CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF THE LUTHERAN CHURCH – MISSOURI SYNOD
ST. PAUL, MINNESOTA

FINANCIAL STATEMENTS AND SINGLE AUDIT COMPLIANCE REPORTS

YEARS ENDED JUNE 30, 2021 AND 2020

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Board of Regents
Concordia University, St. Paul
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Concordia University, St. Paul (the Organization), an educational institution of the Lutheran Church – Missouri Synod, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Regents
Concordia University, St. Paul

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concordia University, St. Paul as of June 30, 2021 and 2020, 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.

Other Reporting Required by the Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of Concordia University, St. Paul's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on effectiveness of Concordia University, St. Paul's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concordia University, St. Paul's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 5, 2021

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	$ 49,140,916	$ 44,231,773
Accounts and Interest Receivable, Net of Allowance for Doubtful Accounts of $1,723,774 in 2021 and $1,858,052 in 2020	1,495,356	2,079,648
Federal Grants Receivable	278,213	389,579
State Grants Receivable	165,245	779,858
Inventories, Prepaid Expenses, and Other Assets	1,172,960	931,693
Trusts and Annuities Receivable	1,680,894	1,562,399
Loans Receivable - Federal Perkins Loan Program and Other Loans	1,239,560	1,363,016
Right of Use Asset - Finance	605,218	985,249
Land, Buildings, and Equipment, Net	52,329,555	51,708,420
Investment in LCMS Foundation	39,623,586	30,143,568
Long-Term Investments	9,968,830	7,259,687
Funds Held by Third-Party Trustees	9,519,712	9,040,145
Cash Value of Life Insurance	790,004	774,485
Total Assets	$ 168,010,049	$ 151,249,520
LIABILITIES AND NET ASSETS		
LIABILITIES		
Bonds Payable, Net of Discounts	$ 13,383,341	$ 14,298,954
Deposits Payable	769,673	457,993
Refundable Advance - Food Service Company	384,615	461,538
Deferred Revenue	5,872,963	6,689,606
Lease Liability - Finance	569,471	791,178
Accounts Payable and Other Liabilities	4,563,368	6,941,562
Interest Rate SWAP Agreements	30,350	366,966
Refundable Advances - Federal Perkins Loan Program	1,371,034	1,531,513
Total Liabilities	26,944,815	31,539,310
NET ASSETS		
Net Assets Without Donor Restrictions	85,420,918	74,967,576
Net Assets With Donor Restrictions	55,644,316	44,742,634
Total Net Assets	141,065,234	119,710,210
Total Liabilities and Net Assets	$ 168,010,049	$ 151,249,520

See accompanying Notes to Financial Statements.

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Tuition and Fees, Net of Student Aid and Scholarships of $15,768,112	$ 71,354,013	$ -	$ 71,354,013
Income on Cash and Cash Equivalents	82,947	-	82,947
Income on Long-Term Investments	109,774	536,784	646,558
Auxiliary Enterprises	6,033,432	-	6,033,432
Other	370,086	-	370,086
Total Revenue	77,950,252	536,784	78,487,036
SUPPORT AND GRANTS			
Concordia University System	-	32,678	32,678
Federal Grants	4,616,277	-	4,616,277
State Grants	1,879,193	-	1,879,193
Other	2,047,373	4,326,910	6,374,283
Total Support and Grants	8,542,843	4,359,588	12,902,431
GAINS AND OTHER ADDITIONS			
Change in Value of Split-Interest Agreements	-	118,495	118,495
Change in Value of Funds Held by Third-Party Trustees	-	479,567	479,567
Gain on Interest Rate Swap Agreement	336,616	-	336,616
Net Gains on Investments	1,297,364	7,249,205	8,546,569
Total Gains and Other Additions	1,633,980	7,847,267	9,481,247
Subtotal	88,127,075	12,743,639	100,870,714
Net Assets Released from Restrictions	1,841,957	(1,841,957)	-
Total Revenue, Support and Grants, Gains, and Other Additions	89,969,032	10,901,682	100,870,714
EXPENSES			
Educational and General:			
Academic Programs:			
Instruction - Divisional	18,345,891	-	18,345,891
Other Instructional Programs	2,278,241	-	2,278,241
Support Programs:			
Academic Support	4,569,624	-	4,569,624
Student Services	36,837,174	-	36,837,174
Scholarship and Fellowship	1,973,582	-	1,973,582
Institutional Support	9,028,646	-	9,028,646
Fundraising	1,942,868	-	1,942,868
Total Educational and General	74,976,026	-	74,976,026
Auxiliary Enterprises	4,539,664	-	4,539,664
Total Expenses	79,515,690	-	79,515,690
CHANGE IN NET ASSETS	10,453,342	10,901,682	21,355,024
Net Assets - Beginning of Year	74,967,576	44,742,634	119,710,210
NET ASSETS - END OF YEAR	$ 85,420,918	$ 55,644,316	$ 141,065,234

See accompanying Notes to Financial Statements.

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Tuition and Fees, Net of Student Aid and Scholarships of $11,948,275	$ 55,316,783	$ -	$ 55,316,783
Income on Cash and Cash Equivalents	282,870	-	282,870
Income on Long-Term Investments	181,505	563,188	744,693
Auxiliary Enterprises	5,967,829	-	5,967,829
Other	546,211	-	546,211
Total Revenue	62,295,198	563,188	62,858,386
SUPPORT AND GRANTS			
Concordia University System	-	32,305	32,305
Federal Grants	3,280,565	-	3,280,565
State Grants	1,653,667	-	1,653,667
Other	2,157,587	1,933,090	4,090,677
Total Support and Grants	7,091,819	1,965,395	9,057,214
GAINS AND OTHER ADDITIONS			
Change in Value of Split-Interest Agreements	-	576,446	576,446
Change in Value of Funds Held by Third-Party Trustees	-	(1,391,923)	(1,391,923)
Gain on Interest Rate Swap Agreement	68,726	-	68,726
Net Gains on Investments	19,924	290,579	310,503
Total Gains and Other Additions	88,650	(524,898)	(436,248)
Subtotal	69,475,667	2,003,685	71,479,352
Net Assets Released from Restrictions	2,014,918	(2,014,918)	-
Total Support and Grants, Revenue, Gains and Other Additions	71,490,585	(11,233)	71,479,352
EXPENSES			
Educational and General:			
Academic Programs:			
Instruction - Divisional	18,517,374	-	18,517,374
Other Instructional Programs	2,256,252	-	2,256,252
Support Programs:			
Academic Support	4,093,256	-	4,093,256
Student Services	24,552,678	-	24,552,678
Scholarship and Fellowship	697,475	-	697,475
Institutional Support	9,006,217	-	9,006,217
Fundraising	1,552,586	-	1,552,586
Total Educational and General	60,675,838	-	60,675,838
Auxiliary Enterprises	4,536,358	-	4,536,358
Total Expenses	65,212,196	-	65,212,196
CHANGE IN NET ASSETS	6,278,389	(11,233)	6,267,156
Net Assets - Beginning of Year	68,689,187	44,753,867	113,443,054
NET ASSETS - END OF YEAR	$ 74,967,576	$ 44,742,634	$ 119,710,210

See accompanying Notes to Financial Statements.

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 21,355,024	$ 6,267,156
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Bad Debt Expense	162,851	673,857
Depreciation and Amortization Expense	3,154,166	3,590,840
Net Unrealized Losses (Gains) on Investments	(8,732,383)	(410,303)
Realized Gains on Investments	(460,744)	(644,893)
Change in Value of SWAP Agreements	(336,616)	(68,726)
Change in Value of Split-Interest Agreement	(118,495)	(576,446)
Contributions Restricted for Investment in Endowment	(2,974,614)	(926,043)
Decrease in Cash Value of Life Insurance	(15,519)	(14,125)
Amortization of Bond Issuance Costs	16,211	16,211
Amortization of Bond Discount	3,176	3,177
(Increase) Decrease in Assets:		
Accounts and Interest Receivable	421,441	(1,136,825)
Federal and State Grants Receivable	725,979	420,327
Inventories, Prepaid Expenses, and Other Assets	(241,267)	(249,324)
Funds Held by Third-Party Trustees	(479,567)	1,391,922
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Liabilities	(2,688,025)	2,581,353
Deposits Payable	311,680	(68,070)
Deferred Revenue	(816,643)	2,681,171
Refundable Advances - Food Service Company	(76,923)	(76,924)
Refundable Advances - Federal Perkins Loan Program	(160,479)	(349,227)
Net Cash Provided by Operating Activities	9,041,885	13,105,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Building and Equipment	(3,085,439)	(1,780,634)
Proceeds from Sales of Investments	3,767,916	6,186,179
Funds on Deposit with CUS	-	5,124,304
Purchases of Investments	(4,527,958)	(2,831,782)
Investment in LCMS Foundation	(2,228,624)	(218,748)
Decrease in Federal Perkins Loans Receivable	123,456	156,511
Net Cash Provided (Used) by Investing Activities	(5,950,649)	6,635,830
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(935,000)	(900,000)
Payments on Finance Leases	(221,707)	(292,334)
Proceeds from Contributions Restricted for Investment in Endowment	2,974,614	926,043
Net Cash Provided (Used) by Financing Activities	1,817,907	(266,291)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,909,143	19,474,647
Cash and Cash Equivalents - Beginning of Year	44,231,773	24,757,126
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 49,140,916	$ 44,231,773
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Change in Value of SWAP Agreement	$ (336,616)	$ (68,726)
Construction Costs incurred included in Accounts Payable	$ 309,831	$ -
Noncash Right of Use Asset	$ -	$ 931,105
Interest Paid	$ 624,225	$ 699,318

