

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

Nova Southeastern University, Inc.
Year Ended June 30, 2021
With Reports of Independent Auditors

Ernst & Young LLP



Nova Southeastern University, Inc.

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

Year Ended June 30, 2021

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Nova Southeastern University, Inc. (the University), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to September 24, 2021. The financial responsibility supplemental schedule as required by the U.S. Department of Education and the schedule of expenditures of federal awards and state financial assistance as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Auditor General*, are presented for purposes of additional analysis and are 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. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 24, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Ernst + Young LLP

September 24, 2021,
except for our report on the schedule of
expenditures of federal awards and state
financial assistance for which the date is
March 30, 2022

Consolidated Statements of Financial Position

June 30, 2021 and 2020

(\$ in thousands)

| ASSETS | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 51,484 | \$ 33,095 |
| Restricted cash | 12,090 | 10,496 |
| Investments | 419,168 | 336,211 |
| Tuition and other receivables, net | 34,875 | 36,497 |
| Pledges receivable, current portion, net | 17,638 | 9,218 |
| Prepaid expenses and other current assets | 11,953 | 15,040 |
| Total current assets | <u>547,208</u> | <u>440,557</u> |
| Pledges receivable, net | 34,066 | 34,539 |
| Bond deposits with trustees | 1,370 | 4,795 |
| Federal Perkins student loans | 3,093 | 3,739 |
| Foundation assets | 8,842 | 6,856 |
| Contributions receivable from remainder trusts | 293 | 257 |
| Scholarship funds held in trust by others | 4,176 | 3,400 |
| Designated investments | 67,997 | 48,572 |
| Restricted investments | 107,662 | 74,868 |
| Restricted cash and cash equivalents | 20,615 | 26,456 |
| Land, buildings, and equipment, net | 916,240 | 939,450 |
| Operating lease right-of-use assets | 83,457 | - |
| Other assets | 21,823 | 20,975 |
| Total assets | <u>\$ 1,816,842</u> | <u>\$ 1,604,464</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 62,743 | \$ 46,471 |
| Deferred revenue | 67,551 | 66,098 |
| Current portion of long-term debt | 13,525 | 12,260 |
| Operating lease liabilities, current | 14,383 | - |
| Other current liabilities | 18,515 | 25,750 |
| Total current liabilities | <u>176,717</u> | <u>150,579</u> |
| Long-term debt | 462,986 | 478,821 |
| Refundable Federal Perkins student loans | 3,361 | 3,815 |
| Due to beneficiaries under remainder trusts and annuities | 111 | 130 |
| Accrued insurance cost | 12,766 | 10,789 |
| Deferred revenue | 12,505 | 13,717 |
| Operating lease liabilities | 72,565 | - |
| Other liabilities | 21,745 | 18,854 |
| Total liabilities | <u>762,756</u> | <u>676,705</u> |
| Net assets: | | |
| Without donor restrictions | \$ 837,843 | \$ 756,688 |
| With donor restrictions | 216,243 | 171,071 |
| Total net assets | <u>1,054,086</u> | <u>927,759</u> |
| Total liabilities and net assets | <u>\$ 1,816,842</u> | <u>\$ 1,604,464</u> |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

June 30, 2021 and 2020

(with summarized financial information for the year ended June 30, 2020)

(\$ in thousands)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2021 Total</u> | <u>2020 Total</u> |
|--|---------------------------------------|------------------------------------|----------------------------|--------------------------|
| REVENUES AND RELEASES | | | | |
| Net tuition and fees | \$ 565,337 | \$ - | \$ 565,337 | \$ 543,924 |
| Contributions and private grants | 1,319 | 36,946 | 38,265 | 24,990 |
| Government grants and contracts | - | 42,727 | 42,727 | 41,396 |
| Auxiliary operations | 40,671 | - | 40,671 | 42,267 |
| Interest and dividends | 10,745 | 1,270 | 12,015 | 11,213 |
| Net unrealized gain on investments | 11,884 | 25,176 | 37,060 | 4,022 |
| Net realized gain on sale of investments | 107 | 3,868 | 3,975 | 1,592 |
| Other revenues | 12,266 | 6,087 | 18,353 | 21,602 |
| Net assets released from restrictions | <u>70,902</u> | <u>(70,902)</u> | <u>-</u> | <u>-</u> |
| Total revenues and releases | <u>713,231</u> | <u>45,172</u> | <u>758,403</u> | <u>691,006</u> |
| EXPENSES | | | | |
| Salaries and wages | 290,250 | - | 290,250 | 297,852 |
| Employee benefits | 72,042 | - | 72,042 | 72,987 |
| Supplies and services | 88,971 | - | 88,971 | 92,756 |
| Space and occupancy | 56,289 | - | 56,289 | 56,505 |
| Depreciation and amortization | 58,392 | - | 58,392 | 42,141 |
| Interest | 17,557 | - | 17,557 | 17,612 |
| Other | <u>48,575</u> | <u>-</u> | <u>48,575</u> | <u>75,154</u> |
| Total expenses | <u>632,076</u> | <u>-</u> | <u>632,076</u> | <u>655,007</u> |
| CHANGE IN NET ASSETS | 81,155 | 45,172 | 126,327 | 35,999 |
| Net assets, beginning of year | <u>756,688</u> | <u>171,071</u> | <u>927,759</u> | <u>891,760</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 837,843</u></u> | <u><u>\$ 216,243</u></u> | <u><u>\$ 1,054,086</u></u> | <u><u>\$ 927,759</u></u> |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

June 30, 2021 and 2020

[\$ in thousands]

CASH FLOWS FROM OPERATING ACTIVITIES:

| | 2021 | 2020 |
|--|------------------|------------------|
| Increase in net assets | \$ 126,327 | \$ 35,999 |
| <i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i> | | |
| Depreciation expense and amortization of finance lease right-of-use assets | 58,392 | 42,141 |
| Amortization of premiums and issuance costs related to bonds payable | (2,310) | (1,501) |
| Noncash lease expense | 14,200 | - |
| Provision for doubtful accounts | 4,471 | 4,678 |
| Loss on disposal of equipment and buildings | 349 | 255 |
| Loss on extinguishment of debt | - | 20,481 |
| Net realized gain on sale of securities | (3,975) | (1,592) |
| Net unrealized gain on securities | (37,060) | (4,022) |
| Contributions for investment and capital purchases | (27,704) | (4,277) |
| <i>Decrease (increase) in assets from prior year:</i> | | |
| Tuition and other receivables | (1,635) | (937) |
| Pledges receivable | (9,161) | 2,507 |
| Prepaid expenses and other current assets | 3,087 | (6,048) |
| Federal Perkins student loans | 646 | 616 |
| Foundation assets | (1,986) | 82 |
| Contributions receivable from remainder trust and scholarship funds held in trust by others | (36) | 31 |
| Other assets | (1,329) | (2,854) |
| <i>Increase (decrease) in liabilities from prior year:</i> | | |
| Accounts payable and accrued liabilities | 15,481 | 3,665 |
| Accrued insurance costs and other current liabilities | (6,397) | 5,884 |
| Deferred revenue | 241 | 2,704 |
| Operating lease liabilities | (10,643) | - |
| Other liabilities | (1,874) | 3,092 |
| Due to beneficiaries under remainder trusts and annuities | (19) | 13 |
| Net cash provided by operating activities | 119,065 | 100,917 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (27,107) | (49,398) |
| Sales and maturities of investments | 346,002 | 349,421 |
| Purchases of investments | (440,895) | (407,176) |
| Net cash used in investing activities | (122,000) | (107,153) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of long-term debt | - | 240,250 |
| Repayment of debt | (12,260) | (9,513) |
| Extinguishment of debt | - | (231,473) |
| Decrease in bond deposits with trustees | 3,401 | 24,921 |
| Lease payments | (1,314) | - |
| Financing costs | - | (2,223) |
| Decrease in refundable Federal Perkins student loans | (454) | (1,105) |
| Contributions for investment and capital purchases | 27,704 | 4,277 |
| Net cash provided by financing activities | 17,077 | 25,134 |
| Net increase in cash, cash equivalents, and restricted cash | 14,142 | 18,898 |
| Cash, cash equivalents, and restricted cash, beginning of year | 70,047 | 51,149 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR | \$ 84,189 | \$ 70,047 |
| Supplemental information: | | |
| Interest paid, net of amounts capitalized | \$ 17,816 | \$ 21,528 |
| Accrued capital expenditures | \$ 2,814 | \$ 2,023 |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

1. University Organization

Nova Southeastern University, Inc. (NSU, or the university) is a not-for-profit, private institution and is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Founded in 1964, the university offers undergraduate degrees, graduate and first-professional degrees, and certificate programs to more than 20,000 full-time and part-time students in a wide range of fields, including the humanities, biological and environmental sciences, business, counseling, computer and information sciences, conflict resolution, education, family therapy, medicine, dentistry, various other health professions, law, marine science, performing and visual arts, psychology, and other social sciences. Courses are taught at 4 South Florida campuses; 8 regional campus locations, including Puerto Rico; and at sites in 10 states, as well as 3 foreign countries. NSU serves the residents of its community with health, psychology, and law centers; services for children with hearing impairments and autism; and programs for retired professionals. NSU University School offers innovative alternatives in primary and secondary education to children from preschool through grade 12.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying consolidated financial statements include the university and its wholly owned subsidiaries, NSU Guaranty Insurance Company, Ltd.; NSU Grande Oaks, LLC; and NSU Park Plaza, LLC. All significant intercompany balances and transactions have been eliminated in consolidation. NSU classifies its transactions and balances into two categories of net assets according to the absence or existence of donor-imposed restrictions: (1) net assets without donor restrictions and (2) net assets with donor restrictions. Net assets without donor restrictions include transactions and balances without donor-imposed stipulations and may be used to achieve any institutional purpose; however, the Board of Trustees may designate net assets without donor restrictions for a specific purpose. Net assets with donor restrictions include transactions and balances with donor-imposed stipulations that normally expire in time, or can be fulfilled by actions of the university. However, certain donor restrictions are perpetual as they neither expire over time, nor can be fulfilled by actions of the university, requiring the related net assets to be permanently retained. Such permanently retained net assets are included within the net assets with donor restrictions category.

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

Certain amounts contained in the accompanying fiscal 2020 consolidated financial statements have been reclassified to conform to the fiscal 2021 presentation.

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

Cash and Cash Equivalents

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

Restricted Cash

Current restricted cash represents funds repaid under the Federal Perkins Loan Program, a revolving loan program, for which new loans have not been issued to students by June 30 (see Note 10) as well as funds held on behalf of student clubs or organizations in which the university is serving in an agent capacity.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Approximately \$3.1 million and \$3.6 million of long-term restricted cash at June 30, 2021 and 2020, respectively, represents funds contributed in accordance with the joint-use library facility agreement (see Note 15) by NSU and Broward County for capital repair, replacement, and renewal. In accordance with this agreement, these funds are maintained in an interest-bearing account. These funds are reflected as a long-term asset on the Consolidated Statements of Financial Position since they are restricted for long-term capital expenditures. Additionally, long-term restricted cash includes \$.7 million and \$5.0 million at June 30, 2021 and 2020, respectively, related to funds received in accordance with an amendment to the joint-use library facility agreement (see Note 15) by NSU and Broward County for construction of the Alan B. Levan | NSU Broward Center of Innovation (the Levan Center of Innovation), along with approximately \$13.0 million received in fiscal 2020 from bond proceeds that are restricted for projects included in the university's capital improvement plan (see Note 9). Finally, long-term restricted cash and cash equivalents includes \$3.8 million and \$4.8 million at June 30, 2021 and 2020, respectively, that is part of the university's endowment, and therefore, deemed long-term in nature.

