

AUGUSTANA UNIVERSITY
FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS
YEARS ENDED JULY 31, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Augustana University
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Augustana University (Augustana), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Augustana's preparation and fair presentation of the financial statements 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 Augustana's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Augustana as of July 31, 2020 and 2019, and the change 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule is required by the United States Department of Education and is presented for purposes of additional analysis and is not a required part of the financial statements. The financial responsibility ratio supplement schedule 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 November 10, 2020, except for Note 22 as to which the date is September 24, 2021, on our consideration of Augustana'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 result of that testing, and not to provide an opinion on the effectiveness of Augustana'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 Augustana's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota

November 10, 2020, except for Note 22 as to which the date is September 24, 2021

AUGUSTANA UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 4,574,941	\$ 403,412
Student Accounts Receivable, Net	1,217,966	1,537,474
Government Grants Receivable	752,894	928,673
Contributions Receivable, Net	10,438,243	5,691,414
Other Receivables	1,756,338	1,936,700
Prepaid Expenses and Other Assets	478,907	598,183
Endowment Investments	91,097,190	84,466,697
Other Investments	2,505,980	2,351,001
Student Loans Receivable, Net	3,125,969	3,729,988
Property and Equipment, Net	76,406,003	77,192,796
Total Assets	\$ 192,354,431	\$ 178,836,338
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,127,531	\$ 3,660,766
Line of Credit	5,225,455	1,187,820
Accrued Liabilities	2,522,173	1,747,667
Deferred Revenue	3,291,409	2,966,124
Interest Rate Swap Agreements	406,620	275,372
Capital Lease Obligation	45,026	58,497
Bonds and Loans Payable, Net	25,795,816	24,144,444
Annuities Payable	751,668	758,962
Funds Held in Custody for Others, Including Deposits	531,252	527,986
Government Grants Refundable	5,155,248	5,720,414
Total Liabilities	44,852,198	41,048,052
NET ASSETS		
Without Donor Restrictions	39,248,453	36,686,800
With Donor Restrictions	108,253,780	101,101,486
Total Net Assets	147,502,233	137,788,286
Total Liabilities and Net Assets	\$ 192,354,431	\$ 178,836,338

See accompanying Notes to Financial Statements.

**AUGUSTANA UNIVERSITY
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Student Program Fees, Net of Grants and Scholarship of \$33,544,136 and \$32,853,890, respectively	\$ 29,309,529	\$ -	\$ 29,309,529	\$ 27,562,327	\$ -	\$ 27,562,327
Government Grants and Contracts	3,281,175	-	3,281,175	2,100,672	-	2,100,672
Private Gifts, Grants, and Contracts	2,583,534	13,840,532	16,424,066	428,087	7,501,157	7,929,244
Investment Income	409,387	1,852,520	2,261,907	387,714	1,107,670	1,495,384
Gain (Loss) on Investments	115,443	2,636,438	2,751,881	(168,825)	1,044,265	875,440
Sales and Services of Educational Activities	1,746,279	-	1,746,279	2,018,040	-	2,018,040
Sales and Services of Auxiliary Enterprises	7,478,819	-	7,478,819	9,778,474	-	9,778,474
Other Sources	1,125,304	-	1,125,304	1,433,194	-	1,433,194
Net Assets Released from Restrictions for Operating Purposes	8,356,752	(8,356,752)	-	5,787,686	(5,787,686)	-
Total Revenues, Gains, and Other Support	<u>54,406,222</u>	<u>9,972,738</u>	<u>64,378,960</u>	<u>49,327,369</u>	<u>3,865,406</u>	<u>53,192,775</u>
EXPENSES AND LOSSES						
Program Expenses:						
Instruction	25,386,453	-	25,386,453	24,498,739	-	24,498,739
Research	1,180,149	-	1,180,149	1,283,317	-	1,283,317
Public Service	1,861,982	-	1,861,982	1,896,141	-	1,896,141
Academic Support	4,355,920	-	4,355,920	5,058,080	-	5,058,080
Student Services	6,157,343	-	6,157,343	5,984,101	-	5,984,101
Auxiliary Enterprises	6,842,916	-	6,842,916	7,704,940	-	7,704,940
Institutional Support	8,636,445	-	8,636,445	7,847,433	-	7,847,433
Allocable Expenses:						
Operation and Maintenance of Plant	3,532,124	-	3,532,124	3,979,957	-	3,979,957
Depreciation	3,982,100	-	3,982,100	3,849,899	-	3,849,899
Interest	793,222	-	793,222	862,462	-	862,462
Less: Allocated Expenses	(8,307,446)	-	(8,307,446)	(8,692,318)	-	(8,692,318)
Actuarial Adjustment for Annuities Payable	89,260	31,142	120,402	90,656	(18,079)	72,577
Total Expenses and Losses	<u>54,510,468</u>	<u>31,142</u>	<u>54,541,610</u>	<u>54,363,407</u>	<u>(18,079)</u>	<u>54,345,328</u>
CHANGE IN OPERATING NET ASSETS	(104,246)	9,941,596	9,837,350	(5,036,038)	3,883,485	(1,152,553)
OTHER CHANGES						
Net Assets Released from Restrictions for Capital Improvements	2,789,302	(2,789,302)	-	3,568,052	(3,568,052)	-
Change in Fair Value of Interest Rate Swaps	(131,248)	-	(131,248)	(150,405)	-	(150,405)
Insurance Proceeds	7,845	-	7,845	-	-	-
CHANGE IN NET ASSETS	2,561,653	7,152,294	9,713,947	(1,618,391)	315,433	(1,302,958)
Net Assets - Beginning of Year	<u>36,686,800</u>	<u>101,101,486</u>	<u>137,788,286</u>	<u>38,305,191</u>	<u>100,786,053</u>	<u>139,091,244</u>
NET ASSETS - END OF YEAR	<u>\$ 39,248,453</u>	<u>\$ 108,253,780</u>	<u>\$ 147,502,233</u>	<u>\$ 36,686,800</u>	<u>\$ 101,101,486</u>	<u>\$ 137,788,286</u>

See accompanying Notes to Financial Statements.

AUGUSTANA UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 9,713,947	\$ (1,302,958)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,982,100	3,849,899
Amortization	11,782	11,784
(Gain) Loss on Investments, Net	(2,737,174)	1,317,796
Donated Stock and Land	(75,208)	(66,494)
Loss on Property and Equipment	5,656	125,297
Actuarial Adjustment for Annuities Payable	110,859	83,540
Change in Fair Value of Interest Rate Swap	131,248	150,406
Loan Cancellations and Assignments, Net	44,049	72,563
Change in Working Capital Components:		
Student Accounts Receivable	319,508	(699,491)
Government Grants Receivable	175,779	(205,621)
Other Receivables	180,362	(75,871)
Contributions Receivable	(3,267,005)	177,986
Prepaid Expenses and Other Assets	119,276	59,158
Accounts Payable and Accrued Liabilities	329,909	53,841
Funds Held in Custody for Others, Including Deposits	3,266	(17,293)
Deferred Revenue	325,285	34,160
Contributions Restricted for Long-Term Investment	(1,949,229)	(888,746)
Net Cash Provided by Operating Activities	7,424,410	2,679,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(8,984,506)	(7,575,283)
Proceeds from Sale of Investments	4,985,979	6,174,630
Purchases of Property and Equipment	(5,265,807)	(3,246,529)
Proceeds from Sale of Property and Equipment	1,643	132,935
Disbursements of Student Loans	(196,139)	(206,735)
Repayments of Student Loans	756,109	507,717
Net Cash Used by Investing Activities	(8,702,721)	(4,213,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Principal on Bonds and Loans Payable	(1,873,881)	(1,881,350)
Proceeds from Issuance of Bonds and Loans Payable	3,500,000	-
Net Borrowings on Line of Credit	4,037,635	1,187,820
Contributions Received Restricted for Long-Term Investment	469,405	1,792,021
Proceeds from Issuance of Annuities Payable	39,992	-
Payments of Annuities Payable	(158,145)	(156,284)
Change in Government Grants Refundable	(565,166)	150,808
Net Cash Provided by Financing Activities	5,449,840	1,093,015
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,171,529	(440,294)
Cash and Cash Equivalents - Beginning of Year	403,412	843,706
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,574,941	\$ 403,412

See accompanying Notes to Financial Statements.

