

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2021 and 2020



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November 19, 2021

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, 2021 and 2020, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2021 and 2020, 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**Supplementary and Other Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial responsibility supplementary schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements but is required by the U.S. Department of Education. 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 also 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 November 19, 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.



Certified Public Accountants

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents	\$ 27,821,143	\$ 9,459,609
Restricted cash	4,670,477	4,675,596
Investments - NOTES B AND R	21,198,289	22,182,445
Accounts receivable - NOTE C	691,287	885,594
Pledges receivable, net - NOTE D	935,685	1,633,418
Prepaid expenses and other assets	585,620	395,802
Notes receivable, net - NOTE E	0	188,458
Land proceeds receivable, related party - NOTE L	12,310,050	14,572,865
Property and equipment, net - NOTE H	179,139,206	185,055,038
Beneficial interest in trusts - NOTES G AND R	1,264,809	962,372
Employee loans and advances, net - NOTE F	324,977	551,904
Assets held for sale	337,163	351,855
Land held for investment - NOTES B AND I	34,681,486	35,102,177
TOTAL ASSETS	\$ 283,960,192	\$ 276,017,133
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ 2,764,103	\$ 1,954,952
Gift annuities payable - NOTES G AND R	1,113,007	1,066,066
Loans payable - NOTE J	234,623	3,066,191
Deferred revenue - NOTE L	6,854,764	8,354,868
Bonds payable, net - NOTES J AND R	53,615,784	54,849,229
TOTAL LIABILITIES	64,582,281	69,291,306
<u>NET ASSETS</u>		
Without donor restrictions	186,487,599	186,117,462
With donor restrictions	32,890,312	20,608,365
TOTAL NET ASSETS	219,377,911	206,725,827
TOTAL LIABILITIES AND NET ASSETS	\$ 283,960,192	\$ 276,017,133

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, 2021

	Without donor restrictions	With donor restrictions	Total
<u>REVENUES, SUPPORT AND OTHER</u>			
Operating revenue and support:			
Tuition and fees	\$ 25,406,815	\$ 0	\$ 25,406,815
Less scholarships and allowance	<u>(16,947,518)</u>	<u>0</u>	<u>(16,947,518)</u>
NET TUITION AND FEES	8,459,297	0	8,459,297
Private gifts, grants and contributions	5,083,499	16,211,754	21,295,253
Auxiliary income	11,352,698	0	11,352,698
Other income	3,894,877	0	3,894,877
Investment income - NOTES B AND R	5,641,619	1,377,216	7,018,835
Change in value of			
split-interest agreements	0	603,479	603,479
Net assets released from			
donor restrictions - NOTE N	<u>5,910,502</u>	<u>(5,910,502)</u>	<u>0</u>
TOTAL REVENUES, SUPPORT AND OTHER	<u>40,342,492</u>	<u>12,281,947</u>	<u>52,624,439</u>
<u>OPERATING EXPENSES</u>			
Academic programs	13,765,726	0	13,765,726
Student services	10,836,429	0	10,836,429
Auxiliaries	5,616,236	0	5,616,236
Administrative and general support	5,453,975	0	5,453,975
Fundraising	2,491,925	0	2,491,925
TOTAL OPERATING EXPENSES	<u>38,164,291</u>	<u>0</u>	<u>38,164,291</u>
<u>NONOPERATING EXPENSES</u>			
Loss on disposition of capital asset	1,808,064	0	1,808,064
TOTAL NONOPERATING EXPENSES	<u>1,808,064</u>	<u>0</u>	<u>1,808,064</u>
CHANGE IN NET ASSETS	370,137	12,281,947	12,652,084
<u>NET ASSETS</u>			
Beginning of year	<u>186,117,462</u>	<u>20,608,365</u>	<u>206,725,827</u>
End of year	<u>\$ 186,487,599</u>	<u>\$ 32,890,312</u>	<u>\$ 219,377,911</u>

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

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

Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
<u>REVENUES, SUPPORT AND OTHER</u>			
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
Increase 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
<u>OPERATING EXPENSES</u>			
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)
<u>NET ASSETS</u>			
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

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROGRAMS AND SUPPORTING ACTIVITIES

Years ended June 30, 2021 and 2020

Year ended June 30, 2021:

