ended June 30, 2025 to be applied on a retrospective basis. The resulting impact of adoption was determined to be insignificant to both current and prior year financial statements. As such, the university recognized any additional liability required under the provisions of this statement during fiscal year 2025.

Also, during the current year, the university adopted National Association of College and University Business Officers (NACUBO) Advisory Report 2023-01, *Tuition Discounting and Related Topics*. The university elected to implement methodology B for student year level estimation of tuition discounts. Under this method, financial aid applied directly to student accounts is allocated at the individual student level across the academic year. Aid is first applied to tuition and fees, unless specifically designated otherwise, and any remaining amounts are applied to auxiliary charges. This approach provides a reasonable balance between accuracy and data availability.

The adoption of these standards did not result in a restatement of prior year balances but enhanced the transparency and consistency of university disclosures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 2--CASH AND CASH EQUIVALENTS, ENDOWMENTS AND OTHER LONG-TERM INVESTMENTS

Policy

The university uses the "pooled cash" method of accounting and has retained independent investment managers to handle all of its cash and investments. The component units maintain interest-bearing deposits and short-term investments with financial institutions that are insured by the Federal Deposit Insurance Corporation.

Investment policies for cash and cash equivalents, as set forth by the Board of Trustees, authorize the investment managers to invest in commercial paper of companies rated within the highest classification established by not less than two national rating services. Investments may be made in securities of the US Treasury and Federal Agencies, common stock, convertible bonds, convertible preferred stock, time savings accounts and other fixed income, equities and other marketable securities deemed prudent by the investment managers. For investment grade accounts, the weighted average credit quality is to be no less than AAA for the short-term investment pool accounts, AA for the intermediate-term investment pool accounts and A for the long-term investment pool accounts. The weighted average credit quality is to be no less than B for the non-investment grade long-term investment pool accounts. In addition, the minimum acceptable credit quality at the time of purchase for individual securities shall be A for the short-term investment pool accounts and BBB for the intermediate-term and long-term investment pool accounts.

Policies regarding marketable securities in the endowment investments, as set forth by the Board of Trustees, authorize the investment managers to invest in equities, bonds or other marketable securities as outlined in the CMU Endowment Investment Policy Statement (found on the Board of Trustees website). The endowment income spending policy is 4.25% of the 20-quarter rolling average of the market value of the endowment pool with an additional 0.50% allocated to an administrative fee. Under state law, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the university may appropriate for spending as much of the endowment as the university deems prudent for the uses, benefits, purposes and duration for which the particular endowment fund was established, subject to evaluation of several specific factors including general economic conditions and the fund's purpose. Although UPMIFA allows spending of the original gift, the university's board policy does not allow the annual spending income allocation to reduce the original gift principal. Therefore, some of the endowments may not have distributed for fiscal year 2025. The spending policy is reviewed periodically by the investment committee, who recommend changes to the Board of Trustees. The net appreciation on investments of donor-restricted endowments available for authorization for expenditure is \$85,189,985 at June 30, 2025, and \$74,315,932 at June 30, 2024. The net appreciation is a component of restricted, expendable net position. The yields of the endowment investments were as follows:

	June 30	
	<u>2025</u>	<u>2024</u>
Interest and Dividends	0.1 %	0.2 %
Net Realized and Unrealized Gains	<u>7.6 %</u>	<u>8.5 %</u>
Total Return	<u>7.7 %</u>	<u>8.7 %</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

The university had the following investments:

	Fair Market Value June 30	
	2025	2024
Investments:		
Bonds (Including Bonds, Mutual Funds, & ETFs)	\$ 161,677,292	\$ 150,872,215
Equities (Including Equities, Mutual Funds, & ETFs)	272,250,171	241,034,067
Real Estate		19,294
Alternative Investments	104,212,201	96,505,999
Cash Equivalents-Endowments/Restricted	15,032,345	11,470,177
Beneficial Interests in Split-Interest Agreements	6,120,787	5,767,357
Cash Equivalents	32,223,195	2,087,848
Cash Deposits	28,418,157	42,600,179
Total Investments	<u>\$ 619,934,148</u>	<u>\$ 550,357,136</u>
As Reported on the Statements of Net Position		
Current Investments:		
Cash and Cash Equivalents	\$ 60,641,352	\$ 44,688,027
Noncurrent Investments:		
Restricted Cash and Cash Equivalents	87	22,051
Endowment Investments	282,660,234	263,438,743
Other Long-Term Investments	276,632,475	242,208,315
Total Noncurrent Investments	<u>559,292,796</u>	<u>505,669,109</u>
Total Investments	<u>\$ 619,934,148</u>	<u>\$ 550,357,136</u>

Investments at Amortized Cost

The university invests in the Governments of Michigan Investing Cooperatively (GovMIC) program. The GovMIC share class was specifically designed for governmental entities and is a class within the broader Michigan Liquid Asset Fund (MILAF) portfolio. This external investment pool provides daily liquidity and flexibility to investors and measures its investments at amortized cost. There are no minimum deposit or redemption requirements for investors in the fund, nor are there any limits on the number of deposits or withdrawals. The fund is invested in compliance with Michigan Public Act 20. For Term MILAF funds, there is a one-day minimum investment period and investments may not be redeemed, without penalty, for at least 14 calendar days with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the end of the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount redeemed. The university only had holdings in the GovMIC daily liquidity fund of the MILAF portfolio and the values were \$22,009,731 as of June 30, 2025 of operating cash and \$20,413 as of June 30, 2024 of restricted bond proceeds.

Credit Risk

For investments in non-mutual and non-pooled funds, no more than 10% of the portfolio, at cost, can be invested in any single issue, except the investments in U.S. government securities. The weighted average quality is to be no less than "AAA" (or its equivalent rating by two national rating agencies) for the short-term investment pool accounts, "AA" for the intermediate-term investment pool accounts, and "A" for the investment grade accounts long-term investment pool accounts.

In addition, the minimum acceptable credit quality at the time of purchase for individual securities in the investment grade accounts shall be "A" for the short-term investment pool accounts, and "BBB" for the intermediate-term and investment grade long-term pool accounts. The diversified fixed income manager shall maintain an overall weighted average credit rating of B or better.

As of June 30, 2025, the weighted average of all University debt instruments fell within the Standard & Poor's credit rating range of AAA to B.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The university does 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. The maturities of fixed income investments as of June 30, 2025 and 2024 are as follows:

June 30, 2025					
Fixed Income Investment Maturities					
Investment Type	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
US Treasury/TIPS	\$ 40,291	\$ 8,910,504	\$ 5,076,660	\$ 1,866,814	\$ 15,894,269
Core Fixed Income	1,450,494	20,934,626	22,833,213	9,805,680	55,024,013
Short Duration Fixed Income	2,851,741	24,018,759	7,109,424	8,959,134	42,939,058
Global Multi-Sector Fixed Income	1,566,488	6,162,507	6,458,071	591,127	14,778,193
Absolute Return Fixed Income	(1,364,560)	22,089,895	10,128,289	2,188,135	33,041,759
Total	<u>\$ 4,544,454</u>	<u>\$ 82,116,291</u>	<u>\$ 51,605,657</u>	<u>\$ 23,410,890</u>	<u>\$ 161,677,292</u>

June 30, 2024					
Fixed Income Investment Maturities					
Investment Type	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
US Treasury/TIPS	\$ 38,371	\$ 11,957,421	\$ 6,580,549	\$ 2,474,900	\$ 21,051,241
Core Fixed Income	1,798,983	10,518,764	14,307,254	12,198,165	38,823,166
Short Duration Fixed Income	8,414,101	40,665,144	2,382,330	55,470	51,517,045
Global Multi-Sector Fixed Income	661,540	5,406,189	4,292,417	484,768	10,844,914
Absolute Return Fixed Income	2,609,263	14,392,833	7,559,741	4,074,012	28,635,849
Total	<u>\$ 13,522,258</u>	<u>\$ 82,940,351</u>	<u>\$ 35,122,291</u>	<u>\$ 19,287,315</u>	<u>\$ 150,872,215</u>

Concentration of Credit Risk

Deliberate management of the asset mix among classes of investments is a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political or social developments is a highly desirable objective. The university's general policy shall be to diversify investments within both equity and fixed income securities to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. Accordingly, the university did not have investments in any one issuer that represented 13.2% or more of total investments at June 30, 2025, or June 30, 2024.

