AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2024 and 2023

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CONTENTS

	PAGES
Independent Auditor's Report	1 - 3
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Changes in Net Assets	5 - 6
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	8 - 9
Notes to Consolidated Financial Statements	10 - 34
Supplementary Information:	
Financial Responsibility Supplementary Schedule	35 – 36
Schedule of Changes in Net Assets Without Donor Restrictions Exclusive Of Property, Plant, Equipment and Related Debt	37
Schedule of Expenditures of Federal and State Awards	38
Notes to Schedule of Expenditures of Federal and State Awards	39 - 40
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*	41 - 42
Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*	43 - 45
Schedule of Findings and Questioned Costs	46 - 48
Summary Schedule of Prior Audit Findings	49 - 51
Corrective Action Plan	52

October 7, 2024

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

Independent Auditor's Report

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ave Maria University, Inc. and Subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ave Maria University, Inc. and Subsidiaries as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated 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 within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 consolidated 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial responsibility supplementary schedule and schedule of changes in net assets without donor restrictions exclusive of property, plant, equipment and related debt are presented for purposes of additional analysis and are not a required part of the consolidated financial statements but is required by the U.S. Department of Education. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Section 215.97, Florida Statutes, and Chapter 10.650, *Rules of the Florida Auditor General* is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial responsibility supplementary schedule, the schedule of changes in net assets without donor restrictions exclusive of property, plant, equipment and related debt and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2024, on our consideration of the Ave Maria University, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Ave Maria University, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ave Maria University, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Hill, Barth & King LLC

Certified Public Accountants

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	**$ 31,411,897**	$ 21,159,297
Restricted cash	**4,965,332**	4,747,325
Investments - NOTES B AND S	**19,718,075**	25,396,705
Accounts receivable, net - NOTE C	**1,785,171**	913,077
Pledges receivable, net - NOTE D	**1,839,798**	1,901,257
Prepaid expenses and other assets	**106,407**	408,661
Land proceeds receivable, related party - NOTE L	**4,170,438**	8,570,597
Property and equipment, net - NOTE H	**191,272,307**	189,988,593
Beneficial interest in trusts - NOTES G AND S	**600,333**	1,030,276
Employee loans and advances, net - NOTE F	**174,523**	175,313
Assets held for sale	**396,898**	932,603
Right-of-use-assets, operating - NOTE Q	**319,381**	254,928
Right-of-use-assets, finance - NOTE Q	**382,492**	190,806
Land held for investment - NOTES B AND I	**32,699,249**	33,220,367
TOTAL ASSETS	**$ 289,842,301**	$ 288,889,805
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	**$ 3,930,946**	$ 3,141,305
Gift annuities payable - NOTES G AND S	**895,167**	972,124
Loans payable - NOTE J	**79,755**	120,235
Deferred revenue - NOTE L	**1,988,599**	4,634,011
Operating lease liabilities - NOTE Q	**322,250**	263,976
Finance lease liabilities - NOTE Q	**382,205**	194,174
Bonds payable, net - NOTES J AND S	**54,372,129**	54,969,083
TOTAL LIABILITIES	**61,971,051**	64,294,908
NET ASSETS		
Without donor restrictions	**197,497,279**	190,985,704
With donor restrictions - NOTE M	**30,373,971**	33,609,193
TOTAL NET ASSETS	**227,871,250**	224,594,897
TOTAL LIABILITIES AND NET ASSETS	**$ 289,842,301**	$ 288,889,805

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
REVENUES, SUPPORT AND OTHER			
Operating revenue and support:			
Tuition and fees	$ 35,807,974	$ -	$ 35,807,974
Less scholarships and allowance	(21,579,125)	-	(21,579,125)
NET TUITION AND FEES	14,228,849	-	14,228,849
Private gifts, grants and contributions	11,575,558	7,397,223	18,972,781
Auxiliary income	14,596,674	-	14,596,674
Other income	3,801,123	-	3,801,123
Investment income - NOTE B	5,089,528	1,285,312	6,374,840
Change in value of split-interest agreements	-	66,234	66,234
Net assets released from donor restrictions - NOTE N	11,983,991	(11,983,991)	-
TOTAL REVENUES, SUPPORT AND OTHER	61,275,723	(3,235,222)	58,040,501
OPERATING EXPENSES			
Academic programs	19,467,300	-	19,467,300
Student services	16,087,531	-	16,087,531
Auxiliaries	8,094,280	-	8,094,280
Administrative and general support	7,356,345	-	7,356,345
Fundraising	3,758,692	-	3,758,692
TOTAL OPERATING EXPENSES	54,764,148	-	54,764,148
CHANGE IN NET ASSETS	6,511,575	(3,235,222)	3,276,353
NET ASSETS			
Beginning of year	190,985,704	33,609,193	224,594,897
End of year	$ 197,497,279	$ 30,373,971	$ 227,871,250

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

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

Year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
REVENUES, SUPPORT AND OTHER			
Operating revenue and support:			
Tuition and fees	$ 32,527,208	$ -	$ 32,527,208
Less scholarships and allowance	(20,056,071)	-	(20,056,071)
NET TUITION AND FEES	12,471,137	-	12,471,137
Private gifts, grants and contributions	7,869,538	8,052,235	15,921,773
Donation of land and buildings	537,894	-	537,894
Auxiliary income	13,852,383	-	13,852,383
Other income	5,823,574	-	5,823,574
Investment income - NOTE B	4,513,313	1,098,269	5,611,582
Increase in value of split-interest agreements	-	213,546	213,546
Net assets released from donor restrictions - NOTE N	12,884,492	(12,884,492)	-
TOTAL REVENUES, SUPPORT AND OTHER	57,952,331	(3,520,442)	54,431,889
OPERATING EXPENSES			
Academic programs	16,721,054	-	16,721,054
Student services	15,156,584	-	15,156,584
Auxiliaries	6,836,377	-	6,836,377
Administrative and general support	8,706,475	-	8,706,475
Fundraising	3,307,921	-	3,307,921
TOTAL OPERATING EXPENSES	50,728,411	-	50,728,411
CHANGE IN NET ASSETS	7,223,920	(3,520,442)	3,703,478
NET ASSETS			
Beginning of year	183,761,784	37,129,635	220,891,419
End of year	$ 190,985,704	$ 33,609,193	$ 224,594,897

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2024 and 2023

Year ended June 30, 2024:

	Program Services				Supporting Services			
	Academic Programs	Student Services	Auxiliaries	Program Total	Admin & General Support	Fundraising	Supporting Total	Total
Salaries and benefits	**$12,319,172**	**$ 5,950,811**	**$ 1,187,148**	**$ 19,457,131**	**$ 2,961,895**	**$ 1,734,940**	**$ 4,696,835**	**$ 24,153,966**
Professional services	**18,382**	**583,498**	**182,711**	**784,591**	**891,437**	**56,432**	**947,869**	**1,732,460**
Interest	**886,261**	**886,261**	**413,588**	**2,186,110**	**590,838**	**177,252**	**768,090**	**2,954,200**
Depreciation	**1,654,121**	**1,654,121**	**771,923**	**4,080,165**	**1,102,748**	**330,824**	**1,433,572**	**5,513,737**
Student meal plan	**-**	**-**	**3,129,352**	**3,129,352**	**-**	**-**	**-**	**3,129,352**
Utilities	**1,264,025**	**1,264,025**	**589,879**	**3,117,929**	**842,684**	**252,805**	**1,095,489**	**4,213,418**
Operating expenses	**3,325,339**	**5,748,815**	**1,819,679**	**10,893,833**	**966,743**	**1,206,439**	**2,173,182**	**13,067,015**
Total Expenses	**$19,467,300**	**$16,087,531**	**$ 8,094,280**	**$ 43,649,111**	**$ 7,356,345**	**$ 3,758,692**	**$ 11,115,037**	**$ 54,764,148**

Year ended June 30, 2023:

	Program Services				Supporting Services			
	Academic Programs	Student Services	Auxiliaries	Program Total	Admin & General Support	Fundraising	Supporting Total	Total
Salaries and benefits	$ 9,981,653	$ 5,550,572	$ 815,148	$ 16,347,373	$ 2,389,225	$ 1,362,622	$ 3,751,847	$ 20,099,220
Professional services	27,391	310,011	12,191	349,593	1,823,137	100,812	1,923,949	2,273,542
Interest	1,508,463	1,508,463	703,949	3,720,875	1,005,640	301,693	1,307,333	5,028,208
Depreciation	1,394,036	1,394,036	650,550	3,438,622	929,358	278,807	1,208,165	4,646,787
Student meal plan	-	-	3,169,113	3,169,113	-	-	-	3,169,113
Utilities	1,239,137	1,239,137	578,264	3,056,537	826,091	247,827	1,073,918	4,130,455
Operating expenses	2,570,374	5,154,365	907,162	8,631,902	1,733,024	1,016,160	2,749,184	11,381,086
Total Expenses	$ 16,721,054	$ 15,156,584	$ 6,836,377	$ 38,714,015	$ 8,706,475	$ 3,307,921	$ 12,014,396	$ 50,728,411

See accompanying notes to consolidated financial statements

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2024 and 2023

		2024		2023
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Changes in net assets	**$**	**3,276,353**	$	3,703,478
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation and amortization		**5,513,737**		4,646,787
Amortization of debt loan costs		**22,566**		1,517,181
Amortization of right-of-use assets, operating		**95,366**		81,865
Amortization of right-of-use assets, financing		**109,103**		47,701
Donated securities, property, and other noncash items		**(1,724,815)**		(1,908,092)
Credit Losses- loans and accounts receivable		**708,960**		287,659
Proceeds from contributions restricted for long-term purposes		**(2,000,000)**		-
Net (appreciation) depreciation in value of split-interest agreements		**429,943**		(86,749)
Net (appreciation) depreciation of investments		**(1,369,694)**		(2,326,978)
Net realized (gain) loss on sale of investments		**175,150**		131,964
Gain on installment sale		**(2,632,120)**		(1,937,332)
Net loss on sale or disposition of capital assets, land and buildings held for rent		**(145,511)**		-
(Increase) decrease in assets:				
Accounts receivable		**(1,580,264)**		556,068
Pledges receivable		**61,459**		(1,458,201)
Prepaid expenses and other assets		**300,064**		(179,596)
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities		**789,641**		(2,362,918)
Gift annuities payable		**68,247**		104,458
Deferred revenue on land sale agreements		**(13,292)**		735,764
Operating lease liabilities		**(115,283)**		(80,784)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**1,969,609**		1,472,275
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments		**13,088,175**		68,694,772
Purchase of investments		**(4,542,472)**		(55,107,074)
Payments received on notes receivable		**4,386,867**		3,596,253
Interest collected on notes receivable		**13,292**		-
Increase in notes receivable		**-**		(1,387,304)
Purchase of property and equipment		**(6,745,163)**		(15,697,765)
Proceeds from sale of land held for sale		**840,317**		-
Proceeds from sale of land and buildings held for rent		**364,206**		-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**7,405,222**		98,882

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to beneficiaries under split-interest agreements	**$ (145,204)**	$ (177,767)
Proceeds from contributions restricted for long-term purposes	**2,000,000**	-
Proceeds from bond refinancing	**-**	55,130,000
Payments on bond issuance costs	**-**	(160,917)
Payments on bonds payable	**(605,000)**	(53,830,000)
Principal payments on loans	**(55,000)**	(55,000)
Principal payments on finance lease liabilities	**(99,020)**	(45,151)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**1,095,776**	861,165
NET INCREASE IN CASH,CASH EQUIVALENTS, AND RESTRICTED CASH	**10,470,607**	2,432,322
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	**25,906,622**	23,474,300
End of year	**$ 36,377,229**	$ 25,906,622
OTHER SUPPLEMENTARY CASH FLOWS INFORMATION		
Cash paid for interest	**$ 2,811,702**	$ 3,525,547
Right-of-use assets and lease liability adoption	**$ 460,608**	$ 575,300
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	**$ 31,411,897**	$ 21,159,297
Restricted cash	**4,965,332**	4,747,325
	$ 36,377,229	$ 25,906,622

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

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

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

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Allowance for Credit Losses:
Accounts receivable are stated at net realizable value. An allowance for credit losses and related expenses is established based on the age of receivables from students and others. Collections from students and customers are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts taking into account industry-specific economic factors. Since the University's student receivables are largely similar, the Company evaluates its allowance for credit losses as one portfolio segment. Other receivables are evaluated separately. At origination, the University evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit ratings, probabilities of default, industry trends and other internal metrics. On a continuing basis, data is regularly reviewed based on past-due status and industry standard of 1.5% of tuition and fees to evaluate the adequacy of the allowance for credit losses; actual write-offs are charged against the allowance.

	2024
Beginning balance	$ 1,192,916
Provision for credit losses	708,960
Write-offs	(1,474,648)
Ending balance	$ 427,228

Tuition and Fee Revenue:
The University recognizes revenue as it is earned, when it is realizable, and all the related performance obligations are satisfied. Most of the University's revenue is derived from contracts with students (customers). It includes tuition and fees, financial aid, housing, and meal plan, all of which are contractual in nature and include performance obligations. These arrangements give rise to the contract assets, which represent the University's right to consideration for performance obligations. The contract assets are transferred to accounts receivable when the University's right to consideration is unconditional, which occurs upon completion of the academic term's drop-add period for tuition and fees and upon the start of the academic term for housing and meal plan. These arrangements also give rise to contract liabilities, which the University records as deferred revenue when consideration has been received in advance of the satisfaction of related performance obligations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:
The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

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

Advertising:
The University expenses the costs of advertising as incurred. Advertising expense for the years ended June 30, 2024 and 2023 was $87,536 and $157,240, respectively.

