

# **Michigan Tech Fund**

**Audited Financial Statements  
June 30, 2024 and 2023**

# Michigan Tech Fund

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For the Years Ended June 30, 2024 and 2023

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**Michigan Tech Fund**

Administrative Officials

For the Years Ended June 30, 2024 and 2023

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*BOARD OF DIRECTORS AND OFFICERS*

Michael Pulick  
Chair and Director

Karl LaPeer  
Director

Brenda Ryan  
Director

Jeffrey Littmann  
Director

Jon Jipping  
Director

Steve Tomaszewski  
Director

Richard Koubek  
President and Director

Nicholas Stevens  
Director

James Parm  
Vice Chair and Director

William Roberts  
Vice President and Director

Karla Aho  
Secretary

Julie Seppala  
Treasurer

## **Independent Auditor's Report**

To the Board of Directors  
Michigan Tech Fund

### ***Opinion***

We have audited the financial statements of Michigan Tech Fund (the "Fund"), a component unit of Michigan Technological University, as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Michigan Tech Fund as of June 30, 2024 and 2023 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As explained in Note 3, the financial statements include investments valued at approximately \$65,900,000 (29 percent of net assets) at June 30, 2024 and approximately \$55,300,000 (26 percent of net assets) at June 30, 2023 that have been valued at net asset value and are subject to market fluctuation and values determined by third-party investment fund managers and general partners. 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 Fund's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Michigan Tech Fund

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Additional Information***

Management is responsible for the other information included in the basic financial statements. The other information comprises the list of administrative officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



October 9, 2024

# Michigan Tech Fund

Management's Discussion and Analysis

June 30, 2024 and 2023

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## Introduction

Following this discussion and analysis are the financial statements for The Michigan Tech Fund (the "Fund"). This management discussion and analysis will review the financial statements and their relationship to each other, and outline any additional facts, decisions, or conditions that have, or are expected to have, a significant effect on the financial position of the Fund.

## Mission and Impact

The Fund exists to support the mission, vision, and values of Michigan Technological University ("the University" or "MTU"). On behalf of the University, the Fund serves as the steward for contributions, produces donor receipts, and prudently invests contributions until they are spent for their intended purposes.

During fiscal year 2024 and 2023, respectively, the Fund provided approximately \$19.5 million and \$13.7 million in grants to benefit the University, including over \$4.7 million and \$3.5 million in student financial aid to MTU students.

## Financial Statement Overview

The Fund is a not-for-profit organization that, because of its relationship to the University and governance structure, is considered a governmental entity and therefore, follows financial reporting guidance promulgated by the Governmental Accounting Standards Board. This set of audited financial statements contains a management's discussion and analysis section, the basic financial statements which include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows, and notes to the financial statements. The statement of net position includes all of the Fund's assets, liabilities and net position, and deferred outflows/inflows of resources. The statement of revenues, expenses, and changes in net position accounts for all of the current year's revenues and expenses when earned or incurred regardless of when cash is received or paid. Net position, the difference between the Fund's assets plus deferred outflows and liabilities plus deferred inflows, is one way to measure the Fund's financial health. Increases or decreases in the Fund's net position are one indicator of whether its financial position is improving or deteriorating.

## Michigan Tech Fund

Management's Discussion and Analysis

June 30, 2024 and 2023

### Financial Highlights: Statements of Net Position

	Condensed Statements of Net Position		
	As of June 30		
	2024	2023	2022
<b>ASSETS</b>			
Current assets	\$ 16,262,750	\$ 13,827,017	\$ 11,687,013
Noncurrent assets	222,261,001	208,396,349	198,901,701
<b>Total assets</b>	<b>\$ 238,523,751</b>	<b>\$ 222,223,366</b>	<b>\$ 210,588,714</b>
<b>LIABILITIES</b>			
Current liabilities	\$ 727,403	\$ 465,741	\$ 745,722
Noncurrent liabilities	4,322,006	4,766,738	4,973,765
<b>Total liabilities</b>	<b>5,049,409</b>	<b>5,232,479</b>	<b>5,719,487</b>
<b>DEFERRED INFLOWS</b>	<b>11,878,972</b>	<b>11,070,270</b>	<b>10,989,955</b>
<b>NET POSITION</b>			
Restricted			
Nonexpendable	125,635,401	118,486,008	112,022,233
Expendable	85,258,213	77,517,839	72,667,830
Unrestricted	10,701,756	9,916,770	9,189,209
<b>Total net position</b>	<b>221,595,370</b>	<b>205,920,617</b>	<b>193,879,272</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 238,523,751</b>	<b>\$ 222,223,366</b>	<b>\$ 210,588,714</b>

#### Changes from 2023 to 2024

Total assets of the Fund increased by \$16.3 million or 7.3%. The driver of this increase was investments. The Fund's investment portfolio rose by \$14.2 million due to healthier financial market conditions during fiscal year 2024.

