

Audited Consolidated Financial Statements  
**CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an**  
**Educational Institution of The Lutheran Church–Missouri Synod**

For the Years Ended June 30, 2004 and 2003

CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an  
EDUCATIONAL INSTITUTION of THE LUTHERAN CHURCH-MISSOURI SYNOD

JUNE 30, 2004 AND 2003

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## REPORT OF INDEPENDENT AUDITORS

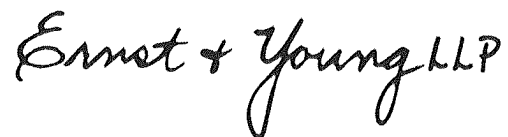
Board of Regents  
Concordia University  
River Forest, Illinois

We have audited the accompanying consolidated statements of financial position of Concordia University, an educational institution of The Lutheran Church–Missouri Synod, and affiliate as of June 30, 2004 and 2003, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Concordia University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Concordia University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Concordia University and affiliate at June 30, 2004 and 2003, and the consolidated changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, in fiscal year 2004 Concordia University changed its method of accounting for gifts and grants restricted for buildings and equipment.



October 15, 2004

CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an  
EDUCATIONAL INSTITUTION of THE LUTHERAN CHURCH—MISSOURI SYNOD  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Assets:		
Cash and Cash Equivalents	\$ 590,117	\$ 163,731
Accounts Receivable - Net of Allowance for Doubtful Accounts of \$2,448,305 in 2004 and \$1,844,111 in 2003	1,138,210	2,709,516
Prepaid Expenses and Other Assets	2,543,541	2,133,571
Contributions and Grants Receivable - Net of Allowance for Estimated Uncollectible Receivables of \$290,736 in 2004 and \$415,858 in 2003	2,318,669	2,636,111
Loans Receivable	940,467	907,752
Long-Term Investments	6,013,632	6,206,084
Land, Buildings, and Equipment - Net	<u>55,658,635</u>	<u>59,983,152</u>
Total Assets	<u>\$ 69,203,271</u>	<u>\$ 74,739,917</u>
Liabilities:		
Accounts and Interest Payable	\$ 2,791,105	\$ 8,024,734
Deferred Revenue and Other Liabilities	1,099,638	1,414,387
Refundable Government Student Loan Funds	989,362	948,860
Loans Payable:		
Lutheran Church-Missouri Synod and Related Entities	1,153,851	16,524,996
Bank Loan	12,000,000	
Other		817,010
Bonds Payable	<u>25,525,000</u>	<u>26,110,000</u>
Total Liabilities	<u>43,558,956</u>	<u>53,839,987</u>
Net Assets:		
Unrestricted Surplus (Deficit)	(3,200,393)	8,512,574
Temporarily Restricted	20,208,019	1,618,489
Permanently Restricted	<u>8,636,689</u>	<u>10,768,867</u>
Total Net Assets	<u>25,644,315</u>	<u>20,899,930</u>
Total Liabilities and Net Assets	<u>\$ 69,203,271</u>	<u>\$ 74,739,917</u>

The accompanying notes are an integral part of these consolidated financial statements.

CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an  
EDUCATIONAL INSTITUTION OF THE LUTHERAN CHURCH—MISSOURI SYNOD  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004			2003		
	UNRESTRICTED Foundation	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	UNRESTRICTED Foundation	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED
<b>Operating Revenues:</b>						
Tuition and Fees	\$ 22,518,326	\$ 22,518,326	\$ 22,518,326	\$ 21,503,298	\$ 21,503,298	\$ 21,503,298
Less Scholarship and Fellowships	(6,710,568)	(6,710,568)	(6,710,568)	(7,712,761)	(7,712,761)	(7,712,761)
Net Tuition and Fees	15,807,758	15,807,758	15,807,758	13,790,537	13,790,537	13,790,537
Government Grants and Contracts	10,000	10,000	285,344	178,876	\$ 520,622	699,498
Private Gifts, Grants, and Contracts	2,994,320	2,994,320	4,608,095	1,030,622	1,057,648	2,088,270
Endowment Payout	788,443	788,443	1,941,127	115,422	70,378	185,800
Return on Non-Endowment Investments	3,572	3,572	3,572	10,047	10,047	10,047
Auxiliary Services	4,542,164	4,542,164	4,542,164	4,536,718	4,536,718	4,536,718
Other	450,081	450,081	450,081	681,087	681,087	681,087
Net Assets Released from Restrictions	3,071,920	3,071,920	—	1,580,227	(1,581,307)	661,067
<b>Total</b>	<b>27,648,258</b>	<b>27,648,258</b>	<b>27,638,141</b>	<b>21,923,536</b>	<b>21,924,616</b>	<b>21,991,957</b>
<b>Operating Expenses:</b>						
Academic Programs:						
Instruction-Divisional	6,621,244	6,621,244	6,621,244	7,642,822	7,642,822	7,642,822
Other Instructional Programs	1,650,376	1,650,376	1,650,376	1,672,565	1,672,565	1,672,565
Academic Support	2,581,237	2,581,237	2,581,237	2,901,727	2,901,727	2,901,727
Student Services	2,499,033	2,499,033	2,499,033	2,641,351	2,641,351	2,641,351
Institutional Support	6,283,654	6,283,654	6,283,654	7,850,190	7,850,190	7,850,190
Fund-Raising	1,049,559	1,049,559	1,049,559	1,430,078	1,430,078	1,430,078
Auxiliary Enterprises	6,498,034	6,498,034	6,498,034	7,287,257	7,287,257	7,287,257
<b>Total</b>	<b>27,183,137</b>	<b>27,183,137</b>	<b>27,183,137</b>	<b>31,425,990</b>	<b>31,425,990</b>	<b>31,425,990</b>
<b>Operating Revenues Over (Under) Expenses</b>	<b>465,121</b>	<b>465,121</b>	<b>455,004</b>	<b>1,080</b>	<b>(9,501,374)</b>	<b>(9,434,033)</b>
<b>Non-Operating Revenues:</b>						
Private Gifts	4,814,078	4,814,078	665,306	(520,602)	1,000	\$ 1,749,785
Net Gain (Loss) on Disposals of Fixed Assets	(661,691)	(671,921)	(1,210,003)	(128,923)	38,382	(295,465)
Endowment Investment Return in Excess of (Less Than) Endowment Payout	1,129,988	1,430,848	—	39,382	(39,468)	—
Net Assets Released from Restrictions:	(518,679)	(508,978)	(2,816,484)	86	—	—
Other	5,228,817	5,529,148	4,744,385	(10,112,597)	67,255	1,749,785
<b>Net Assets Increase (Decrease) Before Cumulative Effect of Change in Accounting Principle</b>	<b>(17,242,115)</b>	<b>(17,242,115)</b>	<b>—</b>	<b>(207,778)</b>	<b>67,255</b>	<b>1,749,785</b>
<b>Cumulative Effect of Change in Accounting Principle</b>						
<b>NET ASSETS INCREASE (DECREASE)</b>	<b>(12,013,298)</b>	<b>(11,712,967)</b>	<b>4,744,385</b>	<b>(207,778)</b>	<b>67,255</b>	<b>1,749,785</b>
NET ASSETS - Beginning of Year	6,547,065	8,512,574	20,899,930	16,659,662	18,832,949	9,019,082
<b>NET ASSETS - End of Year</b>	<b>\$ (5,466,233)</b>	<b>\$ (3,200,393)</b>	<b>\$ 25,644,315</b>	<b>\$ 2,265,840</b>	<b>\$ 8,512,574</b>	<b>\$ 10,768,867</b>