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

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

| | 2021 | 2020 |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 51,484 | \$ 33,095 |
| Restricted cash | 12,090 | 10,496 |
| Long-term restricted cash and cash equivalents | 20,615 | 26,456 |
| Total | <u>\$ 84,189</u> | <u>\$ 70,047</u> |

Investments

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

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

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

Bond Deposits with Trustees

Unspent bond proceeds and interest earnings thereon are included within long-term bond deposits with trustees and approximated \$1.4 million and \$4.8 million as of June 30, 2021 and 2020, respectively (related to the Town of Davie tax exempt Series 2018 bonds).

Deferred Debt Issue Costs

Costs related to the issuance of debt (\$3.9 million at June 30, 2021, and \$4.3 million at June 30, 2020) are being amortized over the term of the related debt instrument using the bonds outstanding method, which approximates

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

the effective interest method. In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Update (ASU) 2015-03, Interest—Imputation of Interest (Subtopic 835-30), debt issuance costs are presented in the Consolidated Statements of Financial Position as a direct deduction from the carrying amount of the related debt, consistent with the presentation of debt discounts and premiums.

Split Interest Agreements

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

Contributions receivable from remainder trusts:

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

Due to beneficiaries under remainder trusts and annuities:

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

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

Changes in split interest agreements, which are reflected as other revenue in the Consolidated Statements of Activities, increased by approximately \$54,000 and \$11,000 for fiscal 2021 and 2020, respectively.

At June 30, 2021 and 2020, amounts due to beneficiaries under annuity agreements were approximately \$111,000 and \$130,000, respectively. No amounts were due to beneficiaries under remainder trusts at June 30, 2021 and 2020.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at acquisition cost or fair value at the date of donation and are subsequently carried net of accumulated depreciation. Equipment expenditures in excess of \$1,000 with an estimated useful life of two or more years are capitalized. Property and equipment under finance leases are initially valued and recorded based on the present value of the minimum lease payments. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, ranging from 4 to 50 years, except for leasehold improvements and property and equipment under finance leases, which are amortized over the shorter of the expected useful life of the asset or the term of the related lease. NSU reviews long-lived assets for impairment when events or circumstances indicate the carrying amount will not be fully recoverable, based on estimated future cash flows. Interest on capital projects is capitalized during the construction period.

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Insurance Programs

The university is partially self-insured for workers' compensation benefits, wholly owns an off-shore captive insurance company (see Note 17), participates in partially owned insurance entities and benefit associations, and maintains claims-made insurance policies with respect to certain other coverage. Liabilities for these claims are recorded based on actual loss history and actuarial calculations that include provisions for estimated losses incurred, but not reported, and the portion of insurance risk that has not been transferred to insurance carriers. Accrued insurance costs, net of 3 percent discount, approximated \$16.9 million at June 30, 2021, and \$17.3 million at June 30, 2020, of which \$4.1 million and \$6.5 million is included in other current liabilities as of June 30, 2021 and 2020, respectively. Undiscounted costs at June 30, 2021 and 2020, were \$17.5 million and \$17.9 million, respectively. Investments in insurance entities and benefit associations are accounted for under the equity method and are included in other assets and approximated \$13.0 million at June 30, 2021, and \$11.6 million at June 30, 2020.

Endowment Payout and Value

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

NSU's endowment assets include the endowment fund, consisting of cash and investments, as well as endowment-related pledges receivable. At June 30, 2021, endowment-related pledges receivable were \$37.8 million, and the fair value of the endowment fund was \$189.2 million, representing total endowment assets of \$227.0 million. At June 30, 2020, endowment-related pledges receivable were \$37.7 million, and the fair value of the endowment fund was \$136.5 million, representing total endowment assets of \$174.2 million. The endowment fund includes donor-restricted and board-designated endowments. Any declines in the fair value of donor-restricted endowments below their respective historical cost value are recorded as reductions in net assets with donor restrictions.

Tuition and Fees

Tuition and fees are reported net of scholarships and discounts. For fiscal 2021 and 2020, total scholarships and discounts were \$115.6 million and \$99.3 million, respectively. Tuition and fee revenue is recognized on a pro rata daily basis over the term of instruction. Unearned student tuition and fees relating to future instructional periods are recorded as current deferred revenue. Deferred tuition revenue was \$65.0 million at June 30, 2021, and \$58.6 million at June 30, 2020.

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

Contributions

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

Contributions to be received more than one year in the future are discounted based on a risk-adjusted discount rate. Amortization of the discount is recorded as contribution revenue and used in accordance with

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

donor-imposed stipulations, if any. Any additional allowance made for uncollectible contributions is based on management's judgment, past collection experience, and other relevant factors.

Government Grants

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

Leases

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

NSU has elected not to recognize right-of-use assets and obligations for leases with an initial term of 12 months or less, as well as certain leases consisting of generally low value (under \$5,000) equipment. To the extent a lease arrangement includes both lease and non-lease components, the components are combined as one component.

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

The university leases property, primarily space within university facilities, under agreements that are classified as operating leases. The university's lessor arrangements are all operating leases and do not include any sales-type or direct finance leases. Property leased to others is included in land, buildings, and equipment, net on the Consolidated Statements of Financial Position. Short-term rental revenues and lessor operating lease income are recognized to the extent that amounts are determined to be collectible and included within other revenues in the Consolidated Statements of Activities, totaling \$1.2 million and \$2.1 million, respectively, for fiscal 2021 and 2020.

NSU Museum of Art Fort Lauderdale

On July 1, 2008, the university merged with the Museum of Art, Inc. (the Museum), a not-for-profit organization, with NSU as the surviving organization. The Museum acquires art for its collection through purchase or by gift. As permitted by the FASB's Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, the Museum does not include its collection items as assets in the Consolidated Statements of Financial Position. Accordingly, no value

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has been assigned to the Museum's art collection. The collection is insured for \$35.0 million. The university's policy requires any proceeds from the sale of collection items to be used to acquire other items for the collection or for the direct care of its collection (expenditures that enhance the life, usefulness, or quality of an object, and improve the physical impact and condition of an item). Proceeds from the sale of collection items and expenditures for collection items purchased are reflected in the accompanying Consolidated Statements of Activities within other revenues and expenses, respectively. For fiscal 2021 and 2020, expenditures for collection items purchased but not capitalized were \$221,000 and \$106,000, respectively. There were no sales of collection items in either fiscal year.

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

Fair Value of Financial Instruments

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

Fair Value Hierarchy

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

- Level 1—Financial assets and liabilities with values that are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the university has the ability to access
- Level 2—Financial assets and liabilities with values that are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3—Financial assets and liabilities with values that are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

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

Accounting for Uncertainty in Income Taxes

The university follows the guidance contained in ASC 740, Income Taxes. ASC 740 addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. There were no uncertain tax positions recorded in the consolidated financial statements for fiscal years 2021 or 2020.

Recent Accounting Pronouncements

In July 2021, the FASB issued ASU 2021-05, Leases (Topic 842): Lessors-Certain Leases with Variable Lease Payments. ASU 2021-05 impacts lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing. The new guidance is effective for all entities with fiscal

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years beginning after December 15, 2021, though earlier application is permitted. The university does not expect the new guidance to have a material impact on its consolidated financial statements.

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

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (NFP) (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to increase the transparency about the measurement of contributed nonfinancial assets as well as the amount of those contributions used in an NFP's programs and other activities. The guidance requires NFP's to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from cash and other financial contributions, as well as disclosure of the type of asset, whether the asset was monetized or utilized in the reporting period, donor-imposed restrictions, valuation techniques and the principal market used to determine fair value. ASU 2020-07 is to be applied on a retrospective basis for annual periods beginning after June 15, 2021. The university does not expect the new guidance to have a material impact on its consolidated financial statements.

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

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

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires timelier recording of credit losses on financial instruments by effectively replacing the current incurred loss methodology with one that reflects expected losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020. The university does not expect the new guidance to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their statements of financial position. The objective of this ASU is to increase transparency and comparability between organizations that enter into lease agreements. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842), Targeted Improvements, which provided an alternative transition method of applying the new lease standard at the adoption date, allowing entities to continue to use prior lease guidance in comparative periods presented.

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

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10), which requires an entity to measure investments in equity securities, except for those that result in consolidation or are accounted for under the equity method of accounting, at fair value with changes in fair value recognized through net income. The ASU also requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the statement of financial position or the accompanying notes to the financial statements, and eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities. The provision to eliminate the requirement to disclose the fair value of financial instruments measured at cost (such as the fair value of debt) was early adopted by the university for fiscal 2019. The remaining provisions were adopted by the university in fiscal 2020 and did not have a material impact on its consolidated financial statements.

3. Liquidity and Availability of Resources

As of June 30, 2021 and 2020, financial assets available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and other current obligations, and capital construction costs not financed with debt, were as follows (in thousands):

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 37,762 | \$ 35,962 |
| Investments | 380,850 | 332,370 |
| Tuition and other receivables, net | 34,875 | 36,497 |
| Pledges receivable, current portion, net | 12,409 | 4,076 |
| Endowment investments appropriated for spending in the following year | 4,523 | 4,055 |
| Financial assets available within one year for general expenditures | <u>\$ 470,419</u> | <u>\$ 412,960</u> |

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

Additionally, the university has board-designated endowment funds of \$66.3 million and \$51.0 million as of June 30, 2021 and 2020, respectively. Although the university does not intend to spend from its board-designated

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endowment funds, other than amounts appropriated annually for expenditure in accordance with the university's investment and spending policy, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 8 for disclosures about investments). Finally, the university also has \$36.0 million in investments as of June 30, 2021 held by its wholly-owned captive insurance company (see Note 17) which are designated for insurance-related reserves, the total of which exceeds actuarially determined accrued insurance costs.

4. Tuition and Other Receivables

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

| | 2021 | 2020 |
|---|-----------|-----------|
| Student accounts, net of allowance of \$1,719 in 2021 and \$2,105 in 2020 | \$ 17,806 | \$ 17,164 |
| Unreimbursed grant and contract expenditures | 9,296 | 10,757 |
| Health centers' patient accounts, net of allowance of \$1,698 in 2021 and \$2,975 in 2020 | 1,073 | 963 |
| Accrued interest | 2,917 | 2,526 |
| Other | 3,783 | 5,087 |
| Total | \$ 34,875 | \$ 36,497 |

5. Pledges Receivable

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

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

| | | 2021 | 2020 |
|----------|-----------------------------|-----------|-----------|
| Current: | In one year or less | \$ 18,622 | \$ 10,203 |
| | Less allowance | (984) | (985) |
| | | 17,638 | 9,218 |
| Future: | Between one and five years | 32,743 | 32,078 |
| | More than five years | 12,550 | 15,590 |
| | Less discount and allowance | (11,227) | (13,129) |
| | | 34,066 | 34,539 |
| Total | | \$ 51,704 | \$ 43,757 |

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

| | 2021 | 2020 |
|--------------------------------|-----------|-----------|
| Endowments | \$ 48,827 | \$ 50,381 |
| Property, plant, and equipment | 9,925 | 226 |
| Scholarships and other | 5,163 | 7,264 |
| Subtotal | 63,915 | 57,871 |
| Less discount and allowance | (12,211) | (14,114) |
| Total | \$ 51,704 | \$ 43,757 |

Notes to Consolidated Financial Statements

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The university received unconditional pledges from a related party and its associated organizations representing approximately 78.8 percent and 72.0 percent of the balance of outstanding pledges receivable as of June 30, 2021 and 2020, respectively. These pledges are payable in annual installments ranging from approximately \$3.6 million to \$9.8 million through fiscal 2029.