Total liabilities decreased by \$183,070 or 3%. Liabilities of the Fund consisted of accounts payable and payments to beneficiaries of split-interest agreements (pooled income funds and charitable gift annuities). Accounts payable to Michigan Technological University increased by \$253,000 in fiscal year 2024 due to the timing of payments made to the University.

Deferred inflows increased by \$809,000 or 7%. The increase was due to the appreciation of the market value of the investments held as irrevocable split-interest agreements (remainder trusts, pooled income funds and charitable gift annuities).

Total net position increased by \$15.7 million or 8%. Nonexpendable restricted net position increased by \$7.1 million from new gifts to the endowment and the expendable restricted category of net position increased by \$7.7 million from the net appreciation of endowment investments and from decreased spending during fiscal year 2024.

## Michigan Tech Fund

Management's Discussion and Analysis

June 30, 2024 and 2023

### Changes from 2022 to 2023

Total assets of the Fund increased by \$11.6 million or 5.5%. The driver of this increase was investments. The Fund's investment portfolio rose by \$10.3 million due to healthier financial market conditions during fiscal year 2023.

Total liabilities decreased by \$487,000 or 9%. Liabilities of the Fund consisted of accounts payable and payments to beneficiaries of split-interest agreements (pooled income funds and charitable gift annuities). Accounts payable to Michigan Technological University decreased by \$274,000 in fiscal year 2023 due to the timing of payments made to the University.

Deferred inflows increased by \$80,000 or 1%. The increase was due to the appreciation of the market value of the investments held as irrevocable split-interest agreements (remainder trusts, pooled income funds and charitable gift annuities).

Total net position increased by \$12 million or 6%. Nonexpendable restricted net position increased by \$6.5 million from new gifts to the endowment and the expendable restricted category of net position increased by \$4.9 million from the net appreciation of endowment investments and from decreased spending during fiscal year 2023.

### Financial Highlights: Statements of Revenues, Expenses and Changes in Net Position

#### Condensed Statements of Revenues, Expenses and Changes in Net Position For the year ended June 30

	2024	2023	2022
<b>OPERATING EXPENSES</b>			
Grants to Michigan Technological University	\$ 19,479,935	\$ 13,689,913	\$ 14,873,381
Other operating expenses	343,322	452,527	484,524
<b>Total operating expenses</b>	<b>19,823,257</b>	<b>14,142,440</b>	<b>15,357,905</b>
<b>Operating loss</b>	<b>(19,823,257)</b>	<b>(14,142,440)</b>	<b>(15,357,905)</b>
<b>NONOPERATING REVENUES AND OTHER REVENUES</b>			
Contributions	11,060,949	9,651,844	10,581,204
Investment return, net	14,954,545	9,780,395	(7,226,708)
Other revenues	9,482,516	6,751,546	6,788,411
<b>Total nonoperating revenues and other revenues</b>	<b>35,498,010</b>	<b>26,183,785</b>	<b>10,142,907</b>
<b>Net increase (decrease) in net position</b>	<b>15,674,753</b>	<b>12,041,345</b>	<b>(5,214,998)</b>
<b>NET POSITION</b>			
Beginning	205,920,617	193,879,272	199,094,270
<b>End of year</b>	<b>\$ 221,595,370</b>	<b>\$ 205,920,617</b>	<b>\$ 193,879,272</b>

### Changes from 2023 to 2024

Total operating expenses increased by \$5.7 million or 40%. The increase in expenses was in the grants to Michigan Technological University category. In fiscal year 2024, \$2.0 million was expended by the University on renovations to the Chemical Sciences and Engineering Building, which was funded by donors. Nonoperating revenues and other revenues increased by \$9.3 million or 35.6%. Investments caused a \$5.2 million increase in investment return compared to fiscal year 2023.



## Michigan Tech Fund

Management's Discussion and Analysis

June 30, 2024 and 2023

### Changes from 2022 to 2023

Total operating expenses decreased by \$1.2 million or 8.6%. The decrease in expenses was in the grants to Michigan Technological University category. In fiscal year 2022, over \$1.0 million was expended by the University on renovations to the student ice arena, which was funded by donors. Nonoperating revenues and other revenues increased by \$16 million or 158%. Investments caused a \$17 million increase in investment return compared to fiscal year 2022.

### Financial Highlights: Statements of Cash Flows

#### Condensed Statements of Cash Flows For the year ended June 30

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM</b>			
Operating activities	\$ (19,139,878)	\$ (13,195,338)	\$ (15,265,328)
Noncapital financing activities	8,512,594	7,456,270	7,081,874
Capital and related financing activities	7,483,234	6,362,193	6,768,877
Investment activities	2,716,053	993,167	473,910
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(427,997)</b>	<b>1,616,292</b>	<b>(940,667)</b>
Cash and cash equivalents, beginning of year	11,843,885	10,227,593	11,168,260
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 11,415,888</u></b>	<b><u>\$ 11,843,885</u></b>	<b><u>\$ 10,227,593</u></b>

### Changes from 2023 to 2024

Overall, cash and cash equivalents decreased by \$428,000 during fiscal year 2024. Whereas cash flow from noncapital and capital financing activities increased, cash flows provided by operating activities decreased. Within operating activities, spending on scholarships and fellowships increased by \$1.2 million.

