

AUDITED CONSOLIDATED FINANCIAL
STATEMENTS, SUPPLEMENTARY INFORMATION
AND REPORTS AND SCHEDULES REQUIRED
BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL

Nova Southeastern University, Inc.
Year Ended June 30, 2022
With Reports of Independent Auditors

Ernst & Young LLP



Nova Southeastern University, Inc.

Audited Consolidated Financial Statements, Supplementary
Information and Reports and Schedules Required by the Uniform Guidance
and Chapter 10.650, *Rules of the Auditor General*

Year Ended June 30, 2022

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Report of Independent Auditors

Management and the Board of Trustees of
Nova Southeastern University, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Nova Southeastern University, Inc. (the “University”), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University at June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the University's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to September 29, 2022. The Financial Responsibility Supplemental Schedule as required by the U.S. Department of Education and the schedule of expenditures of federal awards and state financial assistance 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 Chapter 10.650, *Rules of the Auditor General* are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated September 29, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University's internal control over financial reporting and compliance.

Ernst + Young LLP

Boca Raton, FL
September 29, 2022, except for our report
on the schedule of expenditures of federal
awards and state financial assistance for
which the date is December 5, 2022

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(\$ in thousands)

ASSETS

Current Assets:

	2022	2021
Cash and cash equivalents	\$ 33,091	\$ 51,484
Restricted cash	11,869	12,090
Investments	343,163	419,168
Tuition and other receivables, net	41,632	34,875
Pledges receivable, current portion, net	15,763	17,638
Prepaid expenses and other current assets	12,532	11,953
Total current assets	458,050	547,208
Pledges receivable, net	27,828	34,066
Bond deposits with trustees	-	1,370
Foundation assets	7,085	8,842
Contributions receivable from remainder trusts	234	293
Scholarship funds held in trust by others	3,448	4,176
Designated investments	51,931	67,997
Restricted investments	94,848	107,662
Other investments	281,206	-
Restricted cash and cash equivalents	21,422	20,615
Land, buildings, and equipment, net	893,841	916,240
Operating lease right-of-use assets	92,520	83,457
Other assets	21,914	24,916
Total assets	<u>\$ 1,954,327</u>	<u>\$ 1,816,842</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued liabilities	\$ 60,180	\$ 62,743
Deferred revenue	74,116	67,551
Current portion of long-term debt	13,460	13,525
Operating lease liabilities, current	22,490	14,383
Other current liabilities	24,121	18,515
Total current liabilities	194,367	176,717
Long-term debt	596,031	462,986
Due to beneficiaries under remainder trusts and annuities	105	111
Accrued insurance cost	12,233	12,766
Deferred revenue	11,809	12,505
Operating lease liabilities	73,051	72,565
Other liabilities	24,579	25,106
Total liabilities	912,175	762,756

Net assets:

Without donor restrictions	\$ 854,452	\$ 837,843
With donor restrictions	187,700	216,243
Total net assets	1,042,152	1,054,086
Total liabilities and net assets	<u>\$ 1,954,327</u>	<u>\$ 1,816,842</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

June 30, 2022 and 2021
(with summarized financial information for the year ended June 30, 2021)

(\$ in thousands)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUES AND RELEASES				
Net tuition and fees	\$ 584,260	\$ -	\$ 584,260	\$ 565,337
Contributions and private grants	2,128	16,394	18,522	38,265
Government grants and contracts	-	55,902	55,902	42,727
Auxiliary operations	50,247	-	50,247	40,671
Interest and dividends	13,812	1,673	15,485	12,015
Net unrealized (loss) gain on investments	(54,163)	(24,324)	(78,487)	37,060
Net realized gain on sale of investments	3,169	1,936	5,105	3,975
Other revenues	15,813	7,259	23,072	18,353
Net assets released from restrictions	87,383	(87,383)	-	-
Total revenues and releases	<u>702,649</u>	<u>(28,543)</u>	<u>674,106</u>	<u>758,403</u>
EXPENSES				
Salaries and wages	303,963	-	303,963	290,250
Employee benefits	74,291	-	74,291	72,042
Supplies and services	111,913	-	111,913	88,971
Space and occupancy	66,810	-	66,810	56,289
Depreciation and amortization	48,231	-	48,231	58,392
Interest	19,475	-	19,475	17,557
Other	61,357	-	61,357	48,575
Total expenses	<u>686,040</u>	<u>-</u>	<u>686,040</u>	<u>632,076</u>
CHANGE IN NET ASSETS	16,609	(28,543)	(11,934)	126,327
Net assets, beginning of year	<u>837,843</u>	<u>216,243</u>	<u>1,054,086</u>	<u>927,759</u>
NET ASSETS, END OF YEAR	<u><u>\$ 854,452</u></u>	<u><u>\$ 187,700</u></u>	<u><u>\$ 1,042,152</u></u>	<u><u>\$ 1,054,086</u></u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

June 30, 2022 and 2021

(\$ in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

	2022	2021
Change in net assets	\$ (11,934)	\$ 126,327
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation expense and amortization of finance lease right-of-use assets	48,231	58,392
Amortization of premiums and issuance costs related to bonds payable	(2,106)	(2,310)
Noncash lease expense	17,082	14,200
Provision for doubtful accounts	2,868	4,471
Loss on disposal of equipment and buildings	717	349
Net realized gain on sale of securities	(5,105)	(3,975)
Net unrealized loss (gain) on securities	78,487	(37,060)
Contributions for investment and capital purchases	(4,270)	(27,704)
<i>Decrease (increase) in assets from prior year:</i>		
Tuition and other receivables	(10,005)	(1,635)
Pledges receivable	8,492	(9,161)
Prepaid expenses and other current assets	(579)	3,087
Foundation assets	1,757	(1,986)
Contributions receivable from remainder trust and scholarship funds held in trust by others	59	(36)
Other assets	3,002	(683)
<i>Increase (decrease) in liabilities from prior year:</i>		
Accounts payable and accrued liabilities	(3,167)	15,481
Accrued insurance costs and other current liabilities	5,059	(6,397)
Deferred revenue	5,870	241
Operating lease liabilities	(17,552)	(10,643)
Other liabilities	744	(2,328)
Due to beneficiaries under remainder trusts and annuities	(6)	(19)
Net cash provided by operating activities	<u>117,644</u>	<u>118,611</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(25,945)	(27,107)
Sales and maturities of investments	251,122	346,002
Purchases of investments	(500,101)	(440,895)
Net cash used in investing activities	<u>(274,924)</u>	<u>(122,000)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of long-term debt	150,000	-
Repayment of debt	(13,525)	(12,260)
Decrease in bond deposits with trustees	1,374	3,401
Lease payments	(1,257)	(1,314)
Financing costs	(1,389)	-
Contributions for investment and capital purchases	4,270	27,704
Net cash provided by financing activities	<u>139,473</u>	<u>17,531</u>

Net (decrease) increase in cash, cash equivalents, and restricted cash

Cash, cash equivalents, and restricted cash, beginning of year

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR

	<u>\$ 66,382</u>	<u>\$ 84,189</u>
Supplemental information:		
Interest paid, net of amounts capitalized	\$ 19,587	\$ 17,816
Accrued capital expenditures	\$ 3,418	\$ 2,814

See accompanying notes to consolidated financial statements.

1. University Organization

Nova Southeastern University, Inc. (NSU, or the university) is a not-for-profit, private institution and is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Founded in 1964, the university offers undergraduate degrees, graduate and first-professional degrees, and certificate programs to more than 20,000 full-time and part-time students in a wide range of fields, including the humanities, biological and environmental sciences, business, counseling, computer and information sciences, conflict resolution, education, family therapy, medicine, dentistry, various other health professions, law, marine science, performing and visual arts, psychology, and other social sciences. Courses are taught at 4 South Florida campuses; 8 regional campus locations, including Puerto Rico; and at sites in 6 states, as well as 3 foreign countries. NSU serves the residents of its community with health, psychology, and law centers; services for children with hearing impairments and autism; and programs for retired professionals. NSU University School offers innovative alternatives in primary and secondary education to children from preschool through grade 12.

2. Summary of Significant Accounting Policies**Financial Statement Presentation**

The accompanying consolidated financial statements include the university and its wholly owned subsidiaries, NSU Guaranty Insurance Company, Ltd.; NSU Grande Oaks, LLC; NSU Park Plaza, LLC; NSU Health, LLC; and The Pointe Corporate Office Park Property Owners Association, Inc. The latter two legal entities have no financial activity to date. All significant intercompany balances and transactions have been eliminated in consolidation. NSU classifies its transactions and balances into two categories of net assets according to the absence or existence of donor-imposed restrictions: (1) net assets without donor restrictions and (2) net assets with donor restrictions. Net assets without donor restrictions include transactions and balances without donor-imposed stipulations and may be used to achieve any institutional purpose; however, the Board of Trustees may designate net assets without donor restrictions for a specific purpose. Net assets with donor restrictions include transactions and balances with donor-imposed stipulations that normally expire in time, or can be fulfilled by actions of the university. However, certain donor restrictions are perpetual as they neither expire over time, nor can be fulfilled by actions of the university, requiring the related net assets to be permanently retained. Such permanently retained net assets are included within the net assets with donor restrictions category.

The consolidated financial statements include prior-year comparative information summarized in total, but not by net asset class. As this summarized information lacks sufficient detail for presentation in accordance with accounting principles generally accepted in the United States of America, the data should be read in conjunction with the prior year's consolidated financial statements.

Certain amounts contained in the accompanying fiscal 2021 consolidated financial statements have been reclassified to conform to the fiscal 2022 presentation.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires NSU to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash equivalents are investments with maturities of 90 days or less when purchased and are carried at cost, which approximates fair value.

Restricted Cash

Current restricted cash represents funds related to federal revolving student loan programs (see Note 10) and funds held on behalf of student clubs or organizations in which the university is serving in an agent capacity.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Approximately \$2.9 million and \$3.1 million of long-term restricted cash at June 30, 2022 and 2021, respectively, represents funds contributed in accordance with the joint-use library facility agreement (see Note 15) by NSU and Broward County for capital repair, replacement, and renewal. In accordance with this agreement, these funds are maintained in an interest-bearing account. These funds are reflected as a long-term asset on the Consolidated Statements of Financial Position since they are restricted for long-term capital expenditures. Additionally, long-term restricted cash at June 30, 2022 and 2021, includes approximately \$12.9 million received in fiscal 2020 from bond proceeds that are restricted for projects included in the university's capital improvement plan (see Note 9). At June 30, 2021, \$0.7 million was included related to funds received in accordance with an amendment to the joint-use library facility agreement (see Note 15) by NSU and Broward County for construction of the Alan B. Levan I NSU Broward Center of Innovation (the Levan Center of Innovation). Finally, long-term restricted cash and cash equivalents includes \$5.5 million and \$3.8 million at June 30, 2022 and 2021, respectively, that is part of the university's endowment, and therefore, deemed long-term in nature.

NSU has cash balances with banks in excess of FDIC-insured limits, which therefore bear risk, including concentration of credit risk with respect to NSU's primary banking institutions. The university has not experienced any loss due to this risk.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Statements of Financial Position that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows (in thousands).

	2022	2021
Cash and cash equivalents	\$ 33,091	\$ 51,484
Restricted cash	11,869	12,090
Long-term restricted cash and cash equivalents	21,422	20,615
Total	<u>\$ 66,382</u>	<u>\$ 84,189</u>

Investments

Investments in equity securities with readily determinable market values, debt securities, and assets held in trust are stated at fair value. Investments received as gifts are recorded at fair value at the date of donation.

Investments included in current assets have a maturity of three months to five years from the purchase date and are bought and held primarily for the purpose of selling in the near future to fund current operations. Investments are recorded at fair value using the market approach method; unrealized gains and losses are reflected in net unrealized gain or loss on investments.

Investments included in long-term assets comprise endowment investments, reported as designated and restricted investments, and other investments. Other investments include those made pursuant to a long-term investment horizon or are intended to support future capital expenditures (including bond proceeds received during fiscal 2022, see Note 9), and therefore, deemed long-term in nature.

Investments are subject to market and credit risks customarily associated with debt, equity, and real estate. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the Consolidated Statements of Financial Position.

Bond Deposits with Trustees

Unspent bond proceeds and interest earnings thereon related to the Town of Davie tax exempt Series 2018 bonds were included within long-term bond deposits with trustees and approximated \$1.4 million as of June 30, 2021.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Deferred Debt Issue Costs

Costs related to the issuance of debt (\$4.8 million at June 30, 2022, and \$3.9 million at June 30, 2021) are being amortized over the term of the related debt instrument using the bonds outstanding method, which approximates the effective interest method. In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Update (ASU) 2015-03, Interest—Imputation of Interest (Subtopic 835-30), debt issuance costs are presented in the Consolidated Statements of Financial Position as a direct deduction from the carrying amount of the related debt, consistent with the presentation of debt discounts and premiums.

Split Interest Agreements

These agreements with donors consist primarily of charitable remainder annuity trusts, unitrusts, and gift annuities.

