AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2020 and 2019

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CONTENTS

November 20, 2020

Board of Trustees
Ave Maria University, Inc. and Subsidiaries
Ave Maria, Florida

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ave Maria University, Inc. and Subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, programs and supporting activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ave Maria University, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Other Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and non-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 and Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 May 26, 2021, on our consideration of the Ave Maria University, Inc. and Subsidiaries' 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 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 the effectiveness of Ave Maria University, Inc. and Subsidiaries' 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 Ave Maria University, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Hill, Barth & King LLC
Certified Public Accountants

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	**$ 9,459,609**	$ 29,819,732
Restricted cash	**4,675,596**	4,609,759
Investments - NOTES B AND R	**22,182,445**	3,385,677
Accounts receivable - NOTE C	**885,594**	1,672,302
Pledges receivable, net - NOTE D	**1,633,418**	2,594,603
Prepaid expenses and other assets	**395,802**	444,814
Notes receivable, net - NOTE E	**188,458**	283,460
Land proceeds receivable, related party - NOTE L	**14,572,865**	10,791,131
Property and equipment, net - NOTE H	**185,055,038**	188,281,949
Beneficial interest in trusts - NOTES G AND R	**962,372**	1,036,853
Employee loans and advances, net - NOTE F	**551,904**	936,356
Assets held for sale	**351,855**	351,736
Land held for investment - NOTES B AND I	**35,102,177**	38,063,336
TOTAL ASSETS	**$ 276,017,133**	$ 282,271,708
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	**$ 1,954,952**	$ 2,433,458
Gift annuities payable - NOTES G AND R	**1,066,066**	1,156,382
Loans payable - NOTE J	**3,066,191**	574,451
Deferred revenue - NOTE L	**8,354,868**	6,216,392
Bonds payable, net - NOTES J AND R	**54,849,229**	56,022,673
TOTAL LIABILITIES	**69,291,306**	66,403,356
NET ASSETS		
Without donor restrictions	**186,117,462**	196,777,795
With donor restrictions	**20,608,365**	19,090,557
TOTAL NET ASSETS	**206,725,827**	215,868,352
TOTAL LIABILITIES AND NET ASSETS	**$ 276,017,133**	$ 282,271,708

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
REVENUES, SUPPORT AND OTHER			
Operating revenue and support:			
Tuition and fees	$ 24,181,244	$ 0	$ 24,181,244
Less scholarships and allowance	(15,475,175)	0	(15,475,175)
NET TUITION AND FEES	8,706,069	0	8,706,069
Private gifts, grants and contributions	3,126,699	4,200,355	7,327,054
Auxiliary income	11,118,548	0	11,118,548
Other income	681,885	0	681,885
Investment income - NOTES B AND R	1,891,552	50,723	1,942,275
Decrease in value of split-interest agreements	0	(186,593)	(186,593)
Net assets released from donor restrictions - NOTE N	2,546,677	(2,546,677)	0
TOTAL REVENUES, SUPPORT AND OTHER	28,071,430	1,517,808	29,589,238
OPERATING EXPENSES			
Academic programs	10,220,989	0	10,220,989
Student services	9,596,124	0	9,596,124
Auxiliaries	8,219,268	0	8,219,268
Administrative and general support	8,352,779	0	8,352,779
Fundraising	2,342,603	0	2,342,603
TOTAL OPERATING EXPENSES	38,731,763	0	38,731,763
CHANGE IN NET ASSETS	(10,660,333)	1,517,808	(9,142,525)
NET ASSETS			
Beginning of year	196,777,795	19,090,557	215,868,352
End of year	$ 186,117,462	$ 20,608,365	$ 206,725,827

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
REVENUES, SUPPORT AND OTHER			
Operating revenue and support:			
Tuition and fees	$ 22,699,805	$ 0	$ 22,699,805
Less scholarships and allowance	(14,277,928)	0	(14,277,928)
NET TUITION AND FEES	8,421,877	0	8,421,877
Private gifts, grants and contributions	5,032,762	4,984,529	10,017,291
Auxiliary income	10,457,302	0	10,457,302
Other income	1,609,423	0	1,609,423
Investment income - NOTES B AND R	2,352,046	394,962	2,747,008
Increase in value of split-interest agreements	0	79,297	79,297
Net assets released from donor restrictions - NOTE N	9,277,092	(9,277,092)	0
TOTAL REVENUES, SUPPORT AND OTHER	37,150,502	(3,818,304)	33,332,198
OPERATING EXPENSES			
Academic programs	10,107,034	0	10,107,034
Student services	9,816,555	0	9,816,555
Auxiliaries	9,818,324	0	9,818,324
Administrative and general support	8,325,827	0	8,325,827
Fundraising	1,832,143	0	1,832,143
TOTAL OPERATING EXPENSES	39,899,883	0	39,899,883
CHANGE IN NET ASSETS	(2,749,381)	(3,818,304)	(6,567,685)
NET ASSETS			
Beginning of year	199,527,176	22,908,861	222,436,037
End of year	$ 196,777,795	$ 19,090,557	$ 215,868,352

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROGRAMS AND SUPPORTING ACTIVITIES

Years ended June 30, 2020 and 2019

Year ended June 30, 2020:

	Program Activities				Supporting Activities			
	Academic Programs	Student Services	Auxiliaries	Program Total	Admin & General Support	Fundraising	Support Total	Total
Salaries and benefits	**$ 7,031,597**	**$ 3,527,115**	**$ 1,581,396**	**$ 12,140,108**	**$ 3,153,641**	**$ 710,675**	**$ 3,864,316**	**$ 16,004,424**
Professional services	**99,693**	**337,286**	**427,377**	**864,356**	**954,411**	**42,176**	**996,587**	**1,860,943**
Interest	**1,025,309**	**1,025,309**	**478,477**	**2,529,095**	**683,539**	**205,062**	**888,601**	**3,417,696**
Depreciation	**1,559,766**	**1,559,766**	**727,891**	**3,847,423**	**1,039,843**	**311,953**	**1,351,796**	**5,199,219**
Operating expenses	**504,624**	**3,146,648**	**5,004,127**	**8,655,399**	**2,521,345**	**1,072,737**	**3,594,082**	**12,249,481**
Total Expenses	**$10,220,989**	**$ 9,596,124**	**$ 8,219,268**	**$ 28,036,381**	**$ 8,352,779**	**$ 2,342,603**	**$ 10,695,382**	**$ 38,731,763**

Year ended June 30, 2019:

	Program Activities				Supporting Activities			
	Academic Programs	Student Services	Auxiliaries	Program Total	Admin & General Support	Fundraising	Support Total	Total
Salaries and benefits	$ 6,857,552	$ 4,074,892	$ 1,824,423	$ 12,756,867	$ 4,299,359	$ 927,005	$ 5,226,364	$ 17,983,231
Professional services	181,202	408,695	663,847	1,253,744	776,092	37,571	813,663	2,067,407
Interest	1,061,816	1,034,013	483,189	2,579,018	689,202	193,007	882,209	3,461,227
Depreciation	1,470,833	1,432,319	669,315	3,572,467	954,686	267,356	1,222,042	4,794,509
Operating expenses	535,631	2,866,636	6,177,550	9,579,817	1,606,488	407,204	2,013,692	11,593,509
Total Expenses	$ 10,107,034	$ 9,816,555	$ 9,818,324	$ 29,741,913	$ 8,325,827	$ 1,832,143	$ 10,157,970	$ 39,899,883

