



CONCORDIA UNIVERSITY CHICAGO

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2021 and 2020

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CONCORDIA UNIVERSITY CHICAGO
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	3-4
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position.....	5
Consolidated Statements of Activities	6-7
Consolidated Statements of Functional Expenses	8-9
Consolidated Statements of Cash Flows	10-11
Notes to Consolidated Financial Statements.....	12-45

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INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Concordia University Chicago
River Forest, Illinois

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Concordia University Chicago (the University), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Concordia University Chicago as of June 30, 2021 and 2020, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the financial statements, the University adopted new accounting guidance as issued by the Financial Accounting Standards Board (FASB) under Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14 and ASU No. 2020-05. Our opinion is not modified with respect to this matter.

Sikich LLP

Naperville, Illinois
October 25, 2021

CONSOLIDATED FINANCIAL STATEMENTS

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,727,073	\$ 314,709
Investments available for operations	1,266,489	790,110
Accounts receivable, net of allowance of \$1,763,687 in 2021 and \$1,598,011 in 2020	8,889,760	8,275,371
Prepaid expenses and other assets	5,065,011	5,507,449
Grants receivable	36,464	5,700
Contributions receivable, net of allowance of \$282,531 in 2021 and \$288,751 in 2020	469,453	501,902
Loans receivable, net of allowance of \$266,627 in 2021 and \$266,627 in 2020	152,493	193,189
Interest rate swap agreement	227,280	-
Investments designated for endowment	12,123,881	8,616,099
Funds held in trust	1,462,062	1,149,515
Charitable remainder and lead trusts	1,378,886	1,243,459
Cash surrender value of life insurance	179,215	169,828
Investments restricted to endowment	18,456,754	14,612,532
Land, buildings, and equipment, net	61,688,509	60,953,052
	\$ 117,123,330	\$ 102,332,915
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 9,973,502	\$ 8,883,282
Accrued payroll and other related liabilities	4,068,179	3,196,901
Deferred revenues	8,314,768	8,139,665
Refundable government student loan funds	197,074	255,176
Loans payable, net	32,067,683	31,136,229
Bonds payable, net	11,705,096	12,370,865
	66,326,302	63,982,118
NET ASSETS		
Without donor restrictions	26,427,892	17,907,495
With donor restrictions	24,369,136	20,443,302
	50,797,028	38,350,797
	\$ 117,123,330	\$ 102,332,915

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restrictions			With Donor Restrictions			Total
	Budgeted Activities	Other Activities	Total	Restricted by Purpose or Time	To be Held in Perpetuity	Total	
OPERATING REVENUES AND GAINS							
Tuition and fees	\$ 85,509,761	\$ -	\$ 85,509,761	\$ -	\$ -	\$ -	\$ 85,509,761
Less scholarship and fellowships	(20,581,728)	-	(20,581,728)	-	-	-	(20,581,728)
Net tuition and fees	64,928,033	-	64,928,033	-	-	-	64,928,033
Government grants and contracts	8,471,218	-	8,471,218	720,560	-	720,560	9,191,778
Private gifts and grants	1,567,726	-	1,567,726	1,011,490	-	1,011,490	2,579,216
Pooled investments endowment payout	485,202	-	485,202	472,145	-	472,145	957,347
Nonpooled investments return	18,586	-	18,586	-	-	-	18,586
Auxiliary services	4,656,208	-	4,656,208	-	-	-	4,656,208
Other	656,822	-	656,822	10,910	-	10,910	667,732
Disposal of land, buildings, and equipment	(20,350)	-	(20,350)	-	-	-	(20,350)
Net assets released from restrictions	3,417,744	(1,154,107)	2,263,637	(2,246,695)	(16,942)	(2,263,637)	-
Total operating revenues and gains	84,181,189	(1,154,107)	83,027,082	(31,590)	(16,942)	(48,532)	82,978,550
OPERATING EXPENSES							
Academic programs							
Instruction - divisional	25,090,569	-	25,090,569	-	-	-	25,090,569
Other instructional programs	2,407,243	-	2,407,243	-	-	-	2,407,243
Academic support	5,033,317	-	5,033,317	-	-	-	5,033,317
Student services	29,681,273	-	29,681,273	-	-	-	29,681,273
Auxiliary enterprises	5,645,278	-	5,645,278	-	-	-	5,645,278
Total program expenses	67,857,680	-	67,857,680	-	-	-	67,857,680
Institutional support	8,561,692	-	8,561,692	-	-	-	8,561,692
Fundraising	1,742,876	-	1,742,876	-	-	-	1,742,876
Total operating expenses	78,162,248	-	78,162,248	-	-	-	78,162,248
Operating revenues and gains in excess of operating expenses	<u>\$ 6,018,941</u>	<u>\$ (1,154,107)</u>	4,864,834	(31,590)	(16,942)	(48,532)	4,816,302
NON-OPERATING ACTIVITIES							
Private gifts and grants			-	-	206,078	206,078	206,078
Net change in funds held in trust			4	359,798	-	359,798	359,802
Net change in charitable lead and remainder trusts			-	82,841	87,907	170,748	170,748
Other gains (losses)			(21,489)	(4,088)	9,387	5,299	(16,190)
Unrealized gain on interest rate swap agreement			227,280	-	-	-	227,280
Pooled endowment investment return in excess of endowment payout			3,449,768	3,232,443	-	3,232,443	6,682,211
CHANGE IN NET ASSETS			8,520,397	3,639,404	286,430	3,925,834	12,446,231
NET ASSETS, BEGINNING OF YEAR			17,907,495	6,185,183	14,258,119	20,443,302	38,350,797
NET ASSETS, END OF YEAR			<u>\$ 26,427,892</u>	<u>\$ 9,824,587</u>	<u>\$ 14,544,549</u>	<u>\$ 24,369,136</u>	<u>\$ 50,797,028</u>

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)

For the Year Ended June 30, 2020

	Without Donor Restrictions			With Donor Restrictions			Total
	Budgeted Activities	Other Activities	Total	Restricted by Purpose or Time	To be Held in Perpetuity	Total	
OPERATING REVENUES AND GAINS							
Tuition and fees	\$ 86,439,772	\$ -	\$ 86,439,772	\$ -	\$ -	\$ -	\$ 86,439,772
Less scholarship and fellowships	(22,768,560)	-	(22,768,560)	-	-	-	(22,768,560)
Net tuition and fees	63,671,212	-	63,671,212	-	-	-	63,671,212
Government grants and contracts	1,475,721	-	1,475,721	675,673	-	675,673	2,151,394
Private gifts and grants	899,692	-	899,692	1,028,366	-	1,028,366	1,928,058
Pooled investments endowment payout	363,219	-	363,219	559,540	-	559,540	922,759
Nonpooled investments return	26,589	-	26,589	-	-	-	26,589
Auxiliary services	6,224,161	-	6,224,161	-	-	-	6,224,161
Other	527,653	-	527,653	12,050	-	12,050	539,703
Net assets released from restrictions	3,843,490	(656,466)	3,187,024	(3,187,024)	-	(3,187,024)	-
Total operating revenues and gains	77,031,737	(656,466)	76,375,271	(911,395)	-	(911,395)	75,463,876
OPERATING EXPENSES							
Academic programs							
Instruction - divisional	26,985,151	-	26,985,151	-	-	-	26,985,151
Other instructional programs	2,299,599	-	2,299,599	-	-	-	2,299,599
Academic support	5,464,553	-	5,464,553	-	-	-	5,464,553
Student services	25,732,576	-	25,732,576	-	-	-	25,732,576
Auxiliary enterprises	6,825,501	-	6,825,501	-	-	-	6,825,501
Total program expenses	67,307,380	-	67,307,380	-	-	-	67,307,380
Institutional support	7,616,185	-	7,616,185	-	-	-	7,616,185
Fundraising	1,935,899	-	1,935,899	-	-	-	1,935,899
Total operating expenses	76,859,464	-	76,859,464	-	-	-	76,859,464
Operating revenues and gains in excess of operating expenses	\$ 172,273	\$ (656,466)	(484,193)	(911,395)	-	(911,395)	(1,395,588)
NON-OPERATING ACTIVITIES							
Private gifts and grants			-	-	353,067	353,067	353,067
Net change in funds held in trust			4	16,779	-	16,779	16,783
Net change in charitable lead and remainder trusts			-	(27,664)	(8,501)	(36,165)	(36,165)
Other gains (losses)			(14,043)	3,606	7,318	10,924	(3,119)
Disposal of land, buildings, and equipment			(53,825)	-	-	-	(53,825)
Pooled endowment investment return in excess of endowment payout			(859,506)	(1,207,914)	-	(1,207,914)	(2,067,420)
CHANGE IN NET ASSETS			(1,411,563)	(2,126,588)	351,884	(1,774,704)	(3,186,267)
NET ASSETS, BEGINNING OF YEAR			19,319,058	8,311,771	13,906,235	22,218,006	41,537,064
NET ASSETS, END OF YEAR			\$ 17,907,495	\$ 6,185,183	\$ 14,258,119	\$ 20,443,302	\$ 38,350,797