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Concordia University, St. Paul (the University or the Organization), a Minnesota nonprofit corporation, is a private, Lutheran liberal arts educational institution operated under the auspices of The Lutheran Church – Missouri Synod (Synod), which establishes broad operating and financial policies through its Board for University Education (BUE)/Concordia University System (CUS). The University's board of regents is responsible for the management of the University. Some members of the board are elected through the Synod and others are selected through the board.

Revenues are derived principally from the University's educational programs in the form of tuition and fees and also from auxiliary enterprise activities and contributions.

The majority of the University's students rely on funds received from various federal financial aid programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. These programs are subject to periodic review by the United States Department of Education (DOE). Disbursements under each program are subject to disallowance and repayment by the University. As an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the DOE.

Auxiliary enterprises revenue includes income from the childcare center, student housing, employee housing, food service, bookstore, transportation, convention and conferences, and music performances. Accordingly, the auxiliary enterprise expenses include all costs incurred in providing these services.

The University is an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, as amended, and has received a determination letter from the Internal Revenue Service (IRS) stating that it is exempt from federal income tax on its related exempt activities under IRC Section 501(a).

During the fiscal year 2020, the University acquired the Accelerated Bachelor of Science in Nursing Program from Concordia University-Portland.

Accrual Basis

The financial statements of the University have been prepared on the accrual basis of accounting.

Basis of Presentation

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

Without Donor Restrictions – Those resources over which the board of regents has discretionary control. The board-designated amounts represent those amounts which the board has set aside for a particular purpose.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the University or passage of time as well as resources subject to a donor-imposed restriction that they be maintained permanently by the University. The donors of these resources permit the University to use all or part of the income earned, including capital appreciation, or related investment income for purposes with no restrictions or restrictions satisfied by actions or the passage of time.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents include currency, demand deposits, and liquid investments with a maturity, at time of purchase, of three months or less. Cash and cash equivalents do not include investments the University has both the ability and intent to hold long-term. At times throughout the year, the cash and cash equivalent balances may exceed amounts insured by the Federal Deposit Insurance Corporation. At June 30, 2021 and 2020, cash restricted for federal Perkins loan totaled $131,472 and $168,497, respectively. Income earned on cash and cash equivalents, as reported on the statements of activities, includes income earned on the University's CUS deposit account described in Note 2.

Accounts Receivables

Receivables are stated at net realizable value. The University provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectability. Accounts registered for a payment plan are not charged interest until after the payment plan expires. Accounts for which no payments have been received are individually assessed for collectability and are written off. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is recorded when eligible expenditures, as defined in each grant or contract, are made. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts (Continued)

A portion of the University's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. The University received cost reimbursable grants of $5,770,909 and $273,083 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Due to COVID-19, the Federal Government passed the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 on December 27, 2020 which included funding for the Higher Education Emergency Relief Fund (HEERF). These funds were awarded to institutions of higher education in addition to the funding previously provided in spring of 2020 through the Coronavirus Aid, Recovery, and Economic Security (CARES) Act. These funds are provided in two portions: institutional aid to provide support for pivoting instruction to online delivery or reimbursement of refunds, and a student portion to provide emergency financial aid grants to students. For the year ended June 30, 2020, the University received an allocation of $794,368 in each category. As of June 30, 2020, the University had expended $672,802 related to room and board refunds that is netted with Auxiliary Enterprise revenue on the statement of activities, as well as, the University had expended $697,475 related to emergency student grants that is included in Scholarships and Fellowships expense on the statement of activities. The entire $1,370,277 was drawn down and received by June 30, 2020. For the year ended June 30, 2021, the University received additional allocations of $4,247,888 for the student portion and $5,363,394 for the institutional portion. For the year ended June 30, 2021, the University had recognized $2,530,549 related to the intuitional portion, as well as, the University had expended $1,547,761 related to emergency student grants that is included in Scholarships and Fellowships expense on the statement of activities. The University was also allocated the Strengthening Institution portion of the HEERF funds in the amount of $207,352 in fiscal years ended June 30, 2021 and 2020 in total.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to customers (students), in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

The following table shows the University's gross tuition revenue disaggregated according to the timing of the transfer of goods or service and by source as of June 30:

Revenue Recognized Over Time:	2021	2020
Undergraduate Tuition and Fees	$ 67,802,162	$ 46,866,291
Graduate Tuition and Fees	17,312,180	16,917,489
International Tuition and Fees	2,007,783	3,481,278
Total	$ 87,122,125	$ 67,265,058

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The following table shows the University's auxiliary revenues disaggregated according to the timing of the transfer of goods or service and by source, as of June 30:

Revenue Recognized Over Time:	2021	2020
Housing	$ 2,908,145	$ 2,577,435
Dining	1,436,099	1,355,222
Rental Income	1,175,853	1,441,886
Tuition Fees	513,335	532,070
Other Fees	-	61,216
Total	$ 6,033,432	$ 5,967,829

The University's contract assets and liabilities consist of the following as of June 30:

	2021	2020
Accounts Receivable - Students	$ 3,060,028	$ 3,845,447

	2021	2020
Deferred Revenue - Students	$ 5,872,956	6,689,606

Performance Obligations and Revenue Recognition

The University has four academic terms: fall, spring, summer 1, and summer 2. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, proratably over the term of the related semester. Auxiliary revenue is recognized in the fiscal year in which housing and food services are provided, proratably over the term of the related semester. Any payments received prior to fiscal year-end related to academic terms that occur subsequent to fiscal year-end are recorded as deferred revenue in the accompanying statements of financial position.

Customer contracts generally have separately stated prices for each performance obligation contained in the contract. Therefore, each performance obligation generally has its own standalone selling price. Arrangements for payment are agreed to prior to registration of the student's first academic term. Many students obtain Title IV or other financial aid resulting in the University receiving a significant amount of the transaction price at the beginning of the academic term.

The University does not require students to live on campus for the entire time of study and the price of educational services and residential services are not dependent on one another. Therefore, housing and tuition revenue do not need to be combined according to Accounting Standards Codification 606-15-25-9.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transaction Price

Revenue, or transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Tuition and auxiliary revenues are reported at established rates, net of financial assistance provided by the University.

Students may receive discounts, scholarships, or refunds, which gives rise to variable consideration. The amounts of discounts or scholarships are applied to individual student accounts when such amounts are awarded. Therefore, the transaction price is reduced directly by these discounts or scholarships from the amount of the standard rates charged.

Students who adjust their course load or withdraw completely within the first two weeks of the academic term (add/drop period) may receive a full or partial refund in accordance with the University's refund policy.

If a student withdraws prior to completing an academic term, federal regulations permit the University to retain only a set percentage of the total tuition and auxiliary revenues received from such student, which varies with, but generally equals or exceeds, the percentage of the academic term completed by such student. Payment amounts received by the University in excess of such set percentages of tuition are refunded to the student or the appropriate funding source.

For contracts with similar characteristics and historical data on refunds, the expected value method is applied in determining the variable consideration related to refunds. Estimates of the University's expected refunds are determined at the outset of each academic term, based upon actual experience in previous academic terms. All refunds are netted against revenue during the applicable academic term. Management believes it is not probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with variable consideration is subsequently resolved.

Management reassesses collectability throughout the period revenue is recognized by the University on a student-by-student basis. This reassessment is based upon new information and changes in facts and circumstances relevant to a student's ability to pay. Management also reassesses collectability when a student withdraws from the institution and has unpaid charges.

