SIKICH

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2024 and 2023

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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 statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 the University as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Prior Period Financial Statements

The financial statements of the University as of June 30, 2023 were audited by Sikich LLP, whose report dated March 28, 2024, expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Sikich CPA LLC

Naperville, Illinois
October 11, 2024

CONSOLIDATED FINANCIAL STATEMENTS

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 245,125	$ 1,354,789
Investments available for operations	91,683	-
Accounts receivable, net of allowance of $2,644,462 in 2024 and $2,258,020 in 2023	8,600,288	7,623,792
Prepaid expenses and other assets	2,890,355	3,173,326
Grants receivable	3,383,048	62,189
Contributions receivable, net of allowance of $164,227 in 2024 and $354,564 in 2023	1,465,494	171,807
Loans receivable, net of allowance of $0 in 2024 and $4,449 in 2023	-	73,521
Interest rate SWAP agreement	1,650,224	1,792,378
Cash designated for endowment	-	24,477
Investments designated for endowment	10,065,795	9,230,506
Funds held in trust	1,948,759	1,737,222
Charitable remainder and lead trusts	688,493	1,034,064
Investments restricted to endowment	22,379,431	19,221,322
Investments restricted for long term use	205,750	-
Land, buildings, and equipment, net	58,469,419	57,884,567
TOTAL ASSETS	$ 112,083,864	$ 103,383,960
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	$ 4,742,901	$ 4,516,967
Accrued payroll and other related liabilities	1,236,070	1,507,748
Deferred revenues	5,013,305	5,540,752
Refundable government student loan funds	11,148	67,970
Obligations under finance leases	304,632	220,045
Loans payable, net	36,199,962	28,125,942
Bonds payable, net	7,472,609	10,370,000
Total liabilities	54,980,627	50,349,424
NET ASSETS		
Without donor restrictions	28,638,127	28,702,212
With donor restrictions		
Subject to time or purpose restrictions	11,774,016	8,342,512
Subject to perpetual restrictions	16,691,094	15,989,812
Total net assets with donor restrictions	28,465,110	24,332,324
Total net assets	57,103,237	53,034,536
TOTAL LIABILITIES AND NET ASSETS	$ 112,083,864	$ 103,383,960

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

	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	$ 70,441,180	$ -	$ -	$ -	$ 70,441,180
Less scholarship and fellowships	(18,388,991)	-	-	-	(18,388,991)
Net tuition and fees	52,052,189	-	-	-	52,052,189
Government grants and contracts	-	4,170,669	-	4,170,669	4,170,669
Private gifts and grants	1,489,223	2,597,392	-	2,597,392	4,086,615
Pooled investments endowment payout	366,934	703,696	-	703,696	1,070,630
Nonpooled investments return	19,972	-	-	-	19,972
Auxiliary services	6,459,333	-	-	-	6,459,333
Disposal of land, buildings, and equipment	(687,309)	-	-	-	(687,309)
Other	589,748	9,609	-	9,609	599,357
Net assets released from restrictions	6,170,600	(6,170,600)	-	(6,170,600)	-
Total operating revenues and gains	66,460,690	1,310,766	-	1,310,766	67,771,456
OPERATING EXPENSES					
Academic programs					
Instruction - divisional	19,678,382	-	-	-	19,678,382
Other instructional programs	2,992,964	-	-	-	2,992,964
Academic support	4,357,213	-	-	-	4,357,213
Student services	22,787,463	-	-	-	22,787,463
Auxiliary enterprises	6,346,469	-	-	-	6,346,469
Total program expenses	56,162,491	-	-	-	56,162,491
Management and general	8,788,648	-	-	-	8,788,648
Fundraising	2,205,061	-	-	-	2,205,061
Total operating expenses	67,156,200	-	-	-	67,156,200
Operating revenues and gains in excess of operating expenses	(695,510)	1,310,766	-	1,310,766	615,256
NON-OPERATING ACTIVITIES					
Private gifts and grants	-	-	708,835	708,835	708,835
Net change in funds held in trust	-	229,140	-	229,140	229,140
Net change in charitable lead and remainder trusts	-	23,654	(17,736)	5,918	5,918
Other gains	1,009	2,224	10,183	12,407	13,416
Unrealized gain(loss) on interest rate swap agreement	(142,154)	-	-	-	(142,154)
Pooled endowment investment return in excess of endowment payout	772,570	1,865,720	-	1,865,720	2,638,290
CHANGE IN NET ASSETS	(64,085)	3,431,504	701,282	4,132,786	4,068,701
NET ASSETS, BEGINNING OF YEAR	28,702,212	8,342,512	15,989,812	24,332,324	53,034,536
NET ASSETS, END OF YEAR	$ 28,638,127	$ 11,774,016	$ 16,691,094	$ 28,465,110	$ 57,103,237

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)

For the Year Ended June 30, 2023

	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	$ 73,071,853	$ -	$ -	$ -	$ 73,071,853
Less scholarship and fellowships	(19,294,852)	-	-	-	(19,294,852)
Net tuition and fees	53,777,001	-	-	-	53,777,001
Government grants and contracts	10,417,381	547,479	-	547,479	10,964,860
Private gifts and grants	1,561,769	1,383,220	-	1,383,220	2,944,989
Pooled investments endowment payout	720,549	632,278	-	632,278	1,352,827
Nonpooled investments return	5,986	-	-	-	5,986
Auxiliary services	6,402,642	-	-	-	6,402,642
Other	1,246,182	9,846	-	9,846	1,256,028
Net assets released from restrictions	2,906,342	(2,906,342)	-	(2,906,342)	-
Operating revenues and gains prior to loss on disposal of land, buildings, and equipment, asset retirement obligation and special endowment payout	77,037,852	(333,519)	-	(333,519)	76,704,333
Disposal of land, buildings, and equipment	(321,797)	-	-	-	(321,797)
Loss on disposal of asset retirement obligation	(375,634)	-	-	-	(375,634)
Special endowment payout	321,797	-	-	-	321,797
Total operating revenues and gains	76,662,218	(333,519)	-	(333,519)	76,328,699
OPERATING EXPENSES					
Academic programs					
Instruction - divisional	20,209,645	-	-	-	20,209,645
Other instructional programs	2,729,515	-	-	-	2,729,515
Academic support	5,339,210	-	-	-	5,339,210
Student services	25,035,517	-	-	-	25,035,517
Auxiliary enterprises	6,486,191	-	-	-	6,486,191
Total program expenses	59,800,078	-	-	-	59,800,078
Management and general	10,049,409	-	-	-	10,049,409
Fundraising	2,530,789	-	-	-	2,530,789
Total operating expenses	72,380,276	-	-	-	72,380,276
Operating revenues and gains in excess of operating expenses	4,281,942	(333,519)	-	(333,519)	3,948,423

