

AUGUSTANA UNIVERSITY
FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION AND
SINGLE AUDIT COMPLIANCE REPORTS
YEARS ENDED JULY 31, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Augustana University
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Augustana University, which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Augustana University as of July 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Augustana University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Augustana University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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. 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 GAAS. In our opinion, the financial responsibility ratio supplemental schedule and the accompanying schedule of expenditures of federal awards 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 9, 2022, on our consideration of Augustana University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Augustana University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Augustana University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 9, 2022

AUGUSTANA UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 13,953,083	\$ 8,386,972
Student Accounts Receivable, Net	1,188,775	1,206,134
Government Grants Receivable	857,527	888,937
Contributions Receivable, Net	18,321,007	16,805,368
Other Receivables	1,853,345	1,773,047
Prepaid Expenses and Other Assets	836,265	628,815
Endowment Investments	101,437,649	108,827,257
Other Investments	61,953,924	62,894,579
Student Loans Receivable, Net	2,278,871	2,645,202
Property and Equipment, Net	116,265,418	77,144,261
Total Assets	\$ 318,945,864	\$ 281,200,572
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 8,931,290	\$ 3,098,608
Accrued Liabilities	1,905,673	2,634,244
Deferred Revenue	2,491,831	2,520,285
Bonds and Loans Payable, Net	86,415,113	85,993,965
Annuities Payable	860,659	735,256
Funds Held in Custody for Others, Including Deposits	859,178	614,681
Government Grants Refundable	4,143,237	4,597,323
Total Liabilities	105,606,981	100,194,362
NET ASSETS		
Without Donor Restrictions	46,958,421	44,299,750
With Donor Restrictions	166,380,462	136,706,460
Total Net Assets	213,338,883	181,006,210
Total Liabilities and Net Assets	\$ 318,945,864	\$ 281,200,572

See accompanying Notes to Financial Statements.

**AUGUSTANA UNIVERSITY
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2022 AND 2021**

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUES, GAINS, AND OTHER SUPPORT			
Student Program Fees, Net of Grants and Scholarship of \$37,192,089 and \$33,038,722, respectively	\$ 25,823,314	\$ -	\$ 25,823,314
Government Grants and Contracts	5,669,397	-	5,669,397
Private Gifts, Grants, and Contracts	2,701,954	52,986,539	55,688,493
Investment Income	636,982	3,544,093	4,181,075
Gain (Loss) on Investments	(328,104)	(10,152,547)	(10,480,651)
Sales and Services of Educational Activities	2,247,817	-	2,247,817
Sales and Services of Auxiliary Enterprises	8,923,637	-	8,923,637
Other Sources	1,420,995	-	1,420,995
Net Assets Released from Restrictions for Operating Purposes	5,479,191	(5,479,191)	-
Total Revenues, Gains, and Other Support	<u>52,575,183</u>	<u>40,898,894</u>	<u>93,474,077</u>
EXPENSES AND LOSSES			
Program Expenses:			
Instruction	27,090,662	-	27,090,662
Research	1,164,540	-	1,164,540
Public Service	2,354,582	-	2,354,582
Academic Support	4,503,034	-	4,503,034
Student Services	8,318,937	-	8,318,937
Auxiliary Enterprises	8,105,108	-	8,105,108
Institutional Support	9,504,058	-	9,504,058
Allocable Expenses:			
Operation and Maintenance of Plant	4,800,765	-	4,800,765
Depreciation	3,786,962	-	3,786,962
Interest	2,026,889	-	2,026,889
Less: Allocated Expenses	(10,614,616)	-	(10,614,616)
Actuarial Adjustment for Annuities Payable	76,959	23,524	100,483
Total Expenses and Losses	<u>61,117,880</u>	<u>23,524</u>	<u>61,141,404</u>
CHANGE IN OPERATING NET ASSETS	(8,542,697)	40,875,370	32,332,673
OTHER CHANGES			
Net Assets Released from Restrictions for Capital Improvements	11,201,368	(11,201,368)	-
Change in Fair Value of Interest Rate Swaps	-	-	-
Insurance Proceeds	-	-	-
CHANGE IN NET ASSETS	2,658,671	29,674,002	32,332,673
Net Assets - Beginning of Year	<u>44,299,750</u>	<u>136,706,460</u>	<u>181,006,210</u>
NET ASSETS - END OF YEAR	<u>\$ 46,958,421</u>	<u>\$ 166,380,462</u>	<u>\$ 213,338,883</u>

See accompanying Notes to Financial Statements.

AUGUSTANA UNIVERSITY
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JULY 31, 2022 AND 2021

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 27,974,370	\$ -	\$ 27,974,370
4,831,465	-	4,831,465
1,595,733	15,184,738	16,780,471
511,813	3,660,531	4,172,344
671,394	19,598,800	20,270,194
1,287,418	-	1,287,418
8,099,727	-	8,099,727
1,262,747	-	1,262,747
<u>7,462,700</u>	<u>(7,462,700)</u>	<u>-</u>
53,697,367	30,981,369	84,678,736
22,487,171	-	22,487,171
1,294,109	-	1,294,109
1,761,295	-	1,761,295
3,974,087	-	3,974,087
6,082,007	-	6,082,007
6,811,047	-	6,811,047
8,857,134	-	8,857,134
3,947,454	-	3,947,454
3,750,929	-	3,750,929
799,110	-	799,110
(8,497,493)	-	(8,497,493)
94,581	(25,534)	69,047
<u>51,361,431</u>	<u>(25,534)</u>	<u>51,335,897</u>
2,335,936	31,006,903	33,342,839
2,554,223	(2,554,223)	-
128,720	-	128,720
32,418	-	32,418
5,051,297	28,452,680	33,503,977
<u>39,248,453</u>	<u>108,253,780</u>	<u>147,502,233</u>
<u>\$ 44,299,750</u>	<u>\$ 136,706,460</u>	<u>\$ 181,006,210</u>

See accompanying Notes to Financial Statements.

