

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 and 2025
with
REPORT OF INDEPENDENT AUDITORS

THE ALUMNI ASSOCIATION OF
THE UNIVERSITY OF MICHIGAN

June 30, 2026 and 2025

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Report of Independent Auditors

To the Board of Directors of the Alumni Association of the University of Michigan

Opinion

We have audited the accompanying financial statements of the Alumni Association of the University of Michigan (the "Association"), which comprise the statement of financial position as of June 30, 2026 and 2025, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2026 and 2025, and the changes in its net assets 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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 opinion.

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 Association’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit 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 auditors' 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 an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood

that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, 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 Association'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 Association'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.

PricewaterhouseCoopers LLP

October 5, 2026

THE ALUMNI ASSOCIATION OF
THE UNIVERSITY OF MICHIGAN

Statement of Financial Position

	June 30, 2026	June 30, 2025
Assets		
Cash	$ 120,000	$ 120,000
Accounts receivable, net	933,748	1,006,749
Pledges receivable, net	2,585,111	490,015
Inventories and prepaid expenses	732,217	548,723
Investments on deposit with the University	194,697,165	172,609,151
Capital assets, net	13,930,210	13,756,670
Total Assets	$ 212,998,451	$ 188,531,308
Liabilities and Net Assets		
Accounts payable	$ 1,576,321	$ 1,463,848
Accrued compensation payable	1,563,993	1,543,369
Deposits of affiliates	88,083	71,220
Deferred revenue	4,943,936	4,658,525
Scholarships payable	2,898,712	2,847,563
Note payable	1,213,067	2,426,134
Total Liabilities	12,284,112	13,010,659
Net Assets:		
Without donor restrictions	117,231,272	106,447,866
With donor restrictions	83,483,067	69,072,783
Total Net Assets	200,714,339	175,520,649
Total Liabilities and Net Assets	$ 212,998,451	$ 188,531,308

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

THE ALUMNI ASSOCIATION OF
THE UNIVERSITY OF MICHIGAN

Statement of Activities

	Year Ended June 30, 2026	2025
Changes in Net Assets Without Donor Restrictions		
Operating Revenues and Gains:		
Alumni and student memberships	$ 2,208,941	$ 2,036,903
Alumni gifts and bequests	1,198,509	1,561,863
Net investment income	4,640,213	5,343,620
Program and service fees, alumni and students	7,213,025	6,593,781
University support	750,000	750,000
Advertising and sponsorship	289,677	271,781
Alumni travel commissions	769,707	613,990
Athletic tour	399,650	153,733
Credit card royalties	410,000	841,717
Merchandise sales and other	468,183	626,591
Gifts-in-kind	625,975	610,327
Net assets released from donor restrictions	364,747	227,290
Total Operating Revenues and Gains	19,338,627	19,631,596
Operating Expenses:		
Program services	14,797,764	9,432,779
Administrative and general	3,428,313	6,447,783
Fundraising	3,732,909	4,386,053
Total Operating Expenses	21,958,986	20,266,615
Decrease in Net Assets Without Donor Restrictions from Operations	(2,620,359)	(635,019)
Other Changes in Net Assets Without Donor Restrictions:		
Net unrealized gain on investments on deposit with the University	13,930,158	5,165,573
Net assets placed into restriction	(526,393)	(824,938)
Total Other Changes, Net	13,403,765	4,340,635
Increase in Net Assets Without Donor Restrictions	10,783,406	3,705,616
Changes in Net Assets With Donor Restrictions		
Alumni gifts and bequests	4,568,838	227,859
Refund of prior alumni gifts and bequests	(900,193)	(1,157,274)
Net unrealized gain on investments on deposit with the University	8,949,353	3,571,712
Net investment income	1,630,640	775,600
Net assets placed into restriction	526,393	824,938
Net assets released from donor restrictions	(364,747)	(227,290)
Increase in Net Assets With Donor Restrictions	14,410,284	4,015,545
Increase in Net Assets	25,193,690	7,721,161
Net Assets, Beginning of Year	175,520,649	167,799,488
Net Assets, End of Year	$ 200,714,339	$ 175,520,649