### Changes from 2022 to 2023

Overall, cash and cash equivalents increased by \$1.6 million during fiscal year 2023. The cash item that differed the most from 2022 was in operating activities. Operating cash outflows decreased in fiscal year 2023, due to cash payments to the University declining by \$1.8 million.

### Economic Factors Impacting the Future

The Michigan Tech Fund's two sources of revenue, contributions and investment returns, both increased significantly in fiscal year 2024 compared to fiscal year 2023. Management is cautiously optimistic that this upward trend will continue in fiscal year 2025, despite the current economic uncertainty that still exists due to higher-than-normal inflation and interest rates.

# Michigan Tech Fund

## Statements of Net Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 11,415,888	\$ 11,843,885
Pledges receivable, net of allowance for uncollectible amounts	4,838,751	1,975,457
Interest and dividends receivable	8,111	7,675
<b>Total current assets</b>	<b>16,262,750</b>	<b>13,827,017</b>
Noncurrent assets		
Pledges receivable, net of discount, net of current portion	16,690,899	17,251,715
Amount due from Michigan Technological University	-	164,000
Cash surrender value, life insurance	1,847,463	1,690,588
Beneficial interest in remainder trusts	7,259,708	6,989,028
Investments	196,462,931	182,301,018
<b>Total noncurrent assets</b>	<b>222,261,001</b>	<b>208,396,349</b>
<b>Total assets</b>	<b>\$ 238,523,751</b>	<b>\$ 222,223,366</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 272,097	\$ 18,721
Current portion of annuity obligations	455,306	447,020
<b>Total current liabilities</b>	<b>727,403</b>	<b>465,741</b>
Noncurrent liabilities		
Annuity obligations, net of current portion	4,100,797	4,228,398
Pooled income obligations	221,209	538,340
<b>Total noncurrent liabilities</b>	<b>4,322,006</b>	<b>4,766,738</b>
<b>Total liabilities</b>	<b>5,049,409</b>	<b>5,232,479</b>
<b>Deferred inflows</b>	<b>11,878,972</b>	<b>11,070,270</b>
<b>Net position</b>		
Restricted		
Nonexpendable	125,635,401	118,486,008
Expendable - net appreciation on endowment used for University programs and student financial aid	43,674,193	35,716,221
Expendable - University programs and student financial aid	41,584,020	41,801,618
Unrestricted	10,701,756	9,916,770
<b>Total net position</b>	<b>221,595,370</b>	<b>205,920,617</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 238,523,751</b>	<b>\$ 222,223,366</b>

The accompanying notes are an integral part of these financial statements.

## Michigan Tech Fund

Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
<b>OPERATING EXPENSES</b>		
Grants to Michigan Technological University	\$ 19,479,935	\$ 13,689,913
Other operating expenses	343,322	452,527
<b>Total operating expenses</b>	<u>19,823,257</u>	<u>14,142,440</u>
<b>Operating loss</b>	<b>(19,823,257)</b>	<b>(14,142,440)</b>
<b>NONOPERATING REVENUES</b>		
Contributions	11,060,949	9,651,844
Investment return (loss), net	14,954,545	9,780,395
<b>Total nonoperating revenues</b>	<u>26,015,494</u>	<u>19,432,239</u>
<b>Income (loss) before other revenues</b>	6,192,237	5,289,799
<b>OTHER REVENUES</b>		
Gifts for permanent endowment and capital purposes	9,392,863	6,632,934
Other revenues	89,653	118,612
<b>Total other revenues</b>	<u>9,482,516</u>	<u>6,751,546</u>
<b>Change in net position</b>	<b>15,674,753</b>	<b>12,041,345</b>
<b>NET POSITION</b>		
Beginning	<u>205,920,617</u>	<u>193,879,272</u>
<b>Ending</b>	<u><b>\$ 221,595,370</b></u>	<u><b>\$ 205,920,617</b></u>

The accompanying notes are an integral part of these financial statements.