AUGUSTANA UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 32,332,673	\$ 33,503,977
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,786,962	3,750,929
Amortization	(79,054)	171,107
(Gain) Loss on Investments, Net	10,905,939	(21,301,233)
Donated Stock and Land	(1,692,676)	(29,670)
(Gain) Loss on Property and Equipment	(148,753)	14,223
Actuarial Adjustment for Annuities Payable	61,051	115,859
Change in Fair Value of Interest Rate Swap	-	(406,620)
Loan Cancellations and Assignments, Net	40,053	55,525
Change in Working Capital Components:		
Student Accounts Receivable	17,359	11,832
Government Grants Receivable	31,410	(136,043)
Other Receivables	(80,298)	(16,709)
Contributions Receivable	454,880	(3,472,086)
Prepaid Expenses and Other Assets	(207,450)	(149,908)
Accounts Payable and Accrued Liabilities	657,838	792,621
Funds Held in Custody for Others, Including Deposits	244,497	83,429
Deferred Revenue	(28,454)	(771,124)
Contributions Restricted for Long-Term Investment	(7,439,941)	(4,029,549)
Net Cash Provided by Operating Activities	38,856,036	8,186,560
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(9,690,336)	(65,590,958)
Proceeds from Sale of Investments	8,443,999	8,631,936
Purchases of Property and Equipment	(37,630,467)	(3,041,624)
Proceeds from Sale of Property and Equipment	413,267	-
Disbursements of Student Loans	(175,681)	(217,036)
Repayments of Student Loans	501,959	642,278
Net Cash Used by Investing Activities	(38,137,259)	(59,575,404)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Principal on Bonds and Loans Payable	(232,354)	(5,002,223)
Payments of Bond Issuance Costs	-	(2,224,628)
Proceeds from Issuance of Bonds and Loans Payable	-	67,208,867
Net Borrowings on Line of Credit	-	(5,225,455)
Contributions Received Restricted for Long-Term Investment	5,469,422	1,134,510
Proceeds from Issuance of Annuities Payable	238,260	33,272
Payments of Annuities Payable	(173,908)	(165,543)
Change in Government Grants Refundable	(454,086)	(557,925)
Net Cash Provided by Financing Activities	4,847,334	55,200,875
INCREASE IN CASH AND CASH EQUIVALENTS	5,566,111	3,812,031
Cash and Cash Equivalents - Beginning of Year	8,386,972	4,574,941
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,953,083	\$ 8,386,972

See accompanying Notes to Financial Statements.

**AUGUSTANA UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JULY 31, 2022 AND 2021**

	2022	2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 2,026,889	\$ 799,110
 SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Purchased with Accounts Payable	\$ 5,730,838	\$ 1,284,868
Noncash Refinancing of Bonds Payable	\$ -	\$ 20,955,674
Property and Equipment Acquisitions Financed by Capital Leases	\$ 213,798	\$ -

See accompanying Notes to Financial Statements.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

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 (GAAP). 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, 2022 AND 2021**

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 GAAP 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, 2022 AND 2021

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 \$462,650 and \$387,450 at July 31, 2022 and 2021, 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, 2022 or 2021.

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 2022 and 2021, 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, 2022 AND 2021**

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 during construction periods are capitalized as part of buildings except to the extent of specific contributions received for the construction.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

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.

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, 2022 and 2021.

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, 2022 AND 2021**

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 \$1,426,252 and \$1,322,853 for the years ended July 31, 2022 and 2021, 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 \$1,226,000 and \$1,083,000 for the years ended July 31, 2022 and 2021, respectively.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

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 year ended:

Revenue Recognized Over Time:	2022	2021
Tuition and Fees	\$ 63,015,403	\$ 61,013,092
Less: Scholarships and Grants	(37,192,089)	(33,038,722)
Total	\$ 25,823,314	\$ 27,974,370

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:	2022	2021
Housing	\$ 3,954,765	\$ 3,677,191
Dining	4,903,675	4,344,616
Total	\$ 8,858,440	\$ 8,021,807

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

	2022	2021
Deferred Revenue - Students	\$ 1,050,000	\$ 905,742
Deferred Revenue - Auxiliary	487,500	600,000
Deferred Revenue - Other	954,331	1,014,543
Total	\$ 2,491,831	\$ 2,520,285

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, 2022 AND 2021

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 ASC 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, 2022 AND 2021**

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 8/1/2021	Refunds Issued	Revenue Recognized Included in 7/31/2022 Balance	Cash Received in Advance of Performance	Balance at 7/31/2022
\$ 2,520,285	\$ -	\$ 1,814,808	\$ 1,786,354	\$ 2,491,831

The balance of deferred revenue at July 31, 2022 will be recognized as revenue over the academic term beginning on August 1, 2021 as services are rendered.

Fundraising and Advertising Expenses

Fundraising expenses totaled approximately \$2,094,000 and \$1,996,000 for the years ended July 31, 2022 and 2021, respectively. Augustana expenses advertising at the time incurred, which totaled approximately \$413,000 and \$376,000 for the years ended July 31, 2022 and 2021, respectively.

Reclassifications

Certain amounts in 2021 have been reclassified for comparative purposes to conform to the presentation in 2022. The reclassifications have no effect on the previously reported change in net assets or net assets balance.