Contract Balances

Tuition, fees, and auxiliary revenues are recognized in the period classes and services are provided and amounts received for future periods are reported as deferred revenue. Students are billed at the beginning of each academic term and payment is due at that time. The University's performance obligations are to provide educational services in the form of instruction as well as housing facilities and meals during the academic term. As these performance obligations are satisfied over the academic term, deferred revenue is reduced. A significant portion of student payments are from Title IV financial aid and other programs and are generally received during the first month of the respective term. When payments are received, accounts receivable is reduced.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Balances (Continued)

The following table depicts activities for deferred revenue related to tuition and fees and auxiliary revenues:

Balance at June 30, 2020	Refunds Issued	Revenue Recognized Included in June 30, 2020 Balance	Cash Received in Advance of Performance	Balance at June 30, 2021
$ 6,689,606	$ 266,714	$ 6,422,892	$ 5,872,963	$ 5,872,963

The balance of deferred revenue at June 30, 2020 will be recognized as revenue over the academic term beginning on July 1, 2020, as services are rendered.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets–operating and lease liability, and finance leases are included in ROU assets–financing and lease liability in the statements of financial position. As of June 30, 2021, the Organization did not have any right-of-use (ROU) assets–operating and lease liability.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use their incremental borrowing rate.

The Organization has elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

Inventories

Inventories consist of fuel oil.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises are not included as support until such time as the conditions are substantially met.

Fair Value Measurement

The University accounts for its investments at fair value. The University has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds, and real estate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, and Equipment

Capital assets are defined as assets exceeding $5,000. Land, buildings, improvements, and equipment are recorded at cost, except for property received by gift, which is recorded at fair value on the date of receipt. Major additions and betterments that improve or extend the life of the respective assets are capitalized while replacements, maintenance, and repairs are expensed as incurred. Title to land and buildings is principally in the name of the University with reversionary clauses to the Synod. Buildings, improvements, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets from 3 to 60 years.

Investments

Investments are carried at fair value based on quoted market prices. Realized and unrealized gains and losses, reflected in the statements of activities, are determined by comparison of the investment cost to proceeds at the time of disposal and to market values at the financial statement date.

The board of regents has interpreted state law as requiring the original value of an endowment gift to be maintained as the permanent endowment corpus. Realized gains as well as the net appreciation of permanent endowment funds may be expended for the same purpose as the endowment was established, unless explicit donor restrictions specify other treatment.

Contributed Services

Contributed services are reported in the financial statements at fair value for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation.

Deferred Revenue

Deferred revenue represents tuition and fees received from students who have registered for undergraduate summer school courses and graduate and continuing studies courses as of June 30, 2021 and 2020. Accordingly, deferred revenue will be recognized as tuition and fee revenue in the subsequent fiscal year when it is earned.

Functional Allocation of Expense

Salaries and related expenses are allocated based on actual time spent. Expenses, other than salaries and related expenses that are not directly identifiable by program or support service are allocated based on the best estimates of management.

Tax-Exempt Status

The University is exempt from federal income taxes under Section 501(c)(3) of the IRC. The University qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The University's tax returns are subject to review and examination by federal, state, and local authorities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status (Continued)

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

Advertising

The University expenses the costs of advertising as they are incurred. Advertising expense was $269,746 and $209,203 for the years ended June 30, 2021 and 2020, respectively.

Adoption of Accounting Principles

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The University adopted the requirements of the guidance effective July 1, 2020 and has elected to apply the provisions of this standard to the beginning of the period of adoption. The University has not elected to adopt the package of practical expedients available in the year of adoption. The University has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the University's ROU assets.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. The ASU removes and modifies disclosure requirements. Under the standard, modified and additional disclosures are included in the financial statements. The University has adopted this standard retrospectively.

In March 2019, FASB issued ASU 2019-03, *Updating the Definition of Collections (Topic 958)*. The standard improves the definition of collections in the Master Glossary by realigning it with the definition used in the American Alliance of Museums' (AAM) Code of Ethics for Museums (the Code). Under the standard, an additional disclosure is included in the financial statements. The University has adopted this standard retrospectively.

Risks and Uncertainties

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the June 30, 2021 consolidated financial statements in order to present them in conformity with the June 30, 2020 financial statements. These reclassifications had no effect on net assets as previously reported.

Subsequent Events

In preparing the financial statements, the University has evaluated events and transactions for potential recognition or disclosure through October 5, 2021, the date the financial statements were available to be issued.

NOTE 2 AVAILABLE RESOURCES AND LIQUIDITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit with the Concordia University System.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the university considers all expenditures related to its ongoing activities of teaching, athletics, and student services as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the university operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of the university's cash and shows positive cash generated by operations for fiscal years 2021 and 2020.

NOTE 2 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

As of June 30, 2021 and 2020, respectively, the following financial assets could readily be available within one year of the balance sheet date to meet general expenditures:

	2021	2020
Cash and Cash Equivalents Without Donor Restrictions	$ 42,839,656	$ 42,018,910
Accounts Receivable, Net and Grants Receivables	1,938,814	3,311,875
Funds on Deposit with the Concordia University System	-	-
Investments not Encumbered by Donor or Board Restrictions	5,128,315	3,291,728
Payout on Donor Restricted Endowments for Use Over Next 12 Months	900,000	875,000
Payout on Quasi-Endowments for Use Over Next 12 Months	95,000	90,000
Total	$ 50,901,785	$ 49,587,513

NOTE 3 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION

The University reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). During the year expenses are directly coded to program activities (Instruction, research, academic support, student services, scholarship and fellowships, and auxiliary enterprises) or support services (Institutional management and fundraising) whenever possible. Expenses which are not directly identifiable by program or support service including operation and maintenance of plant expenses are allocated based on depreciation expense, interest expense is allocated based on the programs and/or supporting functions that directly benefit from the related debt issuance. Salary costs and related benefits are charged directly to the program they relate to and related costs are allocated based on full-time equivalents.

NOTE 3 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION (CONTINUED)

Expenses reported by function on the statement of activities and changes in net assets are summarized by natural classification for the years ended June 30:

	2021								
	Program Activities			Support Activities					
	Instructional	Instructional - Other	Auxiliary Enterprises	Academic Support	Student Services	Scholarships and Fellowships	Institutional Support	Advancement	Total
Salaries and Wages	$ 12,933,643	$ 576,576	$ 427,837	$ 2,338,592	$ 5,929,885	$ -	$ 2,145,850	$ 827,032	$ 25,179,415
Benefits	1,708,644	86,556	89,847	431,426	1,139,042	-	448,322	150,373	4,054,210
Payroll Taxes	1,020,192	24,126	29,532	114,725	392,840	-	110,164	58,820	1,750,399
Total Salaries and Related Expenses	15,662,479	687,258	547,216	2,884,743	7,461,767	-	2,704,336	1,036,225	30,984,024
Professional Fees	285,650	114,062	1,496,520	77,711	1,207,186	-	1,061,353	555,885	4,798,367
Advertising and Promotion	25,879	1,309	367	3	187,666	-	19,022	35,499	269,745
Recruitment	43,640	2,000	-	324	24,676,473	-	170,304	-	24,892,741
Offices Expenses	67,301	17,107	24,718	21,993	239,524	-	168,688	134,129	673,460
Information Technology	1,306,392	5,871	5,031	994,620	158,679	-	946,023	51,907	3,468,523
Occupancy	447,800	644,669	1,227,163	263,231	1,413,271	-	2,092,357	19,346	6,107,837
Travel	12,590	33,946	377	1,307	460,600	-	21,404	6,825	537,049
Conf., Conv., and Meetings	18,666	22	556	54,839	11,306	-	9,943	1,200	96,532
Interest	-	-	611,121	-	-	-	61,466	-	672,587
Bad Debt and Bank Fees	5	13	-	-	1,115	-	198,194	11,328	210,655
Depreciation and Amortization	105,064	739,367	612,158	213,859	700,910	-	776,764	6,044	3,154,166
Insurance	-	-	-	-	(325)	-	405,861	43,648	449,184
Hospitality	48,910	3,075	8,510	3,939	126,899	-	50,558	34,522	276,413
Student Aid Expense	-	-	-	-	-	1,973,582	92	-	1,973,674
Other	321,515	29,542	5,927	53,055	192,103	-	342,281	6,310	950,733
Total Expenses	$ 18,345,891	$ 2,278,241	$ 4,539,664	$ 4,569,624	$ 36,837,174	$ 1,973,582	$ 9,028,646	$ 1,942,868	$ 79,515,690

NOTE 3 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION (CONTINUED)

