

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, 2019
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, 2019

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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, 2019, 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, 2019, 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.

Adoption of New Accounting Standards

As discussed in note 2 to the consolidated financial statements, the University adopted ASU 2016-14, *Not-For-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Not-For-Profit Entities*, among the adoption of other less significant standards effective July 1, 2018. ASU 2016-14 simplifies and improves how a not-for-profit entity classifies its net assets, as well as presenting in its footnotes information about liquidity, financial performance and cash flows. ASU 2014-09 and ASU 2018-08 change the way entities recognize revenues from contracts and grants and clarify accounting guidance for contributions received and contributions made. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the University's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United



States. 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 25, 2019, 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 25, 2019,
except for the schedule of
expenditures of federal awards and state
financial assistance for which the date is
October 18, 2019

Nova Southeastern University
Consolidated Statements of Financial Position
June 30, 2019 and 2018

(\$ in thousands)

ASSETS	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 33,036	\$ 62,445
Restricted cash	5,124	4,770
Investments	280,312	234,324
Tuition and other receivables, net	40,871	34,120
Pledges receivable, current portion, net	11,003	28,042
Bond deposits with trustees, current portion	1,989	655
Prepaid expenses and other current assets	<u>8,992</u>	<u>7,894</u>
Total current assets	381,327	372,250
Pledges receivable, net	34,626	40,787
Bond deposits with trustees	27,725	3,257
Federal Perkins student loans	4,355	5,226
Foundation assets	6,938	6,813
Contributions receivable from remainder trusts	288	285
Scholarship funds held in trust by others	3,531	3,745
Designated investments	47,935	42,824
Restricted investments	67,905	66,668
Restricted cash and cash equivalents	12,989	4,890
Land, buildings, and equipment, net	944,258	881,725
Other assets	<u>18,121</u>	<u>17,400</u>
Total assets	<u>\$ 1,549,998</u>	<u>\$ 1,445,870</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 54,616	\$ 55,337
Deferred revenue	61,323	61,445
Current portion of long-term debt	9,513	9,764
Other current liabilities	<u>21,135</u>	<u>42,261</u>
Total current liabilities	146,587	168,807
Long-term debt	465,547	374,317
Refundable Federal Perkins student loans	4,920	4,910
Due to beneficiaries under remainder trusts and annuities	117	123
Accrued insurance cost	9,518	8,415
Deferred revenue	15,788	16,265
Other liabilities	<u>15,761</u>	<u>16,472</u>
Total liabilities	<u>658,238</u>	<u>589,309</u>
Net assets:		
Without donor restrictions	\$ 720,385	\$ 669,040
With donor restrictions	<u>171,375</u>	<u>187,521</u>
Total net assets	<u>891,760</u>	<u>856,561</u>
Total liabilities and net assets	<u>\$ 1,549,998</u>	<u>\$ 1,445,870</u>

See accompanying notes to consolidated financial statements.

Nova Southeastern University
Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

(with summarized financial information for the year ended June 30, 2018)

(\$ in thousands)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUES AND RELEASES				
Net tuition and fees	\$ 520,746	\$ -	\$ 520,746	\$ 513,411
Contributions and private grants	4,768	16,219	20,987	80,942
Government grants and contracts	-	28,330	28,330	25,750
Auxiliary operations	43,240	-	43,240	40,589
Interest and dividends	8,324	1,304	9,628	8,284
Net unrealized gain (loss) on investments	5,253	1,597	6,850	(216)
Net realized (loss) gain on sale of investments	(530)	557	27	4,009
Other revenues	23,530	7,359	30,889	29,542
Net assets released from restrictions	71,512	(71,512)	-	-
Total revenues	<u>676,843</u>	<u>(16,146)</u>	<u>660,697</u>	<u>702,311</u>
EXPENSES				
Salaries and wages	304,187	-	304,187	295,042
Employee benefits	74,442	-	74,442	73,030
Supplies and services	89,294	-	89,294	88,197
Space and occupancy	51,212	-	51,212	49,567
Depreciation	39,256	-	39,256	38,124
Interest	16,466	-	16,466	14,193
Other	50,641	-	50,641	51,609
Voluntary separation offer	-	-	-	1,878
Total expenses	<u>625,498</u>	<u>-</u>	<u>625,498</u>	<u>611,640</u>
CHANGE IN NET ASSETS	51,345	(16,146)	35,199	90,671
Net assets, beginning of year	<u>669,040</u>	<u>187,521</u>	<u>856,561</u>	<u>765,890</u>
NET ASSETS, END OF YEAR	<u>\$ 720,385</u>	<u>\$ 171,375</u>	<u>\$ 891,760</u>	<u>\$ 856,561</u>

See accompanying notes to consolidated financial statements.

Nova Southeastern University
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

(\$ in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	2019	2018
Increase in net assets	\$ 35,199	\$ 90,671
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation expense	39,256	38,124
Amortization expense	(838)	(959)
Provision for doubtful accounts	4,100	5,602
Loss on disposal of equipment and buildings	1,004	1,927
Gain on sale of facilities	(7,646)	-
Net realized gain on sale of securities	(27)	(4,009)
Net unrealized (gain) loss on securities	(6,850)	216
Contributions for investment and capital purchases	(23,406)	(4,850)
<i>Decrease (increase) in assets from prior year:</i>		
Tuition and other receivables	(10,494)	(4,389)
Pledges receivable	22,843	(55,601)
Prepaid expenses and other current assets	(1,098)	1,481
Federal Perkins student loans	871	510
Foundation assets	(125)	(471)
Contributions receivable from remainder trust and scholarship funds held in trust by others	(3)	(15)
Other assets	(721)	1,537
<i>Increase (decrease) in liabilities from prior year:</i>		
Accounts payable and accrued liabilities	1,114	3,574
Accrued insurance costs and other current liabilities	(353)	(613)
Deferred revenue	(599)	2,807
Other liabilities	(382)	203
Due to beneficiaries under remainder trusts and annuities	(6)	(79)
Net cash provided by operating activities	51,839	75,666
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(116,981)	(37,036)
Sales and maturities of investments	450,442	389,488
Purchases of investments	(495,684)	(408,200)
Return of investment in University Park Plaza	-	2,992
Deposit on sale of facilities	-	20,000
Net cash used in investing activities	(162,223)	(32,756)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	156,006	-
Repayment of debt	(63,930)	(9,415)
(Increase) decrease in bond deposits with trustees	(26,064)	1,183
Increase in refundable Federal Perkins student loans	10	45
Contributions for investment and capital purchases	23,406	4,850
Net cash provided by (used in) financing activities	89,428	(3,337)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(20,956)	39,573
Cash, cash equivalents, and restricted cash, beginning of year	72,105	32,532
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 51,149	\$ 72,105
Supplemental information:		
Interest paid, net of amounts capitalized	\$ 15,660	\$ 15,158
Accrued capital expenditures	\$ 13,833	\$ 15,668

See accompanying notes to consolidated financial statements.

1. University Organization

Nova Southeastern University, Inc. (NSU, or the university) is a not-for-profit, private institution and is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Founded in 1964, the university offers undergraduate degrees, graduate and first-professional degrees, and certificate programs to more than 20,000 full-time and part-time students in a wide range of fields, including the humanities, biological and environmental sciences, business, counseling, computer and information sciences, conflict resolution, education, family therapy, medicine, dentistry, various other health professions, law, marine science, performing and visual arts, psychology, and other social sciences. Courses are taught at 4 South Florida campuses; 8 regional campus locations, including Puerto Rico; and at sites in 14 states, as well as 4 foreign countries. NSU serves the residents of its community with health, psychology, and law centers; schools 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 junior kindergarten 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.

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). Approximately \$4.5 million and \$4.9 million of long-term restricted cash at June 30, 2019 and 2018, 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 and cash equivalents includes \$8.5 million of restricted cash and cash equivalents at June 30, 2019, that are part of the university's endowment, and therefore, are long-term in nature.