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

For the year ended June 30, 2024, contributions from four donors totaled $9,398,750, which made up 50% of total private gifts, grants and contributions. For the year ended June 30, 2023, contributions from two donors totaled $5,087,000, which made up 30% of total private gifts, grants and contributions.

Contributions of Nonfinancial Assets:
The University recognized contributed nonfinancial assets within revenue of approximately $52,000 and $538,000, for the years ended June 30, 2024 and June 30, 2023, respectively. The assets consisted of real property. The fair value of the property was estimated by obtaining an assessment from a real estate professional. The contributed nonfinancial assets did not have donor-imposed restrictions. It is the University's policy to sell contributed property as soon as possible. As of June 30, 2024, the University has sold a portion of donated real estate.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Management made the election for the fair value option to provide an accurate portrayal of these balances by discounting the gift annuities payable given the length of time involved with some of the annuities.

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

Impairment and Disposition of Long-lived Assets:
The University evaluates the recoverability of its property and equipment whenever adverse events or changes in a business climate indicate that the expected undiscounted future cash flows from a related asset may be less than previously anticipated. If the net book value of related assets exceeds the undiscounted future cash flows of the assets, the carrying amount would be reduced to the fair value of the asset and an impairment loss would be recognized. Assets classified as held for sale in the consolidated statements of financial position are recorded at an amount equal to the lower of carrying value or fair value, less cost to sell. If the carrying value is in excess of the fair value, a loss is recognized. Fair value is estimated based on available market information. There were no impairment charges during the years ended June 30, 2024 and 2023.

Leases:
The University is the lessee of property under operating and finance leases. Upon execution of a new contract, the University determines whether an arrangement is or contains a lease. Right-of-use (ROU) assets represent the University's right to use leased assets over the term of the lease. Lease liabilities represent the University'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 based on the present value of lease payments over the lease term. 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.

As most of the leases do not provide an implicit rate, the University uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The finance and operating lease ROU assets also include any lease payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Amortization for operating and finance ROU assets are recognized on a straight-line basis over the lease term.

The University has elected to apply the short-term lease exemption to leases that qualify.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Debt Service Reserve Fund:
The University, under the terms of its bond trust indenture, agreed to maintain a compensating balance equal to $4,568,250 related to the Series 2023 Bond. These amounts have been classified as restricted cash in the consolidated statements of financial position.

Adopted Accounting Pronouncements:
In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the University that are subject to the guidance in FASB ASC 326 were accounts receivable. The University adopted the standard effective July 1, 2023.

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

Subsequent Events:
Management has evaluated all activity of the University through October 7, 2024, the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the consolidated financial statements or notes.

NOTE B - INVESTMENTS

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

	2024		2023	
	COST	**FAIR VALUE**	COST	FAIR VALUE
Mutual funds	**$16,235,244**	**$19,348,442**	$ 14,003,664	$ 15,843,148
Stocks	**165,787**	**169,354**	-	-
Bonds	**181,727**	**180,299**	9,305,811	9,479,074
Other	**13,758**	**19,980**	75,774	74,483
Land held for investment	**32,699,249**	**32,699,249**	33,220,367	33,220,367
TOTAL INVESTMENTS	**$49,295,765**	**$52,417,324**	$ 56,605,616	$ 58,617,072

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

	2024	2023
Investment interest and dividends - net of fees	**$ 2,102,181**	$ 1,271,023
Interest collected on land held for investment	**126,855**	167,038
Net realized and unrealized gains	**1,194,544**	2,067,422
Realized gain on land held for investment	**2,951,260**	2,106,099
TOTAL INVESTMENT INCOME	**$ 6,374,840**	$ 5,611,582

NOTE C - ACCOUNTS RECEIVABLE

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

	2024	2023
General accounts receivable	**$ 1,140,244**	$ 361,328
Tuition receivable	**1,072,155**	1,744,665
Less: allowance for credit losses on student tuition and fees	**427,228**	1,192,916
Tuition receivable, net	**644,927**	551,749
NET ACCOUNTS RECEIVABLE	**$ 1,785,171**	$ 913,077

NOTE D - PLEDGES RECEIVABLE

The University receives various promises, intentions, and pledges to give from donors. Management records a portion of these promises to give as pledges receivable based on past collections of individual donors, programs supported, and the best estimate of collectability. The pledges receivable estimated by management are recorded on the consolidated financial statements. The present value of expected future cash inflows under these agreements is calculated using an average discount rate of 9.8% and 9.9% at June 30, 2024 and 2023. Intentions to give are not recorded in the consolidated financial statements.

Pledges receivable as of June 30, 2024 and 2023 consist of and are expected to be collected as follows:

	2024	2023
Promises to give	**$ 2,018,825**	$ 2,084,931
Discount to present value	**(179,027)**	(183,674)
NET PLEDGES RECEIVABLE	**$ 1,839,798**	$ 1,901,257
Due in one year	**$ 376,964**	
Due in two to five years	**1,462,834**	
TOTAL	**$ 1,839,798**	

NOTE E - STUDENT LOANS RECEIVABLE

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

NOTE E - STUDENT LOANS RECEIVABLE (CONTINUED)

At June 30, 2024 and 2023, student loans consisted of the following:

	2024	2023
Institutional student loans receivable:		
Stafford replacement - performing	**$ -**	$ 3,229
Stafford replacement - nonperforming, collectively evaluated	**-**	919,702
Total institutional student loans receivable	**-**	922,931
Less allowance for credit losses:		
Beginning balance	**(922,931)**	(925,145)
Adjustment	**922,931**	2,214
Total allowance for credit losses	**-**	(922,931)
NET STUDENT LOANS RECEIVABLE	**$ -**	$ -

Allowances for credit losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. As of June 30, 2024 and 2023, the University has $0 and $922,931, respectively, in gross student loan receivables that are more than 90 days delinquent.

NOTE F - EMPLOYEE LOANS

Employee loans as of June 30, 2024 and 2023 are summarized as follows:

	2024	2023
Employee housing assistance loans	**$ 750,000**	$ 750,000
Reserve for housing assistance loans	**(575,477)**	(574,687)
NET EMPLOYEE LOANS	**$ 174,523**	$ 175,313

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

NOTE F - EMPLOYEE LOANS (CONTINUED)

Employee loans receivable are periodically evaluated for collectability. Provisions for losses are determined on the basis of loss experience, known and inherent risks in the loans held, the estimated value of underlying collateral, if any, and current economic conditions. Management has placed a reserve of $575,477 and $574,687 on the outstanding loan balances as of June 30, 2024 and 2023, respectively.

The reserve accrued as of June 30, 2024 and 2023 is to allow for uncollectible loans as well as potential losses due to fluctuations in the market. The University considers an employee loan to be impaired when, based upon current information and events, it believes it is probable that the University will be unable to collect all amounts due according to the contractual terms of the promissory notes receivable agreements.