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services						Institutional Support	Fundraising	Total Operating Expenses
	Instructional - Divisional	Other Instructional Programs	Academic Support	Student Services	Auxiliary Enterprises	Total			
Salaries, benefits, and taxes	\$ 22,643,007	\$ 1,878,166	\$ 3,796,400	\$ 8,076,197	\$ 744,611	\$ 37,138,381	\$ 4,727,989	\$ 1,345,692	\$ 43,212,062
Contracted expenses	319,428	151,402	89,397	15,612,724	2,036,802	18,209,753	818,600	61,234	19,089,587
Occupancy and utilities	396,565	33,152	218,187	434,013	812,977	1,894,894	214,490	21,746	2,131,130
Information technologies	306,688	36,568	428,815	393,971	56,049	1,222,091	398,005	157,614	1,777,710
Interest on debt	271,380	44,342	91,637	161,072	437,407	1,005,838	60,985	11,315	1,078,138
Depreciation expense	1,011,570	218,544	228,419	651,156	1,518,523	3,628,212	152,127	38,846	3,819,185
CARES Act emergency relief to students	-	-	-	3,508,889	-	3,508,889	-	-	3,508,889
Other miscellaneous expenses	141,931	45,069	180,462	843,251	38,909	1,249,622	2,189,496	106,429	3,545,547
TOTAL OPERATING EXPENSES	\$ 25,090,569	\$ 2,407,243	\$ 5,033,317	\$ 29,681,273	\$ 5,645,278	\$ 67,857,680	\$ 8,561,692	\$ 1,742,876	\$ 78,162,248

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2020

	Program Services					Total	Institutional Support	Fundraising	Total Operating Expenses
	Instructional - Divisional	Other Instructional Programs	Academic Support	Student Services	Auxiliary Enterprises				
Salaries, benefits, and taxes	\$ 24,158,484	\$ 1,780,109	\$ 4,116,624	\$ 8,063,877	\$ 1,282,044	\$ 39,401,138	\$ 4,370,419	\$ 1,315,477	\$ 45,087,034
Contracted expenses	284,740	152,778	144,669	14,333,311	2,262,852	17,178,350	774,438	94,889	18,047,677
Occupancy and utilities	554,873	38,108	150,038	360,869	1,078,367	2,182,255	150,084	13,122	2,345,461
Information technologies	189,032	22,886	382,988	313,725	21,150	929,781	360,290	126,934	1,417,005
Interest on debt	399,773	16,509	124,775	257,244	548,278	1,346,579	57,254	7,434	1,411,267
Depreciation expense	1,003,141	222,588	247,159	665,466	1,568,420	3,706,774	162,451	40,137	3,909,362
CARES Act emergency relief to students	-	-	-	537,935	-	537,935	-	-	537,935
Other miscellaneous expenses	395,108	66,621	298,300	1,200,149	64,390	2,024,568	1,741,249	337,906	4,103,723
TOTAL OPERATING EXPENSES	\$ 26,985,151	\$ 2,299,599	\$ 5,464,553	\$ 25,732,576	\$ 6,825,501	\$ 67,307,380	\$ 7,616,185	\$ 1,935,899	\$ 76,859,464

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,446,231	\$ (3,186,267)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	3,819,185	3,909,362
Amortization expense	362,121	305,429
Bad debt expense	606,073	469,386
Loans receivable cancellations and adjustments - net	-	(1,420)
Unrealized gain on interest rate swap agreement	(227,280)	-
Net realized and unrealized (gains) losses on pooled endowment investments not used in endowment payout	(6,971,455)	2,115,061
Net realized and unrealized gains included in non-pooled endowment investments return	(359,828)	(16,783)
Contributions and change in value of charitable remainder and lead trusts	(135,427)	34,468
Contributions restricted for long-term investment	(591,848)	(574,175)
Contributions restricted for land, buildings, and equipment	(93,340)	(290,764)
(Increase) decrease in:		
Accounts receivable	(1,226,682)	(1,031,473)
Prepaid expenses and other assets - net of amortization	80,317	(1,148,802)
Grants receivable	(30,764)	93,397
Contributions receivable	18,908	24,552
Cash surrender value of life insurance	(9,387)	(7,318)
Increase (decrease) in:		
Accounts payable and other liabilities	821,940	(2,249,164)
Compensated absences accrual	871,278	1,039,790
Deferred revenue	175,103	1,104,981
Refundable - U.S. Government student loan funds	(58,102)	(94,814)
	<u>9,497,043</u>	<u>495,446</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(4,301,672)	(1,473,200)
Disposal of fixed assets	15,310	-
Proceeds from sales of long-term investments	1,142,423	1,748,858
Purchases of long-term investments	(1,257,235)	(1,832,790)
Endowment payout in excess of dividends and interest	(694,835)	(64,669)
Loans receivable:		
Principal repayments	40,696	53,558
	<u>(5,055,313)</u>	<u>(1,568,243)</u>

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	\$ 611,609	\$ 590,584
Contributions restricted for land, buildings, and equipment	93,340	290,764
Proceeds from Lutheran Church Extension Fund Line of Credit	-	7,810,583
Payments on Lutheran Church Extension Fund Line of Credit	(700,000)	(7,110,583)
Proceeds from issuance of 2021 Sodexo Cafeteria Loan	2,595,000	-
Principal Payment on 2021 Sodexo Cafeteria Loan	(235,948)	-
Principal payments on 2013 Lutheran Church Extension Fund loan	(408,339)	(394,314)
Principal payments on 2018 Lutheran Church Extension Fund loan 6.75M	(256,512)	(248,011)
Principal payments on 2018 Lutheran Church Extension Fund loan 1.5M	(55,167)	(53,139)
Principal payments 2018 Busey Bonds	(680,000)	(680,000)
Net change unamortized debt issuance expense	<u>6,651</u>	<u>58,152</u>
Net cash from financing activities	<u>970,634</u>	<u>264,036</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,412,364	(808,761)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>314,709</u>	<u>1,123,470</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 5,727,073</u></u>	<u><u>\$ 314,709</u></u>
SUPPLEMENTAL DATA		
Interest paid	\$ 1,081,514	\$ 1,467,371
Purchase of fixed assets included in accounts payable	268,280	36,395
Pledge payments on contributions restricted for long-term investment	19,761	16,409
Pledge payments on contributions restricted for land, buildings, and equipment	-	15,500

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY CHICAGO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION

Concordia University, an Illinois not-for-profit corporation located in River Forest, Illinois doing business as Concordia University Chicago, is a comprehensive private university accredited by the Higher Learning Commission whose mission is based on liberal arts education centered in the Gospel of Jesus Christ. It offers various bachelor's degrees, master's degrees, doctoral degrees (with Doctor of Education and Doctor of Philosophy concentrations), and various certificate and licensure programs, as well as providing education to young children through its early childhood program.

Concordia University is operated under the auspices of The Lutheran Church-Missouri Synod (the Synod), a Missouri not-for-profit corporation headquartered in St. Louis, Missouri. Concordia University Chicago's Board of Regents, responsible for the management of Concordia University Chicago, consists of up to 18 members (including eight elected by its Board of Regents and four elected by the Synod).