6. Investments

Investments at June 30 consist of (in thousands):

| | 2021 | 2020 |
|--------------------------------|------------|------------|
| Pooled investments: | | |
| Money market funds | \$ 240 | \$ 125 |
| Mutual funds | 120,811 | 85,953 |
| Commingled funds | 43,183 | 26,781 |
| Fund-of-funds | 5,543 | 4,802 |
| Corporate obligations | 4,124 | 4,307 |
| Total | 173,901 | 121,968 |
| Other investments: | | |
| Mutual funds | 19,811 | 12,405 |
| Equity securities | 51 | 53 |
| Corporate obligations | 380,964 | 293,622 |
| Government-related obligations | 20,100 | 31,603 |
| Total | 420,926 | 337,683 |
| Total investments | \$ 594,827 | \$ 459,651 |

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

| | 2021 | 2020 |
|------------------------|------------|------------|
| Investments | \$ 419,168 | \$ 336,211 |
| Designated investments | 67,997 | 48,572 |
| Restricted investments | 107,662 | 74,868 |
| Total | \$ 594,827 | \$ 459,651 |

Investments at June 30, 2021 and 2020, include amounts received under split-interest agreements of approximately \$224,000 and \$199,000, respectively.

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7. Land, Buildings, and Equipment

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

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Land | \$ 72,615 | \$ 72,615 |
| Land improvements | 79,905 | 79,424 |
| Leasehold improvements | 34,708 | 34,226 |
| Buildings | 961,589 | 958,373 |
| Equipment | 207,679 | 195,663 |
| Library books | 117,842 | 114,103 |
| Construction in progress | 14,361 | 7,702 |
| Finance lease right-of-use assets | 7,632 | - |
| Total | <u>1,496,331</u> | <u>1,462,106</u> |
| Less accumulated depreciation and amortization | <u>(580,091)</u> | <u>(522,656)</u> |
| Net | <u>\$ 916,240</u> | <u>\$ 939,450</u> |

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

For fiscal 2021 and 2020, total depreciation and amortization expense was approximately \$58.4 million and \$42.1 million, respectively.

At June 30, 2021, the university had approximately \$3.4 million of unsecured letters of credit relating to construction projects.

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8. Fair Value Measurements

Fair Value on a Recurring Basis

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

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

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

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

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The following tables present the fair value measurement for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2020, grouped by fair value hierarchy (in thousands):

| | <u>2020 Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--|-------------------|-------------------|-------------------|----------------|
| Cash equivalents: | | | | |
| Money market funds | \$ 2,034 | \$ 2,034 | \$ - | \$ - |
| Mutual funds | 7,949 | 7,949 | - | - |
| Subtotal | <u>9,983</u> | <u>9,983</u> | <u>-</u> | <u>-</u> |
| Current investments: | | | | |
| Corporate obligations | 293,621 | - | 293,621 | - |
| Government-related obligations | 31,603 | - | 31,603 | - |
| Mutual funds | 10,987 | 10,987 | - | - |
| Subtotal | <u>336,211</u> | <u>10,987</u> | <u>325,224</u> | <u>-</u> |
| Designated and restricted investments: | | | | |
| Money market funds | 133 | 133 | - | - |
| Mutual funds | 92,204 | 92,204 | - | - |
| Equity securities | 53 | 53 | - | - |
| Commingled funds ¹ | 28,286 | - | - | - |
| Fund-of-funds ¹ | 5,072 | - | - | - |
| Corporate obligations | 4,307 | - | 4,307 | - |
| Subtotal ² | <u>130,055</u> | <u>92,390</u> | <u>4,307</u> | <u>-</u> |
| Scholarship funds held in trust: | | | | |
| Money market funds | 30 | 30 | - | - |
| Equity securities | 2,226 | 831 | 1,395 | - |
| Corporate obligations | 1,108 | - | 1,108 | - |
| Government-related obligations | 36 | - | 36 | - |
| Subtotal | <u>3,400</u> | <u>861</u> | <u>2,539</u> | <u>-</u> |
| Contributions receivable from remainder trusts | <u>257</u> | <u>-</u> | <u>-</u> | <u>257</u> |
| Total | <u>\$ 479,906</u> | <u>\$ 114,221</u> | <u>\$ 332,070</u> | <u>\$ 257</u> |

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

² Includes investments of the Foundation of \$6.6 million, as defined and described in Note 13.

During the year ended June 30, 2021 and 2020, there were no transfers between Level 2 and Level 3 investments.

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

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

| | 2021 | 2020 |
|----------------------------|--------|--------|
| Beginning balance | \$ 257 | \$ 288 |
| Net unrealized (loss) gain | 36 | (31) |
| Ending balance | \$ 293 | \$ 257 |

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

The fair value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective funds. The fair values of the investments held by funds that do not have readily determinable fair values are determined by each fund's investment manager and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the investment, prices of recent significant placements of similar investments of the same issuer, and subsequent developments concerning the companies to which the investments relate. The university has performed due diligence regarding these investments and believes that the NAV of its alternative investments is a reasonable estimate of fair value as of June 30, 2021 and 2020.

The following table presents additional information pertaining to alternative investments as of June 30, 2021 (in thousands):

| | Fair Value 2021 (1) | Unfunded Commitments | Redemption Frequency | Redemption Notice |
|---------------------|------------------------|-------------------------|-------------------------|----------------------|
| Commingled Funds: | | | | |
| Debt securities (2) | \$ 5,982 | \$ - | Monthly | 5-30 days |
| Hedge fund (3) | 39,379 | - | Annually- Quarterly | 30-120 days |
| Fund-of-funds: | | | | |
| Private equity (4) | 5,823 | 7,220 | Locked | None |
| | \$ 51,184 | \$ 7,220 | | |

- (1) Amounts Include alternative investments of the Foundation, as defined and described in Note 13.
- (2) This category includes debt obligations and other asset classes, including debt obligations issued or guaranteed by U.S. and foreign governments or corporations. Investments may be redeemed monthly, subject to 5 to 30 days written notice.
- (3) This category includes several hedge funds that may pursue multiple strategies to diversify risks and reduce volatility. The fair values of investments in this category have been estimated using the net asset value of the investment funds. Investments in this category may be redeemed annually or quarterly, subject to 30 to 120 days written notice. Approximately \$5.0 million of investments in this category are subject to a rolling 2-year lock-up period with the next liquidity dates ranging from 10 to 15 months as of June 30, 2021, and approximately \$12.0 million of investments are subject to a one year lock-up period. Also, approximately

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\$22.4 million of investments in this category are subject to additional liquidity restrictions, requiring a year to three years to completely redeem the investment.

- (4) This category includes several private equity funds. The fair values of the investments in this category have been estimated using the net asset value of the investment funds. Investments in this category can never be redeemed. Capital invested in private equity funds is committed at the beginning of the fund term for approximately 10 years. The private equity firm enters into value-enhancing transactions and distributes capital as these transactions are liquidated. The underlying investments in the fund are expected to be liquidated over the next 4 to 12 years.

Fair Value on a Nonrecurring Basis

As of June 30, 2021 and 2020, there were no financial assets or liabilities measured at fair value on a nonrecurring basis.

9. Long-Term Debt

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

| | 2021 | 2020 |
|--|------------|------------|
| HEFFA tax exempt Series 2016 bonds | \$ 86,870 | \$ 86,870 |
| Town of Davie tax exempt Series 2018 bonds | 138,315 | 139,250 |
| FDFC tax exempt Series 2020A bonds | 33,935 | 39,030 |
| FDFC taxable Series 2020B bonds | 189,490 | 195,720 |
| Par amount of bonds | 448,610 | 460,870 |
| Net unamortized premium | 31,779 | 34,493 |
| Net unamortized deferred issuance costs | (3,878) | (4,282) |
| Total | \$ 476,511 | \$ 491,081 |
| Current portion | (13,525) | (12,260) |
| Long-term debt | \$ 462,986 | \$ 478,821 |

The Higher Education Facilities Financing Authority, created pursuant to the provisions of Chapter 243, Part II, Florida Statutes (HEFFA), the Town of Davie, Florida, a municipal corporation of the State of Florida (Town of Davie), and the Florida Development Finance Corporation, created pursuant to Chapter 288, Part X, Florida Statutes (FDFC), have each previously issued bonds on behalf of the university. The HEFFA 2016 bonds, Town of Davie 2018 bonds, and FDFC 2020A bonds listed in the table above (and hereinafter described) were issued as tax-exempt bonds, and the FDFC 2020B bonds listed in the table above (and hereinafter described) were issued as taxable bonds. The bonds listed in the table above are secured solely by amounts paid by the university as borrower under the applicable loan agreement with the issuer of the related bonds.

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

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As of June 30, 2021 and 2020, the university had issued and outstanding three Notes under the Amended and Restated Master Trust Indenture relating to (1) the HEFFA 2016 bonds, (2) the Town of Davie 2018 bonds, and (3) the FDFC 2020 bonds. The Notes issued with respect to each series of bonds further secures the university's obligations under the respective loan agreements between the university and the HEFFA, Town of Davie, or FDFC, as applicable.

Bonds

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

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

2018 Bonds—The 2018 Bonds were issued in July 2018 through the Town of Davie, in the principal amount of \$140,740,000. Proceeds from the issuance were used to finance a new residence hall and parking garage and to refund the outstanding BCEFA Series 2008A bonds. The 2018 Bonds bear interest at rates ranging from 4.0 percent to 5.0 percent per annum, payable semiannually on April 1 and October 1. The 2018 Bonds are due in annual installments of \$935,000 to \$19,990,000 through 2048.

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

As previously described, all bonds outstanding as of June 30, 2021 and 2020, representing the FDFC 2020A bonds and 2020B bonds, Town of Davie 2018 bonds, and HEFFA 2016 bonds, are secured by the applicable Notes issued and outstanding under the Amended and Restated Master Trust Indenture.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Future maturities of NSU's long-term debt at June 30, 2021, are as follows (in thousands):

| | <u>Long-Term Debt</u> |
|-------------------------|-----------------------|
| 2022 | 13,525 |
| 2023 | 13,460 |
| 2024 | 13,940 |
| 2025 | 15,915 |
| 2026 | 16,455 |
| Thereafter through 2050 | <u>375,315</u> |
| | <u>\$ 448,610</u> |

The Amended and Restated Master Trust Indenture contains customary conditions, provisions, and non-financial covenants. In the opinion of management, the university is in compliance with all such covenants as of June 30, 2021.

The university incurred interest charges for fiscal 2021 and fiscal 2020 of \$17.8 million and \$20.5 million, respectively. During fiscal 2021 and 2020, the university capitalized interest of \$0.2 million and \$2.9 million, respectively, resulting in net interest expense reflected in the accompanying Consolidated Statements of Activities of \$17.6 million at June 30, 2021 and 2020.