	Program Activities				Supporting Activities			Total
	Academic Programs	Student Services	Auxiliaries	Program Total	Admin & General Support	Fundraising	Support Total	
Salaries and benefits	\$ 8,491,029	\$ 4,220,085	\$ 701,936	\$ 13,413,050	\$ 1,833,712	\$ 1,084,527	\$ 2,918,239	\$ 16,331,289
Professional services	72,711	206,717	29,650	309,078	673,306	52,889	726,195	1,035,273
Interest	1,006,667	1,006,667	469,778	2,483,112	671,110	201,333	872,443	3,355,555
Depreciation	1,602,604	1,602,604	747,882	3,953,090	1,068,401	320,521	1,388,922	5,342,012
Operating expenses	2,592,715	3,800,356	3,666,990	10,060,061	1,207,446	832,655	2,040,101	12,100,162
Total Expenses	<u>\$ 13,765,726</u>	<u>\$ 10,836,429</u>	<u>\$ 5,616,236</u>	<u>\$ 30,218,391</u>	<u>\$ 5,453,975</u>	<u>\$ 2,491,925</u>	<u>\$ 7,945,900</u>	<u>\$ 38,164,291</u>

Year ended June 30, 2020:

	Program Activities				Supporting Activities			Total
	Academic Programs	Student Services	Auxiliaries	Program Total	Admin & General Support	Fundraising	Support 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	<u>\$ 10,220,989</u>	<u>\$ 9,596,124</u>	<u>\$ 8,219,268</u>	<u>\$ 28,036,381</u>	<u>\$ 8,352,779</u>	<u>\$ 2,342,603</u>	<u>\$ 10,695,382</u>	<u>\$ 38,731,763</u>

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
<u>RECONCILIATION OF CHANGES IN</u>		
<u>NET ASSETS TO NET CASH PROVIDED BY (USED IN)</u>		
<u>OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 12,652,084	\$ (9,142,525)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,428,088	5,285,294
In-kind donations	(1,475,588)	(697,667)
Bad debt expense - loans and accounts receivable	59,661	235,222
Loss on write-down of notes receivable	73,072	385,392
Net (appreciation) depreciation in value of split-interest agreements	(302,437)	74,481
Net (appreciation) depreciation of investments	(3,266,059)	(561,990)
Net realized gain (loss) on sale of investments	(1,798,766)	346,038
Gain on installment sale	(1,650,976)	(816,565)
Forgiveness of debt	(2,700,197)	0
Net (gain) loss on sale or disposition of capital assets, land and buildings held for rent	1,808,064	0
(Increase) decrease in current assets:		
Accounts receivable	27,247	551,486
Pledges receivable	732,999	961,185
Student loans	(3,194)	3,194
Prepaid expenses and other assets	(175,126)	48,894
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	805,385	(478,506)
Gift annuities payable	228,930	75,995
Deferred revenue on land sale agreements	(926,185)	(2,311,761)
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	9,517,002	(6,041,833)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Sale of investments	23,345,260	12,594,780
Purchase of investments	(15,400,000)	(27,681,770)
Payments received on notes receivable	3,169,267	1,451,810
Interest collected on notes receivable	592,011	124,126
Purchase of property and equipment	(1,587,377)	(1,807,308)
Proceeds from sale of fixed assets	353,133	0
NET CASH PROVIDED BY (USED IN)		
INVESTING ACTIVITIES	\$ 10,472,294	\$ (15,318,362)

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30, 2021 and 2020

	2021	2020
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments to beneficiaries under split-interest agreements	\$ (181,989)	\$ (166,311)
Borrowings on loan payable	0	2,700,197
Payments on bonds payable	(1,305,001)	(1,245,000)
Principal payments on loans	(145,891)	(222,977)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,632,881)	1,065,909
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	18,356,415	(20,294,286)
<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>		
Beginning of year	14,135,205	34,429,491
End of year	\$ 32,491,620	\$ 14,135,205
<u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Cash paid for interest	\$ 3,355,555	\$ 3,417,696
<u>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</u>		
Cash and cash equivalents	\$ 27,821,143	\$ 9,459,609
Restricted cash	4,670,477	4,675,596
	\$ 32,491,620	\$ 14,135,205

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 adopted ASU 2016-18 as of the year ended June 30, 2020.

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.

During the year ended June 30, 2021, the University adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by ASU 2015-14, which supersedes or replaces nearly all revenue recognition guidance under US GAAP. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU 2014-09, as amended by ASU 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2019. The University adopted the requirements of Topic 606 as of July 1, 2020, utilizing the modified retrospective method of transition. The adoption of the new guidance did not have a material impact on the University's consolidated financial statements.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Accounting Standards:

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-05 *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 842 for the year ended June 30, 2021 under the provisions allowed for under ASU 2020-05.

