

**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, 2024 AND 2023



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**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
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YEARS ENDED JUNE 30, 2024 AND 2023**

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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, 2024 and 2023, 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, 2024 and 2023, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 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, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 31, 2024

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 22,281,740	\$ 24,957,796
Accounts and Interest Receivable, Net of Allowance for Credit Losses of \$2,162,248 in 2024 and \$1,783,311 in 2023	3,090,923	2,718,300
Federal Grants Receivable	296,153	170,512
State Grants Receivable	251,130	688,010
Other Receivable	156,065	149,559
Inventories, Prepaid Expenses, and Other Assets	1,146,330	1,252,087
Trusts and Annuities Receivable	2,385,864	2,185,054
Loans Receivable - Federal Perkins Loan Program and Other Loans	150,329	482,795
Right of Use Asset - Finance	251,056	256,521
Land, Buildings, and Equipment, Net	62,312,039	59,709,586
Investment in LCMS Foundation	44,748,084	39,107,686
Long-Term Investments	33,709,328	30,812,456
Funds Held by Third-Party Trustees	10,743,097	10,770,681
Cash Value of Life Insurance	653,817	690,323
	<u>653,817</u>	<u>690,323</u>
Total Assets	<u>\$ 182,175,955</u>	<u>\$ 173,951,366</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Bonds Payable, Net of Discounts	\$ 10,741,502	\$ 11,622,115
Deposits Payable	885,182	762,345
Refundable Advance - Food Service Company	153,846	230,769
Deferred Revenue	6,403,475	5,582,571
Lease Liability - Finance	-	189,611
Accounts Payable and Other Liabilities	4,704,912	6,827,580
Refundable Advances - Federal Perkins Loan Program	231,528	565,794
Total Liabilities	<u>23,120,445</u>	<u>25,780,785</u>
NET ASSETS		
Net Assets Without Donor Restrictions	95,175,328	90,864,218
Net Assets With Donor Restrictions	63,880,182	57,306,363
Total Net Assets	<u>159,055,510</u>	<u>148,170,581</u>
Total Liabilities and Net Assets	<u>\$ 182,175,955</u>	<u>\$ 173,951,366</u>

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, 2024

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Tuition and Fees, Net of Student Aid and Scholarships of \$16,399,123	\$ 77,509,368	\$ -	\$ 77,509,368
Income on Cash and Cash Equivalents	580,106	-	580,106
Income on Long-Term Investments	1,097,427	957,393	2,054,820
Auxiliary Enterprises	7,727,393	-	7,727,393
Other	569,648	-	569,648
Total Revenue	87,483,942	957,393	88,441,335
SUPPORT AND GRANTS			
Concordia University System	-	121,499	121,499
Federal Grants	422,602	-	422,602
State Grants	1,667,779	-	1,667,779
Other	2,321,067	3,273,413	5,594,480
Total Support and Grants	4,411,448	3,394,912	7,806,360
GAINS AND OTHER ADDITIONS			
Change in Value of Split-Interest Agreements	-	200,810	200,810
Change in Value of Funds Held by Third-Party Trustees	-	(27,583)	(27,583)
Net Gains on Investments	819,585	4,407,375	5,226,960
Total Gains and Other Additions	884,943	4,580,602	5,465,545
Subtotal	92,780,333	8,932,907	101,713,240
Net Assets Released from Restrictions	2,359,088	(2,359,088)	-
Total Revenue, Support and Grants, and Gains and Other Additions	95,139,421	6,573,819	101,713,240
EXPENSES			
Educational and General:			
Academic Programs:			
Instruction - Divisional	19,895,538	-	19,895,538
Other Instructional Programs	2,575,240	-	2,575,240
Support Programs:			
Academic Support	5,495,824	-	5,495,824
Student Services	42,495,787	-	42,495,787
Institutional Support	12,865,750	-	12,865,750
Fundraising	1,851,559	-	1,851,559
Total Educational and General	85,179,698	-	85,179,698
Auxiliary Enterprises	5,648,613	-	5,648,613
Total Expenses	90,828,311	-	90,828,311
CHANGE IN NET ASSETS	4,311,110	6,573,819	10,884,929
Net Assets - Beginning of Year	90,864,218	57,306,363	148,170,581
NET ASSETS - END OF YEAR	<u>\$ 95,175,328</u>	<u>\$ 63,880,182</u>	<u>\$ 159,055,510</u>