AUGUSTANA UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 793,222</u>	<u>\$ 862,462</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Purchased with Accounts Payable	<u>\$ 5,491</u>	<u>\$ 2,099,482</u>

See accompanying Notes to Financial Statements.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1860, Augustana University (Augustana) is a private, residential, comprehensive (liberal arts and professional) university of the Evangelical Lutheran Church in America. Central to Augustana's mission are five core values—**Christian, Liberal Arts, Excellence, Community, and Service**—that serve as the foundation for Augustana's academic and student life programs. Students who enroll at Augustana are attracted by Augustana's intellectually challenging and supportive learning environment, the integration of faith, and an active and engaged campus community. These elements of Augustana experience add up to an education of enduring worth, preparing students for a lifetime of learning and service.

The accounting policies of Augustana reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America. Below is a summary of Augustana's significant accounting policies.

Basis of Accounting

Augustana maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with donor-imposed restrictions.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on Augustana as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into two classes of net assets; net assets without donor restrictions and net assets with donor restrictions:

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 trustees.

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

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. Expirations of temporary donor restrictions on net assets (i.e., the donor-imposed restriction has been fulfilled and/or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of assets other than cash are recorded at their estimated fair value.

Investment income includes interest and dividends earned on endowment investments and other investments. Gains and losses on investments include the realized and unrealized gains and losses for the endowment investments and other investments.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Income and net gains on investments of donor-restricted endowment and similar funds are reported as follows:

- As increases in donor-restricted net assets held in perpetuity if the terms of the gift require that they be added to the principal of a perpetual endowment fund;
- As increases in donor-restricted net assets with temporary restrictions in all other cases until the time the funds are appropriated and spent.

Net losses on perpetually restricted endowment funds are reported as reductions in temporarily donor-restricted net assets.

Net Assets With Donor Restrictions

With respect to net assets with donor restrictions whose restrictions are temporary, Augustana has adopted the following accounting policies:

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net asset with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Release of donor restrictions on net assets for acquisition of land, buildings, and equipment: Contributions of land, buildings, and equipment are reported as revenues of net assets without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are acquired.

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. Estimates that are particularly susceptible to significant change in the near term relate to the allowance for doubtful accounts, the discount on pledges receivable, liabilities under annuity obligations, asset retirement obligations, and valuation of the interest rate swap agreements and alternative investments.

Cash and Cash Equivalents

Augustana 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. Management believes it places its cash and cash equivalents with high quality credit institutions.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Accounts Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students. Student accounts receivable are net of allowance for doubtful accounts. Management determines the allowance for doubtful accounts based on historical experience and identifying specific past due accounts. Student accounts are written off when deemed uncollectible. Recoveries of student receivable previously written off are recognized when received. The allowance for doubtful student accounts receivable was \$362,250 and \$337,050 at July 31, 2020 and 2019, respectively.

Interest is charged on student accounts receivable that are past due. Interest is recognized as charged. Late charges are imposed if payments are not made by the payment due date and are recognized as they are received.

Student Loans Receivable

Student loans receivable are carried at the amount of the unpaid principal. Management determines the allowance for doubtful accounts based on historical experience and identifying specific past due loans. Student loans receivable are written off when deemed uncollectible. Recoveries of student loans receivable previously written off are recognized when received. No allowance for doubtful student loans receivable was deemed necessary at July 31, 2020 or 2019.

Interest is charged and recognized on student loans receivable after a student is no longer enrolled as a full-time student and after a grace period. Interest is recognized as charged. Late charges are imposed if payments are not made by the payment due date and are recognized as they are received. Students may be granted a deferment, forbearance, or cancellation of their student loans receivable based on eligibility requirements defined by the United States Department of Education or, in the case of loan funds of Augustana, based on the respective loan program.

Contributions Receivable

Unconditional promises to give that are expected to be received within one year are recorded at the gross amount of the promise, net of an allowance for doubtful pledges. Unconditional promises to give, net of an allowance for doubtful pledges that are expected to be received in more than one year are recorded at the present value of estimated future cash flows using a discount rate of 6% in 2020 and 2019, which is commensurate with the risks involved. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets include pre-payments for premiums, memberships, dues, inventories of supplies and miscellaneous items held for resale, which are valued at the lower of cost or net realizable value.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Marketable securities are recorded at fair value determined by quoted market prices. Alternative investments, which include investments in hedge funds and private equity funds, are valued utilizing the most current information provided by the fund. As these alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed. Such difference could be material. Augustana has the ability to liquidate its alternative investments periodically in accordance with the provisions of the alternative investment agreements. All other investments are recorded at cost. Donated investments are recorded at fair value on the date received. Realized gains (losses) are calculated using the average cost method.

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.

Debt Acquisition

Debt acquisition costs are amortized over the term of the related debt by a method that approximates the effective interest method. Debt acquisition costs are reported as a reduction of Bonds Payable (see Note 12).

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Augustana depreciates its property and equipment, starting in the year it is placed into service if purchased prior to January 1 and the year following if it is purchase after January 1, on a straight-line basis over the estimated useful lives as follows:

Buildings	40 Years
Improvements	20 Years
Equipment	5 to 15 Years
Library Books	15 Years

Normal repair and maintenance expenses are charged to operations as incurred. Augustana capitalizes property and equipment additions in excess of \$5,000. Interest costs incurred specific contributions received for the construction.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts

A portion of Augustana'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 Augustana has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

Asset Retirement Policy

Augustana recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of activities. Augustana reviews its estimates annually and adjusts the recorded liability as needed.

Interest Rate Swap Agreements

The fair value of Augustana's interest rate swap agreements are recognized as either an asset or liability in the statements of financial position, with changes in the fair value reported in the current period statements of activities.

Annuities Payable

Gifts received under these arrangements are split into the amount representing the actuarial present value of future distributions back to the donor or to the third-party beneficiaries and the remaining gift value to be retained for the benefit of Augustana. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered, and age and gender characteristics of the donor. Augustana used an average discount rate of 6% in making the calculations at July 31, 2020 and 2019.

Deferred Revenue

Deferred revenue consists primarily of cash received related to specific contracts and tuition payments received in advance. Revenue related to the specific contracts is recognized over the life of the related agreement as an exchange transaction. Tuition or revenue is recognized in the academic term to which the tuition applies.

Funds Held in Custody for Others

Funds held in custody for others include the estimated liability under various charitable trusts and funds held under agency relationships.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants Refundable

Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the government and are included as liabilities 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. Costs incurred before cash is received are recorded as an expense, revenue, and a receivable.

Grants to Specified Students

Amounts received from federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of Augustana. The amounts of such grants were \$1,543,538 and \$1,498,886 for the years ended July 31, 2020 and 2019, respectively.

Institutional Scholarships and Grants

Institutional scholarships and grants are offered by Augustana to attract and retain students. Augustana offers institutional grants to students in the form of merit-based scholarships and need-based grants. These scholarships and grants are presented in the accompanying statements of activities as a reduction to tuition and fees.

Income Taxes

The Internal Revenue Service has determined that Augustana is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). As such, Augustana is subject to federal income taxes only on any unrelated income under Section 511 of the IRC.

Augustana follows the guidance on accounting for uncertainty in income taxes. Management evaluated Augustana's tax positions and concluded that Augustana had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Augustana files an informational 990 tax return in the U.S. federal jurisdiction. Augustana has no federal or state examinations currently in progress.

Pension Plans

Augustana has certain contributory, defined contribution pension plans for academic and nonacademic personnel. Contributions for employees are based on a percentage of compensation. Augustana's match on the retirement plan totaled approximately \$1,242,000 and \$1,219,000 for the years ended July 31, 2020 and 2019, respectively.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to customers (students), in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

The following table shows Augustana's tuition revenue disaggregated according to the timing of the transfer of goods or service and by source, as of the years ended July 31, 2020 and 2019:

Revenue Recognized Over Time:	2020	2019
Tuition and Fees	\$ 62,853,665	\$ 60,416,217
Less: Scholarships and Grants	(33,544,136)	(32,853,890)
Total	\$ 29,309,529	\$ 27,562,327

The following table shows Augustana's auxiliary revenues disaggregated according to the timing of the transfer of goods or service and by source, as of the year ended July 31:

Revenue Recognized Over Time:	2020	2019
Housing	\$ 3,419,911	\$ 4,651,408
Dining	3,977,243	5,029,894
Total	\$ 7,397,154	\$ 9,681,302

Augustana's contract assets and liabilities consist of the following as of July 31:

	2020	2019
Deferred Revenue - Students	\$ 1,622,532	\$ 1,002,050
Deferred Revenue - Auxiliary	712,500	825,000
Deferred Revenue - Other	956,377	1,139,074
Total	\$ 3,291,409	\$ 2,966,124

Performance Obligations and Revenue Recognition

Augustana has two semesters. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, proratably over the term of the related semester. Auxiliary revenue is recognized in the fiscal year in which housing and food services are provided, proratably over the term of the related semester. Any payments received prior to fiscal year-end related to academic terms that occur subsequent to fiscal year-end are recorded as deferred revenue in the accompanying statements of financial position.

