

**Concordia University Irvine
An Educational Institution of
The Lutheran Church - Missouri Synod**

Financial Statements and
Federal Awards

June 30, 2022

Concordia University Irvine
An Educational Institution of The Lutheran Church - Missouri Synod

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Independent Auditors' Report

To the Board of Regents of
Concordia University Irvine

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Concordia University Irvine (the University), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 financial statements.

In performing an audit in accordance with GAAS 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and financial responsibility supplemental schedule, as required by Title 34 CFR Section 68.172, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 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.

Baker Tilly US, LLP

Minneapolis, Minnesota

December 14, 2022, except for the schedule of expenditures of federal awards and Note 23 as to which the date is March 29, 2023

Concordia University Irvine
An Educational Institution of The Lutheran Church - Missouri Synod

Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash in bank	\$ 2,618,735	\$ 8,072,131
Funds on deposit with related parties (Note 8)	<u>21,813,856</u>	<u>16,705,688</u>
Cash and cash equivalents	24,432,591	24,777,819
Receivables:		
Student accounts, net of allowance for doubtful accounts of \$575,000 in 2022 and \$715,000 in 2021	1,264,369	1,363,374
Contributions, net (Note 18)	25,554,575	23,437,308
Other	432,500	582,605
Prepaid expenses and other assets (Notes 8, 9)	3,031,749	2,532,372
Note receivable (Note 19)	553,831	500,008
Long-term investments (Note 5)	54,996,299	55,839,316
Beneficial interest in split-interest agreements (Note 10)	1,107,994	1,298,568
Beneficial interest in perpetual funds (Note 11)	2,965,740	3,641,209
Interest in net assets of Concordia University Foundation (Note 3)	7,727,376	7,800,563
Land, buildings and equipment, net (Note 12)	<u>97,552,543</u>	<u>94,846,217</u>
Total assets	<u><u>\$ 219,619,567</u></u>	<u><u>\$ 216,619,359</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,538,777	\$ 1,069,203
Accrued liabilities	5,371,043	5,858,198
Deferred revenue	9,248,422	9,017,788
Endowment assets held for the Foundation (Note 3)	6,029,898	7,043,797
Due to Foundation (Note 3)	1,136,248	128,430
Bonds and leases payable, net (Notes 13, 14)	<u>29,791,622</u>	<u>28,778,661</u>
Total liabilities	<u>53,116,010</u>	<u>51,896,077</u>
Net Assets		
Net assets without donor restrictions	94,060,953	89,509,858
Net assets with donor restrictions: (Note 6)		
Restricted by purpose or time	40,205,323	44,801,314
Restricted in perpetuity	<u>32,237,281</u>	<u>30,412,110</u>
Total net assets	<u>166,503,557</u>	<u>164,723,282</u>
Total liabilities and net assets	<u><u>\$ 219,619,567</u></u>	<u><u>\$ 216,619,359</u></u>

See notes to financial statements

Concordia University Irvine
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Statement of Activities

Year Ended June 30, 2022 With Comparative Totals for the Year Ended June 30, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Activities				
Operating revenues, gains and other support:				
Tuition and fees, net of scholarships of \$27,887,884 in 2022 and \$28,377,720 in 2021	\$ 55,856,330	\$ -	\$ 55,856,330	\$ 59,536,350
Government and other grants	6,367,343	-	6,367,343	4,278,935
Contributions	-	1,562,251	1,562,251	2,859,804
Long-term investment income and gains allocated to operations	-	1,038,044	1,038,044	881,736
Sales and services of auxiliary enterprises	10,467,147	-	10,467,147	7,019,473
Forgiveness to Concordia University Foundation (Note 3)	(949,671)	-	(949,671)	(766,974)
Other income	78,337	-	78,337	428,481
	71,819,486	2,600,295	74,419,781	74,237,805
Net assets released from restrictions (Note 7)	2,467,254	(2,467,254)	-	-
Total operating revenues, gains and other support	74,286,740	133,041	74,419,781	74,237,805
Operating expenses:				
Educational and general:				
Academic programs:				
Instruction, divisional	32,103,278	-	32,103,278	30,296,458
Other instructional programs	131,467	-	131,467	104,863
Support programs:				
Academic support	4,286,845	-	4,286,845	4,493,280
Student services	18,042,511	-	18,042,511	13,701,768
Institutional support	13,706,689	-	13,706,689	12,623,094
	68,270,790	-	68,270,790	61,219,463
Auxiliary enterprises	7,965,494	-	7,965,494	6,888,000
Total operating expenses	76,236,284	-	76,236,284	68,107,463
Change in net assets from operating activities	(1,949,544)	133,041	(1,816,503)	6,130,342
Nonoperating Activities				
Long-term investment earnings	(1,856,260)	(3,405,020)	(5,261,280)	9,051,362
Less long-term investment income and gains allocated to operations	-	(1,038,044)	(1,038,044)	(881,736)
	(1,856,260)	(4,443,064)	(6,299,324)	8,169,626
Contributions, capital giving activities and endowments	430,292	2,642,105	3,072,397	27,898,335
Contributed property to be held for investment	7,731,700	-	7,731,700	-
Change in interest in net assets of Concordia University Foundation (Note 3)	-	(73,187)	(73,187)	1,190,405
Change in value of beneficial interest in split-interest agreements	-	(150,335)	(150,335)	52,118
Change in value of beneficial interest in perpetual funds	-	(679,381)	(679,381)	815,099
Gain on interest rate exchange agreement	-	-	-	623,949
Loss on disposal of capital assets	(5,092)	-	(5,092)	-
Other nonoperating expenses	-	-	-	(139,299)
Net assets released from restrictions (Note 7)	199,999	(199,999)	-	-
Change in net assets from nonoperating activities	6,500,639	(2,903,861)	3,596,778	38,610,233
Change in net assets	4,551,095	(2,770,820)	1,780,275	44,740,575
Net Assets, Beginning	89,509,858	75,213,424	164,723,282	119,982,707
Net Assets, Ending	\$ 94,060,953	\$ 72,442,604	\$ 166,503,557	\$ 164,723,282

See notes to financial statements

Concordia University Irvine
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Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Operating revenues, gains and other support:			
Tuition and fees, net of scholarships of \$28,377,720	\$ 59,536,350	\$ -	\$ 59,536,350
Government and other grants	4,278,935	-	4,278,935
Contributions, operating	-	2,859,804	2,859,804
Long-term investment income and gains allocated to operations	-	881,736	881,736
Sales and services of auxiliary enterprises	7,019,473	-	7,019,473
Forgiveness to Concordia University Foundation (Note 3)	(766,974)	-	(766,974)
Other income	428,481	-	428,481
	70,496,265	3,741,540	74,237,805
Net assets released from restrictions (Note 7)	1,828,809	(1,828,809)	-
Total operating revenues, gains and other support	72,325,074	1,912,731	74,237,805
Operating expenses:			
Educational and general:			
Academic programs:			
Instruction, divisional	30,296,458	-	30,296,458
Other instructional programs	104,863	-	104,863
Support programs:			
Academic support	4,493,280	-	4,493,280
Student services	13,701,768	-	13,701,768
Institutional support	12,623,094	-	12,623,094
	61,219,463	-	61,219,463
Auxiliary enterprises	6,888,000	-	6,888,000
Total operating expenses	68,107,463	-	68,107,463
Change in net assets from operating activities	4,217,611	1,912,731	6,130,342
Nonoperating Activities			
Long-term investment earnings	2,717,205	6,334,157	9,051,362
Less long-term investment income and gains allocated to operations	-	(881,736)	(881,736)
	2,717,205	5,452,421	8,169,626
Contributions, capital giving activities and endowments	692,710	27,205,625	27,898,335
Change in interest in net assets of Concordia University Foundation (Note 3)	-	1,190,405	1,190,405
Change in value of beneficial interest in split-interest agreements	-	52,118	52,118
Change in value of beneficial interest in perpetual funds	-	815,099	815,099
Gain on interest rate exchange agreement	623,949	-	623,949
Loss on disposal of capital assets	-	-	-
Other nonoperating expenses	(139,299)	-	(139,299)
Net assets released from restrictions (Note 7)	901,728	(901,728)	-
Change in net assets from nonoperating activities	4,796,293	33,813,940	38,610,233
Change in net assets	9,013,904	35,726,671	44,740,575
Net Assets, Beginning	80,495,954	39,486,753	119,982,707
Net Assets, Ending	\$ 89,509,858	\$ 75,213,424	\$ 164,723,282

