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

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2022 AND 2021

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and changes in the net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Concordia University, St. Paul and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Concordia University, St. Paul's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Concordia University, St. Paul's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Concordia University, St. Paul's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of financial responsibility calculation is presented for purposes of additional analysis 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 audits 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Regents
Concordia University, St. Paul

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2022, 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 results of that testing, and not to provide an opinion on the 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
November 9, 2022

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	$ 52,565,970	$ 49,140,916
Accounts and Interest Receivable, Net of Allowance for Doubtful Accounts of $1,224,579 in 2022 and $1,723,774 in 2021	3,896,907	1,495,356
Federal Grants Receivable	464,175	278,213
State Grants Receivable	205,891	165,245
Inventories, Prepaid Expenses, and Other Assets	1,360,287	1,172,960
Trusts and Annuities Receivable	2,590,844	1,680,894
Loans Receivable - Federal Perkins Loan Program and Other Loans	555,118	1,239,560
Right of Use Asset - Finance	418,997	605,218
Land, Buildings, and Equipment, Net	55,305,072	52,329,555
Investment in LCMS Foundation	34,531,761	39,623,586
Long-Term Investments	9,056,593	9,968,830
Funds Held by Third-Party Trustees	8,724,413	9,519,712
Cash Value of Life Insurance	760,323	790,004
Total Assets	$ 170,436,351	$ 168,010,049
LIABILITIES AND NET ASSETS		
LIABILITIES		
Bonds Payable, Net of Discounts	$ 12,502,728	$ 13,383,341
Deposits Payable	717,476	769,673
Refundable Advance - Food Service Company	307,692	384,615
Deferred Revenue	7,715,911	5,872,963
Lease Liability - Finance	375,706	569,471
Accounts Payable and Other Liabilities	7,868,932	4,563,368
Interest Rate SWAP Agreements	-	30,350
Refundable Advances - Federal Perkins Loan Program	673,939	1,371,034
Total Liabilities	30,162,384	26,944,815
NET ASSETS		
Net Assets Without Donor Restrictions	89,212,360	85,420,918
Net Assets With Donor Restrictions	51,061,607	55,644,316
Total Net Assets	140,273,967	141,065,234
Total Liabilities and Net Assets	$ 170,436,351	$ 168,010,049

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, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Tuition and Fees, Net of Student Aid and Scholarships of $14,802,977	$ 68,030,335	$ -	$ 68,030,335
Income on Cash and Cash Equivalents	62,296	-	62,296
Income on Long-Term Investments	113,837	668,180	782,017
Auxiliary Enterprises	6,395,176	-	6,395,176
Other	515,441	-	515,441
Total Revenue	75,117,085	668,180	75,785,265
SUPPORT AND GRANTS			
Concordia University System	-	44,925	44,925
Federal Grants	6,179,144	-	6,179,144
State Grants	1,706,149	-	1,706,149
Other	2,342,208	3,180,217	5,522,425
Total Support and Grants	10,227,501	3,225,142	13,452,643
GAINS AND OTHER ADDITIONS			
Change in Value of Split-Interest Agreements	-	909,949	909,949
Change in Value of Funds Held by Third-Party Trustees	-	(795,298)	(795,298)
Loss on Sale of Fixed Assets	(40,279)	-	(40,279)
Gain on Interest Rate Swap Agreement	30,350	-	30,350
Miscellaneous Income	561,505	-	561,505
Net Losses on Investments	(882,778)	(6,746,479)	(7,629,257)
Total Gains and Other Additions	(331,202)	(6,631,828)	(6,963,030)
Subtotal	85,013,384	(2,738,506)	82,274,878
Net Assets Released from Restrictions	1,844,203	(1,844,203)	-
Total Revenue, Support and Grants, and Gains and Other Additions	86,857,587	(4,582,709)	82,274,878
EXPENSES			
Educational and General:			
Academic Programs:			
Instruction - Divisional	18,656,726	-	18,656,726
Other Instructional Programs	2,465,725	-	2,465,725
Support Programs:			
Academic Support	4,386,888	-	4,386,888
Student Services	37,498,717	-	37,498,717
Scholarship and Fellowship	4,369,605	-	4,369,605
Institutional Support	9,187,239	-	9,187,239
Fundraising	2,056,230	-	2,056,230
Total Educational and General	78,621,130	-	78,621,130
Auxiliary Enterprises	4,445,015	-	4,445,015
Total Expenses	83,066,145	-	83,066,145
CHANGE IN NET ASSETS	3,791,442	(4,582,709)	(791,267)
Net Assets - Beginning of Year	85,420,918	55,644,316	141,065,234
NET ASSETS - END OF YEAR	$ 89,212,360	$ 51,061,607	$ 140,273,967

