SIKICH

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2022 and 2021

CONCORDIA UNIVERSITY CHICAGO
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the University'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University'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.

Sikich LLP

Naperville, Illinois
October 12, 2022

CONSOLIDATED FINANCIAL STATEMENTS

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 5,580	$ 5,727,073
Investments available for operations	1,163,919	1,266,489
Accounts receivable, net of allowance of $2,996,444 in 2022 and $1,763,687 in 2021	7,878,886	8,889,760
Prepaid expenses and other assets	4,231,151	5,244,226
Grants receivable	5,862	36,464
Contributions receivable, net of allowance of $284,500 in 2022 and $282,531 in 2021	459,035	469,453
Loans receivable, net of allowance of $266,627 in 2022 and $266,627 in 2021	98,467	152,493
Interest rate swap agreement	1,458,150	227,280
Investments designated for endowment	9,042,693	12,123,881
Funds held in trust	1,411,101	1,462,062
Charitable remainder and lead trusts	986,669	1,378,886
Investments restricted to endowment	16,361,577	18,456,754
Land, buildings, and equipment, net	57,998,044	61,688,509
TOTAL ASSETS	$ 101,101,134	$ 117,123,330
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	$ 4,029,230	$ 9,973,502
Accrued payroll and other related liabilities	3,205,174	4,068,179
Deferred revenues	5,591,250	8,314,768
Refundable government student loan funds	162,220	197,074
Obligations under capital lease	41,176	-
Loans payable, net	31,163,912	32,067,683
Bonds payable, net	11,038,031	11,705,096
Total liabilities	55,230,993	66,326,302
NET ASSETS		
Without donor restrictions	23,958,157	26,427,892
With donor restrictions	21,911,984	24,369,136
Total net assets	45,870,141	50,797,028
TOTAL LIABILITIES AND NET ASSETS	$ 101,101,134	$ 117,123,330

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions			
	Total	Restricted by Purpose or Time	To be Held in Perpetuity	Total	Total
OPERATING REVENUES AND GAINS					
Tuition and fees	$ 79,849,095	$ -	$ -	$ -	$ 79,849,095
Less scholarship and fellowships	(20,482,579)	-	-	-	(20,482,579)
Net tuition and fees	59,366,516	-	-	-	59,366,516
Government grants and contracts	1,962,996	729,559	-	729,559	2,692,555
Private gifts and grants	1,495,603	1,086,071	-	1,086,071	2,581,674
Pooled investments endowment payout	688,579	580,596	-	580,596	1,269,175
Nonpooled investments return	7,249	-	-	-	7,249
Auxiliary services	6,154,827	-	-	-	6,154,827
Other	756,163	10,250	-	10,250	766,413
Net assets released from restrictions	2,033,454	(2,033,454)	-	(2,033,454)	-
Operating revenues and gains prior to disposal of land, buildings, and equipment and special endowment payout	72,465,387	373,022	-	373,022	72,838,409
Disposal of land, buildings, and equipment	(990,202)	-	-	-	(990,202)
Special endowment payout	794,032	-	-	-	794,032
Total operating revenues and gains	72,269,217	373,022	-	373,022	72,642,239
OPERATING EXPENSES					
Academic programs					
Instruction - divisional	21,607,829	-	-	-	21,607,829
Other instructional programs	2,657,728	-	-	-	2,657,728
Academic support	5,176,063	-	-	-	5,176,063
Student services	25,751,429	-	-	-	25,751,429
Auxiliary enterprises	6,533,251	-	-	-	6,533,251
Total program expenses	61,726,300	-	-	-	61,726,300
Institutional support	9,233,778	-	-	-	9,233,778
Fundraising	1,928,453	-	-	-	1,928,453
Total operating expenses	72,888,531	-	-	-	72,888,531
Operating revenues in excess (deficit) of operating expenses	(619,314)	373,022	-	373,022	(246,292)
NON-OPERATING ACTIVITIES					
Private gifts and grants	-	-	153,094	153,094	153,094
Net change in funds held in trust	(18)	4,225	-	4,225	4,207
Net change in charitable lead and remainder trusts	-	(43,613)	(94,707)	(138,320)	(138,320)
Other gains (losses)	(85)	(18,806)	16,557	(2,249)	(2,334)
Unrealized gain on interest rate swap agreement	1,230,870	-	-	-	1,230,870
Pooled endowment investment return less than endowment payout	(3,081,188)	(2,846,924)	-	(2,846,924)	(5,928,112)
CHANGE IN NET ASSETS	(2,469,735)	(2,532,096)	74,944	(2,457,152)	(4,926,887)
NET ASSETS, BEGINNING OF YEAR	26,427,892	9,824,587	14,544,549	24,369,136	50,797,028
NET ASSETS, END OF YEAR	$ 23,958,157	$ 7,292,491	$ 14,619,493	$ 21,911,984	$ 45,870,141