NOTE G - SPLIT-INTEREST AGREEMENTS

AMU is the beneficiary of various split-interest agreements including charitable remainder trusts and charitable gift annuities. AMU recognizes irrevocable split-interest agreements when they are executed. If an unrelated third party acts as trustee or fiscal agent, a contribution is recognized when AMU is notified of the agreement's existence. Investments held in split-interest agreements are reported at fair market value of assets donated as of the date of the gift and by recording the actuarial present value of the annuities payable using the 10-year U.S. Treasury discount rate (discount rates used at June 30, 2024 and 2023 were 2.5 percent). Real property and other assets are reported at the appraised value at the date of donation.

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

As of June 30, 2024 and 2023, a beneficial interest in trust of $600,333 and $1,030,276, respectively, was recorded for split-interest agreements with unrelated third parties acting as trustees. Once the agreements have been satisfied, the remaining assets will be transferred to AMU.

For split-interest agreements under which the University acts as the trustee, AMU has recorded an asset included in investments in the consolidated statements of financial position of $1,958,684 and $2,077,550 with a corresponding life income obligation of $895,167 and $972,124 at June 30, 2024 and 2023, respectively.

NOTE H - CAPITAL ASSETS

Major classes of capital assets at June 30, 2024 and 2023 are as follows:

	2024	2023
Land	$ 6,055,447	$ 6,055,447
Land improvements	6,745,055	6,579,986
Buildings and improvements	222,590,915	202,640,402
Equipment	17,031,366	16,543,825
Furniture and fixtures	6,200,214	6,200,214
Library collection	2,647,213	2,647,213
Artwork	3,335,809	3,153,734
Construction in progress	1,435,318	16,043,976
	266,041,337	259,864,797
Less accumulated depreciation	74,769,030	69,876,204
NET PROPERTY AND EQUIPMENT	$ 191,272,307	$ 189,988,593

Depreciation expense on capital assets was $5,513,737 and $4,646,787 for the years June 30, 2024 and 2023, respectively.

NOTE I - LAND HELD FOR INVESTMENT

AMULT owns a 50 percent undivided interest in real property that is recorded at cost and considered held for investment to be sold as needed to fund operations or provide long-term investment for the University. As of June 30, 2024 and 2023, AMULT had a 50 percent undivided interest in 5,918 acres and 6,012 acres of land, which is considered held for investment at cost of $32,699,249 and $33,220,367, respectively.

NOTE J - DEBT OBLIGATIONS

The 2013A Bond was with Collier County Educational Facilities Authority under a trust indenture with a trustee bank secured by a mortgage on real property owned by the University. The fixed rate bond bears interest at rates ranging from 4.5 percent to 6.125 percent. The maturity date for the Series 2013A bond was June 1, 2043. During the year ended June 30, 2023 the University was issued a new Series 2023 Bond with a par amount of $55,130,000 and a maturity date of June 1, 2043. Proceeds from the Series 2023 Bond were used in part to pay off the outstanding balance on the Series 2013A Bond. The fixed rate bond bears interest at rates ranging from 5 percent to 5.5 percent. The Bond contains a debt covenant that is measured annually.

NOTE J - DEBT OBLIGATIONS (CONTINUED)

Bond payable at June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Bonds payable -		
Collier County Educational Facilities Authority: Series 2023	**$ 54,525,000**	$ 55,130,000
Less net unamortized debt issuance costs	**152,871**	160,917
TOTAL BOND PAYABLE	**$ 54,372,129**	$ 54,969,083

The principal maturities on the bonds payable are as follows:

Year Ending June 30	Amount
2025	$ 1,750,000
2026	1,840,000
2027	1,930,000
2028	2,025,000
2029	2,130,000
Thereafter	44,850,000
TOTAL	$ 54,525,000

Deferred Bond Issuance Costs:
Deferred bond issuance costs represent legal and other financing costs incurred related to the aforementioned bond issuances. The deferred financing costs will be amortized over the life of the bonds on a straight-line basis. In accordance with ASU 2015-03, interest expense related to these deferred bond issuance costs was $49,411 for the year ended June 30, 2024.

Interest Expense:
Total interest expense and bond-related costs incurred during fiscal years 2024 and 2023, were approximately $2,800,000 and $3,504,000, respectively.

Debt Covenants:
The provisions of the trust indenture for the Series 2023 Bonds contain various covenants related to liquidity and coverage ratios. As of June 30, 2024 and 2023, management believes the University was in compliance with all covenants.

NOTE J - DEBT OBLIGATIONS (CONTINUED)

Loan Payable:
Loan payable at June 30, 2024 and 2023 are as follows:

	2024	2023
Note payable to third party at 6.0%, annual principal and interest payments of $55,000, principal balance due May 2026, collateralized by asset	**$ 79,755**	$ 120,235

The principal maturities on the loans payable are as follows:

Year Ending June 30	Amount
2025	$ 48,950
2026	30,805
TOTAL	$ 79,755

NOTE K - RELATED PARTY TRANSACTIONS

Ave Maria Development, LLLP (AMD) is an entity which has purchased land from AMULT in the past and is partially owned by a Trustee of the University. During the years ended June 30, 2024 and 2023, AMU paid $91,112 and $87,155, respectively, to AMD for rental costs of the bookstore and student enrollment office within the town of Ave Maria.

Two of the University's trustees are also part of Ave Maria Mutual Funds' Catholic Advisory Board. During the year ended June 30, 2024 and 2023, the University had $16,426,048 and $12,835,204 being held in cash and investments at Ave Maria Mutual Funds.

NOTE L - LAND SALE AGREEMENTS

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

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

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

The following table summarizes the notes receivable, related party activity during fiscal years ended June 30, 2024 and 2023:

	2024	2023
Beginning balance	**$ 8,570,597**	$ 10,706,386
Interest accrued (collected)	**(13,292)**	19,627
Collections on principal and interest	**(4,386,867)**	(3,523,103)
Issuance of notes receivable	**-**	1,367,687
LAND PROCEEDS RECEIVABLE ENDING BALANCE	**$ 4,170,438**	$ 8,570,597

The following table summarizes the deferred revenue activity during fiscal years ended June 30, 2024 and 2023:

	2024	2023
Beginning balance	**$ 4,634,011**	$ 5,835,579
Revenue recognized on prior year sales	**(2,632,120)**	(1,937,332)
Revenue deferred in current year	**(13,292)**	735,764
DEFERRED REVENUE ENDING BALANCE	**$ 1,988,599**	$ 4,634,011

AMULT has accounted for the sales agreements listed above on the installment method. Under the installment method, income is recognized as a portion of each cash payment is received. Accordingly, AMULT recorded a net gain of $2,951,260 and $2,106,099, which is included in investment income in the consolidated statements of activities and changes in net assets, for the years ended June 30, 2024 and 2023, respectively. AMULT has recorded interest income related to the sales agreements of approximately $127,000 and $167,000, which is also included in investment income in the consolidated statements of activities and changes in net assets, for the years ended June 30, 2024 and 2023, respectively.