Customer contracts generally have separately stated prices for each performance obligation contained in the contract. Therefore, each performance obligation generally has its own standalone selling price. Arrangements for payment are agreed to prior to registration of the student's first academic term. Many students obtain Title IV or other financial aid resulting in Augustana's receiving a significant amount of the transaction price at the beginning of the academic term.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Performance Obligations and Revenue Recognition (Continued)

Augustana does not require students to live on campus for the entire time of study and the price of educational services and residential services are not dependent on one another. Therefore, housing and tuition revenue do not need to be combined according to Financial Accounting Standards Board *Accounting Standards Codification* 606-15-25-9.

Transaction Price

Revenue, or transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Tuition and auxiliary revenues are reported at established rates, net of financial assistance provided by Augustana.

Students may receive discounts, scholarships, or refunds, which gives rise to variable consideration. The amounts of discounts or scholarships are applied to individual student accounts when such amounts are awarded. Therefore, the transaction price is reduced directly by these discounts or scholarships from the amount of the standard rates charged.

Students who adjust their course load or withdraw completely within the first three days of the academic term (add/drop period) may receive a full or partial refund in accordance with Augustana's refund policy.

If a student withdraws prior to completing an academic term, federal regulations permit Augustana to retain only a set percentage of the total tuition and auxiliary revenues received from such student, which varies with, but generally equals or exceeds, the percentage of the academic term completed by such student. Payment amounts received by Augustana in excess of such set percentages of tuition are refunded to the student or the appropriate funding source.

For contracts with similar characteristics and historical data on refunds, the expected value method is applied in determining the variable consideration related to refunds. Estimates of Augustana's expected refunds are determined at the outset of each academic term, based upon actual experience in previous academic terms.

All refunds are netted against revenue during the applicable academic term. Management believes it is not probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with variable consideration is subsequently resolved.

Management reassesses collectability throughout the period revenue is recognized by Augustana on a student-by-student basis. This reassessment is based upon new information and changes in facts and circumstances relevant to a student's ability to pay. Management also reassesses collectability when a student withdraws from the institution and has unpaid charges.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Balances

Tuition, fees, and auxiliary revenues are recognized in the period classes and services are provided and amounts received for future periods are reported as deferred revenue. Students are billed at the beginning of each academic term and payment is due at that time. Augustana's performance obligations are to provide educational services in the form of instruction as well as housing facilities and meals during the academic term. As these performance obligations are satisfied over the academic term, deferred revenue is reduced. A significant portion of student payments are from Title IV financial aid and other programs and are generally received during the first month of the respective term. When payments are received, accounts receivable is reduced.

The following table depicts activities for deferred revenue related to tuition and fees, auxiliary revenues, athletic memberships, and other miscellaneous items:

Balance at August 1, 2019	Refunds Issued	Revenue Recognized Included in July 31, 2019 Balance	Cash Received in Advance of Performance	Balance at July 31, 2020
<u>\$ 2,966,124</u>	<u>\$ -</u>	<u>\$ 1,678,627</u>	<u>\$ 2,003,912</u>	<u>\$ 3,291,409</u>

The balance of deferred revenue at July 31, 2020 will be recognized as revenue over the academic term beginning on August 1, 2020 as services are rendered.

Fundraising and Advertising Expenses

Fundraising expenses totaled approximately \$2,311,000 and \$2,384,000 for the years ended July 31, 2020 and 2019, respectively. Augustana expenses advertising at the time incurred, which totaled approximately \$307,000 and \$248,000 for the years ended July 31, 2020 and 2019, respectively.

Reclassifications

Certain amounts in 2019 have been reclassified for comparative purposes to conform to the presentation in 2020. The reclassifications have no effect on the previously reported change in net assets or net assets balance.

Risk and Uncertainties

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Augustana University, COVID-19 may impact various parts of its 2020-2021 operations and financial results, including, but not limited to, declines in enrollment, loss of auxiliary revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes Augustana University is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing subsequent to fiscal year-end.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

NOTE 2 NET ASSETS

Net assets without donor restrictions consist of the following at July 31:

	<u>2020</u>	<u>2019</u>
Undesignated (Deficit)	\$ (20,621,806)	\$ (22,055,386)
Loans to Students	505,170	562,254
Retirement of Indebtedness	2,879,535	2,879,535
Replacement of Plant Facilities	297,361	250,224
Board Designated Endowment	1,669,739	1,564,983
Annuity Reserves	601,164	596,493
Net Investment in Plant	<u>53,917,290</u>	<u>52,888,697</u>
Total Board-Designated	<u>\$ 39,248,453</u>	<u>\$ 36,686,800</u>

Undesignated net assets (deficit) represent undesignated assets net of various payables, accruals, and reserves.

Net assets with donor restrictions consist of the following as of July 31:

	<u>2020</u>	<u>2019</u>
Subject to Specified Purpose:		
Scholarships and Grants	\$ 566,972	\$ 677,812
Academic, Student Programs and Support	3,892,392	3,601,810
Acquisition of Property and Equipment	<u>1,401,060</u>	<u>1,647,207</u>
Total	5,860,424	5,926,829
Subject to Passage of Time:		
Contributions Receivable	10,438,242	5,691,414
Annuity, Life Income and Similar Funds	<u>1,300,292</u>	<u>1,249,008</u>
Total	11,738,534	6,940,422
Subject to the University Spending Policy:		
Accumulated Gains and Term Endowments	19,834,555	19,548,189
Endowment Funds Restricted in Perpetuity	<u>70,820,267</u>	<u>68,686,046</u>
Total	<u>90,654,822</u>	<u>88,234,235</u>
Total Net Assets with Donor Restrictions	<u>\$ 108,253,780</u>	<u>\$ 101,101,486</u>

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 3 ENDOWMENT FUNDS

Augustana's endowment funds consist of various donor-restricted endowment funds and funds designated as endowment by Augustana's board of trustees. The endowment funds were established for a variety of purposes, primarily related to scholarships and to supplement salary and expense budgets. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Augustana has determined that absent explicit donor restrictions, the original gift amount of the donor-restricted endowment will be classified as restricted in perpetuity. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as donor-restricted net assets with temporary restrictions until those amounts are appropriated for expenditure and spent by Augustana in a manner consistent with the standard of prudence prescribed by the state of South Dakota in its enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Augustana has adopted investment and spending policies 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 investments. To satisfy its investment and return objectives, Augustana relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest, dividends and rents). Augustana targets a diversified allocation of investments that places a greater emphasis on equity-based investments to achieve its long-term objectives and is invested in a diversified portfolio of global equities (65%), fixed instrument bonds (20%) and other assets (15%), including real estate.

Augustana has a policy of appropriating for distribution each year an amount equal to 5% of the average endowment value over the previous 12 quarters. If the endowment value is below the original gift amount, the distribution amount is reduced to the current yield percentage applied to the average endowment value. The distribution for the 2020 – 2021 fiscal year is expected to be approximately \$4.6 million. Augustana expects that the average long-term return of its endowment will support this distribution and maintain the purchasing power of the endowment. Augustana considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) purpose of Augustana and the endowment fund, (2) duration and preservation of the fund, (3) general economic conditions and effect of inflation/deflation, (4) investment policy and expected return on the endowment and (5) other resources of Augustana.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 3 ENDOWMENT FUNDS (CONTINUED)

The following summarizes endowment net assets at July 31:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gain (Losses)	
<u>2020</u>				
Donor-Restricted Endowment Funds:				
Underwater Funds	\$ -	\$ 722,237	\$ (28,906)	\$ 693,331
Other Funds	-	73,730,088	16,231,404	89,961,492
Board-Designated Endowment Funds:				
Scholarship	934,262	-	-	934,262
Maintenance	735,478	-	-	735,478
Total Endowment Funds	<u>\$ 1,669,740</u>	<u>\$ 74,452,325</u>	<u>\$ 16,202,498</u>	<u>\$ 92,324,563</u>
<u>2019</u>				
Donor-Restricted Endowment Funds:				
Underwater Funds	\$ -	\$ 51,355	\$ (13,384)	\$ 37,971
Other Funds	-	71,786,210	16,410,055	88,196,265
Board-Designated Endowment Funds:				
Scholarship	933,645	-	-	933,645
Maintenance	631,338	-	-	631,338
Total Endowment Funds	<u>\$ 1,564,983</u>	<u>\$ 71,837,565</u>	<u>\$ 16,396,671</u>	<u>\$ 89,799,219</u>

Augustana had perpetually restricted pledges receivable for endowment of \$2,177,000 and \$139,700 at July 31, 2020 and 2019, respectively, net of reductions for allowances and discounts.