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019

	2020	2019
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Changes in net assets	**$ (9,142,525)**	$ (6,567,685)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	**5,285,294**	4,880,584
In-kind donations	**(697,667)**	(2,698,098)
Increase (decrease) in value of split-interest agreements	**74,481**	(46,307)
Bad debt expense - loans and accounts receivable	**235,222**	96,041
Loss on write-down of notes receivable	**385,392**	93,219
Net (appreciation) depreciation of investments	**(561,990)**	5,448,240
Net realized gain (loss) on sale of investments	**346,038**	(6,701,346)
Net gain (loss) on sale of capital assets, land and buildings held for rent	**1,250,526**	(32,041)
Gain on installment sale	**(816,565)**	(913,690)
(Increase) decrease in account receivables	**551,486**	(639,897)
Decrease in pledges receivable	**961,185**	1,029,131
Decrease in student loans	**3,194**	0
Decrease in prepaid expenses and other assets	**48,894**	55,787
Increase in accounts payable and accrued liabilities	**(478,506)**	(1,880,043)
Decrease in gift annuities payable	**75,995**	124,348
Decrease in deferred revenue on land sale agreements	**(3,562,287)**	(348,212)
NET CASH USED IN OPERATING ACTIVITIES	**(6,041,833)**	(8,099,969)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	**12,594,780**	77,542,377
Purchase of investments	**(27,681,770)**	(39,506,193)
Payments received on notes receivable	**1,451,810**	1,612,047
Interest collected on notes receivable	**124,126**	120,809
Purchase of property and equipment	**(1,807,308)**	(4,038,074)
Proceeds from sale of capital assets	**0**	451,854
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**$ (15,318,362)**	$ 36,182,820

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to beneficiaries under split-interest agreements	**$ (166,311)**	$ (168,796)
Borrowings on loan payable	**2,700,197**	0
Payments on bonds payable	**(1,245,000)**	(1,195,000)
Principal payments on loans	**(222,977)**	(198,050)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**1,065,909**	(1,561,846)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(20,294,286)**	26,521,005
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	**34,429,491**	7,908,486
End of year	**$ 14,135,205**	$ 34,429,491
NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash paid for interest	**$ 3,417,696**	$ 3,461,227
Issuance of note payable for purchase of vehicle and equipment	**$ 0**	$ 65,099
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	**$ 9,459,609**	$ 29,819,732
Restricted cash	**4,675,596**	4,609,759
	$ 14,135,205	$ 34,429,491

See accompanying notes to consolidated financial statements

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Consolidation:
Ave Maria University, Inc. (AMU) commenced operations through incorporation as a Florida nonprofit corporation pursuant to the provisions of Florida statutes on September 3, 2002. The consolidated financial statements include the accounts of Ave Maria University, Inc. and its two supporting organizations: Ave Maria University Land Trust, Inc. (the "Land Trust") and its wholly-owned subsidiary, AMULT, LLC (AMULT) (collectively known as the "University"). The University offers a full schedule of postsecondary education with a primary emphasis on providing a university education grounded in the traditions and faith of the Roman Catholic Church as determined by the Holy See in Rome.

The Land Trust was formed as a Florida nonprofit corporation pursuant to the provisions of Florida Statutes. Concurrently, AMULT was formed as a single member LLC, a disregarded entity for tax purposes with the Land Trust being the single member.

Accrual Basis
The consolidated financial statements of the University have been prepared using the accrual basis of accounting.

Principles of Consolidation:
All significant intercompany balances and transactions have been eliminated.

Change in Accounting Principle:
In November 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230) Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The University has adopted ASU 2016-18 as of the year ended June 30, 2020. As required, the standard has been adopted retrospectively to all periods presented. The total cash, cash equivalents, and restricted cash presented on the statement of cash flows for the year ended June 30, 2019 has been retrospectively adjusted to include restricted cash.

During the year ended June 30, 2020, the University adopted FASB ASU 2018-08, *Not-for-profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The adoption of the new guidance did not have a material impact on the University's financial statements nor affect the prior year net assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued):
In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is effective for the University in 2019 foward. Management has adopted ASU 2016-14 as of the year ended June 30, 2019.

Net Assets
ASU 2016-14 decreases the number of net asset classes from three to two. The three classes of net assets used in financial statements of nonprofit organizations (unrestricted, temporarily restricted, and permanently restricted) were replaced with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions. Because the definition of donor-imposed restriction is essentially unchanged, the effect of the change is that temporarily restricted net assets and permanently restricted net assets are combined in the consolidated statement of financial position and the consolidated statement of activities to become the single class of net assets with donor restrictions. Unrestricted net assets are now referred to as net assets without donor restrictions.

Analysis of Expenses
ASU 2016-14 requires the presentation of analysis of expenses by functional and natural classifications. The analysis must disaggregate the functional expense classifications (such as major classes of program activities and supporting activities) by their natural expense classifications (such as salaries and benefits, professional services, interest expense, depreciation, and operating expenses). There is no effect to prior year net assets.

Liquidity and Availability
The ASU 20-16-14 also requires qualitative disclosures on how a not-for-profit entity manages its liquid available resources and liquidity risks and quantitative disclosure regarding the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures.

Deferred Accounting Standards:
The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities* in response to adverse effects caused by the Coronavirus Disease 2019 (COVID-19) pandemic. ASU 2020-05 allows for a limited deferral of ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* and ASU 2016-02 *Leases (Topic 842)*. The University has elected to defer implementation of Topic 606 and Topic 842 for the year ended June 30, 2020 under the provisions allowed for under ASU 2020-05.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets:
Net assets of the University are classified as with donor restrictions or without donor restrictions on the presence and characteristics of donor-imposed restrictions limiting the University's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time, fulfillment of a donor-specified purpose, or that limit the use of net assets in perpetuity result in net assets with donor restrictions. Earnings, gains, and losses on donor restricted net assets are classified as without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. When other restrictions expire, donor restricted net assets are presented as net assets released from restrictions on the consolidated statements of activities and changes in net assets.

Cash Equivalents:
The University considers all highly liquid investments with maturities of three months or less to be cash equivalents, unless they are designated for long-term purposes.

The University maintains cash balances at various times during the year in excess of the $250,000 guarantee by the Federal Deposit Insurance Corporation. The University has not experienced any losses in such accounts. Management believes the University is not exposed to any significant credit risk related to cash.

Investment Securities:
The University records investments in marketable equity securities with readily determinable market values and debt securities at their fair values. Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received. Unrealized gains and losses are included in the consolidated statements of activities and changes in net assets - without donor restrictions unless restricted by the donor, in which case the amounts are reflected as donor restrictions until expended according to the donors' stipulations.

Risks and Uncertainties:
The University’s marketable securities consist primarily of debt and equity securities. These securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is reasonably possible that changes in risks in the near term would materially affect the carrying value of the securities.

Student and Other Accounts Receivable:
Accounts receivable are stated at net realizable value. An allowance for doubtful accounts and related expenses is established based on the age of receivables from students and others. Actual uncollectible accounts are recorded as bad debts in the period that determination is made. The potential risk is limited to the amount recorded in the consolidated financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:
The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Functional Expenses:
The consolidated statements of program and supporting activities present expenses by function and natural classification. Expenses are generally allocated between program activities and supporting services on the basis of either specific identification or other allocation methods, as appropriate. Expenses without specific identification are allocated using management’s best estimate.

Advertising:
The University expenses the costs of advertising as incurred. Advertising expense for the years ended June 30, 2020 and 2019 was $159,420 and $75,604, respectively.

Contributions and Promises to Give:
Contributions are recognized when the donor makes a promise to give to the University that is, in substance, unconditional. The University considers donations from individuals to be intentions to give and recognizes contribution revenue when they are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions.

For the year ending June 30, 2020, contributions from two donors totaled $1,852,339, which made up 26% of total private gifts, grants and contributions. For the year ending June 30, 2019, contributions from three donors totaled $4,061,651, which made up 41% of total private gifts, grants and contributions.

Fair Value of Financial Instruments:
The carrying amounts of the University's cash equivalents, accounts receivable, accrued liabilities and accounts payable approximate their fair value due to the short maturity of such instruments, while the fair market value of employee advances and related party notes receivable is not determinable due to the relationship between the parties. The carrying values of the bonds payable and other debt obligations approximate fair value based on borrowing rates currently available to the University and the associated contractual agreements. The inputs are based upon terms in contractual agreements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Option:
The fair value option for financial assets and financial liabilities permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to portions of instruments.