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, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Tuition and Fees, Net of Student Aid and Scholarships of \$14,194,282	\$ 73,475,087	\$ -	\$ 73,475,087
Income on Cash and Cash Equivalents	669,982	-	669,982
Income on Long-Term Investments	396,559	804,275	1,200,834
Auxiliary Enterprises	6,765,642	-	6,765,642
Other	412,895	-	412,895
Total Revenue	81,720,165	804,275	82,524,440
SUPPORT AND GRANTS			
Federal Grants	441,750	-	441,750
State Grants	1,342,959	-	1,342,959
Other	2,432,265	3,120,436	5,552,701
Total Support and Grants	4,216,974	3,120,436	7,337,410
GAINS AND OTHER ADDITIONS			
Change in Value of Split-Interest Agreements	-	(405,789)	(405,789)
Change in Value of Funds Held by Third-Party Trustees	-	2,046,267	2,046,267
Net Gains on Investments	940,353	2,919,511	3,859,864
Total Gains and Other Additions	940,353	4,559,989	5,500,342
Subtotal	86,877,492	8,484,700	95,362,192
Net Assets Released from Restrictions	2,239,944	(2,239,944)	-
Total Revenue, Support and Grants, and Gains and Other Additions	89,117,436	6,244,756	95,362,192
EXPENSES			
Educational and General:			
Academic Programs:			
Instruction - Divisional	19,468,623	-	19,468,623
Other Instructional Programs	2,770,262	-	2,770,262
Support Programs:			
Academic Support	5,116,285	-	5,116,285
Student Services	40,895,638	-	40,895,638
Institutional Support	11,840,006	-	11,840,006
Fundraising	2,050,991	-	2,050,991
Total Educational and General	82,141,805	-	82,141,805
Auxiliary Enterprises	5,323,773	-	5,323,773
Total Expenses	87,465,578	-	87,465,578
CHANGE IN NET ASSETS	1,651,858	6,244,756	7,896,614
Net Assets - Beginning of Year	89,212,360	51,061,607	140,273,967
NET ASSETS - END OF YEAR	<u>\$ 90,864,218</u>	<u>\$ 57,306,363</u>	<u>\$ 148,170,581</u>

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, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 10,884,929	\$ 7,896,614
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Credit Loss Expense	1,036,640	969,333
Depreciation and Amortization Expense	3,826,861	3,642,737
Net Unrealized Gains on Investments	(2,148,803)	(2,242,494)
Realized Gains on Investments	220,868	933,145
Change in Value of Split-Interest Agreement	(200,810)	405,790
Contributions Restricted for Investment in Endowment	(2,009,041)	(2,182,778)
Decrease in Cash Value of Life Insurance	36,506	70,000
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	(1,409,263)	209,274
Federal and State Grants Receivable	311,239	(188,456)
Other Receivables	(6,506)	(149,559)
Inventories, Prepaid Expenses, and Other Assets	105,757	108,200
Funds Held by Third-Party Trustees	27,584	(2,046,268)
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Liabilities	(2,122,668)	(1,327,322)
Deposits Payable	122,837	44,869
Deferred Revenue	820,904	(2,133,340)
Refundable Advances - Food Service Company	(76,923)	(76,923)
Refundable Advances - Federal Perkins Loan Program	(334,266)	(108,145)
Net Cash Provided by Operating Activities	9,105,232	3,844,064
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Building and Equipment	(6,423,849)	(7,598,805)
Proceeds from Sales of Investments	14,175,483	3,554,689
Purchases of Investments	(15,144,420)	(24,001,203)
Investment in LCMS Foundation	(5,640,398)	(4,575,925)
Decrease in Federal Perkins Loans Receivable	332,466	72,323
Net Cash Used by Investing Activities	(12,700,718)	(32,548,921)

See accompanying Notes to Financial Statements.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	\$ (900,000)	\$ (900,000)
Payments on Finance Leases	(189,611)	(186,095)
Proceeds from Contributions Restricted for Investment in Endowment	<u>2,009,041</u>	<u>2,182,778</u>
Net Cash Provided by Financing Activities	<u>919,430</u>	<u>1,096,683</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (2,676,056)	 (27,608,174)
 Cash and Cash Equivalents - Beginning of Year	 <u>24,957,796</u>	 <u>52,565,970</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 22,281,740</u></u>	 <u><u>\$ 24,957,796</u></u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Construction Costs incurred included in Accounts Payable	<u>\$ -</u>	<u>\$ 285,970</u>
 Interest Paid	 <u><u>\$ 426,389</u></u>	 <u><u>\$ 294,858</u></u>

See accompanying Notes to Financial Statements.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2024 and 2023, cash restricted for federal Perkins loan totaled \$81,202 and \$82,999, respectively.