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.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 2 NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Undesignated (Deficit)	\$ (16,645,089)	\$ (15,496,508)
Loans to Students	379,872	435,944
Retirement of Indebtedness	-	2,879,942
Replacement of Plant Facilities	457,237	714,472
Board Designated Endowment	1,936,995	2,112,224
Annuity Reserves	617,178	834,253
Net Investment in Plant	60,212,228	52,819,423
Total Board-Designated	<u>\$ 46,958,421</u>	<u>\$ 44,299,750</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>2022</u>	<u>2021</u>
Subject to Specified Purpose:		
Scholarships and Grants	\$ 748,662	\$ 619,451
Academic, Student Programs and Support	10,238,700	4,365,057
Acquisition of Property and Equipment	29,161,105	1,569,693
Total	<u>40,148,467</u>	<u>6,554,201</u>
Subject to Passage of Time:		
Contributions Receivable	18,321,006	16,805,369
Annuity, Life Income and Similar Funds	1,463,778	1,371,661
Total	<u>19,784,784</u>	<u>18,177,030</u>
Subject to the University Spending Policy		
Accumulated Gains and Term Endowments	26,867,552	38,323,707
Endowment Funds Restricted in Perpetuity	79,579,659	73,651,522
Total	<u>106,447,211</u>	<u>111,975,229</u>
Total Net Assets with Donor Restrictions	<u>\$ 166,380,462</u>	<u>\$ 136,706,460</u>

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 UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 3 ENDOWMENT FUNDS (CONTINUED)

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 2022 – 2023 fiscal year is expected to be approximately \$5.0 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.

The following summarizes endowment net assets at July 31:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gain (Losses)	
<u>2022</u>				
Donor-Restricted Endowment Funds				
Underwater Funds	\$ -	\$ 5,462,154	\$ (394,428)	\$ 5,067,726
Other Funds	-	78,075,679	23,303,799	101,379,478
Board-Designated Endowment Funds				
Scholarship	1,009,812	-	-	1,009,812
Maintenance	927,182	-	-	927,182
Total Endowment Funds	<u>\$ 1,936,994</u>	<u>\$ 83,537,833</u>	<u>\$ 22,909,371</u>	<u>\$ 108,384,198</u>

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 3 ENDOWMENT FUNDS (CONTINUED)

<u>2021</u>	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gain (Losses)	
Donor-Restricted Endowment Funds				
Underwater Funds	\$ -	\$ 191,616	\$ (4,937)	\$ 186,679
Other Funds	-	77,389,470	34,399,080	111,788,550
Board-Designated Endowment Funds				
Scholarship	1,124,841	-	-	1,124,841
Maintenance	987,382	-	-	987,382
Total Endowment Funds	<u>\$ 2,112,223</u>	<u>\$ 77,581,086</u>	<u>\$ 34,394,143</u>	<u>\$ 114,087,452</u>

Augustana had perpetually restricted pledges receivable for endowment of \$4,539,000 and \$2,459,000 at July 31, 2022 and 2021, respectively, net of reductions for allowances and discounts.

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

<u>2022</u>	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gain (Losses)	
Endowment Net Assets, July 31, 2021	\$ 2,112,224	\$ 77,581,085	\$ 34,394,143	\$ 114,087,452
Investment Income, Net	112,399	-	6,568,351	6,680,750
Net Appreciation (Realized and Unrealized Loss)	(244,637)	-	(13,094,311)	(13,338,948)
Contributions	3,876	5,956,747	-	5,960,623
Administrative Assessment	(78)	-	(118,436)	(118,514)
Appropriation for Expenditure	(46,790)	-	(4,840,375)	(4,887,165)
Endowment Net Assets, July 31, 2022	<u>\$ 1,936,994</u>	<u>\$ 83,537,832</u>	<u>\$ 22,909,372</u>	<u>\$ 108,384,198</u>

<u>2021</u>	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift Amount	Accumulated Gain (Losses)	
Endowment Net Assets, July 31, 2020	\$ 1,669,740	\$ 74,452,323	\$ 16,202,498	\$ 92,324,561
Investment Income, Net	69,633	-	5,172,875	5,242,508
Net Appreciation (Realized and Unrealized Gain)	358,312	-	17,952,949	18,311,261
Contributions	56,428	3,128,762	-	3,185,190
Administrative Assessment	(1,129)	-	(56,404)	(57,533)
Appropriation for Expenditure	(40,760)	-	(4,877,775)	(4,918,535)
Endowment Net Assets, July 31, 2021	<u>\$ 2,112,224</u>	<u>\$ 77,581,085</u>	<u>\$ 34,394,143</u>	<u>\$ 114,087,452</u>

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

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>2022</u>	<u>2021</u>
Operating Purposes	\$ 5,479,191	\$ 7,462,700
Capital Improvements	11,201,368	2,554,223
Total	<u>\$ 16,680,559</u>	<u>\$ 10,016,923</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>2022</u>	<u>2021</u>
With Donor Restriction - Capital Improvements	\$ 9,902,918	\$ 9,901,133
With Donor Restriction - Scholarships, Grants and Operations	8,466,262	8,897,580
With Donor Restriction - Held in Perpetuity for Endowment	<u>5,651,858</u>	<u>3,077,001</u>
Subtotal	24,021,038	21,875,714
Less: Unamortized Discount	(3,664,364)	(3,203,083)
Less: Allowance for Doubtful Pledges	<u>(2,035,667)</u>	<u>(1,867,263)</u>
Total	<u>\$ 18,321,007</u>	<u>\$ 16,805,368</u>
Amounts Due in:		
Less than One Year	\$ 7,883,813	\$ 8,448,404
One to Five Years	12,303,224	9,632,725
More than Five Years	<u>3,834,001</u>	<u>3,794,585</u>
Total	<u>\$ 24,021,038</u>	<u>\$ 21,875,714</u>

Pledges receivable at July 31, 2022 and 2021 include gifts from several board members of Augustana with a gross recorded value of \$7,679,365 and \$6,936,115, respectively, before reductions for allowance and discounts.