10. Federal Perkins Student Loans and Refundable Federal Perkins Student Loans

NSU participated in the Federal Perkins Student Loan Program, a revolving loan program making loans to qualified students from federal and institutional contributions as well as prior borrowers' repayments. At June 30, 2021 and 2020, Federal Perkins student loans were \$3.1 million and \$3.7 million, respectively. NSU recorded a liability for refundable Federal Perkins student loans of \$3.4 million and \$3.8 million at June 30, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

11. Net Assets

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

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

| | 2021 | 2020 |
|--|--------------|------------|
| Without Donor Restrictions | | |
| Board designated for: | | |
| Preschool programs | \$ 873 | \$ 668 |
| Scholarships | 7,782 | 5,796 |
| Athletic scholarships | 8,614 | 6,656 |
| Trustees student scholarship | 1,913 | 2,005 |
| Faculty research and development | 2,244 | 2,356 |
| College of Law | 12,656 | 9,513 |
| Baudhuin Preschool | 5,527 | 4,284 |
| Health Professions Division | 23,564 | 17,426 |
| Museum of Art | 1,766 | 1,423 |
| Research initiatives | 1,371 | 881 |
| Total Board designated | 66,310 | 51,008 |
| Due from HPD Foundation | 4,349 | 3,992 |
| Other unrestricted amounts | 171,202 | 130,521 |
| Physical plant equity | 513,568 | 495,019 |
| Library physical plant equity | 82,414 | 76,148 |
| Total without donor restrictions | \$ 837,843 | \$ 756,688 |
| With Donor Restrictions | | |
| Endowments | 114,370 | 78,793 |
| Endowment-related pledges receivable | 37,751 | 37,734 |
| Federal Perkins student loans | 909 | 1,391 |
| Gifts restricted by purpose | 52,098 | 44,718 |
| Scholarship funds held by trustees and restricted by purpose | 4,218 | 3,412 |
| HPD Foundation ¹ | 4,493 | 2,865 |
| Other restrictions | 2,404 | 2,158 |
| Total with donor restrictions | \$ 216,243 | \$ 171,071 |
| Total net assets | \$ 1,054,086 | \$ 927,759 |

¹ The Foundation's net assets (see Note 13) include endowment investments of \$8.6 million and \$6.6 million as of June 30, 2021 and 2020, respectively, as well as other amounts due from or to NSU primarily for its unrestricted outlays on behalf of the Foundation.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Endowment Net Assets

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

The university's endowment consists of approximately 373 individual endowments established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

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

Changes in endowment net assets, including endowment-related pledges receivable of \$37.7 million for the fiscal year ended June 30, 2020, consisted of the following (in thousands):

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total |
|---|-------------------------------|----------------------------|-------------------|
| Net assets, beginning of year | \$ 50,413 | \$ 120,314 | \$ 170,727 |
| Investment return: | | | |
| Investment income | 887 | 1,364 | 2,251 |
| Net appreciation (realized and unrealized) | 43 | (121) | (78) |
| Total investment return | 930 | 1,243 | 2,173 |
| Contributions | 1,046 | 4,119 | 5,165 |
| Appropriation of endowment assets for expenditure | (1,381) | (2,533) | (3,914) |
| Net assets, end of year | <u>\$ 51,008</u> | <u>\$ 123,143</u> | <u>\$ 174,151</u> |

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

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

¹ includes endowment-related pledges of \$37.7 million

² includes endowment-related pledges of \$0.1 million

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

The composition of endowment net assets, including endowment-related pledges receivable of \$37.7 million, by type as of June 30, 2020, was as follows (in thousands):

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total |
|---|-------------------------------|----------------------------|-------------------|
| Donor-restricted: | | | |
| Portion of perpetual funds that is required to be retained permanently by explicit donor stipulation ¹ | \$ - | \$ 94,538 | \$ 94,538 |
| Term endowment funds subject to a time or purpose restriction ² | - | 28,605 | 28,605 |
| Board-designated | 51,008 | - | 51,008 |
| Total net assets | <u>\$ 51,008</u> | <u>\$ 123,143</u> | <u>\$ 174,151</u> |

¹ includes endowment-related pledges of \$37.6 million

² includes endowment-related pledges of \$0.1 million

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the university to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that may occur. There were no such deficiencies at June 30, 2021 or 2020.

12. Expenses by Functional and Natural Classification

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

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

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

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

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Expenses by functional and natural classification for the year ended June 30, 2020, were as follows (in thousands):

| | Academic and Research | Student Services and Support | General Administrative and Operations | Total |
|----------------------------|--------------------------|---------------------------------|---|-------------------|
| Salaries and wages | \$ 211,665 | \$ 45,222 | \$ 40,965 | \$ 297,852 |
| Employee benefits | 52,510 | 8,035 | 12,442 | 72,987 |
| Supplies and services | 51,953 | 19,979 | 20,824 | 92,756 |
| Space and occupancy | 41,810 | 5,828 | 8,867 | 56,505 |
| Other | 35,337 | 21,335 | 18,482 | 75,154 |
| Allocations: | | | | |
| Depreciation | 25,234 | 12,019 | 4,888 | 42,141 |
| Interest | 8,631 | 8,715 | 266 | 17,612 |
| Operations and maintenance | 8,488 | 6,582 | (15,070) | - |
| | <u>\$ 435,628</u> | <u>\$ 127,715</u> | <u>\$ 91,664</u> | <u>\$ 655,007</u> |

Advertising costs are charged to expenses as incurred and totaled approximately \$8.5 million and \$9.2 million for the years ended June 30, 2021 and 2020, respectively, and are included in the respective functional categories above.

13. Foundation

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

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

| | 2021 | 2020 |
|---------------------------|-----------------|-----------------|
| Cash and cash equivalents | \$ 243 | \$ 204 |
| Investments: | | |
| Money market funds | 12 | 7 |
| Mutual funds | 6,093 | 4,833 |
| Commingled funds | 2,178 | 1,506 |
| Fund-of-funds | 280 | 270 |
| Total investments | <u>8,563</u> | <u>6,616</u> |
| Receivable | 12 | 12 |
| Deposits | 17 | 17 |
| Other | 7 | 7 |
| Total assets | <u>\$ 8,842</u> | <u>\$ 6,856</u> |

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Foundation liabilities, which are due to NSU without donor restrictions, were \$4.3 million at June 30, 2021, and \$4.0 million at June 30, 2020, and are eliminated in the accompanying Consolidated Statements of Financial Position.

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

| | 2021 | 2020 |
|---|----------|----------|
| With donor restrictions | | |
| Net assets, beginning balance | \$ 2,865 | \$ 3,329 |
| Interest and dividend income | 92 | 111 |
| Gain on sale of securities | 282 | 27 |
| Net unrealized gain (loss) on securities | 1,839 | (48) |
| Gifts | 35 | 17 |
| Other | 70 | 291 |
| Appropriation of endowment assets for expenditure | (262) | (221) |
| Transfers to HPD endowment | (428) | (641) |
| With donor restrictions, June 30 | \$ 4,493 | \$ 2,865 |

14. Broward County Agreements

The following Broward County grant funds were received and expended during the year ended June 30, 2021 (in thousands):

| Broward County | Agreement # | Description | Funds Received | Funds Expended |
|---------------------------|---------------------------|-------------------|----------------|----------------|
| Human Services Department | 17-CP-HCS-8228-RW-01-FY20 | Ryan White Part A | \$ 1,016 | \$ 938 |
| Human Services Department | 17-CP-HCS-8228-RW-01-FY21 | Ryan White Part A | \$ 312 | \$ 473 |

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

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

Revenue from the County under the Agreement is recognized on a pro rata basis over the term of the Agreement (commencing in December 2001 with the opening of the Center). Funds of \$13.7 million for the construction of the Center received from the County prior to fiscal year 2002 have been recorded as deferred revenue and are being amortized into income over the term of the Agreement. The County continues to provide funding for the Center. Based on the specified purpose of the funds received, these amounts are either recognized into income upon receipt or recorded as deferred revenue and subsequently amortized into income over the term of the Agreement. At June 30, 2021 and 2020, \$12.4 million and \$13.6 million were recorded as deferred revenue related to these funds, respectively, of which \$0.5 million was classified as current at June 30, 2021 and 2020. During fiscal 2021 and 2020, \$0.5 million of revenue was recognized.

Funds received from the County for certain operating expenses of the Center are recognized as revenue in the period earned and totaled approximately \$4.4 million and \$4.3 million during fiscal 2021 and 2020, respectively, and are included in Other Revenue on the Consolidated Statements of Activities.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

16. University Park Plaza

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

The university's partnership interest is being accounted for under the equity method. Accordingly, NSU's investment balance, which is reflected in other assets, was reduced by NSU's proportionate share of net loss of \$1.7 million for the year ended June 30, 2021. For the year ended June 30, 2020, NSU's investment balance was reduced by dividends received of \$0.1 million and increased by NSU's proportionate share of net income of \$0.7 million. The investment balance at June 30, 2021 and 2020, was \$1.3 million and \$3.0 million, respectively.

Prior to fiscal year 2021, NSU had operating leases for facilities located in the University Park Plaza Shopping Center. During fiscal year 2020 rent expense was \$1.9 million. There was no rent expense during fiscal year 2021.

17. NSU Guaranty Insurance Company

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

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

18. Retirement Benefits

Effective January 1, 2012, NSU's 403(b) plan was frozen for participation and future contribution and the university adopted a 401(k) plan. NSU and plan participants contribute to the plan. The university recorded expenses related to these benefits of \$20.5 million and \$19.9 million during fiscal 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

19. Leases and Other Commitments

The university has operating and finance leases for facilities, equipment, and vehicles. Asset and liability balances related to operating and finance leases on the Consolidated Statement of Financial Position as of June 30, 2021, are as follows (in thousands):

| | 2021 | |
|--|-----------|-------------|
| Classification on the Consolidated Statement of Financial Position | Assets | Liabilities |
| Operating Leases | | |
| Operating lease right-of-use assets | \$ 83,457 | |
| Operating lease liabilities | | 14,383 |
| current | | |
| long-term | | 72,565 |
| | | \$ 86,948 |
| Finance Leases | | |
| Land, buildings, and equipment, net | 6,169 | |
| Other liabilities | | 1,257 |
| current | | |
| long-term | | 5,133 |
| | | \$ 6,390 |
| Total | \$ 89,626 | \$ 93,338 |

The components of lease expense for the year ended June 30, 2021, are as follows (in thousands):

| Component | Classification on Statement of Activities | 2021 |
|-------------------------------------|---|-----------|
| Operating lease expense | Space and occupancy | \$ 15,408 |
| Short-term lease expense | Space and occupancy | 535 |
| Variable lease expense | Space and occupancy | 2,529 |
| Finance lease expense: | | |
| Amortization of right-of-use assets | Depreciation and amortization | 1,473 |
| Interest on lease liabilities | Interest | 109 |
| Total lease expenses | | \$ 20,054 |

Supplemental cash flow information related to leases as of and for the year ended June 30, 2021, is as follows (in thousands):

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

Notes to Consolidated Financial Statements

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The university's operating leases generally have terms that range from two to ten years, with optional renewals. The university's finance leases generally have terms that range from four to seven years. Average lease terms and discount rates as of June 30, 2021, are as follows:

| | 2021 |
|--|------------|
| Weighted average remaining lease term (years): | |
| Operating leases | 6.67 years |
| Finance leases | 4.97 years |
| Weighted average discount rate: | |
| Operating leases | 1.79% |
| Finance leases | 1.84% |

Future minimum lease payments under operating and finance leases as of June 30, 2021, expiring at various dates through 2029, are as follows (in thousands):

| | Operating Leases | Finance Leases |
|------------------------------------|---------------------|-------------------|
| 2022 | \$ 15,801 | \$ 1,361 |
| 2023 | 15,977 | 1,352 |
| 2024 | 14,252 | 1,328 |
| 2025 | 11,445 | 1,223 |
| 2026 | 10,904 | 1,126 |
| Thereafter | 24,144 | 282 |
| Total lease payments | 92,523 | 6,672 |
| Less: imputed interest | 5,575 | 282 |
| Present value of lease liabilities | \$ 86,948 | \$ 6,390 |

In accordance with legacy lease accounting guidance, rent expense was \$20.6 million during fiscal 2020, and future minimum payments under noncancelable operating leases at June 30, 2020 (prior to the adoption of Topic 842), were (in thousands):

| | |
|-------------------------|-----------|
| 2022 | \$ 17,655 |
| 2023 | 17,075 |
| 2024 | 15,326 |
| 2025 | 12,354 |
| 2026 | 11,918 |
| Thereafter through 2029 | 24,297 |
| Total | \$ 98,625 |

As of June 30, 2021, the university has entered into operating leases that have not yet commenced, relating to off-campus student housing and instructional space, and for which the present value of the future minimum lease payments approximates \$12.8 million. These operating leases will commence in fiscal year 2022 with lease terms of four to five years.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

As of June 30, 2021, the Museum had proceeds from the sale of artwork from its collection as follows (in thousands):

| | | |
|------------------------|----|--------------|
| 2008 (Prior to merger) | \$ | 813 |
| 2009 | | 1,250 |
| 2010 | | 20 |
| Total | \$ | <u>2,083</u> |

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

20. Related Parties

The university has business transactions with organizations whose owners are members of NSU's Board of Trustees. During the years ended June 30, 2021 and 2020, the university paid these organizations \$3.5 million and \$3.8 million, respectively, primarily attributed to an operating lease for instructional space. Contribution revenues from related parties, including NSU's Board of Trustees and their related business affiliates, amounted to approximately \$16.2 million and \$0.8 million for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, pledges receivable from these parties totaled \$43.6 million and \$34.3 million, net of discount, respectively.