Six not-for-profit corporate and trust entities operate as corporate-wide entities directly under the auspices of the Synod:

- Lutheran Church Extension Fund (LCEF)
- Concordia Publishing House (CPH)
- The Lutheran Church-Missouri Synod Foundation (LCMS Foundation)
- Concordia Plan Services (CPS)
- Concordia Historical Institute
- Concordia University System (CUS)

CUS, a not-for-profit corporate entity, broadly oversees the activities of nine colleges and universities and seminaries, including Concordia University Chicago, carrying out the activities and policies of the Synod as it applies to the Synod higher education institutions. The Concordia Administrative Information System (CAIS), a CUS department, oversees the management of the software accounting system utilized by most of the Synod higher education institutions. In November 2020, CAIS ceased operations and each education institution took over management of their respective accounting systems.

Thirty-five Synodical districts, all separate entities operating under the auspices of the Synod, represent the Synod to the various Synod congregations across the country and around the world. The district in which Concordia University Chicago is located, the Northern Illinois District (NID), elects five members of Concordia University Chicago's Board of Regents (including the NID president who serves *ex officio* as a voting member).

1. NATURE OF ORGANIZATION (Continued)

The majority of students enrolled at Concordia University Chicago receive funds through federal financial aid and loan programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. Concordia University Chicago and its programs are subject to approval, licensure, and/or regulatory requirements of various accrediting authorities, state authorities, the United States Department of Education, and other federal agencies.

Concordia University Foundation, Inc. (the Foundation) is a separate Illinois not-for-profit corporation formed to promote Concordia University Chicago through solicitation of funds to encourage various activities of Concordia University Chicago, to administer the endowment assets of Concordia University Chicago, and to administer gifts and bequests given to it by donors for purposes of supporting the educational and religious objectives of Concordia University Chicago. Net assets of the Foundation which are not restricted by donors are considered payable to Concordia University Chicago, and are therefore, considered to be net assets with donor restrictions restricted by purpose or time by the Foundation, although such net assets are considered net assets without donor restrictions in the consolidated financial statements.

The Foundation is administered by a Board of Directors elected by its corporate member, Concordia University Chicago.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements include the accounts of Concordia University Chicago and the Foundation (collectively, the University). These consolidated financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (USGAAP). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes as follows:

Net assets without donor restriction - include net assets available for use in general operations and are not subject to donor-imposed restrictions. The University's Board of Regents has designated from net assets without donor restrictions net assets for board-designated endowment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions - include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by actions of the University or the passage of time. They may also be subject to donor-imposed restrictions that the contribution be maintained in perpetuity and neither expire with the passage of time nor can be removed by satisfying a specific purpose. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets for general or specific purposes. Such assets include primarily the University's permanent endowment.

Revenues are reported as increases in net assets without donor restrictions unless use of the revenue is restricted by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

To help ensure observance of limitations and restrictions placed on the use of resources available to the University, management maintains the accounts of the University in accordance with the principles of fund accounting. Separate accounts are maintained for each fund; however, in the accompanying consolidated financial statements, funds that have similar characteristics are combined and presented by net asset class.

Net assets are further segregated by management into the following subclasses:

Operating Funds - All net assets without donor restrictions and net assets restricted by purpose or time are classified as operating net assets except as designated below.

Endowment and Similar Funds - Certain board-designated (designated by the Concordia University Chicago's Board of Regents) net assets without donor restrictions and net assets with donor restrictions restricted by purpose or time have been pooled with net assets with donor restrictions to be held in perpetuity for the purpose of investing the total of such assets as a single endowment fund.

Net Investment in Plant - Net assets without donor restrictions that have been utilized for the investment in land, buildings, and equipment, net of accumulated depreciation and capital debt.

Funds Held in Trust - Certain net assets are held by a third party trustee and are not in the control of the University.

Charitable Remainder and Lead Trusts - Certain net assets are held by a third party trustee as gift annuities and/or straight unitrusts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

All revenues and expenses are considered operating revenues and expenses, with the exception of the following:

- Contributions with donor-imposed restrictions that are required to be held in perpetuity.
- All return on endowment investments in excess of (less than) the endowment payout used to support operations.
- Changes to amounts of funds held in trust.
- Unrealized gain or loss on the fair value of the interest rate swap agreement.
- Endowment and similar funds' net assets meeting the requirements for the release of net assets that are retained as endowment funds.

Operating revenues and expenses without donor restrictions are classified as budgeted activities except as follows:

Unrestricted Bequests - By policy adopted by the Board of Regents, the first \$250,000 of unrestricted bequests are to be classified as budgeted activities, with the balance being board-designated for endowment and added to the endowment investment funds.

Activities related to placed-in-service approach - Net assets restricted for capital expenditures are released to other activities when the asset is placed into service. These net assets are then released from other activities to budgeted activities over the life of the capital asset.

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 held by the University for long-term purposes is included in investments. At June 30, 2021 and 2020, the University's cash balances exceeded federally insured limits by \$2,427,778 and \$24,966, respectively. The University does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Related Allowance for Doubtful Accounts

Accounts receivable primarily include amounts due to the University for tuition and fees. The University grants credit to students and generally does not require collateral or other security in extending credit to students. Balances are stated net of an allowance for doubtful accounts.

The allowance estimates are based on past collection experience, an aging analysis of outstanding balances and expected payment information obtained from a third party collection agency. The University writes-off accounts receivable that have become uncollectible. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Concentration risk with respect to accounts receivable is typically limited due to the large number of accounts and low average balance.

Loans Receivable

Loans receivable primarily consist of funds advanced to students under the Federal Perkins Loan Program. Under the terms of the program, these loans are subject to forgiveness or assignment back to the federal government under certain circumstances. Balances are stated net of an allowance for doubtful accounts. Concentration risk with respect to loans receivable is limited due to the large number of accounts and low average balance.

Prepaid Expenses and Other Assets

Accounts included in prepaid expenses and other assets include the following:

Marketing Fees Deposit - The University paid a deposit related to marketing services being performed on behalf of the University. This amount is owned by the University until certain time and performance objectives are met.

Prepaid Admissions Marketing Costs and Expense - The University incurred certain marketing fees and expenses directly attributable to the receipt of future tuition revenues.

Inventories - Inventories include office supply inventories, buildings and grounds repairs and maintenance supply inventories, and fuel inventories, and are stated at cost (first-in, first-out method).

Cash Surrender Value of Life Insurance - The University is designated as the owner and beneficiary of flexible premium adjustable life insurance policies. Contributions of life insurance policies are recorded at the cash surrender value at the date of the gift, which is assumed to approximate fair value. Premium payments are required to be made by the donor to continue coverage to the maturity dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses and Other Assets (Continued)

Unamortized Banner Cost - Banners are amortized over a five-year period.

Unamortized Website Development Costs - The University incurred certain costs and expenses in the development of its website. These costs are amortized over a five-year period.

Unamortized Library Books and Hymnals Costs - Library books and hymnals for and maintained in either the University's library or the University's chapel, are capitalized and amortized over a period of ten years.

Unamortized Course Development Costs and Expenses - The University incurred certain costs and expenses in the development of online courses. These costs are amortized over a five-year period.

Investments and Investment Return

Investments are carried at fair value, with all returns on investments reflected in the consolidated statements of activities. Endowment assets are managed by the University and pooled to the extent allowable for investment purposes.

Funds held in trust that consist of irrevocable trusts from which the University is to receive the income in perpetuity are recorded as investments. The principal is held in trust by LCMS Foundation and is not available to be used by the University. Given the nature of the promises, the University records the contributed principal as net assets with donor restrictions to be held in perpetuity. Income received is recorded as either without or with donor restrictions based on the presence or absence of donor-imposed restrictions. Investment return whose restrictions are met in the same reporting period are treated as income without donor restrictions. Increases or decreases in the fair value of the trust assets are recorded on the consolidated statements of activities as changes in net assets to be held in perpetuity.

Investment return is reported net in the consolidated statements of activities and consists of dividends, interest, and other investment income, less external and direct internal investment expense; and realized and unrealized gains and losses on investments carried at fair value.

Investments subject the University to credit risk. The University's investment policy stipulates diversification of investments.