Contributions receivable from remainder trusts

The university is the beneficiary of trusts held and administered by others. The current values of estimated future cash receipts from the trusts are recognized in accordance with donor stipulations as assets and contributions with donor restrictions when NSU is notified of the establishment of the trust. Changes in the fair values of the trusts are recorded as other revenue with donor restrictions within the Consolidated Statements of Activities.

Due to beneficiaries under remainder trusts and annuities

NSU is a trustee for trust assets, which are included in investments. Contribution revenues are recognized, in accordance with donor stipulations, when the trusts are established, after recording liabilities for estimated future payments (discounted over the donor's or other beneficiary's life expectancy using published mortality tables). These liabilities are adjusted annually for changes in asset values and estimated future benefits.

The university has entered into arrangements whereby assets are transferred from a donor, with purpose restrictions, to the university in exchange for a promise by the university to pay fixed amounts for a specified period of time to the donor or to other donor designees. The difference between the assets received and the estimated future payments (discounted over the specified period of time the payments are to be made) is recognized as contributions with donor restrictions.

Changes in split interest agreements, which are reflected as other revenue in the Consolidated Statements of Activities, decreased by approximately \$52,000 for fiscal 2022, and increased by approximately \$54,000 for fiscal 2021.

At June 30, 2022 and 2021, amounts due to beneficiaries under annuity agreements were approximately \$105,000 and \$111,000, respectively. No amounts were due to beneficiaries under remainder trusts at June 30, 2022 and 2021.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at acquisition cost or fair value at the date of donation and are subsequently carried net of accumulated depreciation. Equipment expenditures in excess of \$5,000 with an estimated useful life of two or more years are capitalized. Property and equipment under finance leases are initially valued and recorded based on the present value of the minimum lease payments. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, ranging from 4 to 50 years, except for leasehold improvements and property and equipment under finance leases, which are amortized over the shorter of the expected useful life of the asset or the term of the related lease. NSU reviews long-lived assets for impairment when events or circumstances indicate the carrying amount will not be fully recoverable, based on estimated future cash flows. Interest on capital projects is capitalized during the construction period.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Donated property and equipment is recorded as support at estimated fair value at the date of donation and is reported as support without donor restrictions unless the donor has restricted the use of the donated asset to a specific purpose.

Insurance Programs

The university is partially self-insured for workers' compensation benefits, wholly owns an offshore captive insurance company (see Note 17), participates in partially owned insurance entities and benefit associations, and maintains claims-made insurance policies with respect to certain other coverage. Liabilities for these claims are recorded based on actual loss history and actuarial calculations that include provisions for estimated losses incurred, but not reported, and the portion of insurance risk that has not been transferred to insurance carriers. Accrued insurance costs, net of 3 percent discount, approximated \$17.8 million at June 30, 2022, and \$16.9 million at June 30, 2021, of which \$5.5 million and \$4.1 million is included in other current liabilities as of June 30, 2022 and 2021, respectively. Undiscounted costs at June 30, 2022 and 2021, were \$18.3 million and \$17.5 million, respectively. Investments in insurance entities and benefit associations are accounted for under the equity method and are included in other assets and approximated \$12.8 million at June 30, 2022, and \$13.0 million at June 30, 2021.

Endowment Payout and Value

The university's investment policy provides that up to 5 percent of the market value of NSU's endowment fund be made available annually for expenditure. Absent donor stipulations to the contrary, no distributions are made from an individual endowment until the account reaches a minimum of \$25,000. Until that time, all earnings are reinvested. In addition, there is a one-year holding period from the time an individual endowment is funded until it is available for distribution.

NSU's endowment assets include the endowment fund, consisting of cash and investments, as well as endowment-related pledges receivable. At June 30, 2022, endowment-related pledges receivable were \$39.2 million, and the fair value of the endowment fund was \$161.6 million, representing total endowment assets of \$200.8 million. At June 30, 2021, endowment-related pledges receivable were \$37.8 million, and the fair value of the endowment fund was \$189.2 million, representing total endowment assets of \$227.0 million. The endowment fund includes donor-restricted and board-designated endowments. Any declines in the fair value of donor-restricted endowments below their respective historical cost value are recorded as reductions in net assets with donor restrictions.

Tuition and Fees

Tuition and fees are reported net of scholarships and discounts. For fiscal 2022 and 2021, total scholarships and discounts were \$125.6 million and \$115.6 million, respectively. Tuition and fee revenue is recognized on a pro rata daily basis over the term of instruction. Unearned student tuition and fees relating to future instructional periods are recorded as current deferred revenue. Deferred tuition revenue was \$71.5 million at June 30, 2022, and \$65.0 million at June 30, 2021.

Tuition and fees receivables are net of an allowance for uncollectible balances based on management's judgment, past collection experience, and other relevant factors.

Contributions

Unconditional contributions are recorded as increases in net assets without donor restrictions. Unconditional contributions with donor-imposed stipulations are reported as increases to net assets with donor restrictions, and reclassified to net assets without donor restrictions when stipulations are satisfied. Contributed assets to be maintained in perpetuity are classified as net assets with donor restrictions. Income from donor-restricted assets is classified according to the terms of the contribution. Conditional pledges are not recognized until the conditions are met.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Contributions to be received more than one year in the future are discounted based on a risk-adjusted discount rate. Amortization of the discount is recorded as contribution revenue and used in accordance with donor-imposed stipulations, if any. Any additional allowance made for uncollectible contributions is based on management's judgment, past collection experience, and other relevant factors.

Contributions of nonfinancial assets (such as land, buildings, equipment, or use thereof, materials and supplies, intangible assets, or services) meeting criteria established by the university are recognized at fair value. For the fiscal years ended June 30, 2022 and 2021, such contributions were individually, and in the aggregate, immaterial to the university's consolidated financial statements and therefore have not been recognized therein.

Government Grants

Revenue from grants is recognized as the related expenses are incurred. Grant revenue recognized and expended within the same fiscal year is included as revenue with donor restrictions and net assets released from restrictions in the accompanying Consolidated Statements of Activities.

Leases

Effective July 1, 2020, NSU recognizes and measures its leases in accordance with FASB Accounting Standards Codification (ASC) Topic 842, Leases (see Recent Accounting Pronouncements within this Note 2). The university is the lessee of property and equipment under operating and finance leases. Upon execution of a new contract, NSU determines whether an arrangement is or contains a lease. Right of use assets represent NSU's right to use leased assets over the term of the lease. Lease liabilities represent NSU's contractual obligation to make lease payments over the lease term. Right-of-use assets and lease liabilities are measured, categorized, and recognized at lease commencement. The commencement date is when the university either takes possession of the asset, or in the case of real estate leases, when the landlord makes the building available for use. Operating leases as lessee are included in operating lease right-of-use assets and operating lease liabilities on the Consolidated Statements of Financial Position. The assets and liabilities associated with finance leases are included within land, buildings, and equipment, net and other liabilities, respectively, on the Consolidated Statements of Financial Position.

NSU has elected not to recognize right-of-use assets and obligations for leases with an initial term of twelve months or less, as well as certain leases consisting of generally low value (under \$5,000) equipment. To the extent a lease arrangement includes both lease and non-lease components, the components are combined as one component.

Operating and finance lease right-of-use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term. NSU uses the rate implicit in a lease, if it is determinable. When the rate implicit in the lease is not determinable, NSU uses its incremental borrowing rate as of the commencement date to determine the present value of the lease payments. The lease term may include renewal or extension options to the extent they are reasonably certain to be exercised; this assessment is made at lease commencement. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases. Variable lease payments that do not depend on an index or rate are expensed as incurred (such as the pro rata share of actual real estate taxes, insurance, and common area maintenance costs associated with real estate leases).

The university leases property, primarily space within university facilities, under agreements that are classified as operating leases. The university's lessor arrangements are all operating leases and do not include any sales-type or direct finance leases. Property leased to others is included in land, buildings, and equipment, net on the Consolidated Statements of Financial Position. Short-term rental revenues and lessor operating lease income are recognized to the extent that amounts are determined to be collectible and included within other revenues in the Consolidated Statements of Activities, totaling \$1.2 million for fiscal 2022 and 2021.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

NSU Museum of Art Fort Lauderdale

On July 1, 2008, the university merged with the Museum of Art, Inc. (the Museum), a not-for-profit organization, with NSU as the surviving organization. The Museum acquires art for its collection through purchase or by gift. As permitted by the FASB's Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, the Museum does not include its collection items as assets in the Consolidated Statements of Financial Position. Accordingly, no value has been assigned to the Museum's art collection. As of June 30, 2022, the collection is insured for \$35.0 million. The university's policy requires any proceeds from the sale of collection items to be used to acquire other items for the collection or for the direct care of its collection (expenditures that enhance the life, usefulness, or quality of an object, and improve the physical impact and condition of an item). Proceeds from the sale of collection items and expenditures for collection items purchased are reflected in the accompanying Consolidated Statements of Activities within other revenues and expenses, respectively. For fiscal 2022 and 2021, expenditures for collection items purchased but not capitalized were \$407,000 and \$221,000, respectively. There were no sales of collection items in either fiscal year.

When the Museum receives contributions of works of art with the donor's stipulation that they will be sold rather than added to the collection, such works of art are recognized as increases to net assets without donor restrictions at their fair value.

Fair Value of Financial Instruments

ASC 820, Fair Value Measurements and Disclosures, sets forth a framework for measuring fair value, which includes a hierarchy based on the observability of inputs used to measure fair value and provides for specific disclosure requirements based on the hierarchy.

Fair Value Hierarchy

ASC 820 requires the categorization of financial assets and liabilities, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. The various levels of the ASC 820 fair value hierarchy are described as follows:

Level 1—Financial assets and liabilities with values that are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the university has the ability to access

Level 2—Financial assets and liabilities with values that are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability

Level 3—Financial assets and liabilities with values that are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

Investments are carried at fair value. The fair value of alternative investments that contain certain provisions has been estimated using the Net Asset Value (NAV), as reported by the management of the respective alternative investment fund. Accounting guidance provides for the use of NAV as a practical expedient for estimating fair value of alternative investments that contain certain provisions. Accordingly, NAV reported by each alternative investment fund is used to estimate the fair value of the university's interest.

Accounting for Uncertainty in Income Taxes

The university follows the guidance contained in ASC 740, Income Taxes. ASC 740 addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. There were no uncertain tax positions recorded in the consolidated financial statements for fiscal years 2022 or 2021.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Recent Accounting Pronouncements

In March 2022, the FASB issued ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. ASU 2022-02 eliminates the accounting guidance on troubled debt restructurings for creditors and amends the guidance on “vintage disclosures” to require disclosure of current-period gross write-offs by year of origination. The updated guidance is effective concurrently with the adoption of ASC 2016-13 (see below), no later than the fiscal year beginning after December 15, 2022. The university does not expect the new guidance to have a material impact on its consolidated financial statements.

In November 2021, the FASB issued ASU 2021-09, Leases (Topic 842): Discount Rates for Lessees That Are Not Public Entities. ASU 2021-09 allows lessees that are not public business entities (PBEs) to make an accounting policy election by class of underlying asset, rather than on an entity-wide basis, to use a risk-free rate as the discount rate for measuring and classifying leases, when the rate in the lease is not readily determinable. The amendments in this ASU affect lessees that are not PBEs, including all not-for-profit entities (whether or not they are conduit bond obligors). The new guidance is effective for entities that have adopted Topic 842 as of November 11, 2021, for fiscal years beginning after December 15, 2021, though earlier application is permitted. Entities are required to apply the amendments on a modified retrospective basis to leases that exist at the beginning of the fiscal year of adoption. The university does not expect the new guidance to have a material impact on its consolidated financial statements.

In July 2021, the FASB issued ASU 2021-05, Leases (Topic 842): Lessors-Certain Leases with Variable Lease Payments. ASU 2021-05 impacts lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing. The new guidance is effective for all entities with fiscal years beginning after December 15, 2021, though earlier application is permitted. The university adopted ASU 2021-05 in fiscal 2022, resulting in no material impact to the consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements, which improves consistency by amending the ASC to include all disclosure guidance in the appropriate disclosure sections and clarify application of various provisions in the ASC by amending and adding new headings, cross referencing to other guidance, and refining or correcting terminology. The university adopted ASU 2020-10 in fiscal 2021, resulting in no material impact to the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (NFP) (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to increase the transparency about the measurement of contributed nonfinancial assets as well as the amount of those contributions used in an NFP’s programs and other activities. The guidance requires NFP’s to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from cash and other financial contributions, as well as disclosure of the type of asset, whether the asset was monetized or utilized in the reporting period, donor-imposed restrictions, valuation techniques and the principal market used to determine fair value. ASU 2020-07 is to be applied on a retrospective basis for annual periods beginning after June 15, 2021. The university adopted ASU 2020-07 in fiscal 2022, resulting in no material impact to the consolidated financial statements (see Contributions section of this Note 2).