Foreign Currency Risk

All of the university's holdings of foreign investments were in US dollars at June 30, 2025 and June 30, 2024, therefore the university was not subject to foreign currency risk.

Custodial Credit Risk

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the university's name. The carrying amount of deposits, excluding those classified as investments, was \$28,418,157 at June 30, 2025, and \$42,600,179 at June 30, 2024. The deposits were reflected in the accounts of the banks at \$32,587,317 at June 30, 2025, and \$47,539,233 at June 30, 2024. Of the bank balance, \$32,087,317 at June 30, 2025, and \$47,039,233 at June 30, 2024, was uninsured and uncollateralized.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The university had custodial credit risk of \$220.9 million at June 30, 2025, and

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

\$226.8 million at June 30, 2024, in its investment portfolios held by various investment managers as the counterparty.

NOTE 3--RECEIVABLES

Accounts receivable relate to several transactions including state appropriations, student tuition billings and auxiliary enterprise sales, such as food service, bookstore and residence halls. In addition, receivables arise from grant awards, financial aid and lease revenues. The receivables are shown net of allowance for doubtful accounts.

Accounts receivable are recorded net of the allowance for doubtful accounts of \$2,521,208 at June 30, 2025, and \$2,443,326 at June 30, 2024.

During the fiscal year, the university received approximately \$334,000,000 (\$323,000,000 in fiscal year 2024) of state appropriations, which were forwarded to fifty-six charter schools.

	June 30	
	2025	2024
Tuition, Room and Food	\$ 8,694,918	\$ 7,559,642
Contracts and Grants	5,851,598	6,192,529
Sales and Services	9,227,892	8,981,931
Pledges	22,437,661	6,961,499
Leases	7,492,359	8,160,499
Other Activities	759,755	825,278
Total	54,464,183	38,681,378
State Appropriations-Operations	17,776,702	17,347,960
State Appropriations-Charter Schools	48,785,950	48,780,666
Total Receivable	\$ 121,026,835	\$ 104,810,004

NOTE 4--PLEDGES

The university receives pledges of financial support from corporations, foundations and individuals. The change in pledges has been recorded as gifts. Pledges receivables are presented net of allowance for doubtful contributions of \$219,459 and \$206,405 for fiscal years ended June 30, 2025 and 2024, respectively. Certain pledges are recorded at present value calculated using a discount rate of the average interest rate for bonded debt of 3.99% at June 30, 2025 and 4.14% at June 30, 2024, resulting in a discount of \$1,446,947 and \$290,392 at June 30, 2025 and 2024, respectively. The present value of pledges outstanding is \$11,564,345 at June 30, 2025 and \$6,961,499 at June 30, 2024.

The College of Medicine Campus, Inc., has pledges receivable of \$10,873,316 as of June 30, 2025. CMC recorded a present value discount of \$1,626,684, using a rate of 7.5%, as of June 30, 2025. No allowance was calculated for pledges receivable as of June 30, 2025.

Payments on pledged receivables at June 30, 2025 are expected to be received in the following fiscal years:

2026	\$ 5,291,098
2027 – 2031	14,739,076
2032 and after	2,407,487
	\$ 22,437,661

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NOTES TO THE FINANCIAL STATEMENTS (continued)**Central Michigan University****NOTE 5--CAPITAL ASSETS**

Capital assets, net of depreciation, consist of the following as of June 30, 2025:

	Beginning Balance July 1, 2024	Additions	Reductions	Ending Balance June 30, 2025
Non-depreciated capital assets:				
Land	\$ 12,927,599			\$ 12,927,599
Intangible Assets	425,936			425,936
Capitalized Collections	1,472,597			1,472,597
Construction In Progress	9,882,810	\$ 10,936,454	\$ 8,424,170	12,395,094
Total non-depreciated capital assets	24,708,942	10,936,454	8,424,170	27,221,226
Depreciated capital assets:				
Land Improvements	52,850,004	1,598,452		54,448,456
Infrastructure	29,006,427	7,780,259		36,786,686
Buildings	850,942,009	5,618,966		856,560,975
Leasehold Improvements	250,497			250,497
Furniture and Equipment	76,270,098	3,351,602	2,979,628	76,642,072
Library Materials	33,405,569	382,779		33,788,348
Intangible Assets	3,345,539			3,345,539
Less accumulated depreciation:				
Land Improvements	41,706,817	2,990,039		44,696,856
Infrastructure	18,847,718	1,090,244		19,937,962
Buildings	407,565,385	19,070,387		426,635,772
Leasehold Improvements	202,485	25,050		227,535
Furniture and Equipment	64,580,110	3,289,851	2,927,127	64,942,834
Library Materials	31,306,652	610,184		31,916,836
Intangible Assets	1,980,205	525,712		2,505,917
Total depreciated capital assets	479,880,771	(8,869,409)	52,501	470,958,861
Capital Assets, Net	\$ 504,589,713	\$ 2,067,045	\$ 8,476,671	\$ 498,180,087

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Capital assets, net of depreciation, consist of the following as of June 30, 2024:

	Beginning Balance July 1, 2023	Additions	Reductions	Ending Balance June 30, 2024
Non-depreciated capital assets:				
Land	\$ 12,927,599			\$ 12,927,599
Intangible Assets	425,936			425,936
Capitalized Collections	1,472,597			1,472,597
Construction In Progress	8,860,889	\$ 6,755,856	\$ 5,733,935	9,882,810
Total non-depreciated capital assets	23,687,021	6,755,856	5,733,935	24,708,942
Depreciated capital assets:				
Land Improvements	52,092,399	757,605		52,850,004
Infrastructure	29,006,427			29,006,427
Buildings	846,505,809	4,489,377	53,177	850,942,009
Leasehold Improvements	250,497			250,497
Furniture and Equipment	78,641,637	2,326,154	4,697,693	76,270,098
Library Materials	33,026,792	378,777		33,405,569
Intangible Assets	3,345,539			3,345,539
Less accumulated depreciation:				
Land Improvements	38,504,032	3,202,785		41,706,817
Infrastructure	17,879,625	968,093		18,847,718
Buildings	388,644,078	18,974,484	53,177	407,565,385
Leasehold Improvements	177,436	25,049		202,485
Furniture and Equipment	65,661,349	3,424,091	4,505,330	64,580,110
Library Materials	30,640,849	665,803		31,306,652
Intangible Assets	1,454,492	525,713		1,980,205
Total depreciated capital assets	499,907,239	(19,834,105)	192,363	479,880,771
Capital Assets, Net	\$ 523,594,260	\$ (13,078,249)	\$ 5,926,298	\$ 504,589,713

One of the critical factors in continuing the quality of the university's academic programs, research programs and residential life is the development and renewal of its capital assets. Construction in progress at June 30, 2025, primarily consists of the construction costs for Northwest Apartment Demolition project of \$3.5 million, the Merrill Hall Dining Renovation project of \$1.3 million, the Public Broadcasting Atlanta project of \$1.4 million, and the Wightman Hall & Woldt Hall Roof Projects of \$1.1 million and other projects including maintenance and remodeling of approximately \$5 million.