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

THE ALUMNI ASSOCIATION OF
THE UNIVERSITY OF MICHIGAN

Statement of Cash Flows

	Year Ended June 30, 2026	2025
Cash Flows from Operating Activities		
Increase in net assets	$ 25,193,690	$ 7,721,161
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,101,338	1,113,585
Net unrealized (gain) on investments on deposit with the University	(22,879,511)	(8,737,285)
Alumni gifts and bequests restricted for long-term purposes	(2,343,057)	(227,859)
Investment earnings restricted for long-term purposes	(1,630,640)	(775,600)
Changes in operating assets and liabilities:		
Accounts receivable, net	73,001	478,666
Pledges receivable, net	(2,095,096)	2,711,440
Inventories and prepaid expenses	(183,494)	(6,404)
Accounts payable	112,473	660,907
Accrued compensation payable	20,624	117,024
Scholarships payable	51,149	(1,966,553)
Deposits of affiliates	16,863	(4,917)
Deferred revenue	285,411	66,012
Net Cash (Used In) Provided by Operating Activities	(2,277,249)	1,150,177
Cash Flows from Investing Activities		
Net decrease (increase) in investments on deposit with the University	791,497	(646,056)
Purchases of capital assets	(1,274,878)	(294,513)
Net Cash Used in Investing Activities	(483,381)	(940,569)
Cash Flows from Financing Activities		
Alumni gifts and bequests restricted for long-term purposes	2,343,057	227,859
Principal payments on note payable	(1,213,067)	(1,213,067)
Investment earnings restricted for long-term purposes	1,630,640	775,600
Net Cash Provided by (Used In) Financing Activities	2,760,630	(209,608)
Net Increase in Cash	-	-
Cash, Beginning of Year	120,000	120,000
Cash, End of Year	$ 120,000	$ 120,000

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

THE ALUMNI ASSOCIATION OF
THE UNIVERSITY OF MICHIGAN

Notes to Financial Statements

June 30, 2026 and 2025

Note 1—Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation: The Alumni Association of the University of Michigan (the "Association") is a separate nonprofit organization affiliated with the University of Michigan (the "University") and is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Association's mission is to develop, maintain and strengthen the relationship between the University and its graduates, through communications and through programs and services that connect alumni with the University and with each other.

Net assets are categorized as:

- **Without donor restrictions** - Net assets that are not subject to externally imposed stipulations. This net asset category principally consists of fees for service and related expenses associated with the core activities of the Association. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.
- **With donor restrictions** - Net assets subject to externally imposed stipulations that will be met either by actions of the Association or the passage of time. Included in this category are net assets to be maintained permanently by the Association, in which the donor has stipulated the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

Summary of Significant Accounting Policies: The accompanying financial statements have been prepared on the accrual basis. The Association adheres to accounting principles generally accepted in the United States of America in reporting expenses by their functional classification.

Accounts receivable, both general receivables and membership receivables, are recorded net of an allowance for uncollectable accounts receivable. The allowance is maintained at a level to absorb expected losses in the accounts receivable. Management determines the adequacy of the allowance by applying estimated loss ratios based on recent loss experience. However, actual loss ratios will vary from those projected amounts. The allowance related to accounts receivable was $42,255 and $52,676 at June 30, 2026 and 2025, respectively.

Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

The Association receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising. The fair value of pledges receivable approximates their financial statement carrying amount.

Inventories are stated at the lower of cost (first-in, first-out basis) or market. Capital assets are recorded at cost or, if donated, at appraised value at the date of donation. Depreciation is provided on a straight-line method over the estimated useful lives of the respective assets, which range from five to forty years.

Investments on deposit with the University represent deposits in the University Investment Pool ("UIP"), a short-term commingled pool managed by the University that can be readily liquidated to pay contractual liabilities, and investments in the University Endowment Fund ("UEF"), a commingled pool invested entirely in the Long Term Portfolio, a diversified, equity-oriented investment pool managed by the University. The University establishes the fair value of the UIP at $1.00 per share and any participant in the pool may purchase or redeem shares at that price. The University determines the fair value of UEF shares at the end of each calendar quarter based on the fair value of the pool. Participants may purchase or redeem UEF shares at fair value at each valuation date, subject to minimum holding and notice requirements.

Deferred revenue consists primarily of cash received from contracts, sponsorships, alumni and other agreements which have not yet been earned under the terms of the arrangement.

Revenues are reported as increases in net assets without donor restrictions unless use of the resources are limited by donor conditions. Contributions and endowment income with donor restrictions that are met in the same year as received or earned are reported as revenues without donor restrictions. Contributions, endowment income, and unrealized investment activity with donor restrictions that are not met in the same year as received or earned are reported as donor restricted revenues and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor restrictions.

Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Alumni and student memberships, received in annual and life member portions, are recognized as contributions in the year promised or received. Memberships and UEF earnings are used to fund the ongoing costs associated with providing programming to all alumni.

Credit card royalties are recognized under a contract in which the Association allows the use of its image and logo in a credit card program. Under the terms of this contract, revenue is recognized based on the earned royalty amount for each of the five years of the contract.

Program and service fees from alumni and students are primarily contract revenues from the Association's family camp in Boyne City, Michigan. Deposits and up-front payments are recorded as deferred revenue upon receipt. Revenue is recognized upon completion of the Association's performance obligation as families complete their stay at camp.

Net investment income represents distributions from pooled investments. Unrealized investment gains and losses are reported separately as nonoperating activity. Unrealized gains or losses and net investment income on investments with donor restrictions are reported as changes in net assets with donor restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of externally imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions between the applicable classes of net assets.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Association has performed an evaluation of subsequent events through October 5, 2026, the date the financial statements were issued.

Note 2—Investments

The Association's investments on deposit with the University at June 30, 2026 and 2025 are summarized as follows:

	2026	2025
University Investment Pool	$ 8,032,433	$ 6,146,624
University Endowment Fund	186,664,732	166,462,527
	$ 194,697,165	$ 172,609,151

The Association's investments are maintained in the University's centralized investment pools. Cash reserves and relatively short duration assets are invested in the UIP, while longer term assets held in the UEF are invested in the University's Long Term Portfolio. The UIP is principally invested in investment-grade money market securities, U.S. government and other fixed income securities and absolute return strategies. The longer investment horizon of the University's Long Term Portfolio allows for an equity-oriented strategy to achieve higher expected returns over time, and permits the use of less liquid alternative investments, providing for equity diversification beyond the stock markets.

The University's investment policies are governed and authorized by University Bylaws and the Board of Regents. The approved asset allocation policy for the Long Term Portfolio, in which the UEF invests, sets general targets for both equities and fixed income securities. Since diversification is a fundamental risk management strategy, the Long Term Portfolio is broadly diversified within these general categories. At June 30, 2026 and 2025, the Long Term Portfolio consisted of cash equivalents (0 percent and 1 percent), fixed income securities (7 percent and 5 percent), U.S. and non-U.S. equities (4 percent and 4 percent), commingled funds (13 percent and 13 percent) and nonmarketable alternative investments (76 percent and 77 percent).

Commingled (pooled) funds held in the Long Term Portfolio include Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships and corporate structures which are generally unrated and unregulated. Commingled funds have liquidity (redemption) provisions, which enable the University to make full or partial withdrawals with notice, subject to restrictions on the timing and amount. Commingled funds are primarily invested in non-U.S./global equities and absolute return strategies, but also include exposure to domestic fixed income and equity securities. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy; however, these investments are structured to limit the University's risk exposure to the amount of invested capital.

Note 2—Investments—Continued

Nonmarketable alternative investments held in the Long Term Portfolio consist of limited partnerships and similar vehicles involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. These limited partnerships include venture capital, private equity, real estate, natural resources and absolute return strategies. There is not an active secondary market for these alternative investments, which are generally unrated and unregulated, and the liquidity of these investments is dependent on actions taken by the general partner.

The Long Term Portfolio holds investments denominated in foreign currencies and forward foreign exchange contracts used to manage the risk related to fluctuations in currency exchange rates between the time of purchase or sale and the actual settlement of foreign securities. Various investment managers acting for the University also use forward foreign exchange contracts in risk-based transactions to carry out their portfolio strategies. Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The Long Term Portfolio's non-U.S. dollar exposure amounted to 5 and 6 percent of the portfolio at June 30, 2026 and 2025, respectively.

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forwards, futures and commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the statement of net position and is not represented by the contract or notional amounts of the instruments.

The Association receives quarterly distributions from the UEF based on the University's endowment spending rule. The annual distribution rate is 4.5 percent of the one-quarter lagged seven year moving average fair value of fund shares. To protect endowment principal in the event of a prolonged market downturn, distributions are limited to 5.3 percent of the current fair value of fund shares. Monthly distributions on UIP shares are also made to the Association based on the 90-day U.S. Treasury Bill rate. The University's costs to administer and grow the UEF and UIP are funded by investment returns.

