

**MICHIGAN INDEPENDENT
COLLEGES & UNIVERSITIES
LANSING, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Michigan Independent Colleges & Universities
Lansing, Michigan

We have reviewed the accompanying financial statements of Michigan Independent Colleges & Universities (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Maner Costerisan PC

October 14, 2019

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	
Current assets	
Cash and cash equivalents	\$ 373,027
Investments	717,581
Accounts receivable	20,030
Prepaid expenses	<u>12,394</u>
Total current assets	1,123,032
Fixed assets, net of accumulated depreciation	<u>23,744</u>
TOTAL ASSETS	<u>\$ 1,146,776</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 11,527
Accrued liabilities	28,500
Deferred revenue	<u>273,753</u>
TOTAL CURRENT LIABILITIES	313,780
NET ASSETS	
Without donor restrictions	<u>832,996</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,146,776</u>

See notes to financial statements and accountant's review report.

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions
SUPPORT AND REVENUES	
Revenues	
Membership dues	\$ 852,088
Affiliate dues	6,000
Workers' compensation fund	170,000
Investment return, net	33,378
Gain on sale of fixed assets	5,120
Administrative fee income	158,120
TOTAL SUPPORT AND REVENUES	1,224,706
EXPENSES	
Program services	1,136,277
Management and general	86,854
TOTAL EXPENSES	1,223,131
CHANGE IN NET ASSETS	1,575
Net assets, beginning of year	831,421
Net assets, end of year	\$ 832,996

See notes to financial statements and accountant's review report.

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 584,853	\$ 37,331	\$ 622,184
Payroll taxes	35,913	2,292	38,205
Fringe benefits	208,847	13,331	222,178
	<u>829,613</u>	<u>52,954</u>	<u>882,567</u>
Total salaries and related expenses			
Contracted services	77,210	18,512	95,722
Facilities and equipment	63,640	4,062	67,702
Operations	56,720	5,393	62,113
Travel	74,332	4,745	79,077
Other	34,762	1,188	35,950
	<u>347,664</u>	<u>33,899</u>	<u>381,563</u>
TOTAL EXPENSES	<u>\$ 1,136,277</u>	<u>\$ 86,854</u>	<u>\$ 1,223,131</u>

See notes to financial statements and accountant's review report.

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

INCREASE IN CASH AND CASH EQUIVALENTS	
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,575
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	15,894
Gain on sale of fixed assets	(5,120)
Net (gain) loss on investments	(21,450)
(Increase) decrease in:	
Prepaid expenses	(9,866)
Increase (decrease) in:	
Accounts payable	5,308
Accrued liabilities	18,500
Deferred revenue	231,253
	236,094
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of fixed assets	26,000
Purchase of fixed assets	(6,846)
	19,154
NET CASH PROVIDED BY INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payment on installment loan	(25,645)
	229,603
NET INCREASE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents, beginning of year	143,424
Cash and cash equivalents, end of year	\$ 373,027

See notes to financial statements and accountant's review report.

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Michigan Independent Colleges & Universities (MICU) utilizes the accrual basis of accounting, which recognizes income when earned and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Cash and Cash Equivalents - Cash and cash equivalents consist of savings, checking accounts and money market funds. For the purpose of the statement of cash flows, cash equivalents and liquid assets maturing no more than three months from date of purchase are considered cash and cash equivalents.

Investments - Investments are stated at fair value. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Receivables - Accounts receivable are deemed to be fully collectible by management. Accordingly, no provision for doubtful accounts is needed for accounts receivable. Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus receivables do not bear interest, and MICU does not apply a finance charge to past due receivables.

Fixed Assets - Equipment is recorded at cost, if purchased, or at fair value, if donated. MICU capitalizes items with a cost of over \$1,000 and a useful life over one year. Depreciation is provided using the straight-line method over the useful lives of the respective assets, which range from 5 to 7 years. The costs of normal maintenance that do not add to the value of assets or materially extend the asset lives are not capitalized.

Net Assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. There were no net assets with donor restrictions at June 30, 2019.

Revenue and Revenue Recognition - Revenue is recognized when earned. Program service fees and membership dues received in advance are deferred to the period the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocation - The cost of providing program and other activities have been reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of MICU. Allocated expenses primarily consist of payroll and related, professional fees, maintenance and repair, depreciation, utilities and various other expense classification necessary to support the day-to-day operations of MICU. Salaries and wages have been allocated based upon estimated time percentages per employee. Other costs have been allocated based on management's estimated use of resources.

Estimates - Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of managements estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Income Taxes - MICU is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code.

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES

Michigan Independent Colleges & Universities (MICU) is a nonprofit corporation that represents Michigan's not-for-profit independent colleges and universities. Objectives of MICU are as follows:

- To plan, coordinate, supervise and finance activities that promote the well-being of the private institutions of higher learning in Michigan.
- To serve its members through government relations, public policy development and advocacy.
- To increase awareness of the impact MICU members have on higher education in Michigan.
- To provide and administer workers' compensation insurance as a cost-saving service for its members.

MICU's support and revenue is derived primarily from sources within Michigan. This geographical dependency creates a concentration of risk subject to Michigan's economic conditions.