2020	Program Activities			Support Activities					
	Instructional	Instructional - Other	Auxiliary Enterprises	Academic Support	Student Services	Scholarships and Fellowships	Institutional Support	Advancement	Total
Salaries and Wages	$ 12,956,989	$ 564,415	$ 431,825	$ 2,090,235	$ 5,743,291	$ -	$ 1,924,550	$ 807,121	$ 24,518,426
Benefits	1,571,625	89,525	83,877	392,936	1,097,386	-	428,303	153,137	3,816,789
Payroll Taxes	883,056	24,488	28,170	106,795	383,941	-	104,714	57,254	1,588,418
Total Salaries and Related Expenses	15,411,670	678,428	543,872	2,589,966	7,224,618	-	2,457,567	1,017,512	29,923,633
Professional Fees	1,789,519	118,791	1,152,188	84,417	1,545,966	-	1,350,598	158,393	6,199,872
Advertising and Promotion	12,938	617	244	-	176,413	-	15,818	16,408	222,438
Recruitment	-	-	-	325	11,904,824	-	12,337	-	11,917,486
Offices Expenses	155,526	16,842	9,804	31,655	112,200	-	125,018	194,946	645,991
Information Technology	282,448	11,922	21,222	803,147	189,744	-	641,354	3,734	1,953,571
Occupancy	517,225	613,358	1,491,869	243,596	1,499,539	-	1,502,318	13,496	5,881,401
Travel	53,920	62,329	1,071	16,872	701,055	-	56,768	19,677	911,692
Conf., Conv., and Meetings	12,211	24,957	-	51,073	18,822	-	5,215	6,924	119,202
Interest	-	-	645,446	-	-	-	35,949	-	681,395
Bad Debt and Bank Fees	76	879	-	-	4,319	-	715,227	8,783	729,284
Depreciation and Amortization	131,424	708,605	610,467	210,958	716,440	-	1,204,907	8,039	3,590,840
Insurance	-	-	-	-	910	-	441,297	44,616	486,823
Hospitality	56,174	13,907	3,278	9,233	285,828	-	40,471	59,196	468,087
Student Aid Expense	-	-	-	-	-	697,475	-	-	697,475
Other	94,231	5,617	56,897	52,015	171,999	-	401,373	874	783,006
Total Expenses	$ 18,517,362	$ 2,256,252	$ 4,536,358	$ 4,093,257	$ 24,552,677	$ 697,475	$ 9,006,217	$ 1,552,598	$ 65,212,196

NOTE 4 CONTRIBUTIONS RECEIVABLE

At June 30, 2021 and 2020, contributors have unconditionally promised to give the University $2,629,890 and $2,519,248, respectively. Of these amounts, all are held by the Lutheran Church – Missouri Synod Foundation (LCMS Foundation) as irrevocable deferred gifts of which the University is the beneficiary and will receive the principal at some future date.

Management believes total contributions will be received as follows:

	2021	2020
Amounts Due:		
Within One Year	$ 121,786	$ 62,790
One to Five Years	497,947	443,169
After Five Years	2,010,157	2,013,289
Total	2,629,890	2,519,248
Less: Present Value Component	(948,996)	(956,849)
Total	$ 1,680,894	$ 1,562,399
Amounts are Reflected in the Financial Statements as Follows:		
Trusts and Annuities Receivable	$ 1,680,894	$ 1,562,399

NOTE 5 LOANS RECEIVABLE – FEDERAL PERKINS LOAN PROGRAM

Loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. At June 30, 2021 and 2020, loans receivable were $1,239,560 and $1,363,016, respectively, which represented 0.90% and 1.08% of total assets, respectively.

Amounts due under the federal loan programs are guaranteed by the government and therefore, no reserves are placed on any past due balances under the program.

At June 30, 2021 and 2020, the following amounts were past due under student loan programs:

June 30,	1 - 60 Days Past Due	61 - 90 Days Past Due	Over 90 Days Past Due	Total Past Due
2021	$ -	$ -	$ 1,042,191	$ 1,042,191
2020	-	-	640,416	640,416

The availability of funds for loans under the Perkins federal loan program is dependent on reimbursement to the pool from repayments on outstanding loans. Funds advanced by the federal government of approximately $1.4 million and $1.5 million at June 30, 2021 and 2020, respectively, are ultimately refundable to the government, and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government.

NOTE 6 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment and the related accumulated depreciation amounts are as follows at June 30:

	2021		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 5,622,991	$ -	$ 5,622,991
Buildings	80,072,856	(35,887,460)	44,185,396
Building and Other Improvements	3,020,871	(2,681,662)	339,209
Equipment	9,846,919	(7,664,960)	2,181,959
Total	$ 98,563,637	$ (46,234,082)	$ 52,329,555

	2020		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 5,622,991	$ -	$ 5,622,991
Buildings	77,098,362	(33,550,840)	43,547,522
Building and Other Improvements	2,997,857	(2,625,519)	372,338
Equipment	9,487,621	(7,322,052)	2,165,569
Total	$ 95,206,831	$ (43,498,411)	$ 51,708,420

NOTE 7 LONG-TERM INVESTMENTS

Investments with maturities greater than or equal to one year at time of purchase are classified as long-term. In addition, investments with maturities of less than one year at time of purchase, which the University has both the ability and intent to hold long-term, are also classified as long-term investments. Details of long-term investments held by the University at June 30 as follows:

	2021	2020
Mutual Funds - Equities	$ 6,882,596	$ 4,651,777
Mutual Funds - Fixed Income	2,113,920	2,113,920
Cash and Money Market	969,713	491,389
LCEF Notes	2,601	2,601
Total Investments	$ 9,968,830	$ 7,259,687
LCMS Foundation:		
Standard Funds:		
Fixed Income	$ 18,405,396	$ 14,763,340
Equity	21,193,190	15,355,228
LCEF Certificate	25,000	25,000
Total LCMS Foundation	$ 39,623,586	$ 30,143,568

NOTE 7 LONG-TERM INVESTMENTS (CONTINUED)

Income on long-term investments of $646,558 and $744,693 for the years ended June 30, 2021 and 2020, respectively, is net of custodial fees of $158,218 and $159,833, respectively.

NOTE 8 FUNDS HELD BY THIRD-PARTY TRUSTEES

Funds held by third-party trustees consist of irrevocable trusts from which the University is to receive the income in perpetuity. The principal is held in trust by the LCMS Foundation and an unrelated trust company. The principal will never revert to the University. The perpetual stream of income is viewed by the University as promises to give by the individuals who established the trusts and has been recorded at the fair value of the trusts at June 30, 2021 and 2020, which closely approximates the net present value of the perpetual income stream.

Given the nature of the promises, the University recorded these contributions as net assets with donor restrictions held in perpetuity. Income received is recorded as without donor restrictions or with donor restrictions based on the presence or absence of donor restrictions. Increases or decreases in the fair value of the trust assets are recorded on the statements of activities as changes in net assets with donor restrictions.

The Trust Held at Wells Fargo includes 1,006 acres of farmland in southeastern South Dakota. 640 acres were sold in December 2019 to increase the liquidity of the trust. As part of the sale, the remaining acres were appraised at an average rate of $4,709 per acre. Appraisals occur every three years.

NOTE 8 FUNDS HELD BY THIRD-PARTY TRUSTEES (CONTINUED)

The funds are held by the following third-party trustees at June 30:

	2021	2020
LCMS Foundation	$ 1,440,175	$ 1,155,374
Alive in Christ Endowment	366,374	290,922
Trust Held at Wells Fargo	7,713,163	7,593,849
Total	$ 9,519,712	$ 9,040,145

NOTE 9 LEASES

The Organization leases equipment noncancelable lease agreements. The leases expire at various dates through 2024. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. The Organization does not have any covenants with these agreements or required to maintain certain financial ratios.

NOTE 9 LEASES (CONTINUED)

The following table provides quantitative information concerning the Organization's leases.

	2021	2020
Lease Cost:		
Finance Lease Cost	$ 2,287,768	$ 2,287,768
Amortization of Right-to-Use Asset	(1,682,550)	(1,302,519)
Total Lease Cost	$ 605,218	$ 985,249
Other Information		
Cash Paid for Amounts Included in the Measuring of Lease Liabilities		
Financing Cash Flow from Financing Lease	$ 221,707	$ 292,334
Weighted Average Remaining Lease Term - Finance Leases	3 years	4 years
Weighted Average Discount Rate - Finance Leases	3%	3%

Year Ending December 31,	Finance Leases
2022	$ 204,523
2023	193,259
2024	193,259
Total Undiscounted Payments	591,041
Less Discount (Amount Representing Interest)	(21,570)
Total Lease Liability	$ 569,471

NOTE 10 LONG-TERM DEBT

Bonds Payable

The University issued bonds with the Minnesota Higher Education Facilities Authority (MHEFA) with the original value of $11,480,000 in revenue bonds, Series Five-P1, and Taxable Series Five-P2. In October 2007, the University issued bonds with MHEFA with original value of $18,155,000 in revenue bonds, Series Six-Q. At June 30, 2021 and 2020, the University's payable to MHEFA was $13,648,107 and $14,579,930, respectively, net of the unamortized discount of $51,893 and $55,070, respectively.