Management made the election for the fair value option to provide an accurate portrayal of these balances by discounting the gift annuities payable given the length of time involved with some of the annuities and by adjusting the refundable advances to their underlying investment's market value.

Property and Equipment:
The University capitalizes major additions to property and equipment. Recorded amounts for such assets are stated at cost of acquisition or construction or at fair or appraised value at the date of gift, if so acquired. Rare books and art collections are valued at appraised value and are not depreciated. Depreciation is computed on the straight-line method over the assets estimated useful lives and is recorded as an expense in current operations. Expenditures for additions, repairs, maintenance, renewals and betterments that materially prolong the useful lives of the assets are capitalized.

Impairment and Disposal of Long-lived Assets:
The University evaluates the recoverability of its property and equipment whenever adverse events or changes in a business climate indicate that the expected undiscounted future cash flows from a related asset may be less than previously anticipated. If the net book value of related assets exceeds the undiscounted future cash flows of the assets, the carrying amount would be reduced to the fair value of the asset and an impairment loss would be recognized. Assets classified as held for sale in the consolidated statements of financial position are recorded at an amount equal to the lower of carrying value or fair value, less cost to sell. If the carrying value is in excess of the fair value, a loss is recognized. Fair value is estimated based on available market information. There were no impairment charges related to long-lived assets during the years ended June 30, 2020 and 2019.

As of the year ended June 30, 2020, The Golisano Fieldhouse is closed due to various issues that have caused water infiltration. As of the date of this report, management is not able to estimate potential losses, gains, or costs to repair the building. The building issues are under investigation and pending litigation. The University continues to investigate the potential repair of the building, therefore impairment losses have not been recorded as of year end.

Land and Buildings Held for Investment:
Land and buildings held for investment are initially recorded at cost or estimated fair value at the date received as a gift. Subsequently, the carrying value is reported net of accumulated depreciation. The University evaluates the recoverability of its land and buildings held for investment whenever adverse events or changes in a business climate indicate that the carrying value may not be fully recoverable.

Government Grants:
Support funded by grants is recognized as the University performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and adjustments may be required if audited.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes:
The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and from state income taxes under Chapter 220.13 of the Florida Statutes.

Debt Service Reserve Fund:
The University, under the terms of its bond trust indenture, has agreed to maintain a compensating balance equal to $4,572,194 related to the Series 2013A Bonds. This amount has been classified as restricted cash in the consolidated statements of financial position.

Reclassifications:
Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on changes in net assets, except for those separately disclosed.

Subsequent Events:
Management has evaluated all activity of the University through November 20, 2020, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements or notes.

NOTE B - INVESTMENTS

The following summarizes the University's securities and land held for investment by type as of June 30:

	2020		2019	
	COST	**FAIR VALUE**	COST	FAIR VALUE
Mutual funds	**$15,256,965**	**$15,831,708**	$ 2,335,226	$ 3,317,128
Stocks	**5,644,173**	**6,318,533**	9,996	13,070
Other	**24,590**	**32,204**	75,066	55,479
Land held for investment	**35,102,177**	**35,102,177**	38,063,336	38,063,336
TOTAL INVESTMENTS	**$56,027,905**	**$57,284,622**	$ 40,483,624	$ 41,449,013

The following is a detailed summary of investment income at June 30:

	2020	2019
Investment interest and dividends - net of fees	**$ 308,043**	$ 435,464
Interest collected on land held for investment	**125,039**	122,565
Net realized and unrealized gains	**215,627**	1,253,106
Realized gain on land held for investment	**1,293,566**	935,873
TOTAL INVESTMENT INCOME	**$ 1,942,275**	$ 2,747,008

NOTE C - ACCOUNTS RECEIVABLE

The following summarizes the University's accounts receivable as of June 30:

	2020	2019
General accounts receivable	**$ 23,457**	$ 419,963
Student accounts receivable, net	**59,562**	252,339
Contributions receivable	**0**	1,000,000
CARES Act funds receivable	**802,575**	0
NET ACCOUNTS RECEIVABLE	**$ 885,594**	$ 1,672,302

NOTE D - PLEDGES AND INTENTIONS TO GIVE RECEIVABLE

The University receives various promises, intentions, and pledges to give from donors. Management records a portion of these intentions to give as pledges receivable based on past collections of individual donors, programs supported, and the best estimate of collectability. The pledges receivable estimated by management are recorded on the consolidated financial statements. Intentions to give are not recorded in the consolidated financial statements but are shown below for further transparency.

Pledges receivable as of June 30, 2020 and 2019 consist of and are expected to be collected as follows:

	2020	2019
Promises to give	**$ 1,718,029**	$ 2,769,725
Discount to present value	**(84,611)**	(175,122)
NET PLEDGES RECEIVABLE	**$ 1,633,418**	$ 2,594,603

Due in one year	**$ 244,368**
Due in two to five years	**1,389,050**
TOTAL	**$ 1,633,418**

The future expected cash flows from the intentions to give receivable as of June 30, 2020 and 2019 were discounted using a discount rate ranging between 5.16% and 5.29% and 6.71 - 6.92%, respectively. The estimated value at year end is as follows:

	2020	2019
Gross intentions to give receivable	**$ 4,933,748**	$ 4,776,936
Discount to present value	**(173,434)**	(203,497)
NET INTENTIONS TO GIVE RECEIVABLE	**$ 4,760,314**	$ 4,573,439

NOTE E - NOTES RECEIVABLE AND STUDENT LOANS RECEIVABLE

Donor Promissory Note:
During the year ended June 30, 2009, three promissory notes were assigned to the University from one donor unrelated to the University. Under terms of the original underlying agreements, the notes accrued interest at 4.73 percent per annum with principal and interest of $72,884 (approximately $24,000 per promissory note) payable quarterly until September 30, 2015, when the entire remaining principal balance and any unpaid accrued interest were payable in full.

In February 2012, the parties to the notes entered into a settlement agreement and release, which provided for a one-time pay-down of $1,000,000 against the remaining balance of the three original notes, a new interest rate of 2.89 percent per annum, a revised payment schedule of principal and interest totaling $100,000 due each December 31 through 2021, and a consolidation of the three individual notes into one obligation, with each of the original obligors jointly and severally liable for the payment of the total note balance.

The balance on the note at June 30, 2020 and 2019 was $188,458 and $283,460, respectively, which is included in notes receivable on the consolidated statements of financial position. There are no amounts considered past due at June 30, 2020 and 2019.

Student Loans Receivable:
Prior to its accreditation, the University was not eligible to participate in the federal Title IV student aid program. As a result, in order to be competitive with other schools, it offered and awarded institutional Stafford replacement loans to its students. The terms of these loans were similar to the then-currently awarded federal Stafford loans. These uncollateralized loans were awarded based on student financial need, and the University did not take into consideration the creditworthiness of the student or parents. If these loans were awarded to students participating in the University's vocation discernment program, the terms were modified to include a provision to forgive the loan if (1) the student went on to seminary, (2) was ordained a priest or took final religious vows, and (3) did not receive a loan pay-off option as part of their compensation package. The University stopped awarding replacement Stafford loans when it became eligible to participate in the federal Title IV program beginning with the fall 2005 school year.

At June 30, 2020 and 2019, student loans consisted of the following:

	2020	2019
Institutional student loans receivable:		
Stafford replacement - performing	**$ 3,197**	$ 7,294
Stafford replacement - nonperforming, collectively evaluated	**931,949**	927,852
Total institutional student loans receivable	**935,146**	935,146
Less allowance for doubtful accounts:		
Beginning balance	**(935,146)**	(942,440)
Adjustment	**0**	7,294
Total allowance for doubtful accounts	**(935,146)**	(935,146)
NET STUDENT LOANS RECEIVABLE	**$ 0**	$ 0

NOTE E - NOTES RECEIVABLE AND STUDENT LOANS RECEIVABLE (CONTINUED)

Student Loans Receivable (Continued):
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. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. As of June 30, 2020 and 2019, the University has $931,949 and $927,852, respectively, in gross student loan receivables that are more than 90 days delinquent.