The following summarizes changes in the endowment net assets for the years ended July 31:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gain (Losses)	
<u>2020</u>				
Endowment Net Assets, July 31, 2019	\$ 1,564,983	\$ 71,837,565	\$ 16,396,671	\$ 89,799,219
Investment Income, Net	13,446	-	1,619,964	1,633,410
Net Appreciation (Realized and Unrealized Gain)	59,480	-	2,843,548	2,903,028
Contributions	89,890	2,614,760	-	2,704,650
Gift Fee	(1,797)	-	(48,532)	(50,329)
Appropriation for Expenditure	(56,262)	-	(4,609,153)	(4,665,415)
Endowment Net Assets, July 31, 2020	<u>\$ 1,669,740</u>	<u>\$ 74,452,325</u>	<u>\$ 16,202,498</u>	<u>\$ 92,324,563</u>
<u>2019</u>				
Endowment Net Assets, July 31, 2018	\$ 1,577,920	\$ 68,935,803	\$ 18,046,555	\$ 88,560,278
Investment Income, Net	17,371	-	1,083,160	1,100,531
Net Appreciation (Realized and Unrealized Gain)	10,893	-	1,056,495	1,067,388
Contributions	4,049	2,901,762	-	2,905,811
Appropriation for Expenditure	(45,250)	-	(3,789,539)	(3,834,789)
Endowment Net Assets, July 31, 2019	<u>\$ 1,564,983</u>	<u>\$ 71,837,565</u>	<u>\$ 16,396,671</u>	<u>\$ 89,799,219</u>

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 4 NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors for the years ended July 31 were as follows:

	<u>2020</u>	<u>2019</u>
Operating Purposes	\$ 8,356,752	\$ 5,787,686
Capital Improvements	2,789,302	3,568,052
Total	<u>\$ 11,146,054</u>	<u>\$ 9,355,738</u>

These assets were reclassified to net assets without donor restrictions.

NOTE 5 CONTRIBUTIONS RECEIVABLE

The following summarizes Augustana's contributions receivable at July 31:

	<u>2020</u>	<u>2019</u>
With Donor Restriction - Capital Improvements	\$ 7,122,772	\$ 8,093,320
With Donor Restriction - Scholarships, Grants and Operations	4,895,179	481,005
With Donor Restriction - Held in Perpetuity for Endowment	2,868,692	167,994
Subtotal	<u>14,886,643</u>	<u>8,742,319</u>
Less: Unamortized Discount	(3,288,595)	(2,418,526)
Less: Allowance for Doubtful Pledges	(1,159,805)	(632,379)
Total	<u>\$ 10,438,243</u>	<u>\$ 5,691,414</u>
Amounts Due in:		
Less than One Year	\$ 1,957,054	\$ 1,143,354
One to Five Years	8,980,600	3,890,816
More than Five Years	<u>3,948,989</u>	<u>3,708,149</u>
Total	<u>\$ 14,886,643</u>	<u>\$ 8,742,319</u>

Pledges receivable at July 31, 2020 and 2019 include gifts from several board members of Augustana with a gross recorded value of \$318,460 and \$439,700, respectively, before reductions for allowance and discounts.

NOTE 6 OTHER RECEIVABLES

The following summarizes Augustana's other receivables at July 31:

	<u>2020</u>	<u>2019</u>
Cancelled Federal Perkins Loans Receivable	\$ 1,732,096	\$ 1,868,852
Miscellaneous Receivables	24,242	67,848
Total	<u>\$ 1,756,338</u>	<u>\$ 1,936,700</u>

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 7 ENDOWMENT INVESTMENTS

The following summarizes the carrying values of Augustana's endowment investments at July 31:

	<u>2020</u>	<u>2019</u>
Investments Carried at Fair Value:		
Marketable Securities:		
Money Market Funds	\$ 2,681,744	\$ 2,553,577
Fixed Income Securities	3,605,388	2,982,330
Mutual Funds - U.S. Equity Securities	19,080,870	18,189,059
Mutual Funds - International Equity Securities	12,079,342	11,434,347
Mutual Funds - Global Securities	7,040,337	6,631,552
Mutual Funds - U.S. Debt Securities	3,343,336	3,018,576
Mutual Funds - International Debt Securities	2,651,184	2,669,873
Nonmarketable Securities:		
Long/Short Equity	5,700,237	5,965,226
Equity	14,451,886	12,523,190
Fixed Income Securities	4,090,404	4,316,274
Hedge Funds	2,105,398	295,933
Limited Partnerships	1,361,486	1,480,347
Commodities	-	2,883
Real Estate Fund	3,807,350	3,050,773
Subtotal	<u>81,998,962</u>	<u>75,113,940</u>
Investments Carried at Cost:		
Certificates of Deposit	204,840	303,854
Cash Surrender Value of Life Insurance Policies	1,334,474	1,260,342
Real Estate	5,813,533	5,838,970
Preferred Stock	1,674,000	1,674,000
Miscellaneous Receivable	22,044	230,757
Accrued Interest	49,337	44,834
Subtotal	<u>9,098,228</u>	<u>9,352,757</u>
Total	<u>\$ 91,097,190</u>	<u>\$ 84,466,697</u>

Real estate consists of residential real estate currently being rented to students, faculty, and staff. Real estate is recorded net of accumulated depreciation of \$852,916 and \$664,791 at July 31, 2020 and 2019, respectively.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 8 OTHER INVESTMENTS

The following summarizes the carrying values of Augustana's other investments at July 31:

	<u>2020</u>	<u>2019</u>
Investments Carried at Fair Value:		
Marketable Securities:		
Money Market Funds	\$ 183,471	\$ 94,131
U.S. Government Securities	-	133,042
Fixed Income Securities	-	89,991
Mutual Funds - Equity Securities	1,205,559	1,194,144
Mutual Funds - Debt Securities	481,713	228,576
Subtotal	<u>1,870,743</u>	<u>1,739,884</u>
Investments Carried at Cost:		
Funds Held by Outside Parties	194,534	204,078
Accounts Receivable - Payment in Transit	-	4,616
Certificates of Deposit	10,363	10,129
Cash Surrender Value of Life Insurance Policies	430,340	392,294
Subtotal	<u>635,237</u>	<u>611,117</u>
Total	<u>\$ 2,505,980</u>	<u>\$ 2,351,001</u>

Augustana has arrangements with donors classified as charitable annuity trusts and charitable remainder trusts. Total assets held by Augustana under deferred gift agreements totaled approximately \$478,000 and \$490,000 at July 31, 2020 and 2019, respectively.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 9 FAIR VALUE MEASUREMENTS

Augustana 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 Augustana measures fair value, refer to Note 1 – Significant Accounting Policies. The following tables represent Augustana’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of July 31:

<u>2020</u>	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Endowment Investments:					
Money Market Funds	\$ 2,681,744	\$ -	\$ -	\$ -	\$ 2,681,744
Mutual Funds - U.S. Equity Securities	19,080,870	-	-	-	19,080,870
Mutual Funds - International Equity Securities	12,079,342	-	-	-	12,079,342
Mutual Funds - Global Securities	7,040,337	-	-	-	7,040,337
Mutual Funds - U.S. Debt Securities	3,343,336	-	-	-	3,343,336
Mutual Funds - International Debt Securities	2,651,184	-	-	-	2,651,184
Long/Short Equity	-	-	-	5,700,237	5,700,237
Equity	-	-	-	14,451,886	14,451,886
Fixed Income Securities	-	3,605,388	-	4,090,404	7,695,792
Hedge Funds	-	-	-	2,105,398	2,105,398
Limited Partnerships	-	-	-	1,361,486	1,361,486
Commodities	-	-	-	-	-
Real Estate Fund	-	-	-	3,807,350	3,807,350
Total Endowment Investments	46,876,813	3,605,388	-	31,516,761	81,998,962
Other Investments:					
Money Market Funds	183,471	-	-	-	183,471
U.S. Government Securities	-	-	-	-	-
Fixed Income Securities	-	-	-	-	-
Mutual Funds - Equity Securities	1,205,559	-	-	-	1,205,559
Mutual Funds - Debt Securities	481,713	-	-	-	481,713
Total Other Investments	1,870,743	-	-	-	1,870,743
Total Investments Valued at Fair Value	\$ 48,747,556	\$ 3,605,388	\$ -	\$ 31,516,761	\$ 83,869,705
Interest Rate Swap Agreements	\$ -	\$ (406,620)	\$ -	\$ -	\$ (406,620)