Funds needed to complete construction projects will be provided by current unrestricted university net assets or by future state appropriations, gifts, grants, State Building Authority (SBA) monies or bond funds. Funds required to complete the projects in process of an approximate \$14.6 million as of June 30, 2025 (\$20.7 million as of June 30, 2024).

The university entered into agreements with the SBA and the State of Michigan during prior fiscal years for the Park Library, Health Professions Building, Education Building, Biosciences Building and Center for Integrated Health Studies Building. The projects were financed with SBA Revenue Bonds and state appropriations. The buildings are recorded as assets of the university.

The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan, pursuant to the agreements between the SBA, the State of Michigan and the university. During the agreement term, the SBA will hold title to the facilities; the State of Michigan will make all annual payments to the SBA from operating appropriations; and the university will pay all operating and maintenance costs of the facilities. At the expiration of the agreements, the SBA has agreed to sell each facility to the university for the sum of one dollar.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 6--ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year.

	2025	2024
University Wages and Benefits	\$ 10,211,946	\$ 11,778,255
University Supplies	16,613,702	18,691,395
Charter Schools	48,785,950	48,780,666
Total	<u>\$ 75,611,598</u>	<u>\$ 79,250,316</u>

NOTE 7--LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt and other obligations consist of the following as of June 30, 2025:

	Beginning Balance July 1, 2024	Additions	Reductions	Ending Balance June 30, 2025	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	\$ 18,055,000		\$ 18,055,000		
Series 2014:					
Series Bonds	30,725,000		30,725,000		
Term Bonds	22,105,000		9,820,000	\$ 12,285,000	
Series 2014 Unamortized Premium	5,508,000		4,076,351	1,431,649	\$ 74,371
Series 2016 Series Bonds	14,615,000		925,000	13,690,000	965,000
Series 2016 Unamortized Premium	1,755,000		156,000	1,599,000	156,000
Series 2019 Series Bonds	16,005,000		2,510,000	13,495,000	2,825,000
Series 2019 Unamortized Premium	2,993,000		292,000	2,701,000	292,000
Series 2021 Series Bonds	28,680,000		685,000	27,995,000	580,000
Series 2021 Unamortized Premium	6,758,000		248,000	6,510,000	248,000
Series 2024 Series Bonds		\$ 52,575,000		52,575,000	2,855,000
Series 2024 Unamortized Premium		4,897,610	323,360	4,574,250	321,000
Total Long-Term Debt	147,199,000	57,472,610	67,815,711	136,855,899	8,316,371
Other Obligations:					
Lease Obligations	3,259,931	538,052	1,153,336	2,644,647	870,686
SBITA Obligations	7,818,600	5,968,330	5,899,844	7,887,086	4,299,022
Compensated Absences	6,100,279	48,924		6,149,203	72,959
Retirement Service Programs	366,044		114,518	251,526	
Installment Purchases		7,780,259	1,296,710	6,483,549	1,296,710
Other Obligations	5,971	53,755		59,726	59,726
Total	<u>\$ 164,749,825</u>	<u>\$ 71,861,930</u>	<u>\$ 76,280,119</u>	<u>\$ 160,331,636</u>	<u>\$ 14,915,474</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Long-term debt, hedging instruments and other obligations consist of the following as of June 30, 2024:

	Beginning Balance July 1, 2023	Additions	Reductions	Ending Balance June 30, 2024	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	\$ 18,660,000		\$ 605,000	\$ 18,055,000	\$ 730,000
Series 2014:					
Series Bonds	32,775,000		2,050,000	30,725,000	2,160,000
Term Bonds	22,105,000			22,105,000	
Series 2014 Unamortized Premium	5,780,000		272,000	5,508,000	272,000
Series 2016 Series Bonds	15,505,000		890,000	14,615,000	925,000
Series 2016 Unamortized Premium	1,911,000		156,000	1,755,000	156,000
Series 2019 Series Bonds	18,590,000		2,585,000	16,005,000	2,510,000
Series 2019 Unamortized Premium	3,285,000		292,000	2,993,000	292,000
Series 2021 Series Bonds	29,210,000		530,000	28,680,000	685,000
Series 2021 Unamortized Premium	7,006,000		248,000	6,758,000	248,000
Total Long-Term Debt	154,827,000		7,628,000	147,199,000	7,978,000
Other Obligations:					
Lease Obligations	4,535,484	\$ 32,751	1,308,304	3,259,931	1,151,475
SBITA Obligations	5,775,356	6,476,739	4,433,495	7,818,600	3,907,714
Hedging Instruments	1,835,627		1,835,627		
Compensated Absences	5,909,854	190,425		6,100,279	64,076
Retirement Service Programs	421,047		55,003	366,044	
Other Obligations	2,800	61,263	58,092	5,971	5,971
Total	\$ 173,307,168	\$ 6,761,178	\$ 15,318,521	\$ 164,749,825	\$ 13,107,236

GENERAL REVENUE BONDS

On July 11, 2024, the university issued \$52,575,000 in General Revenue Bonds, Series 2024A. The outstanding bonds bear an interest rate of 5.00% and mature in fiscal years 2026 through 2040. The proceeds from the issuance were used to refinance \$18,055,000 of outstanding General Revenue Bonds, Series 2008A, \$28,565,000 of Series 2014, and \$9,820,000 of Term 2014. The advance refunding reduced total debt service payments over the next 16 years by approximately \$1.6 million, which represents an economic gain of approximately \$2.6 million. The proceeds were used to pay the termination value of \$1,337,600 of the interest rate swap held as an effective hedge to the General Revenue Bonds, Series 2008A variable rate bonds. The interest rate swap was terminated as of May 30, 2024.

On August 4, 2021, the university issued \$29,790,000 in General Revenue Bonds, Series 2021. The outstanding bonds bear an interest rate between 3.00% and 5.00% and mature in fiscal years 2023 through 2052. The proceeds of these bonds were used to advance refund \$19,090,000 of outstanding General Revenue Bonds, Series 2012. The advance refunding reduced total debt service payments over the next 11 years by approximately \$3.5 million, which represents an economic gain of approximately \$3.2 million. The additional \$17.5 million in proceeds from the issuance will be used to pay a portion of the costs of certain capital improvement projects on the main campus of the university, including the renovation of the existing Troutman, Cobb and Wheeler residence halls to transform existing residence hall configurations into two-person, apartment-style living arrangements; the replacement of seating at McGuirk Arena; the replacement of theatrical lighting and controls in Bush Theatre and various other infrastructure enhancement projects.

On July 9, 2019, the university issued \$25,410,000 in General Revenue Bonds, Series 2019. The outstanding bonds bear an interest rate of 5.00% and mature in fiscal years 2023 through 2035. The proceeds of these bonds were used to advance refund \$16,610,000 of outstanding General Revenue Bonds, Series 2009. The advance refunding reduced total debt service payments over the next 7 years by approximately \$2.1 million, which represents an economic gain of approximately \$1.9 million. The additional \$13.0 million in proceeds from the issuance were used to pay the costs of the demolition of a residence hall and the redevelopment of the site as green space, upgrades and improvements to the North Community Residence Halls, including electrical and life safety infrastructure upgrades and interior and exterior renovations and East, South and Towers Residence Halls infrastructure upgrades and improvements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

On January 5, 2016, the university issued \$20,750,000 in General Revenue Refunding Bonds, Series 2016. The outstanding bonds bear an interest rate between 2.50% and 5.00% and mature in fiscal years 2023 through 2036. The proceeds of these bonds were used to advance refund \$23,325,000 of outstanding General Revenue Bonds Series 2006, with an interest rate between 4.00% and 4.50%. The advance refunding reduced total debt service payments over the next 20 years by approximately \$2.9 million, which represents an economic gain of approximately \$2.2 million.