See notes to financial statements

Concordia University Irvine
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Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 1,780,275	\$ 44,740,575
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	6,057,125	5,897,445
Loss on disposal of capital assets	5,092	-
Change in allowance for doubtful accounts	(140,000)	(211,561)
Gain on interest rate exchange agreement	-	(623,949)
Change in value of beneficial interest in split-interest agreements	190,574	(468,670)
Change in value of beneficial interest in perpetual funds	679,381	(815,099)
Net (gain) loss on long-term investments	6,445,190	(9,169,776)
Contributed property to be held for investment	(7,731,700)	-
Change in interest in net assets of Concordia University Foundation, net (Note 3)	73,187	(1,190,405)
Amortization of debt acquisition costs	39,800	179,100
Amortization of bond premium	(211,471)	-
(Increase) decrease in assets:		
Student accounts receivables	239,005	450,529
Contributions receivable	192,005	366,000
Other receivables	150,105	(68,779)
Prepaid expenses and other assets	(499,377)	97,980
Increase (decrease) in liabilities:		
Accounts payable	858,898	(542,180)
Accrued liabilities	(487,155)	164,998
Due to Foundation	1,007,818	(4,825)
Deferred revenue	230,634	(39,135)
Contributions restricted for permanent endowments	(1,578,215)	(1,518,704)
Contributions restricted for land, buildings and equipment	(1,063,890)	(25,686,921)
Net cash flows from operating activities	6,237,281	11,556,623
Cash Flows From Investing Activities		
Purchases of land, buildings and equipment	(6,634,569)	(3,954,912)
Endowment assets held for the Foundation	(1,013,899)	1,318,402
Proceeds from sale of long-term investments	47,442,385	40,729
Purchases of long-term investments	(53,044,558)	(2,104,428)
Change in note receivable held as endowment investment	(53,823)	211,509
Net cash flows from investing activities	(13,304,464)	(4,488,700)
Cash Flows From Financing Activities		
Contributions received restricted for		
Investment in permanent endowments	688,595	2,279,713
Investment in land, buildings and equipment	7,372,026	6,171,424
Principal repayments of bonds and leases payable	(1,338,666)	(4,279,861)
Payment of bond issuance costs	-	(289,597)
Payment to terminate interest rate exchange agreement	-	(1,203,378)
Net cash flows from financing activities	6,721,955	2,678,301
Net change in cash and cash equivalents	(345,228)	9,746,224
Cash and Cash Equivalents, Beginning	24,777,819	15,031,595
Cash and Cash Equivalents, Ending	\$ 24,432,591	\$ 24,777,819
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 937,441	\$ 454,436
Noncash Investing and Financing Activities		
Property payables included in accounts payable and accrued expenses	\$ 133,922	\$ 523,246
Bond proceeds of \$23,770,000, plus premium of \$4,229,424, less underwriter's discount of \$182,034 deposited directly with the Trustee	\$ -	\$ 27,817,390
Principal paid directly from bond proceeds and premium deposited with Trustee	\$ -	\$ 27,817,390
Change in lease liability and asset related to anticipated extension of lease agreement	\$ 2,351,627	\$ -

See notes to financial statements

Concordia University Irvine

An Educational Institution of The Lutheran Church - Missouri Synod

Notes to Financial Statements
June 30, 2022 and 2021

1. Nature of the Organization

Concordia University Irvine (the University), a California not-for-profit corporation, is a private, Lutheran educational institution centered in the liberal arts. It is operated under the auspices of The Lutheran Church - Missouri Synod (the Synod), a Missouri not-for-profit corporation headquartered in St. Louis, Missouri. The University's Board of Regents, responsible for the management of the University, consists of up to eighteen voting Members (four of whom are elected by the Synod), and four non-voting, advisory Members.

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

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

CUS, a not-for-profit corporate entity, broadly oversees the activities of six universities, including Concordia University Irvine, 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 LCMS congregations across the country and around the world. The district in which Concordia University Irvine is located, the Pacific Southwest District, elects four members of the University's Board of Regents.

The majority of the students enrolled at the University rely, at least in part, on funds received from Federal financial aid and loan programs under the Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. As an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the United States Department of Education.

The University and its Foundation, Concordia University Foundation (CUF), are financially interrelated organizations as defined in financial accounting standards. The University has recorded its interest in CUF assets as described in Note 3.

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Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies

The accounting policies of the University reflect practices common to college and universities and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

General

For the purposes of financial reporting, the University classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the University are classified in the accompanying financial statements in the categories that follow:

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time or maintained in perpetuity by the University. Generally, the donors of assets held in perpetuity permit the University to use all or part of the income earned on related investments for general or specific purposes.

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations. The Board of Regents has established policies to designate a portion of bequests, absent donor restrictions, received by the University as quasi endowment so that the funds can be invested and provide sustainable income streams for operating needs.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income earned on donor restricted funds is initially classified as net assets with donor restrictions and is reclassified as net assets without donor restrictions when expenses are incurred for their intended purpose or appropriated by the Board.

Gain and losses on investments are reflected in the net asset category of the corresponding funds.

Revenue Recognition

Contribution Revenue

Unconditional contributions, including promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until conditions are met. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as donor restricted revenues; the restrictions are considered to be released when the asset is placed in service.

Concordia University Irvine
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Notes to Financial Statements
June 30, 2022 and 2021

Grants and Contracts

A portion of the University's revenue is derived from cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific grant or contract provisions, in the appropriate categories of net assets in accordance with donor restrictions. Amounts received prior to incurring qualifying expenditures, if any, are reported as deferred revenue in the statement of financial position. The University received cost-reimbursable grants of approximately \$1,360,000 and \$5,792,000, that have not been recognized at June 30, 2022 and 2021, respectively, because the qualifying expenditures have not yet been incurred.

Tuition and Auxiliary Revenues

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, i.e. when the performance obligation is satisfied. Room and board and other ancillary service revenues are recognized when the related services are performed. In addition, withdrawals that occur during the academic term may receive a full or partial refund in accordance with the University's refund policy. Payments for tuition are due approximately one month prior to the start of the academic term. Generally, the University's performance obligations are satisfied equally over the academic term. Performance obligations for certain ancillary services are satisfied when the service is performed. The University applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the fiscal 2022-23 academic year. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided relating to institutional scholarships in accordance with the University's policies.

Deferred Revenue

Deferred revenue includes payments received for tuition or room and board prior to the start of the summer and/or fall academic terms. As of June 30, the first summer term is completed, but the second summer term had not yet started. Thus, some revenue relating to the summer term has been recognized.