Under the terms of the bond indenture, the interest rate varies and is payable on the first of the month. At June 30, 2021 and 2020, the bonds bore an interest rate of 1.12% and 1.76%, respectively. The principal portion is due annually on January 1 and is scheduled to mature on April 1, 2037.

Effective August 13, 2019, the University entered into an amended agreement on the Series Six-Q bond which resulted in updated payment maturities and an increase in interest rate from 1.55% to 1.73%.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Future minimum principal payments, based on the indenture agreement with the MHEFA, are as follows:

Year Ending June 30,	Amount
2022	$ 900,000
2023	900,000
2024	900,000
2025	900,000
Thereafter	10,100,000
Total Principal Payments	13,700,000
Less Discounts	(316,659)
Bonds Payable, Net of Discounts	$ 13,383,341

For the years ended June 30, 2021 and 2020, interest totaled $10,582 and $191,170, respectively, on the MHEFA bonds.

The bond indenture contains covenants, including a debt service coverage ratio of at least 1.20 to 1.0 and a net asset growth ratio in relation to the change in the Consumer Price Index. Additionally, the University is required to maintain a minimum of $85 million of net assets throughout the year.

At June 30, 2021 and 2020, the University has an outstanding letter of credit with Bremer Bank for $13,831,370 and $14,792,596, respectively in relation to the bond issue.

Pursuant to the letter of credit reimbursement agreement should there be a failure to remarket the variable rate bonds, proceeds from a draw on the letter of credit will be used to purchase the bonds. However, should the bonds continue to remain unremarketable, the University would be required to repay the letter of credit within 365 days of the draw. Assuming that the variable rate bonds continue to be remarketed, the scheduled payment column in the above schedule reflects the anticipated payment schedule. In conjunction with the bonds payable, the University entered into four interest rate swap agreements with U.S. Bank, N.A. (the Swap Provider) in August 2011 with the objective to minimize the risks associated with market rate fluctuations. Pursuant to the terms of the swap agreement, the University pays the Swap Provider interest at fixed rates of 1.68% to 2.76%. The Swap Provider pays the Organization interest at a variable rate equal to the one-month LIBOR Rate, reset monthly and effective the first day of the calculation period. This interest rate swap has the effect of converting the interest rate on the second note from a variable rate to net fixed rates of 1.68% to 2.76%. One swap agreement expired August 1, 2014, one expired August 1, 2016, one expired August 1, 2018, and one more will expire August 1, 2021. As of June 30, 2021 and 2020, the notional amount of the swap agreement was $13,100,000. The fair value of the swap agreement liability at June 30, 2021 and 2020 was $336,616 and $366,966, respectively. The change in value in the interest rate swap agreement was $30,350 and $68,726 as of June 30, 2021 and 2020, respectively.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Scheduled due date on the final swap agreement is as follows:

Due Date	Rate	Amount	June 30 Value
8/1/2021	2.76%	$ 13,100,000	$ (30,350)

Deferred debt acquisition costs of $486,306 are being amortized on a straight-line basis over the term of the bonds of 25 years. Accumulated amortization was $486,306 and $439,100 for the years ended June 30, 2021 and 2020, respectively. Amortization expense was $16,211 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 FOOD SERVICES MANAGEMENT AGREEMENT

On May 2, 2013, the University amended their food services management agreement with Sodexo America LLC (Sodexo). The agreement states that on or about July 1, 2013, Sodexo will provide an amount not to exceed $1 million to be used at the University's discretion. If the agreement terminates or is amended resulting in an adverse economic impact on Sodexo then the University will have to reimburse Sodexo the unamortized portion of the amount. Sodexo shall amortize the $1 million on a straight-line basis over 13 years, commencing July 1, 2013 and continuing through August 1, 2026. Additionally, the University will pay Sodexo $38,500 per year to help pay for part of the amortization of the $1 million. At June 30, 2021 and 2020, the outstanding balance was $445,310 and $461,538, respectively. The University entered into an additional agreement with Sodexo beginning on September 1, 2018 through August 31, 2023, for a total of $2,299,631 to provide campus facilities management services.

NOTE 12 ENVIRONMENTAL REMEDIATION

The University owns several buildings on campus that contain asbestos in various forms. In accordance with accounting standards, management estimated the cost of any potential obligation to remove asbestos to be approximately $468,000. This amount is recorded as a liability on the statement of financial position. The University used a future value rate assumption of 3% and discounted the estimate to present value using a risk-free rate of return of 5%. The potential environmental remediation liability, included in Accounts Payable and Other Liabilities in the statement of financial position, is $377,638 and $357,950 at June 30, 2021 and 2020, respectively.

NOTE 13 RELATED PARTY TRANSACTION

Effective March 20, 2019, the University entered into an agreement with a management company for which the owner is the spouse of a board member. The management company will be responsible for managing the operations of one of the University's properties. The University is required to pay a monthly amount of $8,500 to the management company. The University has a bank account for which the management company uses to help in managing the operations of the University's property. As of June 30, 2021 and 2020, the balance in this bank account was $550,866 and $423,447, respectively. This agreement was extended in fiscal year 2021 and will terminate on March 31, 2022.

NOTE 14 RESTRICTIONS ON NET ASSETS

Donor-restricted net assets consist of the following at June 30:

	2021	2020
Donor-Restricted Net Assets not Invested in Perpetuity:		
Academic Programs:		
Instruction - Divisional	$ 959,860	$ 722,691
Other Instructional Programs	267,760	199,754
Support Programs:		
Academic Support	202,387	166,160
Student Services	192,752	206,672
Instructional Support	2,664,627	1,088,688
Scholarship Allowances (Student Aid)	5,337,909	2,373,829
Land, Building, and Equipment Acquisitions	153,166	2,000
Subtotal	9,778,461	4,759,794
Time Restrictions	1,490,915	587,852
Total Donor-Restricted Net Assets Not Invested in Perpetuity	11,269,376	5,347,646
Donor-Restricted Net Assets Invested in Perpetuity:		
Academic Programs:		
Instruction - Divisional	582,671	544,847
Support Programs:		
Academic Support	3,068,294	2,900,933
Scholarship Allowances (Student Aid)	26,030,776	21,767,077
Support for General Operations	14,693,199	14,182,131
Total Donor-Restricted Net Assets Invested in Perpetuity	44,374,940	39,394,988
Total Net Assets with Donor Restrictions	$ 55,644,316	$ 44,742,634

NOTE 15 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by the passage of time or the occurrence of other events specified by donors as follows for the years ended June 30:

	2021	2020
Release of Restrictions:		
Academic Programs:		
Instruction - Divisional	$ 50,123	$ 59,203
Other Instructional Programs	46,088	18,848
Support Programs:		
Academic Support	14,862	22,004
Student Services	29,592	84,572
Institutional Support	378,748	378,600
Auxiliary Enterprises:		
Scholarship Allowances (Student Aid)	1,143,138	1,254,353
Fixed Assets Acquired and Placed in Service	125,857	151,416
Subtotal	1,788,408	1,968,996
Expiration of Time Restrictions	53,549	45,922
Total Net Assets Released from Restriction	$ 1,841,957	$ 2,014,918

NOTE 16 ENDOWMENT

The University has board-designated and donor-restricted endowment funds established for the purposes of providing income to provide scholarships. As required by U.S. GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of regents of the University has interpreted the State's Uniform Prudent Management of Institutional Funds Act (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 University classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions for purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 16 ENDOWMENT (CONTINUED)

In accordance with the UPMIFA, the Organization 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 Organization 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 Organization.
(7) The investment policies of the Organization.