NOTE F - EMPLOYEE LOANS

Employee loans as of June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Employee housing assistance loans	**$ 1,200,000**	$ 1,585,392
Reserve for housing assistance loans	**(648,096)**	(649,036)
NET EMPLOYEE LOANS	**$ 551,904**	$ 936,356

Ending during fiscal year 2009, the University had an Employee Housing Assistance Loan program to assist University employees in purchasing housing within the town of Ave Maria with pricing ranging from $50,000 to $150,000. Under the program guidelines, the employee takes out a first mortgage with a third-party lender of their choice and a second shared appreciation mortgage with the University, which the employee is not required to repay until the home is sold or the employee terminates service with the University. The employee housing loan is noninterest-bearing. The University imputes interest at the applicable federal rate and includes the amount in the employee's compensation. Upon the sale of the home, the University shares in the appreciation (or depreciation) allocated pro rata based upon the original loan amount as a percentage of the purchase price.

Employee loans receivable are periodically evaluated for collectability. Provisions for losses are determined on the basis of loss experience, known and inherent risks in the loans held, the estimated value of underlying collateral, if any, and current economic conditions. Management has placed a reserve of $648,096 and $649,036 on the outstanding loan balances as of June 30, 2020 and 2019, respectively.

The reserve accrued as of June 30, 2020 and 2019 is to allow for uncollectible loans as well as potential losses due to fluctuations in the market. The University considers an employee loan to be impaired when, based upon current information and events, it believes it is probable that the University will be unable to collect all amounts due according to the contractual terms of the promissory notes receivable agreements.

NOTE G - SPLIT-INTEREST AGREEMENTS

AMU is the beneficiary of various split-interest agreements including charitable remainder trusts and charitable gift annuities. AMU recognizes irrevocable split-interest agreements when they are executed. If an unrelated third party acts as trustee or fiscal agent, a contribution is recognized when AMU is notified of the agreement's existence. Investments held in split-interest agreements are reported at fair market value of assets donated as of the date of the gift and by recording the actuarial present value of the annuities payable using the 10-year U.S. Treasury discount rate (discount rates used at June 30, 2020 and 2019 were 2.5 percent). Real property and other assets are reported at the appraised value at the date of donation.

All distributions or remainder interests in the split-interest agreements are available for AMU's use based on the existence or absence of donor-imposed restrictions.

As of June 30, 2020 and 2019, a beneficial interest in trust of $962,372 and $1,036,853, respectively, was recorded for split-interest agreements with unrelated third parties acting as trustees. Once the agreements have been satisfied, the remaining assets will be transferred to AMU.

For split-interest agreements under which the University acts as the trustee, AMU has recorded an asset included in investments in the consolidated statements of financial position of $2,077,444 and $2,279,872 with a corresponding life income obligation of $1,066,066 and $1,156,382 at June 30, 2020 and 2019, respectively.

NOTE H - CAPITAL ASSETS

Major classes of capital assets at June 30, 2020 and 2019 are as follows:

	2020	2019
Land	**$ 6,266,235**	$ 6,266,235
Land improvements	**3,805,908**	3,805,908
Buildings and improvements	**202,223,183**	201,743,644
Equipment	**15,709,245**	15,181,671
Furniture and fixtures	**5,814,691**	5,808,941
Library collection	**2,647,213**	2,647,213
Artwork	**3,153,734**	2,988,734
Construction in progress	**1,246,935**	452,490
	240,867,144	238,894,836
Less accumulated depreciation	**55,812,106**	50,612,887
NET PROPERTY AND EQUIPMENT	**$ 185,055,038**	$ 188,281,949

Depreciation expense on capital assets was $5,199,219 and $4,794,509 for the years June 30, 2020 and 2019, respectively.

NOTE I - LAND HELD FOR INVESTMENT

AMULT owns a 50 percent undivided interest in real property that is recorded at cost and considered held for investment to be sold as needed to fund operations or provide long-term investment for the University. As of June 30, 2020 and 2019, AMULT had a 50 percent undivided interest in 6,352 acres and 6,888 acres of land, which is considered held for investment at cost of $35,102,177 and $38,063,336, respectively.

NOTE J - DEBT OBLIGATIONS

The bond outstanding is with Collier County Educational Facilities Authority under a trust indenture with a trustee bank secured by a mortgage on real property owned by the University. The fixed rate bond bears interest at rates ranging from 4.5 percent to 6.125 percent. The maturity date for the Series 2013A bond is June 1, 2043.

Bonds payable at June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Bonds payable - Collier County Educational Facilities Authority:		
Series 2013A	**$ 56,495,000**	$ 57,740,000
Less unamortized debt issuance costs	**1,645,771**	1,717,327
TOTAL BONDS PAYABLE	**$ 54,849,229**	$ 56,022,673

The principal maturities on all bonds payable are as follows:

Year Ending June 30	Amount
2021	$ 1,305,000
2022	1,360,000
2023	1,420,000
2024	1,480,000
2025	1,555,000
Thereafter	49,375,000
TOTAL	$ 56,495,000

Deferred Bond Issuance Costs:
Deferred bond issuance costs represent legal and other financing costs incurred related to the aforementioned bond issuances. The deferred financing costs will be amortized over the life of the bonds on a straight-line basis. In accordance with ASU 2015-03, interest expense related to these deferred bond issuance costs was $71,555 for the years ended June 30, 2020 and 2019.

Interest Expense:
Total interest expense and bond-related costs incurred during fiscal years 2020 and 2019, were approximately $3,400,000 and $3,500,000, respectively.

NOTE J - DEBT OBLIGATIONS (CONTINUED)

Debt Covenants:
The provisions of the trust indenture for the Series 2013A Bonds contain various covenants related to liquidity and coverage ratios. As of June 30, 2020, the University failed to meet the rate covenant for the first time. Upon an event of default, the University may be subject to a variety of remedies, including the potential demand for immediate payment of the outstanding debt.

Loans Payable:
Loans payable at June 30, 2020 and 2019 are as follows:

	2020	2019
Note payable to third party at 6.0%, annual principal and interest payments of $55,000, principal balance due May 2026, collateralized by asset	**$ 241,675**	$ 282,155
Note payable to third party at 4.49%, monthly principal and interest payments of $6,300, principal balance due February 2021, collateralized by asset	**32,742**	114,709
Note payable to third party at 3.60%, monthly principal and interest payments of $4,536, principal balance due October 2021, collateralized by asset	**70,162**	121,070
Note payable to third party at 4.0%, monthly principal and interest payments of $2,966, principal balance due January 2021, collateralized by asset	**21,415**	56,517
SBA Paycheck Protection Program note payable to financial institution at 1.0%, maturing April 2022	**2,700,197**	0
	$ 3,066,191	$ 574,451

The principal maturities on all loans payable are as follows:

Year ending June 30	Amount
2021	$ 145,701
2022	2,758,687
2023	43,565
2024	46,179
2025	48,950
Thereafter	23,109
TOTAL	$ 3,066,191

NOTE J - DEBT OBLIGATIONS (CONTINUED)

On April 17, 2020, the University received loan proceeds in the amount of $2,700,197 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks at the borrower’s choice as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments until the date the lender receives the applicable forgiven amount from the Small Business Administration (SBA). The University intends to use the proceeds for purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

NOTE K - RELATED PARTY TRANSACTIONS

Ave Maria Development, LLLP (AMD) is an entity which has purchased land from AMULT in the past and is partially owned by a Trustee of the University. During the years ended June 30, 2020 and 2019, AMU paid $41,156 and $159,721, respectively, to AMD for rental costs of the bookstore, Mother Theresa Exhibit Hall, and visitor center within the town of Ave Maria. The leases for the Mother Theresa Exhibit Hall and visitor center expired during the year ended June 20, 2019.