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions			
	Total	Restricted by Purpose or Time	To be Held in Perpetuity	Total	Total
OPERATING REVENUES AND GAINS					
Tuition and fees	$ 85,509,761	$ -	$ -	$ -	$ 85,509,761
Less scholarship and fellowships	(20,581,728)	-	-	-	(20,581,728)
Net tuition and fees	64,928,033	-	-	-	64,928,033
Government grants and contracts	8,471,218	720,560	-	720,560	9,191,778
Private gifts and grants	1,567,726	1,011,490	-	1,011,490	2,579,216
Pooled investments endowment payout	485,202	472,145	-	472,145	957,347
Nonpooled investments return	18,586	-	-	-	18,586
Auxiliary services	4,656,208	-	-	-	4,656,208
Other	656,822	10,910	-	10,910	667,732
Disposal of land, buildings, and equipment	(20,350)	-		-	(20,350)
Net assets released from restrictions	2,263,637	(2,246,695)	(16,942)	(2,263,637)	-
Total operating revenues and gains	83,027,082	(31,590)	(16,942)	(48,532)	82,978,550
OPERATING EXPENSES					
Academic programs					
Instruction - divisional	25,090,569	-	-	-	25,090,569
Other instructional programs	2,407,243	-	-	-	2,407,243
Academic support	5,033,317	-	-	-	5,033,317
Student services	29,681,273	-	-	-	29,681,273
Auxiliary enterprises	5,645,278	-	-	-	5,645,278
Total program expenses	67,857,680	-	-	-	67,857,680
Institutional support	8,561,692	-	-	-	8,561,692
Fundraising	1,742,876	-	-	-	1,742,876
Total operating expenses	78,162,248	-	-	-	78,162,248
Operating revenues in excess (deficit) of operating expenses	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	$ 26,427,892	$ 9,824,587	$ 14,544,549	$ 24,369,136	$ 50,797,028

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services								
	Instructional - Divisional	Other Instructional Programs	Academic Support	Student Services	Auxiliary Enterprises	Total	Institutional Support	Fundraising	Total Operating Expenses
Salaries, benefits, and taxes	$ 18,876,176	$ 2,019,099	$ 3,963,750	$ 7,844,284	$ 1,151,589	$ 33,854,898	$ 4,690,638	$ 1,365,791	$ 39,911,327
Contracted expenses	383,299	212,235	164,562	14,418,669	2,485,436	17,664,201	960,293	110,674	18,735,168
Occupancy and utilities	517,319	36,186	178,512	387,597	881,557	2,001,171	237,680	19,846	2,258,697
Information technologies	361,784	44,941	367,824	331,424	(26,758)	1,079,215	312,045	109,482	1,500,742
Interest on debt	259,193	67,710	61,242	172,884	441,820	1,002,849	34,288	10,981	1,048,118
Depreciation expense	879,317	229,708	207,766	586,511	1,498,881	3,402,183	116,318	37,253	3,555,754
CARES Act emergency relief to students	-	-	-	548,173	-	548,173	-	-	548,173
Other miscellaneous expenses	330,741	47,849	232,407	1,461,887	100,726	2,173,610	2,882,516	274,426	5,330,552
Total operating expenses	21,607,829	2,657,728	5,176,063	25,751,429	6,533,251	61,726,300	9,233,778	1,928,453	72,888,531
Demolition costs included within disposal of land, buildings, and equipment on the consolidated statement of activities	-	-	-	-	794,032	794,032	-	-	794,032
TOTAL FUNCTIONAL EXPENSES	$ 21,607,829	$ 2,657,728	$ 5,176,063	$ 25,751,429	$ 7,327,283	$ 62,520,332	$ 9,233,778	$ 1,928,453	$ 73,682,563