In March 2019, the FASB issued ASU 2019-03, Not-for-Profit Entities (Topic 958): Updating the Definition of Collections. The amendments in this ASU modify the definition of the term collections, allowing the proceeds from the sale of collection items to be used to support the direct care of existing collections in addition to the current requirement that proceeds from sales of collection items be used to acquire other items for collections. The university adopted ASU 2019-03 in fiscal 2021, resulting in no material impact to the consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which modifies disclosure requirements on fair value measurements. The university adopted the new guidance in fiscal 2021, resulting in no material impact to the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires timelier recording of credit losses on financial instruments by effectively replacing the current incurred loss methodology with one that reflects expected losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The university does not expect the new guidance to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their statements of financial position. The objective of this ASU is to increase transparency and comparability between organizations that enter into lease agreements. The university adopted Topic 842 as of July 1, 2020 (the effective date) and elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The university also elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. The university elected the short-term lease exemption to not recognize leases with an initial term of 12 months or less on the Consolidated Statement of Financial Position, as well as the practical expedient to not assess whether existing or expired land easements that were not previously accounted for as leases under prior guidance are or contain a lease under Topic 842. The adoption of Topic 842 resulted in the recognition of operating lease right-of-use assets and operating lease liabilities of \$96.6 million and \$96.1 million, respectively, as of July 1, 2020, primarily related to real estate leases. Right-of-use assets and lease liabilities related to finance leases totaled \$6.7 million and \$6.8 million, respectively, resulting in total right-of-use assets and lease liabilities of \$103.3 million and \$102.9 million, respectively, as of July 1, 2020. No cumulative effect adjustment to beginning net assets was required. Refer to Note 19 for additional information on the university's leases pursuant to Topic 842.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

3. Liquidity and Availability of Resources

As of June 30, 2022 and 2021, financial assets available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and other current obligations, and capital construction costs not financed with debt, were as follows (in thousands):

	2022	2021
Cash and cash equivalents	\$ 24,395	\$ 37,762
Investments	317,539	380,850
Tuition and other receivables, net	41,632	34,875
Pledges receivable, current portion, net	2,365	12,409
Endowment investments appropriated for spending in the following year	4,685	4,523
Financial assets available within one year for general expenditures	<u>\$ 390,616</u>	<u>\$ 470,419</u>

Assets with purpose restrictions or designations that may be satisfied through general expenditure within the next year are considered available. In addition to these available financial assets, a significant portion of the university's annual expenditures will be funded by current year operating revenues including tuition, grants and contracts, and auxiliary operations. As part of the university's liquidity management strategy, the university structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the university invests cash in excess of daily requirements in short-term working capital investments.

Additionally, the university has board-designated endowment funds of \$54.1 million and \$66.3 million as of June 30, 2022 and 2021, respectively. Although the university does not intend to spend from its board-designated endowment funds, other than amounts appropriated annually for expenditure in accordance with the university's investment and spending policy, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 8 for disclosures about investments).

The university also has \$33.2 million and \$36.0 million in cash and investments as of June 30, 2022 and June 30, 2021, respectively, held by its wholly-owned captive insurance company (see Note 17), which are designated for insurance-related reserves, the total of which exceeds actuarially determined accrued insurance costs.

Finally, not included in the table above, are other cash and investments of \$279.5 million as of June 30, 2022, which could be made available in part for general expenditure. However, these investments are either subject to a long-term investment strategy (containing investments with lock-up provisions that reduce the total that could be liquidated, see Note 8) or are intended to support future capital expenditures (including bond proceeds received during fiscal 2022, see Note 9).

4. Tuition and Other Receivables

Tuition and other receivables at June 30 consist of the following (in thousands):

	2022	2021
Student accounts, net of allowance of \$1,826 in 2022 and \$1,719 in 2021	\$ 17,376	\$ 17,806
Unreimbursed grant and contract expenditures	13,286	9,296
Health centers' patient accounts, net of allowance of \$2,035 in 2022 and \$1,698 in 2021	1,220	1,073
Accrued interest	3,274	2,917
Other	6,476	3,783
Total	<u>\$ 41,632</u>	<u>\$ 34,875</u>

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

5. Pledges Receivable

Unconditional promises to give to the university are included in the consolidated financial statements as pledges receivable and contribution revenue in the appropriate net asset category. In accordance with ASC 820, the university applies a present value technique to new pledges received, whereby the estimated future cash flows are discounted based on a risk-adjusted discount rate in order to determine the fair value of the pledge to be recorded as of the date the pledge was made. The risk-adjusted discount rates applied ranged from 0.8 to 9.5 percent.

Pledges are expected to be collected as follows as of June 30 (in thousands):

		2022	2021
Current:	In one year or less	\$ 16,606	\$ 18,622
	Less allowance	(843)	(984)
		<u>15,763</u>	<u>17,638</u>
Future:	Between one and five years	28,928	32,743
	More than five years	7,472	12,550
	Less discount and allowance	(8,572)	(11,227)
		<u>27,828</u>	<u>34,066</u>
	Total	<u>\$ 43,591</u>	<u>\$ 51,704</u>

At June 30, pledges receivable had the following donor stipulations (in thousands):

	2022	2021
Endowments	\$ 47,506	\$ 48,827
Property, plant, and equipment	426	9,925
Scholarships and other	5,074	5,163
Subtotal	53,006	63,915
Less discount and allowance	(9,415)	(12,211)
Total	<u>\$ 43,591</u>	<u>\$ 51,704</u>

The university received unconditional pledges from a related party and its associated organizations representing approximately 76.4 percent and 78.8 percent of the balance of outstanding pledges receivable as of June 30, 2022 and 2021, respectively. These pledges are payable in annual installments ranging from approximately \$3.6 million to \$7.6 million through fiscal 2029.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

6. Investments

Investments at June 30 consist of (in thousands):

	<u>2022</u>	<u>2021</u>
Pooled investments:		
Money market funds	\$ -	\$ 240
Mutual funds	107,211	120,811
Equity securities	52	-
Commingled funds	32,040	43,183
Private capital	7,303	5,543
Corporate obligations	-	4,124
Total	<u>146,606</u>	<u>173,901</u>
Other investments:		
Mutual funds	116,348	19,811
Equity securities	-	51
Commingled funds	18,628	-
Corporate obligations	393,521	380,964
Government-related obligations	<u>96,045</u>	<u>20,100</u>
Total	<u>624,542</u>	<u>420,926</u>
Total investments	<u>\$ 771,148</u>	<u>\$ 594,827</u>

Investments at June 30 are classified in the Consolidated Statements of Financial Position as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Investments	\$ 343,163	\$ 419,168
Designated investments	51,931	67,997
Restricted investments	94,848	107,662
Other investments	<u>281,206</u>	<u>-</u>
Total	<u>\$ 771,148</u>	<u>\$ 594,827</u>

Investments at June 30, 2022 and 2021, include amounts received under split-interest agreements of approximately \$174,000 and \$224,000, respectively.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

7. Land, Buildings, and Equipment

Land, buildings, and equipment at June 30 consist of (in thousands):

	2022	2021
Land	\$ 73,424	\$ 72,615
Land improvements	82,045	79,905
Leasehold improvements	40,815	34,708
Buildings	973,131	961,589
Equipment	212,489	207,679
Library books	118,476	117,842
Construction in progress	8,023	14,361
Finance lease right-of-use assets	7,632	7,632
Total	1,516,035	1,496,331
Less accumulated depreciation and amortization	(622,194)	(580,091)
Net	\$ 893,841	\$ 916,240

Finance lease right-of-use assets includes buildings and equipment under finance leases. Amortization of these leased assets totaled \$1.3 million and \$1.5 million for fiscal 2022 and 2021, respectively, and accumulated amortization totaled \$2.8 million and \$1.5 million as of June 30, 2022 and 2021, respectively.

For fiscal 2022 and 2021, total depreciation and amortization expense was approximately \$48.2 million and \$58.4 million, respectively.

At June 30, 2022, the university had approximately \$3.2 million of unsecured letters of credit relating to construction projects.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

8. Fair Value Measurements

Fair Value on a Recurring Basis

The following tables present the fair value measurement for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022, grouped by fair value hierarchy (in thousands):

	2022 Total	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	\$ 10,971	\$ 10,971	\$ -	\$ -
Mutual funds	5,046	5,046	-	-
Subtotal	<u>16,017</u>	<u>16,017</u>	<u>-</u>	<u>-</u>
Current investments:				
Corporate obligations	270,546	-	270,546	-
Government-related obligations	72,617	-	72,617	-
Subtotal	<u>343,163</u>	<u>-</u>	<u>343,163</u>	<u>-</u>
Designated and restricted investments:				
Mutual funds	112,408	112,408	-	-
Equity securities	52	52	-	-
Commingled funds ¹	33,560	-	-	-
Private capital ¹	7,637	-	-	-
Subtotal ²	<u>153,657</u>	<u>112,460</u>	<u>-</u>	<u>-</u>
Other investments:				
Mutual funds	116,174	116,174	-	-
Commingled funds ¹	18,628	-	-	-
Corporate obligations	122,976	-	122,976	-
Government-related obligations	23,428	-	23,428	-
Subtotal	<u>281,206</u>	<u>116,174</u>	<u>146,404</u>	<u>-</u>
Scholarship funds held in trust:				
Money market funds	7	7	-	-
Equity securities	2,439	910	1,529	-
Corporate obligations	956	-	956	-
Government-related obligations	46	-	46	-
Subtotal	<u>3,448</u>	<u>917</u>	<u>2,531</u>	<u>-</u>
Contributions receivable from remainder trusts	234	-	-	234
Total	<u>\$ 797,725</u>	<u>\$ 245,568</u>	<u>\$ 492,098</u>	<u>\$ 234</u>

¹In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position.

²Includes investments of the Foundation of \$6.9 million, as defined and described in Note 13.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

The following tables present the fair value measurement for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021, grouped by fair value hierarchy (in thousands):

	2021 Total	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	\$ 1,592	\$ 1,592	\$ -	\$ -
Mutual funds	6,170	6,170	-	-
Subtotal	<u>7,762</u>	<u>7,762</u>	<u>-</u>	<u>-</u>
Current investments:				
Corporate obligations	380,963	-	380,963	-
Government-related obligations	20,100	-	20,100	-
Mutual funds	18,105	18,105	-	-
Subtotal	<u>419,168</u>	<u>18,105</u>	<u>401,063</u>	<u>-</u>
Designated and restricted investments:				
Money market funds	252	252	-	-
Mutual funds	128,610	128,610	-	-
Equity securities	51	51	-	-
Commingled funds ¹	45,361	-	-	-
Private capital ¹	5,823	-	-	-
Corporate obligations	4,124	-	4,124	-
Subtotal ²	<u>184,221</u>	<u>128,913</u>	<u>4,124</u>	<u>-</u>
Scholarship funds held in trust:				
Money market funds	4	4	-	-
Equity securities	3,092	1,101	1,991	-
Corporate obligations	1,035	-	1,035	-
Government-related obligations	45	-	45	-
Subtotal	<u>4,176</u>	<u>1,105</u>	<u>3,071</u>	<u>-</u>
Contributions receivable from remainder trusts	293	-	-	293
Total	<u>\$ 615,620</u>	<u>\$ 155,885</u>	<u>\$ 408,258</u>	<u>\$ 293</u>

¹In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position.

² Includes investments of the Foundation of \$8.6 million, as defined and described in Note 13.

During the year ended June 30, 2022 and 2021, there were no transfers between Level 2 and Level 3 investments.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value (in thousands):

	2022	2021
Beginning balance	\$ 293	\$ 257
Net unrealized (loss) gain	(59)	36
Ending balance	<u>\$ 234</u>	<u>\$ 293</u>

All net unrealized gains or losses in the above table are reflected in the Consolidated Statements of Activities. Net unrealized gains or losses are determined based on changes in fair value of the instrument related to future expected cash flow associated with investments.

The fair value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective funds. The fair values of the investments held by funds that do not have readily determinable fair values are determined by each fund's investment manager and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the investment, prices of recent significant placements of similar investments of the same issuer, and subsequent developments concerning the companies to which the investments relate. The university has performed due diligence regarding these investments and believes that the NAV of its alternative investments is a reasonable estimate of fair value as of June 30, 2022 and 2021.

The following table presents additional information pertaining to alternative investments as of June 30, 2022 (in thousands), the fair values of which have been estimated using the NAV of the investment funds:

	Designated and Restricted Investments ¹	Other Investments	Total Fair Value	Unfunded Commitments	Redemption Frequency (Subject to Restrictions Noted)	Redemption Notice in Days
Commingled Funds:						
Debt securities ²	\$ 7,036	\$ 4,743	\$ 11,779	\$ -	SM-M	5-30
Hedge funds ³	10,415	-	10,415	-	M-Q	30-60
	4,930	9,135	14,065	-	M-Q (Expiring Locks) ⁴	30-45
	4,350	4,750	9,100	-	V (Rolling Locks) ⁵	120
	6,829	-	6,829	-	Q (Gate Restrictions) ⁶	60-75
Subtotal	<u>33,560</u>	<u>18,628</u>	<u>52,188</u>	<u>-</u>		
Private capital:						
Private equity	5,915	-	5,915	13,206	Illiquid ⁷	N/A
Private real estate	1,722	-	1,722	2,349	Illiquid ⁷	N/A
Subtotal	<u>7,637</u>	<u>-</u>	<u>7,637</u>	<u>15,555</u>		
	<u>\$ 41,197</u>	<u>\$ 18,628</u>	<u>\$ 59,825</u>	<u>\$ 15,555</u>		

SM: Semi-Monthly M: Monthly Q: Quarterly V: Varies

¹ Amounts include alternative investments of the Foundation, as defined and described in Note 13.

