

**AUGSBURG UNIVERSITY
MINNEAPOLIS, MINNESOTA**

FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2024 AND 2023



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**AUGSBURG UNIVERSITY
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INDEPENDENT AUDITORS' REPORT

Board of Regents
Augsburg University
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Augsburg University, which comprise the statements of financial position as of May 31, 2024 and 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Augsburg University as of May 31, 2024 and 2023, and the results of its operations 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). 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 Augsburg 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 Augsburg University's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

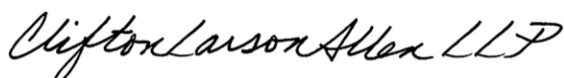
Auditors' Responsibilities for the Audit of the Financial Statements

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 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, 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 Augsburg 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 Augsburg 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 25, 2024

AUGSBURG UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2024 AND 2023

ASSETS	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,840,909	\$ 8,306,806
Short-Term Investments	161,309	4,129,966
Student accounts receivable, net of allowance for credit losses of \$2,750,000 in 2024 and \$2,000,000 in 2023	3,818,228	4,128,152
Government grants receivable	691,420	1,304,659
Other receivables	2,123,827	2,010,980
Inventories	35,995	37,711
Prepaid expense and other assets	1,564,800	1,357,920
Contributions receivable, current, net	1,068,505	1,258,845
Student loans receivable, current, net	249,237	308,404
Total current assets	<u>16,554,230</u>	<u>22,843,443</u>
LONG-TERM ASSETS		
Contributions receivable, noncurrent, net	2,634,921	2,924,233
Student loans receivable, noncurrent, net	698,871	1,336,879
Cash surrender value of life insurance	521,589	504,934
Endowment investments	76,281,098	70,765,390
Other investments	710,593	574,101
Deposits held by trustee	4,050,903	4,453,679
Beneficial interest in funds held in trust	26,107	23,491
Right of use Assets - operating, net	630,399	740,253
Right of use Assets - financing, Net	1,616,369	2,061,186
Construction in progress	563,297	565,002
Assets held for sale	1,612,044	-
Property, plant, and equipment, net	103,344,804	109,155,788
Total long-term assets	<u>192,690,995</u>	<u>193,104,936</u>
TOTAL ASSETS	<u>\$ 209,245,225</u>	<u>\$ 215,948,379</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 766,102	\$ 636,023
Accrued expenses	9,399,243	7,630,648
Deferred revenue and deposits	4,782,150	4,775,524
Current portion of line of credit	-	5,500,000
Loan payable	10,500,000	-
Current portion of long-term debt	860,000	1,965,000
Current portion of operating lease obligations	232,433	185,168
Current portion of financing lease obligations	534,112	565,348
U.S. government grants refundable	232,007	270,019
Funds held in custody for others	223,353	746,936
Total current liabilities	<u>27,529,400</u>	<u>22,274,666</u>
LONG-TERM LIABILITIES		
Long-term debt:		
Notes and leases payable to Minnesota Higher Education Facilities Authority	42,452,780	53,703,547
Lease liability - operating	429,863	581,357
Lease liability - financing	1,118,113	1,506,230
Long-term deferred revenue	1,293,692	1,520,252
Environmental remediation	742,621	722,335
Annuities payable	275,944	271,900
U.S. government grants refundable	778,166	1,817,211
Total long-term liabilities	<u>47,091,179</u>	<u>60,122,832</u>
Total liabilities	<u>74,620,579</u>	<u>\$ 82,397,498</u>
NET ASSETS		
Without donor restriction	47,562,869	52,195,878
With donor restriction	87,061,777	81,355,003
	<u>134,624,646</u>	<u>133,550,881</u>
Total liabilities and net assets	<u>\$ 209,245,225</u>	<u>\$ 215,948,379</u>

See accompanying Notes to Financial Statements.

AUGSBURG UNIVERSITY
STATEMENTS OF ACTIVITIES
YEAR ENDED MAY 31, 2024 AND 2023

	2024			2023
	Without Donor Restriction	With Donor Restriction	Total	Total
OPERATING REVENUES				
Tuition and fees, net of student aid and scholarships of \$62,191,562 in 2024 and \$55,797,133 in 2023	\$ 52,708,149	\$ -	\$ 52,708,149	\$ 49,486,284
Government grants	3,499,691	-	3,499,691	3,449,747
Private gifts and grants	1,965,988	2,826,841	4,792,829	6,111,672
Change in allowance for uncollectible pledges	-	137,145	137,145	(106,174)
Investment income	387,369	4,001,529	4,388,898	2,724,198
Sales and services of educational activities	221,820	-	221,820	256,273
Other sources	1,552,872	555,388	2,108,260	2,795,448
Sales and services of auxiliary enterprises	10,701,904	-	10,701,904	9,338,378
Total educational and general revenue	71,037,793	7,520,903	78,558,696	74,055,826
Net assets released from restriction	7,860,102	(7,860,102)	-	-
Total operating revenue	78,897,895	(339,199)	78,558,696	74,055,826
OPERATING EXPENSES				
Program expenses:				
Instruction	39,936,192	-	39,936,192	37,104,152
Academic support	4,872,707	-	4,872,707	5,178,430
Public service	898,618	-	898,618	2,220,258
Student services	17,560,915	-	17,560,915	17,986,289
Auxiliary enterprises	8,967,400	-	8,967,400	8,573,940
Student scholarships and stipends	58,170	-	58,170	152,728
Support expenses:				
Institutional support	10,904,056	-	10,904,056	11,190,642
Total operating expenses	83,198,058	-	83,198,058	82,406,439
CHANGE IN OPERATING NET ASSETS	(4,300,163)	(339,199)	(4,639,362)	(8,350,613)
NONOPERATING REVENUES (EXPENSES)				
Private gifts and grants	20,411	2,881,053	2,901,464	2,809,564
Change in allowance for uncollectible pledges	-	(64,284)	(64,284)	(57,916)
Transfers	90,648	(90,648)	-	-
Loss on Disposal of Assets	(433,679)	-	(433,679)	(10,892)
Investment gain (loss) on endowment investments				
Net of amount appropriated for expenditure	-	3,329,373	3,329,373	(2,593,648)
Net gain (loss) on other investments	-	12,758	12,758	(13,782)
Adjustment of actuarial liability	(10,226)	(22,279)	(32,505)	(22,171)
CHANGE IN NONOPERATING NET ASSETS	(332,846)	6,045,973	5,713,127	111,155
CHANGE IN NET ASSETS	(4,633,009)	5,706,774	1,073,765	(8,239,458)
NET ASSETS - BEGINNING OF PERIOD	52,195,878	81,355,003	133,550,881	141,790,339
NET ASSETS - END OF PERIOD	<u>\$ 47,562,869</u>	<u>\$ 87,061,777</u>	<u>\$ 134,624,646</u>	<u>\$ 133,550,881</u>

See accompanying Notes to Financial Statements.