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2021

	Program Services								
	Instructional - Divisional	**Other Instructional Programs**	**Academic Support**	**Student Services**	**Auxiliary Enterprises**	**Total**	**Institutional Support**	**Fundraising**	**Total Operating Expenses**
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

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (4,926,887)	$ 12,446,231
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	3,555,754	3,819,185
Loss on disposal of land, buildings, and equipment	196,170	-
Amortization expense	330,139	362,121
Bad debt expense	1,776,622	606,073
Loans receivable cancellations and adjustments - net	-	-
Unrealized gain on interest rate swap agreement	(1,230,870)	(227,280)
Net realized and unrealized (gains) losses on pooled endowment investments not used in endowment payout	3,780,423	(6,971,455)
Net realized and unrealized gains included in non-pooled endowment investments return	38,239	(359,828)
Contributions and change in value of charitable remainder and lead trusts	392,217	(135,427)
Contributions restricted for long-term investment	(595,200)	(591,848)
Contributions restricted for land, buildings, and equipment	(93,340)	(93,340)
(Increase) decrease in:		
Accounts receivable	(763,778)	(1,226,682)
Prepaid expenses and other assets - net of amortization	682,936	80,317
Grants receivable	30,602	(30,764)
Contributions receivable	(7,961)	18,908
Cash surrender value of life insurance	-	(9,387)
Increase (decrease) in:		
Accounts payable and other liabilities	(6,304,423)	821,940
Compensated absences accrual	(863,005)	871,278
Deferred revenue	(2,723,518)	175,103
Refundable - U.S. Government student loan funds	(34,854)	(58,102)
Net cash from operating activities	(6,760,734)	9,497,043
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(1,155,335)	(4,301,672)
Disposal of fixed assets	1,454,027	15,310
Proceeds from sales of long-term investments	3,269,700	1,142,423
Purchases of long-term investments	(3,027,641)	(1,257,235)
Endowment payout in excess of dividends and interest	1,269,175	(694,835)
Loans receivable:		
Principal repayments	54,026	40,696
Net cash from investing activities	1,863,952	(5,055,313)

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	$ 611,609	$ 611,609
Contributions restricted for land, buildings, and equipment	93,340	93,340
Proceeds from Lutheran Church Extension Fund Line of Credit	8,400,000	-
Payments on Lutheran Church Extension Fund Line of Credit	(6,750,000)	(700,000)
Payments on capital lease obligation	41,176	-
Proceeds from issuance of 2021 Sodexo Cafeteria Loan	-	2,595,000
Proceeds from issuance of 2018 Busey Bonds	-	-
Principal Payment on 2021 Sodexo Cafeteria Loan	(181,478)	(235,948)
Principal payments on 2013 Lutheran Church Extension Fund loan	(422,862)	(408,339)
Principal payments on 2018 Lutheran Church Extension Fund loan 6.75M	(265,304)	(256,512)
Principal payments on 2018 Lutheran Church Extension Fund loan 1.5M	(1,344,700)	(55,167)
Principal payments 2018 Busey Bank Loan	(383,717)	-
Principal payments 2018 Busey Bonds	(680,000)	(680,000)
Net change unamortized debt issuance expense	57,225	6,651
Net cash from financing activities	(824,711)	970,634
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,721,493)	5,412,364
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,727,073	314,709
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,580	$ 5,727,073
SUPPLEMENTAL DATA		
Interest paid	$ 1,053,323	$ 1,081,514
Purchase of fixed assets included in accounts payable	360,151	268,280
Pledge payments on contributions restricted for long-term investment	16,409	19,671

See accompanying notes to financial statements.