Nova Southeastern University
Notes to Consolidated Financial Statements
Years Ended June 30, 2019 and 2018

NSU has cash balances with banks in excess of FDIC-insured limits, which potentially subject NSU to credit risks. Management believes the risk related to these deposits is minimal.

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).

	2019	2018
Cash and cash equivalents	\$ 33,036	\$ 62,445
Restricted cash	5,124	4,770
Long term restricted cash and cash equivalent	12,989	4,890
Total	\$ 51,149	\$ 72,105

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

Bond deposits with trustees consist of amounts in bond service and reserve funds for various bonds outstanding and proceeds from bond issuances restricted for construction. The current portion related to bond service is \$2.0 million at June 30, 2019, and \$0.7 million at June 30, 2018. Reserve funds, classified as long-term bond deposits with trustees, were \$3.3 million at June 30, 2019 and 2018.

At June 30, 2019, approximately \$24.4 million of unspent bond proceeds (related to the Town of Davie tax exempt Series 2018 bonds), restricted for the construction of a new residence hall and parking garage, are recorded within long-term bond deposits with trustees. At June 30, 2018, there were no unspent bond proceeds.

Deferred Debt Issue Costs

Costs related to the issuance of debt (\$3.6 million at June 30, 2019, and \$3.0 million at June 30, 2018) are being amortized over the term of the related debt instrument using the bonds outstanding method, which approximates the effective interest method. In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Update (ASU) 2015-03, Interest—Imputation of Interest (Subtopic 835-30), debt issuance costs are presented in the Consolidated Statements of Financial Position as a direct deduction from the carrying amount of the related debt, consistent with the presentation of debt discounts and premiums.

Split Interest Agreements

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

Contributions receivable from remainder trusts:

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

Due to beneficiaries under remainder trusts and annuities:

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

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

Changes in split interest agreements, which are reflected as other revenue in the Consolidated Statements of Activities, increased by approximately \$10,000 and \$15,000 for fiscal 2019 and 2018, respectively.

At June 30, 2019 and 2018, amounts due to beneficiaries under annuity agreements were approximately \$117,000 and \$123,000, respectively. No amounts were due to beneficiaries under remainder trusts at June 30, 2019 and 2018.

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. Expenditures in excess of \$1,000 with an estimated useful life of two or more years are capitalized. Leased property meeting certain criteria is capitalized and the current value of the lease payments is recorded as a liability. Depreciation is calculated using the straight-line method over periods ranging from 4 to 50 years. 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.

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 \$11.4 million at June 30, 2019, and \$9.5 million at June 30, 2018, of which \$1.9 million and \$1.1 million is included in other current liabilities as of June 30, 2019 and 2018, respectively. Undiscounted costs at June 30, 2019 and 2018, were \$12.1 million and \$10.1 million, respectively. Investments in insurance entities and benefit associations are accounted for under the equity method and are included in other assets and approximated \$10.4 million at June 30, 2019, and \$10.5 million at June 30, 2018.

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, 2019, endowment-related pledges receivable were \$38.3 million, and the fair value of the endowment fund was \$132.5 million, representing total endowment assets of \$170.7 million. At June 30, 2018, endowment-related pledges receivable were \$41.4 million, and the fair value of the endowment fund was \$119.7 million, representing total endowment assets of \$161.1 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 2019 and 2018, total scholarships and discounts were \$79.8 million and \$63.9 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 \$58.8 million at June 30, 2019, and \$60.3 million at June 30, 2018.

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 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.

NSU Museum of Art Fort Lauderdale

On July 1, 2008, the university merged with the Museum of Art, Inc. (the Museum), a not-for-profit organization, with NSU as the surviving organization. The Museum acquires art for its collection through purchase or by gift. As permitted by the FASB's Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, the Museum does not include its collection items as assets in the Consolidated Statements of Financial Position. Accordingly, no value has been assigned to the Museum's art collection. 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. 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 2019 and 2018, expenditures for

collection items purchased but not capitalized were \$182,000 and \$323,000, 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 2019 or 2018.

Recent Accounting Pronouncements

In March 2019, the FASB issued Accounting Standards Update (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 new guidance is effective for annual financial statements issued for fiscal years beginning after December 15, 2019. Early application of the amendments is permitted, and should be applied on a prospective basis. The university does not expect the new guidance to have a material impact on its 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 the disclosure requirements on fair value measurements. The new standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The university is currently evaluating the impact of the new standard on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The university adopted the new guidance in fiscal 2019, resulting in no material impact to the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new guidance is intended to reduce diversity in practice on how certain transactions are classified in the statement of cash flows. The university elected to adopt the Cumulative Earnings Approach for distributions received from equity method investees, and retrospectively applied it to all periods presented. The adoption of the new guidance resulted in a reclassification of \$1.2 million of Distributions from University Park Plaza from investing activities to operating activities in the Consolidated Statements of Cash Flows for fiscal 2018.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958), which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, ASU 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets of \$102.6 million and permanently restricted net assets of \$85.0 million for 2018. Additionally, the ASU increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location (see Note 12). The university adopted ASU 2016-14 in fiscal 2019, and applied the changes retrospectively.

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, and makes targeted changes to lessor accounting. The ASU requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The new guidance is effective for periods beginning after December 15, 2018. The university is currently evaluating the alternative methods of adoption and the effect on the consolidated financial statements and related disclosures.

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 new guidance is effective for periods beginning after December 15, 2018. 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 university does not expect the remaining new guidance to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2017. NSU adopted ASU 2014-09 in fiscal 2019 using the retrospective with cumulative effect transition method, resulting in no material impact to the financial statements or adjustments to beginning net assets.

As a result of the recent federal income tax reform enacted into law under the Tax Cuts and Jobs Act of 2017, certain provisions will impact tax-exempt organizations, including revisions to taxes on unrelated business activities, excise taxes on compensation of certain employees, and various other provisions. As the Internal Revenue Service releases implementation guidance, the university continues to review and assess the full impact of the legislation to the consolidated financial statements, but does not expect that the impact will be material.

3. Liquidity and Availability of Resources

As of June 30, 2019 and 2018, financial assets available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 30,281	\$ 56,700
Investments	274,609	227,618
Tuition and other receivables, net	40,871	34,120
Pledges receivable, current portion, net	5,122	21,954
Bond deposits with trustees, current portion	1,989	655
Endowment investments appropriated for spending in the following year	<u>3,430</u>	<u>3,835</u>
Financial assets available within one year for general expenditures	<u>\$ 356,302</u>	<u>\$ 344,882</u>

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 \$50.4 million and \$48.2 million as of June 30, 2019 and 2018, respectively. Although the university does not intend to spend from its board-designated endowment funds, other than amounts appropriated annually for expenditure in accordance with the university's investment and spending policy, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 8 for disclosures about investments).

4. Tuition and Other Receivables

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

	<u>2019</u>	<u>2018</u>
Student accounts, net of allowance of \$1,840 in 2019 and \$2,037 in 2018	\$ 20,947	\$ 16,462
Unreimbursed grant and contract expenditures	11,540	10,301
Health centers' patient accounts, net of allowance of \$3,256 in 2019 and \$3,318 in 2018	1,086	1,466
Accrued interest	1,665	1,482
Other	5,633	4,409
Total	<u>\$ 40,871</u>	<u>\$ 34,120</u>

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. Pledges that existed prior to the adoption of ASC 820 on July 1, 2008, were discounted to current value at the applicable risk-free rate of return, 4.7 percent (determined as of the date of the pledge and pertaining to the expected term of the pledge). Upon adoption of ASC 820, the university began applying a present value technique to new pledges received, whereby the estimated future cash flows were 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 2.1 to 9.5 percent.