# Michigan Tech Fund

## Statements of Cash Flows

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to and on-behalf-of Michigan Technological University	\$ (18,987,544)	\$ (13,112,620)
Payments for other operating expenses	<u>(152,334)</u>	<u>(82,718)</u>
<b>Net cash from operating activities</b>	<b>(19,139,878)</b>	<b>(13,195,338)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Contributions for other than endowment or capital purposes	8,873,299	7,791,753
Payments to annuitants	(450,356)	(454,095)
Other receipts	<u>89,651</u>	<u>118,612</u>
<b>Net cash from noncapital financing activities</b>	<b>8,512,594</b>	<b>7,456,270</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions for endowment and capital purposes	<u>7,483,234</u>	<u>6,362,193</u>
<b>Net cash from capital and related financing activities</b>	<b>7,483,234</b>	<b>6,362,193</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	26,131,999	29,260,381
Purchase of investments	(27,036,218)	(31,443,575)
Income on investments, net of fees paid	<u>3,620,272</u>	<u>3,176,361</u>
<b>Net cash from investment activities</b>	<b>2,716,053</b>	<b>993,167</b>
<b>Net change in cash and cash equivalents</b>	<b>(427,997)</b>	<b>1,616,292</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>11,843,885</u>	<u>10,227,593</u>
Ending	<b><u>\$ 11,415,888</u></b>	<b><u>\$ 11,843,885</u></b>
<b>Reconciliation of operating loss to net cash from operating activities</b>		
Operating loss	\$ (19,823,257)	\$ (14,142,440)
Adjustment to reconcile operating loss to net cash from operating activities		
Noncash gift-in-kind expense	430,003	1,221,346
Change in accounts payable and accrued expenses	<u>253,376</u>	<u>(274,244)</u>
<b>Net cash from operating activities</b>	<b><u>\$ (19,139,878)</u></b>	<b><u>\$ (13,195,338)</u></b>

The accompanying notes are an integral part of these financial statements.

# Michigan Tech Fund

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies:

The **Michigan Tech Fund** (the "Fund") is a Michigan not-for-profit organization established to raise, receive, and maintain funds to use or apply the whole or any part of the income therefrom or the principal thereof exclusively to promote the best interest, purposes, and objectives of Michigan Technological University (the "University" or "MTU"). The Fund is a blended component unit of the University because the Fund's Board of Directors is comprised of ten directors, six of whom are either University trustees or University management, giving the University the controlling majority of the Fund's governing body. The Fund is organized under the provisions of the Michigan Corporation Act (Act 327, PA of 1931) as amended. The Fund has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Fund and the University have an arrangement in which the accounting function for the Fund is performed by University employees. The expenses for those employees totaled \$256,863 and \$297,831 for fiscal years 2024 and 2023 and are included in other operating expenses in the statement of revenues, expenses, and changes in net position.

**Accounting and Reporting Principles:** The Fund follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). Based on these criteria, there are no component units of the Fund that are to be included in the reporting entity. Other organizations, including not-for-profit organizations, are considered governmental and required to comply with GASB if one or more of the following characteristics are met: (i) popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments; (ii) the potential for unilateral dissolution by a government with the net assets reverting to a government; or (iii) the power to enact and enforce a tax levy. The following is a summary of the significant accounting policies used by the Fund:

**Basis of Accounting:** The Fund 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*. The Fund meets the grandfather provisions under GASB 34, paragraph 147 for entities that were reporting under the AICPA NFP model as of the date of Statement No. 34. The Fund uses the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

**Net position:** Net position is classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net positions of the Fund have been grouped into the following three categories:

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

# Michigan Tech Fund

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies, continued:

**Restricted for Expendable Purposes:** Net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Fund pursuant to those stipulations or that expire by the passage of time. Such net position includes net appreciation of permanent endowment funds and funds designated for student financial aid and other University programs.

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

**Classification of Revenues and Expenses:** The Fund has classified its revenues and expenses as either operating or nonoperating on the statement of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from exchange transactions. Nonoperating revenues and expenses have the characteristics of non-exchange transactions such as contributions and investment income.

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

**Cash and Cash Equivalents:** Cash and cash equivalents include cash deposits, time deposits, money market funds, and highly liquid debt instruments with original maturities of three months or less.

**Investments:** Investments in marketable securities are carried at quoted fair market value whenever possible. Hedge funds' fair values are based on information provided by the administrators of each underlying fund. Private equity funds that do not have readily determinable market values as of June 30 are valued using net asset value as a practical expedient. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity funds' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by custodial institutions responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment advisor to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced, as necessary. The Fund's Investment Committee of the Board of Directors provides oversight of the investment advisor and makes recommendations to the Board of Directors concerning any changes in the asset allocation. Each month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) to departmental funds based on an average of each fund's beginning and ending monthly balances. Net investment return is reported in the statement of revenues, expenses and changes in net position and consists of interest and dividends, realized and unrealized gains and losses, less external investment expenses.

**Deferred Inflows:** In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows represent an acquisition of net position that applies to a future period and as such, is not recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of future revenue streams related to irrevocable split-interest agreements such as the beneficial interest in remainder trusts, pooled income funds and charitable gift annuities.

# Michigan Tech Fund

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies, continued:

**Split-Interest Agreements:** Life income trusts, pooled income funds, remainder trusts, and certain other investments are maintained by separate trust companies. Trustee functions include management of the investments, distributions to donors, complying with tax filing requirements, and providing periodic trust statements to the Fund.

**Gifts-in-Kind:** Land, buildings, and equipment are recorded at acquisition value at the date of the gift based upon appraised values. In most cases, the Fund serves as an agent for the receipt of property and equipment and immediately transfers these gifts to the University. The Fund has a policy to list for sale any gifts-in-kind received and not subject to immediate transfer to the University.