Land, Buildings, and Equipment

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. Improvements and equipment are capitalized when their purchase price is greater than \$5,000. Title to land and buildings is in the name of the University, with reversionary clauses to the Synod. These reversionary clauses are subordinate to the collateralization interests associated with loans and bonds payable described in Note 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings, and Equipment (Continued)

Buildings, improvements, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	
Parking garage and athletic facilities	60 years
Other buildings	39-50 years
Athletic field	25 years
Building and other improvements	10-50 years
Equipment	5-30 years

Art Objects

The University has a collection of art objects, most of which were contributed to the University. Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept encumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. Therefore, the value of these objects is not recorded in the accompanying consolidated statements of financial position. Concordia University Chicago's Board of Regents has given management the authority to sell a significant portion of the collection to the extent that such objects are not necessary for the furtherance of the mission of the University.

Compensated Absences

The University provides for and accrues vested compensated absences benefits that are provided to most of its non temporary employees.

Deferred Revenue

Deferred revenue primarily consists of collected, but not earned, college and Early Childhood Center (ECC) tuition for the summer (post June 30) and future semesters. Accordingly, this deferred revenue will be recognized as tuition and fee revenue in the subsequent fiscal year when it is earned.

Interest Rate Swap Derivative

The University records its interest rate swap agreements at fair value, with unrealized gains and losses being recorded in the consolidated statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unamortized Debt Issuance Costs and Expenses

Credit costs associated with the loans described in Note 10 are paid in advance and amortized according to the period covered. Costs associated with the issuance of bonds described in Note 10 are amortized over the weighted-average life of the bonds, which approximates the effective interest method.

Tuition and Fees

Revenues from tuition and fees are derived from education services provided to students. Generally, tuition and other fees are reported in the fiscal year in which educational programs are conducted, which is the period in which the performance obligations were completed, and revenue was earned. Tuition and fees received in the current fiscal year for the future years' programs are reported as deferred revenue in the consolidated statements of financial position.

The nature of tuition and fees give rise to variable consideration in the form of the institutional scholarships awarded to students to defray the costs of the academic programs, which reduce the transaction price (tuition and fees). Scholarships awarded to the students were \$20,581,728 and \$22,768,560 at June 30, 2021 and 2020, respectively. Payments for tuition are due prior to the start of the academic term, whether campus or online session. Tuition and fees are recognized ratably over the academic terms. The University generally uses the time elapsed method, an output measure, as it best depicts the simultaneous consumption and delivery of services.

The University's refund policy permits students who officially withdraw by the appropriate date as published to be eligible for a refund. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

Auxiliary Enterprises

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the auxiliary enterprises consist primarily of residence halls and dining facilities. Payments for housing and dining services are due prior to the start of the academic term. Performance obligations are delivered over the academic terms; consequently, associated revenues are earned and are recognized over the course of each term as services are delivered. Services performed under these contracts are considered a single performance obligation; as such, services are regarded as a bundled series of distinct goods and services with the same timing and pattern of transfer to the resident. Revenue is recognized for these contracts over time as the performance obligation is satisfied by transferring control of the goods and services to the resident.

Significant Judgements

There are no significant judgements involved in the recognition of revenue due to the passage of time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and unearned revenue (contract liabilities) on the consolidated statements of financial position. Contract liabilities are reflected as deferred revenue in the consolidated statements of financial position and released as the performance obligations are met.

The opening balances for contract assets (accounts receivable) from contracts with customers at the beginning of the year were \$8,275,371 and \$7,558,625 at July 1, 2020 and July 1, 2019, respectively.

The opening balances for contract liabilities (deferred revenue) from contracts with customers at the beginning of the year were \$8,139,665 and \$7,034,684 at July 1, 2020 and July 1, 2019, respectively.

Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services, availability of labor, and prompt payment.

All tuition and fees and auxiliary enterprises are recognized over time.

Gifts, Grants, and Contracts Revenue

Gifts, grants, and contracts are recorded as revenue when received or promised/contracted. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts and perpetual trusts, are recorded as revenue when the trust agreements are executed. Revenue from the split-interest agreements is recorded as contribution revenue based on the present value of the expected cash flows to be received by the University.

All contributions are considered to be available for the University's unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes or by law are reported as support with donor restrictions that increases those net asset classes; however, donor-restricted contributions with restrictions that are met in the same reporting period are reported as support without donor restrictions. Pledges of contributions due in future periods, including amounts expected to be received from split-interest agreements, imply a time restriction and are stated net of estimated uncollectible pledges. Accordingly, pledges are accounted for as net assets with donor restrictions until both the implied time restriction is met and the purpose restriction, if any, has been fulfilled. Conditional promises to give are not included as support until the conditions are substantially met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts, Grants, and Contracts Revenue (Continued)

A portion of the University's revenue is derived from grants which are conditional upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as a refundable grant advance in the consolidated statements of financial position. There were no amounts received in advance from cost-reimbursement grants for the years ended June 30, 2021 and 2020. The University had grants of approximately \$1,341,000 and \$399,000 that have not been recognized as of June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Unconditional promises to give that are expected to be collected within one year are recognized as support and recorded as a receivable at net realizable value. Unconditional promises to give not expected to be collected within one year are recorded at the present value of their estimated future cash flows and are discounted at an appropriate risk-adjusted interest rate.

Gifts and grants, including unconditional pledges, that are restricted for buildings and equipment are recognized as donor restricted until the related asset is placed in service, at which time they are released from net assets with donor restrictions to net assets without donor restrictions and subsequently amortized into budgeted activities over the estimated useful life of the acquired or constructed asset.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2021 or 2020:

- Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.
- Equity securities: Valued at the closing quoted price in an active market.
- Notes, bonds, and debt securities: The notes, bonds, and debt securities held by the University generally do not trade in active markets on the measurement date. Therefore, these investments are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Value Techniques (Continued)

- Charitable remainder and lead trusts: Valued using the fair value of the assets held in the trust reported by the trustee as of the last day of the fiscal year. The trust valuations are based on assumptions about the present value of distributions to be received from the trusts.
- Funds held in trust: Valued using the fair value of the assets held in the trust reported by the trustee as of the last day of the fiscal year. The University considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the University will never receive those assets or have the ability to direct the trustee to redeem them.
- Interest rate swap agreement: The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data.

Use of Estimates

The preparation of consolidated financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and disclosed in the accompanying notes. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of supporting various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses are allocated among the academic programs, academic support, student services, auxiliary enterprises, management and general, and fundraising categories based on the square footage of the space utilized by the different University departments. These expenses include depreciation, interest, and utility expenses. Other expenses are allocated according to these same categories based on service requests. These expenses include information technology support services, and operations and maintenance services. Certain employee benefit expenses have been allocated among the same categories based on the number of benefits-eligible employees in the different University departments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended by ASU No. 2020-05, is effective for non-public companies for annual reporting periods beginning after December 15, 2019 and interim periods within the annual period beginning after December 15, 2020. The University adopted the requirement of Topic 606 as of July 1, 2020, utilizing the modified retrospective method of transition. The new guidance was applied using the practical expedient provided to Topic 606 that allows the guidance to be applied only to contracts that were not completed as of July 1, 2020. The adoption of this new accounting pronouncement did not have a material impact on the consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, as amended by ASU No. 2020-05, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the consolidated financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The University is currently assessing the impacts of this new standard, including the two optional transition methods.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The standard is effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. The University is currently assessing the impact of this new standard.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,727,073	\$ 314,709
Investments available for operations	1,266,489	790,110
Accounts receivable, net	8,889,760	8,275,371
Grants receivable	36,464	5,700
Contributions receivable, current, net	<u>469,453</u>	<u>491,247</u>
Subtotal	16,389,239	9,877,137
Less those unavailable for general expenditures within one year, due to:		
Donor restrictions	<u>(3,071,434)</u>	<u>(3,402,141)</u>
Financial assets available to meet the cash needs for general expenditures within one year	<u>\$ 13,317,805</u>	<u>\$ 6,449,996</u>

	<u>2021</u>	<u>2020</u>
Other financial assets available		
Investments designated for endowments	\$ 12,123,881	\$ 8,616,099
Investments restricted to endowments - debt repayment	2,817,510	1,960,650
Endowment payout	957,347	946,862
Available line of credit - LCEF Loan	<u>9,000,000</u>	<u>8,300,000</u>
TOTAL	<u>\$ 24,898,738</u>	<u>\$ 19,823,611</u>

Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Unamortized costs		
Banners	\$ -	\$ 3,969
Website development	419,511	491,427
Library books and hymnals	119,986	122,155
Online course development	595,358	702,629
CampusWorks information technology assessment	21,750	27,682
	<u>1,156,605</u>	<u>1,347,862</u>
Prepaid expenses and other assets		
Admissions marketing costs	1,194,372	1,434,307
Other	1,124,785	1,090,188
Marketing fees deposit	1,000,000	1,000,000
Insurance loss fund	113,675	129,120
Inventories	329,624	339,086
Cash surrender value of life insurance	145,950	166,886
	<u>5,065,011</u>	<u>5,507,449</u>
TOTAL	<u>\$ 5,065,011</u>	<u>\$ 5,507,449</u>

Unamortized costs as of June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
BEGINNING OF THE YEAR UNAMORTIZED COSTS	\$ 1,347,862	\$ 1,075,646
Amortizable costs expended	170,864	577,645
Amortization	<u>(362,121)</u>	<u>(305,429)</u>
END OF THE YEAR UNAMORTIZED COSTS	<u>\$ 1,156,605</u>	<u>\$ 1,347,862</u>

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. PREPAID EXPENSES AND OTHER ASSETS (Continued)

Estimated future amortization cost is as follows:

<u>Years Ending June 30,</u>	
2022	\$ 324,574
2023	270,140
2024	218,746
2025	153,815
2026	98,984
2027 and thereafter	<u>90,346</u>
TOTAL	<u><u>\$ 1,156,605</u></u>

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Amounts due		
Within one year	\$ 494,328	\$ 491,247
One to five years	226,122	276,166
Thereafter	<u>43,814</u>	<u>30,880</u>
	764,264	798,293
Less		
Present value discount	(12,280)	(7,640)
Estimated uncollectible pledges	<u>(282,531)</u>	<u>(288,751)</u>
TOTAL	<u><u>\$ 469,453</u></u>	<u><u>\$ 501,902</u></u>

The discount rate was 1.0% for the years ended June 30, 2021 and 2020.

The underlying gifts associated with the contributions receivable are reflected in net assets with donor restrictions as follows:

	<u>2021</u>	<u>2020</u>
Restricted for purpose or time	\$ 449,650	\$ 481,188
Held in perpetuity	<u>19,803</u>	<u>20,714</u>
TOTAL	<u><u>\$ 469,453</u></u>	<u><u>\$ 501,902</u></u>

6. CREDIT QUALITY OF RECEIVABLES

Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2021 and 2020, student loans represented 0.13% and 0.19% of total assets, respectively.

At June 30, student loans consisted of the following:

	<u>2021</u>	<u>2020</u>
Federal government programs	\$ 419,120	\$ 459,816
Less allowance for doubtful accounts		
Beginning of year	(266,627)	(271,132)
Adjustments	<u>-</u>	<u>4,505</u>
End of year	<u>(266,627)</u>	<u>(266,627)</u>
STUDENT LOANS RECEIVABLE, NET	<u><u>\$ 152,493</u></u>	<u><u>\$ 193,189</u></u>

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of \$649,701 at June 30, 2021 and 2020, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The authority to make new Perkins loans ended September 30, 2017, with disbursements permitted through June 30, 2018, for students with existing Perkins loans. The University will be required to return the federal contribution and may continue servicing their Perkins loans or assign the Perkins loans to the Department of Education.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. CREDIT QUALITY OF RECEIVABLES (Continued)

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

<u>Less Than Two Years Past Due</u>	<u>Two Years up to Five Years Past Due</u>	<u>More Than Five Years Past Due</u>	<u>Total Past Due</u>
\$ 13,577	\$ 66,347	\$ 218,091	\$ 298,015

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

<u>Less Than Two Years Past Due</u>	<u>Two Years up to Five Years Past Due</u>	<u>More Than Five Years Past Due</u>	<u>Total Past Due</u>
\$ 30,373	\$ 74,004	\$ 231,364	\$ 335,741

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program.

7. CHARITABLE REMAINDER AND LEAD TRUSTS

The charitable remainder and lead trust agreements of which the University is the beneficiary are administered by the LCMS Foundation as trustee or fiscal agent. Distributions are to be made to the University (lead trusts) or to the donor's designee (remainder trusts) during the terms of the agreements, which vary in maturity through the year 2048 as of June 30, 2021. At the end of the terms, a portion of the remaining trust assets, as defined in the trust agreements, is to be distributed to the University. As of June 30, 2021 and 2020, the present value was estimated using an annualized growth rate of 5.70% and 5.80%, respectively, and a discount rate of 3.40% and 3.50%, respectively. The change in value of these split-interest agreements for the year ended June 30, 2021 and 2020 resulted in gains of \$170,748 and losses of \$36,165, respectively.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment as of June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,269,643	\$ 2,269,643
Construction in progress	717,071	189,643
Buildings	92,833,105	89,090,393
Building - other improvements and athletic field	15,477,559	15,477,559
Equipment	<u>20,667,515</u>	<u>22,295,354</u>
Subtotal	131,964,894	129,322,592
Less accumulated depreciation	<u>(70,276,385)</u>	<u>(68,369,540)</u>
TOTAL	<u>\$ 61,688,509</u>	<u>\$ 60,953,052</u>

Not included in construction in progress is \$440,130 and \$126,309 of outstanding commitments on construction contracts as of June 30, 2021 and 2020, respectively.

Purchases of land, buildings, and equipment for the year ended June 30 are funded as follows:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions subject to purpose or time	\$ 84,422	\$ 290,764
Other	<u>4,485,530</u>	<u>1,234,331</u>
TOTAL	<u>\$ 4,569,952</u>	<u>\$ 1,525,095</u>

9. ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Professional accounting standards require that an entity recognize the fair value of a liability for a conditional asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. An asset retirement obligation would be reasonably estimable if: (a) it is evident that the fair value of the obligation is embodied in the acquisition price of the asset, (b) an active market exists for the transfer of the obligation, or (c) sufficient information exists to apply to an expected present value technique. In applying this professional guidance to the University, it was necessary to determine if the University will undertake any major renovation, sell, dispose, or abandon any related assets; what liability would be associated with such action; and the date such action would be taken.

**9. ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS
 (Continued)**

The University's conditional asset retirement obligations primarily relate to the remediation of asbestos contained in buildings that the University owns. Environmental regulations exist that require the University to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. Determination of the recorded liability is based on a number of estimates and assumptions including discount rate, abatement cost estimates, and estimates of dates of abatement. The University estimated its liability at June 30, 2021 and 2020 to be \$290,000 and \$300,000, respectively, which is included in the accounts payable and other liabilities line in the consolidated statements of financial position.

10. LOANS AND BONDS PAYABLE

Loans payable at June 30 are summarized as follows:

	2021	2020
2013 LCEF Loan	\$ 9,710,426	\$ 10,118,765
2018 LCEF Loan \$1.5 million	1,344,700	1,399,867
2018 LCEF Loan \$6.75 million	6,025,361	6,281,873
2018 Busey Bank Loan	12,800,000	12,800,000
2020 Sodexo Cafeteria	2,359,052	-
Available line of credit - LCEF Loan	-	700,000
Total loans payable	32,239,539	31,300,505
Unamortized costs - beginning of year	(164,276)	(206,203)
Amortizable costs expended	(46,885)	-
Amortization	39,305	41,927
Unamortized costs - end of year	(171,856)	(164,276)
TOTAL DEBT NET OF AMORTIZABLE DEBT COSTS	\$ 32,067,683	\$ 31,136,229

2013 LCEF Loan

On July 1, 2013, the University obtained a loan from LCEF in the amount of \$12,500,000. The loan matures on July 1, 2033. The loan carries an initial interest rate of 3.875%, to be adjusted on July 1, 2023 and every five years thereafter (2013 LCEF Interest Reset Dates). Monthly payments of \$65,120 (principal and interest, combined), to be adjusted on the 2013 LCEF Interest Reset Dates, are required to be made, with a balloon payment of all remaining amounts due on the maturity date. Effective July 1, 2018, the interest rate was adjusted to 3.50%, and the monthly payments were adjusted to \$62,999. This loan requires a security interest in the investments held by the University, and a security interest both in the campus property and in the one residential property owned by the University. Interest expense on this loan reported in the consolidated statements of activities for the year ended June 30, 2021 and 2020 was \$346,457 and \$360,522, respectively.