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, and 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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ (791,267)	$ 21,355,024
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Bad Debt Expense	70,741	162,851
Depreciation and Amortization Expense	3,143,515	3,154,166
Donated Securities	(167,675)	(7,368)
Net Unrealized Losses (Gains) on Investments	1,964,863	(8,732,383)
Realized Gains on Investments	(753,645)	(460,744)
Change in Value of SWAP Agreements	(30,350)	(336,616)
Change in Value of Split-Interest Agreement	(909,950)	(118,495)
Contributions Restricted for Investment in Endowment	(1,886,691)	(2,974,614)
Decrease in Cash Value of Life Insurance	29,681	(15,519)
Amortization of Bond Issuance Costs	16,211	16,211
Amortization of Bond Discount	3,176	3,176
(Increase) Decrease in Assets:		
Accounts and Interest Receivable	(2,472,292)	421,441
Federal and State Grants Receivable	(226,608)	725,979
Inventories, Prepaid Expenses, and Other Assets	(187,327)	(241,267)
Funds Held by Third-Party Trustees	795,299	(479,567)
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Liabilities	3,305,564	(2,688,025)
Deposits Payable	(52,197)	311,680
Deferred Revenue	1,842,948	(816,643)
Refundable Advances - Food Service Company	(76,923)	(76,923)
Refundable Advances - Federal Perkins Loan Program	(697,095)	(160,479)
Net Cash Provided by Operating Activities	2,398,752	9,041,885
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Building and Equipment	(5,973,090)	(3,085,439)
Proceeds on Disposal of Fixed Assets	561,505	-
Proceeds from Sales of Investments	3,818,452	3,767,916
Purchases of Investments	(3,949,758)	(4,527,958)
Investment in LCMS Foundation	5,091,825	(2,228,624)
Decrease in Federal Perkins Loans Receivable	684,442	123,456
Net Cash Provided (Used) by Investing Activities	233,376	(5,950,649)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(900,000)	(935,000)
Payments on Finance Leases	(193,765)	(221,707)
Proceeds from Contributions Restricted for Investment in Endowment	1,886,691	2,974,614
Net Cash Provided by Financing Activities	792,926	1,817,907
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,425,054	4,909,143
Cash and Cash Equivalents - Beginning of Year	49,140,916	44,231,773
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 52,565,970	$ 49,140,916
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Change in Value of SWAP Agreement	$ (30,350)	$ (336,616)
Construction Costs incurred included in Accounts Payable	$ -	$ 309,831
Interest Paid	$ 294,046	$ 624,225

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).

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, 2022 and 2021, cash restricted for federal Perkins loan totaled $118,820 and $131,472, respectively.

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. 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 $-0- and $5,770,909 that have not been recognized at June 30, 2022 and 2021, 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. During the year ending June 30, 2022 and 2021, the University recognized $5,767,805 and $4,243,062 of revenue from the grants.

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:	2022	2021
Undergraduate Tuition and Fees	$ 61,790,029	$ 67,802,162
Graduate Tuition and Fees	17,499,890	17,312,180
International Tuition and Fees	3,543,393	2,007,783
Total	$ 82,833,312	$ 87,122,125

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:	2022	2021
Housing	$ 2,891,008	$ 2,908,145
Dining	1,416,024	1,436,099
Rental Income	1,484,006	1,175,853
Tuition Fees	604,138	513,335
Total	$ 6,395,176	$ 6,033,432

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

	2022	2021	2020
Accounts Receivable - Students	$ 4,877,172	$ 3,060,028	$ 2,845,447

	2022	2021	2,020
Deferred Revenue - Students	$ 7,715,911	$ 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transaction Price

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.