NOTE L - LAND SALE AGREEMENTS (CONTINUED)

The Seller provides financing options to AMD for promissory notes receivable with maturities greater than one year. Financing promissory notes receivable are periodically evaluated for collectability based on past credit history with AMD and their current financial condition. Provisions for losses on financing promissory notes receivable are determined on the basis of loss experience, known and inherent risks in the promissory notes held, the estimated value of underlying collateral, if any, and current economic conditions. The Seller considers the notes receivable to be fully collectible at June 30, 2024 and 2023 and there are no amounts considered past due at June 30, 2024 and 2023.

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets as of June 30, 2024 and 2023 are restricted for the following purposes:

	2024	2023
Program support	**$ 8,791,975**	$ 11,506,589
Scholarships	**5,362,421**	6,045,477
Endowments for scholarships and program support	**11,014,738**	8,989,288
Split-interest agreements	**1,801,662**	2,154,712
Capital additions	**3,403,175**	4,913,127
TOTAL DONOR RESTRICTED NET ASSETS	**$ 30,373,971**	$ 33,609,193

NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2024 and 2023, the University released the following amounts from donor restricted net assets upon satisfying the terms of restriction:

	2024	2023
Program support	**$ 4,100,554**	$ 1,562,131
Scholarships	**4,370,997**	3,647,044
Capital additions	**3,084,558**	7,675,317
Split interest	**427,882**	-
TOTAL DONOR RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS	**$ 11,983,991**	$ 12,884,492

NOTE O - DONOR-RESTRICTED ENDOWMENTS

Changes in Donor-Restricted Endowments:
Changes in donor-restricted endowments, during the years ended June 30, 2024 and 2023, are described in the following tables:

	2024	2023
Endowment net assets - beginning of year	**$ 8,989,288**	$ 8,682,351
Investment income	**196,699**	107,676
Net appreciation in market value	**71,046**	76,831
Appropriation of endowment net assets for expenditures	**(267,745)**	(184,507)
Contributions received	**2,025,450**	306,937
ENDOWMENT NET ASSETS - END OF YEAR	**$ 11,014,738**	$ 8,989,288

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

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

Interpretation of Relevant Law (Continued):
In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

NOTE O - DONOR-RESTRICTED ENDOWMENTS (CONTINUED)

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

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

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

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

During the year ended June 30, 2024, the University revised its spending policy to authorize the smaller of the endowment fund's rolling 36-month average total annual return or 4 percent of the market value of the endowment fund determined as of the preceding December 31st (or the last business day of the calendar year). The available distribution may be utilized immediately according to the purpose of the individual endowment, held as available for distribution in a subsequent year, or allocated back to the endowment according to management's discretion.

NOTE P - CONTINGENCIES

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

NOTE Q - LEASES

The University leases the bookstore, student enrollment office, and a residence within the town of Ave Maria as well as some equipment that is classified as a finance lease.

The University has two office spaces and a residential lease that are classified as operating leases. The leases have remaining weighted average remaining lease term of 3.22 years, with no plans to renew. As of June 30, 2024, assets recorded under operating leases were $319,381 with lease liabilities of $322,250. The weighted average discount rate of the operating leases is 3.87%. As of June 30, 2024, equipment recorded under a finance lease was $382,492. Finance lease liabilities were $382,205 with a weighted average remaining lease term of 3.65 years. The weighted average discount rate of the finance lease is 4.49%. The total finance lease cost under these agreements was $109,259 for the year ended June 30, 2024. The total operating lease cost under these agreements was $127,746 for the year ended June 30, 2024.

Future minimum lease payments as of June 30, 2024 were as follows:

	Operating Leases	**Finance Leases**
2025	$ 130,893	$ 117,789
2026	89,108	117,789
2027	82,650	117,794
2028	39,600	57,570
2029	3,300	4,786
Total future minimum lease payments	345,551	415,728
Less imputed interest	23,301	33,523
TOTAL	$ 322,250	$ 382,205

NOTE R - EMPLOYEE BENEFIT PLAN

The Ave Maria 401(k) Retirement Plan is a defined contribution plan covering employees of the University. The plan sponsor was required to provide a matching contribution in an amount equal to 100% of the participants' contribution, not to exceed 3% of the participants' gross compensation. Effective January 1, 2024 participants' contributions are matched up to 5%. Contributions to the plan for the years ended June 30, 2024 and 2023 were $404,698 and $257,192, respectively.

NOTE S - FAIR VALUE

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

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

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

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

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

NOTE S - FAIR VALUE (CONTINUED)

The University's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2024 and 2023, there were no transfers between levels of the fair value hierarchy.

The following tables present information about the University's assets and liabilities measured at fair value on a recurring basis at June 30, 2024 and 2023 and the valuation techniques used by the University to determine those fair values.

Disclosures concerning assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 are as follows:

	Balance at June 30, 2024	(Level 1)	(Level 2)	(Level 3)
Assets:				
Investments:				
Common stock	$ 169,354	$ 169,354	$ -	$ -
Mutual funds - equities	19,348,442	19,348,442	-	-
Mutual funds - bonds	180,299	180,299	-	-
Other	19,980	19,980	-	-
Total investments	19,718,075	19,718,075	-	-
Beneficial interest in trusts	600,333	-	-	600,333
TOTAL ASSETS	$ 20,318,408	$ 19,718,075	$ -	$ 600,333
Liabilities:				
Gift annuities payable	$ 895,167	$ -	$ -	$ 895,167
Bonds payable	54,372,129	-	54,372,129	-
TOTAL LIABILITIES	$ 55,267,296	$ -	$ 54,372,129	$ 895,167

NOTE S - FAIR VALUE (CONTINUED)

Disclosures concerning assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 are as follows:

	Balance at June 30, 2023	(Level 1)	(Level 2)	(Level 3)
Assets:				
Investments:				
Mutual funds - equities	$ 15,843,148	$ 15,843,148	$ -	$ -
Mutual funds - bonds	9,479,074	9,479,074	-	-
Other	74,483	74,483	-	-
Total investments	25,396,705	25,396,705	-	-
Beneficial interest in trusts	1,030,276	0	-	1,030,276
TOTAL ASSETS	$ 26,426,981	$ 25,396,705	$ -	$ 1,030,276
Liabilities:				
Gift annuities payable	$ 972,124	$ -	$ -	$ 972,124
Bonds payable	54,969,083	-	54,969,083	0
TOTAL LIABILITIES	$ 55,941,207	$ -	$ 54,969,083	$ 972,124

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis are described in the following tables as of June 30:

	Assets Beneficial Interest in Trusts		Liabilities Gift Annuities Payable	
	2024	2023	**2024**	2023
Beginning balance	**$ 1,030,276**	$ 943,527	**$ (972,124)**	$ (1,045,433)
Unrealized gains (losses) included in change in net assets	**(429,943)**	86,749	**(68,251)**	(104,458)
Payments made to annuitants	**-**	-	**145,208**	177,767
ENDING BALANCE	**$ 600,333**	$ 1,030,276	**$ (895,167)**	$ (972,124)

NOTE S - FAIR VALUE (CONTINUED)

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

The University estimates the fair value of beneficial interest in trusts and gift annuities payable, which relates to the split-interest agreements, based upon the present value of the expected future cash flows using management's best estimate of key assumptions including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involved. Significant changes in these key assumptions would result in a significantly higher or lower fair value measurement. These assets and liabilities are characterized as Level 3 assets and liabilities at June 30, 2024 and 2023.