² This category primarily includes credit instruments, including fixed income bonds, sovereign bonds from Organization for Economic Cooperation and Development (OECD) countries, senior secured floating rate bank loans, high-yield (non-investment grade) bonds, and European loans.

³ This category includes investments that may pursue alternative strategies to diversify risks, reduce volatility, and enhance returns.

⁴ These investments are subject to lock-up provisions with up to one year remaining as of June 30, 2022.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

⁵ These investments are subject to rolling two-year lock-up provisions permitting full liquidation upon expiration of the respective lock-up period, as well as optional interim quarterly redemptions of up to 2.5 percent throughout the lock-up period. The next possible full redemption dates vary, ranging from 22 to 27 months after June 30, 2022.

⁶ These investments may be redeemed subject to gates ranging from 25 percent per quarter to 33 percent per year.

⁷ These investments cannot be redeemed. Capital invested is committed at the beginning of the fund term for approximately 10 years. The private equity firm enters into value-enhancing transactions and distributes capital as these transactions are liquidated. The underlying investments in the funds are expected to be liquidated over the next 12 years.

Fair Value on a Nonrecurring Basis

As of June 30, 2022 and 2021, there were no financial assets or liabilities measured at fair value on a nonrecurring basis.

9. Long-Term Debt

Long-term debt at June 30 is summarized below (in thousands):

	<u>2022</u>	<u>2021</u>
HEFFA tax exempt Series 2016 bonds	\$ 86,870	\$ 86,870
Town of Davie tax exempt Series 2018 bonds	137,310	138,315
FDFC tax exempt Series 2020A bonds	28,705	33,935
FDFC taxable Series 2020B bonds	182,200	189,490
NSU taxable Series 2022 bonds	<u>150,000</u>	<u>-</u>
Par amount of bonds	585,085	448,610
Net unamortized premium	29,172	31,779
Net unamortized deferred issuance costs	<u>(4,766)</u>	<u>(3,878)</u>
Total	\$ 609,491	\$ 476,511
Current portion	<u>(13,460)</u>	<u>(13,525)</u>
Long-term debt	<u>\$ 596,031</u>	<u>\$ 462,986</u>

The university has entered into an Amended and Restated Master Trust Indenture (originally dated as of October 1, 2008, as previously amended, and as amended and restated as of June 1, 2020) with U.S. Bank Trust Company National Association, as successor Master Trustee (the Amended and Restated Master Trust Indenture). The Amended and Restated Master Indenture provides for notes issued and outstanding thereunder from time to time (collectively, the Notes, and, individually, a Note) to be secured by Pledged Revenues composed, generally, of (i) Tuition and Fees and (ii) Dormitory Revenues (as all such terms are defined in the Amended and Restated Master Trust Indenture).

As of June 30, 2022, the university had issued and outstanding four Notes under the Amended and Restated Master Trust Indenture relating to (1) bonds issued in 2016 (the 2016 Bonds) on behalf of the university by the Higher Education Facilities Financing Authority, created pursuant to the provisions of Chapter 243, Part II, Florida Statutes (HEFFA), (2) bonds issued in 2018 (the 2018 Bonds) on behalf of the university by the Town of Davie, Florida, a municipal corporation of the State of Florida (Town of Davie), (3) bonds issued in 2020, consisting of two series (the 2020A Bonds and the 2020B Bonds, respectively, and collectively the 2020 Bonds) issued on behalf of the university by the Florida Development Finance Corporation, created pursuant to Chapter 288, Part X, Florida Statutes (FDFC), and (4) bonds issued in 2022 directly by NSU (the 2022 Bonds).

Notes to Consolidated Financial Statements

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The 2016 Bonds, 2018 Bonds, and 2020A Bonds were issued as tax-exempt bonds and the 2020B Bonds and 2022 Bonds were issued as taxable bonds.

The applicable Note issued with respect to the 2016 Bonds, 2018 Bonds, and 2020 Bonds secures the university's obligations under the respective loan agreement between the university and HEFFA, Town of Davie, or FDFC, as applicable. The Note issued with respect to the 2022 Bonds secures the university's obligations as issuer under a related indenture of trust.

Bonds

2022 Bonds—The 2022 Bonds were issued in March 2022 by NSU in the principal amount of \$150,000,000. Proceeds from the issuance will be used by the university for general corporate purposes, including capital projects from the university's capital improvement plan. The 2022 Bonds bear interest at 4.8 percent per annum, payable semiannually on April 1 and October 1. The 2022 Bonds are due in annual installments of \$3,700,000 to \$30,880,000 from 2044 through 2053.

2020A Bonds—The 2020A Bonds were issued in June 2020 through the FDFC, in the principal amount of \$39,030,000. Proceeds from the issuance and other available funds were used to refund the outstanding Town of Davie Series 2009 Bonds and outstanding HEFFA Series 2012B Bonds. A non-cash loss on extinguishment of debt associated with the refunding of \$1.9 million is included in other expenses in the Consolidated Statement of Activities as of June 30, 2020. The 2020A Bonds bear interest at 5.0 percent per annum, payable semiannually on April 1 and October 1. The 2020A Bonds are due in annual installments of \$3,230,000 to \$5,735,000 through 2029.

2020B Bonds—The 2020B Bonds were issued in June 2020 through the FDFC, in the principal amount of \$195,720,000. Proceeds from the issuance were used to refund the outstanding HEFFA Series 2011 Bonds, outstanding HEFFA Series 2012A Bonds, outstanding Town of Davie Series 2013A Bonds, and outstanding Town of Davie Series 2013B Bonds; redeem the outstanding Note Payable to a bank; and to finance capital projects that are part of the university's capital improvement plan. A non-cash loss on extinguishment of debt associated with the refunding of \$18.6 million is included in other expenses in the Consolidated Statement of Activities as of June 30, 2020. The 2020B Bonds bear interest at rates ranging from 1.6 percent to 4.1 percent per annum, payable semiannually on April 1 and October 1. The 2020A Bonds are due in annual installments of \$1,285,000 to \$19,655,000 through 2050.

2018 Bonds—The 2018 Bonds were issued in July 2018 through the Town of Davie, in the principal amount of \$140,740,000. Proceeds from the issuance were used to finance a new residence hall and parking garage and to refund the outstanding BCEFA Series 2008A bonds. The 2018 Bonds bear interest at rates ranging from 4.0 percent to 5.0 percent per annum, payable semiannually on April 1 and October 1. The 2018 Bonds are due in annual installments of \$1,080,000 to \$19,990,000 through 2048.

2016 Bonds—The 2016 Bonds were issued in May 2016 through HEFFA, in the principal amount of \$86,870,000. Proceeds from the issuance were used to refund the outstanding BCEFA Series 2006 bonds and a portion of the outstanding HEFFA 2011 bonds. The 2016 Bonds bear interest at 5.0 percent per annum, payable semiannually on April 1 and October 1. The 2016 Bonds are due in annual installments of \$100,000 to \$13,870,000 from 2024 to 2036.

As previously described, all bonds outstanding as of June 30, 2022, representing the 2022 Bonds, 2020A Bonds, and 2020B Bonds, 2018 Bonds, and 2016 Bonds, are secured by the applicable Notes issued and outstanding under the Amended and Restated Master Trust Indenture.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Future maturities of the university's long-term debt at June 30, 2022, are as follows (in thousands):

	Long-Term Debt
2023	\$ 13,460
2024	13,940
2025	15,915
2026	16,455
2027	17,045
Thereafter through 2053	508,270
	<u>\$ 585,085</u>

The Amended and Restated Master Trust Indenture contains customary conditions, provisions, and non-financial covenants. In the opinion of management, the university is in compliance with all such covenants as of June 30, 2022.

The university incurred interest charges for fiscal 2022 and fiscal 2021 of \$19.6 million and \$17.8 million, respectively. During fiscal 2022 and 2021, the university capitalized interest of \$0.2 million, resulting in net interest expense reflected in the accompanying Consolidated Statements of Activities of \$19.5 million and \$17.6 million at June 30, 2022 and 2021, respectively.

10. Federal Revolving Student Loans

NSU participated in certain federal revolving loan programs under which loans were made to qualified students from federal and institutional contributions as well as prior borrowers' repayments. At June 30, 2022 and 2021, these student loans totaled \$4.6 million and \$5.4 million, respectively, and are included in the accompanying Consolidated Statements of Financial Position in other assets. Liabilities for refundable student loans of \$5.3 million and \$6.7 million at June 30, 2022 and 2021, respectively, are included in the accompanying Consolidated Statements of Financial Position in other liabilities.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

11. Net Assets

Net assets released from restrictions were satisfied through grant or other operating expenditures, capital expenditures, and scholarships.

Net assets at June 30 were available for the following purposes or periods (in thousands):

	2022	2021
Without Donor Restrictions		
Board designated for:		
Preschool programs	\$ 707	\$ 873
Scholarships	6,513	7,782
Athletic scholarships	7,070	8,614
Trustees student scholarship	1,706	1,913
Faculty research and development	1,996	2,244
College of Law	10,417	12,656
Baudhuin Preschool	4,441	5,527
Health Professions Division	19,063	23,564
Museum of Art	1,089	1,766
Research initiatives	1,137	1,371
Total Board designated	54,139	66,310
Due from HPD Foundation	4,679	4,349
Other unrestricted amounts	171,112	171,202
Physical plant equity	544,652	513,568
Library physical plant equity	79,870	82,414
Total without donor restrictions	<u>\$ 854,452</u>	<u>\$ 837,843</u>
With Donor Restrictions		
Endowments	100,513	114,370
Endowment-related pledges receivable	39,235	37,751
Gifts restricted by purpose	38,520	52,098
Scholarship funds held by trustees and restricted by purpose	3,474	4,218
HPD Foundation ¹	2,407	4,493
Other restrictions	3,551	3,313
Total with donor restrictions	<u>\$ 187,700</u>	<u>\$ 216,243</u>
Total net assets	<u><u>\$ 1,042,152</u></u>	<u><u>\$ 1,054,086</u></u>

¹ The Foundation's net assets (see Note 13) include endowment investments of \$6.9 million and \$8.6 million as of June 30, 2022 and 2021, respectively, as well as other amounts due from or to NSU primarily for its unrestricted outlays on behalf of the Foundation.

Endowment Net Assets

ASC 958, Not-for-Profit Entities, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The state of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) effective July 1, 2012.

The university's endowment consists of approximately 391 individual endowments established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the university has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the university 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) if applicable, accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the gift. Also classified as net assets with donor restrictions is the accumulated appreciation on donor-restricted endowment funds until those amounts are appropriated for expenditure by the university in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the university considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: restrictions, if any, placed upon the endowment fund by the donors; the duration and preservation of the endowment fund; the purpose of the university and the endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the university; and the university's investment policy.

The university has adopted an investment and spending policy for endowment assets that provides a predictable stream of funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the university must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. Actual returns in any given year may vary.

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

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Changes in endowment net assets, including endowment-related pledges receivable of \$39.2 million, for the fiscal year ended June 30, 2022, consisted of the following (in thousands):

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Net assets, beginning of year	\$ 66,310	\$ 160,684	\$ 226,994
Investment return:			
Investment income	837	1,491	2,328
Net depreciation (realized and unrealized)	(12,243)	(21,690)	(33,933)
Total investment return	(11,406)	(20,199)	(31,605)
Contributions	1,102	9,651	10,753
Appropriation of endowment assets for expenditure	(1,867)	(3,509)	(5,376)
Net assets, end of year	<u>\$ 54,139</u>	<u>\$ 146,627</u>	<u>\$ 200,766</u>

Changes in endowment net assets, including endowment-related pledges receivable of \$37.8 million for the fiscal year ended June 30, 2021, consisted of the following (in thousands):

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Net assets, beginning of year	\$ 51,008	\$ 123,143	\$ 174,151
Investment return:			
Investment income	763	1,172	1,935
Net appreciation (realized and unrealized)	15,118	27,816	42,934
Total investment return	15,881	28,988	44,869
Contributions	925	11,526	12,451
Appropriation of endowment assets for expenditure	(1,504)	(2,973)	(4,477)
Net assets, end of year	<u>\$ 66,310</u>	<u>\$ 160,684</u>	<u>\$ 226,994</u>

The composition of endowment net assets, including endowment-related pledges receivable of \$39.2 million, by type as of June 30, 2022, was as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Donor-restricted:			
Portion of perpetual funds that is required to be retained permanently by explicit donor stipulation ¹	\$ -	\$ 106,315	\$ 106,315
Term endowment funds subject to a time or purpose restriction ²	-	40,312	40,312
Board-designated	54,139	-	54,139
Total net assets	<u>\$ 54,139</u>	<u>\$ 146,627</u>	<u>\$ 200,766</u>

¹ includes endowment-related pledges of \$39.1 million

² includes endowment-related pledges of \$0.1 million

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

The composition of endowment net assets, including endowment-related pledges receivable of \$37.8 million, by type as of June 30, 2021, was as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Donor-restricted:			
Portion of perpetual funds that is required to be retained permanently by explicit donor stipulation ¹	\$ -	\$ 101,339	\$ 101,339
Term endowment funds subject to a time or purpose restriction ²	-	59,345	59,345
Board-designated	66,310	-	66,310
Total net assets	<u>\$ 66,310</u>	<u>\$ 160,684</u>	<u>\$ 226,994</u>

¹ includes endowment-related pledges of \$37.7 million

² includes endowment-related pledges of \$0.1 million

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the university to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that may occur. As of June 30, 2022, donor-restricted endowment funds with an original gift value of \$16.2 million had a market value of \$15.6 million, resulting in a deficiency of \$0.6 million. There were no such deficiencies at June 30, 2021.