Additionally, receivables from employees totaled approximately \$344,000 and \$333,000 as of June 30, 2021 and 2020, respectively, of which \$276,000 and \$256,000, respectively, represents pledges receivable, net of discount.

21. Litigation and Contingencies

A number of colleges and universities around the United States, including in the State of Florida, are facing lawsuits filed by parents and students seeking refunds for tuition, fees, room and board, and other charges, related to the change to online remote learning as a result of the COVID-19 pandemic (see Note 22), and many seek class action status. In July 2020, the university was named in a putative class action lawsuit of this nature. A second such suit has also been filed, seeking class action status on nearly identical grounds. The university is unable to determine the probability of whether a class will be certified, whether the university will ultimately be held liable, and if liable, the amount of damages, if any, that may be awarded, as well as the extent of insurance coverage that may be available. The university will vigorously defend itself in this matter.

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

22. COVID-19

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

Various governmental agencies have issued guidance and imposed certain health and public safety restrictions in response to COVID-19. The University cannot predict the duration of these restrictions or whether modified, additional, or new actions may be taken by governmental authorities, to contain or otherwise address the impact

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

of COVID-19. Furthermore, the continued spread of COVID-19 and the continued impact on social interaction, travel, economies and financial markets, and choices made by the public in response to the COVID-19 pandemic, are all highly uncertain and cannot be predicted. These factors could result in adverse consequences to the university's future operations that could be material, depending on the nature and extent of future developments. Given the uncertainties involved, the university is unable to quantify the ultimate impact of COVID-19 on its future operations and financial results.

23. Subsequent Events

Pursuant to ASC 855, Subsequent Events, the university has reviewed all subsequent events through September 24, 2021, the date the consolidated financial statements were available to be issued.

24. U.S. Department of Education Supplemental Disclosure

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

Net Assets with Donor Restrictions

Net assets with donor restrictions of \$216.2 million reflected in the Consolidated Statement of Financial Position as of June 30, 2021, includes the following categories in addition to \$50.7 million of other net assets that are not perpetually restricted (in thousands):

| | |
|---|------------|
| Net assets with donor restrictions restricted in perpetuity | \$ 101,969 |
| Annuities, term endowments, and life income funds with donor restrictions: | |
| Annuities with donor restrictions | - |
| Term endowments | 59,345 |
| Life income funds (trusts) | 4,218 |
| Total annuities, term endowments, and life income funds with donor restrictions | \$ 63,563 |

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

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

| (in thousands) | Post-Implementation | | | Total | |
|--------------------------------|------------------------|-----------------------------|--------------------------------|------------|----------|
| | Pre- Implementation | With Outstanding Debt | Without Outstanding Debt | | |
| Total PP&E, net, June 30, 2020 | \$ 901,862 | \$ 25,534 | \$ 12,054 | \$ 939,450 | (Note 7) |
| Additions | - | 7,632 | 27,899 | 35,531 | |
| Disposals | (349) | - | - | (349) | |
| Depreciation and amortization | (50,002) | (6,660) | (1,730) | (58,392) | |
| Total PP&E, net, June 30, 2021 | \$ 851,511 | \$ 26,506 | \$ 38,223 | \$ 916,240 | (Note 7) |

Long-term Debt Obtained for Long-Term Purposes

Long-term (LT) debt obtained for LT purposes includes both Long Term Debt and the Current Portion of Long-Term Debt in the Consolidated Statements of Financial Position (LT Debt). Refer to Note 9 for detailed information regarding LT Debt, which is comprised of bonds payable. Note 9 details each bond series, including the applicable

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

issue and maturity dates. Each series is long-term in nature and restricted for capitalized assets (PP&E). The nature of the amounts capitalized include land, buildings and improvements, and various types of equipment, for numerous projects as part of the university's capital plan. The amounts capitalized for such projects equal or exceed the amount of attributable LT Debt.

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

| (in thousands) | Pre- Implementation | Post- Implementation | Total | |
|--|------------------------|-------------------------|-------------------|-----------|
| LT debt for LT purposes, June 30, 2020 | \$ 465,547 | \$ 25,534 | \$ 491,081 | (Note 9) |
| Activity related to Debt: | | | | |
| Additions | - | - | - | |
| Principal Payments | (11,438) | (822) | (12,260) | |
| Amortization (Premium and Issuance Costs) | (2,340) | 30 | (2,310) | |
| Total LT Debt, June 30, 2021 | <u>\$ 451,769</u> | <u>\$ 24,742</u> | <u>\$ 476,511</u> | (Note 9) |
| Activity related to Finance Lease Liabilities: | | | | |
| Additions | - | 7,774 | 7,774 | |
| Payments | - | (1,314) | (1,314) | |
| Modifications | - | (70) | (70) | |
| Total Finance Lease Liabilities, June 30, 2021 | <u>\$ -</u> | <u>\$ 6,390</u> | <u>\$ 6,390</u> | (Note 19) |
| LT debt for LT purposes, June 30, 2021 | <u>\$ 451,769</u> | <u>\$ 31,132</u> | <u>\$ 482,901</u> | |

There is no LT debt not for PP&E or liability greater than PP&E.

Supplementary Information

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021 (Dollars in thousands)

| Reference to GAAP Financial Statements | | DOE Ratio Components | | Ratio Calculation | | | Composite Score Calculation | | | |
|--|---|---|------------|-------------------|-----------|-----------|-----------------------------|--------|-----------------|-----|
| Statement and/or Note | Statement Category or Note Description | Elements | Amount | Inputs | Result | Ratio | Strength Factor | Weight | Composite Score | |
| PRIMARY RESERVE RATIO | | | | | | | | | | |
| Expendable Net Assets | | | | | | | | | | |
| SFP | Net assets without donor restrictions | Net assets without donor restrictions | \$ 837,843 | \$ | 837,843 | | | | | |
| SFP | Net assets with donor restrictions | Net assets with donor restrictions | 216,243 | | 216,243 | | | | | |
| Note 20 | Related Parties | Unsecured related party receivables | 43,995 | | (43,995) | | | | | |
| | | Property, plant, and equipment (PP&E), net (* includes construction in progress and finance leases, as applicable) | 999,697 | | (999,697) | | | | | |
| Note 24 | U.S. DOE Supplemental Disclosure | * PP&E, net, pre-implementation | 851,511 | | | | | | | |
| Note 24 | U.S. DOE Supplemental Disclosure | * PP&E, net, post-implementation with outstanding debt | 26,506 | | | | | | | |
| Note 24 | U.S. DOE Supplemental Disclosure | * PP&E, net, post-implementation without outstanding debt | 38,223 | | | | | | | |
| Note 19 | Leases and Other Commitments (Operating Leases) | Lease right-of-use assets, post-implementation | 83,457 | | | | | | | |
| N/A | N/A | Intangible assets | - | | - | | | | | |
| N/A | N/A | Post-employment and defined benefit pension liabilities | - | | - | | | | | |
| | | Long-term (LT) debt obtained for LT purposes | 569,849 | | 569,849 | | | | | |
| Note 24 | U.S. DOE Supplemental Disclosure | LT debt for LT purposes, pre-implementation | 451,769 | | | | | | | |
| Note 24 | U.S. DOE Supplemental Disclosure | LT debt for LT purposes, post-implementation | 31,132 | | | | | | | |
| Note 19 | Leases and Other Commitments (Operating Leases) | Right-of-use lease liabilities, post-implementation | 86,948 | | | | | | | |
| Note 24 | U.S. DOE Supplemental Disclosure | Annuities, term endowments, and life income funds with donor restrictions | 63,563 | | (63,563) | | | | | |
| | | Annuities with donor restrictions | - | | | | | | | |
| | | Term endowments with donor restrictions | 59,345 | | | | | | | |
| | | Life income funds with donor restrictions | 4,218 | | | | | | | |
| Note 24 | U.S. DOE Supplemental Disclosure | Net assets with donor restrictions restricted in perpetuity | 101,969 | | (101,969) | | | | | |
| | | | | | | | | | 414,711 | |
| Total Expenses and Losses | | | | | | | | | | |
| SOA | Total Expenses | Total expenses without donor restrictions | 632,076 | | 632,076 | | | | | |
| SOA | Net unrealized loss and net realized loss on investments | Losses without donor restrictions (non-operating and net investment losses, not included in total expenses above) | - | | - | | | | | |
| Note 2 | Summary of Significant Accounting Policies—Split Interest Agreements (Change in Split Interest Agreements, if loss) | | | | | | | | | |
| SOA | Net unrealized loss and net realized loss on investments | Net investment losses (included in losses above) | - | | - | | | | | |
| N/A | N/A | Pension-related changes other than net periodic pension cost (included in losses above) | - | | - | | | | | |
| | | | | | | 632,076 | 0.7 | 3.0 | 40% | 1.2 |
| EQUITY RATIO | | | | | | | | | | |
| Modified Net Assets | | | | | | | | | | |
| SFP | Net assets without donor restrictions | Net assets without donor restrictions | 837,843 | | 837,843 | | | | | |
| SFP | Net assets with donor restrictions | Net assets with donor restrictions | 216,243 | | 216,243 | | | | | |
| N/A | N/A | Intangible assets | - | | - | | | | | |
| Note 20 | Related Parties | Unsecured related party receivable | 43,995 | | (43,995) | | | | | |
| | | | | | | | | | 1,010,091 | |
| Modified Assets | | | | | | | | | | |
| SFP | Total assets | Total assets | 1,816,842 | | 1,816,842 | | | | | |
| N/A | N/A | Intangible assets | - | | - | | | | | |
| Note 20 | Related Parties | Unsecured related party receivable | 43,995 | | (43,995) | | | | | |
| | | | | | | 1,772,847 | 0.6 | 3.0 | 40% | 1.2 |
| NET INCOME RATIO | | | | | | | | | | |
| SOA | Change in net assets without donor restrictions | Change in net assets without donor restrictions | 81,155 | | 81,155 | 81,155 | | | | |
| SOA | Total revenues and releases without donor restrictions | Total revenues and gains without donor restrictions | 713,231 | | 713,231 | 713,231 | 0.1 | 3.0 | 20% | 0.6 |
| | | | | | | | | | | 3.0 |