The accompanying notes are an integral part of these consolidated financial statements.

CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an  
EDUCATIONAL INSTITUTION of THE LUTHERAN CHURCH-MISSOURI SYNOD  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>Cash Flows from Operating Activities:</b>		
Net Assets Increase (Decrease)	\$ 4,744,385	\$ (8,503,335)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operating Activities:		
Depreciation Expense	2,955,588	3,000,017
Loans Receivable Cancellations and Adjustments	(5,861)	23,683
Net (Gains) Losses on Property Disposals	(4,814,078)	520,602
Net Realized and Unrealized Losses on Long-Term Investments Not Used in Endowment Payout	1,210,003	299,485
Contributions Restricted for Long-Term Investment	(685,306)	(1,750,785)
(Increase) Decrease in:		
Accounts Receivable	1,571,306	(876,732)
Prepaid Expenses and Other Assets	(409,970)	433,204
Contributions and Grants Receivable	317,442	652,643
Increase (Decrease) in:		
Accounts and Interest Payable	(5,233,629)	2,799,394
Deferred Revenue and Other Liabilities	(314,749)	859,478
Refundable Advances - Government Student Loan Funds	40,502	43,309
Net Cash Used by Operating Activities	<u>(624,367)</u>	<u>(2,499,037)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Sale of Fixed Assets	6,436,421	
Purchases of Fixed Assets	(253,414)	(2,168,903)
Proceeds from Sales of Long-Term Investments	3,046,739	4,762,702
Purchases of Long-Term Investments	(1,088,016)	(1,875,603)
Net Change in Endowment Investments Cash Equivalents	(1,080,552)	567,480
Endowment Payout in Excess of Dividends and Interest	(1,895,722)	(107,139)
Loans Receivable:		
Principal Repayments	113,146	116,749
Advances	(140,000)	(127,912)
Net Cash Provided by Investing Activities	<u>5,138,602</u>	<u>1,167,374</u>
<b>Cash Flows from Financing Activities:</b>		
Contributions Restricted or Designated for Endowment Investment	685,306	1,750,785
Decrease in Retainage Payable		(826,428)
Loans:		
Advances	14,483,207	916,189
Principal Repayments	(18,671,362)	(260,152)
Bonds - Principal Repayments	(585,000)	(85,000)
Net Cash (Used) Provided by Financing Activities	<u>(4,087,849)</u>	<u>1,495,394</u>
Net Increase in Cash and Cash Equivalents	426,386	163,731
Cash and Cash Equivalents - Beginning of Year	163,731	
Cash and Cash Equivalents - End of Year	<u>\$ 590,117</u>	<u>\$ 163,731</u>
Supplemental Data:		
Noncash Investing and Financing Activities - Interest Paid	<u>\$ 1,678,675</u>	<u>\$ 845,885</u>

The accompanying notes are an integral part of these consolidated financial statements.

CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an  
EDUCATIONAL INSTITUTION of THE LUTHERAN CHURCH—MISSOURI SYNOD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

**1. NATURE OF ORGANIZATION**

Concordia University (the "University"), an Illinois not-for-profit corporation, is a private, liberal arts educational institution operated under the auspices of The Lutheran Church—Missouri Synod (the "Synod"). The University's Board of Regents, responsible for the management of the University, consists of 13 members (5 of whom are elected by the Synod). The University is operated under broad operating and financial policies established by the Synod through its Board for Higher Education (the "BHE")/Concordia University System ("CUS"). In September 2004, the Synod replaced the BHE with the Board for University Education (the "BUE").

Revenues are derived principally from the University's educational programs in the form of tuition and fees and related forms of revenue. Additional revenues come from contributions, as well as income derived from investments.

The majority of students rely at least in part on funds received from 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. As an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the United States Department of Education.

Auxiliary enterprises revenue includes income from student housing, employee housing, food service, computer services, bookstore, transportation, convention and conferences, athletics, and music performances. Accordingly, the auxiliary enterprise expenses include all costs incurred in providing these services. During the year ended June 30, 2004, auxiliary enterprises revenues include \$155,352 of rental income received from the Synod for use of its facilities. The University was also directly reimbursed \$1,186,677 for payroll and other expenses incurred associated with providing this service.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying consolidated financial statements include the accounts of the University and Concordia University Foundation, Inc. (the "Foundation"). These statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States ("GAAP"). All significant intercompany balances and transactions have been eliminated in consolidation. Substantially all of the assets shown in the consolidated financial statements except land, buildings, and equipment approximate fair value. Financial liabilities are recorded at cost, which approximates fair value.