Deferred revenue balances related to tuition as of June 30, 2022, 2021 and 2020 were \$6,397,937, \$6,263,339 and \$5,687,458, respectively. Because the number of students who might withdraw from a summer course after year end is small, the related revenue recognized in fiscal years 2022 and 2021 approximate the deferred revenue balance at beginning of fiscal year.

The University also has deferred revenue/advances from vendors related to its food and maintenance operations. The amounts deferred approximate \$1,345,000 and \$1,611,000 for the years ended June 30, 2022 and 2021, respectively. Revenue is being recognized on a straight-line basis over the applicable periods of the agreements. The remaining deferred revenue balance relates to advanced payments for grants, summer camps and other revenue sources.

Concordia University Irvine
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Notes to Financial Statements
June 30, 2022 and 2021

Measure of Operations

The University's operating revenues in excess of operating expenses includes all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations excludes endowment support for non-operating activities, investment return in excess of amounts made available for operations, changes in the actuarial value of beneficial interest, change in interest in the net assets of Concordia University Foundation, plant and endowment gifts, disposal of capital assets, gain/loss related to interest rate exchange agreements and release from restrictions for capital acquisitions.

Cash and Cash Equivalents

The University considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Student Accounts Receivable

Student accounts receivable are carried at the unpaid balance of the amount billed to students for tuition and fees, less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. Receivables are generally unsecured.

A student account receivable is considered to be past due and a late fee is charged if any portion of the receivable balance is outstanding for more than 30 days after the billing date. The University does not charge interest on accounts receivable that are past due.

Intentions to Give

As of June 30, 2022 and 2021, the University had approximately \$242,000 and \$410,000 of intentions to give restricted for various projects including the Borland Manske Center, Vision 2025 Campaign, Library and scholarships, respectively. The pledge documents related to these contributions include the notation that the pledges are regarded as expressions of intent to contribute, rather than promises to pay and therefore, are not recorded as assets.

Grants to Specified Students

Amounts received under the Federal Pell Grant Program and the state Cal Grant Program designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University. The amounts of Federal Pell Grants approximated \$2,213,000 and \$2,494,000, during the years ended June 30, 2022 and 2021, respectively. The amounts of Cal Grants approximated \$2,933,000 and \$2,866,000, during the years ended June 30, 2022 and 2021, respectively.

Long-Term Investments

Investments in publicly traded securities are stated at quoted market value. Other investments, for which no such quoted market values or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. Changes in fair values are recorded as unrealized gains or losses in the period of change. See Note 5 for further information regarding fair value measurements.

Concordia University Irvine
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Notes to Financial Statements
June 30, 2022 and 2021

Land, Buildings and Equipment

Land, buildings improvements and equipment are recorded at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation. Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes land, buildings and equipment expenditures in excess of \$5,000.

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

	<u>Years</u>
Buildings	40
Building improvements	15
Equipment, furniture and other	3 to 15

Income Tax Status

The Internal Revenue Service has determined that the University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the University is not subject to federal income taxes except to the extent it derives income from certain activities not substantially related to its tax-exempt position (unrelated trade or business activities). The University is also exempt from state income taxes.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2022 and 2021. The University's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Expenses

Advertising expenses approximated \$3,374,000 and \$3,188,000 for the years ended June 30, 2022 and 2021, respectively. Advertising costs are expensed when incurred.

Unemployment Compensation

The University has elected to pay unemployment compensation claims as they arise.

Interest Rate Exchange Agreements

The University has used interest rate exchange agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Interest rate exchange agreements were recognized as either assets or liabilities on the statement of financial position and were measured at fair value. All interest rate exchange agreements were terminated in June 2021.

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Reclassifications

Certain amounts appearing in the 2021 financial statements have been reclassified to conform with the 2022 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

3. Concordia University Foundation

The University has authorized the Concordia University Foundation (CUF) to solicit contributions on its behalf. The CUF's articles of incorporation state its specific and primary purpose is to provide financial support for the University.

Condensed Statements of Financial Position of CUF as of June 30:

	2022	2021
University receivable	\$ 1,136,248	\$ 128,430
Other assets	3,036	8,037
Endowment assets held by the University	6,029,898	7,043,797
Beneficial interest in split interest agreements	67,833	117,015
Future interest in residence	650,639	639,749
Total assets	<u>\$ 7,887,654</u>	<u>\$ 7,937,028</u>
Accounts payable	\$ 24,813	\$ 1,000
Accrued expenses	135,465	135,465
Total liabilities	160,278	136,465
Total net assets	<u>7,727,376</u>	<u>7,800,563</u>
Total liabilities and net assets	<u>\$ 7,887,654</u>	<u>\$ 7,937,028</u>

Condensed Statements of Activities of CUF for the years ended June 30:

	2022	2021
Total operating support, revenues and other additions	\$ 2,284,991	\$ 1,795,778
Total operating expenditures and distributions	<u>(2,309,199)</u>	<u>(1,900,017)</u>
Change in net assets from operating activities	(24,208)	(104,239)
Total nonoperating activities	<u>(48,979)</u>	<u>1,294,645</u>
Change in net assets	(73,187)	1,190,406
Net assets, beginning	<u>7,800,563</u>	<u>6,610,157</u>
Net assets, ending	<u>\$ 7,727,376</u>	<u>\$ 7,800,563</u>

The University provides facilities and staff for the operation and administration of the Foundation's activities and pays for various operating expenses. Certain direct expenses are paid for by the Foundation.

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During the years ended June 30, 2022 and 2021, the University forgave expenses of \$949,671 and \$766,974 respectively, from CUF. Forgiveness of expenses and grants received are shown as support from (forgiveness to) CUF on the University's statements of activities as operating activities.

The University's interest in net assets of the Foundation of \$7,727,376 and \$7,800,563 at June 30, 2022 and 2021, respectively, is recorded as net assets with donor restrictions.

The CUF change in net assets for the years ended June 30, 2022 and 2021 is reflected in the University's statements of activities as change in interest in net assets of Concordia University Foundation.

4. Liquidity and Availability

The University's financial assets and liquidity resources available within one year of the date of the statements of financial position for general expenditure were as follows:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 7,355,968	\$ 7,675,548
Student accounts and other receivables	1,696,869	1,945,979
Cash value of life insurance policy	645,007	636,720
Long-term investments	16,311,691	17,176,236
	<u>26,009,535</u>	<u>27,434,483</u>
Liquidity reserves:		
Board designated quasi endowment fund (excluding contributions receivable)	8,971,473	9,034,094
Endowment payout in following year	1,150,000	1,150,000
	<u>10,121,473</u>	<u>10,184,094</u>
Financial assets and other funding sources available to meet cash needs for general expenditures within one year	<u>\$ 36,131,008</u>	<u>\$ 37,618,577</u>

The University strategically manages financial assets to ensure adequate liquidity for general expenditures and other obligations as they come due. The University has typically maintained a line of credit facility to provide additional liquidity should unanticipated needs arise. The funds designated by the Board as quasi endowment are restricted for specific purposes, however, these amounts could be made available if necessary. Investments that may contain provisions prohibiting their redemption within one year and other investments for which redemption may not be practical are excluded.

5. Fair Value Measurements and Investments

Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 assets include:

- Investments in mutual funds and money market funds for which quoted prices are readily available.

Level 2 assets include:

- Investments in a multi-manager mutual fund and corporate and government bonds for which quoted prices are not readily available.

Level 3 assets include:

- Investments in LCMS Foundation in which the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs. The University is invested in the fixed income fund and equity fund.
- Investments in beneficial interest in split interest agreements and perpetual trusts administered by the LCMS Foundation for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows).