NOTE 6 OTHER RECEIVABLES

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

	<u>2022</u>	<u>2021</u>
Federal Government Programs	\$ 2,216,995	\$ 2,581,586
Institutional Loan Programs	61,876	63,616
Student Loans Receivable, Net	<u>\$ 2,278,871</u>	<u>\$ 2,645,202</u>

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 7 ENDOWMENT INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Investments Carried at Fair Value:		
Marketable Securities:		
Money Market Funds	\$ 220,658	\$ 186,558
Fixed Income Securities	3,242,905	3,926,629
Mutual Funds - U.S. Equity Securities	22,613,276	24,987,305
Mutual Funds - International Equity Securities	11,930,830	16,075,240
Mutual Funds - Global Securities	12,835,469	10,389,658
Mutual Funds - U.S. Debt Securities	5,772,053	5,406,448
Mutual Funds - International Debt Securities	4,554,870	3,751,905
Nonmarketable Securities:		
Long/Short Equity	8,631,469	7,170,835
Equity	11,801,959	17,407,294
Fixed Income Securities	3,271,608	4,024,762
Hedge Funds	2,499,185	2,540,814
Limited Partnerships	3,113,198	1,888,221
Real Estate Fund	4,208,304	3,989,294
Subtotal	<u>94,695,784</u>	<u>101,744,963</u>
Investments Carried at Cost:		
Cash Surrender Value of Life Insurance Policies	1,411,617	1,389,304
Real Estate	5,278,937	5,642,274
Accrued Interest	51,311	50,716
Subtotal	<u>6,741,865</u>	<u>7,082,294</u>
Total	<u>\$ 101,437,649</u>	<u>\$ 108,827,257</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 \$1,174,682 and \$1,040,236 at July 31, 2022 and 2021, respectively.

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 8 OTHER INVESTMENTS

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

	2022	2021
Investments Carried at Fair Value:		
Marketable Securities:		
Money Market Funds	\$ 59,307,743	\$ 60,161,301
Mutual Funds - Equity Securities	1,505,613	1,422,385
Mutual Funds - Debt Securities	743,165	560,785
Subtotal	61,556,521	62,144,471
Investments Carried at Cost:		
Funds Held by Outside Parties	366,964	241,346
Certificates of Deposit	10,836	10,601
Cash Surrender Value of Life Insurance Policies	19,603	498,161
Subtotal	397,403	750,108
Total	\$ 61,953,924	\$ 62,894,579

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 \$808,000 and \$440,000 at July 31, 2022 and 2021, respectively.

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:

2022	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Endowment Investments:					
Money Market Funds	\$ 220,658	\$ -	\$ -	\$ -	\$ 220,658
Mutual Funds - U.S. Equity Securities	22,613,276	-	-	-	22,613,276
Mutual Funds - International Equity Securities	11,930,830	-	-	-	11,930,830
Mutual Funds - Global Securities	12,835,469	-	-	-	12,835,469
Mutual Funds - U.S. Debt Securities	5,772,053	-	-	-	5,772,053
Mutual Funds - International Debt Securities	4,554,870	-	-	-	4,554,870
Long/Short Equity	-	-	-	8,631,469	8,631,469
Equity	-	-	-	11,801,959	11,801,959
Fixed Income Securities	-	3,242,905	-	3,271,608	6,514,513
Hedge Funds	-	-	-	2,499,185	2,499,185
Limited Partnerships	-	-	-	3,113,198	3,113,198
Real Estate Fund	-	-	-	4,208,304	4,208,304
Total Endowment Investments	57,927,156	3,242,905	-	33,525,723	94,695,784
Other Investments:					
Money Market Funds	59,307,743	-	-	-	59,307,743
Mutual Funds - Equity Securities	1,505,613	-	-	-	1,505,613
Mutual Funds - Debt Securities	743,165	-	-	-	743,165
Total Other Investments	61,556,521	-	-	-	61,556,521
Total Investments Valued at Fair Value	\$ 119,483,677	\$ 3,242,905	\$ -	\$ 33,525,723	\$ 156,252,305

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

2021	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Endowment Investments:					
Money Market Funds	\$ 186,558	\$ -	\$ -	\$ -	\$ 186,558
Mutual Funds - U.S. Equity Securities	24,987,305	-	-	-	24,987,305
Mutual Funds - International Equity Securities	16,075,240	-	-	-	16,075,240
Mutual Funds - Global Securities	10,389,658	-	-	-	10,389,658
Mutual Funds - U.S. Debt Securities	5,406,448	-	-	-	5,406,448
Mutual Funds - International Debt Securities	3,751,905	-	-	-	3,751,905
Long/Short Equity	-	-	-	7,170,835	7,170,835
Equity	-	-	-	17,407,294	17,407,294
Fixed Income Securities	-	3,926,629	-	4,024,762	7,951,391
Hedge Funds	-	-	-	2,540,814	2,540,814
Limited Partnerships	-	-	-	1,888,221	1,888,221
Real Estate Fund	-	-	-	3,989,294	3,989,294
Total Endowment Investments	<u>60,797,114</u>	<u>3,926,629</u>	<u>-</u>	<u>37,021,220</u>	<u>101,744,963</u>
Other Investments:					
Money Market Funds	60,161,301	-	-	-	60,161,301
Mutual Funds - Equity Securities	1,422,385	-	-	-	1,422,385
Mutual Funds - Debt Securities	560,785	-	-	-	560,785
Total Other Investments	<u>62,144,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,144,471</u>
Total Investments Valued at Fair Value	<u>\$ 122,941,585</u>	<u>\$ 3,926,629</u>	<u>\$ -</u>	<u>\$ 37,021,220</u>	<u>\$ 163,889,434</u>

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

	2022	2021	Unfunded Commitments at July 31, 2022	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Long/Short Equity	\$ 8,631,469	\$ 7,170,835	\$ 1,636,837	Daily	100 days
Fixed Income Securities	3,271,608	4,024,762	470,738	Daily	90 days
Hedge Funds	2,499,185	2,540,814	-	Daily-Monthly	45 days
Limited Partnerships	3,113,198	1,888,221	1,718,464	Limited	n/a
Equity	11,801,959	17,407,294	-	Monthly	10 days
Real Estate Fund	4,208,304	3,989,294	1,658,997	Monthly	35 days
Total	<u>\$ 33,525,723</u>	<u>\$ 37,021,220</u>	<u>\$ 5,485,036</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.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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 LPs which in turn invest in other LPs, 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.