On October 1, 2014, the university issued \$66,770,000 in General Revenue and Refunding Bonds, Series 2014. The outstanding bonds bear an interest rate between 3.50% and 5.00% and mature in fiscal years 2023 through 2045. A portion of the proceeds from the issuance was used to advance refund \$25,385,000 of outstanding General Revenue Bonds, Series 2005. The additional \$47.9 million in proceeds from the issuance were used, together with other available funds, to pay the costs of constructing, furnishing and equipping a new four-story Biosciences Building.

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest (using June 30, 2025 rates) amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	Principal	Interest	Total
2026	\$ 7,225,000	\$ 5,545,475	\$ 12,770,475
2027	7,595,000	5,187,525	12,782,525
2028	6,680,000	4,830,650	11,510,650
2029	7,045,000	4,487,525	11,532,525
2030	7,420,000	4,125,900	11,545,900
2031-2035	41,960,000	14,584,400	56,544,400
2036-2040	21,810,000	5,744,500	27,554,500
2041-2045	15,235,000	2,454,250	17,689,250
2046-2050	3,480,000	662,700	4,142,700
2051-2052	1,590,000	64,200	1,654,200
Total	120,040,000	\$ 47,687,125	\$ 167,727,125
Unamortized Bond Premium	16,815,899		
	<u>\$ 136,855,899</u>		

CREDIT LIMIT

The university entered into a commercial card services agreement as of January 28, 2011, and amended as of July 16, 2013 and December 21, 2017, which supports the university business card program. As part of the agreement, the university has an available credit limit in the amount of \$8 million as of June 30, 2025, and June 30, 2024. The outstanding balance is due monthly and is included in accounts payable and accrued liabilities. Due to the timing of the monthly close for the credit card statements, the university had an outstanding balance of \$1,374,114 as of June 30, 2025, under the credit limit. There was an outstanding balance of \$1,314,277 as of June 30, 2024.

LETTER OF CREDIT

In June 2019, the university signed a new stand by Letter of Credit agreement with a new counter party in the amount of outstanding bond principal plus 35 days interest equal to \$18,228,130 to provide credit enhancement and liquidity support for certain General Revenue Refunding Bonds, Series 2008A. In June of 2024, the letter of credit agreement was amended to extend the expiration date to July 3, 2025 and was not renewed thereafter.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

LEASE AND SBITA OBLIGATIONS

The university leases certain assets from various third parties. The assets leased include land, buildings, equipment, and vehicles. The university also has subscription-based information technology arrangements (SBITA) for the right-to-use various information technology software. See Note 11 for additional information on lease and SBITA obligations.

INSTALLMENT PURCHASES

In July 2024, the university entered into a general revenue note payable over 75 months in the amount of \$7,780,259 at a 0% interest rate to finance purchase network equipment.

Required annual payments for the notes payable for the fiscal years ending June 30 are as follows:

		Principal
2026	\$	1,296,710
2027		1,296,710
2028		1,296,710
2029		1,296,710
2030		1,296,709
Total	\$	<u>6,483,549</u>

OTHER OBLIGATIONS

The Retirement Service Award program and compensated absences have been determined to be primarily long-term liabilities. Other obligations have been determined to be primarily short-term liabilities.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 8--FAIR VALUE MEASUREMENTS

The university categorizes its 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; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The university's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. There were no changes in methodologies used at June 30, 2025 and June 30, 2024.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Market Measurements Using		
	Balance at June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt Securities				
Domestic short term duration	\$ 38,235,515	\$ 38,235,515		
Domestic intermediate duration	29,800,805	29,800,805		
Global and unconstrained duration	29,495,120	23,424,929		\$ 6,070,191
Total debt securities	97,531,440	91,461,249		6,070,191
Equity securities				
Domestic	104,448,197	104,448,197		
Global	422,683	422,683		
Total equity securities	104,870,880	104,870,880		
Beneficial Interests				
Beneficial Interests in Split-Interest	6,120,787			6,120,787
Total Beneficial Interests	6,120,787			6,120,787
Total investments by fair value level	\$ 208,523,107	\$ 196,332,129	\$	\$ 12,190,978
Investments measured at the net asset value (NAV)				
Debt Securities - domestic/global	79,419,037			
Equity securities - domestic/global	152,106,106			
Private investments - domestic/global	42,715,617			
Equity long/short hedge funds	11,509,611			
Multi-strategy hedge funds	37,503,646			
Real asset funds	12,483,328			
Total investments measured at the NAV	335,737,345			
Total investments measured at fair value	\$ 544,260,452			

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

The university has the following recurring fair value measurements as of June 30, 2024:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Market Measurements Using		
	Balance at June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt Securities				
Domestic short term duration	\$ 35,480,484	\$ 35,480,484		
Domestic intermediate duration	37,689,736	37,689,736		
Global and unconstrained duration	23,454,301	23,454,301		
Total debt securities	96,624,521	96,624,521		
Equity securities				
Domestic	80,965,279	80,965,279		
Global	353,881	353,881		
Total equity securities	81,319,160	81,319,160		
Real asset funds				
Domestic	19,294	19,294		
Total real asset funds	19,294	19,294		
Beneficial Interests				
Beneficial Interests in Split-Interest	5,767,357			\$ 5,767,357
Total Beneficial Interests	5,767,357			5,767,357
Total investments by fair value level	\$ 183,730,332	\$ 177,962,975	\$	\$ 5,767,357

Investments measured at the net asset value (NAV)

Debt Securities - domestic/global	71,697,736
Equity securities - domestic/global	142,264,865
Private investments - domestic/global	40,028,786
Equity long/short hedge funds	12,250,110
Multi-strategy hedge funds	33,516,069
Real asset funds	10,711,034
Total investments measured at the NAV	310,468,600
Total investments measured at fair value	\$ 494,198,932

The fair value of debt and equity securities classified in Level 1 at June 30, 2025 and 2024 were valued using prices quoted in active markets for those securities.

The fair value of debt and equity securities classified in Level 3 at June 30, 2025 and 2024 were valued using otherwise unobservable inputs. The beneficial interests in split-interest agreements, \$6,120,787 and \$5,767,357 at June 30, 2025 and June 30, 2024 respectively, were valued using investment statements and current market values of stock held in trusts.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Investments in Entities that Calculate Net Asset Value per Share

The university holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

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

	June 30, 2025	June 30, 2024	June 30, 2025
	Fair Value	Fair Value	Unfunded Commitments Redemption Frequency, if Eligible
Debt securities	\$ 79,419,037	\$ 71,697,736	Daily to Monthly
Equity securities	152,106,106	142,264,865	Daily to Monthly
Private Investments	42,715,617	40,028,786	\$ 17,631,170 N/A
Equity long/short hedge fund	11,509,611	12,250,110	Quarterly to Semi-Annually
Multi-strategy hedge fund	37,503,646	33,516,069	Quarterly to Annually
Real asset funds	12,483,328	10,711,034	4,237,034 N/A
Total	\$ 335,737,345	\$ 310,468,600	\$ 21,868,204

The debt securities class includes investments in primarily high quality US fixed income securities that are publicly traded and held in commingled asset vehicles. Securities held may include, but are not limited to, government and agency obligations, mortgage-backed securities, corporate bonds, debentures, and commercial paper. These investments can typically be liquidated within one month or less.

The equity securities class includes domestic and international comingled asset vehicles invested long-only in publicly listed equity securities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. These investments can typically be liquidated within one month or less.

The private investments class includes investments in private equity funds that invest in venture capital, growth equity and buyout funds, direct lending, portfolio investments, and private credit. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The investment period of these investments range from 6 - 12 years. The nature of these investments involve capital calls being made throughout the investment period, as well as income distributions being received as underlying investments are bought and sold. Because no public market exists for selling these types of investments, they are viewed as long-term in nature with funds being committed over the life of the investment.

The equity long/short hedge fund class includes investments in hedge funds that invest both long and short primarily in global common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The lock-up period is three years or less, and redemptions can be made on a semi-annual or quarterly basis.