10. LOANS AND BONDS PAYABLE (Continued)

2013 LCEF Loan (Continued)

The loan is subject to various covenants as well as a security agreement covering both the 2013 LCEF Loan and the 2013 IFA Bonds (the Security Agreement). As of June 30, 2021, management is not aware of any violation of the covenants.

The campus property, as well as one residential property owned by the University, is considered collateral under the Security Agreement. The Security Agreement requires the University to meet all obligations associated with the underlying agreements for 2013 LCEF Loan and the 2013 IFA Bonds. LCEF and the 2013 IFA Bonds purchaser share this collateral under an intercreditor agreement.

2018 Busey Bank Loan

On June 29, 2018, the University obtained a bank loan from Busey Bank in the amount of \$12,800,000, maturing on June 29, 2030. The loan carries an interest rate based of LIBOR plus 135 basis points, which was 1.436% and 1.528% at June 30, 2021 and 2020, respectively. Monthly payments of accrued interest are required to be made beginning August 1, 2018, with additional monthly principal payments of \$53,333, beginning August 1, 2020, amortized on a 20-year basis, and a balloon payment of all remaining amounts due on the maturity date. This loan requires a security interest in the investments held by the University. Interest expense on this loan reported in the consolidated statements of activities for the year ended June 30, 2021 and 2020 was \$193,504 and \$378,455, respectively.

On September 2, 2020, the 2018 Busey Bank Loan was amended. The amended terms moved the maturity date from June 29, 2025 to June 29, 2030 and deferred the initial monthly principal payment to September 1, 2021. The monthly payments shall continue to be amortized on a 20-year basis, and a balloon payment of all remaining amounts is due on the amended maturity date. Further, on September 1, 2020, the parties entered into an interest rate swap agreement to manage the impact of future interest rate changes on the underlying floating interest rate on the 2018 Busey Bank Loan. The interest rate swap agreement requires the University to pay a monthly fixed rate (2.24% annual interest rate) and receive a floating rate equal to the interest being paid on the 2018 Busey Bank Loan, and requires a security interest in the investments held by the University throughout the amended term of the 2018 Busey Bank Loan.

10. LOANS AND BONDS PAYABLE (Continued)

2018 LCEF Loan 1.5 Million

On July 2, 2018, the University obtained a loan from LCEF in the amount of \$1,500,000. The loan matures on July 2, 2038. The loan carries an initial interest fix rate of 3.750% to be adjusted on July 2, 2023, and every five years thereafter (2018 LCEF Interest Reset Dates). Monthly payments of \$8,893 (principal and interest, combined), to be adjusted on the 2018 LCEF Interest Reset Dates, are required to be made, with a balloon payment of all remaining amounts due on the maturity date. This loan requires a security interest in the investments held by the University, and a security interest both in the campus property and in the one residential property owned by the University. Interest expense on this loan reported in the consolidated statements of activities for the year ended June 30, 2021 and 2020 was \$51,381 and \$53,415, respectively.

2013 LCEF Loan 6.75 Million

On July 2, 2018, the University obtained a loan from LCEF in the amount of \$6,750,000. The loan matures on July 2, 2038. The loan carries an initial interest rate of 3.375%, to be adjusted on the 2018 LCEF Interest Reset Dates. Monthly payments of \$38,715 (principal and interest, combined), to be adjusted on the 2018 LCEF Interest Reset Dates, are required to be made, with a balloon payment of all remaining amounts due on the maturity date. This loan requires a security interest in the investments held by the University, and a security interest both in the campus property and in the one residential property owned by the University. Interest expense on this loan reported in the consolidated statements of activities for the year ended June 30, 2021 and 2020, was \$207,348 and \$215,873, respectively.

Synod Loan

The Synod provided a line of credit to the University. The available line of credit was \$7,400,000 through May 5, 2020, when the line of credit was terminated. The floating interest rate paid on funds advanced to the University was 4.375% on June 30, 2020 and ranged from 4.000% to 4.375% during the year ended June 30, 2020. Interest expense on the line of credit reported in the consolidated statements of activities for the year ended June 30, 2021 and 2020 was \$0 and \$94,662, respectively.

2020 Sodexo Cafeteria Loan 2.6 Million

On October 1, 2020, Sodexo America, LLC (the University's food service provider) provided two investments totaling \$2,595,000 to the University for the purpose of renovating the Dining Hall. The first investment, in the amount of \$126,000, required an advance repayment of \$100,000 which was made on February 26, 2021. The remaining \$26,000 will be repaid using a straight-line amortization schedule over 14 years, commencing November 1, 2020 and ending on June 1, 2034, with monthly payments of \$159.51. The second investment, in the amount of \$2,469,000, will be repaid using a straight-line amortization schedule of 14 years, commencing on October 1, 2020 and ending on June 1, 2034, with monthly payments of \$14,963.64. No interest expense accrues on these investments.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. LOANS AND BONDS PAYABLE (Continued)

Available line of credit - LCEF Loan

Effective November 13, 2020, the LCEF renewed a \$9,000,000 line of credit to the University, which was in effect during the year ended June 30, 2020. The available line of credit matures on November 13, 2023. The floating interest rate paid on funds advanced to the University was 4.000% and 4.250% on June 30, 2021 and 2020, respectively. Interest expense on the line of credit reported in the consolidated statements of activities for the year ended June 30, 2021 and 2020 was \$32,991 and \$15,843, respectively.

Bonds payable at June 30, 2021 are summarized as follows:

	<u>2021</u>	<u>2020</u>
2013 IFA Bonds	\$ 11,730,000	\$ 12,410,000
Unamortized costs - beginning of year	(39,135)	(55,360)
Amortization	<u>14,231</u>	<u>16,225</u>
Unamortized costs - end of year	<u>(24,904)</u>	<u>(39,135)</u>
Total debt net of amortizable debt costs	<u>\$ 11,705,096</u>	<u>\$ 12,370,865</u>

2013 Illinois Finance Authority Bonds

On July 1, 2013, the University issued \$17,000,000 in variable rate tax-exempt revenue bonds through the IFA (2013 IFA Bonds).

The 2013 bonds, which mature on July 1, 2033, are revenue refunding tax-exempt bonds issued through the IFA. The interest rate during the initial interest period (ending June 30, 2018) equals 72% of the sum of the applicable margin plus the one-month LIBOR. The applicable margin, initially set at 300 basis points and adjustable semiannually, ranges from 250 basis points to 325 points, depending upon certain financial ratios maintained by the University. Effective October 1, 2013, quarterly principal payments of \$170,000 are required to be made with a balloon payment of all remaining amounts due on the maturity date. The interest rate must be renegotiated upon termination of the initial interest period.

The interest rates paid on the 2013 Refinanced IFA Bonds as 2018 Busey Bonds ranged from 1.296% to 1.351% during the year ended June 30, 2021 and ranged from 1.359% to 2.917% during the year ended June 30, 2020. Interest expense on the bonds reported in the consolidated statements of activities for the year ended June 30, 2021 and 2020 was \$161,463 and \$302,150, respectively.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. LOANS AND BONDS PAYABLE (Continued)

2013 Illinois Finance Authority Bonds (Continued)

The bonds, held by a single purchaser, are subject to various covenants as well as the Security Agreement. As of June 30, 2021, management is not aware of any violation of the covenants.

The campus property, as well as one residential property owned by the University, is considered collateral under the Security Agreement. The Security Agreement requires the University to meet all obligations associated with the underlying agreements for 2013 LCEF Loan and the 2013 IFA Bonds. LCEF and the 2013 IFA Bonds purchaser share this collateral under an intercreditor agreement.