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)

For the Year Ended June 30, 2023

	Without Donor Restrictions	**With Donor Restrictions**			
	Total	**Restricted by Purpose or Time**	**To be Held in Perpetuity**	**Total**	**Total**
NON-OPERATING ACTIVITIES					
Private gifts and grants	$ -	$ -	$ 1,330,537	$ 1,330,537	$ 1,330,537
Net change in funds held in trust	-	176,737	-	176,737	176,737
Net change in charitable lead and remainder trusts	-	7,295	40,100	47,395	47,395
Other gains	6,231	-	(318)	(318)	5,913
Unrealized gain(loss) on interest rate swap agreement	334,228	-	-	-	334,228
Net assets released from restrictions	-	-	-	-	-
Pooled endowment investment return in excess of endowment payout	121,654	1,199,508	-	1,199,508	1,321,162
CHANGE IN NET ASSETS	4,744,055	1,050,021	1,370,319	2,420,340	7,164,395
NET ASSETS, BEGINNING OF YEAR	23,958,157	7,292,491	14,619,493	21,911,984	45,870,141
NET ASSETS, END OF YEAR	$ 28,702,212	$ 8,342,512	$ 15,989,812	$ 24,332,324	$ 53,034,536

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

	Program Expenses								
	Instruction - Divisional	**Other Instructional Programs**	**Academic Support**	**Student Services**	**Auxiliary Enterprises**	**Total**	**Institutional Support**	**Fund-Raising**	**Total Operating Expenses**
Salaries, benefits, and taxes	$ 15,788,845	$ 2,165,063	$ 3,049,688	$ 7,432,028	$ 335,050	$ 28,770,674	$ 5,144,662	$ 1,411,934	$ 35,327,270
Contracted expenses	493,932	244,614	55,759	11,977,830	2,539,601	15,311,736	1,164,261	186,737	16,662,734
Occupancy and utilities	1,191,811	54,560	415,968	771,141	1,345,097	3,778,577	327,636	23,363	4,129,576
Information technologies	395,843	102,286	322,340	237,899	99,999	1,158,367	318,520	104,993	1,581,880
Interest expense	402,755	113,041	93,402	246,697	607,032	1,462,927	61,526	16,070	1,540,523
Depreciation expense	952,855	264,696	221,207	604,412	1,411,642	3,454,812	92,237	39,004	3,586,053
Office expenses	144,824	23,115	31,623	376,575	4,327	580,464	41,195	27,434	649,093
Travel	203,558	-	25,263	686,687	-	915,508	55,479	50,230	1,021,217
Insurance expense	-	-	-	152,720	-	152,720	535,661	-	688,381
Other miscellaneous expenses	103,959	25,589	141,963	301,474	3,721	576,706	1,047,471	345,296	1,969,473
Total operating expenses	$ 19,678,382	$ 2,992,964	$ 4,357,213	$ 22,787,463	$ 6,346,469	$ 56,162,491	$ 8,788,648	$ 2,205,061	$ 67,156,200

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2023

	Program Expenses								
	Instruction - Divisional	Other Instructional Programs	Academic Support	Student Services	Auxiliary Enterprises	Total	Institutional Support	Fund-Raising	Total Operating Expenses
Salaries, benefits, and taxes	$ 17,195,837	$ 2,055,402	$ 4,134,045	$ 7,948,628	$ 1,101,737	$ 32,435,649	$ 4,488,987	$ 1,328,788	$ 38,253,424
Contracted expenses	356,019	208,276	78,210	13,835,591	2,322,679	16,800,775	2,535,681	252,026	19,588,482
Occupancy and utilities	669,635	24,899	239,918	559,180	984,794	2,478,426	272,100	19,214	2,769,740
Information technologies	359,698	49,159	407,768	374,466	27,033	1,218,124	365,623	125,676	1,709,423
Interest expense	347,005	93,531	79,318	214,384	566,844	1,301,082	47,912	13,929	1,362,923
Depreciation expense	903,039	243,404	206,416	557,909	1,475,142	3,385,910	96,632	36,249	3,518,791
Office expenses	109,411	36,648	29,101	353,211	9,406	537,777	57,209	28,794	623,780
Travel	169,679	(28)	12,646	714,843	(12,940)	884,200	56,461	42,287	982,948
Insurance expense	-	-	-	196,259	-	196,259	597,862	-	794,121
Other miscellaneous expenses	99,322	18,224	151,788	281,046	11,496	561,876	1,530,942	683,826	2,776,644
Total operating expenses	$ 20,209,645	$ 2,729,515	$ 5,339,210	$ 25,035,517	$ 6,486,191	$ 59,800,078	$ 10,049,409	$ 2,530,789	$ 72,380,276

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,068,701	$ 7,164,395
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	3,586,053	3,518,791
Loss on disposal of land, buildings, and equipment	687,309	321,797
Loss on disposal of asset retirement obligation	-	375,634
Amortization expense	248,054	298,778
Bad debt expense	1,040,301	1,456,056
Unrealized gain on interest rate swap agreement	142,154	(334,228)
Net realized and unrealized (gains) losses on pooled endowment investments not used in endowment payout	1,425,627	(2,083,425)
Net realized and unrealized gains included in nonpooled endowment investments return	(4,747,014)	(119,947)
Contributions and change in value of charitable remainder and lead trusts	(5,918)	(47,395)
Contributions restricted for long-term investment	(930,953)	(1,619,030)
Contributions restricted for land, buildings, and equipment	(1,000,000)	(1,024,125)
(Increase) decrease in		
Accounts receivable	(1,819,456)	(833,535)
Prepaid expenses and other assets	34,917	759,047
Grants receivable	(3,320,859)	(56,327)
Contributions receivable	(855,761)	(121,407)
Increase (decrease) in		
Accounts payable and other liabilities	(423,841)	487,737
Accrued payroll and other related liabilities	(271,678)	(2,073,060)
Deferred revenue	(527,447)	(50,498)
Refundable - U.S. government student loan funds	(56,822)	(94,250)
Net cash from operating activities	(2,726,633)	5,925,008
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(4,057,056)	(3,470,908)
Proceeds from disposals of fixed assets	7,625	-
Proceeds from sales of long-term investments	2,775,115	3,065,675
Purchases of long-term investments	(2,885,466)	(1,397,439)
Endowment payout in excess (deficit) of dividends and interest	(1,070,630)	(1,674,624)
Distributions from charitable remainder and lead trusts	351,489	
Principal repayments on loans receivable	73,521	24,946
Net cash from investing activities	(4,805,402)	(3,452,350)

(This statement is continued on the following page.)