Endowment net asset composition by type of fund as of June 30:

June 30, 2021	Without Donor Restrictions	With Donor Restrictions: Purpose	With Donor Restrictions: Perpetual	Total With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ 943,623	$ 8,530,939	$ 34,017,649	$ 42,548,588	$ 43,492,211
Board Designated Endowment Funds	2,439,310	-	-	-	2,439,310
Total Endowment Funds	$ 3,382,933	$ 8,530,939	$ 34,017,649	$ 42,548,588	$ 45,931,521

June 30, 2020	Without Donor Restrictions	With Donor Restrictions: Purpose	With Donor Restrictions: Perpetual	Total With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ 718,667	$ 3,792,576	$ 28,972,803	$ 32,765,379	$ 33,484,046
Board Designated Endowment Funds	2,139,583	-	-	-	2,139,583
Total Endowment Funds	$ 2,858,250	$ 3,792,576	$ 28,972,803	$ 32,765,379	$ 35,623,629

The endowment net assets and activity for 2021 and 2020 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions: Purpose	With Donor Restrictions: Perpetual	Total With Donor Restrictions	Total
Endowment Fund Balance - June 30, 2019	$ 2,866,558	$ 4,492,188	$ 27,557,359	$ 32,049,547	$ 34,916,105
Contributions	1,750	4,200	926,043	930,243	931,993
Earnings:					
Interest and Dividends	65,672	545,341	17,854	563,195	628,867
Realized and Unrealized Gains	(12,705)	(180,971)	471,547	290,576	277,871
Total Earnings	52,967	364,370	489,401	853,771	906,738
Appropriations	(63,025)	(1,068,182)	-	(1,068,182)	(1,131,207)
Endowment Fund Balance - June 30, 2020	2,858,250	3,792,576	28,972,803	32,765,379	35,623,629
Contributions	750	16,320	2,974,614	2,990,934	2,991,684
Earnings:					
Interest and Dividends	59,752	519,558	17,225	536,783	596,535
Realized and Unrealized Gains (Losses)	463,812	5,206,846	2,042,350	7,249,196	7,713,008
Total Earnings	523,564	5,726,404	2,059,575	7,785,979	8,309,543
Appropriations	(49,631)	(993,704)	-	(993,704)	(1,043,335)
Reclassification of Net Assets	50,000	(10,657)	10,657	-	50,000
Endowment Fund Balance - June 30, 2021	$ 3,382,933	$ 8,530,939	$ 34,017,649	$ 42,548,588	$ 45,931,521

NOTE 16 ENDOWMENT (CONTINUED)

Endowment Fund Deficiency

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. As of June 30, 2021 and 2020, no deficiencies of this nature existed.

Investment Strategy, Return Objectives, and Risk Parameters

The University invests its endowment fund in a balanced portfolio of debt and equity securities with the objective of preservation of capital and long-term capital appreciation. The balanced portfolio investment return objective is to produce real returns, net of inflation of approximately 5% over time at a moderate level of risk to invested capital.

Spending Policy and How Investment Objectives Relate to Spending

The board of regents approved a 4% spending policy in 2005. Most of the University's endowments were established before the adoption of the spending policy and have specific requirements for spending earnings at various percentage levels and re-investing earnings back into the permanent endowment.

NOTE 17 CONTINGENCY

In the normal course of business, the University has claims made against them. As of June 30, 2021, the amount and likelihood of loss is not determined. The University believes these claims are without merit and intends to vigorously defend the matters.

NOTE 18 DEFINED BENEFIT PLANS

The University participates in the Concordia Plan Services. Substantially all full-time employees are covered by these retirement and survivor programs. The University contributes a fixed percentage of each participant's salary to the plans. Retirement and survivor program expenses for the years ended June 30, 2021 and 2020 totaled $1,712,562 and $1,553,687, respectively.

NOTE 19 FAIR VALUE MEASUREMENTS

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the University values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

NOTE 19 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liability of the University measured at fair value on a recurring basis as of June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds - Equities	$ 4,945,751	$ -	$ -	$ 4,945,751
Mutual Funds - Fixed Income	2,274,377	-	-	2,274,377
Securities - Equity	3,811,707	-	-	3,811,707
Real Estate	216,043	-	4,862,985	5,079,028
LCMS Endowment Funds	-	-	1,806,548	1,806,548
LCEF Funds	-	-	27,600	27,600
Trusts and Annuities Receivables	-	-	1,680,894	1,680,894
Liabilities:				
Interest Rate Swap Agreement	-	(30,350)	-	(30,350)
Total	$ 11,247,878	$ (30,350)	$ 8,378,027	$ 19,595,555

	2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds - Equities	$ 3,689,944	$ -	$ -	$ 3,689,944
Mutual Funds - Fixed Income	2,113,919	-	-	2,113,919
Securities - Equity	3,067,354	-	-	3,067,354
Real Estate	121,376	-	4,836,997	4,958,373
Commodities	-	-	-	-
LCMS Endowment Funds	-	-	1,446,296	1,446,296
Funds with CUS	-	-	-	-
LCEF Funds	-	-	27,600	27,600
Trusts and Annuities Receivables	-	-	1,562,399	1,562,399
Liabilities:				
Interest Rate Swap Agreement	-	(366,966)	-	(366,966)
Total	$ 8,992,593	$ (366,966)	$ 7,873,292	$ 16,498,919

The totals do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total University investments:

	2021	2020
Total Investments, Net of Interest Rate Swap	$ 61,552,676	$ 48,413,318
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(1,568,531)	(1,021,346)
Assets Measured at Net Asset Value	(39,598,586)	(30,118,568)
Cash Surrender Value of Life Insurance Policies	(790,004)	(774,485)
Total Investments Measured at Fair Value on a Recurring Basis	$ 19,595,555	$ 16,498,919

NOTE 19 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

The following table provides summary of changes in fair value of the University's Level 3 financial assets for the years ended June 30:

Instrument	Fair Value 2021	Fair Value 2020	Principal Valuation Technique	Unobservable Inputs
Real Estate	$ 4,862,985	$ 4,836,997	Independent Appraisals	Real Estate Values
Trusts and Annuities	1,680,894	1,562,399	FMV of Trust Investments	Time Period of Trust
LCMS Endowment Funds	180,547	1,446,294	FMV of Trust Investments	Time Period of Trust
LCEF Funds	27,600	27,600	FMV of Trust Investments	Time Period of Trust

The value of the Real Estate is based on independent appraisals. The value of the Trusts and Annuities represents an irrevocable right to receive distributions from a trust that is managed by a third party. See Note 8 as it relates to the value of the LCMS Endowment and LCEF Funds.

The University elected to apply the concepts of accounting standard *Investment in Certain Entities that Calculate Net Asset Value (NAV) per Share* to its Level 3 investments. The guidance states that "if a reporting entity has the ability to redeem its investment with the investee at net asset NAV per share (or its equivalent) at the measurement date, the fair value measurement of the investment shall be categorized as a Level 2 fair value measurement."

Fair value measurements of investments in certain funds that calculate NAV per share (or its equivalent) as of June 30 is as follows:

		2021		
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds - Equities	$ 21,193,190	$ -	Monthly	Monthly
Mutual Funds - Fixed Income	18,405,396	-	Monthly	Monthly
Total	$ 39,598,586	$ -		

		2020		
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds - Equities	$ 15,355,228	$ -	Monthly	Monthly
Mutual Funds - Fixed Income	14,763,340	-	Monthly	Monthly
Total	$ 30,118,568	$ -		

Mutual Funds – Equities – invests primarily in the U.S. equity market and non-U.S. global equity market.

Mutual Funds – Fixed Income – invests primarily in investment grade, aggregate U.S. bond market, and the BB/B noninvestment grade U.S. bond market.

NOTE 20 COMPOSITE SCORE

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the University's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2021 is as follows:

Primary Reserve Ratio:		
Expendable Net Assets	$ 56,251,607	
Total Expenses/Losses	$ 79,515,690	0.707428
Equity Ratio:		
Modified Net Assets	$ 141,065,234	
Modified Assets	$ 168,010,049	0.839624
Net Income Ratio:		
Change in Net Assets Without Donor Restrictions	$ 10,453,342	
Total Revenues/Gains	$ 91,603,012	0.114116

	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.7074	3.0000	40%	1.2000
Equity Ratio	0.8396	3.0000	40%	1.2000
Net Income Ratio	0.1141	3.0000	20%	0.6000
				3.0000

See below for additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

NOTE 20 COMPOSITE SCORE (CONTINUED)

Supplemental Schedule - Financial Responsibility Calculation Supplemental Components