Minimum Payment Schedule

The University's minimum principal payments under the terms of the loan and bond agreements above are as follows:

<u>Years Ending June 30,</u>	<u>Loans Payable</u>	<u>Bonds Payable</u>	<u>Total</u>
2022	\$ 1,460,248	\$ 680,000	\$ 2,140,248
2023	1,593,234	680,000	2,273,234
2024	1,570,579	680,000	2,250,579
2025	1,594,746	680,000	2,274,746
2026	1,624,587	680,000	2,304,587
2027 and thereafter	24,396,145	8,330,000	32,726,145
TOTAL	\$ 32,239,539	\$ 11,730,000	\$ 43,969,539

11. INTEREST RATE SWAP DERIVATIVE

The University entered into a \$12,800,000 interest rate swap agreement effective September 8, 2020 to manage the impact of future interest rate changes on underlying floating rate debt. The agreement, with a termination date of June 29, 2030, requires the University to pay a monthly fixed rate (2.240% annual interest rate) to the counterparty in exchange for variable rate payments from the counterparty based on a percentage of one-month LIBOR. Interest expense on the swap agreement was \$84,995 and \$0 for the years ended June 30, 2021 and 2020, respectively.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. NET ASSETS

Net assets are summarized by fund, at June 30, 2021, as follows:

	Without Donor Restrictions	With Donor Restrictions		Total	Grand Total
		Restricted by Purpose or Time	To be Held in Perpetuity		
Operating funds	\$ (3,418,714)	\$ 2,826,746	\$ -	\$ 2,826,746	\$ (591,968)
Endowment and similar funds (Note 14)	12,123,881	5,962,568	12,494,186	18,456,754	30,580,635
Net investment in plant	17,718,975	-	-	-	17,718,975
Funds held in trust	3,750	354,534	1,103,778	1,458,312	1,462,062
Charitable remainder and lead trust	-	680,739	698,147	1,378,886	1,378,886
Other	-	-	248,438	248,438	248,438
Total net assets	\$ 26,427,892	\$ 9,824,587	\$ 14,544,549	\$ 24,369,136	\$ 50,797,028

Net assets are summarized by fund, at June 30, 2020, as follows:

	Without Donor Restrictions	With Donor Restrictions		Total	Grand Total
		Restricted by Purpose or Time	To be Held in Perpetuity		
Operating funds	\$ (8,679,873)	\$ 3,235,102	\$ -	\$ 3,235,102	\$ (5,444,771)
Endowment and similar funds (Note 14)	8,616,099	2,301,742	12,310,790	14,612,532	23,228,631
Net investment in plant	17,942,551	-	-	-	17,942,551
Funds held in trust	28,718	42,019	1,103,778	1,145,797	1,174,515
Charitable remainder and lead trust	-	606,320	637,139	1,243,459	1,243,459
Other	-	-	206,412	206,412	206,412
Total net assets	\$ 17,907,495	\$ 6,185,183	\$ 14,258,119	\$ 20,443,302	\$ 38,350,797

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following specific purposes at June 30, 2021:

	Restricted by Purpose or Time	To be Held in Perpetuity	Total
Purpose restrictions			
Academic programs			
Instruction/divisional	\$ 879,789	\$ 590,450	\$ 1,470,239
Other instructional programs	209,653	253,304	462,957
Student services	957,840	49,973	1,007,813
Institutional support	440,728	130,611	571,339
Fundraising	12,437	-	12,437
Auxiliary enterprises	6,672	272,236	278,908
Student aid	3,277,763	12,469,936	15,747,699
Student loans	-	15,874	15,874
Debt repayment	2,817,510	-	2,817,510
Future capital expenditures	94,906	-	94,906
General operational purposes	-	762,165	762,165
Time restrictions	1,127,289	-	1,127,289
TOTAL	\$ 9,824,587	\$ 14,544,549	\$ 24,369,136

Net assets with donor restrictions are available for the following specific purposes at June 30, 2020:

	Restricted by Purpose or Time	To be Held in Perpetuity	Total
Purpose restrictions			
Academic programs			
Instruction/divisional	\$ 552,445	\$ 606,842	\$ 1,159,287
Other instructional programs	97,639	247,304	344,943
Student services	851,359	49,973	901,332
Institutional support	360,314	125,111	485,425
Fundraising	17,818	-	17,818
Auxiliary enterprises	6,672	272,236	278,908
Student aid	1,250,196	12,180,465	13,430,661
Student loans	-	15,874	15,874
Debt repayment	1,960,650	-	1,960,650
Future capital expenditures	1,417	-	1,417
General operational purposes	-	760,314	760,314
Time restrictions	1,086,673	-	1,086,673
TOTAL	\$ 6,185,183	\$ 14,258,119	\$ 20,443,302

13. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets shown above as debt repayment are associated with term endowments which the donors have indicated may be used as collateral on debt, if necessary. The income associated with these term endowments is available for the following purposes:

	<u>2021</u>	<u>2020</u>
Academic programs		
Instruction/divisional	\$ 46,216	\$ 28,660
Other instructional programs	47,252	37,815
Student services	446,111	358,774
Institutional support	1,013	842
Student aid	<u>2,276,918</u>	<u>1,534,559</u>
TOTAL	<u>\$ 2,817,510</u>	<u>\$ 1,960,650</u>

14. ENDOWMENT

The University accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the University classifies as net assets with donor restrictions to be held in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions for purpose or time, according to donor stipulations, until those amounts are appropriated for expenditure by the University for the donor-stipulated purpose.

The University considers the following factors in making a determination either to appropriate or to accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the University and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the University.
7. The investment policies of the University.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the University to retain as a fund of perpetual duration. Deficiencies of this nature exist in donor restricted endowment funds, which together have an original gift value of \$3,848,370, a current fair value of \$3,725,038 and a deficiency of \$123,332 as of June 30, 2020. There were no such deficiencies noted as of June 30, 2021. These deficiencies resulted from unfavorable investment market fluctuations, as well as continued appropriation of endowment assets for expenditures for certain programs that were deemed prudent by the Board of Regents.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ENDOWMENT (Continued)

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Regents, the endowment assets are invested in a manner that is intended to produce results over the long-term that exceed its endowment payout (not expected to exceed 4.5% annually) plus inflation as measured by the Consumer Price Index, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this objective.

The University has a policy of appropriating for distribution, including those endowments deemed to be under water, each year a percentage of the endowment fund net assets' average fair value over the prior 12 quarters through the end of the prior fiscal year in which the distribution is planned. In an effort to increase the endowment market value over time, the nominal spending rate was decreased from 4.25% to 4.00% on July 1, 2019.

To satisfy its long-term rate-of-return objective, the University relies on a total return strategy in which the investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The endowment assets are managed by the Foundation through an investment committee consisting of members of the Foundation's Board of Directors that meets quarterly at a minimum to ensure the objectives of the investment policy are being met and that the strategies used to meet the objectives are in accordance with the approved investment policy.

The composition of endowment funds by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions		Total	Grand Total
		Restricted by Purpose or Time	To be Held in Perpetuity		
Donor-restricted endowment funds	\$ -	\$ 5,962,568	\$ 12,494,186	\$ 18,456,754	\$ 18,456,754
Designated to endowment funds	12,123,881	-	-	-	12,123,881
Total funds	<u>\$ 12,123,881</u>	<u>\$ 5,962,568</u>	<u>\$ 12,494,186</u>	<u>\$ 18,456,754</u>	<u>\$ 30,580,635</u>

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ENDOWMENT (Continued)

During the year ended June 30, 2021, the University had the following endowment related activities:

	Without Donor Restrictions	With Donor Restrictions			Grand Total
		Restricted by Purpose or Time	To be Held in Perpetuity	Total	
Endowment net assets beginning of year	\$ 8,616,099	\$ 2,301,742	\$ 12,310,790	\$ 14,612,532	\$ 23,228,631
Investment return					
Investment income	321,518	302,957	-	302,957	624,475
Net appreciation (realized/unrealized)	3,613,452	3,401,630	-	3,401,630	7,015,082
Total return	3,934,970	3,704,587	-	3,704,587	7,639,557
Contributions	-	410,086	200,098	610,184	610,184
Transfers to endowment funds	58,014	18,298	(16,702)	1,596	59,610
Appropriations of endowment assets for expenditures	(485,202)	(472,145)	-	(472,145)	(957,347)
Total funds	\$ 12,123,881	\$ 5,962,568	\$ 12,494,186	\$ 18,456,754	\$ 30,580,635

The composition of endowment funds by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions			Grand Total
		Restricted by Purpose or Time	To be Held in Perpetuity	Total	
Donor-restricted endowment funds	\$ -	\$ 2,301,742	\$ 12,310,790	\$ 14,612,532	\$ 14,612,532
Designated to endowment funds	8,616,099	-	-	-	8,616,099
Total funds	\$ 8,616,099	\$ 2,301,742	\$ 12,310,790	\$ 14,612,532	\$ 23,228,631