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Certain investments are measured at fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value. The University has estimated the fair value of these funds by using the NAV provided by the investee. Investments measured at net asset value, as a practical expedient for fair value, are excluded from the fair value hierarchy disclosure requirements.

The alternative investments in which NAV was utilized as the practical expedient for estimating fair value as of June 30, 2021 were all liquidated during the year ended June 30, 2022. Those investments totaled approximately \$20 million with daily redemption frequency and no unfunded commitments. Towards the end of the year ended June 30, 2022, the University entered into three private equity investments for which the NAV practical expedient will be utilized. As of June 30, 2022, only \$67,600 had been called on one of the investments. The remaining unfunded commitment on the three funds collectively approximates \$7,400,000. The strategies of the three private equity funds include 1) buying secondary limited partnership commitments in a diversified strategy, 2) provide access to leading managers across buyouts/growth/venture capital and 3) investing in high quality private credit managers seeking to generate current income primarily through investments in cash paying, floating rate senior secured debt, complemented by capital appreciation-focused credit strategies.

There have been no changes in the techniques and inputs used as of June 30, 2022 and 2021.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The schedules within this note are not intended to indicate the volatility of the investments.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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The following table presents information about the University's assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 based upon the three-level hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
LCMS Foundation funds:				
Fixed income fund	\$ 243,146	\$ -	\$ -	\$ 243,146
Equity fund	222,537	-	-	222,537
Money market fund	250,158	250,158	-	-
Government and corporate bonds	8,891,959	-	8,891,959	-
Mutual funds:				
Domestic equity	23,645,067	23,645,067	-	-
International equity	7,360,670	3,693,236	3,667,434	-
Emerging market	1,085,071	1,085,071	-	-
Corporate fixed income	4,940,572	4,940,572	-	-
Beneficial interest in funds held by others	4,073,734	-	-	4,073,734
Total assets in the fair valuation hierarchy	50,712,914	<u>\$ 33,614,104</u>	<u>\$ 12,559,393</u>	<u>\$ 4,539,417</u>
Investments measured using NAV	67,600			
Assets valued at cost:				
Certificates of deposit	8,089,519			
Investment in property	200,000			
Total assets	<u>\$ 59,070,033</u>			
Per statement of financial position:				
Long-term investments	\$ 54,996,299			
Beneficial interest in split interest agreements	1,107,994			
Beneficial interest in perpetual funds	2,965,740			
Total assets	<u>\$ 59,070,033</u>			

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The following table presents information about the University's assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 based upon the three-level hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
LCMS Foundation funds:				
Fixed income fund	\$ 277,737	\$ -	\$ -	\$ 277,737
Equity fund	273,110	-	-	273,110
Money market fund	509,431	509,431	-	-
Mutual funds:				
Domestic equity	8,283,120	8,283,120	-	-
International equity	8,079,114	8,079,114	-	-
Emerging market	1,910,182	1,910,182	-	-
Corporate fixed income	6,768,219	6,768,219	-	-
Fixed income ETF	413,376	413,376	-	-
Real estate	1,416,670	1,416,670	-	-
Beneficial interest in funds held by others	4,939,777	-	-	4,939,777
Total assets in the fair valuation hierarchy	32,870,736	<u>\$ 27,380,112</u>	<u>\$ -</u>	<u>\$ 5,490,624</u>
Investments measured using NAV	20,057,045			
Assets valued at cost:				
Certificates of deposit	<u>7,851,312</u>			
Total assets	<u>\$ 60,779,093</u>			
Per statement of financial position:				
Long-term investments	\$ 55,839,316			
Beneficial interest in split interest agreements	1,298,568			
Beneficial interest in perpetual funds	<u>3,641,209</u>			
Total assets	<u>\$ 60,779,093</u>			

There were no significant purchases or sales of level 3 assets during the years ended June 30, 2022 and 2021.

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6. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Purpose and Time Restricted		
Purpose restrictions:		
Academic programs:		
Instruction, divisional	\$ 2,118,438	\$ 2,011,576
Supported programs:		
Academic support	1,682,133	1,490,462
Auxiliary enterprises	1,137,640	1,073,535
Scholarship allowances (student aid)	6,431,919	12,168,522
Property acquisitions	27,300,803	26,368,060
	<u>38,670,933</u>	<u>43,112,155</u>
Time restrictions	1,534,390	1,689,159
Total purpose and time restricted	<u>40,205,323</u>	<u>44,801,314</u>
Held in Perpetuity		
Academic programs:		
Other instructional programs	539,439	539,439
Support programs:		
Academic support	1,342,959	363,725
Student services	337,725	337,725
General operations	191,333	181,333
Scholarship allowances (student aid)	29,825,825	28,989,888
Total held in perpetuity	<u>32,237,281</u>	<u>30,412,110</u>
Total	<u>\$ 72,442,604</u>	<u>\$ 75,213,424</u>

7. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021 by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished		
Academic programs:		
Instruction, divisional	\$ 155,493	\$ 40,992
Expiration of time/Other instructional programs	36,326	1,443
Support programs:		
Academic support	57,720	26,954
Student services	270,845	14,795
Institutional support	29,520	26,847
Auxiliary enterprises	212,455	405,053
Scholarship allowances (student aid)	1,704,895	1,312,725
Total operating	<u>\$ 2,467,254</u>	<u>\$ 1,828,809</u>

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	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished		
Property acquisitions	\$ 199,999	\$ 901,728
Total nonoperating	<u>\$ 199,999</u>	<u>\$ 901,728</u>

8. Related-Party Transactions - Concordia University System and Other Related Parties

Cash and cash equivalents also include \$21,813,856 and \$16,705,688 on deposit in stewardship accounts with the Lutheran Church Extension Fund (LCEF) at June 30, 2022 and 2021, respectively. These deposits represent interest-bearing demand deposits which earned interest on the daily balance in the account, the interest rates ranged from 0.5 percent to 0.625 percent and 0.125 percent to 0.5 percent at June 30, 2022 and June 30, 2021, respectively.

Interest earned on these deposits was approximately \$76,000 and \$175,000 for the years ended June 30, 2022 and 2021, respectively.

Long-term investments include \$8,089,514 and \$7,851,312 in a certificate of deposit with the LCEF at June 30, 2022 and 2021, respectively. The certificate of deposit earned interest at 3 percent during the years ended June 30, 2022 and June 30, 2021. Interest earned on this certificate of deposit was approximately \$238,000 and \$231,000 for the years ended June 30, 2022 and 2021, respectively.

Long-term investments include \$465,684 and \$550,847 with The Lutheran Church-Missouri Synod Foundation (LCMS) at June 30, 2022 and 2021, respectively.

The University is covered under CUS's master insurance policies. The cost of these policies to the University was \$584,000 and \$652,000 for the years ended June 30, 2022 and 2021, respectively. LCMS Foundation provides investment services and administers the majority of split interest agreements and perpetual funds held for the benefit of the University and CUF.

The University's accounts payable includes \$305,000 due to CUS at June 30, 2021. No amounts was due to CUS at June 30, 2022.

Contributions made by non-compensated members of the governing board and officers totaled approximately \$37,000 and \$27,000 for the years ended June 30, 2022 and 2021, respectively. Outstanding contributions receivable from members of the University's governing board and officers total approximately \$60,000 and \$9,000 at June 30, 2022 and 2021, respectively.

In addition, contributions to the University by board members of the Foundation (CUF) totaled approximately \$437,000 and \$167,000 for the years ended June 30, 2022 and 2021, respectively. Outstanding contributions receivable from members of the Foundation board totaled approximately \$823,000 and \$1,840,000 at June 30, 2022 and 2021, respectively.