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:

	<u>2022</u>	<u>2021</u>
Campus Land	\$ 903,145	\$ 924,315
Buildings and Building Improvements	120,692,121	119,957,649
Equipment	13,537,373	12,912,250
Improvements Other than Buildings	9,238,042	8,139,716
Library Books	760,307	825,380
Artwork	161,138	161,138
Construction in Progress	<u>43,738,546</u>	<u>3,658,983</u>
Subtotal	189,030,672	146,579,431
Less: Accumulated Depreciation	<u>(72,765,254)</u>	<u>(69,435,170)</u>
Total	<u>\$ 116,265,418</u>	<u>\$ 77,144,261</u>

In 2021, Augustana entered into construction contracts amounting to approximately \$46.3M for multiple housing, infrastructure, and accessibility projects and an athletic field improvement, which will be completed in subsequent periods. These projects are being financed with contributions and bond financing.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 11 LINE OF CREDIT

Augustana has 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 4.75% at July 31, 2022. The line of credit expires on December 15, 2022. Collateral for the agreement includes any funds or securities held by the lender. The outstanding borrowing under the line of credit at July 31, 2022 and 2021 was \$-0-.

NOTE 12 BONDS AND LOANS PAYABLE

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

	<u>2022</u>	<u>2021</u>
Reliabank - Loan Payable	\$ 23,544	\$ 165,100
North Central Rental & Leasing - Loan Payable	15,819	30,813
Century Business Lease - Note Payable	186,052	-
KS StateBank - Note Payable	470,700	-
Lincoln County 2021A Bond Issue	70,465,000	70,465,000
Lincoln County 2021A Bond Issue - Bond Premium	5,332,427	5,504,441
Lincoln County 2021B Bond Issue	12,030,000	12,030,000
Less: Unamortized Bond Issuance Costs	<u>(2,108,429)</u>	<u>(2,201,389)</u>
Total	<u>\$ 86,415,113</u>	<u>\$ 85,993,965</u>

The Reliabank – Loan Payable required monthly payments consisting of a 4.75% interest rate and principal payments of \$14,861 and matures on May 25, 2024. The Loan was secured by a commercial security agreement dated May 20, 2021 and paid off subsequent to year end in August of 2022.

The Lincoln County 2021A Bond Issue (2021A Bond) requires annual payments consisting of fixed interest (4%) and variable principal payments of \$30,000 to \$4,145,000 and matures on August 1, 2061. The 2021A Bond requires that Augustana meet certain financial covenants including a debt service ratio for Unrestricted Funds, as defined in the agreement, of not less than 1.20 or a debt service ratio for Restricted Funds, as defined in the agreement, of not less than 3.

The Lincoln County 2021B Bond Issue (2021B Bond) requires annual payments consisting of fixed interest (4%) and variable principal payments of \$1,005,000 to \$1,405,000 and matures on August 1, 2034. The 2021B Bond requires that Augustana meet certain financial covenants including a debt service ratio, as defined in the agreement, of not less than 1.20 or a debt service ratio for Restricted Funds, as defined in the agreement, of not less than 3.

The Reliabank – Note Payable requires monthly payments consisting of a 5.5% interest rate and annual payments of \$16,689 and matures on July 10, 2023.

The KS StateBank – Note Payable requires monthly payments consisting of a 6.5% interest rate and annual payments of \$100,000 with a final payment of \$67,784 on January 18, 2028.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 12 BONDS AND LOANS PAYABLE (CONTINUED)

The following summarizes Augustana's scheduled principal payments on bonds and loans payable at July 31, 2022:

<u>Year Ending July 31,</u>	<u>Amount</u>
2023	\$ 158,951
2024	116,081
2025	121,671
2026	1,132,590
2027	1,153,180
Subsequent Years	<u>80,508,642</u>
Total	<u><u>\$ 83,191,115</u></u>

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 \$58,000,000 and \$61,000,000 were in custody of Augustana's investment manager at July 31, 2022 and 2021, 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 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 \$487,500 and \$600,000 was included in Deferred Revenue on the statements of financial position for the years ended July 31, 2022 and 2021, respectively.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 15 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, 2022 and 2021 is estimated to be approximately \$147,000 and \$141,000, 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:

	<u>2022</u>	<u>2021</u>
Beginning Accrual	\$ 140,673	\$ 135,014
Abatement of Asset Retirement Liability	-	-
Accretion of Asset Retirement Liability	<u>5,985</u>	<u>5,659</u>
Ending Accrual	<u><u>\$ 146,658</u></u>	<u><u>\$ 140,673</u></u>

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

NOTE 16 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, 2022 and 2021, 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.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 16 CREDIT QUALITY OF STUDENT LOANS RECEIVABLE (CONTINUED)

At July 31, student loans consisted of the following:

	<u>2022</u>	<u>2021</u>
Federal Government Programs	\$ 2,216,995	\$ 2,581,586
Institutional Loan Programs	61,876	63,616
Student Loans Receivable, Net	<u>\$ 2,278,871</u>	<u>\$ 2,645,202</u>

Funds advanced by the federal government of \$4,143,237 and \$4,597,323 at July 31, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Current Notes Receivable	\$ 1,358,349	\$ 1,788,965
Past Due Note Receivables:		
0-240 Days Past Due	146,156	173,508
240 Days - 2 Years Past Due	140,420	160,466
2-5 Years Past Due	294,715	217,615
5+ Years Past Due	339,231	304,648
Total Past Due	<u>920,522</u>	<u>856,237</u>
Total Notes Receivable, Net	<u>\$ 2,278,871</u>	<u>\$ 2,645,202</u>

NOTE 17 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.

NOTE 18 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.