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

Balance at June 30, 2021	Refunds Issued	Revenue Recognized Included in June 30, 2021 Balance	Cash Received in Advance of Performance	Balance at June 30, 2022
$ 5,872,963	$ 273,092	$ 5,599,871	$ 7,715,911	$ 7,715,911

The balance of deferred revenue at June 30, 2022 will be recognized as revenue over the academic term beginning on July 1, 2022, as services are rendered.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The University 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, 2022 and 2021, the University did not have any right-of-use (ROU) assets–operating and lease liability.

ROU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University'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 University will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The University 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 University has elected to use their incremental borrowing rate.

The University 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021. 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.

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 $206,697 and $269,746 for the years ended June 30, 2022 and 2021, respectively.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The FASB issued this ASU to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. This adoption of this standard did not have a significant impact on the University's financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing the financial statements, the University has evaluated events and transactions for potential recognition or disclosure through November 9, 2022, 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.

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 2022 and 2021.

As of June 30, 2022 and 2021, respectively, the following financial assets could readily be available within one year of the balance sheet date to meet general expenditures:

	2022	2021
Cash and Cash Equivalents Without Donor Restrictions	$ 43,463,084	$ 42,839,656
Accounts Receivable, Net and Grants Receivables	2,836,835	1,938,814
Investments not Encumbered by Donor or Board Restrictions	4,677,896	5,128,315
Payout on Donor Restricted Endowments for Use Over Next 12 Months	800,000	900,000
Payout on Quasi-Endowments for Use Over Next 12 Months	70,000	95,000
Total	$ 51,847,815	$ 50,901,785

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:

	2022								
	Program Activities			Support Activities					
	Instructional	Instructional - Other	Auxiliary Enterprises	Academic Support	Student Services	Scholarships and Fellowships	Institutional Support	Advancement	Total
Salaries and Wages	$ 13,373,690	$ 541,401	$ 455,658	$ 2,270,065	$ 6,412,858	$ -	$ 2,265,693	$ 1,019,261	$ 26,338,626
Benefits	1,744,630	79,624	87,704	403,787	1,208,001	-	581,946	181,216	4,286,908
Payroll Taxes	1,024,484	24,353	29,829	116,185	423,708	-	105,718	73,771	1,798,048
Total Salaries and Related Expenses	16,142,804	645,378	573,191	2,790,037	8,044,567	-	2,953,357	1,274,248	32,423,582
Professional Fees	162,197	74,989	1,276,724	24,543	916,949	-	1,106,160	433,680	3,995,242
Advertising and Promotion	4,064	324	139	156	130,035	-	57,469	14,510	206,697
Recruitment	-	-	-	31,679	23,391,650	-	29,292	-	23,452,621
Offices Expenses	75,491	9,738	19,126	27,331	182,912	-	152,209	150,516	617,323
Information Technology	1,565,073	1,607	6,563	847,674	188,180	-	1,169,138	5,691	3,783,926
Occupancy	401,602	908,848	1,600,582	338,056	2,070,498	-	1,973,287	21,397	7,314,270
Travel	44,609	32,051	3,026	12,678	1,088,556	-	43,867	23,158	1,247,945
Conf., Conv., and Meetings	15,541	818	-	55,076	36,037	-	5,651	4,505	117,628
Interest	-	-	286,316	-	99	-	27,117	-	313,532
Bad Debt and Bank Fees	43	608	-	-	4,948	-	124,299	14,902	144,800
Depreciation and Amortization	78,652	760,440	653,324	210,667	764,183	-	669,494	6,755	3,143,515
Insurance	-	-	-	-	2,072	-	477,048	42,233	521,353
Hospitality	61,358	15,658	7,864	7,604	396,528	-	39,475	53,486	581,973
Student Aid Expense	-	-	-	-	-	4,369,605	11,200	-	4,380,805
Other	105,292	15,266	18,160	41,387	281,503	-	348,176	11,149	820,933
Total Expenses	$ 18,656,726	$ 2,465,725	$ 4,445,015	$ 4,386,888	$ 37,498,717	$ 4,369,605	$ 9,187,239	$ 2,056,230	$ 83,066,145