**Basis of Presentation**

The University follows the reporting requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the University reports information regarding its consolidated financial position and consolidated activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

- Unrestricted net assets include all net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled or removed by actions of the University pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.
- Permanently restricted net assets are limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the University. Income derived by these assets is either unrestricted or is used to support the specified activity.

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 financial statements, funds that have similar characteristics are combined.

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

- Operating Funds – All temporarily restricted and unrestricted net assets are classified as operating net assets except as designated below.
- Endowment and Similar Funds – Certain unrestricted net assets have been pooled with available permanently restricted net assets for the purpose of investing the total of such assets as a single endowment fund.
- Net Investment in Plant – Unrestricted and temporarily restricted net assets that have been utilized for the investment in property, plant, and equipment, net of accumulated depreciation.
- Funds Held in Trust – Certain net assets are held by a third-party trustee and are not in the control of the University.
- Annuity and Life Income Funds – Certain permanently restricted net assets are held by third parties in the form of annuity and life income funds.

Net assets as of June 30, 2004 and 2003, are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2004</u>				
Operating Funds	\$ (9,079,899)	\$ 3,448,703		\$ (5,631,196)
Endowment and Similar Funds: (Note 15)				
Foundation	2,265,840		\$ 4,669,185	6,935,025
University	2,239,347		2,629,568	4,868,915
Net Investment in Plant	1,374,319	16,759,316		18,133,635
Funds Held in Trust			938,157	938,157
Annuity and Life Income Funds			19,587	19,587
Other			380,192	380,192
	<u>\$ (3,200,393)</u>	<u>\$ 20,208,019</u>	<u>\$ 8,636,689</u>	<u>\$ 25,644,315</u>
<u>2003</u>				
Operating Funds	\$ (12,906,556)	\$ 1,590,385		\$ (11,316,171)
Endowment and Similar Funds: (Note 15)				
Foundation	1,965,509	28,104	\$ 4,448,694	6,442,307
University	635,724		5,027,993	5,663,717
Net Investment in Plant	18,817,897			18,817,897
Funds Held in Trust			825,484	825,484
Annuity and Life Income Funds			18,538	18,538
Other			448,158	448,158
	<u>\$ 8,512,574</u>	<u>\$ 1,618,489</u>	<u>\$ 10,768,867</u>	<u>\$ 20,899,930</u>

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

- Permanently restricted contributions.
- Contributions to the Foundation that are added to the endowment net assets of the University.
- All return on endowment investments in excess of (less than) the endowment payout used to support operations.
- Gains or losses from the sale or disposition of fixed assets.
- Endowment and similar funds net assets meeting the requirements for the release of net assets that are retained as endowment funds.

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The consolidated financial statements of the University include the financial statements of the Foundation in accordance with the American Institute of Certified Public Accountants' Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, which requires consolidation when the entity controls and has an economic interest in the consolidated organization. The Foundation is a separate Illinois not-for-profit corporation formed to promote the University through solicitation of funds to encourage various activities of the University, to administer the endowment assets of the University, and to administer gifts and bequests given to it by donors for purposes of supporting the educational and religious objectives of the University. The Foundation is administered by a Board of Directors elected by its corporate member, the University. The Foundation receives all support services from the University without charge.

**Cash and Cash Equivalents**

Cash and cash equivalents include currency, demand deposits, and liquid investments with a maturity, at time of purchase, of three months or less. Cash and cash equivalents do not include investments the University has both the ability and intent to hold long-term. At times throughout the year, the cash and cash equivalent balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

**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.

**Inventories**

Inventories are stated at cost (first-in, first-out method).

**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. Title to land and buildings is in the name of the University, with reversionary clauses to the Synod on the main campus property as well as on certain other residential properties. These reversionary clauses are subordinate to the collateralization interests associated with bonds and loans payable described in Notes 8 and 9.

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

Parking Garage, Athletic Facilities	60 years
Other Buildings	39 to 50 years
Athletic Field	25 years
Building and Other Improvements	10 to 50 years
Equipment	5 to 30 years

**Long-Term Investments**

Investments are carried at fair value based on quoted market prices, with all returns on investments (including realized and unrealized gains and losses) reflected in the consolidated statements of activities. Endowment assets are managed by the Foundation and are pooled to the extent allowable for investment purposes. Endowment return on investments is allocated to the University and Foundation on the basis of the composition of net assets at the beginning of each quarter.

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

The Board of Regents has interpreted state law as requiring the original value of an endowment gift to be maintained as the permanent endowment corpus. All endowment returns, including any unrealized appreciation on endowment investments, may be expended for the same purpose as the endowment was established, unless explicit donor restrictions specify other treatment.

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**Deferred Revenue**

Deferred revenue represents tuition and fees billed to students who have registered for summer school as of June 30, 2004 and 2003. Accordingly, this deferred revenue will be recognized as tuition and fee revenue in the subsequent fiscal year when it is earned.

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. The University's accounting policy is that multi-year pledges imply a time restriction. Accordingly, multi-year pledges are accounted for as temporarily restricted net assets until both the implied time restriction is met and the purpose restriction, if any, has been fulfilled.

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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 that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted at an appropriate interest rate. Conditional promises to give are not included as support until the conditions are substantially met.

In addition, 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, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Federal Student Aid Funds**

During 2004 and 2003, the University disbursed \$713,857 and \$716,839, respectively, to students under the Federal Pell Grant Program. This activity is not included in the accompanying consolidated financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP 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.

**Change in Accounting Principle**

Effective July 1, 2003, gifts and grants, including unconditional pledges, restricted for buildings and equipment are recognized as increases in temporarily restricted net assets and released to unrestricted net assets over the useful lives of the underlying assets acquired or constructed. Prior to fiscal year 2004, gifts and grants restricted for buildings and equipment were recognized as increases in temporarily restricted net assets and released to unrestricted net assets in the fiscal year the underlying asset was placed in service. The change in method of recognition was adopted to more closely match restricted resources used to acquire or construct buildings and equipment with the depreciation of those assets.