AUGSBURG UNIVERSITY
STATEMENTS OF ACTIVITIES
YEAR ENDED MAY 31, 2023

	2023		
	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUES			
Tuition and fees, Net of Student Aid and Scholarships of \$55,797,133	\$ 49,486,284	\$ -	\$ 49,486,284
Government grants	3,449,747	-	3,449,747
Private gifts and grants	1,509,363	4,602,309	6,111,672
Change in Allowance for Uncollectible Pledges	-	(106,174)	(106,174)
Investment income	114,406	2,609,792	2,724,198
Sales and services of educational activities	256,273	-	256,273
Other sources	2,178,536	616,912	2,795,448
Sales and services of auxiliary enterprises	9,338,378	-	9,338,378
Total educational and general revenue	<u>66,332,987</u>	<u>7,722,839</u>	<u>74,055,826</u>
Net assets released from restriction	7,430,642	(7,430,642)	-
Total operating revenue	<u>73,763,629</u>	<u>292,197</u>	<u>74,055,826</u>
OPERATING EXPENSES			
Program expenses:			
Instruction	37,104,152	-	37,104,152
Academic support	5,178,430	-	5,178,430
Public service	2,220,258	-	2,220,258
Student services	17,986,289	-	17,986,289
Auxiliary enterprises	8,573,940	-	8,573,940
Student scholarships and stipends	152,728	-	152,728
Support expenses:			
Institutional support	11,190,642	-	11,190,642
Total operating expenses	<u>82,406,439</u>	<u>-</u>	<u>82,406,439</u>
CHANGE IN OPERATING NET ASSETS	(8,642,810)	292,197	(8,350,613)
NONOPERATING REVENUES (EXPENSES)			
Private gifts and grants	32,599	2,776,965	2,809,564
Change in allowance for Uncollectible Pledges	(1,345)	(56,571)	(57,916)
Capital funds released from restriction and Other transfers	1,642,943	(1,642,943)	-
Transfers	666,240	(666,240)	-
Loss on Disposal of Assets	(10,892)	-	(10,892)
Investment gain (loss) on endowment investments net	-	(2,593,648)	(2,593,648)
Net Gain (Loss) on Other Investments	-	(13,782)	(13,782)
Adjustment of actuarial liability	(11,309)	(10,862)	(22,171)
CHANGE IN NONOPERATING NET ASSETS	<u>2,318,236</u>	<u>(2,207,081)</u>	<u>111,155</u>
CHANGE IN NET ASSETS	(6,324,574)	(1,914,884)	(8,239,458)
NET ASSETS - BEGINNING OF PERIOD	<u>58,520,452</u>	<u>83,269,887</u>	<u>141,790,339</u>
NET ASSETS - END OF PERIOD	<u>\$ 52,195,878</u>	<u>\$ 81,355,003</u>	<u>\$ 133,550,881</u>

See accompanying Notes to Financial Statements.

AUGSBURG UNIVERSITY
STATEMENTS OF CASH FLOWS
YEAR ENDED MAY 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,073,765	\$ (8,239,458)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	6,053,828	6,053,164
Loss on disposal of plant assets	433,679	10,892
Unrealized (gains) losses	(7,103,876)	751,156
Realized gains	(409,132)	(750,284)
(Increase) decrease in cash surrender value of life insurance	(16,655)	(9,044)
Loan cancellations and assignments	285,570	(43,334)
Allowance for credit losses - student accounts	750,000	(100,000)
Allowance for contributions receivable	(92,861)	161,024
Change in fair value of beneficial interest in perpetual trusts	(2,616)	(386)
Adjustment of actuarial liability for split interest in perpetual trusts	41,507	31,487
Proceeds from private gifts for long-term investment for endowment	(4,688,746)	(4,295,757)
Proceeds from private gifts for capital campaign	(1,215)	(17,893)
Change in assets and liabilities:		
Student accounts receivables	(440,076)	(659,494)
Government grants receivable	613,239	(801,680)
Other receivables	(112,847)	(364,097)
Inventories	1,716	(6,994)
Prepays expenses and other assets	(206,880)	(156,308)
Contributions receivable	572,513	(233,564)
Accounts payable and accrued expenses	1,898,674	(621,091)
Deferred revenue and deposits	(219,934)	1,541,408
Funds held in custody for others	(523,583)	(7,997)
Operating lease liability	(243,539)	(175,580)
Net cash used by operating activities	<u>(2,337,469)</u>	<u>(7,933,830)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,576,341)	(3,354,411)
Proceeds from investments	8,405,806	2,798,725
Change in deposits with bond trustee	402,776	(93,346)
Purchase of property, plant, and equipment	(1,319,998)	(3,012,913)
Repayment of loans from students	411,605	660,553
Net cash (used) provided by investing activities	<u>5,323,848</u>	<u>(3,001,392)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private gifts for long-term investment for endowment	4,688,746	4,295,757
Proceeds from private gifts for capital campaign	1,215	17,893
Proceeds from line of credit	10,000,000	5,500,000
Payment on line of credit	(15,500,000)	-
Payments on finance leases	(645,212)	(638,056)
Proceeds from long-term debt	32,495	38,790
Payments on long-term debt	(12,415,000)	(1,985,000)
Proceeds from loan payable	10,500,000	-
Payment on split interest agreement	(37,463)	(40,447)
U.S. government grants refundable	(1,077,057)	(697,883)
Net cash (used) provided by financing activities	<u>(4,452,276)</u>	<u>6,491,054</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,465,897)</u>	<u>(4,444,168)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>8,306,806</u>	<u>12,750,974</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ 6,840,909</u></u>	<u><u>\$ 8,306,806</u></u>
SUPPLEMENTAL DISCLOSURE OF CASHFLOWS INFORMATION		
Cash paid during year for interest	<u>\$ 2,399,884</u>	<u>2,446,948</u>
Property, plant, and equipment in accrued liabilities	<u>\$ 229,035</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

As one of the Evangelical Lutheran Church in America's (ELCA) most diverse urban institutions, Augsburg University (the University) offers undergraduate degrees in more than 50 major areas of study in a traditional day program and on evenings and weekends for working adults. The University also grants eleven graduate degrees in business administration, creative writing, education, leadership, music therapy, nursing, physician assistant studies, teaching, social work, a doctorate of nursing practice, and a doctor of psychology in clinical psychology. Augsburg University educates students to be informed citizens, thoughtful stewards, critical thinkers, and responsible leaders. An Augsburg education is defined by excellence in the liberal arts and professional studies, guided by the faith and values of the Lutheran Church, and shaped by its urban and global settings.

The Augsburg community is committed to intentional diversity in its life and work; as such, the University's nearly 3,200 students represent diversity of age, ability, religion, ethnicity, and culture. Augsburg's on-campus diversity is enhanced by its location in one of the Twin Cities' most diverse neighborhoods, a location that provides access for students to participate in community service and internship experiences that enhance their classroom learning and prepare them for work in a global society. Augsburg's commitment to academic quality, community service, and experiential education has resulted in the University earning recognition as a top-producer of Fulbright Scholars, being named four times to the President's Higher Education Community Service Honor Roll and, in 2012, receiving the William Burke Presidential Award for Excellence in Experiential Education.

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The University maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of regents.

Net Assets With Donor Restrictions – Net assets whose use by the University is subject to donor-imposed stipulations that can be either fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the University to use the earnings on the related investments for general or specific purposes.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets Without Donor Restrictions - Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and any other assets or liabilities are reported as increases in net assets without donor restrictions unless their use is limited by donor stipulation or by laws. Net assets that have no donor-stipulated restrictions are reported as without donor restrictions support. Net assets without donor restrictions include board-designated and quasi-endowment net assets.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, trust activity, and pledges receivable which are subject to donor-imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time. Net assets with donor restrictions in the plant fund group are restricted for capital improvements. Net assets may be subject to donor-imposed restrictions which require them to be maintained permanently by the University. Generally, the donors of these assets permit the University to use the income earned on related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. For any capital improvement funds with donor restrictions, the University releases to net assets without donor restrictions when the project is complete.

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Periodically donor restrictions related to net assets may be clarified or changed, such changes are reflected as transfers at the time they are identified.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents designated for long-term investment purposes are included as other investments. At times, cash may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Short-Term Investments

The University invests cash in excess of its immediate needs in money market funds and mutual funds which can be easily converted to cash. These funds are reported as short-term investments in the statements of financial position.

**AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Accounts Receivable

Receivables are stated at net realizable value and are unsecured. The University charges an annual interest rate of eight percent on past due accounts. Interest is recognized as revenue as it is charged. The University provides a current expected credit loss considering inflation, unemployment, graduation, time to degree, and retention rates along with historical information. Accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted and no payments have been received, accounts are individually assessed for collectability and are written off against the related allowance. Recoveries of student accounts and loans receivable previously written off are recorded when received. At May 31, 2024 and 2023, the University provided an allowance of \$2,750,000 and \$2,000,000 against uncollectible accounts receivable and student loans receivable, respectively.

Government Grants and Contracts

Conditional government grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the final assessment is made. A portion of the University's revenue is derived from cost reimbursable federal and state contracts and grants, 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 contract or grant provisions. The University received cost reimbursable grants of \$4,527,608 that have not been recognized at May 31, 2024 because qualifying expenditures have not yet been incurred.

Inventories

Inventories of supplies are valued at the lower of cost (first-in, first-out) or net realizable value.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises are not included as revenue until such times as the conditions are substantially met.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Loans Receivable

Student loans receivable consist of loans made to students under U.S. government Perkins loan programs. After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on Perkins student loans receivable and is recognized as it is charged. Perkins student loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late fees are charged and recognized. The Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education. At May 31, 2024 and 2023, no allowance was provided against uncollectible student loans.

Investments

Investments are carried at fair value, based upon quoted market prices. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur due to market fluctuation and that such changes could materially affect the amounts reported in the statements of financial position. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

Split-Interest Agreements

The University's split-interest agreements include charitable remainder trusts and charitable gift annuities. The University recognizes the contribution from charitable trusts when the irrevocable trust is established and recognizes the contribution from the charitable annuity gifts when the agreement is executed. The contribution amount when the University is the trustee is the difference between the fair value of assets received and the present value of the future cash flows expected to be paid to the designated beneficiaries. The contribution amount when the University is not the trustee is the present value of expected future cash flows from the trust. The University used interest rates ranging from 1.2% to 10.0% in making the calculations for the years ended May 31, 2024 and 2023.

Assets held by the University under deferred gift agreements totaled approximately \$193,000 and \$182,000 at May 31, 2024 and 2023, respectively.

Deposits Held by Trustee

The deposits held by trustee include amounts restricted for debt service and renewal and replacement as required by the trust indentures and other deposits.

Deferred Debt Acquisition Costs

Costs of bond issuance are deferred and amortized over the life of the bonds.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Funds Held in Trust

The University is the beneficiary of perpetual trusts held by third parties. Under the terms of the trusts, the University has the irrevocable right to receive the income generated by the trust in perpetuity, but never receive the corpus of the trust. The beneficial interest in the perpetual trusts is recorded at the University's proportional share of the fair value of the underlying trust assets.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation less accumulated depreciation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted. In the absence of such stipulation, contributions of property and equipment are recorded as without donor restrictions. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Buildings are estimated to have 30 to 50-year lives. All other assets are depreciated over lives ranging up to 20 years. When applicable, interest is capitalized in connection with the construction of facilities and amortized over the asset's useful life. The University capitalizes property, plant, and equipment expenditures in excess of \$2,000.

Assets Held for Sale

The University reclassified the net book value of certain land and buildings intended to be sold to assets held for sale (Note 4).

Funds Held in Custody for Others

Funds held in custody for others are mainly assets held for third parties for payables.

U.S. Government Grants Refundable

Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students. These funds are ultimately refundable to the United States government and are included as a liability in the financial statements. Due to the expiration of the Perkins Program, as of October 1, 2017 the University is now required to start sending federal funds back to the government and the amount expected to be returned within one year has been recorded as a current liability in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

Fair Value of Financial Instruments

The University follows an accounting standard that defines fair value, establishes a fair value hierarchy based on the quality of the inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The University accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Certain financial assets and liabilities are accounted for at fair value in accordance with applicable standards.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy

In accordance with accounting standards, the University has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for the identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Revenue Recognition and Disaggregation of Revenue

The University provides academic instruction toward baccalaureate and graduate degrees. Tuition and fee revenue is recognized over the period in which the academic courses are provided. Financial assistance in the form of institutional scholarships and grants awarded to students reduce the amount of tuition and fee revenue recognized. In addition, students who adjust their course load or withdraw completely may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments for services are due upon registration for each academic term.

The University also provides auxiliary services, such as residence and food services. Revenue from these services is recognized over the period in which the goods and services are provided. Students that withdraw from the University may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of auxiliary revenue recognized.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue represents payments received prior to the start of the academic term. The following table depicts activities for deferred revenue related to tuition, fees, and auxiliary services as of May 31, 2024:

Balance May 31, 2023	Refunds Issued	Revenue recognized included in May 31, 2023 balance	Cash received in advance of performance	Balance May 31, 2024
\$ 3,743,630	\$ -	\$ (3,743,630)	\$ 3,400,191	\$ 3,400,191

The following table depicts activities for deferred revenue related to tuition, fees, and auxiliary services as of May 31, 2023:

Balance May 31, 2022	Refunds Issued	Revenue recognized included in May 31, 2022 balance	Cash received in advance of performance	Balance May 31, 2023
\$ 3,489,171	\$ -	\$ (3,489,171)	\$ 3,743,630	\$ 3,743,630

The balance of deferred revenue at May 31, 2024 less any refunds will be recognized as revenue over the academic term as services are rendered. The University applies the practical expedient in ASU 2014-09 paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The University anticipates that students enrolled for the Fall semester will continue their studies in the Spring semester, and that students who receive their baccalaureate or graduate degree in December or May will be replaced by an equivalent number of new enrollees.

Accounts Receivable (Student)

Accounts receivable represents payment not yet received for academic terms already completed. The following table depicts activities for accounts receivable related to tuition, fees, and auxiliary services as of May 31.

	2024	2023
Accounts Receivable, Beginning of the Year	\$ 4,128,152	\$ 3,368,657
Payments Made	(133,128,397)	(122,084,636)
Charges for Tuition and Fees	133,968,434	123,501,005
Change in Allowance and Write Offs	(1,149,961)	(656,874)
Total	\$ 3,818,228	\$ 4,128,152

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right of Use Leases

The University determines if an arrangement is a lease at the inception of the agreement. Operating leases are included in right-of-use (ROU) assets-operating and lease liability-operating. Finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. For operating leases the University utilizes its incremental borrowing rate as the discount rate. The discount rate on operating leases as of May 31, 2024 and 2023 was 3.03%. The implicit interest rate on financing leases ranges from 2.1% to 2.7%. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Grants to Specified Students

Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University.

Fundraising and Advertising Expenses

Fundraising expenses approximated \$2,300,000 and \$2,170,000 for the years ended May 31, 2024 and 2023, respectively. Advertising expenses approximated \$219,000 and \$196,000 for the years ended May 31, 2024 and 2023, respectively. Advertising costs are expensed when incurred.

Impairment of Long-Lived Assets

The University reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment losses of \$433,107 were recognized for the year ended May 31, 2024. No impairment of long-live assets occurred for the year ended May 31, 2023.

Income Taxes

The University has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal and state income tax only on net unrelated business income. The University engages in activities that are considered unrelated to its exempt purpose. These activities are subject to federal and state income taxes. A federal and state tax provision of \$31,500 has been recorded for the years ended May 31, 2024 and 2023.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

In its statements of activities, the University includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activity consists primarily of investment income earned in excess of the University's authorized spending amount, sales of property, earnings for other investments, gifts received for endowment and capital campaigns, change in allowance for uncollectible pledges, capital funds released from restriction, and the change in value of split-interest agreements.

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 these estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. There is no effect on net assets as previously reported.

Subsequent Events

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through September 25, 2024, the date the financial statements were available to be issued. After fiscal year end the University entered into a sales contract for an asset held for sale at year end. At fiscal year end the net book value of the asset held for sale was \$213,036. The net sales proceeds totaled \$1,074,941.