**Contributions and Pledges Receivable:** Contributions received and unconditional promises to give are recognized at their fair values as revenues in the periods received once eligibility requirements have been met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. All unconditional promises to give are recorded at their net realizable values.

**Asset-Based Management and Administrative Fees:** The Fund receives monthly management and administrative fees from the various departmental funds for managing the assets processed and maintained by the Fund. These fees are remitted to the University as expenses and are included with grants to Michigan Technological University on the statement of revenues, expenses, and changes in net position.

### 2. Cash and Investments:

The Fund's cash and investments are subject to several types of risk which are addressed within the Fund's investment policy statement (IPS) as follows. The IPS provides guidelines based on the type of pool in which each investment is held. There are five separate pools which have their own investment objectives over a period of time which assumes acceptable risk levels commensurate with market volatility. Market volatility is defined as the trailing three-year standard deviation of investment returns. The pools each have a policy asset allocation mix which considers the universe of investments in two broad categories- return seeking assets and risk mitigating assets. Return seeking assets consist of US equity, international developed and emerging market equity, high yield bonds, international emerging market bonds, real estate and infrastructure, natural resources and commodities, hedge funds, and private equity. Risk mitigating assets consist of US investment grade bonds, inflation protected bonds, international developed market bonds, and cash. Within each return seeking/risk mitigating asset mix are approved norms along with lower to upper ranges of the individual assets held.

## Michigan Tech Fund

### Notes to Financial Statements

#### 2. Cash and Investments, continued:

**Interest rate risk:** The Fund has an investment policy that focuses on the maturity of the pool along with the appropriate risk versus return percentage. The maturities of the Fund's fixed income investments as of June 30, 2024 and 2023 are categorized below:

	<b>2024</b>				
	<b>Fair Value</b>	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>6 to 10 Years</b>	<b>Greater than 10 years</b>
Mutual funds - fixed income	\$ 54,925,798	\$ 6,289,239	\$ 6,345,533	\$ 42,276,066	\$ 14,960
Corporate bonds and notes	377,145	72,072	219,892	85,181	-
US government obligations	1,072,911	314,222	628,425	130,264	-
<b>Total</b>	<b>\$ 56,375,854</b>	<b>\$ 6,675,533</b>	<b>\$ 7,193,850</b>	<b>\$ 42,491,511</b>	<b>\$ 14,960</b>

  

	<b>2023</b>				
	<b>Fair Value</b>	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>6 to 10 Years</b>	<b>Greater than 10 years</b>
Mutual funds - fixed income	\$ 55,214,789	\$ 6,384,935	\$ 7,042,925	\$ 41,766,784	\$ 20,145
Corporate bonds and notes	416,368	43,441	257,568	115,359	-
US government obligations	1,016,333	93,728	722,081	200,524	-
<b>Total</b>	<b>\$ 56,647,490</b>	<b>\$ 6,522,104</b>	<b>\$ 8,022,574</b>	<b>\$ 42,082,667</b>	<b>\$ 20,145</b>

**Credit risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by limiting investments to those specified in the Board-approved investment policy statement; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Fund.



## Michigan Tech Fund

### Notes to Financial Statements

#### 2. Cash and Investments, continued:

The Fund had the following debt instruments subject to interest rate fluctuations at June 30, 2024 and 2023:

	<u>Market Value</u> <u>June 30, 2024</u>	<u>Rating</u>	<u>Rating</u> <u>Agency</u>	<u>Market Value</u> <u>June 30, 2023</u>	<u>Rating</u>	<u>Rating</u> <u>Agency</u>
Mutual funds - fixed income	\$ 558,727	5-star	Morningstar	\$ 1,125,370	5-star	Morningstar
Mutual funds - fixed income	11,933,205	4-star	Morningstar	12,442,122	4-star	Morningstar
Mutual funds - fixed income	42,245,878	3-star	Morningstar	41,436,413	3-star	Morningstar
Mutual funds - fixed income	187,987	2-star	Morningstar	182,892	2-star	Morningstar
Mutual funds - fixed income	-			27,992		Not available
Corporate bonds and notes						
Abbvie Inc Sr Note	-			8,937	BBB+	S&P
Boeing Co Debenture	23,040	BBB-	S&P	23,485	BBB-	S&P
Stryker Corp Sr Note	9,732	BBB+	S&P	9,562	BBB+	S&P
Walgreens Boots Alliance Inc Note	8,474	BBB-	S&P	8,438	BBB	S&P
Coca Cola Enterprises Inc Debenture	9,586	A+	S&P	9,724	A+	S&P
Microsoft Corp Note	-			9,941	AAA	S&P
Raytheon Co Debenture	11,682	BBB+	S&P	11,721	A-	S&P
Celgene Corp Sr Note	14,157	A+	S&P	14,041	A+	S&P
Chevron Corp	-			24,564	AA-	S&P
Intel Corp	21,981	A-	S&P	21,621	A+	S&P
Royal Bank of Canada	24,718	A	S&P	23,855	A	S&P
Visa Inc	24,313	AA-	S&P	23,963	AA-	S&P
Comcast Corp	46,812	A-	S&P	45,908	A-	S&P
State Street Corp	44,046	A	S&P	43,139	A	S&P
Blackrock Inc	20,352	AA-	S&P	20,161	AA-	S&P
Merck & Co Inc	20,783	A+	S&P	20,714	A+	S&P
Toyota Motor Credit Corp	23,152	A+	S&P	22,353	A+	S&P
UnitedHealth Group Inc	24,044	A+	S&P	23,891	A+	S&P
Westpac Banking Corp	25,379	AA-	S&P	25,371	AA-	S&P
John Deere Capital Corp	24,894	A	S&P	24,979	A	S&P
US government obligations						
Fed Farm Credit Bk	44,916	AA+	S&P	59,281	AA+	S&P
US Treasury Notes	1,004,485	AAA	Moody's	933,977	AAA	Moody's
Fed National Mortgage Assn	23,511	AA+	S&P	23,075	AA+	S&P
<b>Total</b>	<b><u>\$ 56,375,854</u></b>			<b><u>\$ 56,647,490</u></b>		