<u>2019</u>	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Endowment Investments:					
Money Market Funds	\$ 2,553,577	\$ -	\$ -	\$ -	\$ 2,553,577
Mutual Funds - U.S. Equity Securities	18,189,059	-	-	-	18,189,059
Mutual Funds - International Equity Securities	11,434,347	-	-	-	11,434,347
Mutual Funds - Global Securities	6,631,552	-	-	-	6,631,552
Mutual Funds - U.S. Debt Securities	3,018,576	-	-	-	3,018,576
Mutual Funds - International Debt Securities	2,669,873	-	-	-	2,669,873
Long/Short Equity	-	-	-	5,965,226	5,965,226
Equity	-	-	-	12,523,190	12,523,190
Fixed Income Securities	-	2,982,330	-	4,316,274	7,298,604
Hedge Funds	-	-	-	295,933	295,933
Limited Partnerships	-	-	-	1,480,347	1,480,347
Commodities	-	-	-	2,883	2,883
Real Estate Fund	-	-	-	3,050,773	3,050,773
Total Endowment Investments	44,496,984	2,982,330	-	27,634,626	75,113,940
Other Investments:					
Money Market Funds	94,131	-	-	-	94,131
U.S. Government Securities	133,042	-	-	-	133,042
Fixed Income Securities	-	89,991	-	-	89,991
Mutual Funds - Equity Securities	1,194,144	-	-	-	1,194,144
Mutual Funds - Debt Securities	228,576	-	-	-	228,576
Total Other Investments	1,649,893	89,991	-	-	1,739,884
Total Investments Valued at Fair Value	\$ 46,146,877	\$ 3,072,321	\$ -	\$ 27,634,626	\$ 76,853,824
Interest Rate Swap Agreements	\$ -	\$ (275,372)	\$ -	\$ -	\$ (275,372)

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides a summary of redemption restrictions of alternative investments at July 31:

	2020	2019	Unfunded Commitments at July 31, 2020	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Long/Short Equity	\$ 5,700,237	\$ 5,965,226	\$ -	Daily	100 days
Fixed Income Securities	4,090,404	4,316,274	1,314,273	Daily	90 days
Hedge Funds	2,105,398	295,933	-	Daily-Monthly	45 days
Limited Partnerships	1,361,486	1,480,347	1,666,988	Limited	n/a
Commodities	-	2,883	-	Daily-Monthly	1-30 days
Equity	14,451,886	12,523,190	-	Monthly	10 days
Real Estate Fund	3,807,350	3,050,773	730,726	Monthly	35 days
Total	<u>\$ 31,516,761</u>	<u>\$ 27,634,626</u>	<u>\$ 3,711,987</u>		

Long/short equity contains investments in multiple hedge funds with separate managers using long and short strategies. The fair value of the funds in this category have been estimated using the net asset value of the investments provided by each investment's fund administrator based on their percentage ownership of the overall fund.

Equity investments reflect long position investments in mutual funds, exchange-traded funds, or index funds that invest in high-quality domestic and international markets. The fair value of the funds in this category have been estimated using the net asset value of the investments provided by each investment's fund administrator based on their percentage ownership of the overall fund.

Fixed income securities consist of interest rate and credit-sensitive investments. The fair value of these investments is based on quoted market prices for the underlying securities which comprise the fund.

Hedge Funds provide capital appreciation through the use of fund of funds, multi-manager investment strategy. The Hedge Funds allocate their assets among several private partnerships and limited liability companies. The fair value of the funds in this category have been estimated using the net asset value of the investments provided by each investment's fund administrator based on their percentage ownership of the overall fund.

Limited Partnerships (LPs) reflect investments in LP's which in turn invest in other LP's, early and growth stage companies. The fair value of the funds in this category have been estimated using the net asset value of the investments, which are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values.

Commodities take positions in a variety of commodities, commodity futures, as well as equity securities closely correlated with the performance of such assets. Investing in commodities provides additional diversification as well as a hedge against inflation. In this category, units are priced daily and some redemptions can be made within one business day of the request.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Real Estate attempts to achieve long-term returns through the use of a global portfolio consisting of publicly traded real estate equity securities. The fair value of the fund in this category has been estimated using the net asset value of the investments provided by each investment's fund administrator based on their percentage ownership of the overall fund.

NOTE 10 PROPERTY AND EQUIPMENT

The following summarizes Augustana's property and equipment at July 31:

	2020	2019
Campus Land	\$ 924,315	\$ 924,315
Buildings and Building Improvements	119,957,649	117,737,256
Equipment	12,525,456	12,213,429
Improvements Other than Buildings	7,638,257	5,073,244
Library Books	828,051	819,515
Artwork	161,138	161,138
Construction in Progress	275,325	2,478,021
Subtotal	<u>142,310,191</u>	<u>139,406,918</u>
Less: Accumulated Depreciation	<u>(65,904,188)</u>	<u>(62,214,122)</u>
Total	<u>\$ 76,406,003</u>	<u>\$ 77,192,796</u>

NOTE 11 LINE OF CREDIT

In 2019, Augustana obtained an unsecured \$6 million line of credit agreement with a bank. Interest on the line of credit varies with the bank's index rate, which was 5.50% at July 31, 2020. The line of credit expires in April 2021. Collateral for the agreement includes any funds or securities held by the lender. The outstanding borrowing under this line of credit at July 31, 2020 and 2019 was \$5,225,455 and \$1,187,820, respectively.

NOTE 12 BONDS AND LOANS PAYABLE

The following summarizes Augustana's bonds and loans payable at July 31:

	2020	2019
Minnehaha County 2014 Bond Issue	\$ 14,511,487	\$ 15,443,825
Lincoln County 2008 Bond Issue	5,362,494	5,882,268
Lincoln County 2005 Bond Issue	2,569,703	2,978,001
Reliabank - Loan Payable	3,500,000	-
Less: Unamortized Bond Issuance Costs	<u>(147,868)</u>	<u>(159,650)</u>
Total	<u>\$ 25,795,816</u>	<u>\$ 24,144,444</u>

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 12 BONDS AND LOANS PAYABLE (CONTINUED)

The Minnehaha County 2014 Bond Issue (2014 Bonds) requires monthly interest payments equal to the outstanding principal times the annual interest rate of 3.27%. Starting in December 2016, Augustana began making quarterly principal payments of approximately \$250,000 until maturity on December 1, 2038. The 2014 Bonds are secured by certain property and equipment and require that Augustana meet certain financial covenants including a debt service coverage ratio, as defined in the agreement, of at least 1.25 and a primary reserve ratio, as defined in the agreement, of 0.25.

The Lincoln County 2008 Bond Issue (2008 Bonds) requires monthly payments consisting of variable interest (1.75% at July 31, 2020; see Note 14) and principal payments of \$40,788 progressively increasing by approximately \$1,500 each year until maturity on December 10, 2028. The 2008 Bonds are secured by certain Augustana property and equipment, and require that Augustana meet certain financial covenants including a debt service coverage ratio, as defined in the agreement, of at least 1.25 and a primary reserve ratio, as defined in the agreement, of 0.25.

The Lincoln County 2005 Bond Issue (2005 Bonds) requires monthly payments consisting of variable interest (1.75% at July 31, 2020; see Note 14) and principal payments of \$45,546 and matures on December 31, 2026. The 2005 Bonds are secured by certain Augustana property and equipment, and require that Augustana meet certain financial covenants including a debt service coverage ratio, as defined in the agreement, of at least 1.25 and a primary reserve ratio, as defined in the agreement, of 0.25.

The Reliabank Loan Payable requires monthly payments of \$27,747 consisting of 4.95% interest and matures on August 1, 2027. The loan is secured by certain Augustana property and equipment. The loan was paid off in full subsequent to year-end.

The following summarizes Augustana's scheduled principal payments on bonds and loans payable at July 31, 2020:

<u>Year Ending July 31,</u>	<u>Amount</u>
2021	\$ 2,028,560
2022	2,546,762
2023	2,570,743
2024	2,146,799
2025	2,284,252
Subsequent Years	14,366,568
Total	<u>\$ 25,943,684</u>

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 13 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Augustana to concentrations of credit risk consist principally of marketable securities and student loans receivable. Marketable securities are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Investments with a market value of approximately \$46,000,000 and \$44,000,000 were in custody of Augustana's investment manager at July 31, 2020 and 2019, respectively, and were primarily invested in mutual funds. Student loans receivable are due from individuals concentrated primarily in the Midwest. In addition, Augustana's students receive a substantial amount of support from federal student financial assistance programs, which are subject to audit by governmental agencies. A significant reduction in the level of this support could have an adverse effect on Augustana's programs and activities.