NOTE 3 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION (CONTINUED)

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 4 CONTRIBUTIONS RECEIVABLE

At June 30, 2022 and 2021, contributors have unconditionally promised to give the University $3,692,367 and $2,629,890, 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:

	2022	2021
Amounts Due:		
Within One Year	$ 161,994	$ 121,786
One to Five Years	330,358	497,947
After Five Years	3,200,015	2,010,157
Total	3,692,367	2,629,890
Less: Present Value Component	(1,101,523)	(948,996)
Total	$ 2,590,844	$ 1,680,894
Amounts are Reflected in the Financial Statements as Follows:		
Trusts and Annuities Receivable	$ 2,590,844	$ 1,680,894

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, 2022 and 2021, loans receivable were $555,118 and $1,239,560, respectively, which represented 0.33% and 0.74% 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, 2022 and 2021, 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
2022	$ -	$ -	$ 105,585	$ 105,585
2021	-	-	1,042,191	1,042,191

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 $1.2 million and $1.4 million at June 30, 2022 and 2021, 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:

	2022		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 5,622,991	$ -	$ 5,622,991
Buildings	84,354,559	(38,255,949)	46,098,610
Building and Other Improvements	3,464,831	(2,752,821)	712,010
Equipment	10,905,307	(8,033,846)	2,871,461
Total	$ 104,347,688	$ (49,042,616)	$ 55,305,072

	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

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:

	2022	2020
Mutual Funds - Equities	$ 7,183,744	$ 6,882,596
Mutual Funds - Fixed Income	885,405	2,113,920
Cash and Money Market	984,843	969,713
LCEF Notes	2,601	2,601
Total Investments	$ 9,056,593	$ 9,968,830
LCMS Foundation:		
Standard Funds:		
Fixed Income	$ 16,692,701	$ 18,405,396
Equity	17,814,060	21,193,190
LCEF Certificate	25,000	25,000
Total LCMS Foundation	$ 34,531,761	$ 39,623,586

NOTE 7 LONG-TERM INVESTMENTS (CONTINUED)

Income on long-term investments of $782,017 and $646,558 for the years ended June 30, 2022 and 2021, respectively, is net of custodial fees of $171,545 and $158,218, 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, 2022 and 2021, 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.

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

	2022	2021
LCMS Foundation	$ 1,164,896	$ 1,440,175
Alive in Christ Endowment	333,131	366,374
Trust Held at Wells Fargo	7,226,386	7,713,163
Total	$ 8,724,413	$ 9,519,712

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.

	2022	2021
Lease Cost:		
Finance Lease Cost	$ 2,287,768	$ 2,287,768
Amortization of Right-to-Use Asset	(1,868,771)	(1,682,550)
Total Lease Cost	$ 418,997	$ 605,218
Other Information:		
Cash Paid for Amounts Included in the Measuring of Lease Liabilities		
Financing Cash Flow from Financing Lease	$ 193,765	$ 221,707
Weighted Average Remaining Lease Term - Finance Leases	2 Years	3 Years
Weighted Average Discount Rate - Finance Leases	3%	3%

Year Ending December 31,	Finance Leases
2023	$ 193,259
2024	193,259
Total Undiscounted Payments	386,518
Less Discount (Amount Representing Interest)	(10,812)
Total Lease Liability	$ 375,706

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, 2022 and 2021, the University’s payable to MHEFA was $12,751,284 and $13,648,107, respectively, net of the unamortized discount of $48,717 and $51,893, respectively.