See accompanying Notes to Financial Responsibility Supplemental Schedule

Notes to Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

1. Basis of Presentation

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

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

Primary Reserve Ratio:
$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses without Donor Restrictions and Losses without Donor Restrictions}}$$

Equity Ratio:
$$\frac{\text{Modified Net Assets}}{\text{Modified Assets}}$$

Net Income Ratio:
$$\frac{\text{Change in Net Assets without Donor Restrictions}}{\text{Total Revenues without Donor Restrictions and Gains without Donor Restrictions}}$$

2. Composite Score Calculation

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

| | <u>Ratio</u> | <u>Strength Factor</u> | <u>Weight</u> | <u>Composite Score</u> |
|-----------------------|--------------|------------------------|---------------|------------------------|
| Primary Reserve Ratio | 0.7 | 3.0 | 40% | 1.2 |
| Equity Ratio | 0.6 | 3.0 | 40% | 1.2 |
| Net Income Ratio | 0.1 | 3.0 | 20% | 0.6 |
| | | | | <u>3.0</u> |

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

Supplementary Information

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2021

| Summary | Exhibit | FY21 Total Expenditures |
|--|----------------|--|
| Research and Development – Federal | F-I | \$ 9,037,114 |
| Student Financial Assistance – Federal | F-II | 576,138,604 |
| Other Assistance – Federal | F-III | 20,287,012 |
| Total Expenditures of Federal Awards | | 605,462,730 |
| Research and Development – State | S-I | – |
| Student Financial Assistance – State | S-I | 18,466,630 |
| Other Assistance – State | S-I | 4,272,699 |
| Total Expenditures of State Financial Assistance | | 22,739,329 |
| Total Expenditures of Federal Awards and State Financial Assistance | | \$ 628,202,059 |

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2021
(Exhibit F-I)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|---|--------------------|------------------------|--|-----------------------------------|-------------------------------------|--------------------|-----------------------------------|
| Research and Development Cluster | | | | | | | |
| Department of Commerce | | | | | | | |
| Ocean Exploration | 11.011 | 343-0759 | Duke University | \$ - | \$ (1,628) | \$ (1,628) | \$ - |
| Ocean Exploration | 11.011 | 800009482-03UG | Florida International University | - | 12,725 | 12,725 | - |
| Total for ALN 11.011 | | | | - | 11,097 | 11,097 | - |
| Sea Grant Support | 11.417 | NA19OAR4170414 | University of Maine | - | 127,846 | 127,846 | - |
| Financial Assistance For National Centers For Coastal Ocean Science | 11.426 | | | 216 | - | 216 | - |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | NA15OAR4320064 | University of Miami | - | 14,529 | 14,529 | - |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | OS00000170/SPC-000955 | University of Miami | - | 5,435 | 5,435 | - |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | OS00000372 | University of Miami | - | 97,613 | 97,613 | - |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | SPC-000216 | University of Miami | - | (171) | (171) | - |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | SPC-000595 | University of Miami | - | 279,216 | 279,216 | - |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | SPC-000717 | University of Miami | - | 2,816 | 2,816 | - |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | SPC-000893 | University of Miami | - | 31,545 | 31,545 | - |
| National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 11.432 | SPC-001118 | University of Miami | - | 57,857 | 57,857 | - |
| Total for ALN 11.432 | | | | - | 488,840 | 488,840 | - |
| Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology | 11.451 | | | 650,543 | - | 650,543 | 75,578 |
| | | | FL Fish & Wildlife Conservation Commission | - | (45) | (45) | - |
| Unallied Science Program | 11.472 | 15193 | University of Maine | - | 13,479 | 13,479 | - |
| Unallied Science Program | 11.472 | UMS1263 | | - | - | - | - |
| Total for ALN 11.472 | | | | - | 13,434 | 13,434 | - |
| Office For Coastal Management | 11.473 | OS00000122 | University of Miami | - | 54,751 | 54,751 | - |
| Coral Reef Conservation Program | 11.482 | 2020-000028 | Puerto Rico DNER | - | 53,765 | 53,765 | - |
| Coral Reef Conservation Program | 11.482 | | | 788 | - | 788 | - |
| Coral Reef Conservation Program | 11.482 | | | 7,921 | - | 7,921 | - |
| Coral Reef Conservation Program | 11.482 | | | 611 | - | 611 | - |
| Coral Reef Conservation Program | 11.482 | | | 41,866 | - | 41,866 | - |
| Total for ALN 11.482 | | | | 51,186 | 53,765 | 104,951 | - |
| Total Department of Commerce | | | | 701,945 | 749,733 | 1,451,678 | 75,578 |

Nova Southeastern University, Inc.

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

Year Ended June 30, 2021
(Exhibit F-I)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|--|--------------------|------------------------|-------------------------------------|-----------------------------------|-------------------------------------|--------------------|-----------------------------------|
| Department of Defense | | | | | | | |
| Basic and Applied Scientific Research | 12.300 | | | \$ 603,890 | \$ - | \$ 603,890 | \$ - |
| Basic and Applied Scientific Research | 12.300 | | | 16,300 | - | 16,300 | - |
| Total for ALN 12.300 | | | | 620,190 | - | 620,190 | - |
| Military Medical Research and Development | 12.420 | 0068FEDDNEUROIMAGING | Boston VA Research Insitute, Inc. | - | 3,274 | 3,274 | - |
| Military Medical Research and Development | 12.420 | RI0543 | Roskamp Institute, Inc. | - | 10,757 | 10,757 | - |
| Military Medical Research and Development | 12.420 | 4500001428 | Trustees of Boston University, BUMC | - | (496) | (496) | - |
| Military Medical Research and Development | 12.420 | 4500002890 | Trustees of Boston University, BUMC | - | 107,716 | 107,716 | - |
| Military Medical Research and Development | 12.420 | 4500003269 | Trustees of Boston University, BUMC | - | 2,699 | 2,699 | - |
| Military Medical Research and Development | 12.420 | | | (1,080) | - | (1,080) | - |
| Military Medical Research and Development | 12.420 | | | 983 | - | 983 | 983 |
| Military Medical Research and Development | 12.420 | | | 6,125 | - | 6,125 | - |
| Military Medical Research and Development | 12.420 | | | 6,968 | - | 6,968 | - |
| Military Medical Research and Development | 12.420 | | | (6,914) | - | (6,914) | - |
| Military Medical Research and Development | 12.420 | | | 101,581 | - | 101,581 | 29,477 |
| Military Medical Research and Development | 12.420 | | | 37,027 | - | 37,027 | - |
| Military Medical Research and Development | 12.420 | | | 80,501 | - | 80,501 | 16,607 |
| Military Medical Research and Development | 12.420 | | | 90,713 | - | 90,713 | - |
| Military Medical Research and Development | 12.420 | | | 124,161 | - | 124,161 | 7,135 |
| Military Medical Research and Development | 12.420 | | | 66,594 | - | 66,594 | 30,260 |
| Military Medical Research and Development | 12.420 | | | 1,024,559 | - | 1,024,559 | 432,901 |
| Total for ALN 12.420 | | | | 1,531,218 | 123,950 | 1,655,168 | 517,363 |
| Basic Scientific Research | 12.431 | CM00003339-00 | Foundation for CCNY | - | 20,195 | 20,195 | - |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | | | 178,505 | - | 178,505 | - |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | | | 323,499 | - | 323,499 | 12,941 |
| Total for ALN 12.630 | | | | 502,004 | - | 502,004 | 12,941 |
| Total Department of Defense | | | | 2,653,412 | 144,145 | 2,797,557 | 530,304 |
| Department of the Interior | | | | | | | |
| Cooperative Endangered Species Conservation Fund | 15.615 | 20-076 | Alaska Department of Fish and Game | - | 19,421 | 19,421 | - |
| Cooperative Endangered Species Conservation Fund | 15.615 | N/A | Bok Tower Gardens | - | 2,113 | 2,113 | - |
| Total for ALN 15.615 | | | | - | 21,534 | 21,534 | - |

Nova Southeastern University, Inc.

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

Year Ended June 30, 2021
(Exhibit F-I)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|--|--------------------|------------------------|--|-----------------------------------|-------------------------------------|--------------------|-----------------------------------|
| Department of the Interior (continued) | | | | | | | |
| State Wildlife Grants | 15.634 | 19005 | FL Fish & Wildlife Conservation Commission | \$ - | \$ 1,795 | \$ 1,795 | \$ - |
| U.S. Geological Survey_ Research and Data Collection | 15.808 | | | 1,023 | - | 1,023 | - |
| U.S. Geological Survey_ Research and Data Collection | 15.808 | | | 902,752 | - | 902,752 | - |
| Total for ALN 15.808 | | | | 903,775 | - | 903,775 | - |
| Economic, Social, and Political Development of the Territories | 15.875 | | | 101,306 | - | 101,306 | - |
| Economic, Social, and Political Development of the Territories | 15.875 | | | 82,920 | - | 82,920 | - |
| Economic, Social, and Political Development of the Territories | 15.875 | | | 25,191 | - | 25,191 | - |
| Total for ALN 15.875 | | | | 209,417 | - | 209,417 | - |
| Total Department of the Interior | | | | 1,113,192 | 23,329 | 1,136,521 | - |
| Department of Treasury | | | | | | | |
| COVID 19 – Coronavirus Relief Fund | 21.019 | OPN2121826A_1 | Broward County | - | 90,355 | 90,355 | - |
| Total Department of Treasury | | | | - | 90,355 | 90,355 | - |
| National Science Foundation | | | | | | | |
| Mathematical and Physical Sciences | 47.049 | | | 7,255 | - | 7,255 | - |
| Geosciences | 47.050 | 537211-77775 | Middle Tennessee State University | - | 2,067 | 2,067 | - |
| Education and Human Resources | 47.076 | 31790-02 | Rochester Institute of Technology | - | 2,534 | 2,534 | - |
| Total National Science Foundation | | | | 7,255 | 4,601 | 11,856 | - |
| Department of Education | | | | | | | |
| Higher Education_Institutional Aid | 84.031 | | Miami Dade College | - | 32,277 | 32,277 | - |
| Total Department of Education | | | | - | 32,277 | 32,277 | - |
| Department of Health and Human Services | | | | | | | |
| Healthy Marriage Promotion and Responsible Fatherhood Grants | 93.086 | OS00000396 | University of Miami | - | 14,062 | 14,062 | - |
| Oral Diseases and Disorders Research | 93.121 | | | 273,928 | - | 273,928 | - |
| Oral Diseases and Disorders Research | 93.121 | | | 269,491 | - | 269,491 | 17,345 |
| Oral Diseases and Disorders Research | 93.121 | | | 233,224 | - | 233,224 | - |
| Oral Diseases and Disorders Research | 93.121 | | | 314,166 | - | 314,166 | 64,889 |

Nova Southeastern University, Inc.