The cumulative effect of this change in accounting principle at July 1, 2003, was a \$17,242,115 reclassification between unrestricted and temporarily restricted net assets. The effect of adopting the new accounting principle on fiscal year 2004 was to increase "net assets released from restrictions" by \$482,799. Had the change in accounting principle been made effective July 1, 2002, the proforma effect for fiscal year 2003 would be a \$16,064 decrease in "net assets released from restrictions." The change in accounting principle has no impact on total net assets or "net assets increase (decrease)."

**Prior Year Reclassifications**

Certain reclassifications have been made in the 2003 consolidated financial statements to conform with the presentation for 2004.

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**3. PREPAID EXPENSES AND OTHER ASSETS**

Prepaid expenses and other assets as of June 30, 2004 and 2003, are summarized as follows:

	2004	2003
Prepaid Expenses and Other Assets	\$ 946,719	\$ 632,417
Funds on Deposit with Bond Trustee (Note 9)	257,500	250,000
Funds Held by Third-Party Trustee	842,509	738,223
Cash Surrender Value of Life Insurance	199,246	178,432
Unamortized Bond Issuance Costs (Note 9)	297,567	334,499
	\$ 2,543,541	\$ 2,133,571

**Funds Held by Third-Party Trustee**

Funds held by third-party trustee consist of irrevocable trusts from which the University is to receive the income in perpetuity. The principal is held in trust by the Lutheran Church-Missouri Synod Foundation (the "LCMS Foundation") and will never revert to the University. The perpetual stream of income is viewed by the University as promises to give by the individuals who established the trusts and has been recorded at the fair value of the trusts at June 30, 2004 and 2003, which closely approximates the net present value of the perpetual income stream.

Given the nature of the promises, the University recorded these contributions as permanently restricted net assets. Income received is recorded as either unrestricted or temporarily restricted activity based on the presence or absence of donor restrictions. Increases or decreases in the fair value of the trust assets are recorded on the consolidated statements of activities as changes in permanently restricted net assets.

**Cash Surrender Value of Life Insurance**

At June 30, 2004 and 2003, the University is designated as the owner and beneficiary of flexible premium adjustable life insurance policies received as donations. Premium payments are required to be made by the donor to continue coverage to the maturity dates.

**4. CONTRIBUTIONS AND GRANTS RECEIVABLE**

At June 30, 2004 and 2003, contributors have unconditionally promised to give the University \$3,250,653 and \$3,703,671, respectively. These amounts include federal and state grants receivable of \$230,344 and \$369,253 at June 30, 2004 and 2003, respectively. In addition, \$411,829 and \$654,796, respectively, of these amounts are held by the LCMS Foundation as irrevocable deferred gifts of which the University is the beneficiary and will receive the principal at some future date.

The present value of contributions and grants receivable at June 30, 2004 and 2003, is summarized as follows:

	2004			2003
	Temporarily Restricted	Permanently Restricted	Total	Total
Amounts Due:				
Within One Year	\$ 1,009,526	\$ 269,735	\$ 1,279,261	\$ 1,028,419
One to Five Years	1,143,101	50,027	1,193,128	2,028,496
Over Five Years	631,940	146,324	778,264	646,756
	2,784,567	466,086	3,250,653	3,703,671
Less:				
Present Value Discount	(571,125)	(70,123)	(641,248)	(651,702)
Estimated Uncollectible Pledges	(258,810)	(31,926)	(290,736)	(415,858)
Net	\$ 1,954,632	\$ 364,037	\$ 2,318,669	\$ 2,636,111

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5. LOANS RECEIVABLE

Loans receivable 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. The amount to be forgiven or assigned is based on the occurrence of certain future events which cannot be anticipated, and therefore, no allowance for uncollectible loans has been provided.

6. LONG-TERM INVESTMENTS

Long-term investments at June 30, 2004 and 2003, are summarized as follows:

	2004			2003
	Endowment	Other	Total	
Common Stock	\$ 3,951,041		\$ 3,951,041	\$ 3,733,503
Notes, Bonds, and Debt Securities	342,450	\$ 166,770	509,220	1,994,768
Cash and Cash Equivalents	1,350,474	202,897	1,553,371	477,813
<b>Total</b>	<b>\$ 5,643,965</b>	<b>\$ 369,667</b>	<b>\$ 6,013,632</b>	<b>\$ 6,206,084</b>

\$4,392,647 and \$5,384,331 of the fair value of the endowment investments as of June 30, 2004 and 2003, respectively, are pooled for investment purposes. The investment returns on these pooled investments, gross of investment fees, were 17.46% and 4.87% for the years ended June 30, 2004 and 2003, respectively. The investment return is computed as the annualized sum of the discounted cash flows for the investment portfolio.

The endowment payout is calculated as 5% of the average market value of investments, cash, and cash equivalents over the 12-quarter period through the end of the prior fiscal year. For purposes of this calculation, a loan from the Foundation to the University, bearing interest at the rate of 6.75% per annum, is considered an investment, but the endowment payout is reduced by the interest expense paid by the University to the Foundation on this loan (\$378,543 and \$268,817 during the years ended June 30, 2004 and 2003, respectively). The loan balance was \$5,681,747 as of June 30, 2004 and 2003. Management expects to pay off this loan according to the following minimum payment schedule:

Year Ending:	
June 30, 2005	\$ 300,000
June 30, 2006	1,000,000
June 30, 2007	1,250,000
June 30, 2008	1,500,000
June 30, 2009	1,631,747

This payout policy resulted in endowment payouts of \$91,127 and \$185,800 during the years ended June 2004 and 2003, respectively. Additionally, during FY2004, the Foundation Board authorized an additional \$1,850,000 endowment payout requested by the University to meet the terms of a matching grant from the Synod to the University.

The loan by the Foundation to the University caused the aggregate amount of permanently restricted net assets to exceed related long-term investments by \$1,285,121 and \$3,270,603 as of June 30, 2004 and 2003, respectively. Management expects to eliminate this deficiency through loan repayments as discussed above and through future investment returns.