Augustana maintains the majority of its cash in bank deposit accounts at two banks that generally exceed federally insured limits. Augustana has not experienced any losses in such accounts. Augustana believes it is not exposed to any significant credit risk on cash.

NOTE 14 INTEREST RATE SWAP AGREEMENTS

Augustana entered into interest rate swap agreements with a bank dated November 1, 2005. The agreements were entered into in connection with the 2005 Bonds to reduce the interest rate volatility of the variable rate demand bonds (see Note 12). On February 8, 2012, Augustana combined and extended the two swaps related to the 2005 Bonds. The agreement was entered into to extend the upcoming expiring swap, combine the two separate swaps, and increase the amount that was swapped from floating to a fixed rate. The notional amount was \$2,505,264 and \$2,908,725 at July 31, 2020 and 2019, respectively. Under the new agreement, Augustana pays interest at fixed rates equal to 3.56% and receives interest at a variable rate based on prime (3.25% and 5.25% at July 31, 2020 and 2019, respectively). The agreement requires payments to be made or received monthly. The weighted average of the variable rates during the calculation period determines the variable portion of the interest rate swaps for the preceding one-month period.

Augustana also entered into an interest rate swap agreement with a bank dated December 10, 2008 and expiring on January 1, 2024, with an original notional amount of \$7,000,000. The agreement was entered into in connection with the 2008 Bonds to reduce the interest rate volatility of the variable rate demand bonds (see Note 12). The notional amount, which decreases over the term of the agreement as principal payments are made on the bonds, was \$4,170,829 and \$4,575,097 at July 31, 2020 and 2019, respectively. Under the agreement, Augustana pays interest at a fixed rate equal to 3.64% and receives interest at a variable rate based on prime (3.25% and 5.25% at July 31, 2020 and 2019, respectively). The agreement requires payments to be made or received monthly. The weighted average of the variable rate during the calculation period determines the variable portion of the interest rate swap for the preceding one-month period.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 14 INTEREST RATE SWAP AGREEMENTS (CONTINUED)

As discussed above, Augustana has entered into interest swap agreements to hedge exposure to interest rate risk related to its variable rate bonds. Augustana's specific goal is to lower (where possible) the cost of its borrowed funds over the borrowing term. Although Augustana believes its interest rate swap agreements are economic hedges, none have been designated as a hedge for accounting purposes. The fair value of the swap agreements was recorded as a liability of \$406,620 and \$275,372 at July 31, 2020 and 2019, respectively, with changes in fair value recognized in the current period change in net assets without donor restrictions. The following amounts have been included in the statements of activities for the years ended July 31:

	2020	2019
Swap Settlements included in Interest Expense	\$ 84,955	\$ 46,886
Change in Fair Value of Interest Rate Swaps	131,248	150,405
Total	<u>\$ 216,203</u>	<u>\$ 197,291</u>

NOTE 15 DEFERRED REVENUE

Sanford Health has exclusive naming rights of Augustana's practice gymnasium through 2026. Revenue from the agreement is recognized over its term. Augustana received a total of \$2,250,000, of which \$712,500 and \$825,000 was included in Deferred Revenue on the statements of financial position for the years ended July 31, 2020 and 2019, respectively.

NOTE 16 CONDITIONAL ASSET RETIREMENT OBLIGATION

Costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets are accrued when the obligation to perform the asset retirement activity is not conditional, even though the timing or method may be conditional. The fair value of a liability for a legal obligation associated with an asset retirement is required to be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized.

Substantially all of the costs accrued relate to the estimated cost to remove asbestos from campus facilities. The future value of the asset retirement obligation at July 31, 2020 and 2019 is estimated to be approximately \$135,000 and \$130,000, respectively. The liability was estimated using an inflation rate of 3.8%. The initial asset retirement obligation was calculated using a discount rate ranging from 5.8% to 6.2%. Changes in the accrual for asset retirement obligation for the years ended July 31 are as follows:

	2020	2019
Beginning Accrual	\$ 129,660	\$ 124,595
Abatement of Asset Retirement Liability	-	-
Accretion of Asset Retirement Liability	5,354	5,065
Ending Accrual	<u>\$ 135,014</u>	<u>\$ 129,660</u>

The accruals for the asset retirement obligation are included in Accrued Liabilities on the statements of financial position.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 17 CREDIT QUALITY OF STUDENT LOANS RECEIVABLE

Augustana issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs. 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. No allowance was deemed necessary at July 31, 2020 and 2019, since the federal government program loans can be assigned to the federal government if Augustana follows required due diligence and collection procedures. Student loans represented approximately 2% of total assets as of July 31.

At July 31, student loans consisted of the following:

	2020	2019
Federal Government Programs	\$ 3,051,482	\$ 3,637,252
Institutional Loan Programs	74,487	92,736
Student Loans Receivable, Net	<u>\$ 3,125,969</u>	<u>\$ 3,729,988</u>

Funds advanced by the federal government of \$5,155,248 and \$5,708,149 at July 31, 2020 and 2019, respectively, are ultimately refundable to the government and are classified as liabilities on the statements of financial position.

At July 31, the past due and current amounts under student loan programs were as follows:

	2020	2019
Current Notes Receivable	\$ 2,255,574	\$ 2,691,073
Past Due Note Receivables:		
0-240 Days Past Due	154,083	166,768
240 Days - 2 Years Past Due	184,355	228,191
2-5 Years Past Due	207,467	280,657
5+ Years Past Due	324,490	363,299
Total Past Due	<u>870,395</u>	<u>1,038,915</u>
Total Notes Receivable, Net	<u>\$ 3,125,969</u>	<u>\$ 3,729,988</u>

NOTE 18 COMMITMENTS AND CONTINGENCIES

Augustana 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 Augustana.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 19 LIQUIDITY AND AVAILABILITY OF RESOURCES

Augustana regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Augustana has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Augustana considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

As of July 31, 2020 and 2019, the following tables show the total financial assets held by Augustana and the amounts of those financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial Assets:	2020	2019
Cash and Cash Equivalents	\$ 4,574,941	\$ 403,412
Student Accounts Receivable, Net	1,217,966	1,537,474
Government Grants Receivable	752,894	928,673
Contributions Receivable, Net	10,438,243	5,691,414
Other Receivables	1,756,338	1,936,700
Endowment Investments	91,097,190	84,466,697
Other Investments	2,505,980	2,351,001
Total	\$ 112,343,552	\$ 97,315,371

Financial Assets Available to Meet General Expenditures Over the Next 12 Months:		
Cash and Cash Equivalents	\$ 4,574,941	\$ 403,412
Student Accounts Receivable, Net	1,217,966	1,537,474
Government Grants Receivable	752,894	928,673
Current Portion of Contributions For General Expenditures	712,299	328,156
Endowment Payout for Use Over the Next 12 Months	288,832	281,187
Other Investments	132,175	14,141
Total	\$ 7,679,107	\$ 3,493,043

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 20 FUNCTIONAL EXPENSES

	Program				Supporting						Total 2020
	Educational Activities	Academic Support	Student Services	Auxiliary	Total Program Activities	Management and General	Fundraising	Facilities Operation and Maintenance	Total Supporting Activities		
Compensation	\$ 15,107,117	\$ 1,970,130	\$ 2,643,295	\$ 403,157	\$ 20,123,699	\$ 2,513,836	\$ 1,286,214	\$ 1,681,062	\$ 5,481,112	\$ 25,604,811	
Employee Benefits	5,229,941	654,358	837,382	157,311	6,878,992	1,081,481	443,879	589,432	2,114,792	8,993,784	
Services and Professional Fees	961,495	76,856	448,270	133,271	1,619,892	940,075	144,890	44,321	1,129,286	2,749,178	
CARES Student Funds	-	-	607,697	-	607,697	-	-	-	-	607,697	
Advertising	49,721	50	7,685	-	57,456	207,957	41,328	735	250,020	307,476	
Office Expenses	101,207	12,991	148,521	438	263,157	164,005	127,427	2,450	293,882	557,039	
Information Technology	82,713	188,113	140,332	6,454	417,612	65,043	32,137	11,848	109,028	526,640	
Office and Occupancy	169,773	-	87,273	673,338	930,384	103,951	15,467	778,359	897,777	1,828,161	
Travel	879,052	12,500	176,536	156	1,068,244	26,432	24,734	33,308	84,474	1,152,718	
Conferences and Meetings	137,101	19,679	50,546	-	207,326	67,809	17,574	8,995	94,378	301,704	
Insurance	3,984	-	-	57,577	61,561	413,956	614	-	414,570	476,131	
Food and Provisions	281,093	10,690	127,508	3,166,149	3,585,440	41,362	99,863	1,678	142,903	3,728,343	
Supplies	881,895	452,637	135,182	46,610	1,516,324	61,608	29,306	231,094	322,008	1,838,332	
Equipment Maintenance	79,261	4,884	1,005	47,784	132,934	-	-	106,978	106,978	239,912	
Miscellaneous	238,269	337,891	52,398	36,358	664,916	8,287	18,893	41,864	69,044	733,960	
Depreciation	-	-	-	-	-	-	-	3,982,100	3,982,100	3,982,100	
Interest	-	-	-	-	-	-	-	793,222	793,222	793,222	
Actuarial Adjustment	-	-	-	-	-	120,402	-	-	120,402	120,402	
Allocation of Operation and Maintenance	4,225,962	615,141	693,713	2,114,313	7,649,129	658,317	-	(8,307,446)	(7,649,129)	-	
Total Expenses	\$ 28,428,584	\$ 4,355,920	\$ 6,157,343	\$ 6,842,916	\$ 45,784,763	\$ 6,474,521	\$ 2,282,326	\$ -	\$ 8,756,847	\$ 54,541,610	