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

Year Ended June 30, 2021
(Exhibit F-I)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|---|--------------------|------------------------|--|-----------------------------------|-------------------------------------|--------------------|-----------------------------------|
| Department of Health and Human Services (continued) | | | | | | | |
| Oral Diseases and Disorders Research | 93.121 | | | \$ 130,614 | \$ - | \$ 130,614 | \$ - |
| Oral Diseases and Disorders Research | 93.121 | | | 325,732 | - | 325,732 | 17,661 |
| Total for ALN 93.121 | | | | 1,547,155 | - | 1,547,155 | 99,895 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | | | 52,469 | - | 52,469 | 9,832 |
| Drug Abuse and Addiction Research Programs | 93.279 | RES513385 | Case Western Reserve University | - | 42,099 | 42,099 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | RES513587 | Case Western Reserve University | - | 7,869 | 7,869 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | JCVI-21-004 | J. Craig Venter Institute | - | 29,262 | 29,262 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | 570135 | Trustees of the University of Pennsylvania | - | 21,795 | 21,795 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | MA1292 | University of Hawaii | - | 2,938 | 2,938 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | 0255-C601-4609 | University of Maine | - | 103,784 | 103,784 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | N/A | Yale University | - | 19,294 | 19,294 | - |
| Total for ALN 93.279 | | | | - | 227,041 | 227,041 | - |
| Minority Health and Health Disparities Research | 93.307 | | | 403,851 | - | 403,851 | 184,850 |
| Cancer Treatment Research | 93.395 | | | 118,480 | - | 118,480 | - |
| Cardiovascular Diseases Research | 93.837 | | | 4,562 | - | 4,562 | - |
| Cardiovascular Diseases Research | 93.837 | | | (591) | - | (591) | - |
| Total for ALN 93.837 | | | | 3,971 | - | 3,971 | - |
| Lung Diseases Research | 93.838 | FY19.240.002 | University of Colorado | - | 34,672 | 34,672 | - |
| Allergy, Immunology and Transplantation Research | 93.855 | RI2717 | Roskamp Institute, Inc. | - | 48,038 | 48,038 | - |
| Biomedical Research and Research Training | 93.859 | | | 207,517 | - | 207,517 | - |
| Child Health and Human Development Extramural Research | 93.865 | R000002662 | Florida State University | - | 52,349 | 52,349 | - |
| Child Health and Human Development Extramural Research | 93.865 | 2000 G UD763 | The Regents of the Univ of California | - | 69,996 | 69,996 | - |
| Child Health and Human Development Extramural Research | 93.865 | 5111129 | Univ of North Carolina at Chapel Hill | - | (76) | (76) | - |
| Child Health and Human Development Extramural Research | 93.865 | 5111131 | Univ of North Carolina at Chapel Hill | - | (271) | (271) | - |
| Child Health and Human Development Extramural Research | 93.865 | 5117559 | Univ of North Carolina at Chapel Hill | - | 48,169 | 48,169 | - |
| Child Health and Human Development Extramural Research | 93.865 | 5118644 | Univ of North Carolina at Chapel Hill | - | 43,990 | 43,990 | - |
| Child Health and Human Development Extramural Research | 93.865 | 5118655 | Univ of North Carolina at Chapel Hill | - | 139,570 | 139,570 | - |
| Child Health and Human Development Extramural Research | 93.865 | 5120509 | Univ of North Carolina at Chapel Hill | - | 14,163 | 14,163 | - |
| Total for ALN 93.865 | | | | - | 367,890 | 367,890 | - |

Nova Southeastern University, Inc.

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

Year Ended June 30, 2021
(Exhibit F-I)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|---|--------------------|------------------------|---------------------------------|-----------------------------------|-------------------------------------|---------------------|-----------------------------------|
| Department of Health and Human Services (continued) | | | | | | | |
| Aging Research | 93.866 | | | \$ 115,831 | \$ - | \$ 115,831 | \$ - |
| Aging Research | 93.866 | | | 367,789 | - | 367,789 | 30,807 |
| Total for ALN 93.866 | | | | 483,620 | - | 483,620 | 30,807 |
| Vision Research | 93.867 | 2UG1EY011751-23 | JAEB Center for Health Research | - | 2,897 | 2,897 | - |
| Vision Research | 93.867 | 1U10EY022596-01A1 | JAEB Center for Health Research | - | (520) | (520) | - |
| Total for ALN 93.867 | | | | - | 2,377 | 2,377 | - |
| HIV Demonstration, Research, Public and Professional Education Projects | 93.941 | 258158-00-01 | Temple University | - | 5,727 | 5,727 | - |
| Total Department of Health and Human Services | | | | 2,817,063 | 699,807 | 3,516,870 | 325,384 |
| Total Research and Development | | | | \$ 7,292,867 | \$ 1,744,247 | \$ 9,037,114 | \$ 931,266 |

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2021
(Exhibit F-II)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|---|-----------------------|------------------------|---------------------|---|---|-----------------------|---|
| Student Financial Assistance Cluster | | | | | | | |
| Department of Education | | | | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | | \$ 1,920,478 | \$ — | \$ 1,920,478 | \$ — |
| Federal Work-Study Program | 84.033 | | | 2,293,034 | — | 2,293,034 | — |
| Federal Pell Grant Program | 84.063 | | | 13,065,627 | — | 13,065,627 | — |
| Federal Direct Student Loans | 84.268 | | | 552,136,068 | — | 552,136,068 | — |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | | | 232,528 | — | 232,528 | — |
| Federal Perkins Loan Program (Note 2) | | | | | | | |
| Loans Outstanding as of July 1, 2020 | | | | 3,787,356 | — | 3,787,356 | — |
| New Loans Issued in Fiscal Year 2021 | | | | — | — | — | — |
| Total Federal Perkins Loan Expenditures | 84.038 | | | 3,787,356 | — | 3,787,356 | — |
| Total Department of Education | | | | 573,435,091 | — | 573,435,091 | — |
| Department of Health and Human Services | | | | | | | |
| Nurse Faculty Loan Program (NFLP) (Note 2) | | | | | | | |
| NFLP Loans Outstanding as of July 1, 2020 | | | | 1,240,564 | — | 1,240,564 | — |
| New Loans Issued in Fiscal Year 2021 | | | | 230,922 | — | 230,922 | — |
| Total Nurse Faculty Loan Program (NFLP) | 93.264 | | | 1,471,486 | — | 1,471,486 | — |
| Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (Note 2) | | | | | | | |
| Loans Outstanding as of July 1, 2020 | | | | 1,227,027 | — | 1,227,027 | — |
| New Loans Issued in Fiscal Year 2021 | | | | 5,000 | — | 5,000 | — |
| Total Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students | 93.342 | | | 1,232,027 | — | 1,232,027 | — |
| Total Department of Health and Human Services | | | | 2,703,513 | — | 2,703,513 | — |
| Total Student Financial Assistance | | | | \$ 576,138,604 | \$ — | \$ 576,138,604 | \$ — |

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2021
(Exhibit F-III)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|--|--------------------|------------------------|---------------------------------|-----------------------------------|-------------------------------------|--------------------|-----------------------------------|
| <i>Other Assistance</i> | | | | | | | |
| Department of Defense | | | | | | | |
| Information Security Grants | 12.902 | | | \$ 278,824 | \$ - | \$ 278,824 | \$ - |
| Total Department of Defense | | | | 278,824 | - | 278,824 | - |
| Department of Justice | | | | | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | | Broward County Sheriff's Office | - | 19,719 | 19,719 | - |
| Total Department of Justice | | | | - | 19,719 | 19,719 | - |
| Department of Treasury | | | | | | | |
| COVID 19 – Coronavirus Relief Fund | 21.019 | | Broward County | - | 93,225 | 93,225 | - |
| Total Department of Treasury | | | | - | 93,225 | 93,225 | - |
| Department of Veterans Affairs | | | | | | | |
| Yellow Ribbon Scholarships | 64.UNKNOWN | | | 164,203 | - | 164,203 | - |
| Total Department of Veterans Affairs | | | | 164,203 | - | 164,203 | - |
| Department of Education | | | | | | | |
| Higher Education Institutional Aid: Promoting Postbaccalaureate Opportunities for Hispanic Americans Program | 84.031M | | | 435,335 | - | 435,335 | - |
| Higher Education Institutional Aid: Developing Hispanic-Serving Institutions Program – Title V | 84.031S | | | 1,222,774 | - | 1,222,774 | 87,354 |
| Total for ALN 84.031 | | | | 1,658,109 | - | 1,658,109 | 87,354 |
| Graduate Assistance in Areas of National Need | 84.200 | | | 94,292 | - | 94,292 | - |
| COVID 19 – Higher Education Emergency Relief Fund – Student | 84.425E | | | 3,578,597 | - | 3,578,597 | - |
| COVID 19 – Higher Education Emergency Relief Fund – Institutional | 84.425F | | | 7,931,588 | - | 7,931,588 | - |
| COVID 19 – Higher Education Emergency Relief Fund – Minority Serving Institutions | 84.425L | | | 849,636 | - | 849,636 | - |
| Total for ALN 84.425 | | | | 12,359,821 | - | 12,359,821 | - |
| Disaster Recovery Assistance for Education | 84.938T | | | 46,138 | - | 46,138 | - |
| Total Department of Education | | | | 14,158,360 | - | 14,158,360 | 87,354 |
| Department of Health and Human Services | | | | | | | |
| Training in General, Pediatric, and Public Health Dentistry | 93.059 | | | 878,199 | - | 878,199 | 138,137 |

Nova Southeastern University, Inc.

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

Year Ended June 30, 2021
(Exhibit F-III)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|--|--------------------|------------------------|----------------------------------|-----------------------------------|-------------------------------------|--------------------|-----------------------------------|
| Department of Health and Human Services (continued) | | | | | | | |
| Area Health Education Centers | 93.107 | SUB00001694 | University of Florida | \$ - | \$ 92,959 | \$ 92,959 | \$ 46,667 |
| Area Health Education Centers | 93.107 | SUB00002122 | University of Florida | - | 71,282 | 71,282 | 67,377 |
| COVID-19 – Area Health Education Centers | 93.107 | SUB00002512 | University of Florida | - | 6,570 | 6,570 | - |
| Total for ALN 93.107 | | | | - | 170,811 | 170,811 | 114,044 |
| NIEHS Hazardous Waste Worker Health and Safety Training | 93.142 | | | 651,475 | - | 651,475 | 118,229 |
| COVID 19 - NIEHS Hazardous Waste Worker Health and Safety Training | 93.142 | | | 57,192 | - | 57,192 | - |
| Total for ALN 93.142 | | | | 708,667 | | 708,667 | 118,229 |
| HIV Related Training and Technical Assistance | 93.145 | SPC-001305 | University of Miami | - | 40,997 | 40,997 | - |
| HIV Related Training and Technical Assistance | 93.145 | SPC-001363 | University of Miami | - | 48,958 | 48,958 | - |
| HIV Related Training and Technical Assistance | 93.145 | SPC-001582 | University of Miami | - | 20,117 | 20,117 | - |
| Total for ALN 93.145 | | | | - | 110,072 | 110,072 | - |
| COVID 19 – Provider Relief Fund | 93.498 | | | 528,007 | - | 528,007 | - |
| Opioid STR | 93.788 | LDZ04 | FL Dept of Children and Families | - | 297,550 | 297,550 | - |
| Opioid STR | 93.788 | LDZ05 | FL Dept of Children and Families | - | 111,600 | 111,600 | - |
| Total for ALN 93.788 | | | | - | 409,150 | 409,150 | - |
| HIV Emergency Relief Project Grants | 93.914 | 17-CP-HCS-8228-RW-01 | Broward County | - | 172,573 | 172,573 | - |
| COVID-19 – HIV Emergency Relief Project Grants | 93.914 | 17-CP-HCS-8228-RW-01 | Broward County | - | 35,665 | 35,665 | - |
| HIV Emergency Relief Project Grants | 93.914 | 21-CP-HCS-8228-RW-01 | Broward County | - | 1,055,555 | 1,055,555 | - |
| COVID-19 – HIV Emergency Relief Project Grants | 93.914 | 21-CP-HCS-8228-RW-01 | Broward County | - | 224,166 | 224,166 | - |
| Total for ALN 93.914 | | | | - | 1,487,959 | 1,487,959 | - |
| Ryan White HIV/Aids Dental Reimbursement and Community Based Dental Partnership Grants | 93.924 | | | 262,493 | - | 262,493 | 80,653 |
| PPHF Geriatric Education Centers | 93.969 | | | 849,897 | - | 849,897 | 21,657 |
| COVID-19 – PPHF Geriatric Education Centers | 93.969 | | | 90,625 | - | 90,625 | - |
| Total for ALN 93.969 | | | | 940,522 | - | 940,522 | 21,657 |

Nova Southeastern University, Inc.