NOTE L - LAND SALE AGREEMENTS

AMULT and an unrelated partnership (collectively known as the “Seller”) entered into a purchase agreement with AMD, allowing AMD to purchase 9,310 acres of land held for investment (see Note I) over time from the Seller at the then fair market value. Upon closing of each sale, a portion of the purchase price, cash paid at closing, and promissory notes is allocated to AMULT in accordance with a tenancy in common agreement. None of the proceeds applicable to habitat and stewardship credits are allocated to AMULT.

Interest is due at a rate of 1.6 percent per annum. Principal on the promissory notes is payable as land is sold to third parties as residential homes or commercial property.

Interest is recognized when collected. Given the contingent nature of when AMULT collects on the promissory notes including accrued interest, the timing of repayment is not determinable. Certain notes receivable are collateralized by related buildings, structures, and improvements on the property under a mortgage and security agreement. Under the terms of a 2011 amendment, collateral under each of the promissory notes serves as security for all other outstanding promissory notes.

NOTE L - LAND SALE AGREEMENTS (CONTINUED)

The following table summarizes the notes receivable, related party activity during fiscal years ended June 30, 2020 and 2019:

	2020	2019
Beginning balance	**$ 10,791,131**	$ 11,948,188
Interest accrued	**140,571**	231,995
Collections on principal and interest	**(2,611,468)**	(1,643,626)
Issuance of notes receivable	**6,252,631**	254,574
LAND PROCEEDS RECEIVABLE ENDING BALANCE	**$ 14,572,865**	$ 10,791,131

The following table summarizes the deferred revenue activity during fiscal years ended June 30, 2020 and 2019:

	2020	2019
Beginning balance	**$ 6,216,392**	$ 6,928,987
Revenue recognized on prior year sales	**(816,565)**	(913,690)
Revenue deferred in current year	**2,814,470**	89,910
Accrued interest deferred during the year	**140,571**	111,185
DEFERRED REVENUE ENDING BALANCE	**$ 8,354,868**	$ 6,216,392

AMULT has accounted for the sales agreements listed above on the installment method. Under the installment method, income is recognized as a portion of each cash payment is received. Accordingly, AMULT recorded a net gain of $1,293,566 and $935,873, which is included in investment income in the consolidated statements of activities and changes in net assets, for the years ended June 30, 2020 and 2019, respectively. AMULT has recorded interest income related to the sales agreements of approximately $125,000 and $121,000, which is also included in investment income in the consolidated statements of activities and changes in net assets, for the years ended June 30, 2020 and 2019, respectively.

The Seller provides financing options to AMD for promissory notes receivable with maturities greater than one year. Financing promissory notes receivable are periodically evaluated for collectability based on past credit history with AMD and their current financial condition. Provisions for losses on financing promissory notes receivable are determined on the basis of loss experience, known and inherent risks in the promissory notes held, the estimated value of underlying collateral, if any, and current economic conditions. The Seller considers the notes receivable to be fully collectible at June 30, 2020 and 2019 and there are no amounts considered past due at June 30, 2020 and 2019.

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets as of June 30, 2020 and 2019 are restricted for the following purposes:

	2020	2019
Program support	**$ 6,066,105**	$ 5,946,356
Scholarships	**3,091,549**	1,064,032
Endowments for scholarships & program support	**6,523,539**	6,094,420
Split-interest agreements	**1,992,758**	2,179,351
Capital additions	**2,934,414**	3,806,398
TOTAL DONOR RESTRICTED NET ASSETS	**$ 20,608,365**	$ 19,090,557

NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2020 and 2019, the University released the following amounts from donor restricted net assets upon satisfying the terms of restriction:

	2020	2019
Program support	**$ 578,029**	$ 1,469,709
Scholarships	**1,000,298**	2,829,333
Capital additions	**968,350**	4,978,050
TOTAL DONOR RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS	**$ 2,546,677**	$ 9,277,092

NOTE O - DONOR-RESTRICTED ENDOWMENTS

Changes in Donor-Restricted Endowments:
Changes in donor-restricted endowments, during the years ended June 30, 2020 and 2019, are described in the following tables:

Changes in Endowment Net Assets for the Year Ended June 30

	2020	2019
Endowment net assets -		
Beginning of year	**$ 6,094,420**	$ 5,718,670
Investment income	**71,355**	69,179
Net appreciation in market value	**(20,383)**	332,638
Appropriation of endowment net assets for expenditures	**(128,766)**	(198,533)
Contributions received	**506,913**	172,466
ENDOWMENT NET ASSETS - END OF YEAR	**$ 6,523,539**	$ 6,094,420

NOTE O - DONOR-RESTRICTED ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law:
In Florida, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governs the investment of and spending from true endowments. The act was signed into law effective July 1, 2012 and the University has adopted this policy as of that date.

UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with Deficiencies:
The University has interpreted this act as requiring the preservation of the historical value of the original gift as of the gift date of the donor-restricted endowment fund. Under this interpretation, if the market value of an endowment drops below the historic gift value, the endowment is considered to be underwater. The net depreciation of an underwater endowment will reduce net assets without restrictions. Any future gains will be used to restore the cumulative deficiency within net assets without restrictions. Once net assets without restrictions have been fully restored, net appreciation will be recorded within net assets with restrictions, as required by the donor’s restriction.

Return Objectives and Risk Parameters:
The University has adopted a policy to ensure a total return (yield plus capital appreciation) necessary to preserve and enhance the principal of the funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to offset the effects of inflation as measured by the Consumer Price Index and to increase the principal value of the assets in excess of established benchmarks. The University expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

NOTE O - DONOR-RESTRICTED ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives:
To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy:
During the year ended June 30, 2010, the University revised its spending policy to authorize the smaller of the endowment fund's rolling 36-month average total annual return or 3 percent of the market value of the endowment fund determined as of the preceding June 30 (or the last business day of the fiscal year). If the market value of the endowment fund is greater than the corpus of the endowment fund by 10 percent or more as of June 30, the authorized spending rate may be as high as 5 percent of the market value of the endowment fund. The three-year (or actual period of the fund's existence, if shorter) rolling average total annual return shall be determined annually for each endowment fund. Total annual return for purposes of this spending policy shall mean the total annual dividends, interest, and realized (or unrealized) gains and losses experienced by the endowment fund less applicable investment manager's fees. It is anticipated that the total annual return will exceed the amount of authorized annual spending from each fund. To the extent that the total annual return does exceed the annual spending allotment, the excess shall be accumulated and carried forward on the endowment fund's record.

NOTE P - COMMITMENTS AND CONTINGENCIES

Contingencies:
In the normal course of its activities, the University has been a party in various legal actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on its consolidated financial statements.

Leases:
The University leases certain equipment under operating leases. Additionally, the University leases the bookstore within the town of Ave Maria, has a one year lease of a residence, has an automobile lease, and had a lease that ended in April 2019 for the Mother Theresa Exhibit space. Total rent expense under these leases was $105,152 and $219,384 for the years ended June 30, 2020 and 2019, respectively. Future payments on these commitments are as follows:

Year ending June 30	Amount
2021	$ 72,631
2022	88,252
2023	49,276
2024	46,986
2025	46,986
	$ 304,131

NOTE Q - EMPLOYEE BENEFIT PLAN

The Ave Maria 403(b) Retirement Plan is a defined contribution plan covering employees of the University. The plan sponsor is required to provide a matching contribution in an amount equal to fifty percent of the participants' contribution, not to exceed five percent of the participants' gross compensation. Contributions to the plan for the years ended June 30, 2020 and 2019 were $367,880 and $349,373, respectively.