Note 2—Investments—Continued

Withdrawals may be made from the UIP on a daily basis. Withdrawals from the UEF are processed at the beginning of each quarter, based upon University policy, generally after a five-year investment period. Minimum advance notice to the University is based upon the amount of the withdrawal and is summarized as follows:

Withdrawal Amount	Minimum Advance Notice
Up to $10 million	90 days
$10 to $50 million	180 days
$50 to $100 million	1 year
Greater than $100 million	2 years

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820") establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs, which should be maximized under ASC 820, reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A significant portion of the underlying investments of the University's commingled pools include nonmarketable alternative investments and certain commingled funds described earlier in this note that are priced by managers using Level 3 inputs or net asset value, due to the lack of observable market data. The proprietary valuation techniques and unobservable pricing assumptions used by these managers to estimate fair value may have a significant impact on the resulting fair value determination of these investments. However, the Association uses Level 2 inputs to measure the fair value of its investments in the University's commingled pools described in Note 1 and within this note, since shares may be purchased or sold subject to holding and notice requirements at the fair market value determined by the University.

Note 3—Endowment Funds

The Association's endowment consists of 302 individual funds established for a variety of purposes. The Association invests its endowment funds, including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments, in the UEF. In general, the purpose of board-designated endowments is to fund scholarships or support the Association's programming. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association is currently following the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted by the State of Michigan in 2009. The Association has interpreted the UPMIFA 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 Association classifies the following as permanent endowments within donor-restricted net assets.

The original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as described above is classified as funds functioning as endowment until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by the UPMIFA.

In accordance with the UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Association and the donor-restricted endowment fund
(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 Association
(7) The investment policies of the Association

Note 3—Endowment Funds—Continued

The composition of endowment net assets by type of fund at June 30, 2026 and 2025 is as follows:

	2026	2025
Donor-restricted funds:		
Endowment principal restricted for investment	$ 42,440,886	$ 41,178,201
Cumulative change in market value of principal	36,469,517	27,520,164
Total donor-restricted funds	78,910,403	68,698,365
Board-designated funds:		
Quasi-endowment	107,754,329	97,764,162
Total board-designated funds	107,754,329	97,764,162
Total endowment net assets	$ 186,664,732	$ 166,462,527

Change in endowment net assets for the years ended June 30, 2026 and 2025 is as follows:

	2026	2025
With donor restrictions:		
Investment returns, net	$ 11,575,525	$ 5,993,440
Contributions	1,641,456	2,657,609
Amounts appropriated for expenditure	(3,531,336)	(2,422,416)
Endowment assets placed into donor restriction	526,393	824,938
Total change in endowment net assets with donor restrictions	10,212,038	7,053,571
Without donor restrictions:		
Investment returns, net	16,909,677	8,715,797
Amounts appropriated for expenditure	(6,393,117)	(5,540,787)
Endowment assets placed into donor restriction	(526,393)	(824,938)
Total change in endowment net assets without donor restrictions	9,990,167	2,350,072
Total change in endowment net assets	$ 20,202,205	$ 9,403,643

The Association has the ability to appropriate amounts for spending from underwater endowment funds, consistent with the University's policies governing the UEF, as is considered prudent under the UPMIFA. There were no endowments underwater at June 30, 2026 or June 30, 2025.

Note 4—Financial Assets and Liquidity

Contractual and donor-imposed restrictions or board-imposed limitations require funds to be used in a future period or for a specific purpose, and therefore, the Association must maintain sufficient resources to meet these responsibilities. The Board of Directors may withdraw from quasi-endowment balances in the event of financial distress or an immediate liquidity need.

The Association's financial assets, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions, at June 30, 2026 and 2025 are as follows:

	2026	2025
Total assets	$ 212,998,451	$ 188,531,308
Less non-financial assets:		
Inventories and prepaid expenses	732,217	548,723
Capital assets, net	13,930,210	13,756,670
Total financial assets	198,336,024	174,225,915
Less assets unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Long-term portion of pledge receivable	1,790,850	355,750
Restricted by donor with time or purpose restrictions	83,483,067	69,072,783
Financial assets available to meet cash needs for general expenditures within one year	$ 113,062,107	$ 104,797,382

There is a quasi-endowment fund established by the Board of Directors that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 5—Transactions with the University of Michigan

The Alumni Center was funded with private alumni donor contributions and constructed for the Association's use. It was built on University land and therefore is not included in these financial statements as an asset of the Association. The Alumni Center was given to the Regents of the University in 1982 to be used in perpetuity as a facility to house the activities of the Association. The Alumni Center is maintained by the Board of Regents of the University, which pays the operating costs of the center. The estimated fair value of the space used by the Association and related utilities and maintenance of $610,975 and $610,327 for the years ended June 30, 2026 and 2025, respectively, is recorded as both gifts-in-kind revenue and as operating expense in the accompanying financial statements. This valuation is based upon the estimated fair value of the services provided and the rate per occupied square foot of the Alumni Center. Funds internally designated by management for future capital renovations and equipment of the Alumni Center totaled $2,491,307 and $2,156,000 at June 30, 2026 and 2025, respectively, and are included in net assets without donor restrictions.