Under the terms of the bond indenture, the interest rate varies and is payable on the first of the month. At June 30, 2022 and 2021, the bonds bore an interest rate of 0.17% and 0.075%, 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
2023	$ 900,000
2024	900,000
2025	900,000
Thereafter	10,100,000
Total Principal Payments	12,800,000
Less Discounts	(297,272)
Bonds Payable, Net of Discounts	$ 12,502,728

For the years ended June 30, 2022 and 2021, interest totaled $22,879 and $10,582, 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, 2022 and 2021, the University has an outstanding letter of credit with Bremer Bank for $12,922,740 and $13,831,370, 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 expired August 1, 2021. The fair value of the swap agreement liability at June 30, 2022 and 2021 was $-0- and $30,350, respectively. The change in value in the interest rate swap agreement was $30,350 and $336,616 as of June 30, 2022 and 2021, respectively.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

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 $237,751 and $221,540 for the years ended June 30, 2022 and 2021, respectively. Amortization expense was $16,211 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the outstanding balance was $307,692 and $384,615, 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. Effective October 4, 2021, the University amended their agreement increasing the new contract price to $3,706,486 for which additional staff will be added to the 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 $398,408 and $377,638 at June 30, 2022 and 2021, 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, 2022 and 2021, the balance in this bank account was $967,648 and $550,866, respectively. This agreement was extended in fiscal year 2022 and will terminate on March 31, 2023.

NOTE 14 RESTRICTIONS ON NET ASSETS

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

	2022	2021
Donor-Restricted Net Assets Not Invested in Perpetuity:		
Academic Programs:		
Instruction - Divisional	$ 907,086	$ 959,860
Other Instructional Programs	182,977	267,760
Support Programs:		
Academic Support	178,781	202,387
Student Services	224,919	192,752
Instructional Support	698,941	2,664,627
Scholarship Allowances (Student Aid)	2,177,636	5,337,909
Land, Building, and Equipment Acquisitions	192,166	153,166
Subtotal	4,562,506	9,778,461
Time Restrictions	1,146,146	1,490,915
Total Donor-Restricted Net Assets Not Invested in Perpetuity	5,708,652	11,269,376
Donor-Restricted Net Assets Invested in Perpetuity:		
Academic Programs:		
Instruction - Divisional	624,419	582,671
Support Programs:		
Academic Support	3,334,476	3,068,294
Scholarship Allowances (Student Aid)	29,772,265	26,030,776
Support for General Operations	11,621,795	14,693,199
Total Donor-Restricted Net Assets Invested in Perpetuity	45,352,955	44,374,940
Total Net Assets With Donor Restrictions	$ 51,061,607	$ 55,644,316

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:

	2022	2021
Release of Restrictions:		
Academic Programs:		
Instruction - Divisional	$ 19,468	$ 50,123
Other Instructional Programs	42,624	46,088
Support Programs:		
Academic Support	545	14,862
Student Services	24,458	29,592
Institutional Support	162,955	378,748
Auxiliary Enterprises:		
Scholarship Allowances (Student Aid)	900,458	1,143,138
Fixed Assets Acquired and Placed in Service	307,909	125,857
Subtotal	1,458,417	1,788,408
Expiration of Time Restrictions	385,786	53,549
Total Net Assets Released from Restriction	$ 1,844,203	$ 1,841,957

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:

		With Donor Restrictions			
June 30, 2022	Without Donor Restrictions	Purpose	Perpetual	Total With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ 2,863,184	$ (686,399)	$ 38,468,170	$ 37,781,771	$ 40,644,955
Board Designated Endowment Funds	-	-	-	-	-
Total Endowment Funds	$ 2,863,184	$ (686,399)	$ 38,468,170	$ 37,781,771	$ 40,644,955

		With Donor Restrictions			
June 30, 2021	Without Donor Restrictions	Purpose	Perpetual	Total With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ 718,667	$ 8,530,939	$ 34,017,649	$ 42,548,588	$ 43,267,255
Board Designated Endowment Funds	2,139,583	-	-	-	2,139,583
Total Endowment Funds	$ 2,858,250	$ 8,530,939	$ 34,017,649	$ 42,548,588	$ 45,406,838

The endowment net assets and activity for 2022 and 2021 consisted of the following:

		With Donor Restrictions			
	Without Donor Restrictions	Purpose	Perpetual	Total With Donor Restrictions	Total
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	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
Contributions	1,250	19,200	1,886,691	1,905,891	1,907,141
Earnings:					
Interest and Dividends	66,020	648,849	19,328	668,177	734,197
Realized and Unrealized Gains (Losses)	(551,258)	(9,290,981)	2,544,502	(6,746,479)	(7,297,737)
Total Earnings	(485,238)	(8,642,132)	2,563,830	(6,078,302)	(6,563,540)
Appropriations	(35,761)	(594,406)	-	(594,406)	(630,167)
Endowment Fund Balance - June 30, 2022	$ 2,863,184	$ (686,399)	$ 38,468,170	$ 37,781,771	$ 40,644,955

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. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment fund and continued appropriation for certain programs that was deemed prudent by the governing body.