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, 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. 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 eight 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, as described in Note 21.

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

<u>Basis of Accounting</u>

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.

<u>Basis of Presentation</u>

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

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.

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, 2022 and 2021, the University's cash balances exceeded federally insured limits by $131,399 and $2,427,778, respectively. The University does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

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 third party collection agencies. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 the performance obligation is met.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tuition and Fees (Continued)

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 $20,482,579 and $20,581,728 at June 30, 2022 and 2021, 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 Judgments

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

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 $8,889,760 and $8,275,371 at July 1, 2021 and July 1, 2020, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Balances (Continued)

The opening balances for contract liabilities (deferred revenue) from contracts with customers at the beginning of the year were $8,314,768 and $8,139,665 at July 1, 2021 and July 1, 2020, 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 when an unconditional promise to give is made. 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. Promises to give 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 amounts. Accordingly, unconditional promises to give 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.

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, 2022 and 2021. The University had grants of approximately $0 and $1,341,000 that have not been recognized as of June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts, Grants, and Contracts Revenue (Continued)

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 promises to give, 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.

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. No amounts have been recorded in the consolidated financial statements, as they do not meet the criteria for recognition.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 or 2021:

- 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.
- 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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Standards

In February 2016, the Financial Accounting Standards Board (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. There was no material effect on the consolidated financial statements upon implementation of this new standard.

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:

	2022	2021
Cash and cash equivalents	$ 5,580	$ 5,727,073
Investments available for operations	1,163,918	1,266,489
Accounts receivable, net	7,878,886	8,889,760
Grants receivable	5,862	36,464
Contributions receivable, net	459,035	469,453
Subtotal	9,513,281	16,389,239
Less those unavailable for general expenditures within one year, due to:		
Donor restrictions	(3,152,637)	(3,071,434)
Financial assets available to meet the cash needs for general expenditures within one year	$ 6,360,644	$ 13,317,805

	2022	2021
Other financial assets available		
Investments designated for endowments	$ 9,042,693	$ 12,123,881
Investments restricted to endowments - debt repayment	2,964,827	2,817,510
Endowment payout	2,063,207	957,347
Available line of credit - LCEF Loan	7,350,000	9,000,000
TOTAL	$ 21,420,727	$ 24,898,738

Although the University does not intend to spend from the 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.

4. PREPAID EXPENSES AND OTHER ASSETS

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

	2022	2021
Unamortized costs		
Website development	$ 347,595	$ 419,511
Library books	119,933	119,986
Online course development	416,626	595,358
CampusWorks information technology assessment	15,818	21,750
Total unamortized costs	899,972	1,156,605
Prepaid expenses and other assets		
Admissions marketing costs	521,256	1,194,372
Other	1,067,375	1,124,785
Marketing fees deposit	1,000,000	1,000,000
Insurance loss fund	71,535	113,675
Inventories	348,181	329,624
Cash surrender value of life insurance	322,832	325,165
TOTAL	$ 4,231,151	$ 5,244,226

Unamortized costs as of June 30 are summarized as follows:

	2022	2021
BEGINNING OF THE YEAR UNAMORTIZED COSTS	$ 1,156,605	$ 1,347,862
Amortizable costs expended	73,506	170,864
Amortization	(330,139)	(362,121)
END OF THE YEAR UNAMORTIZED COSTS	$ 899,972	$ 1,156,605

Estimated future amortization cost is as follows:

Years Ending June 30,	
2023	$ 282,438
2024	231,044
2025	166,114
2026	111,282
2027	79,169
2028 and thereafter	29,925
TOTAL	$ 899,972

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are summarized as follows:

	2022	2021
Amounts due		
Within one year	$ 473,588	$ 494,328
One to five years	233,232	226,122
Thereafter	52,299	43,814
	759,119	764,264
Less		
Present value discount	(15,584)	(12,280)
Estimated uncollectible pledges	(284,500)	(282,531)
TOTAL	$ 459,035	$ 469,453

The discount rate was 1.0% for the years ended June 30, 2022 and 2021.