	Primary Reserve Ratio:		
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net Assets without Donor Restrictions	$ 85,420,918
2	SFP	Net Assets with Donor Restrictions	55,644,316
3	Note 14	Net Assets Restricted in Perpetuity	44,374,940
4	N/A	Unsecured Related-Party Receivable	-
5	N/A	Donor Restricted Annuities, Term Endowments, Life Income Funds	385,955
6	Note 6	Property, Plant, and Equipment Pre-Implementation	47,128,734
7	Note 6	Property, Plant, and Equipment Post-Implementation with Outstanding Debt for Original Purchase	-
8	Note 6	Construction in Progress Purchased with Long-Term Debt	-
9	Note 6	Post-Implementation Property, Plant, and Equipment, Net, Acquired without Debt	5,200,821
10	N/A	Lease Right-of-Use Asset, Pre-Implementation (Grandfather of Leases Option not Chosen)	-
11	SFP	Lease Right-of-Use Asset, Post-Implementation	744,884
12	N/A	Intangible Assets	-
13	N/A	Post-Employment and Pension Liabilities	-
14	Note 10	Long-Term Debt - for Long-Term Purposes Pre-Implementation	12,452,236
15	Note 10	Long-Term Debt - for Long-Term Purposes Post-Implementation	-
16	Note 10	Line of Credit for Construction In Progress	-
17	N/A	Pre-Implementation Right-of-Use Asset Liability	-
18	SFP	Post-Implementation Right-of-Use Asset Liability	569,471
		Total Expenses And Losses:	
18	Statement of Activities (SOA)	Total Expenses (Operating and Nonoperating) without Donor Restrictions	79,515,690
19	SOA	Nonservice Component of Pension/Postemployment (Nonoperating) Cost, (if Loss)	-
20	N/A	Sale of Fixed Assets (if Loss)	-
21	SOA	Change in Value of Interest-Rate Swap Agreements (if Loss)	-
	Equity Ratio:		
		Modified Net Assets:	
22	SFP	Net Assets without Donor Restrictions	$ 85,420,918
23	SFP	Net Assets with Donor Restrictions	55,644,316
24	SFP	Intangible Assets	-
25	N/A	Unsecured Related-Party Receivables	-
		Modified Assets:	
26	SFP	Total Assets	168,010,049
27	N/A	Lease Right-of-Use Asset Pre-Implementation	-
28	SFP	Intangible Assets	-
29	N/A	Unsecured Related-Party Receivables	-
	Net Income Ratio:		
30	SOA	**Change in Net Assets Without Donor Restrictions**	$ 10,453,342
		Total Revenues and Gains:	
31	SOA	Total Operating Revenue (Including Net Assets Released from Restrictions)	89,969,032
32	SOA	Investments Gain, Net (Aggregate Operating and Nonoperating Interest, Dividends, Realized and Unrealized Gains)	1,297,364
33	SOA	Nonservice Component of Pension/Postemployment (Nonoperating) Cost (if Gain)	-
34	SOA	Pension-Related Changes other than Net Periodic Pension Costs (if Gain)	-
35	SOA	Change in Value of Annuity Agreement (Typically in Nonoperating)	-
36	SOA	Change in Value of Interest-Rate Swap Agreements (if Gain)	336,616
37	N/A	Sale of Fixed Assets (if Gain)	-
38	SOA	Other Gains	-

NOTE 20 COMPOSITE SCORE (CONTINUED)

Supplemental Disclosures - U.S. Department of Education
Fiscal Year Ended June 30, 2021

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under

Property, Plant, and Equipment, Net		
1	Pre-implementation property, plant, and equipment, net	
	a. Ending balance of pre-implementation as of June 30, 2020	$50,264,197
	b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	(985,249)
	c. Less subsequent depreciation and disposals (net of accumulated depreciation)	(2,150,214)
	d. Balance pre-implementation property, plant, and equipment, net	47,128,734
2	Debt financed post-implementation property, plant, and equipment, net Long-lived assets acquired with debt subsequent to June 30, 2020:	
	a. Equipment	-
	b. Land improvements	-
	c. Building	-
	d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	-
3	Construction in progress - acquired subsequent to June 30, 2020	-
4	Post-implementation property, plant, and equipment, net, acquired without debt:	
	a. Long-lived assets acquired without use of debt subsequent to June 30, 2021	5,200,821
5	Total Property, Plant, and Equipment, net - June 30, 2021	$52,329,555
Debt to be Excluded from Expendable Net Assets		
6	Pre-implementation debt:	
	a. Ending balance of pre-implementation as of June 30, 2020	$14,159,027
	b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	(791,178)
	c. Less subsequent debt repayments	(915,613)
	d. Balance pre-implementation debt	12,452,236
7	Allowable post-implementation debt used for capitalized long-lived assets:	
	a. Equipment - all capitalized	931,105
	b. Land improvements	-
	c. Buildings	-
	d. Balance post-implementation debt	931,105
8	Construction in progress (CIP) financed with debt or line of credit	-
9	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	-
		$13,383,341

NOTE 20 COMPOSITE SCORE (CONTINUED)

Lease right-of-use assets and liabilities

10	Lease right-of-use assets Right-of-use assets as of balance sheet date June 30, 2021	$	744,884
11	Lease right-of-use assets - Pre-implementation (Grandfathered option not elected) Right-of-use assets as of balance sheet date June 30, 2021, excluding leases entered into before December 15, 2018	$	-
12	Lease right-of-use assets - Post-implementation Right-of-use assets as of balance sheet date June 30, 2021, excluding leases entered into on or after December 15, 2018	$	744,884
13	Lease right-of-use liability Lease liabilities as of balance sheet date June 30, 2021 excluding	$	569,471
14	Lease right-of-use liability - Pre-implementation ((Grandfathered option not elected) Lease liabilities as of balance sheet date June 30, 2021, excluding leases entered into before December 15, 2018	$	-
15	Lease right-of-use liability - Post-implementation Lease liabilities as of balance sheet date June 30, 2021, excluding leases entered into on or after December 15, 2018	$	569,471

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FIANNCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Board of Regents
Concordia University, St. Paul
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Concordia University, St. Paul (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Concordia University, St. Paul's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Concordia University, St. Paul's internal control. Accordingly, we do not express an opinion on the effectiveness of Concordia University, St. Paul's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Concordia University, St. Paul's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 5, 2021

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE, REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Concordia University, St. Paul
St. Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Concordia University, St. Paul's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Concordia University, St. Paul's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Concordia University, St. Paul's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, 2021-003, 2021-004 and 2021-005. Our opinion on each major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, 2021-003, 2021-004 and 2021-005, that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Concordia University, St. Paul as of and for the year ended June 30, 2021, and have issued our report thereon dated October 5, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 23, 2022

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster:			
Federal Work Study Program	84.033		$ 133,929
Federal Supplemental Educational Opportunity Grants	84.007		239,286
Federal Pell Grant Program	84.063		5,994,371
Federal Perkins Loans Outstanding, Beginning of Year	84.038		1,363,016
Federal Direct Loan Program	84.268		36,491,981
Teacher Education Assistance for College and Higher Education Grant Program	84.379		30,325
Total Student Financial Aid Cluster			44,252,908
Coronavirus Aid, relief, and Economic Security Act Section 2 Higher Education Emergency Relief Fund (HEERF)			
COVID-19 - HEERF Student Aid Portion	84.425E		1,531,579
COVID-19 - HEERF Institutional Aid Portion	84.425F		2,530,549
COVID-19 - HEERF Strengthening Institutions Program	84.425M		181,126
Total Higher Education Emergency Relief Fund (HEERF)			4,243,254
Total U.S. Department of Education			48,496,162
Total Expenditures of Federal Awards			$ 48,496,162

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of the Organization that have been financed by the U.S. government (federal awards). Federal awards received directly from federal agencies are included in the Schedule, as are federal guaranteed loans disbursed by other sources. Additionally, all federal awards passed through from other entities have been included in the Schedule. The Organization is required to match certain grant agreements, as defined in the grants, and these matching amounts are not included in the Schedule.

The information in the Schedule is presented in accordance with requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Concordia University, St. Paul.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 FEDERAL LOAN PROGRAMS

The Organization administers the following federal loan programs:

Program Title	Federal Assistance Listing Number	Amount Outstanding
Federal Perkins Loan Program	84.038	$ 1,239,560

CONCORDIA UNIVERSITY, ST. PAUL
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THE LUTHERAN CHURCH – MISSOURI SYNOD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ______ yes ___x___ no
   - Significant deficiency(ies) identified? ______ yes ___x___ none reported
3. Noncompliance material to financial Statements noted? ______ yes ___x___ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ______ yes ___x___ no
   - Significant deficiency(ies) identified? ___x___ yes ______ none reported
2. Type of auditors' report issued on: compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___x___ yes ______ no

Identification of Major Federal Programs

Federal Assistance Listing Number	Name of Federal Program or Cluster
84.063, 84.379, 84.007, 84.033, 84.268, 84.038	Student Financial Assistance Cluster
84.425E, 84.425F, 84.425M	Higher Education Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: Type A - $750,000; Type B - $187,500

Auditee qualified as low-risk auditee? ___x___ yes ______ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2021 – 001

Federal Agency: Department of Education

Federal program title: Student Financial Assistance Cluster

Assistance Listing Number: 84.038 – Federal Perkins Loans

Award Period: July 1, 2020 – June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance
Other Matters

Criteria or specific requirement: The Code of Federal Regulation, 34 CFR 674.43, requires first overdue notice to a borrower within 15 days after the due date of the payment if the servicer has not received a payment, a request for deferment or a request for postponement or for cancellation. Further, a borrower shall receive a second overdue notice within 30 days after the first overdue notice is sent and a final demand letter within days after the second overdue notice. The Organization at this time must inform the borrower that unless the institution receives a payment or a request for deferment, postponement, or cancellation within 30 days of the later, it will refer the account for collection or litigation and will report the default to a credit bureau.