NOTE R - FAIR VALUE

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Level 1 - inputs use quoted prices in active markets for identical assets or liabilities that the University has the ability to access.

Level 2 - inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics specific to each asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The University's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

The following tables present information about the University's assets and liabilities measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the University to determine those fair values.

NOTE R - FAIR VALUE (CONTINUED)

Disclosures concerning assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 are as follows:

	Balance at June 30, 2020	(Level 1)	(Level 2)	(Level 3)
Assets:				
Investments:				
Common stock	$ 6,138,773	$ 6,138,773	$ 0	$ 0
Foreign stock	179,760	179,760	0	0
Mutual funds - equities	2,466,979	2,466,979	0	0
Mutual funds - bonds	13,364,729	13,364,729	0	0
Other	32,204	32,204	0	0
Total investments	22,182,445	22,182,445	0	0
Beneficial interest in trusts	962,372	0	0	962,372
TOTAL ASSETS	$ 23,144,817	$ 22,182,445	$ 0	$ 962,372
Liabilities:				
Gift annuities payable	$ (1,066,066)	$ 0	$ 0	$ (1,066,066)
Bonds payable	(56,495,000)	0	(56,495,000)	0
TOTAL LIABILITIES	$(57,561,066)	$ 0	$(56,495,000)	$ (1,066,066)

NOTE R - FAIR VALUE (CONTINUED)

Disclosures concerning assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 are as follows:

	Balance at June 30, 2019	(Level 1)	(Level 2)	(Level 3)
Assets:				
Investments:				
Common stock	$ 13,070	$ 13,070	$ 0	$ 0
Mutual funds - equities	2,662,917	2,662,917	0	0
Mutual funds - bonds	654,211	654,211	0	0
Other	55,479	55,479	0	0
Total investments	3,385,677	3,385,677	0	0
Beneficial interest in trusts	1,036,853	0	0	1,036,853
TOTAL ASSETS	$ 4,422,530	$ 3,385,677	$ 0	$ 1,036,853
Liabilities:				
Gift annuities payable	$ (1,156,382)	$ 0	$ 0	$ (1,156,382)
Bonds payable	(57,740,000)	0	(57,740,000)	0
TOTAL LIABILITIES	$ (58,896,382)	$ 0	$ (57,740,000)	$ (1,156,382)

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis are described in the following tables:

	Assets Beneficial Interest in Trusts		Liabilities Gift Annuities Payable	
	2020	2019	**2020**	2019
Beginning balance	**$ 1,036,853**	$ 990,546	**$ (1,156,382)**	$ (1,200,830)
Unrealized gains (losses) included in change in net assets	**(74,481)**	46,307	**(75,995)**	(124,348)
Payments made to annuitants	**0**	0	**166,311**	168,796
ENDING BALANCE	**$ 962,372**	$ 1,036,853	**$ (1,066,066)**	$ (1,156,382)

NOTE R - FAIR VALUE (CONTINUED)

Measurement of Level 3 Assets and Liabilities:
Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The University estimates the fair value of beneficial interest in trusts and gift annuities payable, which relates to the split-interest agreements, based upon the present value of the expected future cash flows using management's best estimate of key assumptions including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involved. Significant changes in these key assumptions would result in a significantly higher or lower fair value measurement. These assets and liabilities are characterized as Level 3 assets and liabilities at June 30, 2020 and 2019.

The University has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include regular review of the inputs used in valuation. The University utilizes a third-party investment manager to advise on reasonableness of inputs.

Fair Value Measurement of Assets on a Nonrecurring Basis:
The University's split-interest agreements, beneficial interest agreements, and annuity obligations are measured at fair value with a valuation technique utilizing estimated payout percentages, life expectancies, and IRS remainder factors.

The University has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include regular meetings of the board of trustees and management during which assets are reviewed for impairment indicators. Upon identification of such indicators, the University utilizes a third-party appraiser to assess the fair value of the identified assets. If the appraisal report indicates that the current carrying value exceeds the appraised fair value, an impairment of the asset is recorded.

NOTE S - FINANCIAL RESPONSIBILITY INDEX SCORE

As required by the U.S. Department of Education, under Section 498(c) of the Higher Education Act of 1965, the University's financial responsibility index score for the year ended June 30, 2020 is 2.2.

NOTE T - LIQUIDITY AND AVAILABILITY

The following reflects the University's financial assets as of the consolidated balance sheet dates, reduced by amounts not available within the next fiscal year or not available because of contractual or donor imposed restrictions:

	2020	2019
Financial assets, as of June 30:		
Cash, cash equivalents and restricted cash	**$ 14,135,205**	$ 34,429,491
Investments	**22,182,445**	3,385,677
Accounts receivable	**885,594**	1,672,302
Pledges receivable, net	**1,633,418**	2,594,603
Notes receivable, net	**188,458**	283,460
Beneficial interest in trusts	**962,372**	1,036,853
TOTAL FINANCIAL ASSETS	**39,987,492**	43,402,386
Less those unavailable for general expenditure within one year:		
Cash and investments restricted for bonds	**4,620,006**	4,609,759
Net assets with donor restrictions	**20,608,365**	19,090,557
Notes receivable, less current portion	**88,458**	183,460
TOTAL UNAVAILABLE ASSETS	**25,316,829**	23,883,776
FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR FOR GENERAL EXPENDITURES	**$ 14,670,663**	$ 19,518,610

NOTE U - COVID-19

In early March 2020, the World Health Organization classified the coronavirus outbreak "COVID-19" as a global pandemic, and it unfortunately continues to spread. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, have been severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The University closed classrooms to students and moved to remote online learning in March 2020. On April 1st, Gov. Ron DeSantis ordered all Floridians to stay at home, to lock down the state in the fight against the coronavirus. Fundraising and recruiting efforts were disturbed throughout the University. The University's campus reopened for the Fall 2020 semester.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability in financial markets. The effect on the University's future investments values cannot be determined at this time. Management is actively monitoring the global situation on its financial condition, liquidity, operations, students, donors, industry, and workforce. Given the daily evolution of COVID-19 and the global responses to curb its spread, the University is not able to estimate the effects of COVID-19 on its results of operations, financial condition, or liquidity for fiscal year 2020-21.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

Year ended June 30, 2020

Federal Agency/Program Title	CFDA Number	Grant Number	Federal Expenditures
FEDERAL AWARDS			
U.S. Department of Education Direct Programs:			
Federal Supplemental Education Opportunity Grants	84.007	P007A198874	$ 32,425
Federal Work Study Program	84.033	P033A198874	36,525
Federal Pell Grant Program	84.063	P063P195744	1,371,004
Federal Direct Loan Programs:			
Federal Stafford - Subsidized	84.268	P268K205744	1,537,930
Federal Stafford - Unsubsidized	84.268	P268K205744	2,066,962
Federal PLUS	84.268	P268K205744	1,277,258
TOTAL FEDERAL DIRECT LOAN PROGRAMS			4,882,150
TOTAL STUDENT FINANCIAL AID CLUSTER			6,322,104
COVID-19 CARES Act Higher Education Emergency Relief Funding (HEERF) - Student Portion	84.425E	P425E201815	463,890
COVID-19 CARES Act Higher Education Emergency Relief Funding (HEERF) - Institutional Portion	84.425F	P425E200723	203,535
TOTAL HIGHER EDUCATION EMERGENCY RELIEF FUNDING			667,425
TOTAL FEDERAL AWARDS			6,989,529

State Agency/Program Title	CSFA Number	Grant Number	State Expenditures
NON-FEDERAL AWARDS			
Florida Department of Education			
Florida Work Experience Project	48.053	-	$ 7,422
Florida Private Student Assistance Grant	48.054	-	75,632
Florida Bright Futures Scholarship Program	48.059	-	661,826
Effective Access to Student Education Grant Program	48.064	-	964,537
TOTAL STUDENT FINANCIAL ASSISTANCE			1,709,417
TOTAL NON-FEDERAL AWARDS			1,709,417
TOTAL FEDERAL AND NON-FEDERAL AWARDS			$ 8,698,946

During the year ended June 30, 2020, the University has refunded $12,633 to the Florida Department of Education for excess amounts received related to the Florida Bright Futures Scholarship Program.