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

	2022	2021
Restricted for purpose or time	$ 447,446	$ 449,650
Held in perpetuity	11,589	19,803
TOTAL	$ 459,035	$ 469,453

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, 2022 and 2021, student loans represented 0.10% and 0.13% of total assets, respectively.

At June 30, student loans consisted of the following:

	2022	2021
Federal government programs	$ 365,094	$ 419,120
Less allowance for doubtful accounts		
Beginning of year	(266,627)	(266,627)
Adjustments	-	-
End of year	(266,627)	(266,627)
STUDENT LOANS RECEIVABLE, NET	$ 98,467	$ 152,493

6. CREDIT QUALITY OF RECEIVABLES (Continued)

Student Loans Receivable (Continued)

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, 2022 and 2021, 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.

At June 30, 2022, the following amounts were past due under student loan programs:

Less Than Two Years Past Due	Two Years up to Five Years Past Due	More Than Five Years Past Due	Total Past Due
$ -	$ 37,159	$ 238,035	$ 275,194

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

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

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 2051 as of June 30, 2022. 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, 2022 and 2021, the present value was estimated using an annualized growth rate of 5.50% and 5.70%, respectively, and a discount rate of 3.50% and 3.40%, respectively. The change in value of these split-interest agreements for the year ended June 30, 2022 and 2021 resulted in losses of $138,320 and gains of $170,748, respectively.

8. LAND, BUILDINGS, AND EQUIPMENT

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

	2022	2021
Land	$ 1,919,643	$ 2,269,643
Construction in progress	517,483	717,071
Buildings	71,884,932	92,833,105
Building - other improvements and athletic field	14,843,985	15,477,560
Equipment	16,753,258	20,667,515
Subtotal	105,919,301	131,964,894
Less accumulated depreciation	(47,921,257)	(70,276,385)
TOTAL	$ 57,998,044	$ 61,688,509

Not included in construction in progress is $455,350 and $440,130 of outstanding commitments on construction contracts as of June 30, 2022 and 2021, respectively.

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

	2022	2021
Net assets with donor restrictions subject to purpose or time	$ 135,126	$ 84,422
Other	1,380,360	4,485,530
TOTAL	$ 1,515,486	$ 4,569,952

On March 30, 2022, the University sold two residential properties (7221-27 Thomas Street and 1131-33 Bonnie Brae in River Forest) adjacent to the campus. The land and buildings had a combined book value of $1,353,700 and were sold for $1,657,538. The proceeds were used to pay off the 2018 LCEF Loan $1.5 Million loan as described in Note 10, which had financed the original purchase.

In March 2022, the University began demolition of Gross Hall, a dormitory. As of June 30, 2022, the University incurred costs of $794,032 on the demolition project, with a remaining commitment of $595,805 to complete the project (not included above in outstanding commitments on construction projects).

In March 2022, the University also began significant repairs to two sections of utility tunnels, with a projected cost of $450,000 (included above in construction in progress and outstanding commitments on construction projects).

To fund both the demolition and the tunnel repairs, during the year ended June 30, 2022, the Board of Regents authorized a special endowment payout of up to $1,800,000.

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.