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**7. LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment as of June 30, 2004 and 2003, are summarized as follows:

	<u>2004</u>	<u>2003</u>
Land	\$ 2,081,709	\$ 2,459,367
Construction in Progress	40,000	2,824
Buildings	54,571,739	56,241,225
Building and Other Improvements	12,032,602	11,943,867
Equipment	<u>17,712,728</u>	<u>17,628,139</u>
	86,438,778	88,275,422
Less Accumulated Depreciation	<u>(30,780,143)</u>	<u>(28,292,270)</u>
Total	<u>\$ 55,658,635</u>	<u>\$ 59,983,152</u>

**8. LOANS PAYABLE**

Loans payable as of June 30, 2004 and 2003, are summarized as follows:

	<u>2004</u>	<u>2003</u>
Loans Payable to Synod and Related Entities:		
CUS Line of Credit	\$ 1,153,851	\$ 2,330,952
Loan Payable to Lutheran Church Extension Fund		10,499,924
Loan Payable to CUS		<u>3,694,120</u>
	<u>1,153,851</u>	<u>16,524,996</u>
Bank Loans and Other:		
Bank Loan	12,000,000	
Other		<u>817,010</u>
Total	<u>\$ 13,153,851</u>	<u>\$ 17,342,006</u>

**CUS Line of Credit**

A line of credit is established at CUS to meet the short-term operating cash needs of the University. The floating interest rates paid on funds advanced by CUS to the University ranged from 6.00% to 6.25% during the year ended June 30, 2004. During the years ended June 30, 2004 and 2003, interest paid on these borrowings totaled \$235,796 and \$181,492, respectively, which was reported as an institutional support expense on the consolidated statements of activities. In fiscal 2004, CUS approved a \$2,500,000 line of credit, which is available to the University during the 2004-05 fiscal year for short-term cash flow purposes. The line of credit was fully paid off in September 2004.

**Loan Payable to Lutheran Church Extension Fund**

In fiscal 2002, the University borrowed \$10,500,000 from the Lutheran Church Extension Fund ("LCEF") to finance various construction projects on the campus. At June 30, 2003, the balance on this loan was \$10,499,924. This loan was effectively paid off on June 30, 2004, with the entering into a \$12,000,000 bank loan. The LCEF loan bore a floating interest rate ranging from 5.50% to 5.88% during the year ended June 30, 2004. For the years ended June 30, 2004 and 2003, interest on this LCEF loan totaled \$551,742 and \$656,138, respectively. \$106,020 of the fiscal 2003 interest is capitalized in fiscal 2003. The remaining interest for both years is classified as institutional support expense on the consolidated statements of activities. Certain Foundation investment assets collateralized the LCEF loan. LCEF released its interest in the Foundation investment assets on July 6, 2004.

**Loan Payable to CUS**

As of June 30, 2003, the University had an outstanding long-term operating loan payable to CUS of \$3,694,120. This loan was effectively paid off on June 30, 2004, with the financial restructuring discussed below. The CUS loan bore a floating interest rate ranging from 6.00% to 6.25% during the year ended June 30, 2004. For the years ended June 30,

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2004 and 2003, interest of \$219,067 and \$254,819, respectively, was reported as an institutional support expense on the consolidated statements of activities.

**Bank Loan**

On June 30, 2004, the University entered into a binding agreement for a \$12,000,000 bank loan to be used to pay off the remaining balances of the LCEF and CUS loans, as well as a partial payment on the outstanding CUS line of credit. The loan was structured as a five-year loan at a fixed interest rate of 5% per annum, with monthly interest and principal payments based on a 20-year amortization. The proceeds of the loan were actually disbursed on July 2, 2004, and were used to pay off the remaining balances of the LCEF and CUS loans, as well as a partial payment on the outstanding CUS line of credit. The outstanding principal balance on this loan is guaranteed by LCEF, at a cost of 1.25% per annum. The loan is further collateralized by the campus property as well as one residential property owned by the University.

On September 20, 2004, the loan agreement was amended to reflect a change in the minimum principal payments, as well as the establishment of a \$500,000 Reserve Collateral Account. With this amendment, the minimum principal payments are summarized as follows:

Due During the Year Ending:	
June 30, 2005	\$ 648,415
June 30, 2006	903,068
June 30, 2007	986,774
June 30, 2008	1,073,591
June 30, 2009	1,166,305
Due July 1, 2009	<u>7,221,847</u>
Total Principal Payments	<u>\$ 12,000,000</u>

**Other Loans**

As of June 30, 2003, there were \$817,010 of short-term operating loans outstanding from various individuals and organizations bearing various terms and maturities. All such loans were paid off during the year ended June 30, 2004.

**9. BONDS PAYABLE**

Bonds payable at June 30, 2004 and 2003, are summarized as follows:

	Maturity Date	2004	2003
2001 Illinois Education Facilities Authority	2032	\$ 24,500,000	\$ 25,000,000
Revenue Mortgage Bonds:			
1969	2019	585,000	615,000
1971	2011	440,000	495,000
		<u>\$ 25,525,000</u>	<u>\$ 26,110,000</u>

**Illinois Education Facilities Authority Bonds**

In 2001, the University issued \$25,000,000 in variable rate tax-exempt revenue bonds through the Illinois Education Facilities Authority ("IEFA Bonds") to finance new construction, renovations, and property acquisitions throughout the University's campus. The IEFA Bonds were supported by a Letter of Credit with US Bank which expired on September 20, 2004. This Letter of Credit was fully participated out to LCEF in September 2003. As of June 30, 2004, the annualized cost of the Letter of Credit is 1.25% per annum to LCEF and 0.125% to US Bank. The outstanding principal balance on the IEFA Bonds is guaranteed by the Synod, at a cost of 0.5% per annum. The loan is further collateralized by the main campus property of the University. The supporting Reimbursement Agreement requires annual principal payments beginning in fiscal 2004. At June 30, 2004, the bonds are remarketed daily and

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bear an interest rate of 1.12%, with interest rates fluctuating between 0.55% and 1.27% during the year ended June 30, 2004. For the years ended June 30, 2004 and 2003, interest of \$246,061 and \$339,500, respectively, was reported as an institutional support expense on the consolidated statements of activities. Funds on deposit with the IEFA Bond trustee totaling \$257,500 and \$250,000 at June 30, 2004 and 2003, respectively, represent amounts set aside for future principal and interest payments.