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.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Tuition and Fee Revenue:

The University recognizes revenue as it is earned, when it is realizable, and all the related performance obligations are satisfied. Most of the University's revenue is derived from contracts with students (customers). It includes tuition and fees, financial aid, housing, and meal plan, all of which are contractual in nature and include performance obligations. These arrangements give rise to the contract assets, which represent the University's right to consideration for performance obligations. The contract assets are transferred to accounts receivable when the University's right to consideration is unconditional, which occurs upon completion of the academic term's drop-add period for tuition and fees and upon the start of the academic term for housing and meal plan. These arrangements also give rise to contract liabilities, which the University records as deferred revenue when consideration has been received in advance of the satisfaction of related performance obligations. For the year ended June 30, 2021, the University billed students when the performance obligations were met, therefore no contract assets and liabilities are recorded.

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, 2021 and 2020 was \$223,551 and \$159,420, respectively.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, contributions from three donors totaled \$14,333,504, which made up 68% of total private gifts, grants and contributions. 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.

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.

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.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment and Disposition 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 during the years ended June 30, 2021 and 2020.

During the year ended June 30, 2021 a partial asset disposition was recorded for the Tom Golisano Field House resulting in a loss of \$1,886,853. The loss on partial disposition is included in the consolidated statement of activities for 2021.

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.

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 \$4,576,169 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 19, 2021, 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.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B - INVESTMENTS

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

	2021		2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Mutual funds	\$16,489,467	\$20,486,740	\$ 15,256,965	\$ 15,831,708
Stocks	128,619	711,549	5,644,173	6,318,533
Other	0	0	24,590	32,204
Land held for investment	34,681,486	34,681,486	35,102,177	35,102,177
TOTAL INVESTMENTS	<u>\$51,299,572</u>	<u>\$55,879,775</u>	<u>\$ 56,027,905</u>	<u>\$ 57,284,622</u>

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

	2021	2020
Investment interest and dividends - net of fees	\$ 265,077	\$ 308,043
Interest collected on land held for investment	592,011	125,039
Net realized and unrealized gains	4,393,815	215,627
Realized gain on land held for investment	1,767,932	1,293,566
TOTAL INVESTMENT INCOME	<u>\$ 7,018,835</u>	<u>\$ 1,942,275</u>

NOTE C - ACCOUNTS RECEIVABLE

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

	2021	2020
General accounts receivable	\$ 351,157	\$ 23,457
Student accounts receivable, net	0	59,562
HEERF program funds receivable	340,130	802,575
NET ACCOUNTS RECEIVABLE	<u>\$ 691,287</u>	<u>\$ 885,594</u>

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 promises 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.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE D - PLEDGES AND INTENTIONS TO GIVE RECEIVABLE (CONTINUED)

Pledges receivable as of June 30, 2021 and 2020 consist of and are expected to be collected as follows:

	2021	2020
Promises to give	\$ 985,030	\$ 1,718,029
Discount to present value	(49,345)	(84,611)
NET PLEDGES RECEIVABLE	\$ 935,685	\$ 1,633,418
Due in one year	\$ 208,676	
Due in two to five years	727,009	
TOTAL	\$ 935,685	

The future expected cash flows from the intentions to give receivable as of June 30, 2021 and 2020 were discounted using a discount rate ranging between 5.07% to 6.56% and 5.16% to 5.29%, respectively. The estimated value at year end is as follows:

	2021	2020
Gross intentions to give receivable	\$ 6,361,456	\$ 4,933,748
Discount to present value	(384,054)	(173,434)
NET INTENTIONS TO GIVE RECEIVABLE	\$ 5,977,402	\$ 4,760,314

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, 2021 and 2020 was \$0 and \$188,458, respectively, which is included in notes receivable on the consolidated statements of financial position. There are no amounts considered past due at June 30, 2021 and 2020.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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

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, 2021 and 2020, student loans consisted of the following:

	2021	2020
Institutional student loans receivable:		
Stafford replacement - performing	\$ 3,578	\$ 3,197
Stafford replacement - nonperforming, collectively evaluated	924,796	931,949
Total institutional student loans receivable	928,374	935,146
Less allowance for doubtful accounts:		
Beginning balance	(935,146)	(935,146)
Adjustment	6,772	0
Total allowance for doubtful accounts	(928,374)	(935,146)
NET STUDENT LOANS RECEIVABLE	\$ 0	\$ 0

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, 2021 and 2020, the University has \$928,374 and \$931,949, respectively, in gross student loan receivables that are more than 90 days delinquent.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE F - EMPLOYEE LOANS

Employee loans as of June 30, 2021 and 2020 are summarized as follows:

	2021	2020
Employee housing assistance loans	\$ 900,000	\$ 1,200,000
Reserve for housing assistance loans	(575,023)	(648,096)
NET EMPLOYEE LOANS	\$ 324,977	\$ 551,904

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 \$575,023 and \$649,036 on the outstanding loan balances as of June 30, 2021 and 2020, respectively.