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

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

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

Total annuities, term endowments, and life income funds with donor restrictions total $1,801,662 at June 30, 2024.

NOTE T - LIQUIDITY AND AVAILABILITY

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

	2024	2023
Financial assets, as of June 30:		
Cash, cash equivalents and restricted cash	**$ 36,377,229**	$ 25,906,622
Investments	**19,718,075**	25,396,705
Accounts receivable	**1,785,171**	913,077
Pledges receivable, net	**1,839,798**	1,901,257
Beneficial interest in trusts	**600,333**	1,030,276
TOTAL FINANCIAL ASSETS	**60,320,606**	55,147,937
Less those unavailable for general expenditure within one year:		
Cash and investments restricted for bonds	**4,965,332**	4,747,325
Net assets with donor restrictions	**30,373,971**	33,609,193
TOTAL UNAVAILABLE ASSETS	**35,339,303**	38,356,518
FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR FOR GENERAL EXPENDITURES	**$ 24,981,303**	$ 16,791,419

NOTE U – CHANGES IN NET ASSETS FROM CORE OPERATIONS

The University considers it important to display operating revenues and expenses from its core purpose and presents external uncontrollable factors separately for increased transparency of the consolidated financial statements below:

Changes in net assets as of June 30, 2024 are as follows:

	Without donor restrictions	With donor restrictions	Total
OPERATING REVENUE AND SUPPORT			
Tuition and fees	$ 35,807,974	$ -	$ 35,807,974
Less scholarships and allowance	(21,579,125)	-	(21,579,125)
NET TUITION AND FEES	14,228,849	-	14,228,849
Private gifts, grants and contributions	11,575,558	7,397,223	18,972,781
Auxiliary income	14,596,674	-	14,596,674
Conference and store revenue	1,520,998	-	1,520,998
Other income	1,829,631	-	1,829,631
Net assets released from donor restrictions - operating	8,899,433	(8,899,433)	-
TOTAL OPERATING REVENUE AND SUPPORT	52,651,143	(1,502,210)	51,148,933
OPERATING EXPENSES			
Program expenses	43,649,111	-	43,649,111
Institutional Support	11,115,037	-	11,115,037
TOTAL OPERATING EXPENSES	54,764,148	-	54,764,148
CHANGE IN NET ASSETS FROM OPERATIONS	(2,113,005)	(1,502,210)	(3,615,215)
GAINS AND OTHER INCOME (EXPENSE)			
Litigation settlement	450,494	-	450,494
Investment income	5,089,528	1,285,312	6,374,840
Change in value of split-interest agreements	-	66,234	66,234
Net assets released from donor restrictions - capital	3,084,558	(3,084,558)	-
	8,624,580	(1,733,012)	6,891,568
CHANGE IN NET ASSETS	6,511,575	(3,235,222)	3,276,353
NET ASSETS			
Beginning of year	190,985,704	33,609,193	224,594,897
End of year	$ 197,497,279	$ 30,373,971	$ 227,871,250

NOTE U – CHANGES IN NET ASSETS FROM CORE OPERATIONS (CONTINUED)

Changes in net assets as of June 30, 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
OPERATING REVENUE AND SUPPORT			
Tuition and fees	$ 32,527,208	$ -	$ 32,527,208
Less scholarships and allowance	(20,056,071)	-	(20,056,071)
NET TUITION AND FEES	12,471,137	-	12,471,137
Private gifts, grants and contributions	7,869,538	8,052,235	15,921,773
Donation of land and buildings	537,894	-	537,894
Auxiliary income	13,852,383	-	13,852,383
Conference and store revenue	535,632	-	535,632
Other income from operations	1,047,269	-	1,047,269
Net assets released from donor restrictions - operating	5,209,175	(5,209,175)	-
TOTAL OPERATING REVENUE AND SUPPORT	41,523,028	2,843,060	44,366,088
OPERATING EXPENSES			
Program expenses	38,714,015	-	38,714,015
Institutional support	12,014,396	-	12,014,396
TOTAL OPERATING EXPENSES	50,728,411	-	50,728,411
CHANGE IN NET ASSETS FROM OPERATIONS	(9,205,383)	2,843,060	(6,362,323)
GAINS AND OTHER INCOME (EXPENSE)			
Litigation settlement	3,959,551	-	3,959,551
Other income	281,122	-	281,122
Investment income	4,513,313	1,098,269	5,611,582
Change in value of split-interest agreements	-	213,546	213,546
Net assets released from donor restrictions - capital	7,675,317	(7,675,317)	-
	16,429,303	(6,363,502)	10,065,801
CHANGE IN NET ASSETS	7,223,920	(3,520,442)	3,703,478
NET ASSETS			
Beginning of year	183,761,784	37,129,635	220,891,419
End of year	$ 190,985,704	$ 33,609,193	$ 224,594,897

NOTE V - FINANCIAL RESPONSIBILITY INDEX SCORE

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

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

	2024	2023
Net assets not restricted in perpetuity	**$ 20,919,210**	$ 26,228,382
Net assets restricted in perpetuity	**9,454,761**	7,380,811
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 30,373,971**	$ 33,609,193

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

	2024	2023
Note payable to third party at 6.00%	**$ 79,755**	$ 120,235

As required by the U.S. Department of Education, under Section 498(c) of the Higher Education Act of 1965, the University's financial responsibility index score for the year ended June 30, 2024 is 3.1.