In addition, the University refinanced its bridge loan of \$10,500,000 which had a maturity date of August 31, 2024. The bridge loan was refinanced with a \$10,000,000 non-taxable and a \$1,280,000 taxable note. In August 2024, the Minneapolis Community Development Agency issued a \$10,000,000 Series 2024 Revenue Refunding Note and entered into a note agreement with the University. The note has a maturity date of August 2039 with required interest and principal payments. The note has an interest rate of 5.006% supported by an interest rate swap.

The University also entered into a \$1,280,000 loan with Bremer Bank, NA. The note has a maturity date of August 2026 with required interest and principal payments. The note has a fixed interest rate of 6.567%.

The loans include usual and customary financial and nonfinancial covenants with which the University is required to comply. The covenants include filing of certain reports and certifications by the University within prescribed timeframes, maintenance of certain financial ratios and asset balances, and certain restrictions of the incurrence of additional long-term debt as specified in the agreements.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 STUDENT LOAN RECEIVABLE

The University issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At May 31, 2024 and 2023, student loans represented 0.5% and 0.8% of total assets, respectively. There was no allowance for doubtful accounts at May 31, 2024 and 2023. No accounts were written off as uncollectible during the years ended May 31, 2024 and 2023.

Funds advanced in previous years by the Federal government of \$1,010,173 and \$2,087,230 at May 31, 2024 and 2023, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

At May 31, 2024 and 2023, the following amounts were past due under student loan programs:

May 31,	1-60 Days Past Due	61-90 Days Past Due	Over 90 Days Past Due	Total Past Due
2024	\$ 1,326	\$ 408	\$ 143,396	\$ 145,130
2023	\$ 1,702	\$ 1,475	\$ 32,035	\$ 35,212

NOTE 3 INVESTMENTS

Endowments

The University endowment consists of approximately 400 individual endowments established for a variety of operating and scholarship purposes. The University records the original value of the gifts, subsequent gifts, and any accumulated earnings, if directed by donor agreement, to net assets with donor restrictions.

**AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023**

NOTE 3 INVESTMENTS (CONTINUED)

Endowments (Continued)

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University retains in perpetuity (a) the original and subsequent gifts to the endowment, and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, (c) the original net present value of restricted annuities, and (d) subsequent changes in amount due under restricted annuities. Donor-restricted amounts not retained in perpetuity are appropriated for expenditure by the University in a manner consistent with the standard of prudence under UPMIFA. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

- 1) The duration and preservation of the funds.
- 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 organization.
- 7) The investment policies of the University.

Endowment funds are managed primarily by an outside fund manager selected by the University.

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) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed the costs of inflation and the spend rate while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide a return equal to, or exceeding, the endowment spending rate plus inflation over a market cycle. Actual returns in any year may vary from this expectation.

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 places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 3 INVESTMENTS (CONTINUED)

Endowments (Continued)

The University has a policy of appropriating for distribution for the years ended May 31, 2024 and 2023, 4.5% of its endowment fund's average fair value over the prior 12 quarters through the prior fiscal year-end. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long-term, the University expects the current endowment spending policy to preserve the constant dollar value and purchasing power of the endowment fund. This 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. For the fiscal year ended May 31, 2024, the Board of Regents approved an additional 2% draw from the endowment to meet operational and cashflow needs.

Based on this formula and spending rate, the total distributable income for the years ended May 31, 2024 and 2023 amounted to approximately \$4,370,000 and \$2,812,000, respectively. Endowment income is presented net of investment fees of approximately \$304,000 and \$148,000 for the years ended May 31, 2024 and 2023, respectively.

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. As of May 31, 2024, 2 donor-restricted endowment funds had an approximately aggregated original value totaling \$256,500, current fair value totaling \$253,800, and deficiencies totaling \$2,700. As of May 31, 2023, 16 donor-restricted endowment funds had approximately aggregated original values totaling \$1,824,000, current fair values totaling \$1,785,000, and deficiencies totaling \$39,000. The University may draw down funds that are below the original value of the endowment gift if the University deems it prudent to do so.

Endowment net asset composition by type of fund as of May 31, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds	\$ 512,676	\$ 75,768,422	\$ 76,281,098

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 3 INVESTMENTS (CONTINUED)

Endowments (Continued)

Endowment related activities for the year ended May 31, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, June 1, 2023	\$ 493,712	\$ 70,271,678	\$ 70,765,390
Investment Return:			
Investment Income	(530)	(67,933)	(68,463)
Net Realized and Unrealized Gains	51,948	7,398,836	7,450,784
Total Investment Return	51,418	7,330,903	7,382,321
Contributions		2,452,690	2,452,690
Appropriations of Endowment Assets for Expenditure - Designated	(32,454)	(3,969,075)	(4,001,529)
Appropriations of Endowment Assets for Expenditure - General	-	(368,537)	(368,537)
Transfers (Fair Value Adjustment for Permanently Restricted)	-	50,763	50,763
Endowment Net Assets May 31, 2023	\$ 512,676	\$ 75,768,422	\$ 76,281,098

Endowment net asset composition by type of fund as of May 31, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds	\$ 493,712	\$ 70,271,678	\$ 70,765,390

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 3 INVESTMENTS (CONTINUED)

Endowments (Continued)

Endowment related activities for the year ended May 31, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, June 1, 2022	\$ 433,774	\$ 70,198,550	\$ 70,632,324
Investment Return:			
Investment Income	-	(121,724)	(121,724)
Net Realized and Unrealized Gains	59,938	77,930	137,868
Total Investment Return	59,938	(43,794)	16,144
Contributions		2,849,518	2,849,518
Appropriations of Endowment Assets for Expenditure - Designated	-	(2,606,666)	(2,606,666)
Appropriations of Endowment Assets for Expenditure - General	-	(206,164)	(206,164)
Transfers (Fair Value Adjustment for Permanently Restricted)	-	80,234	80,234
Endowment Net Assets May 31, 2023	\$ 493,712	\$ 70,271,678	\$ 70,765,390

The following summarizes the University's endowment investments at May 31:

	2024	2023
Cash and Short-Term Investments	\$ 8,499,877	6,672,751
Equity Funds	24,129,995	22,242,566
Fixed Income Funds	9,562,758	10,412,817
Alternative Investments	33,994,805	31,347,320
Cash Surrender Value of Life Insurance	93,663	89,936
Total	\$ 76,281,098	\$ 70,765,390

As of May 31, 2024, the University has commitments to make additional capital contributions in various alternative investments of approximately \$15,554,500.

The University's unrealized gains on hedge funds were approximately \$634,000 and \$402,500 for the years ended May 31, 2024 and 2023, respectively.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 3 INVESTMENTS (CONTINUED)

Endowments (Continued)

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and, that such changes could materially affect the amounts reported in the financial statements.

Through the University's alternative investments, the University is indirectly involved in investment activities such as securities lending, trading in futures, forward contracts and other derivative products. Derivatives are used to adjust portfolio risk exposure. While these instruments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its respective share in each investment pool.