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 18 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of July 31, 2022 and 2021, 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:	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 13,953,083	\$ 8,386,972
Student Accounts Receivable, Net	1,188,775	1,206,134
Government Grants Receivable	857,527	888,937
Contributions Receivable, Net	18,321,007	16,805,368
Other Receivables	1,853,345	1,773,047
Endowment Investments	101,437,649	108,827,257
Other Investments	61,953,924	62,894,579
Total	<u>\$ 199,565,310</u>	<u>\$ 200,782,294</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months:		
Cash and Cash Equivalents	\$ 13,953,083	\$ 8,386,972
Student Accounts Receivable, Net	1,188,775	1,206,134
Government Grants Receivable	857,527	888,937
Current Portion of Contributions For General Expenditures	2,740,477	2,069,585
Endowment Payout for Use Over the Next 12 Months	336,082	309,547
Other Investments	7,518	3,034,136
Total	<u>\$ 19,083,462</u>	<u>\$ 15,895,311</u>

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 19 FUNCTIONAL EXPENSES

	Program				Total Program Activities	Supporting				Total 2022
	Educational Activities	Academic Support	Student Services	Auxiliary		Management and General	Fundraising	Facilities Operation and Maintenance	Total Supporting Activities	
Compensation	\$ 15,400,069	\$ 1,829,922	\$ 3,121,647	\$ 393,960	\$ 20,745,598	\$ 2,477,413	\$ 1,144,328	\$ 1,639,311	\$ 5,261,052	\$ 26,006,650
Employee Benefits	4,996,803	633,587	953,023	150,587	6,734,000	1,127,045	413,233	597,157	2,137,435	8,871,435
Services and Professional Fees	674,718	167,512	447,003	35,192	1,324,425	603,909	75,632	897,625	1,577,166	2,901,591
CARES Student Funds	-	-	1,625,890	-	1,625,890	-	-	-	-	1,625,890
Advertising	51,023	-	40,868	-	91,891	287,296	34,214	-	321,510	413,401
Office Expenses	69,714	20,418	144,517	2,199	236,848	156,668	109,507	4,361	270,536	507,384
Information Technology	214,219	224,708	382,600	5,655	827,182	108,469	64,227	16,491	189,187	1,016,369
Office and Occupancy	215,385	25,523	72,443	692,952	1,006,303	72,228	22,503	1,231,506	1,326,237	2,332,540
Travel	1,269,098	126,289	163,569	81	1,559,037	73,866	37,169	46,698	157,733	1,716,770
Conferences and Meetings	347,456	36,750	93,026	-	477,232	53,429	23,587	7,424	84,440	561,672
Insurance	-	-	-	68,011	68,011	550,890	-	858	551,748	619,759
Food and Provisions	365,242	13,167	244,097	3,958,346	4,580,852	77,660	105,249	3,985	186,894	4,767,746
Supplies	1,145,213	396,175	163,724	64,209	1,769,321	66,211	19,915	279,186	365,312	2,134,633
Equipment Maintenance	94,626	9,066	2,300	43,162	149,154	-	-	65,635	65,635	214,789
Miscellaneous	685,951	292,050	60,526	119,320	1,157,847	324,338	44,046	10,210	378,594	1,536,441
Depreciation	-	-	-	-	-	-	-	3,786,962	3,786,962	3,786,962
Interest	-	-	-	-	-	-	-	2,026,889	2,026,889	2,026,889
Actuarial Adjustment	-	-	-	-	-	100,483	-	-	100,483	100,483
Allocation of Operation and Maintenance	5,024,930	727,762	803,683	2,571,436	9,127,811	1,486,487	-	(10,614,298)	(9,127,811)	-
Total Expenses	\$ 30,554,447	\$ 4,502,929	\$ 8,318,916	\$ 8,105,110	\$ 51,481,402	\$ 7,566,392	\$ 2,093,610	\$ -	\$ 9,660,002	\$ 61,141,404

	Program				Total Program Activities	Supporting				Total 2021
	Educational Activities	Academic Support	Student Services	Auxiliary		Management and General	Fundraising	Facilities Operation and Maintenance	Total Supporting Activities	
Compensation	\$ 13,304,011	\$ 1,711,893	\$ 2,563,507	\$ 397,871	\$ 17,977,282	\$ 2,493,540	\$ 1,223,227	\$ 1,444,995	\$ 5,161,762	\$ 23,139,044
Employee Benefits	4,737,592	622,810	826,539	167,843	6,354,784	1,075,486	439,911	553,956	2,069,353	8,424,137
Services and Professional Fees	621,248	107,963	352,574	116,927	1,198,712	967,974	102,173	318,062	1,388,209	2,586,921
CARES Student Funds	-	-	605,376	-	605,376	-	-	-	-	605,376
Advertising	37,187	634	71,635	-	109,456	236,443	28,350	1,945	266,738	376,194
Office Expenses	57,383	15,126	144,236	1,187	217,932	155,685	96,778	5,300	257,763	475,695
Information Technology	184,470	159,521	297,477	1,200	642,668	87,551	27,076	12,741	127,368	770,036
Office and Occupancy	130,098	253	70,173	800,137	1,000,661	96,244	8,930	1,035,286	1,140,460	2,141,121
Travel	559,934	640	58,215	-	618,789	17,120	5,357	45,640	68,117	686,906
Conferences and Meetings	209,041	31,788	55,765	-	296,594	19,297	17,366	6,111	42,774	339,368
Insurance	3,296	-	-	57,296	60,592	363,494	-	-	363,494	424,086
Food and Provisions	163,215	7,181	122,157	3,059,778	3,352,331	211,732	14,885	1,885	228,502	3,580,833
Supplies	867,999	425,349	127,865	54,149	1,475,362	59,282	14,288	242,860	316,430	1,791,792
Equipment Maintenance	67,241	8,112	1,886	56,843	134,082	130	-	138,799	138,929	273,011
Miscellaneous	210,300	267,268	63,092	22,628	563,288	381,031	18,098	139,874	539,003	1,102,291
Depreciation	-	-	-	-	-	-	-	3,750,929	3,750,929	3,750,929
Interest	-	-	-	-	-	-	-	799,110	799,110	799,110
Actuarial Adjustment	-	-	-	-	-	69,047	-	-	69,047	69,047
Allocation of Operation and Maintenance	4,389,560	615,549	721,510	2,075,188	7,801,807	695,686	-	(8,497,493)	(7,801,807)	-
Total Expenses	\$ 25,542,575	\$ 3,974,087	\$ 6,082,007	\$ 6,811,047	\$ 42,409,716	\$ 6,929,742	\$ 1,996,439	\$ -	\$ 8,926,181	\$ 51,335,897

**AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 20 SUBSEQUENT EVENTS

Management has considered subsequent events through November 9, 2022, 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 21 COMPOSITE SCORE

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

The composite score for the year ended July 31, 2022 is as follows:

RATIO	Ratio	Strength Factor	Weight	Composite Score
Primary Reserve Ratio	0.7512	3.0000	40%	1.2
Equity Ratio	0.6607	3.0000	40%	1.2
Net Income Ratio	0.0506	3.0000	20%	0.6
				3.0

AUGUSTANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 21 COMPOSITE SCORE (CONTINUED)

Net Assets		
1	Net assets with donor restrictions: restricted in perpetuity	\$ 79,579,659
2	Other net assets with donor restrictions (not restricted in perpetuity):	
	a. Annuities with donor restrictions	1,463,778
	b. Term endowments	-
	c. Life income funds (trusts)	-
	d. Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ 1,463,778</u>
Property, Plant, and Equipment, net		
3	Pre-implementation property, plant, and equipment, net	
	a. Ending balance of pre-implementation as of June 30, 2021	\$ 69,823,110
	b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	
	c. Less subsequent depreciation and disposals (net of accumulated depreciation)	<u>(3,648,150)</u>
	d. Balance pre-implementation property, plant, and equipment, net	<u>\$ 66,174,960</u>
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2019:	
	a. Equipment	\$ 518,758
	b. Land improvements	1,281,645
	c. Building	-
	d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>\$ 1,800,403</u>
5	Construction in progress - acquired subsequent to June 30, 2019	\$ 47,102,900
6	Post-implementation property, plant, and equipment, net, acquired without debt:	
	a. Long-lived assets acquired without use of debt subsequent to June 30, 2019	<u>\$ 1,187,155</u>
7	Total Property, Plant, and Equipment, net - June 30, 2022	<u>\$ 116,265,418</u>
Debt to be excluded from expendable net assets		
8	Pre-implementation debt:	
	a. Ending balance of pre-implementation as of June 30, 2021	\$ 30,813
	b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
	c. Less subsequent debt repayments	<u>(14,994)</u>
	d. Balance Pre-implementation Debt	<u>\$ 15,819</u>
9	Allowable post-implementation debt used for capitalized long-lived assets:	
	a. Equipment - all capitalized	\$ 518,758
	b. Land improvements	1,446,745
	c. Buildings	-
	d. Balance Post-implementation Debt	<u>\$ 1,965,503</u>
10	Construction in progress (CIP) financed with debt or line of credit	\$ 35,577,138
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	<u>48,856,653</u>
		<u>\$ 86,415,113</u>

AUGUSTANA UNIVERSITY
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JULY 31, 2022

Primary Reserve Ratio:			
1	Statement of Financial Position (SFP)	Expendable Net Assets:	
2	SFP	Net assets without donor restrictions	\$ 46,958,421
3	Note 2	Net assets with donor restrictions	\$ 166,380,462
4	Note 5	Net assets restricted in perpetuity	\$ 79,579,659
5	Note 2	Unsecured related-party receivable	\$ 7,679,365
6	Note 21 Line 3d	Donor restricted annuities, term endowments, life income funds	\$ 1,463,778
7	Note 21 Line 4d	Property, plant, and equipment pre-implementation	\$ 66,174,960
		Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ 1,800,403
8	Note 21 Line 5	Construction in progress purchased with long-term debt	\$ 47,102,900
9	Note 21 Line 6a	Post-implementation property, plant, and equipment, net, acquired without debt	\$ 1,187,155
10		Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	\$ -
11		Lease right-of-use asset, post-implementation	\$ -
12		Intangible assets	\$ -
13		Post-employment and pension liabilities	\$ -
14	Note 21 Line 8d	Long-term debt - for long-term purposes pre-implementation	\$ 15,819
15	Note 21 Line 9d	Long-term debt - for long-term purposes post-implementation	\$ 1,965,503
16	Note 21 Line 10	Line of credit for construction in progress	\$ 35,577,138
17		Pre-implementation right-of-use asset liability	\$ -
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	\$ 61,117,880
20		Non-service component of pension/postemployment (nonoperating) cost, (if loss)	\$ -
21		Sale of fixed assets (if loss)	\$ -
22		Change in value of interest-rate swap agreements (if loss)	\$ -
Equity Ratio:			
23	SFP	Modified Net Assets:	
24	SFP	Net assets without donor restrictions	\$ 46,958,421
25		Net assets with donor restrictions	\$ 166,380,462
26		Lease Right-of-use asset - Pre-implementation	\$ -
27		Lease Right-of-use liability - Pre-implementation	\$ -
28	Note 5	Intangible assets	\$ -
		Unsecured related-party receivables	\$ 7,679,365
		Modified Assets:	
29	SFP	Total assets	\$ 318,945,864
30		Lease right-of-use asset pre-implementation	\$ -
31		Intangible assets	\$ -
32	Note 5	Unsecured related-party receivables	\$ 7,679,365
Net Income Ratio:			
33	SOA	Change in Net Assets Without Donor Restrictions	\$ 2,658,671
		Total Revenues and Gains Without Donor Restriction:	
34	SOA	Total operating revenue (including net assets released from restrictions)	\$ 52,575,183
35	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	\$ 308,878
36		Non-service component of pension/postemployment (nonoperating) cost (if gain)	\$ -
37		Pension-related changes other than net periodic pension costs (if gain)	\$ -
38		Change in value of annuity agreement (typically in nonoperating)	\$ -
39		Change in value of interest-rate swap agreements (if gain)	\$ -
40	Note 21 Line 25	Sale of fixed assets (if gain)	\$ 31,431
41		Other gains	\$ -