CONCORDIA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	$ 1,295,686	$ 1,660,238
Contributions restricted for land, buildings, and equipment	-	1,024,125
Proceeds from Lutheran Church Extension Fund Line of Credit	15,950,000	-
Payments on Lutheran Church Extension Fund Line of Credit	(8,250,000)	(1,650,000)
Payments on finance lease obligation	(74,421)	(77,334)
Principal payment on Sodexo Cafeteria Loan	(181,478)	(181,477)
Principal payments on Lutheran Church Extension Fund Loan	(435,850)	(437,902)
Principal payments on Lutheran Church Extension Fund Loan $6.75M	(268,560)	(274,393)
Proceeds from Lutheran Church Extension Fund Loan $2M	2,000,000	-
Principal payments on Lutheran Church Extension Fund Loan $2M	(218,257)	-
Principal payments on Busey Bank Loan	(531,827)	(520,429)
Principal payments on Busey Bonds	(2,680,000)	(680,000)
Net change in unamortized debt issuance expense	(207,399)	38,200
Net cash from financing activities	6,397,894	(1,098,972)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, AND CASH DESIGNATED FOR ENDOWMENT	(1,134,141)	1,373,686
CASH AND CASH EQUIVALENTS, AND CASH DESIGNATED FOR ENDOWMENT, BEGINNING OF YEAR	1,379,266	5,580
CASH AND CASH EQUIVALENTS, AND CASH DESIGNATED FOR ENDOWMENT, END OF YEAR	$ 245,125	$ 1,379,266
SUPPLEMENTAL DATA		
Interest paid	$ 1,631,384	$ 1,337,537
Purchase of fixed assets included in accounts payable	649,775	391,729
Finance lease right-of-use assets exchanged for finance lease obligation	159,008	256,203
Pledge payments on contributions restricted for long-term investment	13,250	41,208

See accompanying notes to consolidated 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, and provides 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 Plans (CPS)
- Concordia Historical Institute
- Concordia University System (CUS)

CUS, a not-for-profit corporate entity, broadly oversees the activities of seven 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.

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).

Most 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.

1. NATURE OF ORGANIZATION (Continued)

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 of accounting 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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

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

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

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

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

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

All revenues and expenses are considered operating revenues and expenses, except for the following:

- Contributions with donor-imposed restrictions that are required to be held in perpetuity.
- All return on endowment investments more than (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- 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, 2024 and 2023, the University's cash balances exceeded federally insured limits by $608,000 and $1,375,812, 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 Credit Losses

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 credit losses.

Management has determined that similar risk characteristics exist for receivables with similar days outstanding. Accordingly, the pools for which the allowance for credit losses is calculated are based on aging buckets. Management principally estimates the allowance for credit losses by pool based on historical collection experience, the current credit worthiness of the customers, current economic conditions, expectations of future economic conditions and the period that the receivables have been outstanding. To the extent that any individual customers are identified that have deteriorated in credit quality, Management removes the customers from their respective pools and establishes allowances based on the individual risk characteristics of such customers. The University writes off accounts receivable that have become uncollectible. Payments subsequently received on such receivables are credited to the allowance for credit losses. Concentration risk with respect to accounts receivable is typically limited due to the large number of accounts and low average balance.

Contributions Receivable

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. Amortization of the discount is included in contribution revenue. The University determines the allowance for contributions receivable based on historical experience. Contributions receivable are written off when deemed uncollectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants receivable are stated at the amount management expects to collect on outstanding balances. The University considers grants receivable fully collectible; accordingly, no allowance for doubtful accounts is required.

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 credit losses. 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 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)

Land, Buildings, and Equipment (Continued)

When assets are retired or otherwise disposed of, the cost and the accumulated depreciation are removed from the accounts. The amount of remaining depreciation is written off at that time, and any resulting gain or loss is recognized. A loss results when the remaining depreciation exceeds the proceeds from the retirement or disposal. A gain results when the proceeds from the retirement or disposal exceed the carrying value of the assets. For the years ended June 30, 2024 and 2023, the University recognized a loss on disposal of land, buildings, and equipment of $687,309 and $321,797, respectively, which represents the remaining depreciation written off.

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.

Leases

The University leases various pieces of equipment under finance leases. The University determines if an arrangement is a lease at inception. Finance lease right-of-use assets are included in land, buildings, and equipment on the consolidated statements of financial position. Finance lease liabilities are included in obligations under finance lease on the consolidated statements of financial position.

Finance lease right-of-use assets represent the University's right to use an underlying asset for the lease term and finance lease liabilities represent the University's obligation to make lease payments arising from the lease. The finance lease right-of-use assets are amortized from the commencement date of the lease agreement to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. However, if the lease transfers ownership of the underlying asset or an existing purchase option is reasonably certain to be exercised, the right-of-use asset is amortized to the end of the useful life of the underlying asset. Finance lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term.

For any leases that do not provide the lessor’s implicit rate, the University uses its incremental borrowing rate at the commencement date in determining the present value of lease payments, which is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the leased assets. Determining a credit spread as secured by the leased assets may require significant judgment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position, and lease expense is recognized on a straight-line basis over the lease term.

The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The University has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all asset classes.