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

	<u>2019</u>	<u>2018</u>
Current:		
In one year or less	\$ 12,163	\$ 29,202
Less allowance	(1,160)	(1,160)
	<u>11,003</u>	<u>28,042</u>
Future:		
Between one and five years	29,796	33,771
More than five years	20,497	25,119
Less discount and allowance	(15,667)	(18,103)
	<u>34,626</u>	<u>40,787</u>
Total	<u>\$ 45,629</u>	<u>\$ 68,829</u>

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

	<u>2019</u>	<u>2018</u>
Endowments	\$ 52,970	\$ 58,041
Property, plant and equipment	386	14,422
Scholarships and other	9,100	15,629
Subtotal	<u>62,456</u>	<u>88,092</u>
Less discount and allowance	(16,827)	(19,263)
Total	<u>\$ 45,629</u>	<u>\$ 68,829</u>

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In fiscal year 2018, the university received unconditional pledges representing approximately 69.0 percent and 75.0 percent of the balance of outstanding pledges receivable as of June 30, 2019 and 2018, respectively. These pledges are from a related party, and are payable in annual installments ranging from approximately \$3.6 million to \$7.6 million through fiscal 2029.

6. Investments

Investments at June 30 consist of (in thousands):

	2019	2018
Pooled investments:		
Money market funds	\$ 123	\$ 119
Mutual funds	84,734	78,119
Commingled funds	17,998	16,712
Fund-of-funds	7,283	8,476
Corporate obligations	4,307	3,726
Total	114,445	107,152
Other investments:		
Mutual funds	15,810	14,507
Equity securities	124	104
Corporate obligations	188,943	188,306
Government-related obligations	76,830	33,747
Total	281,707	236,664
Total investments	\$ 396,152	\$ 343,816

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

	2019	2018
Investments	\$ 280,312	\$ 234,324
Designated investments	47,935	42,824
Restricted investments	67,905	66,668
Total	\$ 396,152	\$ 343,816

Investments at June 30, 2019 and 2018, include amounts received under split-interest agreements of approximately \$163,000 and \$177,000, respectively.

7. Land, Buildings, and Equipment

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

	<u>2019</u>	<u>2018</u>
Land	\$ 71,678	\$ 73,722
Land improvements	78,822	77,829
Leasehold improvements	32,440	31,830
Buildings	849,971	841,077
Equipment	181,085	170,176
Library books	110,431	106,421
Construction in progress	<u>102,240</u>	<u>34,257</u>
Total	1,426,667	1,335,312
Less accumulated depreciation	<u>(482,409)</u>	<u>(453,587)</u>
Net	<u>\$ 944,258</u>	<u>\$ 881,725</u>

In July 2018, the university sold property located in North Miami Beach with a net book value of \$11.7 million for approximately \$20.0 million, resulting in a net gain of approximately \$7.6 million included in other revenue on the Consolidated Statement of Activities. The sale proceeds were received during fiscal 2018, in advance of the closing, and, therefore, were reflected within other current liabilities in the accompanying Consolidated Statement of Financial Position at June 30, 2018.

For fiscal 2019 and 2018, total depreciation expense was approximately \$39.3 million and \$38.1 million, respectively.

At June 30, 2019, the university had approximately \$5.5 million of unsecured letters of credit relating to construction projects.

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, 2019, grouped by fair value hierarchy (in thousands):

	2019			
	Total	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	\$ 11,933	\$ 11,933	\$ -	\$ -
Mutual funds	5,775	5,775	-	-
Subtotal	<u>17,708</u>	<u>17,708</u>	<u>-</u>	<u>-</u>
Current investments:				
Corporate obligations	188,944	-	188,944	-
Government-related obligations	76,830	-	76,830	-
Mutual funds	14,538	14,538	-	-
Subtotal	<u>280,312</u>	<u>14,538</u>	<u>265,774</u>	<u>-</u>
Designated and restricted investments:				
Money market funds	131	131	-	-
Mutual funds	91,195	91,195	-	-
Equity securities	124	124	-	-
Commingled funds ¹	19,102	-	-	-
Fund-of-funds ¹	7,729	-	-	-
Corporate obligations	4,307	-	4,307	-
Subtotal ²	<u>122,588</u>	<u>91,450</u>	<u>4,307</u>	<u>-</u>
Scholarship funds held in trust:				
Money market funds	33	33	-	-
Equity securities	2,217	872	1,345	-
Corporate obligations	1,254	-	1,254	-
Government-related obligations	27	-	27	-
Subtotal	<u>3,531</u>	<u>905</u>	<u>2,626</u>	<u>-</u>
Contributions receivable from remainder trusts				
	288	-	-	288
Total	<u>\$ 424,427</u>	<u>\$ 124,601</u>	<u>\$ 272,707</u>	<u>\$ 288</u>

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

²Includes investments of the Foundation of \$6.7 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, 2018, grouped by fair value hierarchy (in thousands):

	2018 Total	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	\$ 19,079	\$ 19,079	\$ -	\$ -
Mutual funds	4,961	4,961	-	-
Subtotal	<u>24,040</u>	<u>24,040</u>	<u>-</u>	<u>-</u>
Current investments:				
Corporate obligations	187,291	-	187,291	-
Government-related obligations	33,747	-	33,747	-
Mutual funds	13,286	13,286	-	-
Subtotal	<u>234,324</u>	<u>13,286</u>	<u>221,038</u>	<u>-</u>
Designated and restricted investments:				
Money market funds	127	127	-	-
Mutual funds	84,231	84,231	-	-
Equity securities	104	104	-	-
Commingled funds ¹	17,758	-	-	-
Fund-of-funds ¹	9,007	-	-	-
Corporate obligations	4,741	-	4,741	-
Subtotal ²	<u>115,968</u>	<u>84,462</u>	<u>4,741</u>	<u>-</u>
Scholarship funds held in trust:				
Money market funds	30	30	-	-
Equity securities	2,336	867	1,469	-
Corporate obligations	1,185	-	1,185	-
Government-related obligations	194	-	194	-
Subtotal	<u>3,745</u>	<u>897</u>	<u>2,848</u>	<u>-</u>
Contributions receivable from remainder trusts				
	285	-	-	285
Total	<u>\$ 378,362</u>	<u>\$ 122,685</u>	<u>\$ 228,627</u>	<u>\$ 285</u>

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

²Includes investments of the Foundation of \$6.5 million, as defined and described in Note 13.

During the year ended June 30, 2019 and 2018, 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):

	2019	2018
Beginning balance	\$ 285	\$ 270
Net unrealized gains	3	15
Ending balance	<u>\$ 288</u>	<u>\$ 285</u>

All net unrealized gains in the above table are reflected in the Consolidated Statements of Activities. Net unrealized gains 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, 2019 and 2018.

The following table presents additional information pertaining to alternative investments as of June 30, 2019 (in thousands):

	Fair Value 2019 (1)	Unfunded Commitments	Redemption Frequency	Redemption Notice
Commingled Funds:				
Debt securities (2)	\$ 4,815	\$ -	Monthly	5 - 30 days
Hedge fund (3)	14,287	-	Annually - Quarterly	45 - 120 days
Fund-of-funds:				
Private equity (4)	7,729	1,851	Locked	None
	<u>\$ 26,831</u>	<u>\$ 1,851</u>		

- (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 45 to 120 days written notice. Approximately \$3.4 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, 2019, and approximately \$2.1 million of investments are subject to a one year lock-up period. Also, approximately \$5.4 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, 2019 and 2018, 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):

	2019	2018
BCEFA tax exempt Series 2008A bonds	\$ -	\$ 54,460
Town of Davie tax exempt Series 2009 bonds	35,361	38,344
HEFFA tax exempt Series 2011 bonds	14,825	14,825
HEFFA tax exempt Series 2012A bonds	38,650	40,235
HEFFA tax exempt Series 2012B bonds	16,125	19,120
Town of Davie tax exempt Series 2013A bonds	94,155	94,155
Town of Davie tax exempt Series 2013B bonds	13,790	14,535
HEFFA tax exempt Series 2016 bonds	86,870	86,870
Town of Davie tax exempt Series 2018 bonds	139,740	-
Note payable to bank	5,860	6,281
Par amount of bonds and notes payable	<u>445,376</u>	<u>368,825</u>
Net unamortized premium	33,309	18,253
Net unamortized deferred issuance costs	<u>(3,625)</u>	<u>(2,997)</u>
Total	\$ 475,060	\$ 384,081
Current portion	<u>(9,513)</u>	<u>(9,764)</u>
Long-term debt	<u>\$ 465,547</u>	<u>\$ 374,317</u>

The Broward County Educational Facilities Authority (BCEFA) was established by Ordinance Number 86-15 of the Broward County Commission for the purpose of assisting institutions of higher education in the construction, financing, and refinancing of projects for public purposes. The Town of Davie is a municipal corporation duly organized and existing under the laws of the state of Florida and is authorized, pursuant to the charter of the town and Florida Statutes, to issue revenue bonds to pay or reimburse the costs of educational and other facilities to be acquired, constructed, and equipped. The Higher Education Facilities Financing Authority (HEFFA) is a public body corporate and politic created and existing under the laws of the state of Florida, pursuant to the provisions of Part II, Chapter 243, Florida Statutes, and is authorized to issue bonds, to pay or reimburse the costs of higher education facilities.