The reserve accrued as of June 30, 2021 and 2020 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, 2021 and 2020 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, 2021 and 2020, a beneficial interest in trust of \$1,264,809 and \$962,372, 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.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE G - SPLIT-INTEREST AGREEMENTS (CONTINUED)

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 \$2,425,426 and \$2,077,444 with a corresponding life income obligation of \$1,113,007 and \$1,066,066 at June 30, 2021 and 2020, respectively.

NOTE H - CAPITAL ASSETS

Major classes of capital assets at June 30, 2021 and 2020 are as follows:

	2021	2020
Land	\$ 6,205,447	\$ 6,266,235
Land improvements	3,805,908	3,805,908
Buildings and improvements	199,976,580	202,223,183
Equipment	15,914,910	15,709,245
Furniture and fixtures	5,820,572	5,814,691
Library collection	2,647,213	2,647,213
Artwork	3,153,734	3,153,734
Construction in progress	1,820,109	1,246,935
	239,344,473	240,867,144
Less accumulated depreciation	60,205,267	55,812,106
NET PROPERTY AND EQUIPMENT	\$ 179,139,206	\$ 185,055,038

Depreciation expense on capital assets was \$5,342,012 and \$5,199,219 for the years June 30, 2021 and 2020, 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, 2021 and 2020, 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 \$34,681,486 and \$35,102,177, respectively.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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, 2021 and 2020 are summarized as follows:

	2021	2020
Bonds payable - Collier County Educational Facilities Authority:		
Series 2013A	\$ 55,190,000	\$ 56,495,000
Less unamortized debt issuance costs	1,574,216	1,645,771
TOTAL BONDS PAYABLE	\$ 53,615,784	\$ 54,849,229

The principal maturities on all bonds payable are as follows:

Year Ending June 30	Amount
2022	\$ 1,360,000
2023	1,420,000
2024	1,480,000
2025	1,555,000
2026	1,640,000
Thereafter	47,735,000
TOTAL	\$ 55,190,000

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, 2021 and 2020.

Interest Expense:

Total interest expense and bond-related costs incurred during fiscal years 2021 and 2020, were approximately \$3,360,000 and \$3,420,000, respectively.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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. For the year ended June 30, 2020, the University failed to meet the rate covenant for the first time. As of June 30, 2021, management believes the University was in compliance with all covenants.

Loans Payable:

Loans payable at June 30, 2021 and 2020 are as follows:

	2021	2020
Note payable to third party at 6.0%, annual principal and interest payments of \$55,000, principal balance due May 2026, collateralized by asset	\$ 201,195	\$ 241,675
Note payable to third party at 4.49%, monthly principal and interest payments of \$6,300, principal balance due February 2021, collateralized by asset	0	32,742
Note payable to third party at 3.60%, monthly principal and interest payments of \$4,536, principal balance due October 2021, collateralized by asset	33,428	70,162
Note payable to third party at 4.00%, monthly principal and interest payments of \$2,966, principal balance due January 2021, collateralized by asset	0	21,415
SBA Paycheck Protection Program note payable to financial institution at 1.00%, forgiven June 2021	0	2,700,197
	\$ 234,623	\$ 3,066,191

The principal maturities on all loans payable are as follows:

Year ending June 30	Amount
2022	\$ 74,527
2023	43,565
2024	46,179
2025	48,950
2026	21,402
Thereafter	0
TOTAL	\$ 234,623

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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 University used the proceeds for purposes consistent with the PPP and was informed on June 10, 2021, that the Small Business Administration approved their loan forgiveness application and the loan balance of \$2,700,197 was forgiven in full. The forgiven amount is reflected in the line item “Other Income” in the accompanying Consolidated Statement of Activities and Changes in Net Assets for the year ended June 30, 2021.

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, 2021 and 2020, AMU paid \$50,817 and \$41,156, respectively, to AMD for rental costs of the bookstore within the town of Ave Maria.

The University has a trustee that is an executive vice president of Ave Maria Mutual Funds. As of July 2020, the trustee is not involved in the investment decision making. Two of the University’s other trustees are also part of Ave Maria Mutual Funds’ Catholic Advisory Board. During the year ended June 30, 2021, the University had \$36,830,684 being held in cash and investments at Ave Maria Mutual Funds.