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ENDOWMENT (Continued)

During the year ended June 30, 2020, the University had the following endowment related activities:

	Without Donor Restrictions	With Donor Restrictions			Grand Total
		Restricted by Purpose or Time	To be Held in Perpetuity	Total	
Endowment net assets beginning of year	\$ 9,475,605	\$ 3,262,237	\$ 11,967,625	\$ 15,229,862	\$ 24,705,467
Investment return					
Investment income	390,229	508,650	-	508,650	898,879
Net depreciation (realized/unrealized)	(886,516)	(1,157,024)	-	(1,157,024)	(2,043,540)
Total return	(496,287)	(648,374)	-	(648,374)	(1,144,661)
Contributions	-	231,550	342,625	574,175	574,175
Transfers to endowment funds	-	15,869	540	16,409	16,409
Appropriations of endowment assets for expenditures	(363,219)	(559,540)	-	(559,540)	(922,759)
Total funds	\$ 8,616,099	\$ 2,301,742	\$ 12,310,790	\$ 14,612,532	\$ 23,228,631

15. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions released from donor restrictions for the year ended June 30, are summarized as follows:

Purpose restrictions accomplished	2021	2020
Academic programs		
Instructional/divisional	\$ 166,704	\$ 271,515
Other instructional programs	7,505	6,993
Student services	37,484	43,209
Institutional support	26,446	46,455
Fundraising	13,289	7,002
Auxiliary services	-	22,110
Student aid	1,912,287	2,186,309
Net investment in plant	99,922	603,431
TOTAL	\$ 2,263,637	\$ 3,187,024

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. FAIR VALUE MEASUREMENTS

The following table summarizes assets by fair value input levels as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Interest rate swap agreement	\$ -	\$ 227,280	\$ -	\$ 227,280
Charitable remainder and lead trusts	-	-	1,378,886	1,378,886
Investments				
Mutual funds				
Equities	21,814,289	-	-	21,814,289
Fixed income	6,972,623	-	-	6,972,623
Real estate	1,949,606	-	-	1,949,606
Equity securities	13,455	-	-	13,455
Notes, bonds, and debt securities	-	6,050	-	6,050
Funds held in trust	-	-	1,462,062	1,462,062
Cash and cash equivalents*				1,091,101
Total investments	<u>30,749,973</u>	<u>6,050</u>	<u>1,462,062</u>	<u>33,309,186</u>
TOTAL ASSETS	<u>\$ 30,749,973</u>	<u>\$ 6,050</u>	<u>\$ 2,840,948</u>	<u>\$ 34,915,352</u>

The following table summarizes assets by fair value input levels as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Charitable remainder and lead trusts	\$ -	\$ -	\$ 1,243,459	\$ 1,243,459
Investments				
Mutual funds				
Equities	14,546,096	-	-	14,546,096
Fixed income	6,308,537	-	-	6,308,537
Real estate	1,725,184	-	-	1,725,184
Master limited partnerships	1,237,374	-	-	1,237,374
Equity securities	5,528	-	-	5,528
Notes, bonds, and debt securities	-	9,388	-	9,388
Funds held in trust	-	-	1,149,515	1,149,515
Cash and cash equivalents*				186,634
Total investments	<u>23,822,719</u>	<u>9,388</u>	<u>1,149,515</u>	<u>25,168,256</u>
TOTAL ASSETS	<u>\$ 23,822,719</u>	<u>\$ 9,388</u>	<u>\$ 2,392,974</u>	<u>\$ 26,411,715</u>

* Reported at cost.

CONCORDIA UNIVERSITY CHICAGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. FAIR VALUE MEASUREMENTS (Continued)

Investments at fair value above are reported in the consolidated statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Investments available for operations	\$ 1,266,489	\$ 790,110
Investments designated for endowment	12,123,881	8,616,099
Funds held in trust	1,462,062	1,149,515
Investments restricted to endowment	<u>18,456,754</u>	<u>14,612,532</u>
 TOTAL	 <u>\$ 33,309,186</u>	 <u>\$ 25,168,256</u>

A rollforward of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2021 is as follows:

	Charitable Lead and Remainder Trusts	Funds Held in Trusts	Total
FAIR VALUE, JULY 1, 2020	\$ 1,243,459	\$ 1,149,515	\$ 2,392,974
Net change in value	170,913	359,828	530,741
Trust assets distributed	<u>(35,486)</u>	<u>(47,281)</u>	<u>(82,767)</u>
 FAIR VALUE, JUNE 30, 2021	 <u>\$ 1,378,886</u>	 <u>\$ 1,462,062</u>	 <u>\$ 2,840,948</u>

A rollforward of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2020 is as follows:

	Charitable Lead and Remainder Trusts	Funds Held in Trusts	Total
FAIR VALUE, JULY 1, 2019	\$ 1,277,927	\$ 1,144,804	\$ 2,422,731
Net change in value	(36,165)	16,783	(19,382)
Trust assets added	1,697	30,000	31,697
Trust assets distributed	<u>-</u>	<u>(42,072)</u>	<u>(42,072)</u>
 FAIR VALUE, JUNE 30, 2020	 <u>\$ 1,243,459</u>	 <u>\$ 1,149,515</u>	 <u>\$ 2,392,974</u>

17. INCOME TAXES

Concordia University Chicago and the Foundation are organizations described in Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, as amended and, as such, are exempt from federal income tax on income earned related to exempt activities under IRC Section 501(a). In addition, the Internal Revenue Service has determined that Concordia University Chicago and the Foundation are not private foundations.

18. EMPLOYEE BENEFITS AND DEFINED BENEFIT PLANS

The University participates in the retirement and disability/survivor benefit programs provided by Concordia Plan Services (CPS) through the Concordia Retirement Plan (Traditional and Account Options), the Concordia Retirement Savings Plan, and the Concordia Disability and Survivor Plan. Substantially all full-time employees are covered by these retirement and survivor programs. Full-time staff hired prior to July 1, 2020, and full-time faculty hired prior to July 1, 2021, are enrolled in the Traditional Retirement Plan for which the University contributes 8.30% of the salaries of covered employees. Full-time employees hired after these dates are enrolled in the Account Option, for which the University contributes either 0%, 3%, or 6% of salaries of covered employees depending on seniority. In 2020, the University contributed a range from 1.20% to 2.25% of the covered employees' salaries for the Concordia Disability and Survivor Plan. Effective January 1, 2021, a new option within the Concordia Disability and Survivor Plan was adopted, for which the University now contributes a range from 1.35% to 1.45% of covered employees' salaries. Retirement and survivor program expenses for the year ended June 30, 2021 and 2020 totaled \$2,235,111 and \$2,684,101, respectively.

19. STUDENT FINANCIAL ASSISTANCE PROGRAMS

The University participates in various student financial aid programs. These programs are subject to periodic review by the United States Department of Education (USDOE). Disbursements under each program are subject to disallowance and repayment by the University.

20. INTEREST

The University made cash payments for interest totaling \$1,081,514 and \$1,467,371 for the years ended June 30, 2021 and 2020, respectively. A reconciliation of the University's total interest paid to interest expense included in the consolidated statements of activities is as follows:

	<u>2021</u>	<u>2020</u>
Total interest expense	\$ 1,078,138	\$ 1,411,267
Interest expense capitalized	7,771	9,653
Interest expense (accrued) deferred	<u>(4,395)</u>	<u>46,451</u>
TOTAL INTEREST PAID	<u><u>\$ 1,081,514</u></u>	<u><u>\$ 1,467,371</u></u>

21. RELATED PARTIES

During the years ended June 30, 2021 and 2020, the University received contributions of \$152,601 and \$214,234, respectively, from members of Concordia University Chicago's Board of Regents and \$15,091 and \$16,892, respectively, from members of the Foundation's Board of Directors.

During the years ended June 30, 2021 and 2020, the University paid CAIS \$131,090 and \$779,874, respectively, for certain computer and software services provided to the University, allocated among the various functions of the University in the consolidated statements of activities.

22. RISK AND UNCERTAINTIES

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity across a broad range of industries and countries could be severely impacted for months or beyond, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

23. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 25, 2021, which is the date the consolidated financial statements were available to be issued.