See accompanying notes to schedule of expenditures of federal and non-federal awards

NOTE A - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards and non-federal awards (the “Schedule”) includes the federal and state grant activity of Ave Maria University, Inc. and Subsidiaries (the “University”) under programs of the federal government and the State of Florida for the year ended June 30, 2020. Expenditures reported on the Schedule are reported on the same basis of accounting as the consolidated financial statements, although the basis for determining when federal and state awards are expended is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows, if applicable, of the University.

NOTE B - STATE PROGRAM INFORMATION

The administration of each program below is the responsibility of the Florida Department of Education’s Office of Student Financial Assistance and the University. The following is a brief description of each Florida Student Financial Assistance Program administered by the student financial aid office for the year ended June 30, 2020:

Florida Academic Scholars Award Program (BFFAS):
BFFAS is a State of Florida scholarship under the Florida Bright Futures Scholarship Program that provides certain qualified, full-time undergraduate students with assistance in paying for costs of education. BFFAS is available only to Florida residents attending eligible colleges and universities located in the state of Florida.

Florida Medallion Scholars Award Program (BFFMS):
BFFMS is a State of Florida scholarship under the Florida Bright Futures Scholarship Program that provides certain qualified, first-time-in-college, full-time undergraduate students with assistance in paying for costs of education. BFFMS is available only to Florida residents attending eligible colleges and universities located in the state of Florida.

Florida Private Student Assistance Grant (FSAG):
FSAG is a State of Florida financial aid program that provides certain qualified, full-time undergraduate students with assistance in paying for costs of education including tuition, fees, and living expenses. FSAG is available only to Florida residents attending eligible colleges and universities located in the state of Florida.

Florida Work Experience Project (FWEP):
FWEP is a State of Florida need-based financial aid program that provides certain qualified students work experiences to enhance and support their educational and career goals. Although this program is administered by the State of Florida, it is a decentralized program, meaning each respective institution determines the eligibility requirements, application procedures, deadlines, and amounts awarded.

NOTE B - STATE PROGRAM INFORMATION (CONTINUED)

Effective Access to Student Education Grant Program (EASE formerly FRAG):
EASE is a tuition assistance grant created by the Florida legislature to increase opportunities for Floridians seeking a college degree, strengthen the private higher education sector, and create savings for taxpayers by reducing demand on the public systems. EASE was created by the Legislature in 1979 as a non-need-based program to provide tuition assistance to Florida's undergraduates who attend independent, nonprofit, SACS-accredited institutions in the state.

NOTE C - STATE PROGRAM SELECTION

In accordance with the requirements of Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Florida Auditor General, programs are required to be tested when identified as major. As noted on the schedule of findings and questioned costs, the Florida Resident Access Grant programs were identified as major programs for the 2019-2020 award year and tested accordingly.

A summary of program testing under the requirements of the Florida Department of Education, Section 215.97 Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General is as follows:

State Program	Category	Number of Students	Percent of Population	Amount of Awards	Percent of Population
BFFAS	Population	50	100%	$ 365,734	100%
	Tested	13	26%	91,056	25%
	Findings	0	0%	0	0%
BFFMS	Population	63	100%	$ 296,092	100%
	Tested	16	25%	72,206	24%
	Findings	0	0%	-	0%
FSAG	Population	82	100%	$ 75,632	100%
	Tested	21	26%	17,217	23%
	Findings	1	1%	1,000	1%
FWEP	Population	8	100%	$ 7,422	100%
	Tested	8	100%	7,422	100%
	Findings	0	0%	-	0%
EASE	Population	363	100%	$ 964,537	100%
	Tested	50	14%	129,270	13%
	Findings	0	0%	-	0%

NOTE D - 10-PERCENT DE MINIMIS ELECTION

Ave Maria University has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

HBK CPAs & Consultants

May 26, 2021

Board of Trustees
Ave Maria University, Inc. and Subsidiaries
Naples, Florida

Independent Auditor's 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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Ave Maria University, Inc. and Subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, programs and supporting activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-003, and 2020-004, that we consider to be significant deficiencies.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the University's consolidated 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 consolidated 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2020-002.

The University's Response to Findings
The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill, Barth & King LLC

Certified Public Accountants

May 26, 2021

Board of Trustees
Ave Maria University, Inc. and Subsidiaries
Naples, Florida

Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal and State Program

We have audited Ave Maria University, Inc. and Subsidiaries' (the "University") compliance with the types of compliance requirements described in the OMB Compliance Supplement, and the State of Florida's State Projects Compliance Supplement, that could have a direct and material effect on each of the University's major federal and state programs for the year ended June 30, 2020. The University's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General. Those standards, the Uniform Guidance, Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-002, 2020-003 and 2020-004. Our opinion on each major federal program and state program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance
Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, Section 215.97, Florida Statutes, and Chapter10.650,Rules of the Florida Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state 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 and state 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 and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been detected. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identity certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004, that we consider to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.

Hill, Barth & King LLC

Certified Public Accountants

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Internal control over major state programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) and/or Section 215.97, Florida Statutes?	Yes
Any items related to state financial assistance disclosed in the management letter that are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General?	Yes

Identification of major programs:

CFDA/CSFA Numbers	Name of Federal or State Program or Cluster
84.007, 84.033, 84.063, 84.268	Federal Student Aid Cluster
84.425	COVID-19 Higher Education Emergency Relief Funding
48.059	Florida Bright Futures Scholarship Program
48.064	Effective Access to Student Education Grant Program

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

Federal	$750,000
State	$300,000

Auditee qualified as low-risk auditee? Yes

SECTION II – CONSOLIDATED FINANCIAL STATEMENT AUDIT FINDINGS

Finding	2020-001
Year Affected	June 30, 2020
Finding Type	Significant deficiency
Criteria	Management is responsible for maintaining internal controls to prevent, detect and correct material misstatements consolidated in the financial statements.
Condition	Timely and accurate reconciliation and review of various major account balances was not performed. Major accounts included cash, pledges receivable, annuities, intercompany due to/from, net assets with donor restriction, and release of restricted assets. Internally maintained spreadsheets and year end reconciliations were provided with various discrepancies requiring significant adjustments to the spreadsheets and the general ledger.
Questioned Costs	None
Context	During the year ended June 30, 2020, we identified several instances in which reconciliations of major accrual accounts were not done timely resulting in significant adjustments to the general ledger. Additionally, in other instances internally maintained spreadsheets needed significant revisions to reconcile to the general ledger and to be in compliance with generally accepted accounting principles.
Cause	The business office experienced turnover of a vital position to the accounting department resulting in delays, errors, and inadequate control processes over review of year end reconciliations.
Effect	Untimely reconciliations and inadequate review and approval processes subject the University's accounting records to material errors going unnoticed and increases the potential for unauthorized manipulation and fraud to go undetected.
Recommendation	We recommend all accounting duties be reviewed and divided amongst the accounting department to allow for timely period end reconciliations and proper review processes, while considering the need for an additional person in the accounting department. At least one level of review should be done on all material accounts by a more senior employee than the one who prepared it. Internally maintained spreadsheets and reconciliations to record period end journal entries should be completed no later than a month after the period being reconciled. Additionally, good documentation should be maintained supporting the account reconciliation and review process.
Auditee's Response	See attached corrective action plan.
Repeat Finding	Yes, 2019-001

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

Finding 2020-002

Year Affected June 30, 2020

Program Federal Direct Loan Programs (CFDA 84.268)

Finding Type Compliance

Criteria Under loan programs, institutions must promptly notify the Department of Education (DOE), guaranty agencies or lenders and NSLDS of changes in student status in a timely and accurate manner.