The BCEFA, Town of Davie, and HEFFA bonds listed in the table above (and hereinafter described) were issued as tax-exempt bonds on behalf of the university and are payable solely by the university under the loan agreements related thereto.

The BCEFA bonds outstanding as of June 30, 2018, were issued pursuant to a Second Amended and Restated Loan Agreement dated as of April 1, 2004, as supplemented, with the BCEFA. The Series 2008A Bonds issued under the loan agreement were secured by a pledge of, and first lien on, the Pledged Revenues (hereinafter defined).

The university entered into a Master Trust Indenture (the Master Trust Indenture) dated as of October 1, 2008, as supplemented and amended, between the university and U.S. Bank National Association, as master trustee (in such capacity, the Master Trustee). In the Master Trust Indenture, the university has granted to the Master Trustee a continuing security interest in, and a collateral assignment of, all Pledged Revenues. Furthermore, the university issued a Master Obligation dated as of October 1, 2008 (the Master Obligation) as an Additional Parity Obligation within the meaning of that certain Second Amended and Restated Trust Indenture dated as of April 1, 2004, as amended and supplemented (the BCEFA Indenture), between the BCEFA and U.S. Bank National Association, as trustee.

The Master Obligation is secured by the Pledged Revenues on a parity with the bonds issued by BCEFA for the benefit of the university and that were outstanding under the BCEFA Indenture. Pledged Revenues are composed, generally, of (i) Tuition and Fees and (ii) Dormitory Revenues (as defined in the Master Trust Indenture and BCEFA Indenture). All promissory notes issued under the Master Trust Indenture (collectively, the Notes) represent a proportionate interest in the Master Obligation. The outstanding principal amount of the Master Obligation will equal the aggregate principal amount of the Notes outstanding from time to time under the Master Trust Indenture.

As of June 30, 2019, the university has issued nine Notes that are currently outstanding under the Master Trust Indenture, relating to (1) the Town of Davie Series 2009 bonds, (2) HEFFA 2011 bonds, (3) HEFFA 2012A bonds, (4) HEFFA 2012B bonds, (5) a note payable to a bank, as further described below, (6) the Town of Davie Series 2013A bonds, (7) the Town of Davie Series 2013B bonds, (8) the HEFFA 2016 bonds, and (9) the Town of Davie Series 2018 bonds. The Notes issued with respect to the Town of Davie and HEFFA bonds further secure the university's obligations under the respective loan agreements between the university and the Town of Davie or HEFFA, as applicable.

BCEFA Bonds

2008A Bonds—The 2008A Bonds bore interest at a short-term rate determined by the remarketing agent, on the basis of daily prevailing financial market conditions (1.6 percent at June 30, 2018). The duration of each interest period is determined at the election of the university, subject to certain conditions. The 2008A Bonds were due in annual installments of \$780,000 to \$11,090,000 through 2038. The 2008A Bonds were further secured by an irrevocable, direct-pay unsecured letter of credit and were subject to tender for purchase at the option of the holder. The 2008A Bonds were refunded during fiscal year 2019, with the issuance of the Town of Davie Series 2018 bonds.

HEFFA and Town of Davie Bonds

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 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 \$490,000 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 BCEFA Series 2006 bonds and a portion of the 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.

2013B Bonds—The 2013B Bonds were issued in January 2014 through the Town of Davie, in the principal amount of \$20,315,000. Proceeds from the issuance were used to refund the BCEFA Series 2004A and Series 2004B bonds. The 2013B Bonds bear interest at rates ranging from 2.0 percent to 5.4 percent per annum, payable semiannually on April 1 and October 1. The 2013B bonds are due in annual installments of \$195,000 to \$1,365,000 through 2033.

2013A Bonds—The 2013A Bonds were issued in December 2013 through the Town of Davie, in the principal amount of \$94,155,000. A portion of the proceeds were used to reimburse the university for amounts previously expended in connection with the construction of the Oceanographic Center. The remaining proceeds were used to finance a portion of the cost of both construction of the Center for Collaborative Research and the Sports Center II project (including renovations to the existing sports center), as well as stormwater drainage system improvements. The 2013A Bonds bear interest at rates ranging from 5.6 percent to 6.0 percent per annum, payable semiannually on April 1 and October 1. The 2013A bonds are due in annual installments of \$3,770,000 to \$19,375,000 from 2037 to 2043.

2012B Bonds—The 2012B Bonds were issued in November 2012 through HEFFA, in the principal amount of \$34,735,000. Proceeds from the issuance were used to refund the outstanding BCEFA Series 2000A and Series 2004C

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bonds. The 2012B Bonds were privately placed with a single institutional buyer. The 2012B bonds bear interest at 2.46 percent per annum, payable semiannually on April 1 and October 1. The 2012B Bonds are due in annual installments of \$3,065,000 to \$3,385,000 through 2024.

2012A Bonds—The 2012A Bonds were issued in May 2012 through HEFFA, in the principal amount of \$46,090,000. Proceeds from the issuance were used to refund the outstanding BCEFA Series 2002A and Series 2002B bonds and finance the acquisition of technology equipment, infrastructure upgrades, wireless communication upgrades, and technology-related compliance and security tools. The 2012A Bonds bear interest at rates ranging from 2.5 percent to 5.0 percent per annum, payable semiannually on April 1 and October 1. The 2012A Bonds are due in annual installments of \$115,000 to \$4,050,000 through 2032.

2011 Bonds—The 2011 Bonds, issued through HEFFA, were partially refunded with the 2016 Bonds. The remaining 2011 Bonds bear interest at rates ranging from 5.5 percent to 6.4 percent per annum, payable semiannually on April 1 and October 1, and are due in annual installments of \$1,250,000 to \$2,325,000 from 2021 to 2031.

2009 Bonds—The 2009 Bonds were issued through the Town of Davie. The 2009 Bonds were privately placed with a single institutional buyer. The 2009 Bonds are due in monthly installments of \$251,000 to \$346,000 through 2029, bearing a 3.2 percent per annum interest rate. The university has \$6.0 million in an interest-bearing account with a financial institution as a compensating balance for the 2009 Bonds, which is included in cash and cash equivalents on the Consolidated Statements of Financial Position.

As described above, the 2018 Bonds, 2016 Bonds, 2013B Bonds, 2013A Bonds, 2012B Bonds, 2012A Bonds, 2011 Bonds, and 2009 Bonds are secured by the applicable Notes issued under the Master Trust Indenture on a parity with Note No. 5 (described below) and the previously outstanding BCEFA Bonds.

Note Payable to Bank

Note Payable to Bank—In May 2013, the university issued Note No. 5 under the Master Trust Indenture in the amount of \$8,000,000 to finance the construction of a parking garage on the Fort Lauderdale/Davie Campus. The note matures in full on May 1, 2033. Interest is payable monthly bearing a variable rate of one month Libor plus 1.15 percent (3.6 percent at June 30, 2019). Principal payments are due in monthly installments of \$35,000.