On September 20, 2004, the Letter of Credit supporting the IEFA Bonds was replaced. Under the terms of the new Letter of Credit which expires September 20, 2007, no further guarantee is required. The loan is collateralized by the campus property as well as one residential property owned by the University. The Reimbursement Agreement was replaced with a new agreement that requires no principal payments until October 1, 2009, after which annual principal payments will be required through maturity.

LCEF waived all covenants that could cause an event of default as of June 30, 2004. Management believes the University is in compliance with all remaining covenants contained in the underlying Letter of Credit and Reimbursement Agreements.

The IEFA Bonds' original issuance costs are being amortized over the weighted average life of the bonds. As of June 30, 2004 and 2003, the unamortized issuance costs were \$297,567 and \$334,499, respectively.

**Revenue Mortgage Bonds**

In 1969 and 1971, the University issued 3% taxable bonds to finance the construction of a dormitory and a community center. The dormitory and the community center and the land on which the buildings sit collateralize the Revenue Mortgage Bonds. The University is further required to use revenues generated by these facilities for operating expenses of these facilities, debt service, improvements to dormitory and community center facilities, or general operations of the University.

The University must make the following minimum payments under the trust indenture agreements:

Year Ending June 30	Principal	Additions to Repair and Replacement Funds
2005	\$ 90,000	\$ 27,500
2006	90,000	27,500
2007	95,000	27,500
2008	100,000	27,500
2009	100,000	27,500
Thereafter	550,000	135,000
Total	<u>\$ 1,025,000</u>	<u>\$ 272,500</u>

Plant assets pledged as collateral under these mortgages consist of buildings with a net book value of \$1,868,213 and \$1,990,211 at June 30, 2004 and 2003, respectively, and the land occupied by them.

Management believes the University is in compliance with the covenants contained in the underlying trust indentures with one exception. Audited consolidated financial statements for the year ended June 30, 2004, were not issued to the bond trustee prior to the due date of September 30, 2004. Communications with the bond trustee have caused management to believe that submission of the consolidated financial statements will remedy the potential default.

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The following supplemental information is required by the trust indenture agreements:

	<u>1969 Bonds</u>	<u>1971 Bonds</u>	
Trust Indenture Dated	May 1, 1969	May 1, 1971	
Property Pledged	Gross Hall	Koehneke Community Center ("KCC")	
Type of Facility	Residence Hall for 285 Students Maximum	Dining Hall and Multipurpose Facility	
Statistical Data:			
Annual Occupancy Rate	90%	N/A	
FY2004 Charge per Semester:			
Room	\$1,100	N/A	
Food Service	N/A	\$1,600	
<u>FY2004 Statement of Pledged Fees</u>	<u>Gross Hall</u>	<u>KCC</u>	<u>Total</u>
Revenues:			
Residence Hall	\$ 312,572		\$ 312,572
Food Service		\$ 2,014,782	2,014,782
Other	4,333	93,488	97,821
Total	<u>316,905</u>	<u>2,108,270</u>	<u>2,425,175</u>
Expenses:			
Salaries and Benefits	31,365	103,760	135,125
Contracted Food Services		1,228,731	1,228,731
Repairs and Maintenance	12,267	18,437	30,704
Interest	18,450	14,400	32,850
Utilities	118,396	147,982	266,378
Laundry, Linens, and Supplies	21,281	10,528	31,809
Other	9,837	92,614	102,451
Total	<u>211,596</u>	<u>1,616,452</u>	<u>1,828,048</u>
Revenues in Excess of Expenses	<u>\$ 105,309</u>	<u>\$ 491,818</u>	<u>\$ 597,127</u>

NOTE: Total full-time equivalent student enrollment for the fall quarter of 2003-04 as reported to the Illinois Board of Higher Education was 1,072 students.

**10. DEFINED BENEFIT PLANS**

The University participates the retirement and survivor benefit programs provided by Worker Benefit Plans of The Lutheran Church-Missouri Synod. Substantially all full-time employees are covered by these retirement and survivor programs. The University contributes a fixed percentage of each participant's salary to the plans. Retirement and survivor program expenses for the years ended June 30, 2004 and 2003, totaled \$622,302 and \$530,588, respectively.

**11. 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. Disbursements under each program are subject to disallowance and repayment by the University.

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**12. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the University. At June 30, 2004 and 2003, temporarily restricted net assets are available for the following specific purposes, or time restrictions have been placed on the use of the funds as noted in the following schedule:

	2004	2003
Purpose Restrictions:		
Academic Programs:		
Instruction/Divisional	\$ 285,351	\$ 359,848
Other Instructional Programs	38,401	40,137
Academic Support	34,338	18,402
Student Services	10,488	10,207
Institutional Support	6,396	16,243
Fund-Raising	19,651	5,040
Auxiliary Enterprises	155,887	165,783
Student Aid	249,013	391,696
Student Loans	116,184	
Capital Expenditures	630,791	17,178
Net Investment in Plant	16,759,316	
	18,305,816	1,024,534
Time Restrictions	1,902,203	593,955
Total	\$ 20,208,019	\$ 1,618,489

During the year ended June 30, 2004, certain net assets were reclassified to reflect management's current understanding of the donor restrictions (See Note 14).

**13. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity. The income from these investments will be used to support:

	2004	2003
Academic Programs -		
Instruction/Divisional	\$ 274,858	\$ 468,668
Academic Support	58,470	24,681
Student Services		56,424
Institutional Support	30,000	95,239
Operation and Maintenance of Plant	1,000,025	1,000,000
Auxiliary Enterprises	234,940	293,269
Student Aid	6,429,399	8,814,712
Student Loans	15,874	15,874
Unrestricted	593,123	
Total	\$ 8,636,689	\$ 10,768,867

During the year ended June 30, 2004, certain net assets were reclassified to reflect management's current understanding of the donor restrictions (See Note 14).