As of June 30, 2022, deficiencies of this nature together have an original gift value of $34,180,000, a current fair value of $30,480,200 and a deficiency of $3,700,000. As of June 30, 2021, there were no underwater endowments. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions.

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, 2022, 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, 2022 and 2021 totaled $1,788,553 and $1,712,562, 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.

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:

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds - Equities	$ 4,680,666	$ -	$ -	$ 4,680,666
Mutual Funds - Fixed Income	1,944,942	-	-	1,944,942
Securities - Equity	3,757,071	-	-	3,757,071
Real Estate	187,630	-	4,654,367	4,841,997
LCMS Endowment Funds	-	-	1,498,028	1,498,028
LCEF Funds	-	-	27,600	27,600
Trusts and Annuities Receivables	-	-	2,590,844	2,590,844
Liabilities:				
Interest Rate Swap Agreement	-	-	-	-
Total	$ 10,570,309	$ -	$ 8,770,839	$ 19,341,148

	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

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:

	2022	2021
Total Investments, Net of Interest Rate Swap	$ 55,663,934	$ 61,552,676
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(1,055,702)	(1,568,531)
Assets Measured at Net Asset Value	(34,506,761)	(39,598,586)
Cash Surrender Value of Life Insurance Policies	(760,323)	(790,004)
Total Investments Measured at Fair Value on a Recurring Basis	$ 19,341,148	$ 19,595,555

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 2022	Fair Value 2021	Principal Valuation Technique	Unobservable Inputs
Real Estate	$ 4,654,367	$ 4,862,985	Independent Appraisals	Real Estate Values
Trusts and Annuities	2,590,844	1,680,894	FMV of Trust Investments	Time Period of Trust
LCMS Endowment Funds	1,498,028	1,806,548	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:

	Net Asset Value	2022 Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds - Equities	$ 17,814,060	$ -	Monthly	Monthly
Mutual Funds - Fixed Income	16,692,701	-	Monthly	Monthly
Total	$ 34,506,761	$ -		

	Net Asset Value	2021 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	$ -		

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, 2022 is as follows:

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.6228	3.0000	40%	1.2000
Equity Ratio	0.8230	3.0000	40%	1.2000
Net Income Ratio	0.0436	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)

	Primary Reserve Ratio:			
		Expendable Net Assets:		
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	$	89,212,360
2	SFP	Net assets with donor restrictions		51,061,607
3	Note 14	Net assets restricted in perpetuity		45,352,955
4	N/A	Unsecured related-party receivable		-
5	Note 14	Donor restricted annuities, term endowments, life income funds		339,534
6	Note 6	Property, plant, and equipment pre-implementation		39,359,860
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		15,945,212
10	Note 6	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)		-
11	Note 6	Lease right-of-use asset, post-implementation		418,997
12	SFP	Intangible assets		-
13	SFP	Post-employment and pension liabilities		-
14	Note 10	Long-term debt - for long-term purposes pre-implementation		12,502,728
15	Note 10	Long-term debt - for long-term purposes post-implementation		-
16	N/A	Line of credit for construction in progress		-
17	N/A	Pre-implementation right-of-use asset liability		-
18	Note 9	Post-implementation right-of-use asset liability		375,706
		Total Expenses and Losses:		
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions		83,066,145
20	SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)		-
21	N/A	Sale of fixed assets (if loss)		-
22	SOA	Change in value of interest-rate swap agreements (if loss)		-
	Equity Ratio:			
		Modified Net Assets:		
23	SFP	Net assets without donor restrictions	$	89,212,360
24	SFP	Net assets with donor restrictions		51,061,607
25	N/A	Lease Right-of-use asset - Pre-implementation		-
26	N/A	Lease Right-of-use liability - Pre-implementation		-
27	SFP	Intangible assets		-
28	N/A	Unsecured related-party receivables		-
		Modified Assets:		
29	SFP	Total assets		170,436,351
30	N/A	Lease right-of-use asset pre-implementation		-
31	SFP	Intangible assets		-
32	N/A	Unsecured related-party receivables		-
	Net Income Ratio:			
33	SOA	**Change in Net Assets Without Donor Restrictions**	$	3,791,442
		Total Revenues and Gains Without Donor Restriction:		
34	SOA	Total operating revenue (including net assets released from restrictions)		86,857,587
35	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)		-
36	N/A	Non-service component of pension/postemployment (nonoperating) cost (if gain)		-
37	N/A	Pension-related changes other than net periodic pension costs (if gain)		-
38	SOA	Change in value of annuity agreement (typically in nonoperating)		30,350
39	N/A	Change in value of interest-rate swap agreements (if gain)		-
40	N/A	Sale of fixed assets (if gain)		-
41	N/A	Other gains		-