The multi strategy hedge funds class includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The strategies may include convertible arbitrage, merger arbitrage, and fixed income arbitrage positions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The lock-up period is less than two years, and redemptions can be made quarterly.

The real asset funds class includes investments in real estate, energy infrastructure and energy-related funds that invest globally, but with the majority being in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the university's ownership interest in partners' capital. The nature of several of these investments involve capital calls being made throughout the investment period, as well as income distributions being received as underlying investments are bought and sold. Because no public market exists for selling these types of investments, they are viewed as long-term in nature with funds being committed over the life of the investment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 9--RETIREMENT PLANS

The university has a defined contribution retirement plan for all qualified employees. CMU currently has one record-keeper for this plan, Teachers Insurance and Annuity Association (TIAA). Full-time faculty and professional administrators hired prior to January 1, 1996, who chose to participate in the defined contribution plan, receive university contributions equal to 12% of their base salary into the plan. All other employees participating in this plan, receive contributions equal to 10% of their base salary into the plan. All contributions are subject to IRS limits. University contributions begin immediately and employee benefits vest immediately.

Hourly employees hired prior to January 1, 1996, and other eligible employees choosing this option, participate in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit plan through the State of Michigan. Detailed information regarding the MPERS plan, eligibility and the university's commitment under the plan is included in the MPERS section of this footnote.

Contributions and covered payroll under all plans in fiscal year 2025 are summarized as follows:

	TIAA	MPERS	University Total
Pension Contributions			
University Defined Contribution	\$ 17,102,777	\$ 6,859	\$ 17,109,636
University Normal Defined Benefit		558,252	558,252
Required Employee DB		251,353	
University DB UAAL		195,026	195,026
Payroll Floor UAAL		139,309	
Health Contributions			
University Personal Health Fund DC		4,151	4,151
Required Employee PHF DC		4,151	
University Normal Defined Benefit		96,872	96,872
Required Employee DB		193,890	
Payroll Floor UAAL (Estimated)			
Covered Payroll	168,584,524	6,519,905	175,104,429

The university also sponsors the Retirement Service Award program covering certain employees hired before a specific date in 1976 and certain maintenance and food service employees. The plan provides for distributions to qualifying employees at retirement based principally on length of service and salary at retirement. Liabilities of \$174,252 for fiscal year 2025 and \$301,651 for fiscal year 2024 related to this program are included in the university Statements of Net Position. The assets are included with the university's cash and cash equivalents. The corresponding liabilities have been included with university's long-term debt and other long-term obligations.

MPERS – MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

Michigan Public School Employees' Retirement System (MPERS), is a cost-sharing multiple-employer defined benefit and defined contribution plan through the State of Michigan. Employees hired on or after January 1, 1996 cannot participate in MPERS, unless they previously were enrolled in the plan at Central Michigan University, or one of the other six universities that are part of MPERS. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides post-employment health care benefits to retirees and beneficiaries who elected to receive those benefits. The State of Michigan Office of Retirement Services issues an annual financial report that includes financial statements and required supplementary information regarding MPERS. The report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 530 West Allegan Street, Lansing MI 48929. In July 2015, ORS determined that MPERS has two reporting units: universities and non-universities. Office of Retirement Services provided the universities a separate net pension liability and net other postemployment benefits (OPEB)(asset)liability. Separate pension and OPEB information related to the universities reporting unit included in this plan is not available.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Contributions

Public Act 300 of 1980, as amended, required the university to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each university'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.

The university's contributions are determined based on employee elections. There are four different benefit options included in the plan available to employees based on date of hire. The university also contributes to MPSERS a percentage of member and non-member payrolls, determined by the plan's actuaries, for the unfunded actuarial accrued liability (UAAL) portion of future pensions and health benefits. Public Act 136 of 2016 sets a rate cap of 25.73 percent for university employer UAAL contributions. In addition, the law establishes a requirement for a payroll floor. In a given fiscal year, each university owes UAAL contributions based on the greater of its payroll floor or its actual payroll. The payroll floor was \$59,193,785 and \$58,032,625 for fiscal year 2025 and 2024, respectively. Contribution rates are adjusted annually by the ORS. The rates for the defined benefit plan are as follows:

	Normal Pension Rate	Unfunded Pension Rate	Normal Health Rate	Unfunded Health Rate
10/01/24 – 06/30/25	8.70%	0.00%	1.53%	0.00%
10/01/23 – 09/30/24	8.67%	2.27%	1.53%	0.00%
10/01/22 – 09/30/23	6.52%	10.00%	0.92%	0.00%

Employees starting between January 1, 1990, and December 31, 1995, are required to contribute between 3.0% and 6.29% of their annual pay. During the period February 1, 2013 through June 30, 2013 employees could transition to a defined contribution plan.

The university's required defined benefit contributions to MPSERS normal pension costs, totaled \$558,252 in fiscal year 2025 and \$557,275 in fiscal year 2024. Required employee contributions were \$251,353 in fiscal year 2025 and \$274,326 in fiscal year 2024. The university's contributions to the unfunded MPSERS defined benefit pensions totaled \$334,335 in fiscal year 2025 and \$2,438,837 in fiscal year 2024. The university also recorded no stabilization rate revenue from the State of Michigan to assist in funding the MPSERS pension and health Unfunded Actuarial Accrued Liability (UAAL) for the year ended June 30, 2025 and recorded \$49,621,997 of stabilization rate revenue for year ended June 30, 2024. The university's contributions toward the MPSERS defined contribution plan totaled \$6,859 in fiscal year 2025 and \$7,142 in fiscal year 2024.

Benefits Provided

Benefit provisions of the defined benefit pension plan also are established by State statute. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension 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 begin at the age of 55 with years of service ranging from 10 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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. For some members that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension (Asset)Liability, Deferrals, and Pension Expense

At June 30, 2025 and June 30, 2024, the university reported a net pension asset of \$21,859,149 and a net liability of \$5,735,757, respectively for its proportionate share of the net pension (asset)liability as calculated for the universities reporting unit of MPSERS. The net pension asset for fiscal year 2025 was measured as of September 30, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of September 30, 2023, that used update procedures to roll forward the estimated liability to September 30, 2024. The net pension liability for fiscal year 2024 was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022, that used update procedures to roll forward the estimated liability to September 30, 2023. The university's proportion of the net pension liability was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2024, September 30, 2023 and September 30, 2022, the university's proportion was 24.94 percent, 24.87 percent and 24.83 percent, respectively of the universities reporting unit.

For the year ended June 30, 2025 and June 30, 2024, the university recognized pension recovery of \$(6,102,189) and \$(13,154,814), respectively.

At June 30, 2025 and June 30, 2024, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual plan investment earnings		\$ 20,035,942		\$ 451,323
Special Allocation 236(15)		1,321,488		
Contributions subsequent to the measurement date	\$ 1,733,882		\$ 1,825,277	
Total	<u>\$ 1,733,882</u>	<u>\$ 21,357,430</u>	<u>\$ 1,825,277</u>	<u>\$ 451,323</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

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

Plan Year Ending September 30	Amount
2025	\$ (6,818,402)
2026	(3,071,809)
2027	(6,273,779)
2028	(5,193,440)
Total	<u>\$ (21,357,430)</u>

In addition, the contributions subsequent to the measurement date will result in an increase of the net pension asset in the next year.