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTARY SCHEDULE

Year ended June 30, 2024

Financial Statement/ Footnote Disclosure	Line Item Description	**Amount**
Consolidated Statements of Financial Position	Net assets without donor restrictions	**$197,497,279**
Consolidated Statements of Financial Position	Net assets with donor restriction	**30,373,971**
Note V	Net assets restricted in perpetuity	**(9,454,761)**
Note M	Annuities	**(1,801,662)**
Note H	Net property and equipment - pre-implementation	**(170,872,722)**
Note H	Net property and equipment - post-implementation	**(20,399,585)**
Note Q	Lease right-of-use assets, pre-implementation	**-**
Note Q	Lease right-of-use assets, post-implementation	**701,873**
Note J	Debt obtained for long-term purposes, not to exceed total net land, buildings, and equipment - pre-implementation	**79,755**
Note J	Debt obtained for long-term purposes, not to exceed total net land, buildings, and equipment - post-implementation	**54,372,129**
Note Q	Lease right-of-use assets liability pre-implementation	**-**
Note Q	Lease right-of-use assets liability, post-implementation	**704,455**
	TOTAL EXPENDABLE NET ASSETS	**$ 81,200,732**

Total Expenses Without Donor Restrictions and Losses Without Donor Restrictions

Financial Statement/ Footnote Disclosure	Line Item Description	**Amount**
Consolidated Statements of Activities and Changes in Net Assets	Total operating expenses	**$ 54,764,148**
	TOTAL EXPENSES WITHOUT DONOR RESTRICTIONS AND LOSSES WITHOUT DONOR RESTRICTIONS	**$ 54,764,148**

EQUITY RATIO

Modified Net Assets

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Financial Position	Net assets without donor restrictions	**$197,497,279**
Consolidated Statements of Financial Position	Net assets with donor restrictions	**30,373,971**
	TOTAL MODIFIED NET ASSETS	**$227,871,250**

Modified Assets

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Financial Position	Total assets	**$289,842,301**
	TOTAL MODIFIED ASSETS	**$289,842,301**

NET INCOME RATIO

Change in Net Assets Without Donor Restrictions

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Activities and Changes in Net Assets	Change in net assets without donor restrictions	**$ 6,511,575**
	TOTAL CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**$ 6,511,575**

Total Revenues Without Donor Restrictions

Financial Statement/ Footnote Disclosure	Line Item Description	Amount
Consolidated Statements of Activities and Changes in Net Assets	Total operating revenues	**$ 61,275,723**
	TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	**$ 61,275,723**

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SCHEDULE OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
EXCLUSIVE OF PROPERTY, PLANT, EQUIPMENT AND RELATED DEBT

Years ended June 30, 2024 and 2023

	2024	2023	2022
Net assets without donor restrictions per audited consolidated financial statements (a)	**$197,497,279**	$ 190,985,704	$ 183,770,569
Net capital assets per audited consolidated financial statements	**191,272,307**	189,988,593	178,937,615
Less restricted capital asset	-	-	-
Adjusted unrestricted net capital assets	**191,272,307**	189,988,593	178,937,615
Less plant-related debt	**54,372,129**	54,969,083	52,327,339
Adjusted unrestricted net capital assets less plant-related debt (b)	**136,900,178**	135,019,510	126,610,276
Net assets without donor restrictions exclusive of plant and plant-related debt (a)-(b)	**$ 60,597,101**	$ 55,966,194	$ 57,160,293
Increase (decrease) in net assets without donor restrictions exclusive of property, plant, equipment and related debt attributable to operations	**$ 4,630,907**	$ (1,194,099)	$ (2,515,439)

AVE MARIA UNIVERSITY, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2024

Federal Agency/Program Title	AL Number	Grant Number	**Federal Expenditures**
FEDERAL AWARDS			
U.S. Department of Education:			
Federal Supplemental Education Opportunity Grants	84.007	P007A238874	**$ 56,590**
Federal Work Study Program	84.033	P033A238874	**46,115**
Federal Pell Grant Program	84.063	P063P235744	**1,492,288**
Federal Direct Student Loans:			
Federal Stafford - Subsidized	84.268	P268K245744	**1,523,400**
Federal Stafford - Unsubsidized	84.268	P268K245744	**2,384,320**
Federal PLUS	84.268	P268K245744	**1,634,007**
Total Federal Direct Student Loans			**5,541,727**
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			**7,136,720**
TOTAL FEDERAL AWARDS			**7,136,720**

State Agency/Program Title	CSFA Number	Grant Number	**State Expenditures**
STATE AWARDS			
Florida Department of Education:			
Florida Work Experience Project	48.053	-	**11,407**
Florida Private Student Assistance Grant	48.054	-	**79,998**
Children of Deceased/Disabled Veterans	48.055	-	**33,127**
Florida Bright Futures Scholarship Program	48.059	-	**765,532**
Effective Access to Student Education Grant Program	48.064	-	**1,247,750**
TOTAL STUDENT FINANCIAL ASSISTANCE			**2,137,814**
TOTAL STATE AWARDS			**2,137,814**
TOTAL FEDERAL AND STATE AWARDS			**$ 9,274,534**

See accompanying notes to schedule of expenditures of federal and state awards

NOTE A - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards and state awards (the "Schedule") includes the federal and state grant activity of Ave Maria University, Inc. and Subsidiaries (the "University") under programs of the federal government and the State of Florida for the year ended June 30, 2024. Expenditures reported on the Schedule are reported on the accrual basis of accounting, although the basis for determining when federal and state awards are expended is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 215.97, Florida Statutes, and Chapter 10.650, *Rules of the Florida Auditor General*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

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

NOTE B - 10-PERCENT DE MINIMIS ELECTION

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

NOTE C - STATE PROGRAM INFORMATION

The administration of each program below is the responsibility of the Florida Department of Education's Office of Student Financial Assistance and the University. The following is a brief description of each Florida Student Financial Assistance Program administered by the student financial aid office for the year ended June 30, 2024:

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

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

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

NOTE C - STATE PROGRAM INFORMATION (CONTINUED)

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

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

Children of Deceased and Disabled Veterans (CDDV):
CDDV provides an award to dependent children or unremarried spouses of qualified Florida veterans.

NOTE D - STATE PROGRAM SELECTION

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

State Program	Category	Number of Students	Percent of Population	Amount of Awards	Percent of Population
BFFAS	Population	64	100%	$ 443,716	100%
	Tested	16	25%	109,180	25%
	Findings	0	0%	-	0%
BFFMS	Population	68	100%	$ 321,816	100%
	Tested	17	25%	81,726	25%
	Findings	0	0%	-	0%
FSAG	Population	84	100%	$ 79,998	100%
	Tested	21	25%	20,500	26%
	Findings	0	0%	-	0%
FWEP	Population	10	100%	$ 11,407	100%
	Tested	10	100%	11,407	100%
	Findings	0	0%	-	0%
EASE	Population	376	100%	$ 1,247,750	100%
	Tested	50	13%	169,750	14%
	Findings	0	0%	3,000	0%
CSDDV	Population	5	100%	$ 33,127	100%
	Tested	5	100%	33,127	100%
	Findings	0	0%	-	0%

During the year ended June 30, 2024, the University has refunded $11,766 to the Florida Department of Education for excess amounts received related to the Florida Bright Futures Scholarship Program.