Short-Term Investments

The following summarizes the University's short-term investments at May 31:

	2024	2023
Equity Funds	\$ -	\$ 851,874
Fixed Income Funds	-	3,116,783
Commodities	161,309	161,309
	<u>\$ 161,309</u>	<u>\$ 4,129,966</u>

Other Investments

The following summarizes the University's investments held for deferred gift and other purposes at May 31:

	2024	2023
Cash and Short-Term Investments	\$ 5,402	\$ 30,369
Equity Funds	596,577	423,656
Fixed Income Funds	88,748	102,424
Real Estate Funds	19,866	17,652
Total	<u>\$ 710,593</u>	<u>\$ 574,101</u>

Deposits Held by Trustee

The following summarizes debt service reserves at May 31:

	2024	2023
Cash and Short-Term Investments	\$ 1,314,641	\$ 1,400,864
Fixed Income Funds	2,736,262	3,052,815
Total	<u>\$ 4,050,903</u>	<u>\$ 4,453,679</u>

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 4 ASSETS HELD FOR SALE, PROPERTY, PLANT, AND EQUIPMENT

In fiscal year 2024, the Board of Regents passed resolutions to sell two University buildings. The first building was the President's residence owned by the University. The second building was not used in the University's operational activities. Their collective net book value which amounted to \$1,612,044 as of the end of fiscal year 2024 has been reclassified as assets held for sale on the statement of financial position. The University is in active sale negotiations for both buildings, however, the actual proceeds and sale date are unpredictable due to the nature of the transactions.

Property, plant, and equipment consist of the following at May 31:

	2024	2023
Land	\$ 3,876,843	\$ 3,960,440
Buildings	129,667,617	131,362,050
Building Improvements	40,636,804	42,034,066
Furniture, Equipment and Library Books	17,177,060	19,852,815
Total	191,358,324	197,209,371
Accumulated Depreciation	(88,013,520)	(88,053,583)
Total Property, Plant, and Equipment	\$ 103,344,804	\$ 109,155,788

Depreciation expense totaled \$5,087,000 and \$5,200,000, for the years ended May 31, 2024 and 2023, respectively.

The University had incurred costs related to various building and renovation projects at May 31, 2024 and 2023. The construction projects will be financed through a combination of private gifts, grants, and operations. The construction in progress was \$563,297 and \$565,002 for the years ended May 31, 2024 and 2023, respectively.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31:

	<u>2024</u>	<u>2023</u>
With Donor Restrictions - Operations	\$ 1,775,225	\$ 2,779,829
Plant Projects	8,256	8,256
With Donor Restrictions - Endowment	<u>2,591,914</u>	<u>2,160,823</u>
Gross Unconditional Promises to Receive	4,375,395	4,948,908
Unamortized Discount	(234,429)	(260,039)
Estimated Uncollectible	<u>(437,540)</u>	<u>(504,791)</u>
Net Contribution Receivable	<u><u>\$ 3,703,426</u></u>	<u><u>\$ 4,184,078</u></u>
Amounts Due in:		
Less than One Year	\$ 1,188,838	
One to Five Years	2,898,557	
Beyond Five Years	288,000	
Total	<u><u>\$ 4,375,395</u></u>	

Promises due in more than one year were discounted at interest rates ranging from 0.79% to 4.52% for each of the years ended May 31, 2024 and 2023. Promises due in less than one year were not discounted. Related party contributions receivable were approximately \$1,521,000 and \$894,000 at May 31, 2024 and 2023, respectively.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 6 FAIR VALUE MEASUREMENTS

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the University measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of May 31, 2024:

	Level 1	Level 2	Level 3	Total
Cash and Short-term Investments	\$ 9,390,254	\$ 523,329	\$ -	\$ 9,913,583
Equity Mutual Fund	2,116,087	-	-	2,116,087
Fixed Income Mutual Funds	750,601	-	-	750,601
Fixed Income Funds	-	2,736,262	-	2,736,262
Commodities Funds	161,309	-	-	161,309
Real Estate Funds	19,866	-	-	19,866
Beneficial Interest in Funds Held in Trust	-	-	26,107	26,107
	<u>12,438,117</u>	<u>3,259,591</u>	<u>26,107</u>	<u>15,723,815</u>
Alternative Investments Measured Using NAV				<u>65,506,195</u>
Total Assets at Fair Value				<u>\$ 81,230,010</u>

The following table presents the University's fair value hierarchy for those assets and liabilities measured a fair value on a recurring basis as of May 31, 2023:

	2023			Total
	Level 1	Level 2	Level 3	Total
Cash and Short-term Investments	\$ 7,349,519	\$ 844,401	\$ -	\$ 8,193,920
Equity Mutual Fund	1,275,530	-	-	1,275,530
Fixed Income Mutual Funds	3,219,208	-	-	3,219,208
Fixed Income Funds	-	3,052,815	-	3,052,815
Commodities Funds	161,309	-	-	161,309
Real Estate Funds	17,651	-	-	17,651
Beneficial Interest in Funds Held in Trust	-	-	23,491	23,491
	<u>12,023,217</u>	<u>3,897,216</u>	<u>23,491</u>	<u>15,943,924</u>
Alternative Investments Measured Using NAV				<u>64,002,703</u>
Total Assets at Fair Value				<u>\$ 79,946,627</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Short-Term Investments – Short-term investments includes cash carried in investment accounts that are expected to be converted to long-term investments in the near term. Cash is classified as Level 1 because it is a readily exchangeable currency. The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 2 as these funds are not traded on a regular basis.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Equity Mutual Funds – Investments in equity mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Fixed Income Mutual Funds – Investments in fixed income mutual funds are classified as Level 1 based on them trading with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis.

Fixed Income Funds – Investments in fixed income funds are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Commodities Funds – Investments in commodities funds are classified as Level 1 based on them trading in an active market for which closing prices are readily available.

Real Estate Funds – Real estate funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Beneficial Interest in Funds Held in Trust – The University's beneficial interest in irrevocable split-interest agreements held or controlled by a third-party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the University expects to receive over the term of the agreements.

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.

The following table presents the University's assets measured at fair value using significant unobservable inputs (Level 3) as defined in Note 1 – Summary of Significant Accounting Policies for the years ended May 31:

	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2024	2023		
Beneficial Interest in Funds Held in Trust	\$ 26,107	\$ 23,491	Fair Market Value of Trust	Time Period of Trust

The fair value of certain funds has been estimated using the NAV as reported by the management of the fund. FASB guidance allows for the use of the NAV as a "practical expedient" estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the University's interest in the fund. The University generally considers a redemption period of 65 days or less to be considered near term.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of May 31, 2024:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Equity Funds	\$ 22,610,486	\$ -	Monthly	5 Days
Fixed Income Funds	8,900,905	-	Weekly	5 Days
Fixed Income Funds	1,997,886	2,815,686	N/A	N/A
Hedge Funds	7,118,808	-	Quarterly	65 Days
Real Assets Funds	7,846,374	3,291,020	N/A	N/A
Distressed Credit Funds	53,155	212,950	N/A	N/A
Private Equity Funds	16,978,581	9,233,850	N/A	N/A
	<u>\$ 65,506,195</u>	<u>\$ 15,553,506</u>		

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of May 31, 2023:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Equity Funds	\$ 22,242,566	\$ -	Monthly	5 Days
Fixed Income Funds	10,412,817	-	Weekly	5 Days
Fixed Income Funds	1,431,540	1,305,702	N/A	N/A
Hedge Funds	7,144,578	-	Quarterly	65 Days
Real Assets Funds	7,736,969	4,491,123	N/A	N/A
Distressed Credit Funds	145,340	212,950	N/A	N/A
Private Equity Funds	14,888,893	6,663,225	N/A	N/A
	<u>\$ 64,002,703</u>	<u>\$ 12,673,000</u>		

The investment managers do not necessarily report monthly valuation thus management evaluates significant capital activity that occurs between valuation dates. The valuations used to develop the investments reported value by the University at May 31, 2024 are valued as of the following dates by the investment managers:

	<u>Number of Holdings</u>	<u>Percentage of Population Based on Dollars</u>
Investments with Valuation at 12/31/2023	27	36.39%
Investments with Valuation at 3/31/2024	1	2.11%
Investments with Valuation at 4/30/2024	1	0.47%
Investments with Valuation at 5/31/2024	9	61.03%

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The valuations used to develop the investments reported value by the University at May 31, 2023 are valued as of the following dates by the investment managers:

	Number of Holdings	Percentage of Population Based on Dollars
Investments with Valuation at 12/31/2022	24	33.13%
Investments with Valuation at 3/31/2023	1	3.65%
Investments with Valuation at 4/30/2023	1	0.56%
Investments with Valuation at 5/31/2023	7	62.66%

Management believes its processes and procedures for valuing investments are effective, and that its estimate of value is reasonable. However, the factors used by management are subject to change in the near term and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the consolidated financial statements.