	Program				Supporting						Total 2019
	Educational Activities	Academic Support	Student Services	Auxiliary	Total Program Activities	Management and General	Fundraising	Facilities Operation and Maintenance	Total Supporting Activities		
Compensation	\$ 14,282,537	\$ 2,142,487	\$ 2,779,177	\$ 359,723	\$ 19,563,924	\$ 2,326,518	\$ 1,189,663	\$ 1,673,061	\$ 5,189,242	\$ 24,753,166	
Employee Benefits	4,857,754	694,102	870,295	135,023	6,557,174	997,159	408,512	590,657	1,996,328	8,553,502	
Services and Professional Fees	851,877	476,226	470,492	287,299	2,085,894	552,344	169,615	112,329	834,288	2,920,182	
Advertising	47,791	100	18,371	-	66,262	155,262	24,409	1,648	181,319	247,581	
Office Expenses	120,905	13,897	170,680	383	305,865	67,439	139,164	6,580	213,183	519,048	
Information Technology	52,339	155,821	91,880	34,244	334,284	21,240	35,215	7,833	64,288	398,572	
Office and Occupancy	137,633	-	88,513	782,272	1,008,418	107,821	26,474	978,069	1,112,364	2,120,782	
Travel	1,086,923	135,571	220,983	49	1,443,526	68,981	23,234	45,064	137,279	1,580,805	
Conferences and Meetings	244,895	32,554	74,898	243	352,590	74,141	7,617	3,445	85,203	437,793	
Insurance	3,674	-	-	57,969	61,643	391,668	-	468	392,136	453,779	
Food and Provisions	401,670	16,754	170,756	3,579,204	4,168,384	81,577	115,472	3,266	200,315	4,368,699	
Supplies	924,582	465,673	161,245	75,832	1,627,332	23,055	30,233	228,968	282,256	1,909,588	
Equipment Maintenance	90,372	5,149	2,703	55,175	153,399	-	-	107,077	107,077	260,476	
Miscellaneous	162,640	240,184	115,945	153,872	672,641	109,187	52,433	221,492	383,112	1,055,753	
Depreciation	-	-	-	-	-	-	-	3,849,899	3,849,899	3,849,899	
Interest	-	-	-	-	-	-	-	862,462	862,462	862,462	
Actuarial Adjustment	53,241	-	-	-	53,241	-	-	-	-	53,241	
Allocation of Operation and Maintenance	4,431,941	679,562	748,163	2,183,652	8,043,318	486,750	162,250	(8,692,318)	(8,043,318)	-	
Total Expenses	\$ 27,750,774	\$ 5,058,080	\$ 5,984,101	\$ 7,704,940	\$ 46,497,895	\$ 5,463,142	\$ 2,384,291	\$ -	\$ 7,847,433	\$ 54,345,328	

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

NOTE 21 SUBSEQUENT EVENTS

Management has considered subsequent events through September 24, 2021, the date the financial statements were available to be issued, in preparing these financial statements and notes and no additional disclosures or adjustments were deemed necessary by management.

NOTE 22 COMPOSITE SCORE

Augustana participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, Augustana 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 Augustana'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.

The composite score for the year ended July 31, 2020 is as follows:

Primary Reserve Ratio:				
Expendable Net Assets		\$ 20,998,053		
Total Expenses/Losses		\$ 54,641,716		<u>0.38</u>
Equity Ratio:				
Modified Net Assets		\$ 147,183,773		
Modified Assets		\$ 192,672,891		<u>0.76</u>
Net Income Ratio:				
Change in Net Assets Without Donor Restrictions		\$ 2,561,653		
Total Revenues/Gains		\$ 54,938,897		<u>0.05</u>

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.3843	3.0000	40%	1.2000
Equity Ratio	0.7639	3.0000	40%	1.2000
Net Income Ratio	0.0466	3.0000	20%	0.6000
				<u>3.0000</u>

AUGUSTANA UNIVERSITY
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
YEAR ENDED JULY 31, 2020

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 39,248,453
2	SFP	Net assets with donor restrictions	108,253,780
3	Supplemental Disclosure (SD) Line 1	Net assets restricted in perpetuity	70,820,267
4	SD Line 20	Unsecured related-party receivable	318,460
5	SD Line 2d	Donor restricted annuities, term endowments, life income funds	1,300,292
6	SD Line 3d	Property, plant, and equipment pre-implementation	73,394,673
7	SD Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	-
8	SD Line 5	Construction in progress purchased with long-term debt	(2,202,696)
9	SD Line 35	Post-implementation property, plant, and equipment, net, acquired without debt	5,214,026
10	SD Line 14	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	-
11	SD Line 15	Lease right-of-use asset, post-implementation	-
12	SFP	Intangible assets	-
13	SFP	Post-employment and pension liabilities	-
14	SD Line 8d	Long-term debt - for long-term purposes pre-implementation	22,340,842
15	SD Line 9d	Long-term debt - for long-term purposes post-implementation	-
16	SD Line 10	Line of credit for construction in progress	-
17	SD Line 17	Pre-implementation right-of-use asset liability	-
18	SD Line 18	Post-implementation right-of-use asset liability	-
		Total Expenses and Losses:	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	54,510,468
20	SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	-
21	SD Line 22	Sale of fixed assets (if loss)	-
22	SOA	Change in value of interest-rate swap agreements (if loss)	131,248
<hr/>			
Equity Ratio:			
		Modified Net Assets:	
23	SFP	Net assets without donor restrictions	\$ 39,248,453
24	SFP	Net assets with donor restrictions	108,253,780
25	SFP	Intangible assets	-
26	SD Line 20	Unsecured related-party receivables	318,460
		Modified Assets:	
27	SFP	Total assets	192,354,431
28	SD Line 14	Lease right-of-use asset pre-implementation	-
29	SFP	Intangible assets	-
30	SD Line 20	Unsecured related-party receivables	318,460
<hr/>			
Net Income Ratio:			
31	SOA	Change in Net Assets Without Donor Restrictions	\$ 2,561,653
		Total Revenues and Gains Without Donor Restrictions:	
32	SOA	Total operating revenue (including net assets released from restrictions)	54,406,222
33	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	524,830
34	SOA	Non-service component of pension/postemployment (nonoperating) cost (if gain)	-
35	SOA	Pension-related changes other than net periodic pension costs (if gain)	-
36	SOA	Change in value of annuity agreement (typically in nonoperating)	-
37	SOA	Change in value of interest-rate swap agreements (if gain)	-
38	SD Line 25	Sale of fixed assets (if gain)	-
39	SOA	Other gains	7,845

AUGUSTANA UNIVERSITY
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
YEAR ENDED JULY 31, 2020

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding 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	\$ 70,820,267
2	Other net assets with donor restrictions (not restricted in perpetuity):	
a.	Annuities with donor restrictions	\$ 761,432
b.	Term endowments	-
c.	Life income funds (trusts)	538,860
d.	Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ 1,300,292</u>