**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, which comprise the statements of financial position as of July 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 9, 2022



**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

Opinion on Each Major Federal Program

We have audited Augustana University's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Augustana University's major federal programs for the year ended July 31, 2022. Augustana University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Augustana University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Augustana University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Augustana University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Augustana University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Augustana University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Augustana University's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 9, 2022

**AUGUSTANA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JULY 31, 2022**

Federal Grantor/Pass through Agency/ Program or Cluster Title	Federal Assistance Listing 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	\$ 429,074
Federal Direct Loans	84.268	N/A	8,597,959
Federal Work-Study Program	84.033	N/A	455,406
Federal Perkins Loan Program	84.038	N/A	1,822,643
Federal Pell Grant Program	84.063	N/A	1,428,146
TEACH Grant	84.379	N/A	<u>39,133</u>
U.S. Department of Health and Human Services			
Nursing Student Loan Program	93.364	N/A	<u>949,982</u>
Total Student Financial Aid Cluster			<u>13,722,343</u>
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	1,628,211
Education Stabilization Fund - Institutional (COVID-19)	84.425F	N/A	<u>2,134,966</u>
Total Education Stabilization Fund (COVID-19)			<u>3,763,177</u>
Pass: SD Department of Education, Division of Library Services	45.310	2021G-882	15,000
Pass: SD Department of Education, Division of Library Services Total Library Services	45.310	2021G-880	<u>15,000</u> <u>30,000</u>
RESEARCH AND DEVELOPMENT CLUSTER			
National Science Foundation:			
Collaborative Research: DarkSide-20k: A Global Program for the Direct Detection of Dark Matter Using Low-Radioactivity Argon	47.049	N/A	6,498
Pass: South Dakota State University			
Promoting Diversity in STEM Through an Intensive Summer Camp on Biofilms	47.083	OIA-1849206	26,707
RUI: Studying the Strong Nuclear Force at Augustana College	47.049	N/A	39,301
EAGER: Hybridization and metabolic dysfunction in milkweeds	47.074	N/A	77,626
MRI: Acquisition of a TPX3Cam for High-Rate Coincidence Velocity Map Imaging	47.049	N/A	1,209
RUI: Using Imaging Methods to Expose the Molecular Dynamics Arising from Ultrafast Adaptive Control	47.049	N/A	58,543
Passed through South Dakota State University: The 2020 Vision: Building Research, Education and Innovation Partnerships for South Dakota	47.079	3TW564	16,672
NASA:			
Passed through SD Space Grant Consortium/SD School of Mines: Space Grant 2020-2024	43.001	SDSM&T-AUG 06-16	55,433
Computational Astronomy 3	43.001	SDSM&T-AUG 20-21	3,660
National Institute of Health:			
Passed through University of South Dakota School of Medicine:			
South Dakota Biomedical Research Infrastructure Network	93.859		14,775
South Dakota Biomedical Research Infrastructure Network	93.859	A00-0275-S020	726
South Dakota Biomedical Research Infrastructure Network	93.859	5P20GM103443-18	82,912
South Dakota Biomedical Research Infrastructure Network	93.859	5P20GM103443-18	12,136
South Dakota Biomedical Research Infrastructure Network	93.859	A21-00108-S012	5,591
South Dakota Biomedical Research Infrastructure Network	93.859	A21-00108-S023	10,686
South Dakota Biomedical Research Infrastructure Network	93.859	A21-00108-S001	17,932
South Dakota Biomedical Research Infrastructure Network	93.859	UP1500004-A	5,197
South Dakota Biomedical Research Infrastructure Network	93.859	A21-0018-S001-A01	206,277
South Dakota Biomedical Research Infrastructure Network	93.859	UP1500004-A	34,011
South Dakota Biomedical Research Infrastructure Network	93.859	UP1500004-A	<u>45,319</u>
Total Research and Development Cluster			<u>721,211</u>
OTHER AWARDS			
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	2,000
Pass: Coronavirus Aid, Relief, and Economic Security Act (CARES)	93.498		38,100
Pass: American Rescue Plan (ARP) - Child Care Stabilization Grant	93.498	SA-C0093	84,360
National Endowment for the Humanities			
Pass: SD Humanities Council Poetry Reading & Classroom Discussion with Sara Henning	45.129	2573	1,200
U.S. Department of Agriculture			
Passed through SD State Department of Education: Child and Adult Care Food Program	10.558	N/A	6,040
U.S. Department of State			
Pass: World Learning, Inc Capacity Building for US Study Abroad Program	19.009	SECAGD-18CA0068	6,381
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>56,014</u>
Total Other Awards			<u>194,095</u>
Total Awards			<u>\$ 18,430,826</u>

**AUGUSTANA UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JULY 31, 2022**

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 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 LOANS OUTSTANDING

As of July 31, 2022, Augustana University had the following loans outstanding:

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Amount Outstanding</u>	<u>Amount Advanced</u>
Federal Perkins Loan Program	84.038	\$ 1,483,233	\$ -
Nursing Student Loans	93.364	733,762	191,039

NOTE 3 SUBRECIPIENTS

No amounts were provided to subrecipients during the fiscal year ended July 31, 2022.

NOTE 4 NONCASH ASSISTANCE

There was no noncash assistance received by Augustana related to federal awards during the year ended July 31, 2022.

**AUGUSTANA UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JULY 31, 2022**

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>Assistance Listing Number</u>
Student Financial Aid Cluster	Various
Higher Education Emergency Relief Fund	84.425

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? x yes _____ no

**AUGUSTANA UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JULY 31, 2022**

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).



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