Staff members of the Association are employees of the University assigned to the Association's control via an affiliation agreement. The Association reimburses the University for payroll, benefits, payroll taxes and payroll processing costs which totaled $12,319,009 and $12,148,000 for the years ended June 30, 2026 and 2025, respectively. In addition, the Association purchased supplies, data processing, telephone and other business services from the University, amounting to $265,275 and $199,000 for the years ended June 30, 2026 and 2025, respectively.

The Association maintains an affiliation agreement with the University which was renewed in 2026. This agreement acknowledges the strong collaborative relationship between the two entities and sets forth a framework by which this relationship will function. As part of the agreement, the University provided monetary support to the Association in the amount of $750,000 for each of the years ended June 30, 2026 and 2025.

Note 6—Pledges Receivable

The composition of pledges receivable at June 30, 2026 and 2025 is summarized as follows:

	2026	2025
Pledges outstanding	$ 2,827,222	$ 539,374
Less:		
Allowance for uncollectible pledges	150,236	30,119
Unamortized discount to present value	91,875	19,240
Total pledges receivable, net	$ 2,585,111	$ 490,015

Payments on pledges receivable at June 30, 2026 are expected to be received in the following years ended June 30:

2027	$ 1,036,372
2028	819,175
2029	567,175
2030	394,500
2031	10,000
	$ 2,827,222

At June 30, 2026, the Association has received pledges that do not fully meet the criteria for recognition in the statement of financial position of $26,560 which are expected to be collected through 2030.

Note 7—Capital Assets

Capital assets at June 30, 2026 and 2025 are summarized as follows:

	2026	2025
Land and improvements	$ 510,451	$ 504,751
Buildings and improvements	25,079,004	24,793,203
Equipment and fixtures	7,262,906	6,744,699
Construction in progress	504,680	39,510
	33,357,041	32,082,163
Less accumulated depreciation	19,426,831	18,325,493
	$ 13,930,210	$ 13,756,670

Note 8—Retirement Plan

The Association participates in the University's retirement plan, a defined contribution retirement plan through TIAA and Fidelity Management Trust Company ("FMTC") mutual funds. All staff are eligible to participate in the plan based upon age and service requirements. Participants maintain individual contracts with TIAA, or accounts with FMTC, and are fully vested.

Eligible employees generally contribute 5 percent of their pay and the Association generally contributes an amount equal to 10 percent of employees' pay to the plan after one year of employment with the University. Participants may elect to contribute additional amounts to the plan within specified limits that are not matched by Association contributions. Contributions made to the plan by the Association amounted to $719,830 and $711,000 for the years ended June 30, 2026 and 2025, respectively.

Note 9—Alumni Scholarship Funds

In 2007, the Board of Directors created the LEAD scholarship to support the continued recruitment of a diverse student body. The program was discontinued in 2025. In connection with the discontinuation of the LEAD scholarship, certain donors requested the return of their previous donations related to the LEAD scholarship. The balance of funds due was $1,157,467 and $1,157,274 at June 30, 2026 and 2025, respectively. The Association also recorded a liability of $1,487,972 and $2,847,563 at June 30, 2026 and 2025, for scholarships awarded prior to discontinuation. The liability for former LEAD scholarship commitments at June 30, 2026 is funded with unrestricted assets of the Association.

In 2026, the Board of Directors created the Future Alumni of Michigan ("FAM") scholarship program to support low-to-moderate income admitted students. FAM undergraduate awardees receive up to $5,000 per year toward tuition, renewable for a total of four years. Scholarship awards are recorded based on the present value of the payment stream using a risk-free interest rate. As a result of these scholarships, the Association recorded a liability of $1,410,740 at June 30, 2026.