Future maturities of NSU’s long-term debt at June 30, 2019, are as follows (in thousands):

	Long -Term Debt
2020	\$ 9,513
2021	12,586
2022	13,629
2023	13,686
2024	14,259
Thereafter through 2044	381,703
	<u>\$ 445,376</u>

The university’s debt agreements contain customary conditions, provisions, and covenants. In the opinion of management, the university is in compliance with all such covenants as of June 30, 2019.

The university incurred interest charges for fiscal 2019 and fiscal 2018 of \$21.1 million and \$15.3 million, respectively. During fiscal 2019 and 2018, the university capitalized interest of \$4.7 million and \$1.1 million, respectively, resulting in net interest expense reflected in the accompanying Consolidated Statements of Activities of \$16.5 million and \$14.2 million, respectively.

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

NSU participates 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, 2019 and 2018, Federal Perkins student loans were \$4.4 million and \$5.2 million, respectively. NSU recorded a liability for refundable Federal Perkins student loans of \$4.9 million at June 30, 2019 and 2018.

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):

	2019	2018
<u>Without Donor Restrictions</u>		
Board designated for:		
Mailman Segal Center	\$ 677	\$ 672
Scholarships	5,762	5,586
Athletic scholarships	6,805	6,839
Trustees student scholarship	2,002	2,019
Faculty research and development	2,353	2,373
College of Law	7,822	7,752
Baudhuin Preschool	4,408	4,480
Health Professions Division	16,922	15,780
Museum of Art	2,797	2,257
Research initiatives	865	460
Total Board designated	<u>50,413</u>	<u>48,218</u>
Held by external trustees	127	70
Due from HPD Foundation	3,610	2,953
Other unrestricted amounts	134,534	213,138
Physical plant equity	455,906	328,195
Library physical plant equity	75,795	76,466
Total without donor restrictions	<u>\$ 720,385</u>	<u>\$ 669,040</u>
<u>With Donor Restrictions</u>		
Endowments	75,289	65,014
Endowment-related pledges receivable	38,277	41,437
Federal Perkins student loans	1,391	1,355
Physical plant equity restricted by merger agreement	-	5,842
Gifts restricted by purpose	47,642	65,346
Scholarship funds held by trustees and restricted by purpose	3,542	3,762
HPD Foundation ¹	3,329	3,860
Other restrictions	1,905	905
Total with donor restrictions	<u>\$ 171,375</u>	<u>\$ 187,521</u>
Total net assets	<u>\$ 891,760</u>	<u>\$ 856,561</u>

¹The Foundation's net assets (see Note 13) include endowment investments of \$6.7 million and \$6.5 million as of June 30, 2019 and 2018, respectively, as well as other amounts due from or to NSU primarily for its unrestricted outlays on behalf of the Foundation.

Endowment Net Assets

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

The university's endowment consists of approximately 346 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.

Nova Southeastern University
Notes to Consolidated Financial Statements
Years Ended June 30, 2019 and 2018

Changes in endowment net assets, including endowment-related pledges receivable of \$38.3 million, for the fiscal year ended June 30, 2019, consisted of the following (in thousands):

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Net assets, beginning of year	\$ 48,218	\$ 112,927	\$ 161,145
Investment return:			
Investment income	845	1,226	2,071
Net appreciation (realized and unrealized)	1,156	2,005	3,161
Total investment return	2,001	3,231	5,232
Contributions	1,557	6,753	8,310
Appropriation of endowment assets for expenditure	(1,363)	(2,597)	(3,960)
Net assets, end of year	<u>\$ 50,413</u>	<u>\$ 120,314</u>	<u>\$ 170,727</u>

Changes in endowment net assets, including endowment-related pledges receivable of \$41.4 million for the fiscal year ended June 30, 2018, consisted of the following (in thousands):

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Net assets, beginning of year	\$ 45,018	\$ 72,788	\$ 117,806
Investment return:			
Investment income	1,004	1,468	2,472
Net depreciation (realized and unrealized)	2,397	3,719	6,116
Total investment return	3,401	5,187	8,588
Contributions	1,392	37,247	38,639
Appropriation of endowment assets for expenditure	(1,593)	(2,295)	(3,888)
Net assets, end of year	<u>\$ 48,218</u>	<u>\$ 112,927</u>	<u>\$ 161,145</u>

The composition of endowment net assets, including endowment-related pledges receivable of \$38.3 million, by type as of June 30, 2019, was as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Donor-restricted:			
Portion of perpetual funds that is required to be retained permanently by explicit donor stipulation ¹	\$ -	\$ 90,683	\$ 90,683
Term endowment funds subject to a time or purpose restriction ²	-	29,631	29,631
Board-designated	50,413	-	50,413
Total net assets	<u>\$ 50,413</u>	<u>\$ 120,314</u>	<u>\$ 170,727</u>

¹includes endowment-related pledges of \$38.2 million

²includes endowment-related pledges of \$0.1 million

Nova Southeastern University
Notes to Consolidated Financial Statements
Years Ended June 30, 2019 and 2018

The composition of endowment net assets, including endowment-related pledges receivable of \$41.4 million, by type as of June 30, 2018, was as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Donor-restricted:			
Portion of perpetual funds that is required to be retained permanently by explicit donor stipulation ¹	\$ -	\$ 84,324	\$ 84,324
Term endowment funds subject to a time or purpose restriction ²	-	28,603	28,603
Board-designated	48,218	-	48,218
Total net assets	<u>\$ 48,218</u>	<u>\$ 112,927</u>	<u>\$ 161,145</u>

¹includes endowment-related pledges of \$41.2 million

²includes endowment-related pledges of \$0.2 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, 2019 or 2018.

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 admission 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, 2019 were as follows (in thousands):

	Academic and Research	Student Services and Support	General Administrative and Operations	Total
Salaries and wages	\$ 213,578	\$ 48,847	\$ 41,762	\$ 304,187
Employee benefits	52,443	8,672	13,327	74,442
Supplies and services	40,815	20,738	27,741	89,294
Space and occupancy	33,463	5,457	12,292	51,212
Other	21,891	11,153	17,597	50,641
Allocations:				
Depreciation	23,780	10,657	4,819	39,256
Interest	8,811	7,371	284	16,466
Operations and maintenance	9,044	5,914	(14,958)	-
	<u>\$ 403,825</u>	<u>\$ 118,809</u>	<u>\$ 102,864</u>	<u>\$ 625,498</u>

Nova Southeastern University
Notes to Consolidated Financial Statements
Years Ended June 30, 2019 and 2018

Expenses by functional and natural classification for the year ended June 30, 2018 were as follows (in thousands):

	Academic and Research	Student Services and Support	General Administrative and Operations	Total
Salaries and wages	\$ 205,291	\$ 50,766	\$ 38,985	\$ 295,042
Employee benefits	52,235	8,160	12,635	73,030
Supplies and services	41,304	20,080	26,813	88,197
Space and occupancy	32,065	4,581	12,921	49,567
Other	21,394	10,012	20,203	51,609
Voluntary separation offer	1,878	-	-	1,878
Allocations:				
Depreciation	23,976	10,539	3,609	38,124
Interest	8,462	5,584	147	14,193
Operations and maintenance	8,784	5,920	(14,704)	-
	<u>\$ 395,389</u>	<u>\$ 115,642</u>	<u>\$ 100,609</u>	<u>\$ 611,640</u>

Advertising costs are charged to expenses as incurred and totaled approximately \$9.3 million and \$9.1 million for the years ended June 30, 2019 and 2018, 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):

	2019	2018
Cash and cash equivalents	\$ 150	\$ 272
Investments:		
Money market funds	8	7
Mutual funds	5,191	4,891
Commingled funds	1,103	1,047
Fund-of-funds	446	531
Total investments	<u>6,748</u>	<u>6,476</u>
Receivable	15	38
Deposits	25	27
Total assets	<u>\$ 6,938</u>	<u>\$ 6,813</u>