Accounts Receivables

Receivables are stated at net realizable value. The University provides an allowance for credit losses 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. The University periodically assesses its methodologies for estimating credit losses in consideration with historical trends, changes in the overall economic environment, and current future economic conditions.

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.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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.

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:

	<u>2024</u>	<u>2023</u>
Revenue Recognized Over Time:		
Undergraduate Tuition and Fees	\$ 68,063,707	\$ 64,255,871
Graduate Tuition and Fees	25,844,784	23,413,498
Total	<u>\$ 93,908,491</u>	<u>\$ 87,669,369</u>

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:

	<u>2024</u>	<u>2023</u>
Revenue Recognized Over Time:		
Housing	\$ 3,457,925	\$ 3,026,356
Dining	1,716,160	1,536,466
Rental Income	1,893,037	1,599,959
Tuition Fees	660,271	602,861
Total	<u>\$ 7,727,393</u>	<u>\$ 6,765,642</u>

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts Receivable - Students	\$ 5,142,377	\$ 4,413,897	\$ 4,877,172
Deferred Revenue - Students	\$ 6,403,475	\$ 5,582,571	\$ 7,715,911

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, pro-ratably over the term of the related semester. Auxiliary revenue is recognized in the fiscal year in which housing and food services are provided, pro-ratably 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.

**CONCORDIA UNIVERSITY, ST. PAUL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transaction Price (Continued)

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 Beginning of Year	Refunds Issued	Revenue Recognized Included in Beginning Balance	Cash Received in Advance of Performance	Balance End of Year
<u>\$ 5,582,571</u>	<u>\$ 256,375</u>	<u>\$ 5,326,196</u>	<u>\$ 6,403,475</u>	<u>\$ 6,403,475</u>

The balance of deferred revenue at June 30, 2024 will be recognized as revenue over the academic term beginning on July 1, 2024, as services are rendered.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The University determines if an arrangement is a lease at inception. Finance leases are included in right of use (ROU) asset - finance and lease liability - finance in the statements of financial position.

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.

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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.

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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, 2024 and 2023. 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 \$948,828 and \$159,825 for the years ended June 30, 2024 and 2023, respectively.

Change in Accounting Principle

The University has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The University adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have an impact on the University's financial statements but did change how the allowance for credit losses is determined.

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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 October 31, 2024, the date the financial statements were available to be issued.

Reclassification

Certain 2023 amounts have been reclassified to conform to the 2024 presentation. There were no changes to the total net assets previously reported.

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 2024 and 2023.

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

	2024	2023
Cash and Cash Equivalents Without Donor Restrictions	\$ 22,281,740	\$ 15,854,910
Accounts Receivable, Net and Grants Receivables	3,638,206	1,846,684
Investments Not Encumbered by Donor or Board Restrictions	7,032,369	4,677,896
Payout on Donor Restricted Endowments for Use Over Next 12 Months	850,000	800,000
Payout on Quasi-Endowments for Use Over Next 12 Months	75,000	70,000
Total	<u>\$ 33,877,315</u>	<u>\$ 23,249,490</u>

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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.

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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:

	2024							
	Program Activities			Support Activities				Total
	Instructional	Instructional - Other	Auxiliary Enterprises	Academic Support	Student Services	Institutional Support	Advancement	
Salaries and Wages	\$ 13,754,804	\$ 591,007	\$ 429,079	\$ 2,812,545	\$ 7,691,014	\$ 2,608,082	\$ 895,465	\$ 28,781,996
Benefits	1,629,233	101,595	86,484	553,380	1,483,470	534,051	158,990	4,547,203
Payroll Taxes	1,046,106	25,789	26,595	154,208	510,939	125,910	64,851	1,954,398
Total Salaries and Related Expenses	16,430,143	718,391	542,158	3,520,133	9,685,423	3,268,043	1,119,306	35,283,597
Professional Fees	683,436	42,204	1,536,860	1,953	958,370	1,370,935	353,128	4,946,886
Advertising and Promotion	584	-	-	135	58,971	872,522	16,616	948,828
Recruitment	2,192	-	-	136,795	26,400,191	15,828	-	26,555,006
Offices Expenses	49,702	19,708	5,734	14,064	112,861	569,570	164,328	935,967
Information Technology	1,653,904	2,447	2,478	1,023,062	246,480	1,819,858	427	4,748,656
Occupancy	642,433	905,900	2,161,312	389,926	2,200,054	1,853,316	23,443	8,176,384
Travel	69,685	57,612	1,008	27,685	1,173,187	51,738	32,384	1,413,299
Conf., Conv., and Meetings	36,447	2,278	595	62,607	56,838	14,923	17,625	191,313
Interest	-	-	587,141	-	-	42,776	-	629,917
Bad Debt	-	-	-	-	-	1,036,652	-	1,036,652
Bank Fees	-	-	-	16	4,308	27,996	11,089	43,409
Depreciation and Amortization	114,632	795,363	781,760	220,837	910,917	996,813	6,539	3,826,861
Insurance	-	-	-	-	3,527	521,285	41,043	565,855
Hospitality	94,800	9,203	2,950	15,209	440,248	63,641	60,114	686,165
Other	117,580	22,134	26,617	83,402	244,412	339,854	5,517	839,516
Total Expenses	\$ 19,895,538	\$ 2,575,240	\$ 5,648,613	\$ 5,495,824	\$ 42,495,787	\$ 12,865,750	\$ 1,851,559	\$ 90,828,311

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NOTE 3 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION (CONTINUED)

	2023							
	Program Activities			Support Activities				
	Instructional	Instructional - Other	Auxiliary Enterprises	Academic Support	Student Services	Institutional Support	Advancement	Total
Salaries and Wages	\$ 14,013,834	\$ 547,650	\$ 415,644	\$ 2,624,099	\$ 7,280,067	\$ 2,297,311	\$ 1,045,858	\$ 28,224,463
Benefits	1,662,966	83,895	77,260	473,542	1,355,876	565,323	179,704	4,398,566
Payroll Taxes	1,050,737	26,903	26,144	136,304	483,337	104,987	76,045	1,904,457
Total Salaries and Related Expenses	16,727,537	658,448	519,048	3,233,945	9,119,280	2,967,621	1,301,607	34,527,486
Professional Fees	262,274	41,273	1,435,992	17,470	1,048,799	1,625,619	378,179	4,809,606
Advertising and Promotion	1,000	81	593	-	67,412	74,862	15,877	159,825
Recruitment	2,125	-	-	54,350	25,064,478	59,242	-	25,180,195
Offices Expenses	37,493	16,190	13,881	19,753	126,311	383,319	161,401	758,348
Information Technology	1,397,035	5,860	4,078	1,014,156	257,540	1,261,736	371	3,940,776
Occupancy	738,797	1,158,572	2,042,961	402,115	2,506,017	2,360,400	23,537	9,232,399
Travel	68,414	52,308	947	23,584	1,129,476	58,661	33,991	1,367,381
Conf., Conv., and Meetings	40,679	540	520	64,492	57,796	30,289	18,841	213,157
Interest	-	-	503,129	-	-	46,403	-	549,532
Bad Debt and Bank Fees	3	1	-	50	1,958	1,005,634	12,945	1,020,591
Depreciation and Amortization	97,841	796,566	778,885	226,219	853,311	882,920	6,995	3,642,737
Insurance	-	-	-	-	2,113	722,478	43,761	768,352
Hospitality	84,286	14,088	4,469	7,726	476,627	52,890	50,579	690,665
Other	11,139	26,335	19,270	52,425	184,520	307,932	2,907	604,528
Total Expenses	<u>\$ 19,468,623</u>	<u>\$ 2,770,262</u>	<u>\$ 5,323,773</u>	<u>\$ 5,116,285</u>	<u>\$ 40,895,638</u>	<u>\$ 11,840,006</u>	<u>\$ 2,050,991</u>	<u>\$ 87,465,578</u>

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NOTE 4 CONTRIBUTIONS RECEIVABLE

At June 30, 2024 and 2023, contributors have unconditionally promised to give the University \$3,287,991 and \$3,095,145, 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:

	2024	2023
Amounts Due:		
Within One Year	\$ 199,905	\$ 8,457
One to Five Years	1,491,725	303,709
After Five Years	1,596,361	2,782,979
Total	3,287,991	3,095,145
Less: Present Value Component	(902,127)	(910,091)
Total	<u>\$ 2,385,864</u>	<u>\$ 2,185,054</u>

Amounts are Reflected in the Financial Statements
as Follows:

Trusts and Annuities Receivable	<u>\$ 2,385,864</u>	<u>\$ 2,185,054</u>
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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, 2024 and 2023, loans receivable were \$150,329 and \$482,795, respectively, which represented 0.08% and 0.28% 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 the following amounts were past due under student loan programs:

	2024	2023
1 - 60 Days Past Due	\$ -	\$ -
61 - 90 Days Past Due	-	-
Over 90 Days Past Due	39,456	166,604
Total	<u>\$ 39,456</u>	<u>\$ 166,604</u>

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NOTE 5 LOANS RECEIVABLE – FEDERAL PERKINS LOAN PROGRAM (CONTINUED)

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 \$1.1 million and \$1.1 million at June 30, 2024 and 2023, 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:

	2024		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 8,015,400	\$ -	\$ 8,015,400
Buildings	93,097,326	(43,493,958)	49,603,368
Building and Other Improvements	4,556,379	(2,949,582)	1,606,797
Equipment	14,560,574	(11,474,100)	3,086,474
Total	<u>\$ 120,229,679</u>	<u>\$ (57,917,640)</u>	<u>\$ 62,312,039</u>

	2023		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 6,088,734	\$ -	\$ 6,088,734
Buildings	89,900,110	(40,954,479)	48,945,631
Building and Other Improvements	4,290,238	(2,844,457)	1,445,781
Equipment	13,913,494	(10,684,054)	3,229,440
Total	<u>\$ 114,192,576</u>	<u>\$ (54,482,990)</u>	<u>\$ 59,709,586</u>

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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:

	2024	2023
Mutual Funds - Equities	\$ 10,777,471	\$ 13,361,509
Mutual Funds - Fixed Income	4,124,486	807,482
Cash, Money Market, and Certificates of Deposits	18,804,770	16,640,864
LCEF Notes	2,601	2,601
Total Investments	<u>\$ 33,709,328</u>	<u>\$ 30,812,456</u>
LCMS Foundation:		
Standard Funds:		
Fixed Income	\$ 10,828,034	\$ 10,380,215
Equity	33,895,050	28,702,471
LCEF Certificate	25,000	25,000
Total LCMS Foundation	<u>\$ 44,748,084</u>	<u>\$ 39,107,686</u>

Income on long-term investments of \$2,054,820 and \$1,200,834 for the years ended June 30, 2024 and 2023, respectively, is net of custodial fees of \$173,399 and \$163,188, 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, 2024 and 2023, 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.

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

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

	2024	2023
LCMS Foundation	\$ 1,294,731	\$ 1,217,045
Alive in Christ Endowment	374,739	373,378
Trust Held at Wells Fargo	9,073,627	9,180,258
Total	<u>\$ 10,743,097</u>	<u>\$ 10,770,681</u>

NOTE 9 LEASES

The Organization leases equipment noncancelable lease agreements. The leases expired during 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.

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

	2024	2023
Lease Cost:		
Amortization of Right-to-Use Asset	\$ 245,427	\$ 245,427
Interest Expense	5,629	11,094
Total Lease Cost	<u>\$ 251,056</u>	<u>\$ 256,521</u>

Other Information:

Cash Paid for Amounts Included in the
Measuring of Lease Liabilities

Financing Cash Flow from Financing Lease	\$ 189,611	\$ 186,095
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Weighted Average Remaining Lease Term - Finance
Leases

- 1 Year

Weighted Average Discount Rate - Finance Leases

3% 3%

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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, 2024 and 2023, the University's payable to MHEFA was \$10,057,638 and \$10,954,461, respectively, net of the unamortized discount of \$42,365 and \$45,541, respectively.

Under the terms of the bond indenture, the interest rate varies and is payable on the first of the month. At June 30, 2024 and 2023, the bonds bore an interest rate of 3.37% and 2.34%, 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%.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 900,000
2026	900,000
2027	900,000
2028	900,000
2029	900,000
Thereafter	6,500,000
Total Principal Payments	11,000,000
Less: Discounts	(258,498)
Bonds Payable, Net of Discounts	<u>\$ 10,741,502</u>

For the years ended June 30, 2024 and 2023, interest totaled \$386,580 and \$322,300, 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, 2024 and 2023, the University has an outstanding letter of credit with Bremer Bank for \$11,105,479 and \$12,014,110, respectively, in relation to the bond issue.