Sensitivity of the net pension (asset)liability to changes in the discount rate

The following presents the net pension liability of the university, calculated using the current discount rate, 6.00% as of June 30, 2025 and June 30, 2024, respectively as well as what the university's net pension (asset)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:

	1.00 percent decrease	Current Discount Rate	1.00 percent increase
June 30, 2025	\$ 4,328,312	\$ (21,859,149)	\$ (44,366,251)
June 30, 2024	\$ 32,921,463	\$ 5,735,757	\$ (17,584,957)

Pension plan fiduciary net position

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

Postemployment Benefits Other Than Pensions (OPEB)

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. The MPSERS Board of Trustees annually sets the employer contribution rate to fund the benefits. For the plan year beginning October 1, 2024 and October 1, 2023 the university contribution rate was 0.00%, respectively of both member and non-member payroll wages to cover current and future unfunded retiree health benefits. Prior to October 1, 2014 the university contributions were based on actual retiree insurance coverage and corresponding premium subsidy (a pay as you go basis). The university's monthly contribution for retiree health care benefits, aggregated to \$96,872 during the 2025 university fiscal year and \$89,854 during the 2024 university fiscal year. Effective July 1, 2010, all active employees enrolled in MPSERS are required to contribute 3.0% of their pay toward retiree healthcare.

Under Public Act 300 of 2012, during the period February 1, 2013 through June 30, 2013 employees could elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election. Members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the retiree healthcare 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% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 403B account. The university's required contributions into PHF accounts were \$4,151 and \$7,066 for the university fiscal years ended June 30, 2025 and June 30, 2024, respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

The university reported a net OPEB asset of \$34,305,393 and \$20,849,165 at June 30, 2025 and June 30, 2024, respectively for its proportionate share of the net OPEB asset calculated for the universities reporting unit of MPSERS. The net OPEB asset for fiscal year 2025 was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2023, that used update procedures to roll forward the estimated liability to September 30, 2024. The net OPEB asset for fiscal year 2024 was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2022, that used update procedures to roll forward the estimated liability to September 30, 2023. The university's proportion of the net OPEB asset was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2024, September 30, 2023, and September 30, 2022, the university's proportion was 24.58 percent, 24.66 percent and 24.86 percent, respectively of the universities reporting unit.

For the year ended June 30, 2025 and June 30, 2024, the university recognized OPEB recovery of \$(9,692,543) and \$(10,697,928), respectively.

At June 30, 2025 and June 30, 2024, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual plan investment earnings		\$ 3,682,614		\$ 18,142
Contributions subsequent to the measurement date	\$ 71,741		\$ 80,092	
Total	<u>\$ 71,741</u>	<u>\$ 3,682,614</u>	<u>\$ 80,092</u>	<u>\$ 18,142</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year Ending September 30	Amount
2025	\$ (1,534,317)
2026	84,341
2027	(1,220,109)
2028	(1,012,529)
Total	<u>\$ (3,682,614)</u>

In addition, the contributions subsequent to the measurement date will result in an increase of the net OPEB asset in the next year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Sensitivity of the net OPEB asset to changes in the discount rate

The following presents the net OPEB asset of the university, calculated using the current discount rate, 6.00% as of June 30, 2025 and June 30, 2024, respectively as well as what the university's net OPEB asset 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:

	1.00 percent decrease	Current Discount Rate	1.00 percent increase
June 30, 2025	\$ (31,848,874)	\$ (34,305,393)	\$ (36,431,673)
June 30, 2024	\$ (17,703,960)	\$ (20,849,165)	\$ (23,560,493)

Sensitivity of the net OPEB asset to changes in the Healthcare Cost Trend Rate

The following presents the net OPEB asset of the university, calculated using the current healthcare cost trend rate, 7.25% for Pre-65 and 6.50% for Post-65 year old individuals as of June 30, 2025 and 7.50% for Pre-65 and 6.25% for Post-65 year old individuals as of June 30, 2024 as well as what the university's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

	1.00 percent decrease	Current Healthcare Cost Trend Rate	1.00 percent increase
June 30, 2025	\$ (36,561,054)	\$ (34,305,393)	\$ (31,778,838)
June 30, 2024	\$ (23,722,017)	\$ (20,849,165)	\$ (17,616,578)

Actuarial Assumptions

The total pension and OPEB liabilities measured as of September 30, 2024 are based on the results of an actuarial valuation date of September 30, 2023 and rolled forward using generally accepted actuarial procedures.

Actuarial cost method	Entry age, normal cost
Assumed rate of return	6.00%, net of investment expenses based on the groups (Pension) 6.00%, net of investment expenses based on the groups (OPEB)
Salary increases	2.75%-11.55%, including wage inflation of 2.75%
Cost-of-Living Pension Adjustment	3.0% Annual Non-Compounded for MIP Members
Healthcare cost trend rate	Pre-65 7.25%, year 1 graded to 3.50% year 15; Post-65 6.50%, year 1 graded to 3.50% year 15;
Mortality basis	
Retirees	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010 .
Active	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions ¹	
Opt Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% hired after June 30, 2008 are assumed to opt out of the retiree health plan.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Survivor Coverage 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.

Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Changes in assumptions - September 30, 2023 Valuation. The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.

¹ Applies to individuals hired before September 4, 2012.

The actuarial assumptions used for the September 30, 2023 valuation were based on the results of an actuarial experience study for the periods 2017 through 2022.

The total pension and OPEB liabilities measured as of September 30, 2023 are based on the results of an actuarial valuation date of September 30, 2022 and rolled forward using generally accepted actuarial procedures.

Actuarial cost method	Entry age, normal cost
Assumed rate of return	6.00%, net of investment expenses based on the groups (Pension) 6.00%, net of investment expenses based on the groups (OPEB)
Salary increases	2.75-11.55%, including wage inflation of 2.75%
Cost-of-Living Pension Adjustment	3% Annual Non-Compounded for MIP Members
Healthcare cost trend rate	Pre-65 7.50%, year 1 graded to 3.5% year 15; 3.00% Year 15 Post-65 6.25%, year 1 graded to 3.5% year 15;
Mortality basis	
Retirees	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions ¹	
Opt Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

¹ Applies to individuals hired before September 4, 2012.

The actuarial assumptions used for the September 30, 2022 valuation were based on the results of an actuarial experience study for the periods 2017 through 2022.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Discount Rate

The discount rate used to measure the total pension liability was 6.00% at September 30, 2024 and September 30, 2023, respectively. The discount rate used to measure the total OPEB liability was 6.00% at September 30, 2024 and September 30, 2023, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method where 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Plan Year September 30, 2024			Plan Year September 30, 2023		
	Target Allocation	Long-term Expected Real Rate of Return		Target Allocation	Long-term Expected Real Rate of Return	
		Pension	OPEB		Pension	OPEB
Domestic Equity Pools	25.0%	5.3%	5.3%	25.0%	5.8%	5.8%
Private Equity Pools	16.0%	9.0%	9.0%	16.0%	9.6%	9.6%
International Equity Pools	15.0%	6.5%	6.5%	15.0%	6.8%	6.8%
Fixed Income Pools	13.0%	2.2%	2.0%	13.0%	1.3%	1.3%
Real Estate & Infrastructure Pools	10.0%	7.1%	7.1%	10.0%	6.4%	6.4%
Absolute Return Pools	9.0%	5.2%	5.2%	9.0%	4.8%	4.8%
Short Term Investment Pools	2.0%	1.4%	1.4%	2.0%	0.3%	0.3%
Real Return/Opportunistic Pools	10.0%	6.9%	6.9%	10.0%	7.3%	7.3%
Total	100.0%			100.0%		

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 10--CONTINGENCIES AND COMMITMENTS

In the normal course of its activities and operations, the university is a party in various legal and administrative actions. The university has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, for which General Counsel provides oversight, the university is of the opinion that the outcome thereof will not have a material effect on the financial statements.

There were no settlement amounts exceeding insurance coverage for each of the past three fiscal years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 11—LEASE AND SBITA COMMITMENTS

Lessee Agreements and Subscription-Based Information Technology Arrangements

The university leases certain assets from various third parties. The assets leased include land, buildings, equipment, and vehicles. The university also has subscription-based information technology arrangements (SBITA) for the right-to-use various information technology software. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease liability based on the uncertainty of future usage of the asset.