12. Expenses by Functional and Natural Classification

Expenses are presented by functional classification in alignment with the overall mission of the university. The university's primary service mission is academic instruction and research, which includes program services and directly supporting functions such as the university's library system and art museum. Student services and support include various student-supporting functions such as admissions and enrollment services, and athletics, as well as health care clinics and other auxiliary enterprises. General administrative and operations include fundraising and other institutional support.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Depreciation and plant operations and maintenance expenses are allocated on a square footage basis. Interest expense on indebtedness is allocated to the functional categories which have benefited from that associated debt.

Expenses by functional and natural classification for the year ended June 30, 2022, were as follows (in thousands):

	Academic and Research	Student Services and Support	General Administrative and Operations	Total
Salaries and wages	\$ 216,847	\$ 44,637	\$ 42,479	\$ 303,963
Employee benefits	53,457	7,782	13,052	74,291
Supplies and services	63,335	25,255	23,323	111,913
Space and occupancy	46,752	8,690	11,368	66,810
Other	19,015	20,939	21,403	61,357
Allocations:				
Depreciation	29,289	13,257	5,685	48,231
Interest	6,492	10,469	2,514	19,475
Operations and maintenance	8,680	7,736	(16,416)	-
	<u>\$ 443,867</u>	<u>\$ 138,765</u>	<u>\$ 103,408</u>	<u>\$ 686,040</u>

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Expenses by functional and natural classification for the year ended June 30, 2021, were as follows (in thousands):

	Academic and Research	Student Services and Support	General Administrative and Operations	Total
Salaries and wages	\$ 206,931	\$ 42,672	\$ 40,647	\$ 290,250
Employee benefits	51,467	7,529	13,046	72,042
Supplies and services	48,328	19,972	20,671	88,971
Space and occupancy	40,235	6,869	9,185	56,289
Other	15,370	16,701	16,504	48,575
Allocations:				
Depreciation	34,639	6,204	17,549	58,392
Interest	6,652	10,563	342	17,557
Operations and maintenance	8,328	7,604	(15,932)	-
	<u>\$ 411,950</u>	<u>\$ 118,114</u>	<u>\$ 102,012</u>	<u>\$ 632,076</u>

Advertising costs are charged to expenses as incurred and totaled approximately \$7.8 million and \$8.5 million for the years ended June 30, 2022 and 2021, respectively, and are included in the respective functional categories above.

13. Foundation

The 1994 merger of Nova University and Southeastern University of the Health Sciences established a supporting foundation (the Foundation) that benefits the Health Professions Division (HPD) of NSU. Annually, 5 percent of the fair value of Foundation assets (excluding amounts classified as other investments, deposits, and accrued investment income) are transferred to NSU for HPD's future use.

As a supporting organization, the Foundation's financial information is combined with NSU's consolidated financial statements. The Foundation's board members are also members of HPD's Board of Governors and members of the university's Board of Trustees. The Foundation, exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), had assets at June 30 of (in thousands):

	2022	2021
Cash and cash equivalents	\$ 207	\$ 243
Investments:		
Money market funds	-	12
Mutual funds	5,024	6,093
Commingled funds	1,520	2,178
Private capital	334	280
Total investments	<u>6,878</u>	<u>8,563</u>
Receivable	-	12
Deposits	-	17
Other	-	7
Total assets	<u>\$ 7,085</u>	<u>\$ 8,842</u>

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Foundation liabilities, which are due to NSU without donor restrictions, were \$4.7 million at June 30, 2022, and \$4.3 million at June 30, 2021, and are eliminated in the accompanying Consolidated Statements of Financial Position.

Changes in the Foundation's net assets resulted from the following activity for the years ended June 30 (in thousands):

	2022	2021
With donor restrictions		
Net assets, beginning balance	\$ 4,493	\$ 2,865
Interest and dividend income	95	92
Gain on sale of securities	132	282
Net unrealized (loss) gain on securities	(1,643)	1,839
Gifts	(7)	35
Other	(41)	70
Appropriation of endowment assets for expenditure	(278)	(262)
Transfers to HPD endowment	(344)	(428)
With donor restrictions, June 30	<u>\$ 2,407</u>	<u>\$ 4,493</u>

14. Broward County Agreements

The following Broward County grant funds were received and expended during the year ended June 30, 2022 (in thousands):

Broward County	Agreement #	Description	Funds Received	Funds Expended
Human Services Department	17-CP-HCS-8228-RW-01-FY21	Ryan White Part A	\$ 1,215	\$ 1,054
Human Services Department	17-CP-HCS-8228-RW-01-FY22	Ryan White Part A	\$ -	\$ 538

15. Alvin Sherman Library, Research, and Information Technology Center

In December 2001, the university commenced operations of a library, research, and information technology center and parking garage (collectively the Center). The design, construction, and operation of the Center were provided for under the terms of an agreement entered into with Broward County (the County) in fiscal 2000 (the Agreement). The Agreement stipulated that NSU would be the sole owner and operator of the Center, while County residents would have full access to the Center and full use of its databases and information resources.

Revenue from the County under the Agreement is recognized on a pro rata basis over the term of the Agreement (commencing in December 2001 with the opening of the Center). Funds of \$13.7 million for the construction of the Center received from the County prior to fiscal year 2002 have been recorded as deferred revenue and are being amortized into income over the term of the Agreement. The County continues to provide funding for the Center. Based on the specified purpose of the funds received, these amounts are either recognized into income upon receipt or recorded as deferred revenue and subsequently amortized into income over the term of the Agreement. At June 30, 2022 and 2021, \$11.7 million and \$12.4 million were recorded as deferred revenue related to these funds, respectively, of which \$0.5 million was classified as current at June 30, 2022 and 2021. During fiscal 2022 and 2021, \$0.5 million of revenue was recognized.

Funds received from the County for certain operating expenses of the Center are recognized as revenue in the period earned and totaled approximately \$4.4 million during fiscal 2022 and 2021, and are included in Other Revenue on the Consolidated Statements of Activities.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

In August 2019, an amendment to the original Agreement was completed related to the construction of the Levan Center of Innovation on the 5th floor of the Center. Under the terms of the amendment, \$5.0 million was received from the County in fiscal 2020 to be used toward construction of the Levan Center of Innovation, of which \$0.7 million and \$4.3 million were utilized in fiscal 2022 and 2021, respectively, and recognized as revenue. Current deferred revenue at June 30, 2021, included approximately \$0.7 million, related to this conditional contribution.

16. University Park Plaza

In October 2001, the university acquired an interest in a limited partnership that owns and operates the University Park Plaza Shopping Center located in Davie, Florida. The partnership will continue until November 1, 2081, unless it is terminated as expressly provided in the agreement. NSU's capital contribution was \$5.0 million for a 50 percent ownership in the partnership.

The university's partnership interest is being accounted for under the equity method. Accordingly, NSU's investment balance, which is reflected in other assets, was reduced by NSU's proportionate share of net loss of \$0.1 million and \$1.7 million for the years ended June 30, 2022 and 2021, respectively. The investment balance at June 30, 2022 and 2021, was \$1.2 million and \$1.3 million, respectively.

17. NSU Guaranty Insurance Company

NSU formed a wholly owned, offshore captive insurance company in November 2003, NSU Guaranty Insurance Company, LTD. (the Captive), in the Cayman Islands to fund the deductible portion of claims filed under insurance carried to cover professional liability for medical malpractice and educators legal liability. The Captive also provides coverage for named windstorm property damage to the university.

The insurance contracts between the Captive and NSU do not transfer significant underwriting risk. The claims liabilities, as determined by independent actuaries, are included in accrued insurance cost in the accompanying Consolidated Statements of Financial Position.

18. Retirement Benefits

Effective January 1, 2012, NSU's 403(b) plan was frozen for participation and future contribution and the university adopted a 401(k) plan. NSU and plan participants contribute to the plan. The university recorded expenses related to these benefits of \$20.9 million and \$20.5 million during fiscal 2022 and 2021, respectively.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

19. Leases and Other Commitments

The university has operating and finance leases for facilities, equipment, and vehicles. Asset and liability balances related to operating and finance leases on the Consolidated Statements of Financial Position as of June 30 are as follows (in thousands):

Classification on the Consolidated Statement of Financial Position	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Operating Leases				
Operating lease right-of-use assets	\$ 92,520		\$ 83,457	
Operating lease liabilities				
Current		22,490		14,383
Long-term		73,051		72,565
		<u>\$ 95,541</u>		<u>\$ 86,948</u>
Finance Leases				
Land, buildings, and equipment, net	\$ 4,876		6,169	
Other liabilities				
Current		\$ 1,272		1,257
Long-term		3,861		5,133
		<u>\$ 5,133</u>		<u>\$ 6,390</u>
Total	<u>\$ 97,396</u>	<u>\$ 100,674</u>	<u>\$ 89,626</u>	<u>\$ 93,338</u>

The components of lease expense for the year ended June 30 are as follows (in thousands):

Component	Classification on Statement of Activities	2022	2021
Operating lease expense	Space and occupancy	\$ 18,524	\$ 15,408
Short-term lease expense	Space and occupancy	621	535
Variable lease expense	Space and occupancy	2,581	2,529
Finance lease expense:			
Amortization of right-of-use assets	Depreciation and amortization	1,284	1,473
Interest on lease liabilities	Interest	104	109
Total lease expenses		<u>\$ 23,114</u>	<u>\$ 20,054</u>

Supplemental cash flow information related to leases as of and for the year ended June 30 is as follows (in thousands):

	2022	2021
Right-of-use-assets obtained in exchange for lease obligations:		
Operating leases	\$ 26,062	\$ 98,040
Finance leases	-	7,152

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

The university's operating leases generally have terms that range from two to ten years, with optional renewals. The university's finance leases generally have terms that range from four to seven years. Average lease terms and discount rates as of June 30 are as follows:

	2022	2021
Weighted average remaining lease term (years):		
Operating leases	5.3 years	6.7 years
Finance leases	4.0 years	5.0 years
Weighted average discount rate:		
Operating leases	1.8%	1.8%
Finance leases	1.8%	1.8%

Future minimum lease payments under operating and finance leases as of June 30, 2022, expiring at various dates through 2029, are as follows (in thousands):

	Operating Leases	Finance Leases
2023	\$ 23,808	\$ 1,352
2024	21,068	1,328
2025	18,387	1,223
2026	11,847	1,126
2027	8,733	282
Thereafter	16,475	-
Total lease payments	100,318	5,311
Imputed interest	(4,777)	(178)
Present value of lease liabilities	\$ 95,541	\$ 5,133

As of June 30, 2022, the Museum had proceeds from the sale of artwork from its collection as follows (in thousands):

2008 (Prior to merger)	\$ 813
2009	1,250
2010	20
Total	\$ 2,083

The university's collection policy requires that the proceeds from the sale of collection items be used to either acquire other items for the collection or be used for direct care of the collection (as further described in Note 2).

20. Related Parties

The university has business transactions with organizations whose owners are members of NSU's Board of Trustees. During the years ended June 30, 2022 and 2021, the university paid these organizations \$7.8 million and \$3.5 million, respectively, primarily attributed to an ongoing operating lease for instructional space that extends through fiscal 2029, with optional renewals thereafter. Contribution revenues from related parties, including NSU's Board of Trustees and their related business affiliates, amounted to approximately \$1.1 million and \$16.2 million for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, pledges receivable from these parties totaled \$35.8 million and \$43.6 million, net of discount, respectively.

Additionally, receivables from employees totaled approximately \$349,000 and \$344,000 as of June 30, 2022 and 2021, respectively, of which \$334,000 and \$276,000, respectively, represents pledges receivable, net of discount.