During the year ended June 30, 2022, the University entered into an agreement whereby \$200,000 was invested in the purchase of a home for an officer of the University in exchange for a 16.39% equity share.

There are no other unsecured or secured related-party receivables at June 30, 2022 and 2021.

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9. Cash Surrender Value of Life Insurance Policies

The University is designated as the owner and beneficiary of life insurance policies which were received as donations. At June 30, 2022 and 2021, the insurance coverage aggregated approximately \$2,307,000 and \$2,302,000, respectively. The cash surrender value, included in prepaid expenses and other assets on the statements of financial position, totaled approximately \$645,000 and \$637,000 at June 30, 2022 and 2021, respectively.

10. Beneficial Interest in Split Interest Agreements

Beneficial interest in split interest agreements consist primarily of irrevocable charitable remainder trusts and charitable gift annuities. The assets associated with such agreements are held by the LCMS Foundation, a related third-party trustee. Contributions are recognized at the dates the agreements become irrevocable to the University and are recorded at the present value of the estimated future benefits to be received when the assets are distributed to the University. The valuations of the agreements are calculated by the LCMS Foundation. The agreements are revalued annually, and any resulting actuarial gain or loss is reflected in the statement of activities as a change in value of beneficial interest in split-interest agreements.

11. Beneficial Interest in Perpetual Funds

Beneficial interest in perpetual funds are funds held by the LCMS Foundation, a related third party trustee, and consist of irrevocable trusts and endowments from which the University is to receive the income in perpetuity. The principal is held in trust by the LCMS Foundation and will never revert to the University. The perpetual stream of income is viewed by the University as promises to give by the individuals who established the trusts and has been recorded at the fair value of the trusts at June 30, 2022 and 2021, which closely approximates the estimated net present value of the perpetual income stream.

Given the nature of the promises, the University recorded these contributions as net assets with donor restrictions. Distributions received are recorded as either without or with donor restricted activity based on the presence or absence of donor restrictions. Increases or decreases in the fair value of the trust assets are recorded in the statement of activities as a change in value of beneficial interest in perpetual funds.

12. Land, Buildings and Equipment

Land, buildings and equipment and the related accumulated depreciation amounts are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,079,179	\$ 1,079,179
Art collection	125,841	125,841
Buildings	119,522,856	118,800,329
Buildings improvements	36,406,046	36,162,091
Equipment, furniture and other	19,129,205	16,748,202
Construction in progress	3,536,931	1,021,901
	179,800,058	173,937,543
Less accumulated depreciation	<u>(82,247,515)</u>	<u>(79,091,326)</u>
	<u>\$ 97,552,543</u>	<u>\$ 94,846,217</u>

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13. Bonds Payable

Bonds payable outstanding at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
California Municipal Finance Authority Revenue Bonds Series 2021 totaling \$23,770,000 maturing serially through January 1, 2041. Interest at 4% is payable semi-annually and principal is payable annually.	<u>\$ 22,970,000</u>	<u>\$ 23,770,000</u>
Less unamortized bond issuance costs and discounts	(431,831)	(471,631)
Add unamortized bond premiums	<u>4,017,953</u>	<u>4,229,424</u>
Total bonds payable, net	26,556,122	27,527,793
Add leases payable (Note 14)	<u>3,235,500</u>	<u>1,250,868</u>
Total bonds and leases payable, net	<u><u>\$ 29,791,622</u></u>	<u><u>\$ 28,778,661</u></u>

Future minimum principal payments are as follows:

Years ending June 30:	
2023	\$ 830,000
2024	865,000
2025	900,000
2026	935,000
2027	970,000
Thereafter	<u>18,470,000</u>
Total	<u><u>\$ 22,970,000</u></u>

For the years ended June 30, 2022 and 2021, interest expense on bonds of approximately \$937,000 and \$454,000, respectively, was included in the statement of activities. Annual amortization, beginning in fiscal year 2022, of the bond premium approximating \$211,000, is netted against interest expense.

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14. Leases

The University has operating leases for off-campus office and classroom space. The current operating lease has been extended through August 2023 and contains an option for extending beyond the original lease term. The University has recognized the 5-year option in the calculation of the remaining lease term. The discount rate is 2.50 percent. Future minimum payments associated with the operating lease agreement for succeeding years are as follows:

Years ending June 30:	
2023	\$ 589,075
2024	513,872
2025	632,182
2026	542,751
2027	670,682
Thereafter	<u>959,927</u>
Total	3,908,489
Discount to present value (accrued interest)	<u>(672,989)</u>
Total operating lease liability	<u>\$ 3,235,500</u>

15. Employee Benefits and Defined Benefit Plans

The University participates in the retirement and disability/survivor benefit programs provided by CPS through the Concordia Retirement Plan, 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. The University contributes a percentage of the salaries of covered employees for retirement plans, disability and survivor programs. Retirement and survivor program expenses for the year ended June 30, 2022 and 2021 totaled \$2,278,058 and \$2,431,836, respectively.

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16. Expenses by Nature and Function

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. These expenses include depreciation and amortization, interest, central or administration, communications, media production, information technology and facilities operations and maintenance. Depreciation is allocated base on square footage and interest is allocated based on usage of space. Other expenses were allocated on estimates of time and effort.

Expenses for the year ended June 30, 2022, including the following:

	Academic and Student Support	Institutional Support	Total Expenses
Salaries and benefits	\$ 35,983,272	\$ 5,064,901	\$ 41,048,173
Services and professional fees	7,003,018	2,043,255	9,046,273
Occupancy, utilities, maintenance, other	5,209,069	1,489,427	6,698,496
Student emergency grants (HEERF)	2,397,892	-	2,397,892
Depreciation and amortization	4,058,273	2,038,652	6,096,925
Conferences, events and travel	2,269,668	114,474	2,384,142
Marketing, advertising and recruitment	2,782,461	934,060	3,716,521
Supplies, subscriptions and fees	2,626,249	590,029	3,216,278
Interest (less bond premium amortization)	-	725,970	725,970
Insurance expense	199,693	705,921	905,614
Total expenses	<u>\$ 62,529,595</u>	<u>\$ 13,706,689</u>	<u>\$ 76,236,284</u>

Expenses for the year ended June 30, 2021, including the following:

	Academic and Student Support	Institutional Support	Total Expenses
Salaries and benefits	\$ 33,839,896	\$ 4,728,652	\$ 38,568,548
Services and professional fees	6,514,205	1,664,120	8,178,325
Occupancy, utilities, maintenance, other	4,504,833	1,448,135	5,952,968
Student emergency grants (HEERF)	1,465,448	-	1,465,448
Depreciation and amortization	4,043,564	1,931,114	5,974,678
Conferences, events and travel	799,990	25,897	825,887
Marketing, advertising and recruitment	2,267,981	700,580	2,968,561
Supplies, subscriptions and fees	1,885,463	957,689	2,843,152
Interest	-	454,436	454,436
Insurance expense	162,989	712,471	875,460
Total expenses	<u>\$ 55,484,369</u>	<u>\$ 12,623,094</u>	<u>\$ 68,107,463</u>

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17. Endowment

The University's endowment consists of 201 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, term endowment funds and funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The University's governing board has interpreted the California enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Regents. See Note 2 for further information on net asset classifications.