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

Year Ended June 30, 2021
(Exhibit F-III)

| Federal Awarding Agency/Program Title | Federal ALN Number | Pass-Through ID Number | Pass-Through Entity | Direct Federal Award Expenditures | Indirect Federal Award Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|--|-----------------------|------------------------|------------------------------------|---|---|-----------------------|---|
| Department of Health and Human Services (continued) | | | | | | | |
| CCDF Cluster | | | | | | | |
| Child Care and Development Block Grant | 93.575 | LC932 | FL Dept of Children and Families | - | 70,149 | 70,149 | - |
| COVID 19 – Child Care and Development Block Grant | 93.575 | 2001FLCCC3 | Early Learning Coalition- Brwd Cty | - | 6,652 | 6,652 | - |
| Total for ALN 93.575 | | | | - | 76,801 | 76,801 | - |
| Total Department of Health and Human Services | | | | 3,317,888 | 2,254,793 | 5,572,681 | 472,720 |
| Total Other Assistance | | | | 17,919,275 | 2,367,736 | 20,287,012 | 560,074 |
| Total Federal Awards | | | | \$ 601,350,746 | \$ 4,111,984 | \$ 605,462,730 | \$ 1,491,340 |

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2021
(Exhibit S-I)

| State Grantor/State Project Title | CSFA Number | Contract/Grant Identifying Number | Pass-Through Entity | Direct Expenditures | Indirect Expenditures | Total Expenditures | Amount Provided to Sub-Recipients |
|--|-------------|-----------------------------------|---------------------|----------------------|-----------------------|----------------------|-----------------------------------|
| Student Financial Aid | | | | | | | |
| Florida Department of Education | | | | | | | |
| Minority Teacher Scholarship Program | 48.049 | 90460 | | \$ 2,000 | \$ - | \$ 2,000 | \$ - |
| Jose Marti Scholarship Challenge Grant Program | 48.052 | | | 2,000 | - | 2,000 | - |
| Florida Work Experience Project | 48.053 | 99970 | | 6,120 | - | 6,120 | - |
| Florida Student Assistance Grant | 48.054 | 99970 | | 2,219,789 | - | 2,219,789 | - |
| Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members | 48.055 | 99970 | | 79,076 | - | 79,076 | - |
| The Florida Bright Futures Scholarship Program | 48.059 | 97040 | | 6,985,979 | - | 6,985,979 | - |
| Florida Resident Access Grant | 48.064 | 93420 | | 9,152,430 | - | 9,152,430 | - |
| Benaquisto Scholarship | 48.114 | | | 19,236 | - | 19,236 | - |
| Total Florida Department of Education | | | | 18,466,630 | - | 18,466,630 | - |
| Total Student Financial Aid | | | | 18,466,630 | - | 18,466,630 | - |
| Other Assistance | | | | | | | |
| Florida Department of State | | | | | | | |
| General Program Support (Cultural and Museum Grants) | 45.061 | | | 43,661 | - | 43,661 | - |
| Total Florida Department of State | | | | 43,661 | - | 43,661 | - |
| Florida Department of Education | | | | | | | |
| Florida Diagnostic and Learning Resource Centers | 48.031 | SPC-001717 | University of Miami | - | 391,650 | 391,650 | - |
| Total Florida Department of Education | | | | - | 391,650 | 391,650 | - |
| Florida Department of Health | | | | | | | |
| State and Community Interventions – AHEC | 64.112 | | | 1,574,069 | - | 1,574,069 | 704,913 |
| Cessation Interventions – AHEC | 64.097 | | | 2,169,105 | - | 2,169,105 | 1,083,741 |
| Total Florida Department of Health | | | | 3,743,175 | - | 3,743,175 | 1,788,654 |
| Florida Department of Highway Safety and Motor Vehicles | | | | | | | |
| Nova Southeastern University License Plate Project | 76.053 | | | 94,213 | - | 94,213 | - |
| Total Florida Department of Highway Safety and Motor Vehicles | | | | 94,213 | - | 94,213 | - |
| Total Other Assistance | | | | 3,881,049 | 391,650 | 4,272,699 | 1,788,654 |
| Total State Financial Assistance | | | | \$ 22,347,679 | \$ 391,650 | \$ 22,739,329 | \$ 1,788,654 |

See accompanying notes to the Schedule.

Nova Southeastern University, Inc.

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

Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of Nova Southeastern University, Inc. (the University) for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the University.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures for federal awards issued through December 25, 2014, are recognized following cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*. Expenditures for federal awards and funding increments issued on December 26, 2014, or later are recognized following the cost principles contained in 2 CFR Chapter I and Chapter II Parts 200, 215, 220, 225, and 230, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Pass-through entity identifying numbers are presented where available.

Nova Southeastern University, Inc.

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

2. Loan Programs

During the year ended June 30, 2021, the University administered new loans related to the various federal loan programs which are reported in the Schedule. As there are continuing compliance requirements with respect to the following loan programs, loans outstanding at the beginning of the year and new loans made during the year are included in the Schedule. Outstanding balances at June 30, 2021 are summarized as follows:

| | ALN Number | Total Loans Outstanding as of June 30, 2021 |
|---|-----------------------|--|
| Federal Perkins Loan Program | 84.038 | \$ 3,079,442 |
| Nurse Faculty Loan Program | 93.264 | 1,343,358 |
| Health Professions Student Loan Program | 93.342 | 998,974 |

During the year ended June 30, 2021, the University processed new loans under the Federal Direct Student Loans Program (ALN number 84.268) of \$552,136,068 as reported in the Schedule. Only new loans made during the fiscal year are reported as federal awards expended.

3. Indirect Cost Rate

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

4. Contingency

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

5. Florida Specialty License Plate

The June 30, 2021, Florida specialty license fee endowment fund balance totaled \$1,698,256.

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Nova Southeastern University, Inc. (the University), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

September 24, 2021



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

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

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

We have audited Nova Southeastern University (the University)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the requirements described in the Florida Department of Financial Services' State Projects *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs and state financial assistance projects for the year ended June 30, 2021. The University's major federal programs and major state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs and major state financial assistance projects based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a

direct and material effect on a major federal program or major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Financial Assistance Project

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 programs and state financial assistance projects for the year ended June 30, 2021.

Other Matter

We performed audit procedures with respect to the Student Financial Assistance Cluster major federal program related to compliance requirements in Special Test and Provision N12, Gramm-Leach Bliley Act-Student Information Security as outlined in the OMB Compliance Supplement for the year ended June 30, 2021. We determined whether the University has designated an individual to coordinate the information security program. We determined whether the University performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b) and whether the University documented a safeguard for each risk identified from the three required to be risk assessed by 16 CFR 314.4 (b). Our audit procedures did not evaluate whether the designated individual that coordinated the information security program is competent to oversee the program nor whether the individual possessed the adequate authority to carry out those duties. Our audit procedures also did not determine whether the risk assessment sufficiently addressed the required areas, whether the risks identified are the appropriate risks or that the identified risks appear to be a complete list. Further, our audit procedures did not determine whether the documented safeguards have been put in place or that they will effectively mitigate, reduce or even address the identified risks. Our opinion on the Student Financial Assistance Cluster major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on

internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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 Auditor General*. Accordingly, this report is not suitable for any other purpose.

Ernst + Young LLP

March 30, 2022

Nova Southeastern University, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

Section I – Summary of Auditor’s Results Section

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

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

Significant deficiency(ies) identified?

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

Noncompliance material to financial statements noted?

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

Federal Awards and State Projects

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

Material weakness(es) identified?

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

Significant deficiency(ies) identified?

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

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

Unmodified

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

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

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

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

Nova Southeastern University, Inc.

Schedule of Findings and Questioned Costs (continued)

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

Identification of Major Federal Programs:

| Assistance Listing (ALN) Numbers | Name of Federal Program or Cluster |
|---|---|
| 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342 | Student Financial Assistance Cluster |
| 84.031 | Higher Education Institutional Aid |
| 93.914 | HIV Emergency Relief Project Grants |
| 93.969 | PPHF Geriatric Education Centers |
| 84.425 | COVID-19 Higher Education Emergency Relief Fund |

Identification of Major State Financial Assistance Programs:

| CSFA Numbers | Name of State Project |
|---------------------|--|
| 48.049 | Minority Teacher Scholarship Program |
| 48.052 | Jose Marti Scholarship Challenge Grant Program |
| 48.053 | Florida Work Experience Project |
| 48.054 | Florida Student Assistance Grant |
| 48.055 | Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members |
| 48.059 | Florida Bright Futures Scholarship Program |
| 48.064 | Florida Resident Access Grant |
| 48.114 | Benacquisto Scholarship Program |

Nova Southeastern University, Inc.

Schedule of Findings and Questioned Costs (continued)

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

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

| | | |
|------------------|----|---------|
| Federal Programs | \$ | 879,724 |
| State Projects | \$ | 750,000 |

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

Section II – Financial Statement Findings

No matters reported.

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

No matters reported.

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

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

No matters reported.

Nova Southeastern University, Inc.

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

Year Ended June 30, 2021

| | Award Population | | Award Sample | | | | Questioned Costs | | | |
|--|------------------|------------|--------------|------------------------|------------|----------------------------|------------------|--------------------|------------|------------------------|
| | Amount | Recipients | Amount | % of Population Amount | Recipients | % of Population Recipients | Amount | % of Sample Amount | Recipients | % of Sample Recipients |
| Florida Academic Scholarship | \$ 4,157,779 | \$ 643 | \$ 327,365 | 8% | 50 | 8% | \$ – | – | – | – |
| Florida Medallion Scholarship | 2,828,200 | 634 | 217,408 | 8% | 50 | 8% | – | – | – | – |
| Total Florida Bright Futures Scholarship Program | 6,985,979 | 1,277 | 544,773 | 8% | 100 | | | | | |
| Florida Resident Access Grant | 9,152,430 | 3,541 | 134,950 | 1% | 50 | 1% | – | – | – | – |
| Minority Teachers Scholarship Program | 2,000 | 1 | 2,000 | 100% | 1 | 100% | – | – | – | – |
| Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members | 79,076 | 14 | 48,972 | 62% | 10 | 71% | – | – | – | – |
| Florida Student Assistance Grant Program | 2,219,789 | 1286 | 86,000 | 4% | 50 | 4% | – | – | – | – |
| Florida Work Experience Project | 6,120 | 3 | 5,680 | 93% | 3 | 100% | – | – | – | – |
| Benacquisto Scholarship | 19,236 | 1 | 19,236 | 100% | 1 | 100% | – | – | – | – |
| Jose Marti Scholarship Challenge Grant Program | 2,000 | 1 | 2,000 | 100% | 1 | 100% | – | – | – | – |

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