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). 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 $7,623,792 and $7,878,886 at July 1, 2023 and July 1, 2022, 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 $5,540,752 and $5,591,250 at July 1, 2023 and July 1, 2022, 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 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. No amounts were received in advance from cost-reimbursement grants for the years ended June 30, 2024 and 2023, respectively. The University had grants of approximately $4,274,800 and $0 that have not been recognized as of June 30, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts, Grants, and Contracts Revenue (Continued)

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.

Government grants and contract include employee retention tax credits (ERC). ERC are considered conditional contributions and are recognized at the end of each quarter in which the University experiences the qualifying decreases in gross receipts. During the years ended June 30, 2024 and 2023, the University recognized approximately $0 and $10,300,000, respectively, of income related to the ERC. The IRS has extended the statute of limitations to five years with respect to ERC claims. Should the IRS subsequently audit ERC amounts and determine the University did not meet the eligibility requirements, a legal liability for repayment of previously recognized ERC amounts could be incurred.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts, Grants, and Contracts Revenue (Continued)

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

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2024 or 2023:

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Board (ASU) No. *2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including accounts and loan receivables, and some off-balance sheet credit exposures such as financial guarantees and loan commitments. It also applies to net investments in leases recognized by a lessor under Topic 842. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. ASU No. 2016-13, as amended by ASU No. 2019-10, is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The University adopted the standard effective July 1, 2023. There was no material impact on the consolidated statements of activities, financial position, or cash flows 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 statements of financial position date, are comprised of the following:

	2024	2023
Cash and cash equivalents	$ 245,125	$ 1,354,789
Investments available for operations	91,683	-
Accounts receivable, net	8,600,288	7,623,792
Grants receivable	3,383,048	62,189
Contributions receivable, net	390,038	171,807
Subtotal	12,710,182	9,212,577
Less those unavailable for general expenditures within one year, due to Donor restrictions	(2,372,971)	(2,539,241)
FINANCIAL ASSETS AVAILABLE TO MEET THE CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	$ 10,337,211	$ 6,673,336

	2024	2023
Other financial assets available		
Cash designated for endowments	$ -	$ 24,477
Investments designated for endowments	10,065,795	9,230,506
Investments restricted to endowments - debt repayment	4,120,595	3,623,766
Endowment payout	1,070,630	1,674,624
Available line of credit - LCEF Loan	1,300,000	9,000,000
TOTAL	$ 16,557,020	$ 23,553,373

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:

	2024	2023
Unamortized costs		
Website development	$ 236,861	$ 275,679
Library books	122,092	119,607
Online course development	180,191	289,169
Banners	20,758	-
Total unamortized costs	559,902	684,455
Prepaid expenses and other assets	883,765	980,988
Marketing fees deposit	1,000,000	1,000,000
Insurance loss fund	61,192	71,535
Inventories	43,336	107,604
Cash surrender value of life insurance	342,160	328,744
TOTAL	$ 2,890,355	$ 3,173,326

Unamortized costs as of June 30 are summarized as follows:

	2024	2023
BEGINNING OF THE YEAR UNAMORTIZED COSTS	$ 684,455	$ 899,972
Amortizable costs expended	123,501	83,261
Amortization	(248,054)	(298,778)
END OF THE YEAR UNAMORTIZED COSTS	$ 559,902	$ 684,455

Estimated future amortization cost is as follows:

Years Ending June 30,	
2025	$ 210,132
2026	154,290
2027	116,035
2028	30,400
2029	18,682
2030 and thereafter	30,363
TOTAL	$ 559,902

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30 are summarized as follows:

	2024	2023
Amounts due		
Within one year	$ 390,038	$ 371,330
One to five years	1,260,553	152,673
Thereafter	28,018	9,579
Subtotal	1,678,609	533,582
Less		
Present value discount	(48,888)	(7,211)
Estimated uncollectible pledges	(164,227)	(354,564)
TOTAL	$ 1,465,494	$ 171,807

The discount rate was 1.0% for the years ended June 30, 2024 and 2023.

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

	2024	2023
Restricted for purpose or time	$ 1,365,494	$ 71,807
Held in perpetuity	100,000	100,000
TOTAL	$ 1,465,494	$ 171,807

6. ALLOWANCE FOR CREDIT LOSSES / DOUBTFUL ACCOUNTS

The following table presents an analysis of the allowance for credit losses for the year ended June 30, 2024 and the allowance for doubtful accounts for the year ended June 30, 2023 on accounts and loans receivable:

	2024	2023
Balance, beginning of year	$ 2,262,469	$ 3,263,071
Provision	972,046	826,556
Amounts written off	(629,742)	(1,841,700)
Collections on amounts previously written off	39,689	14,542
BALANCE, END OF YEAR	$ 2,644,462	$ 2,262,469

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, 2023. 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, 2024 and 2023, the present value was estimated using an annualized growth rate of 5.40% and 5.40%, respectively, and a discount rate of 3.50% and 2.75%, respectively. The change in value of these split-interest agreements for the year ended June 30, 2024 and 2023 resulted in gains of $5,918 and $47,395, respectively.

8. LAND, BUILDINGS, AND EQUIPMENT

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

	2024	2023
Land	$ 1,919,643	$ 1,919,643
Construction in progress	776,080	577,502
Buildings	72,647,481	72,413,152
Building - other improvements and athletic field	12,279,840	12,541,394
Equipment	11,237,550	10,619,555
Subtotal	98,860,594	98,071,246
Less accumulated depreciation	(40,391,175)	(40,186,679)
TOTAL	$ 58,469,419	$ 57,884,567

Not included in construction in progress is $132,967 and $1,066,452 of outstanding commitments on construction contracts as of June 30, 2024 and 2023, respectively.

Purchases of land, buildings, and equipment for the year ended June 30, including purchases included in accounts payable at June 30 and finance lease right-of-use assets exchanged for finance lease obligations, are funded as follows:

	2024	2023
Net assets with donor restrictions subject to purpose or time	$ 3,935,683	$ 1,986,918
Other	930,156	1,810,125
TOTAL	$ 4,865,839	$ 3,797,043

8. LAND, BUILDINGS, AND EQUIPMENT (Continued)

In March 2022, the University began demolition of Gross Hall, a dormitory, that was completed in August 2022. For the years ended June 30, 2024 and 2023, the University incurred demolition costs of $0 and $321,797, respectively.

In March 2022, the University also began significant repairs to two sections of utility tunnels, which were completed in September 2022 with a total cost of $406,502.