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NOTE 10 LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

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.

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 \$270,173 and \$253,962 for the years ended June 30, 2024 and 2023, respectively. Amortization expense was \$16,211 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, the outstanding balance was \$153,846 and \$230,769, 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. Effective September 1, 2022, the University amended their agreement increasing the new contract price to \$4,357,224 for which relates mainly to additional security staffing 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 \$94,135 and \$420,320 at June 30, 2024 and 2023, respectively.

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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 \$6,500 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, 2024 and 2023, the balance in this bank account was \$1,610,054 and \$1,107,290, respectively. This agreement was extended in fiscal year 2025 and will terminate on March 31, 2025. Additionally, the University received \$144,382 and \$77,982 in contributions from board members and leadership during the fiscal years ended June 30, 2024 and 2023, respectively.

NOTE 14 RESTRICTIONS ON NET ASSETS

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

	2024	2023
Donor-Restricted Net Assets Not Invested in Perpetuity:		
Academic Programs:		
Instruction - Divisional	\$ 943,916	\$ 834,806
Other Instructional Programs	207,684	157,658
Support Programs:		
Academic Support	181,817	143,108
Student Services	269,084	265,625
Instructional Support	1,895,519	461,742
Scholarship Allowances (Student Aid)	3,630,247	1,102,088
Land, Building, and Equipment Acquisitions	146,122	151,166
Subtotal	7,274,389	3,116,193
Time Restrictions	1,014,103	1,228,133
Total Donor-Restricted Net Assets Not Invested in Perpetuity	8,288,492	4,344,326
Donor-Restricted Net Assets Invested in Perpetuity:		
Academic Programs:		
Instruction - Divisional	630,094	622,517
Support Programs:		
Academic Support	3,376,018	3,320,005
Scholarship Allowances (Student Aid)	33,101,967	31,295,942
Support for General Operations	18,483,611	17,723,573
Total Donor-Restricted Net Assets Invested in Perpetuity	55,591,690	52,962,037
Total Net Assets With Donor Restrictions	<u>\$ 63,880,182</u>	<u>\$ 57,306,363</u>

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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:

	2024	2023
Release of Restrictions:		
Academic Programs:		
Instruction - Divisional	\$ 357,837	\$ 232,011
Other Instructional Programs	30,392	96,495
Support Programs:		
Academic Support	12,991	52,082
Student Services	11,299	29,496
Institutional Support	326,243	359,073
Auxiliary Enterprises:		
Scholarship Allowances (Student Aid)	1,358,055	1,018,709
Fixed Assets Acquired and Placed in Service	19,544	56,500
Subtotal	<u>2,116,361</u>	<u>1,844,366</u>
Expiration of Time Restrictions	242,727	395,578
Total Net Assets Released from Restriction	<u>\$ 2,359,088</u>	<u>\$ 2,239,944</u>

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.

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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:

	Without Donor Restrictions	With Donor Restrictions			Total
		Purpose	Perpetual	Total With Donor Restrictions	
<u>June 30, 2024</u>					
Donor Restricted Endowment Funds	\$ -	\$ 5,628,747	\$ 43,263,141	\$ 48,891,888	\$ 48,891,888
Board Designated Endowment Funds	3,509,326	-	-	-	3,509,326
Total Endowment Funds	<u>\$ 3,509,326</u>	<u>\$ 5,628,747</u>	<u>\$ 43,263,141</u>	<u>\$ 48,891,888</u>	<u>\$ 52,401,214</u>
	Without Donor Restrictions	With Donor Restrictions			Total
		Purpose	Perpetual	Total With Donor Restrictions	
<u>June 30, 2023</u>					
Donor Restricted Endowment Funds	\$ -	\$ 1,885,113	\$ 40,665,954	\$ 42,551,067	\$ 42,551,067
Board Designated Endowment Funds	3,126,564	-	-	-	3,126,564
Total Endowment Funds	<u>\$ 3,126,564</u>	<u>\$ 1,885,113</u>	<u>\$ 40,665,954</u>	<u>\$ 42,551,067</u>	<u>\$ 45,677,631</u>