The Code of Federal Regulation, 34 CFR 674.42, requires that for loans with a nine-month initial grace period (NDSLs made before October 1, 1980 and Federal Perkins loans), the institution shall contact the borrower three times within the initial grace period and for loans with a six-month initial or post deferment grace period, the institution shall contact the borrower twice during the grace period. Further, the institution shall contact the borrower for the first time 90 days after the commencement of any grace period and shall at this time remind the borrower of his or her responsibility to comply with the terms of the loan. The institution shall contact the borrower the second time 150 days after the commencement of any grace period. The institution shall at this time notify the borrower of the date and amount of the first required payment. The institution shall contact a borrower with a nine-month initial grace period a third time 240 days after the commencement of the grace period, and shall then inform him or her of the date and amount of the first required payment.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 001 (Continued)

Condition: The Organization utilizes University Accounting Service, LLC (UAS) for its third-party Perkins Loan servicing. This is a very common practice for colleges and universities in order to provide the most efficient and effective means to not only collect loans but meet the federal regulations for servicing student Perkins Loans. In auditing the compliance features for the loan servicing, the Organization's auditor utilizes the external compliance report performed for UAS by other auditors. We noted within the UAS compliance audit report for the year ended June 30, 2021, UAS had a few findings in their compliance report for not timely sending past due notices to students, not able to provide grace period letters to borrowers, sending grace letters to borrowers untimely and also for inaccurate enrollment status reporting. Therefore, we do not know if there were any Concordia University, St. Paul's students that were impacted by the noncompliance noted at UAS.

Questioned costs: None

Context: We noted the Organization's third-party servicer failed to comply with four requirements as follows: 8 of the 50 students tested were sent past due notices late, two of the three months tested, UAS was not able to provide documentation that borrowers were provided grace period letters, 20 of the 20 students tested, the grant period letters were not sent timely and for 19 of the 50 students tested, the enrollment status reporting was inaccurate.

Cause: UAS, the third-party servicer, did not have controls in place to ensure they complied with Department of Education Rules and Regulations in regard to timely engagement with students with federal loans. Given Concordia University, St. Paul relies on UAS to meet their compliance responsibilities, this is a finding for Concordia University, St. Paul.

Effect: UAS is not in compliance with all statutory or regulatory provisions. Any finding UAS receives that is not mitigated with additional testing (with results of no errors specific to the college or university), that finding becomes a finding of the institutions they service.

Repeat Finding: Yes.

Auditors' Recommendation: We recommend the Organization implement a thorough review process of all third-party servicer contracts to make sure they comply with all Department of Education Rules and Regulations.

Views of responsible officials: There is no disagreement with the audit finding.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 002

Federal Agency: Department of Education

Federal program title: Student Financial Assistance Cluster

Assistance Listing Numbers:

84.007 – Federal Supplemental Education Opportunity Grants
84.033 – Federal Work Study Program
84.038 – Federal Perkins Loans
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans
84.379 – Teacher Education Assistance for College and Higher Education Grants

Award Period: July 1, 2020 – June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance
Other Matters

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 685.309(b), states schools must have some arrangement to report student enrollment data to NSLDS through an enrollment roster file. The school is required to report changes in the student's enrollment status, the effective date of the status, and an anticipated completion date. Also, the Code of Federal Regulations, 34 CFR 682.610, states that institutions must report accurately the enrollment status of all students regardless if they receive aid from the institution or not. Changes to said status are required to be reported within 30 days of becoming aware of the status change, or with the next scheduled transmission of statuses if the scheduled transmission is within 60 day.

There are two categories of enrollment information; "Campus Level" and "Program Level," both of which need to be reported accurately and have separate record types.

Condition: During our testing, it was noted 3 of 40 students change in status was not reported timely to NSLDS. It was also noted 5 of 40 students enrollment information did not match their program information. The institution also must update all records every 60 days, and CLA noted 28 out of 40 students had instances greater than 60 days where their records were not updated.

Questioned costs: None

Context: The enrollment roster file contained dates that were incorrect for the Enrollment and Program Level effective dates. In the cases of this error the enrollment information should have been the date per institution's records for the Campus and Program Level. There were also instances where the information on the Enrollment and Program level were inconsistent with the University's records. Finally, Updates to NSLDS were not completed in a timely manner.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 002 (Continued)

Cause: The University has had significant turnover and updates were missed.

Effect: The NSLDS system is not updated with the student information which can cause a student to not properly enter the repayment period.

Repeat Finding: Yes.

Auditor's Recommendation: We recommend the University review its reporting procedures to ensure the students' statuses are accurately and timely reported to NSLDS as required by regulations.

Views of Responsible Officials: There is no disagreement with the audit finding.

2021 – 003

Federal Agency: Department of Education

Federal Program Title: Higher Education Emergency Relief Fund (HEERF)

Assistance Listing Number: 84.425F

Award Period: July 1, 2020 – June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance
Other Matters

Criteria or specific requirement: Tile 2, Subtitle A, Chapter 2 Part 200, Subpart D, section 200.318 of the Code of Federal Regulations requires Universities to have a written procurement policy that includes certain requirements as it relates to procuring good and services using federal dollars. Additionally, 2 CFR 180.995 requires that the University has a written policy where Universities should perform a check to ensure vendors are not debarred.

Condition: During our testing, it was noted that the University does not have a written procurement policy in place when procurement of vendors using federal funds. During review of the procurement policy, there were certain elements missing as required to be included in the written policy. One such item related to conflict of interest where "no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest". Also, it was noted during testing that there is no written policy that requires the University to verify that vendors are suspended or debarred.

Questioned costs: None

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 003 (Continued)

Context: The University did have appropriate documentation that met the procurement, and suspension and debarment federal requirements. Written policies were not in place at time of procurement or entering into contracts with vendors.

Cause: The University was unaware of this federal requirement since it is their federal grants are rarely nonstudent financial aid.

Effect: Not all requirements were met. In addition, it is also required that the policies be documented in a written form. Without written policies it is likely that required steps in the process may be missed.

Repeat Finding: No.

Recommendation: We recommend that the University review their Procurement and Suspension and debarment policies and ensure that any missing federal requirements are included in their written policies.

Views of Responsible Officials: There is no disagreement with the audit finding.

2021 – 004

Federal Agency: Department of Education

Federal Program Title: Higher Education Emergency Relief Fund

Assistance Listing Numbers: 84.425E and 84.425F

Award Period: July 1, 2020 – June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance
Other Matters

Criteria or specific requirement: The 2 CFR Section 200.303 require that nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal Statutes, regulations, and the terms and conditions of the Federal awards. Additionally, the University was required to submit certain reports relating to their Higher Education Emergency Relief Fund (HEERF) during fiscal year 2021.

Condition: During our testing of reporting, it was noted that the Vice President of Finance prepares the reports but no one reviews the reports before submission. Additionally, it was noted that their institutional portion of the HEERF funds due January 10, 2021 was submitted after the due date on January 22, 2021. Also, the student reporting for quarter ending March 31, 2021 was not reported. Finally, a few discrepancies were noted as it relates to numbers reported and their underlying support.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 004 (Continued)

Questioned costs: None

Context: The University had inconsistencies between the annual report and the student reports submitted, and the support provided. Additionally, one of their student quarterly reports was not updated although additional funds had been spent.

Cause: The HEERF funding is new to the University and given the complexity, the Vice President of Finance was the only knowledgeable person to prepare these reports.

Effect: One of the student reports was not updated although additional funds had been spent. Additionally, a few reports submitted had immaterial discrepancies. One report was also submitted late.

Repeat Finding: No.

Recommendation: We recommend that the University review their policies surrounding federal grants and ensure a review process is in place to ensure that all necessary compliance requirements are met.

Views of Responsible Officials: There is no disagreement with the audit finding.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 005

Federal Agency: Department of Education

Federal program title: Student Financial Assistance Cluster

Assistance Listing Numbers:

84.007 – Federal Supplemental Education Opportunity Grants
84.033 – Federal Work Study Program
84.038 – Federal Perkins Loans
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans
84.379 – Teacher Education Assistance for College and Higher Education Grants

Award Period: July 1, 2020 – June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance
Other Matters

Criteria or specific requirement: The Code of regulations, 34 CFR 682.610, if roster file submitted to NSLDS contains records that do not pass the NSLDS enrollment reporting edits, an Institution must make necessary corrections within 10 days and resubmit them.

Condition: During our testing, we noted instances where the NSLDS rosters returned yielded errors that were not corrected and resubmitted within the 10 days.

Questioned costs: None

Context: The University had instances where the yielded errors were not corrected within the 10 days window.

Cause: Management did not resubmit the yielded errors within 10 days on a few instances.

Effect: The University was not in compliance with the requirements to timely respond to error reports.

Repeat Finding: No.

Recommendation: We recommend that the University review their policies surrounding federal grants and ensure a review process is in place to ensure that all necessary compliance requirements are met.

Views of Responsible Officials: There is no disagreement with the audit finding.