To fund both the demolition and the tunnel repairs, the Board of Regents authorized a special endowment payout of up to $1,800,000. This resulted in a special payout of $631,841 during the year ended June 30, 2023.

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, 2024 and 2023 to be $533,296 and $526,513, respectively, which is included in the accounts payable and other liabilities line in the consolidated statements of financial position.

10. LOANS, BONDS PAYABLE, AND OBLIGATIONS UNDER FINANCE LEASE

Loans payable at June 30 are summarized as follows:

	2024	2023
LCEF Loan $12.5 Million	$ 8,413,812	$ 8,849,662
LCEF Loan $6.75 Million	5,217,099	5,485,659
LCEF Loan $2 Million	1,781,743	-
Busey Bank Loan	11,364,027	11,895,854
Sodexo Cafeteria Loan	1,814,618	1,996,096
Line of credit - LCEF	7,700,000	-
Total loans payable	36,291,299	28,227,271
Unamortized costs - beginning of year	(101,329)	(127,565)
Amortizable costs expended	(10,000)	-
Amortization	19,992	26,236
Unamortized costs - end of year	(91,337)	(101,329)
TOTAL LOANS PAYABLE NET OF AMORTIZABLE DEBT COSTS	$ 36,199,962	$ 28,125,942

LCEF Loan $12.5 Million

On July 1, 2013, the University obtained a loan from LCEF in the amount of $12,500,000, which was amended and restated on November 1, 2022. The loan matures on July 1, 2033. The loan carries a variable interest rate, to be adjusted on July 1, 2018, and every five years thereafter (Interest Reset Date). Required monthly payments of principal and interest, combined, are also to be adjusted on the Interest Reset Date. A balloon payment of all remaining amounts is due on the maturity date. Effective July 1, 2023, the interest rate was adjusted to 4%, and the monthly payments were adjusted to $65,185. Interest expense on this loan reported in the consolidated statements of activities for the years ended June 30, 2024 and 2023 was $345,100 and $316,807, respectively.

On November 1, 2022, the LCEF Loan $12.5 Million, LCEF Loan $6.75 Million, and the Available line of credit - LCEF (LCEF Loans) agreements were consolidated and restated to reflect changes to the variable interest rate determination on the LCEF Interest Reset Date, debt service coverage ratio, and certain other covenants. The consolidated loan agreement also provides for cross-default under any of the LCEF Loans. On March 21, 2024, in connection with issuance of the LCEF Loan $2 Million described below, the LCEF Loans were again consolidated and restated to provide for cross-default under any of the LCEF Loans and the LCEF Loan $2 Million. In addition, the LCEF Loan $12.5 Million continues to be subject to various covenants as well as a security agreement covering both the LCEF Loan $12.5 Million and the 2013 IFA Bonds (the Security Agreement). Subsequent to year end, LCEF has issued a waiver of default with respect to a covenant violation. As of June 30, 2024, the University was not in compliance with the debt service coverage ratio required to be maintained under the covenants.

10. LOANS, BONDS PAYABLE, AND OBLIGATIONS UNDER FINANCE LEASE (Continued)

LCEF Loan $12.5 Million (Continued)

This loan requires a security interest in the investments held by the University. In addition, 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 LCEF Loan $12.5 Million and the 2013 IFA Bonds. LCEF and the 2013 IFA Bonds purchaser share this collateral under an intercreditor agreement.

LCEF Loan $6.75 Million

On August 18, 2016, the University obtained a loan from LCEF in the amount of $6,750,000, which was amended and restated as of August 16, 2017, and on November 1, 2022. The loan matures on July 2, 2038. The loan carries a variable interest rate, to be adjusted every five years (Interest Reset Date). Effective July 1, 2023 the interest rate was adjusted from 3.375% to 4.125%, and the monthly payments were adjusted from of $38,715 to $40,748 (principal and interest, combined), Monthly payments 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 years ended June 30, 2024 and 2023, was $219,722 and $189,411, respectively.

LCEF Loan $2 Million

On March 21, 2024, the University obtained a loan from LCEF in the amount of $2,000,000, scheduled to mature on September 21, 2028 (the LCEF Loan $2M). The loan is payable in 53 consecutive payments of interest only, beginning on April 21, 2024, and continuing monthly thereafter. An aggregate principal payment of $100,000 was due on or before June 30, 2024, and annual principal payments in the aggregate amount of $200,000 are required, beginning on or before June 30, 2025, and continuing annually thereafter. The note contains a provision that 50% of unrestricted bequests received by the University will be applied toward the required principal payments, with a maximum principal applied per year of $500,000. The resulting principal payment for the year ended June 30, 2024 was $218,257. The unpaid principal balance is due upon maturity. The initial variable interest rate is 5.375% and may change on March 21, 2025, and annually thereafter. Interest expense on this loan reported in the consolidated statement of activities for the year ended June 30, 2024 was $27,657.

Available Line of Credit - LCEF

Effective November 13, 2020, the LCEF extended a $9,000,000 line of credit to the University, which was in effect during the years ended June 30, 2024 and 2023. Monthly payments of accrued interest are required. The current maturity date on the available line of credit is February 13, 2027. The line of credit requires a rest period at a zero balance for 30 consecutive days, semi-annually (July-December and January-June) during each fiscal year.

10. LOANS, BONDS PAYABLE, AND OBLIGATIONS UNDER FINANCE LEASE (Continued)

Available Line of Credit – LCEF (Continued)

The floating interest rate paid on funds advanced to the University was 5.75% and 4.375% on June 30, 2024 and 2023, respectively. Interest expense on the line of credit reported in the consolidated statements of activities for the years ended June 30, 2024 and 2023 was $88,600 and $146,227, respectively.

Busey Bank Loan

On June 29, 2018, the University obtained a bank loan from Busey Bank in the amount of $12,800,000, which was amended on September 2, 2020, April 14, 2023, and amended and restated on March 28, 2024. The loan carries an interest rate based on 1-Month Term SOFR plus 135 basis points, which was 6.679% and 6.522% at June 30, 2024 and 2023, respectively. Monthly payments of accrued interest began on August 1, 2018, with additional monthly principal payments of $44,554 which began on September 1, 2021, amortized on a 20-year basis, and a balloon payment of all remaining amounts due on the maturity date of June 29, 2030. 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 years ended June 30, 2024 and 2023 was $786,021 and $639,729, respectively.