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.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE L - LAND SALE AGREEMENTS (CONTINUED)

The following table summarizes the notes receivable, related party activity during fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 14,572,865	\$ 10,791,131
Interest accrued	0	140,571
Collections on principal and interest	(3,280,179)	(2,611,468)
Issuance of notes receivable	1,017,364	6,252,631
LAND PROCEEDS RECEIVABLE ENDING BALANCE	<u>\$ 12,310,050</u>	<u>\$ 14,572,865</u>

The following table summarizes the deferred revenue activity during fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 8,354,868	\$ 6,216,392
Revenue recognized on prior year sales	(1,976,055)	(816,565)
Revenue deferred in current year	475,951	2,814,470
Accrued interest deferred during the year	0	140,571
DEFERRED REVENUE ENDING BALANCE	<u>\$ 6,854,764</u>	<u>\$ 8,354,868</u>

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 \$1,767,932 and \$1,293,566, which is included in investment income in the consolidated statements of activities and changes in net assets, for the years ended June 30, 2021 and 2020, respectively. AMULT has recorded interest income related to the sales agreements of approximately \$594,000 and \$125,000, which is also included in investment income in the consolidated statements of activities and changes in net assets, for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 and there are no amounts considered past due at June 30, 2021 and 2020.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets as of June 30, 2021 and 2020 are restricted for the following purposes:

	2021	2020
Program support	\$ 5,871,471	\$ 6,066,105
Scholarships	5,211,780	3,091,549
Endowments for scholarships & program support	8,662,372	6,523,539
Split-interest agreements	2,596,238	1,992,758
Capital additions	10,548,451	2,934,414
TOTAL DONOR RESTRICTED NET ASSETS	\$ 32,890,312	\$ 20,608,365

NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2021 and 2020, the University released the following amounts from donor restricted net assets upon satisfying the terms of restriction:

	2021	2020
Program support	\$ 829,680	\$ 578,029
Scholarships	4,416,793	1,000,298
Capital additions	664,029	968,350
TOTAL DONOR RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS	\$ 5,910,502	\$ 2,546,677

NOTE O - DONOR-RESTRICTED ENDOWMENTS

Changes in Donor-Restricted Endowments:

Changes in donor-restricted endowments, during the years ended June 30, 2021 and 2020, are described in the following tables:

	2021	2020
Endowment net assets - beginning of year	\$ 6,523,539	\$ 6,094,420
Investment income	134,115	71,355
Net appreciation in market value	1,490,244	(20,383)
Appropriation of endowment net assets for expenditures	(183,209)	(128,766)
Contributions received	697,683	506,913
ENDOWMENT NET ASSETS - END OF YEAR	\$ 8,662,372	\$ 6,523,539

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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 and a one year lease of a residence. Total rent expense under these leases was \$103,193 and \$105,152 for the years ended June 30, 2021 and 2020, respectively. Future payments on these commitments are as follows:

Year ending	
June 30	Amount
2022	88,252
2023	49,276
2024	46,986
2025	46,986
	<u>\$ 231,500</u>

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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 was 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. The University discontinued matching contributions in July 2020 in an effort to reduce overall spending and cash disbursements. Contributions to the plan for the years ended June 30, 2021 and 2020 were \$13,720 and \$367,880, 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, 2021 and 2020, 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, 2021 and 2020 and the valuation techniques used by the University to determine those fair values.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE R - FAIR VALUE (CONTINUED)

Disclosures concerning assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 are as follows:

	Balance at June 30, 2021	(Level 1)	(Level 2)	(Level 3)
Assets:				
Investments:				
Common stock	\$ 711,549	\$ 711,549	\$ 0	\$ 0
Mutual funds - equities	8,662,602	8,662,602	0	0
Mutual funds - bonds	11,824,138	11,824,138	0	0
Total investments	21,198,289	21,198,289	0	0
Beneficial interest in trusts	1,264,809	0	0	1,264,809
TOTAL ASSETS	\$ 22,463,098	\$ 21,198,289	\$ 0	\$ 1,264,809
Liabilities:				
Gift annuities payable	\$ (1,113,007)	\$ 0	\$ 0	\$ (1,113,007)
Bonds payable	(55,190,000)	0	(55,190,000)	0
TOTAL LIABILITIES	\$(56,303,007)	\$ 0	\$(55,190,000)	\$ (1,113,007)

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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)

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

	Assets		Liabilities	
	Beneficial Interest in Trusts		Gift Annuities Payable	
	2021	2020	2021	2020
Beginning balance	\$ 962,372	\$ 1,036,853	\$ (1,066,066)	\$ (1,156,382)
Unrealized gains (losses)				
included in change in net assets	302,437	(74,481)	(228,930)	(75,995)
Payments made to annuitants	0	0	181,989	166,311
ENDING BALANCE	\$ 1,264,809	\$ 962,372	\$ (1,113,007)	\$ (1,066,066)

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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, 2021 and 2020.

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.

Total annuities, term endowments, and life income funds with donor restrictions total \$2,596,238 at June 30, 2021.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE S - FINANCIAL RESPONSIBILITY INDEX SCORE

The United States Department of Education (DOE) issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations. The following disclosures include additional information to be used by the DOE in the calculations.

Net assets with donor restrictions as reported on the consolidated statements of financial position, are disaggregated below.