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, 2022 and 2021 to be $150,879 and $290,000, 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:

	2022	2021
2013 LCEF Loan	$ 9,287,564	$ 9,710,426
2018 LCEF Loan $1.5 million	-	1,344,700
2018 LCEF Loan $6.75 million	5,760,057	6,025,361
2018 Busey Bank Loan	12,416,283	12,800,000
2020 Sodexo Cafeteria	2,177,573	2,359,052
Available line of credit - LCEF Loan	1,650,000	-
Total loans payable	31,291,477	32,239,539
Unamortized costs - beginning of year	(171,856)	(164,276)
Amortizable costs expended	-	(46,885)
Amortization	44,291	39,305
Unamortized costs - end of year	(127,565)	(171,856)
TOTAL DEBT NET OF AMORTIZABLE DEBT COSTS	$ 31,163,912	$ 32,067,683

10. LOANS AND BONDS PAYABLE (Continued)

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 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, 2022 and 2021 was $331,891 and $346,457, respectively.

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, 2022, 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 2.469% and 1.436% at June 30, 2022 and 2021, 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, 2022 and 2021 was $208,541 and $193,504, 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

10. LOANS AND BONDS PAYABLE (Continued)

2018 Busey Bank Loan (Continued)

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.

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 two residential properties at 7221-27 Thomas Street and 1131-33 Bonnie Brae in River Forest and is subject to an intercreditor agreement with Busey Bank. Interest expense on this loan reported in the consolidated statements of activities for the year ended June 30, 2022 and 2021 was $36,985 and $51,381, respectively.

On March 30, 2022, the properties at 7221-27 Thomas Street and 1131-33 Bonnie Brae in River Forest were sold, and the remaining principal on this loan was paid off using the proceeds from the sale.

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 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, 2022 and 2021, was $198,531 and $207,348, respectively.

2020 Sodexo Cafeteria Loan 2.6 Million

On October 1, 2020, Sodexo America, LLC (the University's food service provider) provided two advances totaling $2,595,000 to the University for the purpose of renovating the Dining Hall. The first advance, in the amount of $126,000, required an initial 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 $160. The second advance, 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 $14,964. No interest expense accrues on these advances, and the amount of imputed interest is immaterial.

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 years ended June 30, 2022 and 2021. The available line of credit matures on November 13, 2023. The floating interest rate paid on funds advanced to the University was 3.625% and 4.000% on June 30, 2022 and 2021, respectively. Interest expense on the line of credit reported in the consolidated statements of activities for the year ended June 30, 2022 and 2021 was $36,922 and $32,991, respectively.

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

	2022	2021
2013 IFA Bonds	$ 11,050,000	$ 11,730,000
Unamortized costs - beginning of year	(24,904)	(39,135)
Amortization	12,935	14,231
Unamortized costs - end of year	(11,969)	(24,904)
Total debt net of amortizable debt costs	$ 11,038,031	$ 11,705,096

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 1.290% to 2.487% during the year ended June 30, 2022 and ranged from 1.296% to 1.351% during the year ended June 30, 2021. Interest expense on the bonds reported in the consolidated statements of activities for the years ended June 30, 2022 and 2021 was $163,702 and $161,463, respectively.

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, 2022, 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:

Years Ending June 30,	Loans Payable	Bonds Payable	Total
2023	$ 3,055,401	$ 680,000	$ 3,735,401
2024	1,380,478	680,000	2,060,478
2025	1,402,289	680,000	2,082,289
2026	1,429,686	680,000	2,109,686
2027	1,458,155	680,000	2,138,155
2028 and thereafter	22,565,468	7,650,000	30,215,468
TOTAL	$ 31,291,477	$ 11,050,000	$ 42,341,477

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 $78,548 and $84,995 for the years ended June 30, 2022 and 2021, respectively.