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**14. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from donor restrictions for the years ended June 30, 2004 and 2003, are summarized as follows:

	<u>Operating</u>	<u>Nonoperating</u>	<u>Total</u>
<u>2004</u>			
Purpose Restrictions Accomplished:			
Academic Programs:			
Instruction/Divisional	\$ 285,709	\$ (58,083)	\$ 227,626
Other Instructional Programs	148,022		148,022
Academic Support	108,365	(50,073)	58,292
Student Services	20,668	(2,373)	18,295
Institutional Support	41,146		41,146
Fund-Raising	20,260		20,260
Auxiliary Enterprises	154,589	(215)	154,374
Student Aid	1,736,589	(398,234)	1,338,355
Fixed Assets	556,572		556,572
Total	<u>\$ 3,071,920</u>	<u>\$ (508,978)</u>	<u>\$ 2,562,942</u>
<u>2003</u>			
Purpose Restrictions Accomplished:			
Academic Programs:			
Instruction/Divisional	\$ 352,043	\$ 4,259	\$ 356,302
Other Instructional Programs	200,967		200,967
Academic Support			
Student Services	44,358	3,672	48,030
Institutional Support	76,051	174	76,225
Fund-Raising	8,335		8,335
Auxiliary Enterprises	83,573	16	83,589
Student Aid	424,062	31,347	455,409
Fixed Assets	383,899		383,899
	<u>1,573,288</u>	<u>39,468</u>	<u>1,612,756</u>
Expiration of Time Restrictions	<u>8,019</u>		<u>8,019</u>
Total	<u>\$ 1,581,307</u>	<u>\$ 39,468</u>	<u>\$ 1,620,775</u>

Nonoperating net assets released are reinvested and retained as unrestricted endowment funds.

**2004 Reclassification of Net Assets**

Based on a review of the supporting documentation of permanently restricted net assets, the University reclassified \$625,996 of net assets previously classified as permanently restricted net assets to unrestricted assets during the year ended June 30, 2004. Also during the same fiscal year, the University received legal advice regarding the classification of net assets previously received from a certain outside trust, resulting in a reclassification of \$2,190,488 of net assets previously classified as permanently restricted net assets to temporarily restricted and unrestricted net assets.

In addition, the University reclassified \$452,884 from unrestricted net assets to temporarily restricted net assets during the year ended June 30, 2004. Of this amount, \$346,603 represents the outstanding balance of multi-year Campaign for Learning and Leadership unrestricted pledges that are considered time restricted.

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**15. ENDOWMENT AND SIMILAR FUNDS**

The changes in endowment and similar funds for the years ended June 30, 2004 and 2003, are summarized as follows:

	2004			2003		
	Foundation Funds	University Funds	Total	Foundation Funds	University Funds	Total
Investment Income:						
Net Unrealized						
Gains			\$ 323,563			\$ 122,066
Net Realized						
Gains (Losses)			362,156			(314,412)
Dividends and						
Interest, Net of						
Brokerage Fees			45,405			78,661
Total Investment						
Income	\$ 682,517	\$ 48,607	731,124	\$ 34,190	\$ (147,875)	(113,685)
Endowment Payout	(712,150)	(1,228,977)	(1,941,127)	(243,054)	57,254	(185,800)
Endowment Return						
in Excess of						
Endowment						
Payout	(29,633)	(1,180,370)	(1,210,003)	(208,864)	(90,621)	(299,485)
Contributions	522,351	385,568	907,919	603,619	1,290,814	1,894,433
Net Change	492,718	(794,802)	(302,084)	394,755	1,200,193	1,594,948
Balance at						
Beginning of						
Year	6,442,307	5,663,717	12,106,024	6,047,552	4,463,524	10,511,076
Balance at End						
of Year	<u>\$ 6,935,025</u>	<u>\$ 4,868,915</u>	<u>\$ 11,803,940</u>	<u>\$ 6,442,307</u>	<u>\$ 5,663,717</u>	<u>\$ 12,106,024</u>

**16. ILLINOIS COOPERATIVE WORK-STUDY PROGRAM**

A grant received from the State of Illinois Board of Higher Education under the Illinois Cooperative Work-Study Program Act during the year ended June 30, 2004, requires the following disclosure:

Total Grant Received	<u>\$ 43,300</u>
Expenditures for Illinois Cooperative Work-Study	
Program Internships:	
Summer Sessions	28,393
Fall Semester	8,269
Spring Semester	6,638
Total Expenditures	<u>43,300</u>
Unexpended Grant Funds	<u>\$ -</u>

REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTAL INFORMATION

Board of Regents  
Concordia University  
River Forest, Illinois

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*Ernst & Young LLP*

October 15, 2004

CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an  
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CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
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	2004				2003			
	UNIVERSITY	CONCORDIA UNIVERSITY FOUNDATION	ELIMINATIONS	TOTAL	UNIVERSITY	CONCORDIA UNIVERSITY FOUNDATION	ELIMINATIONS	TOTAL
<b>Assets:</b>								
Cash and Cash Equivalents	\$ 590,117	\$ 1,350,474	\$ (1,350,474)	\$ 590,117	\$ 163,731	\$ 269,922	\$ (269,922)	\$ 163,731
Due from (to) Concordia University Foundation	(420,087)	420,087	420,087		(304,585)	304,585	304,585	304,585
Due from (to) Concordia University-River Forest		4,125	(420,087)			19,210	(304,585)	
Accounts Receivable - Net	1,134,085			1,138,210	2,690,306	304,585		2,709,516
Prepaid Expenses and Other Assets	2,543,541			2,543,541	2,133,571	19,210		2,133,571
Contributions and Grants Receivable - Net	2,264,953	54,016		2,318,669	2,354,968	281,143		2,636,111
Loans Receivable	940,467	5,681,747	(5,681,747)	940,467	907,752	5,681,747	(5,681,747)	907,752
Long-Term Investments	5,238,582	4,293,491	(3,518,441)	6,013,632	6,050,462	5,549,417	(5,393,795)	6,206,084
Land, Buildings, and Equipment - Net	55,658,635			55,658,635	59,983,152			59,983,152
<b>Total Assets</b>	<b>\$ 67,949,993</b>	<b>\$ 11,803,940</b>	<b>\$ (10,550,662)</b>	<b>\$ 69,203,271</b>	<b>\$ 73,979,357</b>	<b>\$ 12,106,024</b>	<b>\$ (11,345,464)</b>	<b>\$ 74,739,917</b>
<b>Liabilities:</b>								
Accounts and Interest Payable	\$ 2,791,105	\$ 4,868,915	\$ (4,868,915)	\$ 2,791,105	\$ 8,024,734	\$ 5,663,717	\$ (5,663,717)	\$ 8,024,734
Payable to Concordia University-River Forest	1,099,638			1,099,638	1,414,387			1,414,387
Deferred Revenue and Other Liabilities	989,362			989,362	948,860			948,860
Refundable Government Student Loan Funds								
Loans Payable:								
Lutheran Church-Missouri Synod and Related Entities	1,153,851			1,153,851	16,524,996			16,524,996
Bank Loan	12,000,000			12,000,000				
Other	5,691,747		(5,681,747)	10,010,000	6,498,757		(5,681,747)	817,010
Bonds Payable	25,525,000			25,525,000	26,110,000			26,110,000
<b>Total Liabilities</b>	<b>49,240,703</b>	<b>4,868,915</b>	<b>(10,550,662)</b>	<b>43,558,956</b>	<b>59,521,734</b>	<b>5,663,717</b>	<b>(11,345,464)</b>	<b>53,839,987</b>
<b>Net Assets:</b>								
Unrestricted Surplus (Deficit)	(5,466,293)	108,537	2,157,303	(3,208,393)	6,547,065	1,965,509		8,512,574
Temporarily Restricted	20,208,019	2,157,303	(2,157,303)	20,208,019	1,590,385	28,104		1,618,489
Permanently Restricted	3,967,504	4,699,185		8,636,689	6,320,173	4,448,694		10,768,867
<b>Total Net Assets</b>	<b>18,709,290</b>	<b>6,935,025</b>	<b></b>	<b>25,644,315</b>	<b>14,457,623</b>	<b>6,442,307</b>	<b></b>	<b>20,899,930</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 67,949,993</b>	<b>\$ 11,803,940</b>	<b>\$ (10,550,662)</b>	<b>\$ 69,203,271</b>	<b>\$ 73,979,357</b>	<b>\$ 12,106,024</b>	<b>\$ (11,345,464)</b>	<b>\$ 74,739,917</b>

CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an  
EDUCATIONAL INSTITUTION of the LUTHERAN CHURCH-MISSOURI SYNOD  
CONSOLIDATING STATEMENTS OF ACTIVITIES - TEMPORARILY RESTRICTED  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004				2003			
	UNIVERSITY	FOUNDATION	ELIMINATIONS	TOTAL	UNIVERSITY	FOUNDATION	ELIMINATIONS	TOTAL
Operating Revenues:								
Government Grants and Contracts	\$ 275,344			\$ 275,344	\$ 520,622			\$ 520,622
Private Gifts, Grants, and Contracts	1,613,775			1,613,775	1,057,648			1,057,648
Endowment Payout	1,172,684			1,172,684	70,378			70,378
Net Assets Released from Restrictions	(3,071,920)			(3,071,920)	(1,581,307)			(1,581,307)
Total	(10,117)			(10,117)	67,341			67,341
Operating Expenses								
Operating Revenues Over (Under) Expenses	(10,117)			(10,117)	67,341			67,341
Non-Operating Revenues:								
Private Gifts		1,000		1,000		1,000		1,000
Endowment Investment Return in Excess of (Less Than) Endowment Payout	(518,679)	647,950	(667,353)	(538,082)	38,302	33,837	(33,757)	38,382
Net Assets Released from Restrictions:								
Reclassification of Net Assets	1,385,636	2,007,594	(2,007,594)	1,385,636	(38,302)	(34,923)	33,757	-
Other	518,679	(527,345)	517,644	508,978				(39,468)
Net Assets Increase (Decrease) Before Cumulative Effect of Change in Accounting Principle	1,375,519	2,129,199	(2,157,303)	1,347,415	67,341	(86)	-	67,255
Cumulative Effect of Change in Accounting Principle	17,242,115			17,242,115				
NET ASSETS INCREASE (DECREASE)	18,617,634	2,129,199	(2,157,303)	18,589,530	67,341	(86)	-	67,255
NET ASSETS - Beginning of Year	1,590,385	28,104		1,618,489	1,523,044	28,190		1,551,234
NET ASSETS - End of Year	\$ 20,208,019	\$ 2,157,303	\$ (2,157,303)	\$ 20,208,019	\$ 1,590,385	\$ 28,104	\$ -	\$ 1,618,489

CONCORDIA UNIVERSITY - RIVER FOREST, ILLINOIS, an  
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 CONSOLIDATING STATEMENTS OF ACTIVITIES - PERMANENTLY RESTRICTED  
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004		2003	
	UNIVERSITY	FOUNDATION	UNIVERSITY	FOUNDATION
	TOTAL		TOTAL	
Non-Operating Revenues:				
Private Gifts	\$ 162,955	\$ 521,351	\$ 1,147,166	\$ 602,619
Net Assets Released from Restrictions - Reclassification of Net Assets	(2,515,624)	(300,860)		
NET ASSETS INCREASE (DECREASE)	(2,352,669)	220,491	1,147,166	602,619
NET ASSETS - Beginning of Year	6,320,173	4,448,694	5,173,007	3,846,075
NET ASSETS - End of Year	<u>\$ 3,967,504</u>	<u>\$ 4,669,185</u>	<u>\$ 6,320,173</u>	<u>\$ 4,448,694</u>
		\$ 684,306		\$ 1,749,785
		(2,816,484)		
	(2,132,178)		1,749,785	
	10,768,867		9,019,082	
	<u>\$ 8,636,689</u>		<u>\$ 10,768,867</u>	