Foundation liabilities, which are due to NSU without donor restrictions, were \$3.6 million at June 30, 2019, and \$2.9 million at June 30, 2018, 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):

	<u>2019</u>	<u>2018</u>
With donor restrictions:		
Net assets, beginning balance	\$ 3,860	\$ 3,653
Interest and dividend income	113	139
Gain on sale of securities	46	377
Net unrealized gain (loss) on securities	116	(16)
Gifts	16	92
Other	(485)	(46)
Transfers to HPD endowment	(337)	(339)
With donor restrictions, June 30	<u>\$ 3,329</u>	<u>\$ 3,860</u>

14. Broward County Agreements

The following Broward County grant funds were received and expended during the year ended June 30, 2019 (in thousands):

<u>Broward County</u>	<u>Agreement #</u>	<u>Description</u>	<u>Funds Received</u>	<u>Funds Expended</u>
Human Services Department	17-CP-HCS-8228-RW-01-FY18	Ryan White Part A	\$ 934	\$ 707
Human Services Department	17-CP-HCS-8228-RW-01-FY19	Ryan White Part A	\$ 235	\$ 389

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, 2019 and 2018, \$14.7 million and \$15.1 million were recorded as deferred revenue related to these funds, respectively, of which \$0.5 million was classified as current at June 30, 2019 and 2018. During fiscal 2019 and 2018, \$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 \$4.0 million and \$3.9 million during fiscal 2019 and 2018, respectively, and are included in Other Revenue on the Consolidated Statements of Activities.

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 dividends received of \$0.2 million and \$11.4 million during the years ended June 30, 2019 and 2018, respectively. It was increased by NSU's 50 percent share of net income in the amount of \$0.6 million and \$10.2 million during the years ended June 30, 2019 and 2018, respectively. The investment balance at June 30, 2019 and 2018, was \$2.4 million and \$2.1 million, respectively.

NSU has operating leases for facilities located in the University Park Plaza Shopping Center. During fiscal years 2019 and 2018, rent expense was \$2.2 million and \$2.6 million, respectively.

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 \$20.2 million and \$19.3 million during fiscal 2019 and 2018, respectively.

19. Commitments

NSU has various noncancelable operating leases for facilities, equipment, and vehicles through 2026. During fiscal 2019 and 2018, rent expense was \$15.6 million and \$13.4 million, respectively. Future minimum payments under noncancelable operating leases at June 30, 2019, were (in thousands):

2020	\$	7,849
2021		7,859
2022		7,123
2023		6,876
2024		5,124
Thereafter through 2026		7,124
Total	\$	<u>41,955</u>

The university entered into an agreement to lease instructional space from a related party in Clearwater, Florida. The lease, and corresponding rent, commenced in July 2019. Accordingly, the annual future minimum lease payments, ranging from \$3.5 million to \$7.9 million over a 10-year period, are not reflected in the table above.

As of June 30, 2019, 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	<u>20</u>
Total	<u>\$ 2,083</u>

These proceeds must be used to purchase new artwork as the university's collection policy requires that the proceeds from the sale of collection items be used to acquire other items for the collection.

20. Related Parties

The university has engaged services of organizations whose owners are members of NSU's Board of Trustees. During the years ended June 30, 2019 and 2018, the university paid these organizations \$0.1 million and \$0.3 million, respectively. Contribution revenues from related parties, including NSU's Board of Trustees and their related business affiliates, amounted to approximately \$1.0 million and \$60.3 million for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, pledges receivable from these parties totaled \$37.0 million and \$59.7 million, net of discount, respectively.

21. Litigation and Contingencies

In its normal operations, NSU is a defendant in various 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 the outcome of these matters will not have a material effect on NSU's consolidated financial position or consolidated operating results.

22. Voluntary Separation Offer

During fiscal year 2018, the university offered a Voluntary Separation Offer (VSO) to eligible, full-time faculty members in a certain college. The VSO provided for separation allowances consisting of salary based on length of service and medical benefits, if eligible. The separation allowances are payable through January 2020. Based on the level of participation, the university recorded a VSO charge of approximately \$1.9 million during fiscal year 2018, of which \$0.3 million and \$1.6 million were classified in other current liabilities as of June 30, 2019 and 2018, respectively. As of June 30, 2018, \$0.3 million was classified in other long-term liabilities.

23. Subsequent Events

In July 2019, a new lease with a related party for instructional space in Clearwater, Florida, commenced (see Note 19).

Pursuant to ASC 855, Subsequent Events, the university has reviewed all subsequent events through September 25, 2019, the date the consolidated financial statements were available to be issued.

Supplementary Information

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019

Summary	Exhibit	Total Expenditures
Research and Development – Federal	F-I	\$ 8,691,975
Student Financial Assistance – Federal	F-II	548,670,375
Other Assistance – Federal	F-III	6,117,519
Total Expenditures of Federal Awards		563,479,869
Research and Development – State	S-I	2,474
Student Financial Assistance – State	S-I	15,972,930
Other Assistance – State	S-I	4,489,446
Total Expenditures of State Financial Assistance		20,464,850
Total Expenditures of Federal Awards and State Financial Assistance		\$ 583,944,719

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019
(Exhibit F-I)

Federal Sponsor/Federal Program Title/Project Title	CFDA 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	\$ -	\$ 4,523	\$ 4,523	\$ -
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	2668-NOVA-SE	New England Aquarium	-	6,686	6,686	-
Climate and Atmospheric Research	11.431	SUBAWD000396	University Corporation for Atmospheric Research	-	840	840	-
Climate and Atmospheric Research	11.431			90,396	-	90,396	-
Total for CFDA 11.431				90,396	840	91,236	-
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	SPC-000216	University of Miami	-	50,042	50,042	-
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	SPC-000219	University of Miami	-	13,323	13,323	-
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	SPC-000595	University of Miami	-	311,868	311,868	-
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	SPC-00717	University of Miami	-	4,297	4,297	-
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	SPC-000893	University of Miami	-	15,143	15,143	-
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	SPC-000955	University of Miami	-	58,048	58,048	-
Total for CFDA 11.432				-	452,721	452,721	-
Coral Reef Conservation Program	11.482			78,877	-	78,877	-
Unallied Science Program	11.472	15193	Florida Fish and Wildlife Conservation Commission	-	144,723	144,723	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478	S140002/AC39970	University of Miami	-	67	67	-
Total Department of Commerce				169,273	609,560	778,833	-
Department of Defense							
Basic and Applied Scientific Research	12.300			1,384,461	-	1,384,461	93,307
Military Medical Research and Development	12.420			2,063,981	-	2,063,981	236,284
Military Medical Research and Development	12.420	0068FEDDNEURO					
Military Medical Research and Development	12.420	IMAGING	Boston VA Research Institute, Inc	-	14,486	14,486	-
Military Medical Research and Development	12.420	4500001428	Trustees of Boston University, BUMC	-	7,933	7,933	-
Military Medical Research and Development	12.420	4500002890	Trustees of Boston University, BUMC	-	42,138	42,138	-
Total for CFDA 12.420				2,063,981	64,557	2,128,538	236,284
Basic, Applied, and Advanced Research in Science and Engineering	12.630			65,966	-	65,966	-
Total Department of Defense				3,514,408	64,557	3,578,965	329,591

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019
(Exhibit F-I continued)