The endowment net assets and activity for 2024 and 2023 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions			Total
		Purpose	Perpetual	Total With Donor Restrictions	
Endowment Fund Balance - June 30, 2022	\$ 2,863,184	\$ (686,399)	\$ 38,468,170	\$ 37,781,771	\$ 40,644,955
Contributions	750	22,200	2,160,578	2,182,778	2,183,528
Earnings:					
Interest and Dividends	83,967	780,239	24,032	804,271	888,238
Realized and Unrealized Gains	203,882	2,918,595	933	2,919,528	3,123,410
Total Earnings	287,849	3,698,834	24,965	3,723,799	4,011,648
Appropriations	(25,219)	(1,149,522)	-	(1,149,522)	(1,174,741)
Reclassification of Net Assets	-	-	12,241	12,241	12,241
Endowment Fund Balance - June 30, 2023	3,126,564	1,885,113	40,665,954	42,551,067	45,677,631
Contributions	110,000	19,200	2,009,041	2,028,241	2,138,241
Earnings:					
Interest and Dividends	96,752	904,047	53,349	957,396	1,054,148
Realized and Unrealized Gains	267,261	3,871,089	536,297	4,407,386	4,674,647
Total Earnings	364,013	4,775,136	589,646	5,364,782	5,728,795
Appropriations	(91,251)	(1,052,202)	-	(1,052,202)	(1,143,453)
Reclassification of Net Assets	-	1,500	(1,500)	-	-
Endowment Fund Balance - June 30, 2024	<u>\$ 3,509,326</u>	<u>\$ 5,628,747</u>	<u>\$ 43,263,141</u>	<u>\$ 48,891,888</u>	<u>\$ 52,401,214</u>

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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, 2024 and 2023, there were no underwater endowments.

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, 2024, 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, 2024 and 2023 totaled \$1,953,642 and \$1,893,612, respectively.

The University participates in a 403(b) retirement plan for all eligible employees. For the years ended June 30, 2024 and 2023 the University contributed \$226,405 and \$221,450 respectively, to the plan on behalf of its employees.

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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:

2024				
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds - Equities	\$ 5,795,661	\$ -	\$ -	\$ 5,795,661
Mutual Funds - Fixed Income	745,486	1,150,153	-	1,895,639
Securities - Equity	5,173,248	-	-	5,173,248
Real Estate	136,189	-	6,864,131	7,000,320
LCMS Endowment Funds	-	-	1,669,471	1,669,471
LCEF Funds	-	-	27,601	27,601
Trusts and Annuities Receivables	-	-	2,385,864	2,385,864
Total	<u>\$ 11,850,584</u>	<u>\$ 1,150,153</u>	<u>\$ 10,947,067</u>	<u>\$ 23,947,804</u>

2023				
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds - Equities	\$ 4,904,035	\$ -	\$ -	\$ 4,904,035
Mutual Funds - Fixed Income	2,073,532	-	-	2,073,532
Securities - Equity	4,907,349	-	-	4,907,349
Real Estate	134,361	-	6,913,776	7,048,137
LCMS Endowment Funds	-	-	1,590,423	1,590,423
LCEF Funds	-	-	27,600	27,600
Trusts and Annuities Receivables	-	-	2,185,054	2,185,054
Total	<u>\$ 12,019,277</u>	<u>\$ -</u>	<u>\$ 10,716,853</u>	<u>\$ 22,736,130</u>

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:

	2024	2023
Total Investments	\$ 92,240,190	\$ 83,566,200
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(22,915,485)	(21,057,061)
Assets Measured at Net Asset Value	(44,723,084)	(39,082,686)
Cash Surrender Value of Life Insurance Policies	(653,817)	(690,323)
Total Investments Measured at Fair Value on a Recurring Basis	<u>\$ 23,947,804</u>	<u>\$ 22,736,130</u>

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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		Principal Valuation Technique	Unobservable Inputs
	2024	2023		
Real Estate	\$ 6,864,131	\$ 6,913,776	Independent Appraisals	Real Estate Values
Trusts and Annuities	2,385,864	2,185,054	FMV of Trust Investments	Time Period of Trust
LCMS Endowment Funds	1,669,471	1,590,423	FMV of Trust Investments	Time Period of Trust
LCEF Funds	27,601	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	2024		
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds - Equities	\$ 33,895,050	\$ -	Monthly	Monthly
Mutual Funds - Fixed Income	10,828,034	-	Monthly	Monthly
Total	<u>\$ 44,723,084</u>	<u>\$ -</u>		

	Net Asset Value	2023		
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds - Equities	\$ 28,702,471	\$ -	Monthly	Monthly
Mutual Funds - Fixed Income	10,380,215	-	Monthly	Monthly
Total	<u>\$ 39,082,686</u>	<u>\$ -</u>		

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.