21. Litigation and Contingencies

The following two paragraphs discuss legal matters that could result in one or more class actions.

A number of colleges and universities around the United States, including in the State of Florida, have been faced with lawsuits filed by parents and students seeking refunds for tuition, fees, and other charges, related to the change to online remote learning as a result of the COVID-19 pandemic (see Note 22), and many seek class action status. The university was previously named in two putative class action lawsuits of this nature. Court rulings dismissing the majority of the claims have occurred, leaving only one of the lawsuits remaining with outstanding claims related to certain fees only. The university is planning to file a motion to dismiss such claims. The university is unable to determine the probability of whether a class will be certified, whether the university will ultimately be held liable, and if liable, the amount of damages, if any, that may be awarded, as well as the extent of insurance coverage that may be available. The university will vigorously defend itself in this matter.

In June 2022, the university was named in a putative class action lawsuit in its status as an Employee Retirement Income Security Act fiduciary of the NSU 401(k) plan (see Note 18). The complaint alleges that the university breached certain fiduciary duties related to plan fees and expenses, investment options, recordkeeping costs, and monitoring performance of other fiduciaries. The plaintiffs claim that the university is liable to restore to the plan all losses caused by, or profits (if any) resulting from, such breaches. In August 2022, the court stayed the case to permit the parties to exhaust internal plan administrative remedies pursuant to the plan's claim-review procedure. Although the university maintains certain insurance coverage for claims of this nature, the university is unable to determine the probability of whether a class will be certified, whether the university will ultimately be held liable, and if liable, the amount of damages, if any, that may be awarded. The university will vigorously defend itself in this matter.

In its normal operations, NSU is a defendant in various other legal actions. Additionally, NSU has contracts and grants with various grantors subject to audit, which could result in disallowance of certain costs. Management is of the opinion that, based on currently known facts and circumstances, the outcome of these matters will not have a material effect on NSU's consolidated financial position or consolidated operating results.

22. COVID-19

A disease caused by a new strain of coronavirus (COVID-19), was declared a pandemic by the World Health Organization on March 11, 2020. The spread of COVID-19 has negatively impacted global financial markets, national, state and local economies, and several industries including institutions of higher education. NSU did not experience a material adverse impact to its overall operating results or financial position as a result of COVID-19 for fiscal years 2022 and 2021.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

NSU recognized government grant revenues from Higher Education Emergency Relief Fund (HEERF) allocations in fiscal 2022 and 2021 of approximately \$22.8 million and \$12.4 million, respectively, comprised of \$10.7 million and \$3.6 million, respectively, related to financial aid grants made to students and \$12.1 million and \$8.8 million, respectively, related to eligible institutional expenses and lost revenues.

Future potential impacts from COVID-19 on the university are not possible to determine given the inherent uncertainty of the course of the virus and related health and regulatory developments, if any, that could occur. The university will continue to closely monitor status and is prepared to take additional measures to protect the health and welfare of the university community, as appropriate.

23. Subsequent Events

Pursuant to ASC 855, Subsequent Events, the university has reviewed all subsequent events through September 29, 2022, the date the consolidated financial statements were available to be issued.

24. U.S. Department of Education Supplemental Disclosure

The U.S. Department of Education (DOE) issued regulations which became effective July 1, 2020, regarding additional disclosures deemed necessary in order to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations. The following information is not required by U.S. generally accepted accounting principles (GAAP).

Net Assets with Donor Restrictions

Net assets with donor restrictions of \$187.7 million reflected in the Consolidated Statement of Financial Position as of June 30, 2022, includes the following categories, in addition to \$37.0 million of other net assets that are not perpetually restricted (in thousands):

Net assets with donor restrictions restricted in perpetuity	\$ 106,942
Annuities, term endowments, and life income funds with donor restrictions:	
Annuities with donor restrictions	-
Term endowments	40,312
Life income funds (trusts)	3,474
Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ 43,786</u>

Property, Plant, and Equipment (PP&E), net

PP&E, net, is referred to as Land, Buildings, and Equipment, net, in the Consolidated Statements of Financial Position and Note 7. It includes construction in progress and finance lease right-of-use assets as detailed in Note 7.

(in thousands)	Pre-Implementation	Post-Implementation		Total	
		With Outstanding Debt	Without Outstanding Debt		
Total PP&E, net, June 30, 2021	\$ 851,511	\$ 26,506	\$ 38,223	\$ 916,240	(Note 7)
Additions	-	-	26,549	26,549	
Disposals	(717)	-	-	(717)	
Depreciation and amortization	(36,312)	(6,660)	(5,259)	(48,231)	
Total PP&E, net, June 30, 2022	<u>\$ 814,482</u>	<u>\$ 19,846</u>	<u>\$ 59,513</u>	<u>\$ 893,841</u>	(Note 7)

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Long-term Debt Obtained for Long-Term Purposes (DOLP)

DOLP includes qualifying debt included within Long-Term Debt and the Current Portion of Long-Term Debt in the Consolidated Statements of Financial Position (LT Debt). Refer to Note 9 for detailed information regarding LT Debt, which is comprised of bonds payable. Note 9 details each bond series, including the applicable issue and maturity dates. Each series included in DOLP is long-term in nature and restricted for capitalized assets (PP&E). The nature of the amounts capitalized include land, buildings and improvements, and various types of equipment, for numerous projects as part of the university's capital plan. The amounts capitalized for such projects equal or exceed the amount of attributable LT Debt.

Additionally, DOLP includes liabilities associated with finance leases, which are included in Other Liabilities, current and long-term, within the Consolidated Statements of Financial Position (Finance Lease Liabilities), as detailed in Note 19. Right-of-use assets associated with Finance Lease Liabilities are included in PP&E (see Note 7).

(in thousands)	DOLP ¹			Other LT Debt ²	
	Pre-Implementation	Post-Implementation	Total DOLP	Post-Implementation	Total LT Debt
LT debt, June 30, 2021	\$ 451,769	\$ 24,742	\$ 476,511	\$ -	\$ 476,511 (Note 9)
Additions	-	-	-	150,000	150,000
Principal Payments	(12,565)	(960)	(13,525)	-	(13,525)
Amortization (Premium and Issuance Costs)	(2,302)	22	(2,280)	(1,215)	(3,495)
LT debt, June 30, 2022	\$ 436,902	\$ 23,804	\$ 460,706	\$ 148,785	\$ 609,491 (Note 9)
Finance Lease Liabilities, June 30, 2021	\$ -	\$ 6,390	\$ 6,390		(Note 19)
Additions	-	-	-		
Payments	-	(1,257)	(1,257)		
Modifications	-	-	-		
Finance Lease Liabilities, June 30, 2022	\$ -	\$ 5,133	\$ 5,133		(Note 19)
Total DOLP, June 30, 2022	\$ 436,902	\$ 28,937	\$ 465,839		

¹Includes the 2016 Bonds, 2018 Bonds, and 2020 Bonds (see Note 9).

²Includes the 2022 Bonds (see Note 9) intended to support future capital expenditures (PP&E). Amortization represents the net of issuance costs incurred of \$1.4 million and amortization through June 30, 2022, of \$0.2 million.

There is no LT Debt included in DOLP that is not for PP&E or liability greater than PP&E.

Supplementary Information

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022 (Dollars in thousands)

Reference to GAAP Financial Statements		DOE Ratio Components		Ratio Calculation			Composite Score Calculation		
Statement and/or Note	Statement Category or Note Description	Elements	Amount	Inputs	Result	Ratio	Strength Factor	Weight	Composite Score
PRIMARY RESERVE RATIO									
Expendable Net Assets									
SFP	Net assets without donor restrictions	Net assets without donor restrictions	\$ 854,452	854,452					
SFP	Net assets with donor restrictions	Net assets with donor restrictions	187,700	187,700					
Note 20	Related Parties	Unsecured related party receivables	36,109	(36,109)					
		Property, plant, and equipment (PP&E), net (* includes construction in progress and finance leases, as applicable)	986,361	(986,361)					
Note 24	U.S. DOE Supplemental Disclosure	* PP&E, net, pre-implementation	814,482						
Note 24	U.S. DOE Supplemental Disclosure	* PP&E, net, post-implementation with outstanding debt	19,846						
Note 24	U.S. DOE Supplemental Disclosure	* PP&E, net, post-implementation without outstanding debt	59,513						
Note 19	Leases and Other Commitments (Operating Leases)	Lease right-of-use assets, post-implementation	92,520						
N/A	N/A	Intangible assets	-	-					
N/A	N/A	Post-employment and defined benefit pension liabilities	-	-					
		Long-term (LT) debt obtained for LT purposes	561,380	561,380					
Note 24	U.S. DOE Supplemental Disclosure	LT debt for LT purposes, pre-implementation	436,902						
Note 24	U.S. DOE Supplemental Disclosure	LT debt for LT purposes, post-implementation	28,937						
Note 19	Leases and Other Commitments (Operating Leases)	Right-of-use lease liabilities, post-implementation	95,541						
Note 24	U.S. DOE Supplemental Disclosure	Annuities, term endowments, and life income funds with donor restrictions	43,786	(43,786)					
		Annuities with donor restrictions	-						
		Term endowments with donor restrictions	40,312						
		Life income funds with donor restrictions	3,474						
Note 24	U.S. DOE Supplemental Disclosure	Net assets with donor restrictions restricted in perpetuity	106,942	(106,942)					
Total Expenses and Losses					430,334				
SOA	Total Expenses	Total expenses without donor restrictions	686,040	686,040					
SOA	Net unrealized loss and net realized loss on investments	Losses without donor restrictions (non-operating and net investment losses, not included in total expenses above)	54,163	54,215					
Note 2	Summary of Significant Accounting Policies—Split Interest Agreements (Change in Split Interest Agreements, if loss)		52						
SOA	Net unrealized loss and net realized loss on investments	Net investment losses (included in losses above)	(54,163)	(54,163)					
N/A	N/A	Pension-related changes other than net periodic pension cost (included in losses above)	-	-					
				686,092		0.6	3.0	40%	1.2
EQUITY RATIO									
Modified Net Assets									
SFP	Net assets without donor restrictions	Net assets without donor restrictions	854,452	854,452					
SFP	Net assets with donor restrictions	Net assets with donor restrictions	187,700	187,700					
N/A	N/A	Intangible assets	-	-					
Note 20	Related Parties	Unsecured related party receivable	36,109	(36,109)					
				1,006,043					
Modified Assets									
SFP	Total assets	Total assets	1,954,327	1,954,327					
N/A	N/A	Intangible assets	-	-					
Note 20	Related Parties	Unsecured related party receivable	36,109	(36,109)					
				1,918,218		0.5	3.0	40%	1.2
NET INCOME RATIO									
SOA	Change in net assets without donor restrictions	Change in net assets without donor restrictions	16,609	16,609	16,609				
SOA	Total revenues and releases without donor restrictions	Total revenues and gains without donor restrictions	702,649	702,649	702,649	0.0	2.2	20%	0.4
									2.8

See accompanying Notes to Financial Responsibility Supplemental Schedule

Notes to Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

1. Basis of Presentation

The U.S. Department of Education (DOE) issued regulations, effective July 1, 2020, regarding information deemed necessary to calculate ratios for determining sufficient financial responsibility under Federal Title IV regulations. The Financial Responsibility Supplemental Schedule (the Schedule) is presented in accordance with the DOE regulations, and is not part of financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP Financial Statements). However, each element listed in the Schedule has been derived from the accompanying GAAP Financial Statements which includes the Consolidated Statement of Financial Position (SFP), Consolidated Statement of Activities (SOA), Consolidated Statement of Cash Flows (SOCF), and the Notes to Consolidated Financial Statements (Notes).

The DOE Ratio Methodology for Private Non-Private Institutions establishes the following ratios, each of which are defined in the regulations with underlying data elements that correspond to the elements listed in the Schedule. Definitions for certain data elements may include items that are not applicable to Nova Southeastern University (NSU) and are therefore not referred to in the Schedule or in the Notes.

Primary Reserve Ratio:	$\frac{\text{Expendable Net Assets}}{\text{Total Expenses without Donor Restrictions and Losses without Donor Restrictions}}$
Equity Ratio:	$\frac{\text{Modified Net Assets}}{\text{Modified Assets}}$
Net Income Ratio:	$\frac{\text{Change in Net Assets without Donor Restrictions}}{\text{Total Revenues without Donor Restrictions and Gains without Donor Restrictions}}$

2. Composite Score Calculation

A strength factor score is assigned to each ratio by applying a prescribed algorithm, with the maximum allowable strength factor score being a 3.0. A standard weight percentage is then applied to the strength factor score to generate a weighted score for each ratio. The composite score is derived by adding the three weighted scores. NSU's calculation of the ratios and composite score is displayed on the Schedule and summarized as follows:

	Ratio	Strength Factor	Weight	Composite Score
Primary Reserve Ratio	0.6	3.0	40%	1.2
Equity Ratio	0.5	3.0	40%	1.2
Net Income Ratio	0.0	2.2	20%	0.4
				<u>2.8</u>

The official calculation of the ratios and composite score will be performed by the DOE.