Donor-restricted endowment funds are included in net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The University's endowment net asset composition by type of fund consists of the following as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions			Total Funds June 30, 2022
		Original Gift	Accumulated Gains	Total	
Board-designated endowment fund	\$ 16,707,256	\$ -	\$ -	\$ -	\$ 16,707,256
Donor-restricted endowment funds	-	26,471,363	4,821,062	31,292,425	31,292,425
Total endowment net assets	<u>\$ 16,707,256</u>	<u>\$ 26,471,363</u>	<u>\$ 4,821,062</u>	<u>\$ 31,292,425</u>	<u>\$ 47,999,681</u>

Concordia University Irvine
An Educational Institution of The Lutheran Church - Missouri Synod

Notes to Financial Statements
June 30, 2022 and 2021

The University's endowment net asset composition by type of fund consists of the following as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions			Total Funds June 30, 2021
		Original Gift	Accumulated Gains (Losses)	Total	
Board-designated endowment fund	\$ 9,534,076	\$ -	\$ -	\$ -	\$ 9,534,076
Donor-restricted endowment funds	-	25,629,321	9,272,932	34,902,253	34,902,253
Total endowment net assets	<u>\$ 9,534,076</u>	<u>\$ 25,629,321</u>	<u>\$ 9,272,932</u>	<u>\$ 34,902,253</u>	<u>\$ 44,436,329</u>

Endowment funds with donor restrictions include \$256,481 and \$339,680 of term endowment funds as of June 30, 2022 and 2021, respectively.

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
University endowment net assets, June 30, 2021	\$ 9,534,076	\$ 34,902,253	\$ 44,436,329
Investment return:			
Investment income	54,062	83,916	137,978
Net depreciation, realized and unrealized	(1,114,354)	(3,497,742)	(4,612,096)
Total investment return	(1,060,292)	(3,413,826)	(4,474,118)
Contributions	430,292	1,578,215	2,008,507
Contributed property to be held for investment (contribution receivable)	7,731,700	-	7,731,700
Appropriation of endowment assets for expenditure	-	(1,038,044)	(1,038,044)
Change in value of beneficial interest in funds held by others	-	(736,173)	(736,173)
Matured split interest agreements	71,480	-	71,480
University endowment net assets, June 30, 2022	16,707,256	31,292,425	47,999,681
Foundation endowment net assets	-	7,008,906	7,008,906
Endowment net assets, June 30, 2022	<u>\$ 16,707,256</u>	<u>\$ 38,301,331</u>	<u>\$ 55,008,587</u>

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Notes to Financial Statements
June 30, 2022 and 2021

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
University endowment net assets, June 30, 2020	\$ 7,960,898	\$ 27,210,863	\$ 35,171,761
Investment return:			
Investment income	149,809	206,752	356,561
Net appreciation, realized and unrealized	602,744	6,035,146	6,637,890
Total investment return	752,553	6,241,898	6,994,451
Contributions	807,894	1,518,702	2,326,596
Appropriation of endowment assets for expenditure	-	(881,736)	(881,736)
Change in value of beneficial interest in funds held by others	-	812,526	812,526
Matured split interest agreements	12,731	-	12,731
University endowment net assets, June 30, 2021	9,534,076	34,902,253	44,436,329
Foundation endowment net assets	-	7,043,797	7,043,797
Endowment net assets, June 30, 2021	<u>\$ 9,534,076</u>	<u>\$ 41,946,050</u>	<u>\$ 51,480,126</u>

Funds With Deficiencies

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 UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2022, there were 29 individual funds for which the current market value was less than the original gift value. The total market value of funds was \$1,769,199 compared to cumulative original gift values of \$1,955,389, resulting in a net underwater amount of \$186,190. These deficiencies resulted from unfavorable market conditions that occurred after the investment of donor restricted endowment contributions and continued appropriations. The University's policy is to continue to make appropriations as deemed prudent by the governing board.

Return Objectives and Risk Parameters

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. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce returns to meet needs of the spending rate, inflation and portfolio fees while assuming a moderate level of investment risk.

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June 30, 2022 and 2021

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which 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 is weighted in equity based investments and balanced with fixed income, commodities and real estate to achieve its long-term return objectives within prudent risk constraints. The University monitors its portfolio mix to ensure that it is in accordance with Board policy

Internal Borrowing

The University had an internal obligation to repay the endowment for borrowing to fund capital projects which was paid off during the year ended June 30, 2021.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year up to a maximum of 4 percent of its endowment fund's average of the fair value of endowment investments for the preceding twelve quarters. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the current spending policy is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Assets designated for endowment included in the statements of financial position at June 30, 2022 and 2021 include the following:

	2022	2021
Cash and cash equivalents	\$ 3,354,687	\$ 7,577,017
Long-term investments	38,484,602	38,663,099
Contributions receivable	9,075,341	268,946
Other assets	305,182	499,938
Beneficial interest in split interest agreements	269,204	329,909
Beneficial interest in perpetual funds	2,965,740	3,641,209
Note receivable	553,831	500,008
Total designated endowment assets	<u>\$ 55,008,587</u>	<u>\$ 51,480,126</u>

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Notes to Financial Statements
June 30, 2022 and 2021

18. Contributions Receivable

Contributions receivable include the following unconditional promises to give at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Gross amounts due in:		
Less than one year	\$ 14,959,658	\$ 7,375,630
One to five years	11,161,585	16,856,503
 Total	 <u>\$ 26,121,243</u>	 <u>\$ 24,232,133</u>
 Without donor restrictions	 \$ 7,906,375	 \$ -
With donor restrictions, scholarships	600,000	800,000
With donor restrictions, capital projects	16,275,310	22,982,196
With donor restrictions, endowment	1,339,558	449,937
 Total gross contributions receivable	 26,121,243	 24,232,133
 Less present value discount	 <u>(566,668)</u>	 <u>(794,825)</u>
 Net contributions receivable	 <u>\$ 25,554,575</u>	 <u>\$ 23,437,308</u>

Contributions receivable expected to be collected within one year are recognized as support and recorded as a receivable. Contributions receivable expected to be collected in future years were recorded at the present value of their estimated future cash flows, discounted at an appropriate interest rate. Contributions receivable due in more than one year are discounted at 2.5 percent. Included in the amount of \$7,906,375 related to receivables without donor restrictions, is a number of properties with an estimated fair value of \$7,731,700 at the time of the irrevocable gift in late fiscal year 2022. The title of these properties transferred to the University subsequent to June 30, 2022. The University currently plans to hold these properties as investments.

19. Note Receivable

On November 1, 2014, the University received a \$2,000,000 gift of an unsecured subordinated note receivable related to a senior housing facility. The note bears interest of 3.32 percent. The note was recorded at its net present value with no allowance. Payments of principal and interest are based upon the net cash flow of the facility with all accrued interest and principal due on January 1, 2055. The balance of the note was \$553,831 and \$500,008 at June 30, 2022 and 2021, respectively.

20. Concentrations

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. Investments are diversified in order to limit credit risk. Split interest agreements and perpetual trusts are managed by the LCMS Foundation. Student receivables and other receivables are due from a variety of sources concentrated primarily in the western United States. In addition, the University's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to regulation and audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the University's programs and activities.

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Notes to Financial Statements
June 30, 2022 and 2021

As of June 30, 2022 and 2021, the University had an investment of \$17,500,434 and \$7,630,022, respectively, which were concentrated in one fund.

During the year ending June 30, 2021, the University received a donation for its Master Plan Phase Two of \$25 million from a donor. The present value of the pledge is recorded as contribution revenue restricted for capital giving activities. As of June 30, 2022, the remaining balance of the pledge is \$15 million.

21. Commitments and Contingencies

A commercial bank issued a standby letter of credit on behalf of the University to the City of Irvine for \$1,200,000 to secure the potential construction of a traffic signal. No amounts have been drawn under the standby letter of credit.