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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, 2024 is as follows:

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.5621	3.0000	40%	1.2000
Equity Ratio	0.8731	3.0000	40%	1.2000
Net Income Ratio	0.0444	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.

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NOTE 20 COMPOSITE SCORE (CONTINUED)

Primary Reserve Ratio:			
1	Statement of Financial Position (SFP)		
2	SFP		
3	Note 14		
4	N/A		
5	Note 14		
6	Note 6		
7	Note 6		
8	Note 6		
9	Note 6		
10	Note 6		
11	Note 6		
12	SFP		
13	SFP		
14	Note 10		
15	Note 10		
16	N/A		
17	N/A		
18	Note 9		
		Expendable Net Assets:	
		Net assets without donor restrictions	\$ 95,175,328
		Net assets with donor restrictions	63,880,182
		Net assets restricted in perpetuity	55,591,690
		Unsecured related-party receivable	-
		Donor restricted annuities, term endowments, life income funds	338,750
		Property, plant, and equipment pre-implementation	33,792,007
		Property, plant, and equipment post-implementation with outstanding debt for original purchase	-
		Construction in progress purchased with long-term debt	-
		Post-implementation property, plant, and equipment, net, acquired without debt	28,771,088
		Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	-
		Lease right-of-use asset, post-implementation	251,056
		Intangible assets	-
		Post-employment and pension liabilities	-
		Long-term debt - for long-term purposes pre-implementation	10,741,502
		Long-term debt - for long-term purposes post-implementation	-
		Line of credit for construction in progress	-
		Pre-implementation right-of-use asset liability	-
		Post-implementation right-of-use asset liability	-
		Total Expenses and Losses:	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	90,828,311
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	\$ 95,175,328
24	SFP	Net assets with donor restrictions	63,880,182
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	182,175,955
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	\$ 4,311,110
		Total Revenues and Gains Without Donor Restriction:	
34	SOA	Total operating revenue (including net assets released from restrictions)	95,139,421
35	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	1,917,012
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)	-
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	-

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FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
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Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$ 55,591,690
2	Other net assets with donor restrictions (not restricted in perpetuity):	
a.	Annuities with donor restrictions	-
b.	Term endowments	338,750
c.	Life income funds (trusts)	-
d.	Total annuities, term endowments, and life income funds with donor restrictions	<u>55,930,440</u>

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of pre-implementation as of June 30, 2023	36,599,028
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)	<u>(2,807,021)</u>
d.	Balance pre-implementation property, plant, and equipment, net	33,792,007
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2019:	
a.	Equipment	-
b.	Land improvements	-
c.	Building	-
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5	Construction in progress - acquired subsequent to June 30, 2019	-
6	Post-implementation property, plant, and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019	28,771,088
7	Total Property, Plant, and Equipment, net - June 30, 2024	<u>\$ 62,563,095</u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
a.	Ending balance of pre-implementation as of June 30, 2023	\$ 11,622,115
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	<u>(880,613)</u>
d.	Balance Pre-implementation Debt	10,741,502
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	<u>-</u>
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	-
		<u>\$ 10,741,502</u>

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FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE (CONTINUED)
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Lease right-of-use assets and liabilities

13	Lease right-of-use assets		
	Right-of-use assets as of balance sheet date June 30, 2024	\$	251,056
14	Lease right-of-use assets - Pre-implementation		
	Right-of-use assets as of balance sheet date June 30, 2024, 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, 2024, excluding leases entered into on or after December 15, 2018	\$	251,056
16	Lease right-of-use liability		
	Lease liabilities as of balance sheet date June 30, 2024	\$	-
17	Lease right-of-use liability - Pre-implementation		
	Lease liabilities as of balance sheet date June 30, 2024, 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, 2024, excluding leases entered into on or after December 15, 2018	\$	-

Unsecured related-party receivables

19	Secured related-party receivables	\$	-
20	Unsecured related party receivables		-
21	Total secured and unsecured related-party receivables	<u>\$</u>	<u>-</u>