12. NET ASSETS

Net assets are summarized by fund, at June 30, 2022, as follows:

	Without Donor Restrictions	With Donor Restrictions: Restricted by Purpose or Time	With Donor Restrictions: To be Held in Perpetuity	With Donor Restrictions: Total	Grand Total
Operating funds	$ (2,389,543)	$ 2,871,217	$ -	$ 2,871,217	$ 481,674
Endowment and similar funds (Note 14)	9,042,693	3,729,161	12,632,416	16,361,577	25,404,270
Net investment in plant	17,306,569	-	-	-	17,306,569
Funds held in trust	(1,562)	308,885	1,103,778	1,412,663	1,411,101
Charitable remainder and lead trust	-	383,228	603,441	986,669	986,669
Other	-	-	279,858	279,858	279,858
Total net assets	$ 23,958,157	$ 7,292,491	$ 14,619,493	$ 21,911,984	$ 45,870,141

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

	Without Donor Restrictions	With Donor Restrictions: Restricted by Purpose or Time	With Donor Restrictions: To be Held in Perpetuity	With Donor Restrictions: Total	Grand Total
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

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following specific purposes at June 30, 2022:

	Restricted by Purpose or Time	To be Held in Perpetuity	Total
Purpose restrictions			
Academic programs			
Instruction/divisional	$ 872,898	$ 602,691	$ 1,475,589
Other instructional programs	151,456	258,304	409,760
Student services	903,479	49,973	953,452
Institutional support	239,866	130,611	370,477
Fundraising	7,303	-	7,303
Auxiliary enterprises	73,772	273,236	347,008
Student aid	1,271,341	12,524,916	13,796,257
Student loans	-	15,874	15,874
Debt repayment	2,964,827	-	2,964,827
Future capital expenditures	14,085	-	14,085
General operational purposes	-	763,888	763,888
Time restrictions	793,464	-	793,464
TOTAL	$ 7,292,491	$ 14,619,493	$ 21,911,984

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

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:

	2022	2021
Academic programs		
Instruction/divisional	$ 75,687	$ 46,216
Other instructional programs	41,252	47,252
Student services	377,003	446,111
Institutional support	25,830	1,013
Student aid	2,445,055	2,276,918
TOTAL	$ 2,964,827	$ 2,817,510

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 $1,749,412, a current fair value of $1,664,718 and a deficiency of $84,694 as of June 30, 2022. 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.

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 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. The current nominal spending rate approved by the Board is 4.0%. As described in Note 8, during the year ended June 30, 2022, an additional special endowment payout was authorized and is included within non-operating activities in the statements of activities.

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 periodically 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, 2022:

		With Donor Restrictions			
	Without Donor Restrictions	Restricted by Purpose or Time	To be Held in Perpetuity	Total	Grand Total
Donor-restricted endowment funds	$ -	$ 3,729,161	$ 12,632,416	$ 16,361,577	$ 16,361,577
Board-designated endowment funds	9,042,693	-	-	-	9,042,693
Total funds	$ 9,042,693	$ 3,729,161	$ 12,632,416	$ 16,361,577	$ 25,404,270

14. ENDOWMENT (Continued)

During the year ended June 30, 2022, the University had the following endowment related activities:

		With Donor Restrictions			
	Without Donor Restrictions	Restricted by Purpose or Time	To be Held in Perpetuity	Total	Grand Total
Endowment net assets beginning of year	$ 12,123,880	$ 5,962,568	$ 12,494,186	$ 18,456,754	$ 30,580,634
Investment return					
Investment income	310,848	438,053	-	438,053	748,901
Net appreciation (realized/unrealized)	(1,909,424)	(2,704,383)	-	(2,704,383)	(4,613,807)
Total return	(1,598,576)	(2,266,330)	-	(2,266,330)	(3,864,906)
Contributions	-	599,469	138,095	737,564	737,564
Transfers to endowment funds	-	14,050	135	14,185	14,185
Appropriations of endowment assets for expenditures	(1,482,611)	(580,596)	-	(580,596)	(2,063,207)
Total funds	$ 9,042,693	$ 3,729,161	$ 12,632,416	$ 16,361,577	$ 25,404,270

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

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

14. ENDOWMENT (Continued)

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

		With Donor Restrictions			
	Without Donor Restrictions	Restricted by Purpose or Time	To be Held in Perpetuity	Total	Grand 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 depreciation (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