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2022

Summary	Exhibit	FY22 Total Expenditures
Research and Development – Federal	F-I	\$ 8,825,357
Student Financial Assistance – Federal	F-II	598,560,666
Other Assistance – Federal	F-III	30,756,698
Total Expenditures of Federal Awards		<u>638,142,721</u>
Research and Development – State	S-I	47,750
Student Financial Assistance – State	S-I	16,838,236
Other Assistance – State	S-I	7,334,180
Total Expenditures of State Financial Assistance		<u>24,220,166</u>
Total Expenditures of Federal Awards and State Financial Assistance		<u><u>\$ 662,362,887</u></u>

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2022
(Exhibit F-I)

Federal Awarding Agency/Program Title	Federal ALN Number	Pass-Through ID Number	Pass-Through Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
Research and Development Cluster							
Department of Agriculture							
Agricultural Research Basic and Applied Research	10.001			\$ 9,485	\$ —	\$ 9,485	\$ —
Total for ALN 10.001				9,485	—	9,485	—
Department of Commerce							
Ocean Exploration	11.011	800009482-03UG	Florida International University	—	(5,699)	(5,699)	—
Build to Scale	11.024			14,963	—	14,963	—
Sea Grant Support	11.417	UMS-1246	University of Maine	—	23,394	23,394	—
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	OS0000170/SPC-00955	University of Miami	—	542	542	—
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	OS00000372/SPC-001661	University of Miami	—	27,247	27,247	—
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	OS00000089/SPC-000595	University of Miami	—	20,234	20,234	—
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	OS00000168/SPC-001118	University of Miami	—	16,345	16,345	—
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	OS00000605/SPC-001770	University of Miami	—	53,543	53,543	—
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	OS00000604/SPC-001769	University of Miami	—	322,129	322,129	—
Total for ALN 11.432				—	440,040	440,040	—
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451			432,485	—	432,485	113,286
Unallied Science Program	11.472	UMS-1263	University of Maine	—	17,696	17,696	—
Office For Coastal Management	11.473	OS00000122/SPC-001669	University of Miami	—	185,226	185,226	—
Coral Reef Conservation Program	11.482	2020-000028	Puerto Rico DNER	—	28,416	28,416	—
Coral Reef Conservation Program	11.482			28,034	—	28,034	—
Coral Reef Conservation Program	11.482	0302.21.071754	National Fish and Wildlife Foundation	—	42,130	42,130	—
Coral Reef Conservation Program	11.482	0302.21.073869	National Fish and Wildlife Foundation	—	37,297	37,297	—
Total for ALN 11.482				28,034	107,843	135,877	—
Total Department of Commerce				484,967	768,500	1,253,467	113,286
Department of Defense							
Basic and Applied Scientific Research	12.300			936,602	—	936,602	—
Military Medical Research and Development	12.420	RI0543	Roskamp Institute, Inc.	—	32,448	32,448	—
Military Medical Research and Development	12.420	4500003269	Trustees of Boston University, BUMC	—	7,182	7,182	—
Military Medical Research and Development	12.420	4500002890	Trustees of Boston University, BUMC	—	136,077	136,077	—
Military Medical Research and Development	12.420	M2002760	Texas A&M University	—	2,580	2,580	—
Military Medical Research and Development	12.420			1,646,170	—	1,646,170	771,539
Total for ALN 12.420				1,646,170	178,287	1,824,457	771,539

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Year Ended June 30, 2022
(Exhibit F-I)

Federal Awarding Agency/Program Title	Federal ALN Number	Pass-Through ID Number	Pass-Through Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
Department of Defense (continued)							
Basic, Applied, and Advanced Research in Science and Engineering	12.630			\$ 519,562	\$ –	\$ 519,562	\$ 48,485
Total Department of Defense				3,102,334	178,287	3,280,621	820,024
Department of the Interior							
Wildlife Restoration and Basic Hunter Education	15.611	N/A	Alaska Department of Fish and Game	–	23,274	23,274	–
Cooperative Endangered Species Conservation Fund	15.615	20-076	Alaska Department of Fish and Game	–	26,143	26,143	–
Cooperative Endangered Species Conservation Fund	15.615	N/A	Bok Tower Gardens	–	15,763	15,763	–
Total for ALN 15.615				–	41,906	41,906	–
U.S. Geological Survey_ Research and Data Collection	15.808			944,919	–	944,919	–
Economic, Social, and Political Development of the Territories	15.875			195,549	–	195,549	–
Total Department of the Interior				1,140,468	65,180	1,205,648	–
National Science Foundation							
Engineering	47.041			58,867	–	58,867	–
Mathematical and Physical Sciences	47.049			5,775	–	5,775	–
Geosciences	47.050	537211-77775	Middle Tennessee State University	–	2,148	2,148	–
Education and Human Resources	47.076	31790-02	Rochester Institute of Technology	–	1,069	1,069	–
Education and Human Resources	47.076	P009454903	University of Minnesota	–	724	724	–
Total for ALN 47.076				–	1,793	1,793	–
Office of International Science and Engineering	47.079			123,903	–	123,903	–
Total National Science Foundation				188,545	3,941	192,486	–
Department of Education							
Higher Education Institutional Aid: Developing Hispanic-Serving Institutions Program – Title V	84.031	N/A	Miami Dade College	–	34,320	34,320	–
Education Research, Development and Dissemination	84.305	12600SUB	Seattle Children’s Hospital d/b/a	–	46,687	46,687	–
Research in Special Education	84.324	000473	Seattle Children’s Research Institute	–	4,425	4,425	–
Total Department of Education			Florida International University	–	85,432	85,432	–
Department of Health and Human Services							
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	OS00000396	University of Miami	–	13,073	13,073	–
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	OS00000791	University of Miami	–	61,688	61,688	–
Total for ALN 93.086				–	74,761	74,761	–

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Year Ended June 30, 2022
(Exhibit F-I)

Federal Awarding Agency/Program Title	Federal ALN Number	Pass-Through ID Number	Pass-Through Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
Department of Health and Human Services (continued)							
Oral Diseases and Disorders Research	93.121			\$ 1,382,021	\$ —	\$ 1,382,021	\$ 25,721
Mental Health Research Grants	93.242	12563SUB	Seattle Children's Hospital d/b/a Seattle Children's Research Institute	—	9,904	9,904	—
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			107,264	—	107,264	29,785
Alcohol Research Programs	93.273		Florida State University	—	30,719	30,719	—
Drug Abuse and Addiction Research Programs	93.279	RES513385	Case Western Reserve University	—	58,702	58,702	—
Drug Abuse and Addiction Research Programs	93.279	JCVI-21-004	J. Craig Venter Institute	—	78,820	78,820	—
Drug Abuse and Addiction Research Programs	93.279	0255-C601-4609	ICAHN School of Medicine at Mount Sinai	—	57,187	57,187	—
Drug Abuse and Addiction Research Programs	93.279	GR112020 (CON-80002877)	Yale University	—	56,706	56,706	—
Drug Abuse and Addiction Research Programs	93.279	WU-22-0140	Washington University in St. Louis	—	49,376	49,376	—
Total for ALN 93.279				—	300,791	300,791	—
Minority Health and Health Disparities Research	93.307			(22,423)	—	(22,423)	—
Cancer Treatment Research	93.395			225,300	—	225,300	—
Cancer Centers Support Grants	93.397	63931.2010219.669301	Beckman Research Foundation	—	1,154	1,154	—
Cardiovascular Diseases Research	93.837	OS00000638	University of Miami	—	5,352	5,352	—
Lung Diseases Research	93.838	FY19.240.002	University of Colorado	—	34,838	34,838	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	P009025201	University of Minnesota	—	7,965	7,965	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	424820_GR424683-NSEU	Georgetown University	—	110,334	110,334	—
Allergy and Infectious Diseases Research	93.855			7,918	—	7,918	—
Biomedical Research and Research Training	93.859	NR-K216	Florida Atlantic University Board of Trustees	—	17,082	17,082	—
Biomedical Research and Research Training	93.859			72,296	—	72,296	—
Total for ALN 93.859				72,296	17,082	89,378	—
Child Health and Human Development Extramural Research	93.865	R000002662	Florida State University	—	(15,392)	(15,392)	—
Child Health and Human Development Extramural Research	93.865	5118655	University of North Carolina at Chapel Hill	—	44,391	44,391	—

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Year Ended June 30, 2022
(Exhibit F-I)

Federal Awarding Agency/Program Title	Federal ALN Number	Pass-Through ID Number	Pass-Through Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
Department of Health and Human Services (continued)							
Child Health and Human Development Extramural Research	93.865	2000 G UD763	The Regents of the University of California	\$ -	\$ 79,224	\$ 79,224	\$ -
Child Health and Human Development Extramural Research	93.865	R000002882	Florida State University	-	75,210	75,210	-
Child Health and Human Development Extramural Research	93.865			-	23,236	23,236	-
Child Health and Human Development Extramural Research	93.865	5122137	University of North Carolina at Chapel Hill	-	21,761	21,761	-
Child Health and Human Development Extramural Research	93.865	5120509	University of North Carolina at Chapel Hill	-	(6,077)	(6,077)	-
Total for ALN 93.865				-	222,353	222,353	-
Aging Research	93.866			210,938	-	210,938	41,403
Vision Research	93.867	N/A	JAEB Center for Health Research	-	7,880	7,880	-
Vision Research	93.867	SPC-1000004648/GR121976	Ohio State University	-	1,256	1,256	-
Total for ALN 93.867				-	9,136	9,136	-
Total Department of Health and Human Services				1,983,314	824,389	2,807,703	96,909
Total Research and Development				\$ 6,899,628	\$ 1,925,729	\$ 8,825,357	\$ 1,030,219

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2022
(Exhibit F-II)

Federal Awarding Agency/Program Title	Federal ALN Number	Pass-Through ID Number	Pass-Through Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
Student Financial Assistance Cluster							
Department of Education							
Federal Supplemental Educational Opportunity Grants	84.007			\$ 1,763,788	\$ —	\$ 1,763,788	\$ —
Federal Work-Study Program	84.033			2,266,011	—	2,266,011	—
Federal Pell Grant Program	84.063			13,881,956	—	13,881,956	—
Federal Direct Student Loans	84.268			574,554,263	—	574,554,263	—
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379			218,771	—	218,771	—
Federal Perkins Loan Program	84.038			3,079,442	—	3,079,442	—
Total Department of Education				595,764,231	—	595,764,231	—
Department of Health and Human Services							
Nurse Faculty Loan Program (NFLP) (Note 2)				1,343,358	—	1,343,358	—
NFLP Loans Outstanding as of July 1, 2021				250,403	—	250,403	—
New Loans Issued in Fiscal Year 2022				1,593,761	—	1,593,761	—
Nurse Faculty Loan Program (NFLP)	93.264						
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (Note 2)				998,974	—	998,974	—
Loans Outstanding as of July 1, 2021				203,700	—	203,700	—
New Loans Issued in Fiscal Year 2022				1,202,674	—	1,202,674	—
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342						
Total Department of Health and Human Services				2,796,435	—	2,796,435	—
Total Student Financial Assistance				\$ 598,560,666	\$ —	\$ 598,560,666	\$ —

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2022
(Exhibit F-III)

Federal Awarding Agency/Program Title	Federal ALN Number	Pass-Through ID Number	Pass-Through Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
<i>Other Assistance</i>							
Department of Defense							
Information Security Grants	12.902			\$ 145,186	\$ –	\$ 145,186	\$ –
Total Department of Defense				145,186	–	145,186	–
Department of Justice							
Public Safety Partnership and Community Policing Grants	16.710		Broward County Sheriff's Office	13,253	–	13,253	–
Total Department of Justice				13,253	–	13,253	–
Institute of Museum and Library Services or National Endowment for the Arts or National Endowment for the Humanities							
Promotion of the Humanities Federal/State Partnership	45.129			2,500	–	2,500	–
Total Institute of Museum and Library Services or National Endowment for the Arts or National Endowment for the Humanities				2,500	–	2,500	–
Department of Veterans Affairs							
Yellow Ribbon Scholarships	64.			145,667	–	145,667	–
Total Department of Veterans Affairs	UNKNOWN			145,667	–	145,667	–
Department of Education							
Higher Education Institutional Aid: Promoting Postbaccalaureate Opportunities for Hispanic Americans Program	84.031M			547,790	–	547,790	–
Higher Education Institutional Aid: Developing Hispanic-Serving Institutions Program – Title V	84.031S			1,877,462	–	1,877,462	20,027
Total for ALN 84.031				2,425,252	–	2,425,252	20,027
Graduate Assistance in Areas of National Need	84.200			223,950	–	223,950	–
COVID 19- Higher Education Emergency Relief Fund – Student	84.425E	COVID-19,84.425E		10,697,093	–	10,697,093	–
COVID 19 – Higher Education Emergency Relief Fund – Institutional	84.425F	COVID-19,84.425F		10,579,458	–	10,579,458	–
COVID 19 – Higher Education Emergency Relief Fund – Minority Serving Institutions	84.425L	COVID-19,84.425L		1,535,861	–	1,535,861	–
Total for ALN 84.425				22,812,412	–	22,812,412	–
Disaster Recovery Assistance for Education	84.938T			168,632	–	168,632	–
Total Department of Education				25,630,246	–	25,630,246	20,027