NOTE 7 PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

The following is a summary of the notes payable to the Minnesota Higher Education Facilities Authority (the Authority) for the following bonds issued by the Authority:

	Original Balance	Balance as of May 31, 2024	Balance as of May 31, 2023
Series Eight-E Bonds of 2015	12,400,000	\$ -	\$ 8,665,000
2016A Bond	32,240,000	31,875,000	32,240,000
2016B Bond	13,680,000	10,795,000	11,260,000
Series 2019 Note	2,920,000	-	2,920,000
Total		<u>42,670,000</u>	<u>55,085,000</u>
Add: Net Premium/Discounts		1,119,467	1,170,352
Less: Unamortized Bond Issuance Costs		<u>(476,687)</u>	<u>(586,805)</u>
Total Bonds Payable, Net Premiums/Discounts and Unamortized Bond Issuance Costs		<u>\$ 43,312,780</u>	<u>\$ 55,668,547</u>

Series Eight-E Bonds of 2015 – In April 2015, the Minnesota Higher Education Facilities Authority issued \$12,400,000 of Revenue Bonds and entered into a note agreement with the University. The Revenue Bonds matured in an annual installment of \$585,000 on May 1, 2024. The remaining principal balance of \$8,080,000 was due on the tender date of May 1, 2024. The tender date could have been extended through an amendment to the note agreement until the final maturity date of May 1, 2036, however, the tender date was not extended and the note was repaid on May 1, 2024. The interest rate was 3.81%. The loan repayments were a general obligation of the University.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

**NOTE 7 PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
(CONTINUED)**

Series 2016A and Series 2016B Bonds of 2016 - In December of 2016, the Minnesota Higher Education Facilities Authority issued \$32,240,000 of Revenue Bonds for Series 2016A and \$13,680,000 for Series 2016B of Revenue Bonds and entered into note agreements with the University. The Revenue Bonds mature in annual installments through 2046 and 2040, respectively. The 2016B Bonds have an early optional call date of 2018 to allow the remaining outstanding principal to be paid in full or in part from capital campaign contributions scheduled to be received by the University in 2018 and later. The University completed an optional call redemption in fiscal 2019 and 2018 totaling \$375,000 and \$945,000, respectively. The Series 2016A rates range from 2.37% to 5.00%. The Series 2016B has a coupon rate of 4.25%.

The original issue premium on the loans of \$1,501,103 is being amortized straight-line over the life of the bonds. Accumulated amortization totaled \$381,636 and \$330,751 for the years ended May 31, 2024 and 2023, respectively.

Series 2019 Note – In August 2019, the Minnesota Higher Education Facilities Authority issued \$2,920,000 of Series 2019 Note. The notes were scheduled to mature in installments beginning in 2024 through 2028, however, the note was repaid on May 1, 2024. The interest rate was 2.01% as of May 1, 2024. The note was a general obligation of the University.

The bond proceeds were used to pay the outstanding principal on the Series Six-J2 and Series Seven-G bonds.

The loan agreements and the reimbursement agreement associated with the bonds and the irrevocable letter of credit include usual and customary financial and nonfinancial covenants with which the University is required to comply. The covenants include filing of certain reports and certifications by the University within prescribed timeframes, maintenance of certain financial ratios and asset balances, and certain restrictions of the incurrence of additional long-term debt as specified in the agreements.

Below are the scheduled maturities of bonds payable for each of the next five years and thereafter and the sinking fund requirement for the Series 2016A and Series 2016B Bonds.

Year Ending May 31,	Scheduled Maturities	Sinking Fund Requirements
2025	\$ 860,000	\$ 860,000
2026	890,000	890,000
2027	915,000	915,000
2028	955,000	955,000
2029	1,385,000	1,385,000
Thereafter	37,665,000	37,665,000
Total	<u>\$ 42,670,000</u>	<u>\$ 42,670,000</u>

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 8 LOAN PAYABLE

During fiscal 2024 the University received a bridge loan from Bremer Bank, National Association in the amount of \$10,500,000. The loan proceeds were used to repay the Series Eight E bond and the Series 2019 Note. The principal and any accrued interest is due and payable in full on August 29, 2024. The loan has an interest rate of 7.82% as of May 31, 2024. The loan is intended be refinanced with a new Minneapolis Community Development Agency Revenue Refunding Note.

The loan agreement includes customary financial and nonfinancial covenants with which the University is required to comply. The covenants include filing of certain reports and certifications by the University within prescribed timeframes, and maintenance of certain financial ratios and asset balances.

NOTE 9 LINE OF CREDIT

The University has a \$6,000,000 line of credit agreement with Wells Fargo Bank, National Association (the Bank). Interest on the line of credit varies with the Bank's reference rate. The line of credit expires on January 31, 2025. There was \$-0- and \$5,500,000 of outstanding borrowings under this arrangement at May 31, 2024 and 2023. The line of credit was terminated subsequent to year-end and replaced with a similar \$6,000,000 line of credit with Bremer Bank, National Association.

NOTE 10 ENVIRONMENTAL REMEDIATION

The University owns several buildings on campus that contain environment contaminants in various forms. At this time, the University has no plans to renovate or demolish the buildings over their estimated remaining useful lives of up to 10 years. However, in accordance with applicable standards, management has estimated the cost of any potential obligation to remove contaminants and periodically undertakes abatement measures. The University used a future value rate assumption of 3.5% and brought that estimate back to present value using a risk-free rate of return of 5.0% in making this determination. The potential environmental remediation liability is \$742,621 and \$722,335 at May 31, 2024 and 2023, respectively.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at May 31:

	2024	2023
Donor-Restricted Net Assets Not Invested in Perpetuity:		
Gifts and Other Unexpended Revenues Available for:		
Scholarships, Instruction and Other Support	\$ 7,493,866	\$ 6,688,677
Acquisition of Buildings and Equipment	121,325	121,325
Total Gifts and Other Unexpended Revenues Available	7,615,191	6,810,002
Contributions Receivable	1,500,006	2,446,465
Annuity, Life Income and Similar Funds	(26,084)	(15,586)
Accumulated Earnings on Donor-Restricted Endowment Funds		
Subject to Donor Restrictions	22,269,430	19,276,139
Total Donor-Restricted Net Assets Not Invested in Perpetuity:	31,358,543	28,517,020
Donor-Restricted Net Assets Invested in Perpetuity:		
Contributions Receivable	2,197,440	1,830,633
Annuity, Life Income and Similar Funds	12,883	17,895
Donor-Restricted Endowment Funds	53,492,911	50,989,455
Total Donor-Restricted Net Assets Invested in Perpetuity:	55,703,234	52,837,983
Total Net Assets with Donor Restrictions	<u>\$ 87,061,777</u>	<u>\$ 81,355,003</u>

Net assets released for time and purpose restrictions were \$7,860,102 and \$9,073,585 for the years ended May 31, 2024 and 2023, respectively.

NOTE 12 FUNCTIONAL EXPENSES

The University reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). During the year expenses are directly coded to program activities (instruction, academic support, public service, student services, auxiliary enterprises, and scholarships and stipends) or support services (institutional management and fundraising) whenever possible.

Expenses with the exception of interest, depreciation, plant expenses, tuition remission, and information technology are specifically allocated to the various programs and supporting services.