Lease and SBITA assets, net of amortization, consist of the following as of June 30, 2025:

	Beginning Balance July 1, 2024	Additions	Reductions	Ending Balance June 30, 2025
Lease and SBITA Assets				
Land	\$ 252,549	\$ 101,880		\$ 354,429
Buildings	6,537,434	376,720	\$ 590,877	6,323,277
Equipment	547,219	56,626	28,366	575,479
Vehicles	158,721			158,721
SBITA	19,661,754	5,742,819	1,813,891	23,590,682
Less accumulated amortization:				
Land	45,482	21,558		67,040
Buildings	4,057,342	948,787	590,877	4,415,252
Equipment	383,694	114,788	28,366	470,116
Vehicles	72,682	43,805		116,487
SBITA	10,814,504	5,702,107	2,083,235	14,433,376
Lease and SBITA Assets, Net	\$ <u>11,783,973</u>	\$ <u>(553,000)</u>	\$ <u>(269,344)</u>	\$ <u>11,500,317</u>

Lease and SBITA assets, net of amortization, consist of the following as of June 30, 2024:

	Beginning Balance July 1, 2023	Additions	Reductions	Ending Balance June 30, 2024
Lease and SBITA Assets				
Land	\$ 337,674		\$ 85,125	\$ 252,549
Buildings	6,791,921		254,487	6,537,434
Equipment	536,300	\$ 10,919		547,219
Vehicles	157,415	15,833	14,527	158,721
SBITA	13,165,030	6,887,891	391,167	19,661,754
Less accumulated amortization:				
Land	44,826	14,348	13,692	45,482
Buildings	3,253,532	1,058,297	254,487	4,057,342
Equipment	272,286	111,408		383,694
Vehicles	43,110	44,099	14,527	72,682
SBITA	6,490,843	4,714,828	391,167	10,814,504
Lease and SBITA Assets, Net	\$ <u>10,883,743</u>	\$ <u>971,663</u>	\$ <u>71,433</u>	\$ <u>11,783,973</u>

At June 30, 2025 and June 30, 2024, the university had no related outflows as a result of certain items that were properly excluded from the initial measurement of the lease liability, such as variable payments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

Future principal and interest payments related to the university's lease liability at June 30, 2025 are as follows:

	Principal	Interest	Total
2026	\$ 870,686	\$ 85,967	\$ 956,653
2027	426,925	60,958	487,883
2028	158,628	50,751	209,379
2029	106,537	46,009	152,546
2030	109,512	41,842	151,354
2031-2035	340,504	154,285	494,789
2036-2040	173,935	112,649	286,584
2041-2045	188,505	74,480	262,985
2046-2050	231,706	33,282	264,988
2051-2055	37,709	581	38,290
Total	<u>\$ 2,644,647</u>	<u>\$ 660,804</u>	<u>\$ 3,305,451</u>

As of June 30, 2025 and June 30, 2024, the university had no commitments related to leases for which the lease term had not commenced.

At June 30, 2025 and June 30, 2024, the university recognized the following outflows as a result of certain items that were properly excluded from the initial measurement of the SBITA liability:

	June 30, 2025	June 30, 2024
Variable Payments	\$ 145,310	\$ 155,808

Future principal and interest payments related to the university's SBITA liability at June 30, 2025 are as follows:

	Principal	Interest	Total
2026	\$ 4,299,022	\$ 219,092	\$ 4,518,114
2027	2,237,851	81,211	2,319,062
2028	994,196	27,021	1,021,217
2029	336,906	6,166	343,072
2030	19,111	280	19,391
Total	<u>\$ 7,887,086</u>	<u>\$ 333,770</u>	<u>\$ 8,220,856</u>

As of June 30, 2025, the university had \$1,473,863 in commitments related to subscription-based information technology arrangements for which the term has not commenced. The university's SBITA commitments as of June 30, 2024 were \$777,186.

Lessor Agreements

The university leases certain assets to various third parties. The assets leased include land, buildings, and equipment. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable based on the uncertainty of future rate increases.

At June 30, 2025 and June 30, 2024, the university recognized the following lease revenue, lease interest revenue, and inflows as a result of certain items that were properly excluded from the initial measurement of the lease receivable:

	June 30, 2025	June 30, 2024
Lease Revenue	\$ 577,876	\$ 747,573
Lease Interest Revenue	\$ 317,623	\$ 359,651
Variable Revenue	\$ (2,849)	\$ (1,021)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 12--LIABILITY AND PROPERTY INSURANCE

The university participates with other Michigan public universities in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.). This corporation's purpose is to provide insurance coverage for educators' legal liability, commercial general liability, automobile physical damage and automobile liability. M.U.S.I.C. retains the first layer of coverage for losses exceeding retention levels in a group risk-sharing pool, and they purchase additional layers of excess insurance through commercial carriers for the aforementioned coverages. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the liability risk exposures and claims experience of each university.

Additionally, the university either self-insures or purchases commercially available coverage for exposures outside of the M.U.S.I.C. program, some of which are: property insurance, medical malpractice, workers compensation, fiduciary, and cyber insurance. The university has reserve accounts from which it pays its retention amounts for losses related to educators' legal liability, commercial general liability, auto and property claims.

Since January 28, 2011, CMEP has continued its commercial insurance coverage for property and casualty losses including professional medical malpractice, covering the corporation for its acts and omissions. Malpractice and other claims have been asserted against the corporation by various claimants. Such claims are in varied stages of processing and some may be litigated. Accordingly, CMEP's management and counsel cannot determine the ultimate outcome of the actions commenced. In the opinion of CMEP's management, all such matters are adequately covered by prior and existing insurance programs.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Central Michigan University

NOTE 13—FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

The university's operating expenses by functional classification were as follows for years ended June 30:

2025						
	Total	Compensation and Benefits	Supplies and Other	Scholarships and Fellowships	Utilities	Depreciation and Amortization
Instruction	\$ 116,799,188	\$ 107,345,169	\$ 6,480,113	\$ 2,827,838	\$ 24,934	\$ 121,134
Research	24,962,669	16,225,865	7,981,641	696,585		58,578
Public Service	17,638,219	8,919,228	8,203,347	98,008	319,297	98,339
Academic Support	63,804,795	44,781,499	16,490,660	197,720		2,334,916
Student Services	29,435,698	18,368,950	9,903,347	91,431	87,719	984,251
Institutional Support	44,353,278	30,627,247	12,307,085	23,109	96,275	1,299,562
Operations and Maintenance of Plant	23,113,916	10,011,401	12,858,697		(5,725)	249,543
Scholarships & Fellowships	2,760,604	151,603	176,214	2,432,787		
Auxiliary Enterprises	77,912,122	28,800,262	36,329,409	3,240,319	7,819,493	1,722,639
Depreciation & Amortization	27,601,467					27,601,467
Other	(16,314,461)	26,118	(16,340,579)			
Total Operating Expenses	412,067,495	\$ 265,257,342	\$ 94,389,934	\$ 9,607,797	\$ 8,341,993	\$ 34,470,429
Interest Expense	4,932,877					
Total Expenses	\$ 417,000,372					