	2021	2020
Net assets not restricted in perpetuity	\$ 26,886,139	\$ 15,301,875
Net assets restricted in perpetuity	6,004,173	5,306,490
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 32,890,312	\$ 20,608,365

Debt obtained for long term purposes, not to exceed total net land, buildings, and equipment, as reported in Note J, are noted below:

	2021	2020
Bonds payable	\$ 55,190,000	\$ 56,495,000
Note payable to third party at 6.00%	201,195	241,675
Note payable to third party at 4.49%	0	32,742
Note payable to third party at 3.60%	33,428	70,162
Note payable to third party at 4.00%	0	21,415
	\$ 55,424,623	\$ 56,860,994

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, 2021 is 2.6.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

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:

	2021	2020
Financial assets, as of June 30:		
Cash, cash equivalents and restricted cash	\$ 32,491,620	\$ 14,135,205
Investments	21,198,289	22,182,445
Accounts receivable	691,287	885,594
Pledges receivable, net	935,685	1,633,418
Notes receivable, net	0	188,458
Beneficial interest in trusts	1,264,809	962,372
TOTAL FINANCIAL ASSETS	56,581,690	39,987,492
Less those unavailable for general expenditure within one year:		
Cash and investments restricted for bonds	4,621,520	4,620,006
Net assets with donor restrictions	32,890,312	20,608,365
Notes receivable, less current portion	0	88,458
TOTAL UNAVAILABLE ASSETS	37,511,832	25,316,829
FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR FOR GENERAL EXPENDITURES	\$ 19,069,858	\$ 14,670,663

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTARY SCHEDULE

Year ended June 30, 2021

PRIMARY RESERVE RATIO

Expendable Net Assets

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Financial Position	Net assets without donor restriction	\$ 186,487,599
Consolidated Statements of Financial Position	Net assets with donor restriction	32,890,312
Note S	Net assets restricted in perpetuity	(6,004,173)
Note M	Annuities	(2,596,238)
Note H	Net property and equipment	(179,139,206)
Note S	Debt obtained for long-term purposes, not to exceed total net land, buildings, and equipment - pre-implementation	55,424,623
	TOTAL EXPENDABLE NET ASSETS	<u><u>\$ 87,062,917</u></u>

Total Expenses Without Donor Restrictions and Losses Without Donor Restrictions

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Activities and Changes in Net Assets	Total operating expenses	\$ 38,187,351
	TOTAL EXPENSES WITHOUT DONOR RESTRICTIONS AND LOSSES WITHOUT DONOR RESTRICTIONS	<u><u>\$ 38,187,351</u></u>

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTARY SCHEDULE (CONTINUED)

Year ended June 30, 2021

EQUITY RATIO

Modified Net Assets

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Financial Position	Net assets without donor restrictions	\$ 186,487,599
Consolidated Statements of Financial Position	Net assets with donor restrictions	32,890,312
	TOTAL MODIFIED NET ASSETS	<u><u>\$ 219,377,911</u></u>

Modified Assets

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Financial Position	Total assets	\$ 283,960,192
	TOTAL MODIFIED ASSETS	<u><u>\$ 283,960,192</u></u>

NET INCOME RATIO

Change in Net Assets Without Donor Restrictions

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Activities and Changes in Net Assets	Change in net assets without donor restrictions	\$ 370,137
	TOTAL CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u><u>\$ 370,137</u></u>

Total Revenue Without Donor Restrictions and Gains Without Donor Restrictions

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Activities and Changes in Net Assets	Total operating revenue	\$ 40,342,491
	TOTAL REVENUE WITHOUT DONOR RESTRICTIONS AND GAINS WITHOUT DONOR RESTRICTIONS	<u><u>\$ 40,342,491</u></u>