**Custodial credit risk – deposits:** For deposits, custodial credit risk is present if the Fund's deposits would not be covered by depository insurance or collateralized by the bank. Deposits were reflected in the accounts of the banks of \$11,454,808 and \$11,877,526 as of June 30, 2024 and 2023. The Fund had \$10,999,327 and \$11,377,526 exposed to custodial credit risk because the deposits were uninsured or uncollateralized as of June 30, 2024 and 2023.

**Custodial credit risk – investments:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund 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 open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical and book entry form. All investments are in the name of the Fund, as applicable, and the investments are held in accounts with each financial institution from which they were purchased.

## Michigan Tech Fund

### Notes to Financial Statements

#### 2. Cash and Investments, continued:

**Concentration of credit risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Fund's investment policy does not have specific limits on concentration of credit risk.

The following investments comprise more than 5% of the total investments as of June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Vanguard Total Stock Market ETF	\$ 21,553,548	\$ 19,440,591
Vanguard Total Bond Market	41,615,497	41,100,162
Vanguard International Equity Index Fund	18,268,061	17,968,957
American Core Realty Fund	-	9,120,697
<b>Total</b>	<b>\$ 81,437,106</b>	<b>\$ 87,630,407</b>

**Foreign currency risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. All of the Fund's foreign investments at June 30, 2024 and 2023 are valued in US dollars, therefore the Fund was not subject to foreign currency risk.

Investments, carried at fair value, at June 30, 2024 and 2023 are categorized as follows:

	<b>2024</b>	<b>2023</b>
Marketable securities		
Equities	\$ 24,601,303	\$ 24,269,285
Mutual funds – equities	49,395,244	45,894,917
Mutual funds – fixed income	54,925,798	55,214,789
Corporate bonds and notes	377,145	416,368
US government obligations	1,072,911	1,016,333
Total marketable securities	130,372,401	126,811,692
Alternative investments		
Hedge funds	7,472,684	8,300,610
Real estate and natural resources	18,131,857	14,117,572
Private equity	33,807,248	28,555,520
Global credit	6,493,741	4,330,624
Total alternative investments	65,905,530	55,304,326
Other investments		
Land held for investment	165,000	165,000
Other	20,000	20,000
<b>Total investments</b>	<b>\$ 196,462,931</b>	<b>\$ 182,301,018</b>

## Michigan Tech Fund

### Notes to Financial Statements

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#### 2. Cash and Investments, continued:

Investment return (loss) is a net amount and is comprised of the following for the year ended June 30, 2024 and 2023:

Interest and dividends	\$ 3,884,866	\$ 3,385,429
Net gain on sale of investments	2,638,345	916,536
Net unrealized gain (loss) on investments	8,934,054	5,963,986
Investment fees	(502,694)	(485,556)
<b>Total investment return (loss), net</b>	<b>\$ 14,954,571</b>	<b>\$ 9,780,395</b>

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

#### 3. Fair Value:

The Fund utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Additionally, from time to time, the Fund may be required to adjust other assets and liabilities to fair value on a non-recurring basis.

The Fund groups its assets at fair value into three levels, based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

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

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

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

The following is a description of the valuation methodologies used for assets recorded at fair value on a recurring basis.

**Investments:** Fair value measurement is based upon quoted prices, if available. Level 1 investments include fixed income, equity securities (primarily mutual funds), and debt securities (primarily U.S. government obligations). Level 2 investments include corporate bonds and notes and debt securities (principally US government obligations). Level 3 investments include other investments. Other investments consist of closely held securities and the fair value is based on appraisals.