Interest is allocated in two ways. For interest on bonds, the amounts are allocated based on the square footage of the underlying properties. For interest on capital leases, the amounts are allocated to the area that benefits the most from the equipment.

Depreciation expense is allocated in two different ways. Depreciation related to equipment, library books, and improvements is allocated based on the intended use of the underlying equipment or improvement. Depreciation for buildings and amortized bond fees are based on estimated percentages that the underlying property and equipment is used in each functional area.

Operation and maintenance of plant expenses are allocated to the functional areas based on the percentage of total expenses for each area.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 12 FUNCTIONAL EXPENSES (CONTINUED)

Tuition Remission is allocated based on each cost center's percentage of salary expenses.

Information technology expenses are allocated to specific departments based on percentages of headcount.

Distributions to students from funds received under the Higher Education Emergency Relief Funds (HEERF) are recorded as scholarship and stipend expense under the operating expenses in the statements of activities.

Expenses reported in the financial statements are classified among program services and supporting activities for May 31, 2024 are as follows:

	Instruction	Academic Support	Public Service	Student Services	Auxiliary Enterprises	Scholarships and Stipends	Institutional Support	Total
Compensation & Benefits	\$ 27,693,304	\$ 3,336,340	\$ 663,990	\$ 10,917,927	\$ 2,187,836	\$ -	\$ 6,220,562	\$ 51,019,959
Professional Services	1,839,289	162,989	103,780	1,676,742	1,930,589	-	1,146,144	6,859,533
Occupancy	2,368,394	268,224	6,367	606,991	2,809,600	-	211,080	6,270,656
Travel, Conferences, & Meetings	1,773,128	73,464	1,063	1,476,246	24,390	-	470,751	3,819,042
Equipment & Supplies	1,573,108	556,092	97,202	1,445,998	197,752	-	733,399	4,603,551
Other	247,298	33,530	4,502	260,655	2,097	-	1,612,286	2,160,368
Interest	1,894,832	4,547	580	110,954	321,944	-	190,209	2,523,066
Scholarships and Stipends	-	-	-	-	-	58,170	-	58,170
Depreciation, Depletion & Amortization	2,546,839	437,521	21,134	1,065,402	1,493,192	-	319,625	5,883,713
	<u>\$ 39,936,192</u>	<u>\$ 4,872,707</u>	<u>\$ 898,618</u>	<u>\$ 17,560,915</u>	<u>\$ 8,967,400</u>	<u>\$ 58,170</u>	<u>\$ 10,904,056</u>	<u>\$ 83,198,058</u>

Expenses reported in the financial statements are classified among program services and supporting activities for May 31, 2023, are as follows:

	Instruction	Academic Support	Public Service	Student Services	Auxiliary Enterprises	Scholarships and Stipends	Institutional Support	Total
Compensation & Benefits	\$ 25,025,475	\$ 3,414,692	\$ 1,143,061	\$ 11,233,345	\$ 1,947,089	\$ -	\$ 6,271,447	\$ 49,035,109
Professional Services	1,749,024	153,138	950,850	1,675,433	1,932,285	-	1,583,194	8,043,924
Occupancy	2,423,706	275,207	8,856	567,159	2,783,938	-	223,769	6,282,635
Travel, Conferences, & Meetings	1,610,849	93,640	(1,155)	1,731,445	29,533	-	563,581	4,027,893
Equipment & Supplies	1,538,382	698,527	82,174	1,445,045	150,684	-	926,837	4,841,649
Other	217,043	31,400	6,642	248,167	2,462	-	1,100,252	1,605,966
Interest	1,914,476	35,775	1,150	113,965	308,482	-	166,149	2,539,997
Scholarships and Stipends	-	-	-	-	-	152,728	-	152,728
Depreciation, Depletion & Amortization	2,625,197	476,051	28,680	971,730	1,419,467	-	355,413	5,876,538
	<u>\$ 37,104,152</u>	<u>\$ 5,178,430</u>	<u>\$ 2,220,258</u>	<u>\$ 17,986,289</u>	<u>\$ 8,573,940</u>	<u>\$ 152,728</u>	<u>\$ 11,190,642</u>	<u>\$ 82,406,439</u>

NOTE 13 EMPLOYEE BENEFITS

Defined Contribution Retirement Plans

The University has two contributory defined contribution retirement plans for academic and nonacademic personnel. The University contributes 5% of eligible compensation when participants make at least a 5% salary deferral and have less than four years of plan participation. The University contributes 8% of eligible compensation once participants have been in the plan for more than four years. The cost of the retirement plans amounted to approximately \$655,000 and \$2,048,000 for the years ended May 31, 2024 and 2023, respectively. The University temporarily suspended employer contributions to the defined retirement plans in fiscal 2024. The University's employer contributions were reinstated in June of 2024.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 13 EMPLOYEE BENEFIT PLANS (CONTINUED)

Deferred Compensation Plan

The University has executive retirement plans that are designed in accordance with Section 457(b) and 457(f) of the Internal Revenue Code. Participants are designated by the board of regents and are responsible for making investment selections within their designated accounts. However, the funds remain assets of the University until such time as the participants withdraw the funds in accordance with plan provisions. Assets held for these plans were \$543,738 and \$391,058 at May 31, 2024 and 2023, respectively. Plan assets are reported in Other Investments. A corresponding liability to plan participants is reported in Deferred Revenue and Deposits.

NOTE 14 LEASE COMMITMENTS

The University has leasing arrangements where the University is the lessee. These arrangements create right-of-use assets (ROU) and liabilities. These arrangements are described below. The University's policy is not to record right-of-use assets or lease liabilities for leases with terms of less than one year.

Operating Leases – University as Lessee

The University leases classroom, office and residential space under three separate leasing arrangements. The first lease commenced September 1, 2019 and ends August 31, 2027. The lease has three optional renewal extensions of three years each. The lease payments increase each year of the lease and range from \$12,026 to \$14,284 per month. The University also makes payments to the lessor based on the lessors insurance and property taxes as well as a portion of the common area maintenance costs associated with the property. The monthly payment was \$30,442 as of May 31, 2024. The University is uncertain whether the lease will be extended and has opted to record and amortize the lease assets and liabilities over the initial lease term for all operating leases. The second lease commenced September 1, 2021 and ends August 31, 2027. The lease payments increase each year of the lease and range from \$1,166 to 1,320 per month. The third lease agreement commenced on November 1, 2023 and ends October 31, 2025. Monthly lease payments on that lease are \$6,014.

Financing Leases – University as Lessee

The University leases computer equipment under twelve financing leases. The leasing company has eleven leases with lease terms ranging from September 1, 2019 to September 30, 2027. The monthly lease payment range from \$760 to \$8,492 monthly. The University also leases an athletic dome commencing August 4, 2021 and ending August 31, 2028. Annual payments on August 1 each year are \$270,586 through 2026, \$248,038 in 2027, and \$138,483 in 2028. The lease liability is calculated using the original terms of the leases.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 14 LEASE COMMITMENTS (CONTINUED)

The following table provides quantitative information concerning the University's operating and finance leases for the year ended May 31:

	2024	2023
Operating Lease:		
Fixed Rent Expense	\$ 245,455	\$ 202,742
Variable Rent Expense	209,957	206,952
Total Operating Lease Cost	455,412	409,694
Financing Lease		
Amortization of Right of Use Assets	611,100	642,579
Interest Expense	55,596	55,125
Total Finance Lease Cost	666,696	697,704
Total Lease Cost	\$ 1,122,107	\$ 1,107,398
Other Information	2024	2023
Cash Paid for Amounts Included in the Measuring of Lease Liabilities		
Operating Cash Flow from Operating Leases	\$ 244,260	\$ 201,644
Operating Cash Flow from Financing Leases	55,596	55,125
Financing Cash Flow from Finance Leases	645,212	638,056
Non-cash investing and financing activities:		
Additions to ROU assets obtained from:		
New operating lease liabilities	139,310	-
New finance lease liabilities	193,364	436,668
Weighted Average Remaining Lease Term (in Years)		
Operating Leases	2.77	4.08
Financing Leases	3.48	4.29
Weighted Average Discount Rate		
Operating Leases	3.03%	3.03%
Financing Leases	2.61%	2.60%