Federal Sponsor/Federal Program Title/Project Title	CFDA 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							
U.S. Geological Survey - Research and Data Collection	15.808			\$ 812,273	\$ -	\$ 812,273	\$ -
Economic, Social, and Political Development of the Territories	15.875			199,586	-	199,586	-
Total Department of the Interior				<u>1,011,859</u>	<u>-</u>	<u>1,011,859</u>	<u>-</u>
Department of Justice							
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	FP062776	The University of Chicago	-	32,288	32,288	-
Total Department of Justice				<u>-</u>	<u>32,288</u>	<u>32,288</u>	<u>-</u>
Department of the Treasury							
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	4710-1126-00-J	Florida Institute of Oceanography	-	4,145	4,145	-
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	S16-34	University of Miami	-	3,778	3,778	-
Total for CFDA 21.015				<u>-</u>	<u>7,923</u>	<u>7,923</u>	<u>-</u>
Total Department of the Treasury				<u>-</u>	<u>7,923</u>	<u>7,923</u>	<u>-</u>
National Science Foundation							
Engineering	47.041			169,887	-	169,887	53,968
Geosciences	47.050			37,156	-	37,156	-
Computer and Information Science and Engineering	47.070	20160600-03-NOV	Univ of North Carolina at Charlotte	-	42,919	42,919	37,125
Biological Sciences	47.074			48,490	-	48,490	-
Social, Behavioral, and Economic Sciences	47.075			63,426	-	63,426	-
Total National Science Foundation				<u>318,959</u>	<u>42,919</u>	<u>361,878</u>	<u>91,093</u>
Department of Education							
Higher Education – Institutional Aid	84.031	P031C160143	Miami Dade College	-	17,850	17,850	-
Higher Education – Institutional Aid	84.031	NH01 201 4G00222 350310					
Total for CFDA 84.031		1000 65007000 235 1 GM001	Miami Dade College	-	23,357	23,357	-
Minority Science and Engineering Improvement	84.120	P120A140012	Miami Dade College	-	6,040	6,040	-
Total Department of Education				<u>-</u>	<u>47,247</u>	<u>47,247</u>	<u>-</u>
Department of Health and Human Services							
Oral Diseases and Disorders Research	93.121			68,252	-	68,252	-
Drug Abuse and Addiction Research Programs	93.279			146,842	-	146,842	-
Drug Abuse and Addiction Research Programs	93.279	570135	Trustees of the Univ of Penn	-	52,407	52,407	-
Drug Abuse and Addiction Research Programs	93.279	MA1292	University of Hawaii	-	12,446	12,446	-

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019
(Exhibit F-I continued)

Federal Sponsor/Federal Program Title/Project Title	CFDA 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)							
Drug Abuse and Addiction Research Programs	93.279	RES513385	Case Western Reserve University	\$ -	\$ 112,090	\$ 112,090	\$ -
Drug Abuse and Addiction Research Programs	93.279	RESS13587 R01DA043980	Case Western Reserve University	-	52,072	52,072	-
Total for CFDA 93.279				146,842	229,015	375,857	-
Minority Health and Health Disparities Research	93.307			876,346	-	876,346	315,402
Trans-NIH Research Support	93.310	500564-78050	Northeastern University	-	20,063	20,063	-
Partnerships to Improve Community Health	93.331	PICH-2014-19	Broward Regional Health Planning Council	-	6,243	6,243	-
Cardiovascular Diseases Research	93.837			4,974	-	4,974	-
Lung Diseases Research	93.838	FY19.240.002	University of Colorado	-	4,573	4,573	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			267,627	-	267,627	92,372
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			295,989	-	295,989	31,650
Allergy and Infectious Diseases Research	93.855			139,444	-	139,444	-
Biomedical Research and Research Training	93.859			115,893	-	115,893	-
Child Health and Human Development Extramural Research	93.865	2000 G UD763	The Regents of the University of California	-	98,448	98,448	-
Child Health and Human Development Extramural Research	93.865	5107705	The University of North Carolina at Chapel Hill	-	7,118	7,118	-
Child Health and Human Development Extramural Research	93.865	5113148	The University of North Carolina at Chapel Hill	-	22,183	22,183	-
Child Health and Human Development Extramural Research	93.865	5111129 U24HD089880	The University of North Carolina at Chapel Hill	-	84,056	84,056	-
Child Health and Human Development Extramural Research	93.865	5111131 U24HD089880	The University of North Carolina at Chapel Hill	-	72,715	72,715	-
Child Health and Human Development Extramural Research	93.865	R02052 U19HD089875	Florida State University	-	35,775	35,775	-
Total for CFDA 93.865				-	320,295	320,295	-
Aging Research	93.866			294,003	-	294,003	-
Aging Research	93.866	411546-GR411540-NSU	Georgetown University	-	10,062	10,062	-
Total for CFDA 93.866				294,003	10,062	304,065	-
Vision Research	93.867			23,969	-	23,969	-
Vision Research	93.867	87703-2016-NOVA (2017-NOVA)	Salus University	-	6,824	6,824	-
Total for CFDA 93.867				23,969	6,824	30,793	-
Medical Library Assistance	93.879	1600679 UG4LM012340	University of Maryland, Baltimore	-	11,684	11,684	-
HIV Demonstration, Research, Public and Professional Education Projects	93.941	258158-00-01	Temple University	-	30,884	30,884	-
Total Department of Health and Human Services				2,233,339	639,643	2,872,982	439,424
Total Research and Development				\$ 7,247,838	\$ 1,444,137	\$ 8,691,975	\$ 860,108

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019
(Exhibit F-II)

Federal Sponsor/Federal Program Title/Project Title	CFDA 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			\$ 1,781,338	\$ -	\$ 1,781,338	\$ -
Federal Work-Study Program	84.033			2,787,020	-	2,787,020	-
Federal Perkins Loan Program – Federal Capital Contributions (Note 2):							
Loans Outstanding as of July 1, 2018				5,226,172	-	5,226,172	-
New Loans Issued in Fiscal Year 2019				-	-	-	-
Total Perkins Loan Expenditures	84.038			5,226,172	-	5,226,172	-
Federal Pell Grant Program	84.063			10,304,548	-	10,304,548	-
Federal Direct Student Loans	84.268			525,856,216	-	525,856,216	-
Teacher Education Assistance for College and Higher Education Grants	84.379			78,981	-	78,981	-
Total Department of Education				546,034,275	-	546,034,275	-
Department of Health and Human Services							
Nurse Faculty Loan Program (Note 2):							
Loans Outstanding as of July 1, 2018				805,386	-	805,386	-
New Loans Issued in Fiscal Year 2019				273,811	-	273,811	-
Total Nurse Faculty Loan	93.264			1,079,197	-	1,079,197	-
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (Note 2):							
Loans Outstanding as of July 1, 2018				1,554,581	-	1,554,581	-
New Loans Issued in Fiscal Year 2019				-	-	-	-
Total Health Professions Student Loans	93.342			1,554,581	-	1,554,581	-
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			2,322	-	2,322	-
Total Department of Health and Human Services				2,636,100	-	2,636,100	-
Total Student Financial Assistance				\$548,670,375	\$ -	\$ 548,670,375	\$ -

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019
(Exhibit F-III)