The University is subject to asserted and unasserted claims encountered in the normal course of business. In the opinion of management and legal counsel, disposition of these matters will not have a material effect on the University's financial condition or results of operations.

22. COVID-19 Pandemic

In March 2020, the novel coronavirus (COVID-19) was declared a global pandemic, the related adverse developments have disrupted normal business operations.

The Coronavirus Aid, Relief and Economic Securities (CARES) Act was signed into law in April 2020. This fund was further supplemented by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARP).

To date, the University has been awarded a total of \$9,211,565 in emergency funding under these Acts with \$4,121,490 earmarked to go directly to students in the form of emergency grants. The University distributed \$2,397,892 and \$1,465,448 of the direct student award funds for the years ended June 30, 2022 and 2021, respectively. In addition, institution funds awarded of \$2,363,483 and \$2,468,442 as of June 30, 2022 and 2021, respectively, were applied toward eligible COVID related impacts including lost revenue, housing refunds, additional grants to students and disruption of food service.

23. Subsequent Events

Subsequent to year end, the University formed Concordia Irvine Holdings LLC, a wholly owned subsidiary. On March 7, 2023, Concordia Irvine Holdings LLC purchased a property in Irvine, California for \$43.5 million. The University financed the purchase with a \$45.0 million commercial line of credit from Lutheran Church Extension Fund – Missouri Synod. The line of credit has an interest rate of 4.125% until the 36th month when it is subject to a variable rate. Interest only payments are required until the 36th month. In the 36th month the line of credit will reduce by \$2.0 million and will need to be paid down to meet this requirement. The line of credit matures February 28, 2033 and is secured by University property.

The University has evaluated subsequent events through March 29, 2023, which is the date that the financial statements were approved and issued.

Concordia University Irvine
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Notes to Financial Statements
June 30, 2022 and 2021

24. Department of Education Financial Responsibility

The Department of Education (ED) revised the regulations for financial responsibility, which necessitated the University's implementation as of July 1, 2019. The regulations require the University to provide additional disclosures, including a financial responsibility supplementary schedule, to assist the ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplementary schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Note 12 provides information on the University's land, buildings and equipment, net of accumulated depreciation, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of land, buildings and equipment, net, at June 30, 2022 based on the July 1, 2019 implementation date.

Pre-implementation:	
Property, plant and equipment, net	\$ 45,775,412
Post-implementation:	
Property, plant and equipment, net with outstanding debt for original purchase	13,280,205
Property, plant and equipment, net without outstanding debt for original purchase	34,959,992
Construction in progress	<u>3,536,934</u>
Total property, plant and equipment, net at June 30, 2022 (Note 12)	<u>\$ 97,552,543</u>

Notes 13 and 14 provide information on the University's long-term debt, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of long-term debt for long-term purposes, at June 30, 2022 based on the July 1, 2019 implementation date.

Long-term debt for long-term purposes – pre-implementation	\$ 16,727,793
Long-term debt for long-term purposes – post-implementation	<u>13,063,829</u>
Total long-term debt for long-term purposes at June 30, 2022 (statement of financial position)	<u>\$ 29,791,622</u>

The statement of activities provides information on the University's revenues without donor restrictions, but does not provide a total consistent with the ED calculation. The following table provides a breakdown of those nonoperating revenues and other gains without donor restrictions for the year ended June 30, 2022.

Contributions	\$ 430,292
Contributed property to be held for investment	7,731,700
Net assets released from restrictions	<u>199,999</u>
Nonoperating revenues and other gains	<u>\$ 8,361,991</u>

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

To the Board of Regents of
Concordia University Irvine

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Concordia University Irvine (the University), which comprise the University's statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Minneapolis, Minnesota
December 14, 2022

**Report on Compliance
for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Regents of
Concordia University Irvine

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Concordia University Irvine's (the University) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Minneapolis, Minnesota
March 29, 2023

Financial Statement and Line Name or Note Location

Primary Reserve Ratio:		
<u>Expendable Net Assets:</u>		
Statement of Financial Position	Net assets without donor restrictions	\$ 94,060,953
Statement of Financial Position	Net assets with donor restrictions	72,442,604
Statement of Financial Position	Net assets with donor restrictions - restricted in perpetuity	32,237,281
Statement of Financial Position	Net assets with donor restrictions - time or purpose	40,205,323
Note 8	Unsecured related party receivable	60,000
Note 24	Property, plant and equipment - pre-implementation	\$ 45,775,412
Note 24	Property, plant and equipment - post-implementation with outstanding debt for original purchase	13,280,205
Note 24	Property, plant and equipment - post-implementation without outstanding debt for original purchase	34,959,992
Notes 12 and 24	Construction in progress	3,536,934
Statement of Financial Position	Total property, plant and equipment, net (including CIP)	\$ 97,552,543
	Intangible assets	-
	Post-employment and pension liabilities	-
Note 24	Long-term debt for long-term purposes - pre-implementation	16,727,793
Note 24	Long-term debt for long-term purposes - post implementation	13,063,829
Not applicable for 2022	Line of credit for construction in progress	-
<u>Total Expenses and Losses Without Donor Restrictions</u>		
Statement of Activities	Total expenses without donor restrictions	\$ 76,236,284
Statement of Activities	Non-operating loss	5,092
Statement of Activities	Net Investment losses	1,856,260
Equity Ratio		
<u>Modified Net Assets</u>		
Statement of Financial Position	Net assets without donor restrictions	\$ 94,060,953
Statement of Financial Position	Net assets with donor restrictions	72,442,604
Not applicable for 2022	Intangible assets	-
Note 8	Unsecured related party receivables	60,000
<u>Modified Assets</u>		
Statement of Financial Position	Total assets	\$ 219,619,567
Not applicable for 2022	Intangible assets	-
Note 8	Unsecured related party receivables	60,000
Net Income Ratio		
Statement of Activities	Change in net assets without donor restrictions	\$ 4,551,095
<u>Total Revenues and Gains Without Donor Restrictions</u>		
Statement of Activities	Total operating revenue and other additions (gains)	\$ 74,286,740
Statement of Activities	Investment return appropriated for spending	-
Note 24	Non-operating revenue and other gains	8,361,991

Concordia University Irvine
An Educational Institution of The Lutheran Church - Missouri Synod

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/ Program Title	Assistance Listing Number	Federal Expenditures
Student Financial Assistance Cluster		
U.S. Department of Education direct programs		
Federal Pell grant program	84.063	\$ 2,231,117
Federal supplemental educational opportunity grants program	84.007	174,600
Federal work-study program	84.033	150,000
Federal direct student loans	84.268	<u>30,550,038</u>
Total Student Financial Assistance Cluster		<u>33,105,755</u>
Other Programs		
U.S. Department of Education		
COVID-19 Education Stabilization Fund	84.425E	2,397,892
COVID-19 Education Stabilization Fund	84.425F	<u>2,363,483</u>
Total Education Stabilization Fund		<u>4,761,375</u>
Total expenditures of federal awards		<u>\$ 37,867,130</u>

See notes to schedule of expenditures of federal awards

Concordia University Irvine
An Educational Institution of The Lutheran Church – Missouri Synod

Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Concordia University Irvine under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Concordia University Irvine, it is not intended to and does not present the financial position, changes in net position or cash flows of Concordia University Irvine.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Concordia University Irvine has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Concordia University Irvine
An Educational Institution of The Lutheran Church – Missouri Synod

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes

 X no

Significant deficiency(ies) identified?