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 provides for a floating rate equal to the interest being paid on the Busey Bank Loan and requires a security interest in the investments held by the University throughout the amended term of the Busey Bank Loan.

The Busey Bank Loan is subject to various covenants as well as the Security Agreement. Among such covenants, the University is required to maintain a minimum amount of unrestricted funds and funds subject to donor restrictions that are temporary in nature in its endowment investment account. From December 31, 2023, through and including June 30, 2024, such funds must be equal to 115% of the outstanding principal amount outstanding on the Busey Bank Loan. The percentage increases to 120% of the outstanding principal amount from December 31, 2024 through and including June 30, 2025, to 125% of the outstanding principal amount from December 31, 2025 through and including June 30, 2026, and 133% of the outstanding principal amount from December 31, 2026 and thereafter. The University is also required to submit audited financial statements to Busey Bank within 150 days of the end of the fiscal year. As of June 30, 2024, management's opinion is there are no violations of the covenants.

10. LOANS, BONDS PAYABLE, AND OBLIGATIONS UNDER FINANCE LEASE (Continued)

Sodexo Cafeteria Loan

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.

Bonds payable at June 30, 2024 and 2023 are summarized as follows:

	2024	2023
Illinois Finance Authority Bonds	$ 7,690,000	$10,370,000
Unamortized costs, beginning of year	-	(11,969)
Additions	(287,216)	-
Amortization	69,825	11,969
Unamortized costs, end of year	(217,391)	-
TOTAL DEBT NET OF AMORTIZABLE DEBT COSTS	$ 7,472,609	$10,370,000

Illinois Finance Authority Bonds

On July 1, 2013, the University issued $17,000,000 in variable rate tax-exempt revenue refunding bonds through the Illinois Finance Authority (IFA), which were amended on July 2, 2018, and amended and restated on March 28, 2024. Busey Bank will continue to retain the existing bond for a new interest period that extends to, but not including, January 3, 2028. On March 28, 2024, the amended bond was executed and delivered as a single fully registered bond in the denomination of $7,860,000, which was the outstanding principal amount of the existing bond as of March 28, 2024, after giving effect to the prepayment made through the acquisition of the LCEF Loan $2M as described above.

The bonds mature on July 1, 2033, but are subject to mandatory tender for purchase on each purchase date, as defined in the amended and restated bond and loan agreement, at which time the bond may be retained by the initial purchaser, remarketed to a new purchaser, or purchased by the University. The next purchase date on which the bonds are subject to mandatory tender for purchase is January 3, 2028. The interest rate on the bonds will be adjusted at that time.

10. LOANS, BONDS PAYABLE, AND OBLIGATIONS UNDER FINANCE LEASE (Continued)

Illinois Finance Authority Bonds (Continued)

Effective October 1, 2013, quarterly principal payments of $170,000 were required to be made with a balloon payment of all remaining amounts due on the maturity date. The interest rate, effective July 2, 2018, equaled 70.5% of the sum of the applicable margin plus the one-month LIBOR, or an alternative index rate designated by Busey Bank. The applicable margin was set at 175 basis points. The interest rate at June 30, 2023 was 6.522%.

Beginning April 1, 2024, quarterly principal payments of $170,000 are required, with a final principal payment at maturity on July 1, 2033. The bond is subject to mandatory sinking fund redemption. Interest is payable monthly. The interest rate equals 83% of the sum of the applicable margin plus the 30-day Term SOFR, or an alternative index rate designated by Busey Bank. The applicable margin is set at 250 basis points. The interest rate at June 30, 2024 and 2023 was 6.5% and 6.52%, respectively. Interest expense on the bonds reported in the consolidated statements of activities for the years ended June 30, 2024 and 2023 was $619,543 and $427,759, respectively.

The bonds, held by a single purchaser, are subject to various covenants as well as the Security Agreement. As of June 30, 2024, management's opinion is there are no violations 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 the LCEF loans and the IFA Bonds. LCEF and the IFA Bonds purchaser share this collateral under an intercreditor agreement.

Obligations Under Finance Lease

The University is leasing various equipment under finance leases expiring through July 2028. Finance lease right-of-use assets with a balance at June 30, 2024 and 2023 of $279,065 and $208,828, respectively, are included in land, buildings and equipment on the consolidated statements of financial position. The weighted average remaining finance lease term in years is 3.4 and the weighted average discount rate is 3.21% at June 30, 2024.

10. LOANS, BONDS PAYABLE, AND OBLIGATIONS UNDER FINANCE LEASE (Continued)

The following summarizes the components of lease cost at June 30, 2024 and 2023:

	2024	2023
Amortization of right-of-use assets	$ 88,772	$ 47,374
Interest on lease liabilities	21,774	10,779
TOTAL FINANCE LEASE COSTS	$ 110,546	$ 58,153

The following summarizes cash flow information related to leases for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ 21,774	$ 10,779
Financing cash flows from finance leases	74,421	77,334

Minimum Payment Schedule

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

Years Ending June 30,	Loans Payable	Bonds Payable	Finance Lease Obligation	Total
2025	$ 9,358,974	$ 680,000	$ 95,983	$ 10,134,957
2026	1,701,114	680,000	97,041	2,478,155
2027	1,745,384	680,000	96,778	2,522,162
2028	1,791,247	5,650,000	50,367	7,491,614
2029	2,620,506	-	1,903	2,622,409
2030 and thereafter	19,074,074	-	-	19,074,074
Total future undiscounted lease payments	36,291,299	7,690,000	342,072	44,323,371
Less amount representing interest	-	-	(37,440)	(37,440)
TOTAL	$ 36,291,299	$ 7,690,000	$ 304,632	$ 44,285,931

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 income (expense) on the swap agreement was $521,544 and ($364,095) for the years ended June 30, 2024 and 2023, respectively.

The University modified the $12,800,000 interest rate swap agreement effective June 2, 2023, with a beginning notional amount of $11,895,854. The termination date of June 29, 2030 was unchanged. The agreement 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 USD-SOFR CME Term, commencing July 3, 2023.