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	2022	2021
Academic programs		
Instructional/divisional	$ 140,878	$ 166,704
Other instructional programs	82,854	7,505
Student services	123,613	37,484
Institutional support	17,990	26,446
Fundraising	8,815	13,289
Auxiliary services	-	-
Student aid	1,523,503	1,912,287
Net investment in plant	135,801	99,922
TOTAL	$ 2,033,454	$ 2,263,637

16. FAIR VALUE MEASUREMENTS

The following table summarizes assets by fair value input levels as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
ASSETS				
Interest rate swap agreement	$ -	$ 1,458,150	$ -	$ 1,458,150
Charitable remainder and lead trusts	-	-	986,669	986,669
Funds held in trust	-	-	1,411,101	1,411,101
Investments				
Mutual funds				
Equities	17,431,905	-	-	17,431,905
Fixed income	6,153,407	-	-	6,153,407
Real estate	2,396,121	-	-	2,396,121
Equity securities	11,293	-	-	11,293
Notes, bonds, and debt securities	-	7,131	-	7,131
Total	25,992,726	1,465,281	-	25,999,875
Cash and cash equivalents*				568,332
Total investments				26,568,189
TOTAL ASSETS				$ 30,424,109

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

	Level 1	Level 2	Level 3	Total
ASSETS				
Interest rate swap agreement	$ -	$ 227,280	$ -	$ 227,280
Charitable remainder and lead trusts	-	-	1,378,886	1,378,886
Funds held in trust	-	-	1,462,062	1,462,062
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
Total	30,749,973	6,050	-	30,756,023
Cash and cash equivalents*				1,091,101
Total investments				31,847,124
TOTAL ASSETS				$ 34,915,352

* Reported at cost.

16. FAIR VALUE MEASUREMENTS (Continued)

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

	2022	2021
Investments available for operations	$ 1,163,919	$ 1,266,489
Investments designated for endowment	9,042,693	12,123,881
Investments restricted to endowment	16,361,577	18,456,754
TOTAL	$ 26,568,189	$ 31,847,124

A rollforward of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2022 is as follows:

	Charitable Lead and Remainder Trusts	Funds Held in Trust	Total
FAIR VALUE, JULY 1, 2021	$ 1,378,886	$ 1,462,062	$ 2,840,948
Net change in value	(138,320)	4,225	(134,095)
Trust assets distributed	(253,897)	(55,186)	(309,083)
FAIR VALUE, JUNE 30, 2022	$ 986,669	$ 1,411,101	$ 2,397,770

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	(35,486)	(47,281)	(82,767)
FAIR VALUE, JUNE 30, 2021	$ 1,378,886	$ 1,462,062	$ 2,840,948

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 contributed 8.20% of the salaries of covered employees during the year ended June 30, 2022. 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. The University contributes a range from 1.35% to 1.45% of covered employees' salaries for disability and survivor programs. Retirement and survivor program expenses for the years ended June 30, 2022 and 2021 totaled $1,787,286 and $2,235,111, 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 $1,053,323 and $1,081,514 for the years ended June 30, 2022 and 2021, respectively. A reconciliation of the University's total interest paid to interest expense included in the consolidated statements of activities is as follows:

	2022	2021
Total interest expense	$ 1,048,118	$ 1,078,138
Interest expense capitalized	7,001	7,771
Interest expense (accrued) deferred	(1,796)	(4,395)
TOTAL INTEREST PAID	$ 1,053,323	$ 1,081,514

21. RELATED PARTIES

During the years ended June 30, 2022 and 2021, the University received contributions of $327,132 and $752,474, respectively, from members of Concordia University Chicago's Board of Regents and $37,001 and $44,937, respectively, from members of the Foundation's Board of Directors.

During the years ended June 30, 2022 and 2021, the University paid CAIS/CUS $141,404 and $131,090, 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. CAIS officially ended operations on November 30, 2020, after which point CUS managed existing software contracts through the end of their terms and invoiced member schools for their share of these contracts as well as a share of CAIS closure expenses, with the final such invoice issued on March 14, 2022.

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 12, 2022 which is the date the consolidated financial statements were available to be issued.