Payments for all scholarships outstanding at June 30, 2026 are expected to be paid in the following years ended June 30:

2027	$ 1,349,589
2028	$ 932,089
2029	$ 390,000
2030	$ 375,000

Note 10—Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2026 and 2025 are summarized as follows:

	2026	2025
General operations	$ 19,822,306	$ 17,407,126
Scholarships	59,080,827	48,879,397
Michigania	4,036,818	2,307,081
Alumnae Council	543,116	479,179
	$ 83,483,067	$ 69,072,783

Note 11—Note Payable

On December 7, 2021, the Association entered into a note payable with a third-party financial institution. Under the terms of the agreement, the institution loaned the Association $6,065,335 which matures in installments through 2027. The note bears interest at a fixed rate of 2.737 percent and establishes the Association's unrestricted endowment fund held in the UEF as collateral. The collateral must maintain a minimum liquidity ratio of no less than 5 to 1, meaning that the outstanding principal due, together with all of the unpaid interest, shall not exceed 20 percent of the fair market value of the collateral. The outstanding balance of the note was $1,213,067 and $2,426,134 at June 30, 2026 and 2025, respectively.

Payments for the note outstanding at June 30, 2026 are expected to be paid in the following years ended June 30:

2027	$ 1,213,067

On December 7, 2021, the Association also entered into a revolving line of credit with a maximum borrowing capacity of $3,000,000. The agreement, which was renewed during 2026, expires December 1, 2027 and shares the same collateral requirements as the note agreement. The amount outstanding under the agreement bears interest at a rate per annum which is equal to the sum of the Daily Bloomberg Short-term Bank Yield Index rate plus 1.75 percent. There was no liability outstanding on the line of credit at June 30, 2026 and 2025, respectively.

Note 12—Functional Classification of Expenses

Direct identifiable expenses are charged to one of three functions: Program services, administrative and general, or fundraising. Expenses related to more than one function are allocated to programs and supporting services and include depreciation and facilities, which are allocated on the basis of square footage, and salaries and benefits, which are allocated on the basis of estimated time and effort. Supporting services expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Association. Functional expenses, organized by their respective natural classification, for the years ended June 30, 2026 and 2025 are as follows:

	2026			
	Program Services	Administrative and General	Fundraising	Total
Advertising and promotions	$ 574,625	$ 60,136	$ 546,935	$ 1,181,696
Bad debts	-	-	54,780	54,780
Depreciation	890,849	210,489	-	1,101,338
Facilities	680,038	171,997	104,649	956,684
Food and beverages	989,028	7,119	268	996,415
Information technology	403,347	270,724	-	674,071
Insurance	131,250	132,866	-	264,116
Interest expense	26,759	18,247	-	45,006
Maintenance and repairs	346,304	3,093	-	349,397
Office	660,890	259,470	34,393	954,753
Postage	124,534	1,526	312,915	438,975
Professional development	14,493	40,353	2,306	57,152
Professional fees	-	41,933	2,221	44,154
Program events and supplies	603,426	135,907	11,819	751,152
Salaries and benefits	6,558,987	1,963,360	2,509,394	11,031,741
Scholarship awards	1,410,740	-	9,673	1,420,413
Temporary payroll	1,086,303	46,170	65,373	1,197,846
Travel and hosting	296,191	64,923	78,183	439,297
	$ 14,797,764	$ 3,428,313	$ 3,732,909	$ 21,958,986

Notes to Financial Statements—Continued

Note 12—Functional Classification of Expenses—Continued

	2025			
	Program Services	Administrative and General	Fundraising	Total
Advertising and promotions	$ 387,831	$ 22,638	$ 630,699	$ 1,041,168
Depreciation	758,270	355,315	-	1,113,585
Facilities	499,031	268,499	125,300	892,830
Food and beverages	749,497	9,083	169	758,749
Information technology	224,875	372,722	550	598,147
Insurance	125,004	137,783	-	262,787
Interest expense	29,721	49,686	-	79,407
Maintenance and repairs	297,767	2,059	-	299,826
Office	547,996	332,489	47,694	928,179
Postage	19,214	1,092	561,443	581,749
Professional development	32,717	124,179	2,629	159,525
Professional fees	-	367,927	14,369	382,296
Program events and supplies	508,872	17,162	9,466	535,500
Salaries and benefits	4,123,682	4,052,599	2,896,874	11,073,155
Scholarship awards	-	-	9,980	9,980
Temporary payroll	962,460	38,086	-	1,000,546
Travel and hosting	165,842	296,464	86,880	549,186
	$ 9,432,779	$ 6,447,783	$ 4,386,053	$ 20,266,615