# Michigan Tech Fund

## Notes to Financial Statements

### 3. Fair Value, continued:

**Beneficial Interest in Remainder Trusts:** Fair value measurement is based upon the fair value of the underlying investments in the trusts, an estimated rate of return, anticipated future payments to be made to beneficiaries, living beneficiaries' life expectancies, and an assumed discount rate.

The following tables present the recorded amount of the Fund's assets measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	<b>2024</b>			
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Marketable securities				
Equities	\$ 24,601,303	\$ 24,601,303	\$ -	\$ -
Mutual funds – equities	49,395,244	49,395,244	-	-
Mutual funds – fixed income	54,925,798	54,925,798	-	-
Corporate bonds and notes	377,145	-	377,145	-
US government obligations	1,072,911	1,072,911	-	-
Other investments				
Land held for investment	165,000	-	-	165,000
Other investments	20,000	-	-	20,000
<b>Total investments at fair value</b>	<b>130,557,401</b>	<b>\$ 129,995,256</b>	<b>\$ 377,145</b>	<b>\$ 185,000</b>
Alternative investments that calculate net asset value per share				
Hedge funds	7,472,684			
Real estate and natural resources	18,131,857			
Private equity	33,807,248			
Global credit	6,493,741			
<b>Total alternative investments that calculate net asset value per share</b>	<b>65,905,530</b>			
<b>Balance at June 30, 2023</b>	<b>\$ 196,462,931</b>			
<b>Beneficial interest in remainder trusts</b>	<b>\$ 7,259,708</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,259,708</b>
	<b>2023</b>			
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Marketable securities				
Equities	\$ 24,269,285	\$ 24,269,285	\$ -	\$ -
Mutual funds – equities	45,894,917	45,894,917	-	-
Mutual funds – fixed income	55,214,789	55,214,789	-	-
Corporate bonds and notes	416,368	-	416,368	-
US government obligations	1,016,333	1,016,333	-	-
Other investments				
Land held for investment	165,000	-	-	165,000
Other investments	20,000	-	-	20,000
<b>Total investments at fair value</b>	<b>126,996,692</b>	<b>\$ 126,395,324</b>	<b>\$ 416,368</b>	<b>\$ 185,000</b>
Alternative investments that calculate net asset value per share				
Hedge funds	8,300,610			
Real estate and natural resources	14,117,572			
Private equity	28,555,520			
Global credit	4,330,624			
<b>Total alternative investments that calculate net asset value per share</b>	<b>55,304,326</b>			
<b>Balance at June 30, 2022</b>	<b>\$ 182,301,018</b>			
<b>Beneficial interest in remainder trusts</b>	<b>\$ 6,989,028</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,989,028</b>

## Michigan Tech Fund

### Notes to Financial Statements

#### 3. Fair Value, continued:

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 Fund's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

#### Investments in Entities that Calculate Net Asset Value Per Share:

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

The following table lists investments in other investment companies (in partnership format) by major category as of June 30, 2024 and 2023:

	<b>2024</b>			
	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Hedge Funds (1)	\$ 7,472,684	\$ -	Quarterly	90 calendar days + 5 business days
Real Estate and Natural Resources (2)	18,131,857	5,684,186	Quarterly for one fund - not redeemable for others funds	Quarterly for one fund - NA for other funds
Private Equity (3)	33,807,248	31,736,396	Not redeemable	NA
Global Credit (4)	6,493,741	-	Semi-annually	90 calendar days
<b>Total</b>	<b><u>\$ 65,905,530</u></b>	<b><u>\$ 37,420,582</u></b>		
	<b>2023</b>			
	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Hedge Funds (1)	\$ 8,300,610	\$ -	Quarterly	90 calendar days + 5 business days
Real Estate and Natural Resources (2)	14,117,572	5,053,525	Quarterly for one fund - not redeemable for others funds	Quarterly for one fund - NA for other funds
Private Equity (3)	28,555,520	26,474,017	Not redeemable	NA
Global Credit (4)	4,330,624	-	Semi-annually	90 calendar days
<b>Total</b>	<b><u>\$ 55,304,326</u></b>	<b><u>\$ 31,527,542</u></b>		

#### Strategy

- (1) This category includes one multi-strategy hedge fund.
- (2) This category includes funds that invest in commercial and residential real estate funds with U.S. properties and natural resource sector funds.
- (3) This category includes numerous private equity limited partnerships that invest in leverage buyout venture capital, growth equity financing, opportunistic situations, high yield, and subordinated debt across the primary and secondary markets.
- (4) This category includes one fund that invests in public and private credit markets, focusing on core yield-oriented investments, supplemented by opportunistic positions with higher expected returns.

## Michigan Tech Fund

### Notes to Financial Statements

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#### 4. Pledges Receivable:

Pledges may be restricted by donors for scholarships and fellowships, faculty positions, property and equipment, or designated departments of the University. Pledges have been reported at their discounted, net realizable values. The Fund estimated the present value of future cash flows using .25% over the risk-adjusted rate at the date of the gift. For fiscal year 2024, rates range from 4.7% to 5.0%. The following table shows the balance due of unconditional promises to give to the Fund at June 30, 2024 and 2023.