_____ yes

 X none reported

Noncompliance material to financial statements noted?

_____ yes

 X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes

 X no

Significant deficiency(ies) identified?

 X yes

_____ none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes

_____ no

Identification of major federal programs:

Assistance Listing Numbers

Name of Federal Program or Cluster

Various
84.425

Student Financial Assistance Cluster
COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes

_____ no

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

None.

Concordia University Irvine
An Educational Institution of The Lutheran Church – Missouri Synod

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

Finding 2022-001: Significant Deficiency – Return of Title IV Funds

Program: Federal Direct Student Loans
Assistance Listing Number: 84.268
Federal Agency: U.S. Department of Education
Federal Award Identification Number: P268K223683
Federal Award Year: June 30, 2022

Criteria: 34 CFR 668.22 requires that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with Federal regulations and return the unearned portion of the grant or loan funds to the Title IV programs as soon as possible but no later than 45 days after the withdrawal date.

Condition/Context: In a sample of 15 students that withdrew during the fiscal year, the University did not perform the required return to Title IV calculations for four students who completed less than 49% of the payment period. For one additional student, a Title IV calculation was prepared, however the calculation was incorrect and an incorrect amount was returned. The sample was not a statistically valid sample.

Cause: The University incorrectly interpreted the period of enrollment to be the one module and not the entire payment period for the withdrawal exemption for successful completion of 49% or more. The University's interpretation was made in May 2021 and therefore impacts students in the 21-22 award year as well as in the 22-23 award year through March 1, 2023 when the error in interpretation was confirmed.

Effect: The University incorrectly calculated students as having completed more than 49% and therefore did not perform R2T4 calculations or return unearned loan funds to the Department. Additionally, some R2T4 calculations were incorrect based on the calculation using only the module not the days in the payment period.

Questioned costs: Total questioned costs were \$10,819 of Direct Student Loan funds.

Recommendation: It is recommended that the University review interpretations, policies and procedures in place for withdrawals and R2T4 calculations to ensure that correct dates and institutional charges are being used.

Management's Response: Upon discovery of the errors, the University reviewed the population of withdrawn students where the dates for one module were used versus the payment period. The University performed the additional or revised Title IV calculations for five students and returned additional funds. The \$10,819 reported as questioned costs identified by the auditors has also been returned. The university will also review 2022-23 award year of when the 49% exemption or one module in a payment period, and make any R2T4 corrections.

Concordia University Irvine
An Educational Institution of The Lutheran Church – Missouri Synod

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Finding 2022-002: Significant Deficiency - COVID-19 Education Stabilization Fund, Higher Education Emergency Relief Funds Reporting

Program: COVID-19 Education Stabilization Fund, Higher Education Emergency Relief Funds

Assistance Listing Number: 84.425E and 84.425F

Federal Agency: U.S. Department of Education

Federal Award Identification Number: P425E201560 and P425F201058

Federal Award Year: June 30, 2022

Repeat Finding: 2021-002

Criteria: The U.S. Department of Education (the Department) has issued guidance for the Education Stabilization Funds (ESF) Higher Education Emergency Relief Funds (HEERF) for quarterly reporting for all sections (a)(1), (a)(2), (a)(3) and (a)(4) that requires that institutions to prepare a report for each quarter for funds that are drawn down and disbursed/spent. The reports are to be posted on the institution's website within 10 days of the calendar quarter end. Additionally, institutions are required to prepare an annual report and submit to the Department summarizing the uses of the HEERF funds for the calendar year.

Condition/Context: Incorrect data was reported in two institutional portion quarterly reports and the annual report. Three student portion quarterly reports were not posted to the University's website. One student portion quarterly report and two institution quarterly reports were posted to the University's website after the 10 days after quarter end requirement. The annual report was also submitted late.

The auditor selected a sample of one student portion quarterly report and two institutional portion quarterly reports in addition to the annual report. The sample was not a statistically valid sample.

Questioned Costs: Not applicable.

Cause: The University's internal control surrounding preparing, reviewing and posting the reports did not deter or prevent errors in the reporting or late or missing posting of the quarterly reports to the University's website. The University noted there was confusion and misunderstanding on the HEERF reporting requirements including deadlines and whether reports were to be cumulative or not.

Effect: The University had HEERF quarterly reporting on its website and annual reporting to the Department that were missing and/or incorrect and/or late.

Recommendation: The University should ensure it keeps up to date on the Department's HEERF guidance and ensure that reporting is done accurately and timely.

Management's Response: The University concurs with the finding. The University experienced challenges during COVID limiting the availability of resources to review and adequately analyze the reporting guidance as it developed. As a result, there were some misunderstanding of the requirements as they changed over time. The University continued to experience challenges with staffing in 2022 that limited the availability of resources to address the past and current reporting issues. The University will assign more resources to address all reporting issues including updating the website, revising and resubmitting past reports, and submitting missing reports.

Concordia University Irvine
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Summary Schedule of Prior Audit Findings
June 30, 2022

The previous audit of Federal Award Programs was for the year ended June 30, 2021. The findings noted during that audit and the University's corrective actions taken are as follows:

Finding 2021-001: Significant Deficiency – Special Tests and Provisions: Enrollment Reporting

Condition: One student graduated and was reported as withdrawn while the University was confirming degree complete. The University later reported the graduated status to the servicer, National Student Clearinghouse (NSC), however the student fell into a processing exception and the error/notice came back to the University but was not resolved. The update to graduated status was not made in NSLDS within 60 days. Reporting for these two students occurred at 110 and 81 days, respectively.

Management's Response: The University concurs with the finding. Enrollment statuses were not routinely updated to "graduated" status from DegreeVerify file by the Clearinghouse's G from DV process because students fell into a processing exception category. We have identified this type of situation as a gap in our procedures and are working to retroactively update any similar records we have access to, and we have adjusted our procedures to make these updates in the future. The Office of the Registrar is on task to modify our reports to better identify students who are enrolled in the first part of term during a full semester and drop from the second part of term during that semester. We will work in collaboration with Financial Aid to ensure the R2T4 withdrawal dates matches what is reported to NCS and subsequently NSLDS.

Action Taken: After each normally scheduled NSC submission, we use the report generated by the NSC to identify and manually update the G to DV status.

The Registrar's Office Met with Financial Aid to clarify the Financial Aid Process to verify where the R2T4 date comes from in Banner. We are reviewing documentation to confirm this date, which is accessible to the Registrar's Office can be used in NSC reporting. A new withdrawal code is being considered to easily identify graduate students who stop out the second part of the term. A meeting was scheduled the week of 10/3/22 to finalize this.

The Registrar's Office and Financial Aid tested scenarios and finalized a process whereby all students are coded a specific way in Banner and their official withdrawal date is captured for NSC reporting. After several months of using the process we have not encountered any issues and will continue to monitor the process to ensure the finding is satisfied.

Finding 2021-002: COVID-19 Education Stabilization Fund, Higher Education Emergency Relief Funds Quarterly Reporting

Condition: Incorrect data was reported in one institutional portion quarterly report and one student portion report selected for testing. Additionally, the same two reports were not posted to the University's website within 10 calendar days following the calendar quarter end, as required.

Management's Response: The University concurs with the finding. The University experienced challenges during COVID limiting the availability of resources to review and adequately analyze the reporting guidance as it developed. As a result, there were some misunderstandings of the requirements as they changed over time. The University will implement procedures to ensure future reporting is accurate and timely.

Action Taken: The University continues to experience challenges in expanding available resources. We are committed to reviewing all of our reporting and updating it to properly reflect the reporting requirements.