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 14 LEASE COMMITMENTS (CONTINUED)

Following is a maturity analysis of annual undiscounted cash flows for lease liabilities as of May 31, 2024:

<u>Year Ending May 31,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2024	\$ 249,294	\$ 574,450
2025	211,595	445,142
2026	186,096	311,815
2027	46,812	252,321
2028	-	138,483
Thereafter	-	-
Total Minimum Lease Payments	693,797	1,722,211
Less: Amount Representing Interest	(31,501)	(69,986)
Lease Liability	<u>\$ 662,296</u>	<u>\$ 1,652,225</u>

The University also leases space to various tenants in one of its buildings. Rental income was \$71,779 and \$82,681 for the years ending May 31, 2024 and 2023, respectively. The leases expired during fiscal 2024.

NOTE 15 COMMITMENTS

The University has an agreement with Energy Center Minneapolis, LLC under which the organization furnishes all of the University's steam requirements through December 31, 2051. The agreement calls for a fixed monthly steam demand charge of \$60,200 and a variable demand charge based on steam consumption.

The University also entered into a contract to renovate its dining facilities. The contract total is \$928,051 and construction is expected to be completed in fiscal year 2025.

NOTE 16 CONTINGENCIES

The University is subject to certain claims arising out of the ordinary course of business. Although it is not possible to predict the outcome of these claims, management believes they will not have a material effect on the financial condition of the University.

NOTE 17 AVAILABLE RESOURCES AND LIQUIDITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the University's liquidity management, the University invests cash in excess of daily requirements in short-term investments. In addition, the University maintains a \$6M operating line of credit that is available to manage cash flow if needed.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 17 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of instruction, public service, as well as services to support those activities to be general expenditures. As of May 31, the following table shows the total financial assets held by the University and the amounts of that could readily be made available within one year of the balance sheet date to meet general expenditures:

	2024	2023
Cash and Cash Equivalent	\$ 6,840,909	\$ 8,310,870
Short-term Investment	161,309	4,129,966
Grant Receivable	691,420	1,304,659
Contribution Receivable - Operating - Net	754,150	406,822
Student Accounts Receivable - Net	3,818,228	4,128,152
Other Receivable	1,582,229	1,448,467
Cash Surrender Value of Life Insurance	521,589	504,934
Unrestricted Endowment	512,676	493,712
Other Investments	-	25,000
Annual Endowment Draw	3,165,255	3,050,480
Total	<u>\$ 18,047,765</u>	<u>\$ 23,803,062</u>

NOTE 18 COMPOSITE SCORE

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the University's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 18 COMPOSITE SCORE (CONTINUED)

The composite score for the year ended May 31, 2024 is as follows:

Primary Reserve Ratio:			
Expendable Net Assets	\$	17,462,225	
Total Expenses/Losses	\$	82,764,379	<u>0.21</u>
Equity Ratio:			
Modified Net Assets	\$	133,103,646	
Modified Assets	\$	207,724,225	<u>0.64</u>
Net Income Ratio:			
Change in Net Assets Without Donor Restrictions	\$	(4,633,009)	
Total Revenues/Gains	\$	79,008,954	<u>(0.06)</u>

<u>RATIO</u>	<u>Ratio</u>	<u>Strength Factor</u>	<u>Weight</u>	<u>Composite Score</u>
Primary Reserve Ratio	0.2110	2.1099	40%	0.8439
Equity Ratio	0.6408	3.0000	40%	1.2000
Net Income Ratio	(0.0586)	-0.4660	20%	-0.0932
				<u>2.0</u>

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 18 COMPOSITE SCORE (CONTINUED)

See below for additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$ 55,703,234
2	Other net assets with donor restrictions (not restricted in perpetuity):	
a.	Annuities with donor restrictions	\$ (26,084)
b.	Term endowments	-
c.	Life income funds (trusts)	-
d.	Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ (26,084)</u>

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of pre-implementation as of May 31, 2023	\$ 98,792,229
b.	Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	-
c.	Less subsequent depreciation and disposals (net of accumulated depreciation)	<u>(5,086,963)</u>
d.	Balance pre-implementation property, plant, and equipment, net	93,705,266
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to May 31, 2019:	
a.	Equipment	-
b.	Land improvements	-
c.	Building	<u>-</u>
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	-
5	Construction in progress - acquired subsequent to May 31, 2019	563,297
6	Post-implementation property, plant, and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019	9,076,241
7	Total Property, Plant, and Equipment, net - May 31, 2024	<u>\$ 103,344,804</u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
a.	Ending balance of pre-implementation as of May 31, 2023	\$ 55,668,547
b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
c.	Less subsequent debt repayments	<u>(12,355,767)</u>
d.	Balance Pre-implementation Debt	43,312,780
9	Allowable post-implementation debt used for capitalized long-lived assets:	
a.	Equipment - all capitalized	-
b.	Land improvements	-
c.	Buildings	<u>-</u>
d.	Balance Post-implementation Debt	-
10	Construction in progress (CIP) financed with debt or line of credit	-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	10,500,000
		<u>\$ 53,812,780</u>

AUGSBURG UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 18 COMPOSITE SCORE (CONTINUED)

12 Terms of current year debt and line of credit for PPE additions:

	Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized
a.	Sep 25, 2019	Sep 25, 2024	Equipment	\$ -
b	Sep 25, 2019	Sep 25, 2024	Land improvements	\$ -
c	Sep 25, 2019	Sep 25, 2024	Buildings	\$ -
		5 year term (from original maturity)		

Lease right-of-use assets and liabilities

13	Lease right-of-use assets	
	Right-of-use assets as of balance sheet date May 31, 2024	\$ 2,246,768
14	Lease right-of-use assets - Pre-implementation	
	Right-of-use assets as of balance sheet date May 31, 2024, excluding leases entered into before December 15, 2018	\$ -
15	Lease right-of-use assets - Post-implementation	
	Right-of-use assets as of balance sheet date May 31, 2024, excluding leases entered into on or after December 15, 2018	\$ 2,246,768
16	Lease right-of-use liability	
	Lease liabilities as of balance sheet date May 31, 2024	\$ 2,314,521
17	Lease right-of-use liability - Pre-implementation	
	Lease liabilities as of balance sheet date May 31, 2024, excluding leases entered into before December 15, 2018	\$ -
18	Lease right-of-use liability - Post-implementation	
	Lease liabilities as of balance sheet date May 31, 2024, excluding leases entered into on or after December 15, 2018	\$ 2,314,521

Unsecured related-party receivables

19	Secured related-party receivables	\$ 541,598
20	Unsecured related party receivables	1,521,000
21	Total secured and unsecured related-party receivables	<u>\$ 2,062,598</u>

Sale of fixed assets (if loss)

22	Loss on sale of fixed assets	\$ (433,679)
23	Remaining balances in expense category in which loss on sale of assets is included on SOA	-
24	Expense category in which loss on sale of assets is included on SOA	<u>\$ (433,679)</u>

Sale of fixed assets (if gain)

25	Gain on sale of fixed assets	\$ -
26	Remaining balances in nonoperating other income category in which gain on sale of assets is included on SOA	-
27	Other income category in which gain on sale of assets is included on SOA	<u>\$ -</u>