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of last financial statements submitted to and accepted by the Department of Education (July 31, 2019, financial statement)	\$ 77,192,796
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)	(3,798,123)
d.	Balance pre-implementation property, plant, and equipment, net	<u>73,394,673</u>
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to July 31, 2019:	
a.	Equipment	-
b.	Land improvements	-
c.	Building	-
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5	Construction in progress - acquired subsequent to July 31, 2019	(2,202,696)
6	Post-implementation property, plant, and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to July 31, 2019	<u>5,214,026</u>
7	Total Property, Plant, and Equipment, net - July 31, 2020	<u>\$ 76,406,003</u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
a.	Ending balance of last financial statements submitted to the Department of Education (July 31, 2019):	\$ 24,202,941
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	(1,862,099)
d.	Balance Pre-implementation Debt	<u>22,340,842</u>
9	Allowable post-implementation debt used for capitalized long-lived assets:	
a.	Equipment - all capitalized	-
b.	Land improvements	-
c.	Buildings	-
d.	Balance Post-implementation Debt	<u>-</u>
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	<u>3,500,000</u>
		<u>\$ 25,840,842</u>

AUGUSTANA UNIVERSITY
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
YEAR ENDED JULY 31, 2020

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

	Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized
a				\$ -
b				\$ -
c				\$ -

Lease right-of-use assets and liabilities

13	Lease right-of-use assets			
	Right-of-use assets as of balance sheet date June 20, 2020			\$ -
14	Lease right-of-use assets - Pre-implementation			
	Right-of-use assets as of balance sheet date June 20, 2020, 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 June 20, 2020, excluding leases entered into on or after December 15, 2018			\$ -
16	Lease right-of-use liability			
	Lease liabilities as of balance sheet date June 20, 2020			\$ -
17	Lease right-of-use liability - Pre-implementation			
	Lease liabilities as of balance sheet date June 20, 2020, excluding leases entered into before December 15, 2018			\$ -
18	Lease right-of-use liability - Post-implementation			
	Lease liabilities as of balance sheet date June 20, 2020, excluding leases entered into on or after December 15, 2018			\$ -

Unsecured related-party receivables

19	Secured related-party receivables			\$ -
20	Unsecured related party receivables			318,460
21	Total secured and unsecured related-party receivables			<u>\$ 318,460</u>

Sale of fixed assets (if loss)

22	Loss on sale of fixed assets			\$ -
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>\$ -</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			-
27	Other income category in which gain on sale of assets is included on SOA			<u>\$ -</u>



**INDEPENDENT AUDITORS' 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**

Board of Trustees
Augustana University
Sioux Falls, South Dakota

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, the financial statements of Augustana University (Augustana), which comprise the statement of financial position as of July 31, 2020, 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 November 10, 2020, except for Note 22, as to which is dated September 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Augustana'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 Augustana's internal control. Accordingly, we do not express an opinion on the effectiveness of Augustana'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Augustana'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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota

November 10, 2020, except for Note 22 as to which the date is September 24, 2021.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Augustana University
Sioux Falls, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Augustana University's (Augustana) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Augustana's major federal programs for the year ended July 31, 2020. Augustana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Augustana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Augustana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Augustana's compliance.

Opinion on Each Major Federal Program

In our opinion, Augustana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2020.

Report on Internal Control Over Compliance

Management of Augustana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Augustana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Augustana's internal control over compliance.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Augustana as of and for the year ended July 31, 2020, and have issued our report thereon dated November 10, 2020, except for Note 22 as to which the date is September 24, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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.

Board of Trustees
Augustana University

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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 24, 2021

**AUGUSTANA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JULY 31, 2020**

Federal Grantor/Pass through Agency/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
STUDENT FINANCIAL AID CLUSTER			
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 421,426
Federal Direct Loans	84.268	N/A	9,053,756
Federal Work-Study Program	84.033	N/A	490,260
Federal Perkins Loan Program	84.038	N/A	2,980,047
Federal Pell Grant Program	84.063	N/A	1,543,538
TEACH Grant	84.379	N/A	84,936
U.S. Department of Health and Human Services			
Nursing Student Loan Program	93.364	N/A	857,179
Total Student Financial Aid Cluster			15,431,142
U.S. Department of Education:			
Coronavirus Aid, Relief and Economic Security Act Section 2 Higher Education Emergency Relief Fund (HEERF) Education Stabilization Fund - Student (COVID-19)	84.425E	N/A	607,697
Education Stabilization Fund - Institutional (COVID-19)	84.425F	N/A	607,697
Total Education Stabilization Fund (COVID-19)			1,215,394
RESEARCH AND DEVELOPMENT CLUSTER			
National Science Foundation:			
Collaborative Research: A Depleted Argon Detector for a Dark Matter Search	47.049	N/A	32,287
RUI: Studying the Strong Nuclear Force at Augustana College	47.049	N/A	42,609
RUI: Using Imaging Methods to Expose the Molecular Dynamics Arising from Ultrafast Adaptive Control	47.049	N/A	44,712
EAGER: Hybridization and Metabolic Dysfunction in Milkweeds Passed through South Dakota State University:	47.074	N/A	13,210
Pass: SD GOED Research and Innovation Center (RIC) SD RIC FY15: The Biochemical Spatiotemporal Network Resource	47.079	3TS680	7,189
The 2020 Vision: Building Research, Education and Innovation Partnerships for South Dakota	47.079	3TW564	18,811
The connection of mutation, fitness, and metabolism in Arabidopsis thaliana mutation accumulation lines	47.079	1257902	1,200
NASA:			
Passed through SD Space Grant Consortium/SD School of Mines: Hands-On Observational Astronomy Lab at Augustana	43.001	NNX15AJ13H	416
Space Grant 2015-2018	43.001	SDSM&T-AUG 06-16	13,753
Designed Laboratory Instrumentation for Education and Outreach	43.001	NNX15AJ13H	3,132
Space Grant 2020-2024	43.001	SDSM&T-AUG 06-16	8,107
Computational Astronomy 2	43.001	SDSM&T-AUG 19-18	1,689
Monitoring at International Space Station	43.001	NNX15AK54A	55,718
National Institute of Health:			
Passed through University of South Dakota School of Medicine: South Dakota Biomedical Research Infrastructure Network	93.859	5P20GM103443-18	105,591
South Dakota Biomedical Research Infrastructure Network	93.859	A00-0275-S020	93,052
South Dakota Biomedical Research Infrastructure Network	93.859	UP1500004A-3	69,401
South Dakota Biomedical Research Infrastructure Network	93.859	A00-0275-S021	16,310
South Dakota Biomedical Research Infrastructure Network	93.859	UP1500004-A	430,773
Total Research and Development Cluster			957,960

See Notes to Schedule of Expenditures of Federal Awards.

**AUGUSTANA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JULY 31, 2020**

Federal Grantor/Pass through Agency/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
OTHER AWARDS			
U.S. Department of State			
Passed through World Learning, Inc. Capacity Building for US Study Abroad Program	19.009	SECAGD-18CA0068	\$ 7,644
U.S. Health and Human Services			
SD Child Care and Development Fund Block Grant	93.575	CCDF Discretionary CARES	10,176
U.S. Environmental Protection Agency			
Passed through SD Dept of Environment and Natural Resources Cultural Resources Surveys	66.458	N/A	3,253
U.S. Department of Health and Human Services			
Passed through SD Administration for Children and Families: Autism Conference	93.630	9191-607-026 10 DD-10-10	5,000
U.S. Department of Agriculture			
Passed through SD State Department of Education: Child and Adult Care Food Program	10.558	N/A	4,651
U.S. Department of Justice			
Program to Reduce Sexual Assault, Domestic Violence, Dating Violence, and Stalking on the Augustana Campus	16.525	N/A	<u>67,789</u>
Total Other Awards			<u>98,513</u>
Total Awards			<u>\$ 17,703,009</u>

See Notes to Schedule of Expenditures of Federal Awards.

**AUGUSTANA UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JULY 31, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of Augustana University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Augustana has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 LOANS OUTSTANDING

As of July 31, 2020, Augustana University had the following loans outstanding:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>	<u>Amount Advanced</u>
Federal Perkins Loan Program	84.038	\$ 2,314,741	\$ -
Nursing Student Loans	93.364	736,741	199,974

NOTE 3 SUBRECIPIENTS

No amounts were provided to subrecipients during the fiscal year ended July 31, 2020.

NOTE 4 NONCASH ASSISTANCE

There was no noncash assistance received by Augustana related to federal awards during the year ended July 31, 2020.

**AUGUSTANA UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JULY 31, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	Various
Economic Stabilization Fund (COVID-19)	84.425E, 84.425F

Dollar threshold used to distinguish between Type A and Type B programs: Type A - \$750,000, Type B - \$187,500

Auditee qualified as low-risk auditee? x yes _____ no

**AUGUSTANA UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JULY 31, 2020**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).