October 7, 2024

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Ave Maria University, Inc. and Subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 7, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

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

The University's Response to the Findings

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

Purpose of this Report

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

Hill, Barth & King LLC

Certified Public Accountants

October 7, 2024

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

Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Ave Maria University, Inc. and Subsidiaries' (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements identified as subject to audit in the *Florida Department of Financial Services' State Project Compliance Supplement*, that could have a direct and material effect on each of the University's major federal and state programs for the year ended June 30, 2024. The University's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the audit requirements of Chapter 10.650, *Rules of the Florida Auditor General* (State Guidance). Our responsibilities under those standards, the Uniform Guidance, and State Guidance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

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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 and state programs.

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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 *Rules of the Florida Auditor General* 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 and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, *Rules of the Florida 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, *Rules of the Florida Auditor General*, 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

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

Our consideration of internal control over compliance was for the limited purpose described in the 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, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

Hill, Barth & King LLC

Certified Public Accountants

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	None

Federal and State Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None
Internal control over major state programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) and/or Section 215.97, Florida Statutes?	None
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?	None

Identification of major federal programs:

AL Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster

Identification of major state programs:

CSFA Numbers	Name of State Program or Cluster
48.059	Florida Bright Futures Scholarship Program
48.064	Effective Access to Student Education Grant Program

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

Federal	$750,000
State	$641,344

Auditee qualified as low-risk auditee? No

SECTION II – FINDINGS RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding	2024-001
Year Affected	June 30, 2024
Finding Type	Significant Deficiency
Criteria	Management is responsible for maintaining adequate processes and internal controls to prevent, detect and correct material misstatements in the consolidated financial statements.
Condition	The University maintains several internally prepared spreadsheets to track accounting details such as net assets with donor restrictions, investment activity, charitable gift annuities, prepaids, pledge receivables and fixed assets. Due to the manual process, consistent reconciliations and review of those reconciliations need to be done timely throughout the year.
Cause	For part of the year, there were few reconciliation and review processes implemented consistently to ensure internally prepared spreadsheets and related reconciliations and journal entries were performed or were accurate. Adjustments were ultimately identified by the client but during the audit period.
Effect	As a result, significant reconciliations and adjustments were needed to the accounting to correct the balances reported. Adjustments were identified and provided by the client and made during the 4th quarter and during the audit fieldwork. A lack of consistent and timely reconciliation processes, and proper review, allows errors in the accounting to go unnoticed, inaccurate financial reporting, and increases the potential for unauthorized manipulation and fraud to go undetected. Significant adjustments were required to correct the balances. Due to the timing of onboarding the new CFO and controller late in the year, timeliness was a factor.
Questioned Costs	None
Recommendation	We recommend that significant balance sheet accounts be reconciled on a monthly basis to ensure that a complete and accurate set of financial statements is provided for management's and the Board of Director's review. This process should allow for at least one level of review to be done by an experienced person other than the one who prepared it. Specifically, a timely review of the underlying data supporting the reconciliation needs to be incorporated to ensure accuracy in balances used and variances from the trial balance are investigated. This will ensure a more timely close.
Auditee's Response	High level accounting personnel were hired in the fourth quarter of the fiscal year and began immediately implementing the above recommended reconciliations and review procedures at that time. Due to the timing of the onboarding of these personnel, some of the necessary adjustments were not completed until the audit fieldwork time frame. See attached corrective action plan.
Repeat Finding	Yes, 2023-001

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

None

SECTION IV – STATE PROGRAM AUDIT FINDINGS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2024

Status of Consolidated Financial Statement Findings:

Prior Year Finding Number	2023-001
Prior Year Finding Type	Material Weakness
Original Finding Description	During our audit process we determined the accounting discipline at the University needs significant improvement. The University maintains several internally prepared spreadsheets to track accounting details such as net assets with donor restrictions, investment activity, charitable gift annuities, prepaids, pledge receivables and fixed assets. From those spreadsheets the journal entries are prepared and posted to the accounts. We identified several errors within the spreadsheets and the related journal entries. It appears restricted access to posting entries as well as proper review of entries needs to be implemented. Proper rollforward of spreadsheets between fiscal years needs to be implemented.
Status	Partially corrected
Explanation	The Business Office has been operating at less than full staff for more than three years in an effort to conserve resources. This has had an effect on the ability to keep up certain tasks, including reconciliations. Although the University employed a new Controller to assist the Business Office and relieve some of the burden from the other employees including reviewing journal entries and supporting spreadsheets, the employee retired before the end of the fiscal year and a new Controller and CFO hired during the second half of the year. Responsibilities were still being aligned as of year end to effect change. We expect this change to produce more timely and accurate documentation of transactions and reconciliations.

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

Year ended June 30, 2024

Status of Consolidated Financial Statement Findings (Continued):

Prior Year Finding Number	2023-002
Prior Year Finding Type	Significant Deficiency on Internal Control
Original Finding Description	Per review of the University's annual report for the HEERF program funds, we noted three instances where the amounts and information reported did not agree to the internal records. Issues noted included incorrect amounts and information posted for the Emergency Financial Aid grants, monitoring and suppressing coronavirus, and total of institutional annual expenditures.
Status	Corrected
Explanation	There were no further awards funded or expended for this program.

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

Year ended June 30, 2024

Status of Consolidated Financial Statement Findings (Continued):

Prior Year Finding Number	2023-003
Prior Year Finding Type	Significant deficiency on compliance and control
Original Finding Description	Under the Florida statute 1009.21, to be eligible to receive EASE, students should provide evidence of legal residency in Florida and its duration that include clear and convincing documentation that residency in Florida was for a minimum of twelve consecutive months prior to the student's initial enrollment. The residency determination should be made at the time of initial enrollment and must be documented by the submission of written or electronic verification that includes two or more of the documents identified in the statute and no single piece of evidence shall be conclusive. The University did not obtain proper documentation for two students. As a result, two out-of-state students were improperly recorded as Florida residents.
Status	Corrected
Explanation	Internal processes were updated to ensure that there is a separation of duties with respect to reviewing of documents. No additional instances have been identified.

CORRECTIVE ACTION PLAN

Year ended June 30, 2024

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2024-001	There was a significant deficiency over internal controls reported for the fiscal year ended June 30, 2024 due to lack of processes throughout the year in addition to turn over of existing long-standing staff which occurred earlier in the fiscal year. A new Chief Financial Officer and a new Controller were hired in the 4th quarter of the fiscal year with strong accounting and financial reporting skills. These new personnel began performing an assessment of the condition of the general ledger and the University's internal controls and immediately began implementing changes. However, there were significant clean-up entries needed after year end due to the poor condition of the University's general ledger. All clean-up entries were proposed by the University's staff in their effort to put the University's financial records on a sound footing as of year-end, and for the coming fiscal year. Moreover, due to external reporting requirements, audit field work began three weeks earlier than the prior year fiscal year and the audited financial statements have been issued five weeks earlier than the prior fiscal year. With continued planned control and reconciliation improvements during fiscal year 2025, we anticipate this significant deficiency will not be reflected in next year's report.	Continuing	Steve Logan