12. NET ASSETS

Net assets are summarized by fund, at June 30, 2024, as follows:

		With Donor Restrictions			
	Without Donor Restrictions	Restricted by Purpose or Time	To be Held in Perpetuity	Total	Grand Total
Operating funds	$ (3,782,191)	$ 3,262,324	$ -	$ 3,262,324	$ (519,867)
Endowment and similar funds (Note 14)	10,065,795	7,455,051	14,924,380	22,379,431	32,445,226
Net investment in plant	22,192,216	-	-	-	22,192,216
Funds held in trust	162,307	642,465	1,143,987	1,786,452	1,948,759
Charitable remainder and lead trust	-	414,176	274,317	688,493	688,493
Other	-	-	348,410	348,410	348,410
TOTAL NET ASSETS	$ 28,638,127	$ 11,774,016	$ 16,691,094	$ 28,465,110	$ 57,103,237

12. NET ASSETS (Continued)

Net assets are summarized by fund, at June 30, 2023, 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	$ 217,665	$ 2,163,807	$ -	$ 2,163,807	$ 2,381,472
Endowment and similar funds (Note 14)	9,254,983	5,357,260	13,864,062	19,221,322	28,476,305
Net investment in plant	19,067,251	-	-	-	19,067,251
Funds held in trust	162,313	430,922	1,143,987	1,574,909	1,737,222
Charitable remainder and lead trust	-	390,523	643,541	1,034,064	1,034,064
Other	-	-	338,222	338,222	338,222
TOTAL NET ASSETS	$ 28,702,212	$ 8,342,512	$ 15,989,812	$ 24,332,324	$ 53,034,536

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following specific purposes at June 30, 2024:

	Restricted by Purpose or Time	To be Held in Perpetuity	Total
Purpose restrictions			
Academic programs			
Instruction/divisional	$ 680,718	$ 603,091	$ 1,283,809
Other instructional programs	205,681	268,304	473,985
Student services	519,696	49,973	569,669
Institutional support	305,682	130,611	432,293
Fundraising	6,347	-	6,347
Auxiliary enterprises	17,432	273,236	290,668
Student aid	3,984,100	14,618,207	18,602,307
Student loans	-	15,874	15,874
Debt repayment	4,120,595	-	4,120,595
Future capital expenditures	1,106,350	-	1,106,350
General operational purposes	-	731,798	731,798
Time restrictions	827,415	-	827,415
TOTAL	$ 11,774,016	$ 16,691,094	$ 28,465,110

13. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are available for the following specific purposes at June 30, 2023:

	Restricted by Purpose or Time	To be Held in Perpetuity	Total
Purpose restrictions			
Academic programs			
Instruction/divisional	$ 751,921	$ 602,892	$ 1,354,813
Other instructional programs	165,084	263,304	428,388
Student services	619,739	49,973	669,712
Institutional support	287,705	130,611	418,316
Fundraising	13,566	-	13,566
Auxiliary enterprises	125,286	273,236	398,522
Student aid	2,246,586	13,888,995	16,135,581
Student loans	-	15,874	15,874
Debt repayment	3,623,766	-	3,623,766
Future capital expenditures	9,274	-	9,274
General operational purposes	-	764,927	764,927
Time restrictions	499,585	-	499,585
TOTAL	$ 8,342,512	$ 15,989,812	$ 24,332,324

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:

	2024	2023
Academic programs		
Instruction/divisional	$ 97,280	$ 87,777
Other instructional programs	50,821	45,530
Student services	441,155	404,342
Institutional support	42,963	30,980
Student aid	3,488,376	3,055,137
TOTAL	$ 4,120,595	$ 3,623,766

14. ENDOWMENT

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Regents to function as endowment. Net assets associated with endowment funds, including funds designated by the board, are classified and reported based on existence or absence of donor-imposed restriction.

The Board of Regents of the University have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation 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 deciding 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.

The University has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. 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 $25,538, a current fair value of $23,314, and a deficiency of $2,224 as of June 30, 2024; and an original gift value of $664,371, a current fair value of $635,857 and a deficiency of $28,514 as of June 30, 2023. 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 calendar year prior to the 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, 2023, an additional special endowment payout was authorized and is included within operating activities in the consolidated 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, 2024:

		With Donor Restrictions			
	Without Donor Restrictions	Restricted by Purpose or Time	To be Held in Perpetuity	Total	Grand Total
Donor-restricted endowment funds	$ -	$ 7,455,051	$ 14,924,380	$ 22,379,431	$ 22,379,431
Board-designated endowment funds	10,065,795	-	-	-	10,065,795
TOTAL FUNDS	$ 10,065,795	$ 7,455,051	$ 14,924,380	$ 22,379,431	$ 32,445,226

14. ENDOWMENT (Continued)

During the year ended June 30, 2024, the University had the following endowment related activities:

	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
Endowment net assets, beginning of year	$ 9,254,983	$ 5,357,260	$ 13,864,062	$ 19,221,322	$ 28,476,305
Investment return					
Investment income	205,099	443,673	-	443,673	648,772
Net appreciation (realized/unrealized)	934,408	2,125,743	-	2,125,743	3,060,151
Total return	1,139,507	2,569,416	-	2,569,416	3,708,923
Contributions	-	222,118	708,835	930,953	930,953
Transfers to endowment funds	48,192	-	351,483	351,483	399,675
Appropriations of endowment assets for expenditures	(376,887)	(693,743)	-	(693,743)	(1,070,630)
TOTAL FUNDS	$ 10,065,795	$ 7,455,051	$ 14,924,380	$ 22,379,431	$ 32,445,226

The composition of endowment funds by type of fund as of June 30, 2023:

	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
Donor-restricted endowment funds	$ -	$ 5,357,260	$ 13,864,062	$ 19,221,322	$ 19,221,322
Board-designated endowment funds	9,254,983	-	-	-	9,254,983
TOTAL FUNDS	$ 9,254,983	$ 5,357,260	$ 13,864,062	$ 19,221,322	$ 28,476,305

14. ENDOWMENT (Continued)

During the year ended June 30, 2023, the University had the following endowment related activities:

	Without Donor Restrictions	With Donor Restrictions			Grand Total
		Restricted by Purpose or Time	To be Held in Perpetuity	Total	
Endowment net assets, beginning of year	$ 9,042,693	$ 3,729,160	$ 12,632,416	$ 16,361,576	$ 25,404,269
Investment return					
Investment income	311,318	471,792	-	471,792	783,110
Net appreciation (realized/unrealized)	852,444	1,360,232	-	1,360,232	2,212,676
Total return	1,163,762	1,832,024	-	1,832,024	2,995,786
Contributions	60,636	387,384	1,231,646	1,619,030	1,679,666
Transfers to endowment funds	30,000	41,208	-	41,208	71,208
Appropriations of endowment assets for expenditures	(1,042,108)	(632,516)	-	(632,516)	(1,674,624)
TOTAL FUNDS	$ 9,254,983	$ 5,357,260	$ 13,864,062	$ 19,221,322	$ 28,476,305

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:

	2024	2023
Purpose restrictions accomplished		
Academic programs		
Instructional/divisional	$ 521,626	$ 715,774
Other instructional programs	11,598	22,771
Student services	172,204	607,644
Institutional support	134,199	54,798
Fundraising	23,809	840
Auxiliary services	197,455	12,081
Student aid	1,452,357	1,483,153
Net investment in plant	3,715,950	9,281
TOTAL	$ 6,229,198	$ 2,906,342

16. FAIR VALUE MEASUREMENTS

The following table summarizes assets by fair value input levels as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
ASSETS				
Interest rate swap agreement	$ -	$ 1,650,224	$ -	$ 1,650,224
Charitable remainder and lead trusts	-	-	688,493	688,493
Funds held in trust	-	-	1,948,759	1,948,759
Investments				
Mutual funds				
Equities	21,198,851	-	-	21,198,851
Fixed income	7,368,650	-	-	7,368,650
Real estate	2,897,506	-	-	2,897,506
Equity securities	15,134	-	-	15,134
Total	31,480,141	-	-	31,480,141
Cash and cash equivalents*				1,056,768
Certificates of deposit*				205,750
Total investments				$ 32,742,659
TOTAL ASSETS AT FAIR VALUE	$ 31,480,141	$ 1,650,224	$ 2,637,252	

16. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes assets by fair value input levels as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
ASSETS				
Interest rate swap agreement	$ -	$ 1,792,378	$ -	$ 1,792,378
Charitable remainder and lead trusts	-	-	1,034,064	1,034,064
Funds held in trust	-	-	1,737,222	1,737,222
Investments				
Mutual funds				
Equities	19,518,741	-	-	19,518,741
Fixed income	6,202,597	-	-	6,202,597
Real estate	2,481,894	-	-	2,481,894
Equity securities	13,096	-	-	13,096
Notes, bonds, and debt securities	-	7,025	-	7,025
Total	28,316,328	7,025	-	28,223,353
Cash and cash equivalents*				228,475
Total investments				$ 28,451,828
TOTAL ASSETS AT FAIR VALUE	$ 28,316,328	$ 1,799,403	$ 2,771,286	

* Reported at cost.

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

	2024	2023
Investments available for operations	$ 91,683	$ -
Investments designated for endowment	10,065,795	9,230,506
Investments restricted to endowment	22,379,431	19,221,322
Investments restricted to long-term use	205,750	-
TOTAL	$ 32,742,659	$ 28,451,828

16. FAIR VALUE MEASUREMENTS (Continued)

A rollforward of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2024 is as follows:

	Charitable Lead and Remainder Trusts	Funds Held in Trust	Total
FAIR VALUE, JULY 1, 2023	$ 1,034,064	$ 1,737,222	$ 2,771,286
Net change in value	5,918	229,140	235,058
Trust assets added	-	42,667	42,667
Trust assets distributed	(351,489)	(60,270)	(411,759)
FAIR VALUE, JUNE 30, 2024	$ 688,493	$ 1,948,759	$ 2,637,252

A rollforward of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2023 is as follows:

	Charitable Lead and Remainder Trusts	Funds Held in Trust	Total
FAIR VALUE, JULY 1, 2022	$ 986,669	$ 1,411,101	$ 2,397,770
Net change in value	58,075	176,737	234,812
Trust assets added	-	204,083	204,083
Trust assets distributed	(10,680)	(54,699)	(65,379)
FAIR VALUE, JUNE 30, 2023	$ 1,034,064	$ 1,737,222	$ 2,771,286

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.

The University evaluates their uncertain tax positions on an annual basis, and there have been no recorded uncertain tax position recorded in 2023, 2022, and 2021. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. The University files various federal and state non-profit tax returns. The University is no longer subject to U.S. Federal or state examinations by tax authorities prior to 2020.

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 Option for which the University contributed 8.90% and 8.50% of the salaries of covered employees during the year ended June 30, 2024 and 2023, respectively. 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. A provision exists whereby employers who exit the plan will be charged a withdrawal liability if the plan is underfunded at that time. Retirement and survivor program expenses for the years ended June 30, 2024 and 2023 totaled $1,607,680 and $1,638,713, 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

A reconciliation of the University's total interest paid to interest expense included in the consolidated statements of activities is as follows:

	2024	2023
Total interest expense	$ 1,540,523	$ 1,362,923
Interest expense capitalized	46,351	3,695
Interest expense (accrued) deferred	44,510	(29,081)
TOTAL INTEREST PAID	$ 1,631,384	$ 1,337,537

21. RELATED PARTIES

During the years ended June 30, 2024 and 2023, the University received contributions of $254,127 and $312,652, respectively, from members of Concordia University Chicago's Board of Regents and $57,848 and $27,904, respectively, from members of the Foundation's Board of Directors. Outstanding contributions receivable from related parties totaled $37,792, and $300 at June 30, 2024 and 2023, respectively.

22. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after year end but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after that date (that is, non-recognized subsequent events).

In July 2024, the University sold three existing cell tower leases to Wireless Propco, LLC for $2,528,000. In advance of the closing, the University also agreed to a prepayment of $500,000 on the 2013 IFA Bonds. The closing on the sale of the leases occurred on July 29, 2024, and the prepayment on the bonds occurred in two payments of $250,000 each on July 31, 2024, and August 23, 2024, respectively.

The University has evaluated subsequent events through October 11, 2024, which is the date the consolidated financial statements were available to be issued and noted no additional items requiring disclosure.