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

Year ended June 30, 2021

Federal Agency/Program Title	CFDA Number	Grant Number	Federal Expenditures
<u>FEDERAL AWARDS</u>			
U.S. Department of Education:			
Federal Supplemental Education Opportunity Grants	84.007	P007A208874	\$ 36,854
Federal Work Study Program	84.033	P033A208874	35,051
Federal Pell Grant Program	84.063	P063P205744	1,505,236
Federal Direct Loan Programs:			
Federal Stafford - Subsidized	84.268	P268K215744	1,453,271
Federal Stafford - Unsubsidized	84.268	P268K215744	2,123,123
Federal PLUS	84.268	P268K215744	1,215,993
TOTAL FEDERAL DIRECT LOAN PROGRAMS			<u>4,792,387</u>
TOTAL STUDENT FINANCIAL AID CLUSTER			<u>6,369,528</u>
COVID-19 Higher Education Emergency Relief			
Fund (HEERF) - Student Portion	84.425E	P425E201815	463,890
COVID-19 Higher Education Emergency Relief			
Fund (HEERF) - Institutional Portion	84.425F	P425E200723	893,146
TOTAL HIGHER EDUCATION EMERGENCY RELIEF FUNDING			<u>1,357,036</u>
TOTAL FEDERAL AWARDS			<u>7,726,564</u>
State Agency/Program Title	CSFA Number	Grant Number	State Expenditures
<u>NON-FEDERAL AWARDS</u>			
Florida Department of Education			
Florida Work Experience Project	48.053	-	\$ 8,226
Florida Private Student Assistance Grant	48.054	-	76,202
Florida Bright Futures Scholarship Program	48.059	-	655,491
Effective Access to Student Education Grant Program	48.064	-	958,854
TOTAL STUDENT FINANCIAL ASSISTANCE			<u>1,698,773</u>
TOTAL NON-FEDERAL AWARDS			<u>1,698,773</u>
TOTAL FEDERAL AND NON-FEDERAL AWARDS			<u>\$9,425,337</u>

During the year ended June 30, 2021, the University has refunded \$10,116 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

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

Year ended June 30, 2021

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, 2021. 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, 2021:

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 degree-granting private 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.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
(CONTINUED)

Year ended June 30, 2021

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 2020-2021 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	55	100%	\$ 375,041	100%
	Tested	14	25%	84,215	22%
	Findings	0	0%	0	0%
BFFMS	Population	59	100%	\$ 280,450	100%
	Tested	15	25%	75,208	27%
	Findings	0	0%	0	0%
FSAG	Population	83	100%	\$ 76,202	100%
	Tested	21	25%	19,500	26%
	Findings	0	0%	0	0%
FWEP	Population	9	100%	\$ 8,226	100%
	Tested	9	100%	8,226	100%
	Findings	0	0%	0	0%
EASE	Population	356	100%	\$ 958,854	100%
	Tested	50	14%	139,210	15%
	Findings	0	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.



November 19, 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, 2021, 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 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University 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 2021-001 and 2021-002, that we consider to be a significant deficiencies.

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 determination of consolidated financial statement amounts. 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 an instance of noncompliance or other matter that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2021-002.

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



November 19, 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, 2021. 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, 2021.

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 item 2021-002. Our opinion on each major federal 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 Chapter 10.650, 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 identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-002, that we consider to be a significant deficiency.

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, 2021

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? No

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? No

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

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2021

SECTION II – CONSOLIDATED FINANCIAL STATEMENT AUDIT FINDINGS

Finding	2021-001
Year Affected	June 30, 2021
Finding Type	Significant deficiency
Criteria	Management is responsible for maintaining internal controls to prevent, detect and correct material misstatements in the consolidated financial statements.
Condition	Various balance sheet accounts contained errors due to lack of reconciliation and review process. Errors were noted in major accounts such as cash, receivables, annuities, investment income, and net assets.
Questioned Costs	None
Context	During the year ended June 30, 2021, we identified several instances in which reconciliations of major balance sheet accounts were not done timely resulting in errors in year end account balances and significant adjustments needed to correct the general ledger.
Cause	The business office is not consistently reconciling significant accounts on a monthly or quarterly basis which results in delays in properly closing the period, errors in supporting schedules and journal entries, and inadequate time for a proper review the reconciliations.
Effect	A lack of reconciliation and proper review process allows errors in the accounting to go unnoticed, inaccurate financial reporting, and increases the potential for unauthorized manipulation and fraud to go undetected.
Recommendation	We recommend all major accounts be reconciled on a monthly basis when possible, or quarterly at minimum. At least one level of review should be done timely on all significant accounts by an experienced person other than the one who prepared it. Internally maintained spreadsheets and reconciliations to record period end journal entries should be completed to support the reconciliation. Additionally, good documentation should be maintained supporting the account reconciliation and review process.
Auditee's Response	See attached corrective action plan.
Repeat Finding	Yes, 2020-001