	<b>2024</b>	<b>2023</b>
Pledges receivable in less than one year	\$ 6,273,021	\$ 3,501,854
Pledges receivable in one to five years	12,545,348	8,685,579
Pledges receivable in more than five years	<u>6,324,250</u>	<u>10,794,257</u>
	25,142,619	22,981,690
Less:		
Allowance for uncollectible pledges	(1,434,270)	(1,526,397)
Present value discount	<u>(2,178,699)</u>	<u>(2,228,121)</u>
<b>Net pledges receivable</b>	<b><u>\$ 21,529,650</u></b>	<b><u>\$ 19,227,172</u></b>

#### 5. Cash Surrender Value of Life Insurance:

The Fund is the owner and beneficiary of life insurance policies with death benefit values of approximately \$2,671,992 at June 30, 2024 and \$2,664,230 at June 30, 2023. The assignments of these policies were received as gifts for various University programs, student financial aid, and other designations.

#### 6. Gifts-in-Kind:

The Fund accepts gifts-in-kind, including property, on behalf of the University and in most cases immediately transfers the gifts-in-kind to the University. Any gifted property accepted as a contribution and not subject to transfer to the University is listed for sale. It is the Fund's policy to offer such gifted property for sale based on appraised or acquisition value at the time of the gift. During the years ended June 30, 2024 and 2023, the Fund received gifts-in-kind in the amounts of \$403,003 and \$1,221,346, respectively. These amounts were recorded as contribution revenue. Amounts immediately transferred to the University and recorded as a grant to Michigan Technological University in the accompanying statement of revenues, expenses and changes in net position were \$403,003 and \$1,221,346 for the years ended June 30, 2024 and 2023, respectively.

## Michigan Tech Fund

### Notes to Financial Statements

#### 7. Functional Classification of Operating Expenses:

The Fund's operating expenses by functional classification were as follows for the years ended June 30, 2024 and 2023:

	<b>2024</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	
<b>Operating expenses</b>				
Scholarships and fellowships	\$ 4,757,712	\$ -	\$ -	\$ 4,757,712
Departmental and other program support	14,722,223	-	-	14,722,223
Contracted employee services	-	256,863	-	256,863
Other services	-	70,642	-	70,642
Supplies	-	15,817	-	15,817
<b>Total expenses</b>	<b>\$ 19,479,935</b>	<b>\$ 343,322</b>	<b>\$ -</b>	<b>\$ 19,823,257</b>

	<b>2023</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	
<b>Operating expenses</b>				
Scholarships and fellowships	\$ 3,567,901	\$ -	\$ -	\$ 3,567,901
Departmental and other program support	10,122,012	-	-	10,122,012
Contracted employee services	-	297,831	-	297,831
Other services	-	68,789	-	68,789
Supplies	-	20,907	65,000	85,907
<b>Total expenses</b>	<b>\$ 13,689,913</b>	<b>\$ 387,527</b>	<b>\$ 65,000</b>	<b>\$ 14,142,440</b>

#### 8. Endowment:

The Fund's endowment consists of 791 and 767 individual, donor-restricted funds at June 30, 2024 and 2023, respectively, established for a variety of purposes and term endowments.

The Board of Directors of the Fund has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as restricted nonexpendable net position the original value of gifts donated to a donor-endowed fund, the original value of subsequent gifts to a donor-endowed fund, and accumulations to a donor-endowed fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Fund, and (7) the Fund's investment policies.

## Michigan Tech Fund

### Notes to Financial Statements

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#### 8. Endowment, continued:

Following is a summary of the Fund's endowment at June 30, 2024 and 2023 and changes therein:

##### Changes in Endowment for the Year Ended June 30:

	<u>2024</u>	<u>2023</u>
Endowment, beginning of year	\$ 155,891,037	\$ 147,630,662
Investment return	10,910,325	5,507,040
Contributions	6,546,860	5,650,768
Appropriation of endowment assets for expenditure	<u>(4,259,431)</u>	<u>(2,897,433)</u>
<b>Endowment, end of year</b>	<b><u>\$ 169,088,791</u></b>	<b><u>\$ 155,891,037</u></b>

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Fund to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that were reported in expendable net position as of June 30, 2024 and 2023 amounted to \$529,101 and \$905,761, respectively.

#### Return Objectives and Risk Parameters

The Fund has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Fund expects its endowment funds, over time, to provide an average rate of return of 8.0% annually. Actual returns in any given year may vary.

#### Strategies Employed for Achieving Objectives

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

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

For the years ended June 30, 2024 and 2023, the Fund had an annual spending policy of 4.0% and 3.6% of its endowment funds' average fair values over the prior twelve quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Fund considered the long-term expected return of its endowment. This policy is consistent with the Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.