MICU is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject MICU to concentrations of credit risk consist principally of cash and investments. MICU places its cash and cash equivalents with FDIC insured financial institutions. Although such cash may exceed the federally insured limits at certain times during the year, they are in the option of management subject to minimal risk. As of June 30, 2019, MICU's deposits were insured by the FDIC limits for \$250,000, and \$74,270 was uninsured. Other investments are not covered by FDIC insurance.

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services (i.e. management and general) based on management estimates.

**MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES (continued)

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

MICU evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through October 14, 2019, which is the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

MICU regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, MICU considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects MICU's financial assets as of June 30, 2019, which are deemed available for general expenditures within one year of the date of the statement of financial position.

Cash and cash equivalents	\$ 373,027
Investments	717,581
Accounts receivable	<u>20,030</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 1,110,638</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, MICU operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 4 - INVESTMENTS

Investments consist of the following at June 30, 2019:

	<u>Cost</u>	<u>Gross unrealized gain/(loss)</u>	<u>Total</u>
Mutual funds:			
Fixed income	\$ 333,971	\$ (2,991)	\$ 330,980
Equity	<u>308,833</u>	<u>77,768</u>	<u>386,601</u>
Total	<u><u>\$ 642,804</u></u>	<u><u>\$ 74,777</u></u>	<u><u>\$ 717,581</u></u>

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 5 - FAIR VALUE OF INVESTMENTS

MICU is required to disclose amounts within a framework established for measuring fair value. That framework provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that MICU has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used at June 30, 2019:

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by MICU are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and transact at that price. The mutual funds held by MICU are deemed to be actively traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while MICU believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 5 - FAIR VALUE OF INVESTMENTS (continued)

The following is a market value summary by the level of inputs used, as of June 30, 2019, in evaluating MICU's assets carried at fair value. The inputs or methodology used for valuing securities may not be indicative of the risk associated with investors in those securities.

	Level 1
Mutual funds:	
Fixed income	\$ 330,980
Equity	386,601
Total	\$ 717,581

At June 30, 2019, the Organization held the following investments representing more than 5% of total investments:

DFA International Core Equity Portfolio	\$ 49,647
DFA US Core Equity 1 Portfolio	297,491
Vanguard Total Bond Market Index Fund	253,581
Vanguard Short Term Investment Grade Fund	69,929

Investment income (loss) for the year ended June 30, 2019, consists of the following:

Interest and dividends	\$ 16,856
Net realized and unrealized gain (loss)	23,168
Investment fees	(6,646)
Investment returns, net	\$ 33,378

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 - FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets being depreciated				
Furniture and equipment	\$ 68,508	\$ 4,976	\$ -	\$ 73,484
Leasehold improvements	8,545	1,870	-	10,415
Vehicles	27,841	-	(27,841)	-
Total fixed assets being depreciated	<u>104,894</u>	<u>6,846</u>	<u>(27,841)</u>	<u>83,899</u>
Accumulated depreciation				
Furniture and equipment	(41,940)	(9,483)	-	(51,423)
Leasehold improvements	(6,962)	(1,770)	-	(8,732)
Vehicles	(2,320)	(4,641)	6,961	-
Total accumulated depreciation	<u>(51,222)</u>	<u>(15,894)</u>	<u>6,961</u>	<u>(60,155)</u>
Fixed assets, net	<u>\$ 53,672</u>	<u>\$ (9,048)</u>	<u>\$ (20,880)</u>	<u>\$ 23,744</u>

NOTE 7 - NONCANCELLABLE OPERATING LEASES

MICU leases office space in Lansing, Michigan under a noncancellable operating lease that expires December 31, 2023. Required monthly payments are \$4,533 per month until December 2021. Effective January 2022 lease payments increase to \$4,800.

MICU leases a copier under a noncancellable operating lease that requires monthly payments of \$187 through September 2022.

MICU leases a vehicle under a noncancellable operating lease that requires monthly payments of \$866 through March 2022.

Rent expense for the year ended June 30, 2019 under these leases was \$61,176.

Future minimum lease payments on the leases are as follows:

Year Ending June 30,	Building Lease	Vehicle Lease	Copier Lease	Total
2020	\$ 54,400	\$ 10,394	\$ 2,240	\$ 67,034
2021	54,400	10,394	2,240	67,034
2022	55,600	7,796	373	63,769
2023	57,600	-	-	57,600
2024	28,800	-	-	28,800
Total	<u>\$ 250,800</u>	<u>\$ 28,584</u>	<u>\$ 4,853</u>	<u>\$ 284,237</u>

MICHIGAN INDEPENDENT COLLEGES & UNIVERSITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 8 - RETIREMENT PLAN

All full-time employees participate in MICU's defined contribution retirement plan. MICU contributes, annually, an amount equal to 12% of the participant's annual compensation. Retirement expenses totaled \$70,440 for the year ended June 30, 2019.

In addition, MICU provides a 457(f) plan for the benefit of the President of MICU. The plan includes an annual contribution of \$40,000, which is subject to a vesting schedule that utilizes tax-deferred benefits.

NOTE 9 - NEW ACCOUNTING STANDARD

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statement of Not-for-Profit Entities*" (*Topic 958*). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statement of cash flows using the direct method must also present a reconciliation (the indirect method). MICU adopted ASU No. 2016-14 for the year ending June 30, 2019.