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JUNE 30, 2022 AND 2021

Net Assets			
1	Net assets with donor restrictions: restricted in perpetuity		$ 45,352,955
2	Other net assets with donor restrictions (not restricted in perpetuity):		
	a.	Annuities with donor restrictions	-
	b.	Term endowments	339,534
	c.	Life income funds (trusts)	-
	d.	Total annuities, term endowments, and life income funds with donor restrictions	45,692,489
Property, Plant, and Equipment, net			
3	Pre-implementation property, plant, and equipment, net		
	a.	Ending balance of pre-implementation as of June 30, 2021	47,128,734
	b.	Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	
	c.	Less subsequent depreciation and disposals (net of accumulated depreciation)	(7,768,874)
	d.	Balance pre-implementation property, plant, and equipment, net	39,359,860
4	Debt financed post-implementation property, plant, and equipment, net		
		Long-lived assets acquired with debt subsequent to June 30, 2021:	
	a.	Equipment	-
	b.	Land improvements	-
	c.	Building	-
	d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	-
5	Construction in progress - acquired subsequent to June 30, 2021		-
6	Post-implementation property, plant, and equipment, net, acquired without debt:		
	a.	Long-lived assets acquired without use of debt subsequent to June 30, 2022	15,945,212
7	Total Property, Plant, and Equipment, net - June 30, 2022		$ 55,305,072
Debt to be excluded from expendable net assets			
8	Pre-implementation debt:		
	a.	Ending balance of pre-implementation as of June 30, 2021	$ 13,678,457
	b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
	c.	Less subsequent debt repayments	(1,175,729)
	d.	Balance Pre-implementation Debt	12,502,728
9	Allowable post-implementation debt used for capitalized long-lived assets:		
	a.	Equipment - all capitalized	-
	b.	Land improvements	-
	c.	Buildings	-
	d.	Balance Post-implementation Debt	-
10	Construction in progress (CIP) financed with debt or line of credit		-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		-
			$ 12,502,728

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JUNE 30, 2022 AND 2021

Lease right-of-use assets and liabilities

13	Lease right-of-use assets		
	Right-of-use assets as of balance sheet date June 30, 2022	$	418,997
14	Lease right-of-use assets - Pre-implementation		
	Right-of-use assets as of balance sheet date June 30, 2022, excluding leases entered into before December 15, 2018	$	-
15	Lease right-of-use assets - Post-implementation		
	Right-of-use assets as of balance sheet date June 30, 2022, excluding leases entered into on or after December 15, 2018	$	418,997
16	Lease right-of-use liability		
	Lease liabilities as of balance sheet date June 30, 2022	$	375,706
17	Lease right-of-use liability - Pre-implementation		
	Lease liabilities as of balance sheet date June 30, 2022, excluding leases entered into before December 15, 2018	$	-
18	Lease right-of-use liability - Post-implementation		
	Lease liabilities as of balance sheet date June 30, 2022, excluding leases entered into on or after December 15, 2018	$	375,706

Unsecured related-party receivables

19	Secured related-party receivables	$	-
20	Unsecured related party receivables		-
21	Total secured and unsecured related-party receivables	$	-

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

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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
November 9, 2022