2024						
	Total	Compensation and Benefits	Supplies and Other	Scholarships and Fellowships	Utilities	Depreciation and Amortization
Instruction	\$ 115,984,789	\$ 107,176,321	\$ 5,821,261	\$ 2,899,679	\$ 6,491	\$ 81,037
Research	24,826,385	15,694,100	8,401,857	722,719	27	7,682
Public Service	17,619,513	8,904,155	8,251,894	61,806	348,865	52,793
Academic Support	57,921,323	41,245,421	14,035,566	136,456		2,503,880
Student Services	27,756,175	17,133,315	9,446,576	124,587	57,812	993,885
Institutional Support	45,330,402	32,275,743	11,772,615	25,734	103,483	1,152,827
Operations and Maintenance of Plant	30,062,108	9,425,256	20,177,593		205,859	253,400
Scholarships & Fellowships	16,880,336	23,338	292,074	16,564,924		
Auxiliary Enterprises	67,866,889	27,410,944	33,065,678	(1,090,645)	7,583,436	897,476
Depreciation & Amortization	27,786,018					27,786,018
Other	(26,929,974)	11,048	(26,941,022)			
Total Operating Expenses	405,103,964	\$ 259,299,641	\$ 84,324,092	\$ 19,445,260	\$ 8,305,973	\$ 33,728,998
Interest Expense	5,806,739					
Total Expenses	\$ 410,910,703					

NOTES TO THE FINANCIAL STATEMENTS (concluded)

Central Michigan University

NOTE 14--NEW ACCOUNTING PRONOUNCEMENTS

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which requires governments to limit topics in management disclosure and analysis ("MD&A") to (1) overview of the financial statements, (2) financial summary, (3) detailed analyses, (4) significant capital asset and long-term financing activity, and (5) currently known facts, decisions, or conditions. It also provides clarification on what constitutes nonoperating revenues and expenses for proprietary funds. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2026. The effect of this new statement has not yet been determined.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of certain Capital Assets*, which requires governments to provide detailed information about capital assets in notes to financial statements. The statement requires certain types of capital assets to be disclosed separately and presented by major class. This Statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the university's financial statements for the year ending June 30, 2026. The effect of this new statement has not yet been determined.

Required Supplemental Information

REQUIRED SUPPLEMENTAL INFORMATION

Central Michigan University

Schedule of the Institution's Proportionate Share of the Net Pension (Asset) Liability Michigan Public School Employees Retirement Plan (Amounts were determined as of 9/30 of each fiscal year)

	University's proportion of the Universities collective MPERS net pension (asset) liability:		University's covered payroll	University's proportional share of the collective pension (asset) liability (amount), as a percentage of the University's covered payroll	MPERS fiduciary net position as a percentage of the total pension liability
	As a percentage	Amount			
2024	24.94%	(\$21,859,149)	\$58,319,000	-37.48%	107.71%
2023	24.87%	\$5,735,757	\$57,175,000	10.03%	98.02%
2022	24.83%	\$79,382,848	\$56,054,000	141.62%	74.39%
2021	24.78%	\$139,230,704	\$54,955,000	253.35%	52.26%
2020	24.74%	\$168,997,255	\$53,878,000	313.67%	43.07%
2019	24.58%	\$164,606,252	\$52,821,000	311.63%	44.24%
2018	24.49%	\$156,499,530	\$51,785,566	302.21%	45.87%
2017	24.54%	\$141,154,617	\$52,547,000	268.63%	47.42%
2016	24.49%	\$137,188,658	\$50,770,000	270.22%	46.77%
2015	23.49%	\$128,881,423	\$40,847,274	315.52%	47.45%
2014	24.89%	\$93,365,966	\$45,313,116	206.05%	63.00%

Schedule of Institution Pension Contributions Michigan Public School Employees Retirement Plan (Amounts were determined as of 6/30 of each fiscal year)

	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2025	\$892,587	\$892,587		\$59,193,785	1.51%
2024	\$52,618,109	\$52,618,109		\$58,032,625	90.67%
2023	\$82,266,236	\$82,266,236		\$56,894,810	144.59%
2022	\$35,954,259	\$35,954,259		\$55,779,325	64.46%
2021	\$14,265,277	\$14,265,277		\$54,686,170	26.09%
2020	\$12,489,211	\$12,489,221		\$53,613,315	23.29%
2019	\$12,220,875	\$12,220,875		\$52,562,142	23.25%
2018	\$11,850,788	\$11,850,788		\$51,975,500	22.80%
2017	\$10,398,309	\$10,398,409		\$52,102,750	19.96%
2016	\$9,124,243	\$9,124,243		\$42,389,435	21.52%
2015	\$8,048,600	\$8,048,600		\$41,843,844	19.23%

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See notes to required supplemental information

REQUIRED SUPPLEMENTAL INFORMATION (continued)

Central Michigan University

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2025

The employer's covered payroll is defined by GASB 82, *Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016.

Changes of benefit terms: There were no changes of benefit terms in 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 or 2014.

Changes of assumptions: There were no changes in assumptions in 2024. The valuation for 2023 includes the impact of an updated experience study for the periods 2017 to 2022. The discount rate and investment rate used in 2022 decreased by 0.80%. There were no changes of benefit assumptions in 2021 or 2020. For 2019, the discount rate for the September 30, 2018 annual actuarial valuation decreased by 0.25%. For 2018, the discount rate for the September 30, 2017 annual actuarial valuation decreased by 0.45% and the valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. For 2017, the discount rate for the September 30, 2016 annual actuarial valuation decreased by 0.50%. There were no changes of benefit assumptions in 2016, 2015 or 2014.

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REQUIRED SUPPLEMENTAL INFORMATION (continued)**Central Michigan University**

Schedule of the Institution's Proportionate Share of the Net OPEB (Asset) Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

	University's proportion of the Universities collective MPERS net OPEB (asset)/liability:		University's covered payroll	University's proportional share of the collective OPEB (asset) liability (amount), as a percentage of the University's covered payroll	MPERS fiduciary net position as a percentage of the total OPEB liability
	As a percentage	Amount			
2024	24.58%	(\$34,305,393)	\$58,319,000	(58.82%)	219.63%
2023	24.66%	(\$20,849,165)	\$57,175,000	(36.47%)	158.96%
2022	24.86%	(\$9,308,291)	\$56,054,000	(16.61%)	121.19%
2021	24.75%	(\$10,613,086)	\$54,955,000	(19.31%)	123.91%
2020	24.78%	\$10,470,434	\$53,878,000	19.43%	77.20%
2019	24.78%	\$22,739,133	\$52,821,000	43.05%	61.07%
2018	24.78%	\$29,395,383	\$51,785,566	56.76%	51.90%
2017	24.66%	\$35,090,380	\$52,547,000	66.78%	44.11%

Schedule of Institution OPEB Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2025	\$71,741	\$71,741		\$59,193,785	0.12%
2024	\$89,854	\$89,854		\$58,032,625	0.15%
2023	\$899,920	\$899,920		\$56,894,810	1.58%
2022	\$3,360,990	\$3,360,990		\$55,779,325	6.03%
2021	\$3,345,709	\$3,345,709		\$54,686,170	6.12%
2020	\$3,268,784	\$3,268,784		\$53,613,315	6.10%
2019	\$3,215,494	\$3,215,494		\$52,562,142	6.12%
2018	\$3,330,389	\$3,330,389		\$51,975,500	6.41%

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REQUIRED SUPPLEMENTAL INFORMATION (concluded)

Central Michigan University

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2025

The employer's covered payroll is defined by GASB 82, *Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016.

Changes of benefit terms: There were no changes of benefit terms in 2024, 2023, 2022, 2021, 2020, 2019, 2018 or 2017.

Changes of assumptions: There were no changes in assumptions for 2024. The healthcare cost trend used in 2023 decreased by 0.25% for members under 65 and increased 1.00% for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022. The discount rate and investment rate used in 2022 decreased by 0.95%. For 2021, the healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75% percentage points and actual per person health benefit costs were lower than projected. For 2020, the discount rate was unchanged, the healthcare cost trend rate decreased by 0.50% and actual per person health benefit costs were lower than projected for the September 30, 2019 annual actuarial valuation. For 2019, the discount rate for the September 30, 2018 annual actuarial valuation decreased by 0.20%. For 2018, the discount rate for the September 30, 2017 annual actuarial valuation decreased by 0.35%. There were no changes of benefit assumptions in 2017.

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