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2021

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

Finding	2021-002
Year Affected	June 30, 2021
Finding Type	Significant deficiency on compliance and control
Criteria	<p>The HEERF I, II, and III funding came with various requirements instituted by the CARES Act, CRRSAA, and ARP and then further defined by the US Department of Education (ED). The ED exercised its reporting authority under 2 CFR section 200.328 and 2 CFR section 200.329 to define three reporting requirements for the HEERF program funds, which include 1) public reporting on the (a)(1) Student Aid Portion; 2) public reporting on the (a)(1) Institutional Portion (a)(2) and (a)(3) subprograms (Quarterly Reporting Form), as applicable; and 3) the annual report. These reporting requirements stipulate specific guidelines regarding when, how, and what information is to be publicly posted on the University's website.</p>
Condition	<p>Per review of the University's quarterly public reporting for HEERF I, II, and III funds, we noted several instances where the amounts and information reported did not adhere to the program requirements. Issues noted included amounts not properly separated between student and institutional fund portions, untimely posted reports for HEERF II and III funds, and amounts posted on incorrect lines and at incorrect amounts for the institutional funds expended.</p>
Questioned Costs	None
Context	<p>Reporting requirements posted by the ED for HEERF program funds were originally posted on May 6, 2020, revised on August 31, 2020, amended on September 23, 2021, and revised again on May 13, 2021. The guidelines have continuously changed and have been intended to be made clearer with each subsequent revision. The University acknowledged it was late in posting quarterly reports after the May 13, 2021 ruling. In addition, it is difficult to draw conclusions on some of the reporting guidance.</p>
Cause	<p>There were not adequate controls nor review processes in place to monitor the reporting requirements issued by the ED to ensure quarterly reports were posted accurately. The ED posted a public notice on May 13, 2021 regarding the public reporting requirements for higher education emergency relief grants to students under the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) and American Rescue Plan Act, 2021 (ARP) section (a)(1) and (a)(4) programs.</p>

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2021

Finding	2021-002 (Continued)
Effect	The effect or possible effect is that the University may be determined ineligible to receive future HEERF program funding. Additionally, the public does not have accurate information regarding how HEERF program funds were expended by university from student portion and institutional portion funds.
Recommendation	The University should monitor requirements frequently for COVID-19 related HEERF programs. In addition, controls should be established to allow for a second detailed review of all reporting of HEERF program funds by an official extensively familiar with the requirements published by the ED and other regulators.
Auditee's Response	See attached corrective action plan.
Repeat Finding	No

SECTION IV – STATE PROGRAM AUDIT FINDINGS

None reported

CORRECTIVE ACTION PLAN

Year ended June 30, 2021

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	The Business Office has been operating at less than full staff for more than two years in an effort to conserve resources. This has had an effect on the ability to keep up certain tasks, including reconciliations. While some time was spent last year attempting to find a suitable part-time employee who could assist in the Business Office and relieve some of the burden from the other employees, this effort did not result in the identification of any candidates. We are currently revisiting this strategy and believe we may have identified a candidate to fill some of the responsibility gaps. This would likely produce more timely and accurate documentation of transactions and reconciliations.	Continuing	Eugene L. Munin
2021-002	The Business Office has endeavored to keep pace with the shifting and changing guidance that is promulgated by the Department of Education. This has been a challenge. While the HEERF reporting responsibilities had been delegated to a staff member, it has become clear that we need to have multiple individuals following the Department's regulations in order to ensure that we remain compliant. As such, the Chief Financial Officer will also be monitoring any guidance updates. In addition, we will update and modify, as necessary, any existing reports to ensure their accuracy.	Continuing	Eugene L. Munin

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30,2021

Status of Financial Statement Findings:

Prior Year Finding Number	2020-001
Prior Year Finding Type	Significant deficiency
Original Finding Description	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.
Status	Partially corrected
Explanation	The Business Office has been operating at less than full staff for more than two years in an effort to conserve resources. This has had an effect on the ability to keep up certain tasks, including reconciliations. While some time was spent last year attempting to find a suitable part-time employee who could assist in the Business Office and relieve some of the burden from the other employees, this effort did not result in the identification of any candidates. We are currently revisiting this strategy and believe we may have identified a candidate to fill some of the responsibility gaps. This would likely produce more timely and accurate documentation of transactions and reconciliations.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

Year ended June 30,2021

Status of Financial Statement Findings:

Prior Year Finding Number	2020-002
Prior Year Finding Type	Compliance
Original Finding Description	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.
Status	Corrected
Explanation	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 guaranteed late graduates were checked at a later date and prevented similar issues from happening in the current year.

Status of Financial Statement Findings:

Prior Year Finding Number	2020-003
Prior Year Finding Type	Compliance and Control
Original Finding Description	The financial aid office was unable to provide documentation of Title IV eligibility for 8 students from the sample of 45 students.
Status	Corrected
Explanation	The Department of Education released final rule "Eligibility to receive emergency financial aid grants to students under HEERF" on May 14, 2021 removing the requirement of Title IV eligibility for students receiving HEERF program funds. The ruling was made retroactive to all HEERF funds. Therefore, finding 2020-003 is no longer applicable and this will no longer be something for the University to consider.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

Year ended June 30,2021

Status of Financial Statement Findings:

Prior Year Finding Number	2020-004
Prior Year Finding Type	Significant Deficiency and Compliance
Original Finding Description	The University was not able to locate proof of residency documentation for one student that received FSAG and EASE grants.
Status	Corrected
Explanation	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.