Condition One student was awarded an unsubsidized loan and her graduated status was not updated timely in NSLDS. The student's status change was reported as withdrawn because her courses were not yet complete at the time of the submission to NSLDS, which properly triggered repayment of loans. However, when her status was later determined to be graduated, the University needed to notify NSLDS of the change and this was not completed until discovery during the audit.

Questioned Costs None

Context Testing resulted in one instance out of eighteen. The financial aid office was able to correct the issue when identified by the audit procedures.

Cause When an irregularly timed graduated status is determined for a student, the process was to manually submit the status change to NSLDS. This process relied on one person to complete the change and this was not done.

Effect Late and irregular status changes may go undetected and uncorrected. If the University does not notify agencies of status changes through NSLDS in a timely and accurate manner, loan repayment may not be triggered for the student.

Recommendation It is recommended additional checks are put into the system to review requirements are met for late graduates. Using a checklist for late graduates will also help insure all items are done timely and accurately with a review process in place.

Auditee's Response See attached corrective action plan.

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS (CONTINUED)

Finding	2020-003
Year Affected	June 30, 2020
Program	COVID-19 CARES Act Higher Education Emergency Relief Funding (CFDA 84.425)
Finding Type	Compliance and Control
Criteria	Under the CARES Act passed on March 27, 2020, aid was granted to the University under the program Higher Education Emergency Relief Funding (HEERF). This aid was to be used at least 50% towards direct student emergency relief grants (student portion under 84.425E) and the remainder could be used towards institutional needs (84.425F). Both portions of the funds stipulated restrictive use for specific approved purposes. Emergency grants to students under 84.425E could only be provided to students that qualify under Title IV eligibility criteria.
Condition	The financial aid office was unable to provide documentation of Title IV eligibility for 8 students from the sample of 45 students.
Questioned Costs	Total questioned costs are estimated to be $37,719: $ 9,825 - 7 student findings $ 27,894 - 1 student finding extrapolated over a sub-population
Context	An Interim Final Rule was released on June 17, 2020 that required emergency grants to students be only to students eligible under Title IV. The rule was effective beginning June 17, 2020. The University began the process of determining which students would receive grants in May 2020 and checks were issued on June 29 and 30, 2020, thus the process of distributing funds was already in place when the Interim Final Rule was issued.
Cause	There were not adequate controls in place to ensure student eligibility was determined and documented before emergency aid grants were disbursed. Additionally, the University did not timely monitor the rapidly changing criteria set forth by the Department of Education. The Interim Final Rule published on June 17, 2020 was less than two weeks prior to the funds being disbursed to students, which made it difficult administratively to determine eligibility criteria.

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS (CONTINUED)

Finding 2020-003 (Continued)

Effect The effect or possible effect is that students that were not considered eligible may have received funds. The Department of Education may request the school to pay back the funds that are used for ineligible purposes. The second round of HEERF funds provided under CRRSAA in 2021 does not require Title IV Eligibility.

Recommendation The University should monitor requirements and eligibility criteria closely and frequently for COVID-19 related programs. The federal and state monies being awarded related to COVID-19 are changing constantly and may require consultation with subject matter experts.

Auditee's Response See attached corrective action plan.

SECTION IV – STATE PROGRAM AUDIT FINDINGS

Finding	2020-004
Year Affected	June 30, 2020
Finding Type	Significant Deficiency and Compliance
Programs	Florida Student Assistance Grant (CSFA 48.054) Effective Access to Student Education Grant (CSFA 48.064)
Criteria	Under the Florida statute 1009.21, to be eligible to receive FSAG and EASE, students should provide evidence of legal residency in Florida and its duration that include clear and convincing documentation that residency in Florida was for a minimum of twelve consecutive months prior to the student's initial enrollment. The residency determination should be made at the time of initial enrollment and must be documented by submission of written or electronic verification that includes two or more of the documents identified in the statute and no single piece of evidence shall be conclusive.
Condition	The University was not able to locate proof of residency documentation for one student that received FSAG and EASE grants.
Questioned Costs	None
Context	Testing resulted in one instance out of ninety-four students in which proof of residency was not on file.
Cause	The required proof of residency of at least two valid identifications are filed together with the grant applications. The instance of noncompliance resulted from inconsistent review processes by the financial aid office to verify completeness of required documents in the student's file.
Effect	If a student's residency is not properly verified and documented as required by Florida statute, it could result in the student receiving grants which they are not eligible to receive. This could result in disallowance of the award as questioned costs.
Recommendation	It is recommended the University implement additional steps within the system to ensure review processes include proper approval of Florida residency documents. Additionally, implementing the use of a document checklist applicable to state aid to assess completeness of student files, including proof of residency, would assist in ensuring students are not awarded state aid they are not eligible to receive.
Auditee's Response	See attached corrective action plan.

AVE MARIA UNIVERSITY
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CORRECTIVE ACTION PLAN

Year ended June 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	As previously reported, the University's Senior Accountant and principal liaison with our outside auditing firm resigned in July 2019. At that time, her work had to be divided among the remaining employees. Given the budget constraints that the University was facing, it was decided that the vacant position would not be filled in FY20. This has obviously placed additional pressure on the Business Office employees. This was supplemented with additional, periodic reviews by the Chief Financial Officer of all material tasks performed by the accounting staff, but it is clear that more direct supervision of reconciliations will be required in the current fiscal year. It is apparent that the University may also have to consider the hiring of at least a part-time person to assist with some of the Business Office tasks. It is anticipated that these changes will result in more timely and accurate submissions to our auditors.	Continuing	Eugene L. Munin
2020-002	The financial aid department put additional Degree Verify Transmissions in the system at later dates throughout the semester to detect the need to submit graduated status changes in a more timely and accurate manner. This will guarantee late graduates are checked at a later date and prevent similar issues from happening in the future.	September 2020	Sandy Shimp, Director of Financial Aid
2020-003	Regarding the seven students who may have received emergency grants from the University without the University having in its possession evidence of Title IV eligibility, management acknowledges that it did not perform sufficient verification of all students on the list that it generated before emergency grants were issued and that it did not sufficiently monitor the multiple communications coming from the Department of Education which provided guidance on the grants. This was due to a lack of monitoring by the designated party. With the subsequent federal programs that have provided federal funding to the University, the University has more adequately developed its lists of student recipients in conformity with government guidance. Indeed, the University just made more than 200 emergency grants, and management is confident that all necessary precautions were observed.	Continuing	Eugene L. Munin, CFO

AVE MARIA UNIVERSITY
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CORRECTIVE ACTION PLAN (Continued)

Year ended June 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-004	The financial aid department revised their procedures for verifying Florida residency. Procedures include various steps to be performed by the assistant director and associate director to update the file with residency documentation, logging updates in the system, archiving the application once all steps are complete and incorporating review procedures and separation of duties between each step. Florida funding will only be disbursed once all the steps are completed.	September 2020	Sandy Shimp, Director of Financial Aid

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2020

Status of Financial Statement Findings:

Prior Year Finding Number	2019-001
Prior Year Finding Type	Significant deficiency
Original Finding Description	Timely reconciliation and review of the account balances were not performed. Internally maintained spreadsheets were provided with numerous clerical errors requiring significant adjustments to the spreadsheets and the general ledger.
Status	Partially corrected
Explanation	Consistent with the response for 2020-001, it was decided – for budgetary reasons - that the vacant Senior Accountant position would not be filled in FY20. This placed additional pressure on the remaining Business Office employees. This was supplemented with additional, periodic reviews by the Chief Financial Officer of all material tasks performed by the accounting staff, but it is clear that more direct supervision of reconciliations will be required in the current fiscal year. The University will seriously consider the hiring of at least a part-time person to assist with some of the Business Office tasks. It is anticipated that these changes will result in more timely and accurate submissions to the auditors during this year's audit.