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Year Ended June 30, 2022
(Exhibit F-III)

Federal Awarding Agency/Program Title	Federal ALN Number	Pass-Through ID Number	Pass-Through Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
Department of Health and Human Services							
Training in General, Pediatric, and Public Health Dentistry	93.059	SUB00002588	University of Florida	\$ -	\$ 1,053,558	\$ 1,053,558	\$ 141,732
Area Health Education Centers	93.107	SUB00002994	University of Florida	-	110,710	110,710	-
Area Health Education Centers	93.107			40,664	-	40,664	100,546
Total for ALN 93.107				40,664	110,710	151,374	100,546
Community Programs to Improve Minority Health Grant Program	93.137			171,576	-	171,576	-
NIEHS Hazardous Waste Worker Health and Safety Training	93.142			708,825	-	708,825	47,396
HIV – Related Training and Technical Assistance	93.145	SPC-001305	University of Miami	-	36,662	36,662	-
HIV – Related Training and Technical Assistance	93.145	SPC-001363	University of Miami	-	47,789	47,789	-
HIV – Related Training and Technical Assistance	93.145	SPC-001582	University of Miami	-	19,764	19,674	-
Total for ALN 93.145				-	104,215	104,125	-
Grants to States to Support Oral Health Workforce Activities	93.236	T12HP31863-01-00	Florida Department of Health	-	(18,331)	(18,331)	-
HIV Emergency Relief Project Grants	93.914	21-CP-HCS-8228-RW-01	Broward County	-	993,043	993,043	-
HIV Emergency Relief Project Grants	93.914	21-CP-HCS-8228-RW-01 CA#3	Broward County	-	537,692	537,692	-
Total for ALN 93.914				-	1,530,735	1,530,735	-
Ryan White HIV/Aids Dental Reimbursement and Community Based Dental Partnership Grants	93.924			275,726	-	275,726	144,522
PPHF Geriatric Education Centers	93.969			5,763	-	5,763	-
PPHF Geriatric Education Centers	93.969			764,226	-	764,226	13,735
Total for ALN 93.969				769,989	-	769,989	13,735
CCDF Cluster							
Child Care and Development Block Grant	93.575	LC932	FL Dept of Children and Families	-	65,121	65,121	-
Child Care and Development Block Grant	93.575	2001FLCCC3	Early Learning Coalition- Brwd Cty	-	7,148	7,148	-
Total for CCDF Cluster and ALN 93.575				-	72,269	72,269	-
Total Department of Health and Human Services				1,966,780	2,853,156	4,819,846	447,931
Total Other Assistance				27,903,632	2,853,156	30,756,698	467,958
Total Federal Awards				\$ 633,363,926	\$ 4,778,885	\$ 638,142,721	\$ 1,498,177

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2022
(Exhibit S-I)

State Grantor/State Project Title	CSFA Number	Contract/Grant Identifying Number	Pass-Through Entity	Direct Expenditures	Indirect Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
Research and Development							
Florida Department of Health							
Bankhead and Coley Cancer Research Program	64.078	22B09		\$ 47,750	\$ —	\$ 47,750	\$ —
Total Florida Department of Health				47,750	—	47,750	—
Total Research and Development				47,750	—	47,750	—
Student Financial Aid							
Florida Department of Education							
Minority Teacher Scholarship Program	48.049	90460		6,000	—	6,000	—
Florida Jose Marti Scholarship Challenge Grant Program	48.052			2,000	—	2,000	—
Florida Student Assistance Grant	48.054	99970		1,719,000	—	1,719,000	—
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	48.055	99970		75,565	—	75,565	—
The Florida Bright Futures Scholarship Program	48.059	97040		5,954,209	—	5,954,209	—
Florida Resident Access Grant	48.064	93420		9,081,462	—	9,081,462	—
Total Florida Department of Education				16,838,236	—	16,838,236	—
Total Student Financial Aid				16,838,236	—	16,838,236	—
Other Assistance							
Florida Department of State							
General Program Support (Cultural and Museum Grants)	45.061	22.c.ps.170.607		77,668	—	77,668	—
Total Florida Department of State				77,668	—	77,668	—
Florida Department of Education							
Centers for Autism and Related Disabilities (CARD)	48.030	SPC-002024	University of Miami	—	391,650	391,650	—
Total Florida Department of Education				—	391,650	391,650	—
Florida Department of Health							
Community Health Promotion – Contracted Services	64.157	CORHT		2,984,943	—	2,984,943	—
State and Community Interventions-AHEC	64.112	COTHH		1,604,788	—	1,604,788	652,287
Cessation Interventions – AHEC	64.097	COTHH		2,170,104	—	2,170,104	1,145,397
Total Florida Department of Health				6,759,835	—	6,759,835	1,797,684

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

Year Ended June 30, 2022
(Exhibit S-I)

State Grantor/State Project Title	CSFA Number	Contract/Grant Identifying Number	Pass-Through Entity	Direct Expenditures	Indirect Expenditures	Total Expenditures	Amount Provided to Sub-Recipients
Florida Department of Highway Safety and Motor Vehicles							
Nova Southeastern University License Plate Project	76.053			\$ 97,327	\$ –	\$ 97,327	\$ –
Sea Turtle License Plate Project	76.070			7,700	–	7,700	–
Total Florida Department of Highway Safety and Motor Vehicles				105,027	–	105,027	–
Total Other Assistance				6,942,530	391,650	7,334,180	1,797,684
Total State Financial Assistance				\$ 23,828,516	\$ 391,650	\$ 24,220,166	\$ 1,797,684

See accompanying notes to the Schedule.

Nova Southeastern University, Inc.

Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance

Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of Nova Southeastern University, Inc. (the University) for the year ended June 30, 2022. The information in this Schedule 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) and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the 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 of the University.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures for federal awards issued through December 25, 2014, are recognized following cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*. Expenditures for federal awards are recognized following the cost principles contained in 2 CFR Chapter I and Chapter II Parts 200, 215, 220, 225, and 230, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Pass-through entity identifying numbers are presented where available.

2. Loan Programs

During the year ended June 30, 2022, the University administered new loans related to the various federal loan programs which are reported in the Schedule. As there are continuing compliance requirements with respect to the following loan programs, loans outstanding at the beginning of the year and new loans made during the year are included in the Schedule. Outstanding balances at June 30, 2022 are summarized as follows:

	ALN Number	Total Loans Outstanding as of June 30, 2022
Federal Perkins Loan Program	84.038	\$ 2,063,494
Nurse Faculty Loan Program	93.264	1,528,638
Health Professions Student Loan Program	93.342	1,020,191

Nova Southeastern University, Inc.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)

2. Loan Programs (continued)

During the year ended June 30, 2022, the University processed new loans under the Federal Direct Student Loans Program (ALN number 84.268) of \$574,554,263 as reported in the Schedule. Only new loans made during the fiscal year are reported as federal awards expended.

3. Indirect Cost Rate

The University did not elect to use the 10% de minimis cost rate to calculate the University's indirect (F&A) costs.

4. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the University. In the opinion of management, grant expenditures are in compliance in all material respects with the terms of the respective grant agreements and applicable federal and state laws and regulations.

In accordance with applicable federal student financial aid regulations, NSU is in the process of notifying the U.S. Department of Education of a small number of students who received student loans through their own inappropriate actions. These students were identified during a routine review conducted by the University.

5. Florida Specialty License Plate

The June 30, 2022, Florida specialty license fee endowment fund balance totaled \$1,404,760.

Reports and Schedules Required by the
Uniform Guidance and Chapter 10.650,
Rules of the Auditor General

Report of Independent Auditors 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*

Management and the Board of Trustees
Nova Southeastern University, Inc.

Report on Internal Control Over Financial Reporting

We have audited, in accordance with auditing standards generally accepted in the United States 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 Nova Southeastern University, Inc. (the University), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Ernst & Young LLP

September 29, 2022

Report of Independent Auditors on Compliance for Each Major Federal Program and State Financial Assistance Project and Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*

Management and The Board of Trustees
Nova Southeastern University, Inc.

Report of Independent Auditors on Compliance for Each Major Federal Program and State Financial Assistance Project

Opinion on Each Major Federal Program and State Financial Assistance Project

We have audited Nova Southeastern University, Inc. (the University),’s compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and in the Florida Department of Financial Services’ State Projects Compliance Supplement that could have a direct and material effect on each of the University’s major federal programs and state financial assistance projects for the year ended June 30, 2022. The University’s major federal programs and state financial assistance projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program and State Financial Assistance Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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); and Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards, the Uniform Guidance and *Chapter 10.650, Rules of the Auditor General* are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program and state financial assistance project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and *Chapter 10.650, Rules of the Auditor General* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

We performed audit procedures with respect to the Student Financial Assistance Cluster major federal program related to compliance requirements in Special Test and Provision N13, Gramm-Leach Bliley Act – Student Information Security as outlined in the OMB Compliance Supplement for the year ended June 30, 2022. We determined whether the University has designated an individual to coordinate the information security program. We determined whether the University performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b) and whether the University documented a safeguard for each risk identified from the three required to be risk-assessed by 16 CFR 314.4 (b). Our audit procedures did not evaluate whether the designated individual that coordinated the information security program is competent to oversee the program nor whether the individual possessed the adequate authority to carry out those duties. Our audit procedures also did not determine whether the risk assessment sufficiently addressed the required areas, whether the risks identified are the appropriate risks or that the identified risks appear to be a complete list. Further, our audit procedures did not determine whether the documented safeguards have been put in place or that they will effectively mitigate, reduce, or even address the identified risks. Our opinion on the Student Financial Assistance Cluster major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of

deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Ernst & Young LLP

December 5, 2022

Nova Southeastern University, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

Section I – Summary of Auditor’s Results Section

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

_____ **Yes** X **None reported**

Noncompliance material to financial statements noted?

_____ **Yes** X **No**

Federal Awards and State Projects

Internal control over major federal programs and state financial assistance projects:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

_____ **Yes** X **None reported**

Type of auditor’s report issued on compliance for major federal programs and state financial assistance projects:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.650, *Rules of the Auditor General*?

_____ **Yes** X **No**

Any items related to state financial assistance disclosed in the management letter that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*?

_____ **Yes** X **No**

Nova Southeastern University, Inc.

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results Section (continued)

Identification of Major Federal Programs:

Assistance Listing (ALN) Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342	Student Financial Assistance Cluster
84.425	COVID-19 Higher Education Emergency Relief Fund

Identification of Major State Financial Assistance Programs:

CSFA Numbers	Name of State Project
48.049	Minority Teacher Scholarship Program
48.052	Jose Marti Scholarship Challenge Grant Program
48.054	Florida Student Assistance Grant
48.055	Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members
48.059	Florida Bright Futures Scholarship Program
48.064	Florida Resident Access Grant

Nova Southeastern University, Inc.

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results Section (continued)

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

Federal Programs

\$ 1,187,461

State Projects

\$ 750,000

Auditee qualified as low-risk auditee for Federal purposes? X **Yes** **No**

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award and State Project Findings and Questioned Costs

No matters reported.

Section IV – Management Letter and Summary Schedule of Prior Audit Findings

This section identifies the auditor’s comments and recommendations required to be reported by Sections 215.97(10)(f), and 215.97(11)(d), Florida Statutes and Chapter 10.650, *Rules of the Auditor General*, in the management letter as well as noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but that warrants the attention of those charged with governance. A summary schedule of prior audit findings is not presented as there were no prior audit findings in either of the prior two years to be reported on.

No matters reported.

Nova Southeastern University, Inc.

State of Florida Student Financial Assistance Projects –
Schedule of Populations, Samples Tested, and Questioned Costs

	Award Population		Award Sample				Questioned Costs			
	Amount	Recipients	Amount	% of Population Amount	Recipients	% of Population Recipients	Amount	% of Sample Amount	Recipients	% of Sample Recipients
Florida Academic Scholarship	\$ 3,374,701	\$ 585	275,566	8%	50	8.5%	\$ –	–	–	–
Florida Medallion Scholarship	2,579,508	587	217,092	8%	50	8.5%	–	–	–	–
Total Florida Bright Futures Scholarship Program	5,954,209	1,172	492,658	8%	100		–	–	–	–
Florida Resident Access Grant	9,081,462	3,532	122,167	1%	50	1.4%	–	–	–	–
Minority Teacher Scholarship Program	6,000	2	6,000	100%	2	100%	–	–	–	–
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	75,565	13	58,512	78%	10	76.9%	–	–	–	–
Florida Student Assistance Grant Program	1,719,000	1,095	81,000	5%	50	4.6%	–	–	–	–
Jose Marti Scholarship Challenge Grant Program	2,000	1	2,000	100%	1	100%	–	–	–	–

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