Federal Sponsor/Federal Program Title/Project Title	CFDA Number	Pass-Through ID Number	Pass-Through Entity	Direct Federal Award Expenditures	Indirect Federal Award Expenditures	Total Expenditures	Amount Provided to Sub-recipients
Other Assistance							
Department of Justice							
Missing Alzheimer's Disease Patient Assistance Program	16.015	2015-SJ-BX-0003	Sheriff of Broward County	\$ -	\$ 2,474	\$ 2,474	\$ -
Total Department of Justice				<u>-</u>	<u>2,474</u>	<u>2,474</u>	<u>-</u>
Department of Labor							
Occupational Safety and Health Susan Harwood Training Grants	17.502			63,317	-	63,317	-
Total Department of Labor				<u>63,317</u>	<u>-</u>	<u>63,317</u>	<u>-</u>
National Endowment for Humanities							
Promotion of the Humanities Federal/State Partnership	45.129	GR_0618_PILOT_07/SO-253160-17	Florida Humanities Council	-	1,000	1,000	-
Total National Endowment for Humanities				<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Department of Veterans Affairs							
Yellow Ribbon Scholarships	64.UNKNOWN			314,669	-	314,669	-
Total Department of Veterans Affairs				<u>314,669</u>	<u>-</u>	<u>314,669</u>	<u>-</u>
Department of Education							
Higher Education – Institutional Aid	84.031			1,579,932	-	1,579,932	93,735
Higher Education – Institutional Aid	84.031			640,798	-	640,798	-
Total for CFDA 84.031				<u>2,220,730</u>	<u>-</u>	<u>2,220,730</u>	<u>93,735</u>
Supporting Effective Instruction State Grants	84.367	66578L/66695R	University of Miami	-	499	499	-
Total Department of Education				<u>2,220,730</u>	<u>499</u>	<u>2,221,229</u>	<u>93,735</u>
Department of Health and Human Services							
Training in General, Pediatric, and Public Health Dentistry	93.059			1,100,840	-	1,100,840	76,452
Social Services Block Grant	93.667	NSU-RTCO-19ELC4-2	Early Learning Coalition-Miami Dade	-	65,563	65,563	-
Area Health Education Centers	93.107	SUB00001694	University of Florida	-	37,588	37,588	-
Area Health Education Centers	93.107	UFDSP00012061	University of Florida	-	42,417	42,417	34,525
Total for CFDA 93.107				<u>-</u>	<u>80,005</u>	<u>80,005</u>	<u>34,525</u>
NIEHS Hazardous Waste Worker Health and Safety Training	93.142			656,224	-	656,224	197,589
AIDs Education and Training Centers	93.145	668058	University of Miami	-	20,640	20,640	-
AIDs Education and Training Centers	93.145	668059	University of Miami	-	48,325	48,325	-

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019
(Exhibit F-III continued)

Federal Sponsor/Federal Program Title/Project Title	CFDA 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)							
AIDs Education and Training Centers	93.145	668060	University of Miami	\$ -	\$ 39,092	\$ 39,092	\$ -
Total for CFDA 93.145				-	108,057	108,057	-
Mental Health Research Grants	93.242	2R25MH083617-09	University of Puerto Rico	-	39,022	39,022	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	C-116169	AIDS Project Los Angeles, Inc.	-	18,478	18,478	-
CCDF Cluster							
Child Care and Development Block Grant	93.575	LC932	Florida Department of Children and Families	-	65,756	65,756	-
Total for CCDF Cluster				-	65,756	65,756	-
Grants for Primary Care Training and Enhancement	93.884			24,408	-	24,408	-
HIV Emergency Relief Project Grants	93.914	17-CP-HCS-8228-RW-01 - FY18	Broward County	-	358,018	358,018	-
HIV Emergency Relief Project Grants	93.914	17-CP-HCS-8228-RW-01 - FY19	Broward County	-	843,508	843,508	-
Total for CFDA 93.914				-	1,201,526	1,201,526	-
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924			25,392	-	25,392	24,087
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924			129,559	-	129,559	59,388
Total for CFDA 93.924				154,951	-	154,951	83,475
Total Department of Health and Human Services				1,936,423	1,578,407	3,514,830	392,041
Total Other Assistance				4,535,139	1,582,380	6,117,519	485,776
Total Federal Awards				\$560,453,352	\$ 3,026,517	\$ 563,479,869	\$ 1,345,884

Nova Southeastern University, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2019
(Exhibit S-I)

State Grantor/State Project Title/Project Title	CSFA Number	Contract/Grant Identifying Number	Pass-Through Entity	Direct State Award Expenditures	Indirect State Award Expenditures	Total Expenditures	Amount Provided to Sub-recipients
Research and Development							
Department of Highway Safety and Motor Vehicles							
Protect Our Reefs License Plate Project	76.069	POR-2016-23	Mote Marine Laboratory	\$ -	\$ 2,474	\$ 2,474	\$ -
Protect Our Reefs License Plate Project	76.069	POR-2015-18	Mote Marine Laboratory	-	-	-	-
Total for CSFA 76.069				<u>-</u>	<u>2,474</u>	<u>2,474</u>	<u>-</u>
Total Department of Highway Safety and Motor Vehicles				<u>-</u>	<u>2,474</u>	<u>2,474</u>	<u>-</u>
Total Research and Development				<u>-</u>	<u>2,474</u>	<u>2,474</u>	<u>-</u>
Student Financial Aid							
Florida Department of Education							
Minority Teacher Scholarship Program	48.049	90460		6,000	-	6,000	-
Jose Marti Challenge Grant Program	48.052			2,000	-	2,000	-
Florida Work Experience Project	48.053	99970		13,342	-	13,342	-
Florida Student Assistance Grant	48.054	99970		2,234,269	-	2,234,269	-
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	48.055	99970		33,496	-	33,496	-
The Florida Bright Futures Scholarship Program	48.059	97040		4,821,835	-	4,821,835	-
Florida Resident Access Grant	48.064	93420		8,842,752	-	8,842,752	-
Benaquisto Scholarship	48.114			19,236	-	19,236	-
Total Florida Department of Education				<u>15,972,930</u>	<u>-</u>	<u>15,972,930</u>	<u>-</u>
Total Student Financial Aid				<u>15,972,930</u>	<u>-</u>	<u>15,972,930</u>	<u>-</u>
Other Assistance							
Florida Department of State							
General Program Support (Cultural and Museum Grants)	45.061			10,161	-	10,161	-
Total Florida Department of State				<u>10,161</u>	<u>-</u>	<u>10,161</u>	<u>-</u>
Florida Department of Education							
Centers for Autism and Related Disabilities (CARD)	48.030	SPC-000458	University of Miami	-	393,521	393,521	-
PCU/NSU Health Programs	48.137			523,048	-	523,048	-
Total Florida Department of Education				<u>523,048</u>	<u>393,521</u>	<u>916,569</u>	<u>-</u>
Florida Department of Health							
State and Community Interventions-AHEC	64.112			3,562,716	-	3,562,716	1,852,145
Total Florida Department Health				<u>3,562,716</u>	<u>-</u>	<u>3,562,716</u>	<u>1,852,145</u>
Total Other Assistance				<u>4,095,925</u>	<u>393,521</u>	<u>4,489,446</u>	<u>1,852,145</u>
Total State Financial Assistance				<u>\$ 20,068,855</u>	<u>\$ 395,995</u>	<u>\$ 20,464,850</u>	<u>\$ 1,852,145</u>

See accompanying notes.

Nova Southeastern University, Inc.

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

Year Ended June 30, 2019

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, 2019. 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*. Such 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.

2. Loan Programs

During the year ended June 30, 2019, 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, 2019 are summarized as follows:

	CFDA Number	Total Loans Outstanding as of June 30, 2019
Federal Perkins Loan Program	84.038	\$ 4,403,435
Nurse Faculty Loan Program	93.264	1,038,575
Health Professions Student Loan Program	93.342	1,255,910

Nova Southeastern University, Inc.

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

2. Loan Programs (continued)

During the year ended June 30, 2019, the University processed new loans under the Federal Direct Student Loans Program (CFDA number 84.268) of \$525,856,216 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, 2019, Florida specialty license fee endowment fund balance totaled \$1,230,798.

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, 2019, 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 25, 2019.

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) to determine the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

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September 25, 2019



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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 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, 2019. 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, 2019.

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 N9, Gramm-Leach Bliley Act-Student Information Security as outlined in the OMB Compliance Supplement for the year ended June 30, 2019. 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

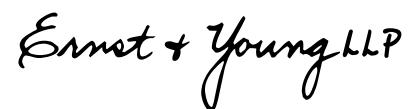
Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with 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.



October 18, 2019

Nova Southeastern University, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

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:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342, 93.925	Student Financial Assistance Cluster

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

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

- Federal Programs \$ 750,000
- State Projects \$ 750,000

Auditee qualified as low-risk auditee for Federal
purposes?

X Yes No

Nova Southeastern University, Inc.

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

No matters reported.

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

This section identifies the audit findings required to be reported by the 2 CFR 200.516(a) and Chapter 10.650, *Rules of the Auditor General* (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse), as well as any abuse findings involving federal awards or state financial assistance projects that are material to a major program.

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, 2019

	Award Population		Award Sample				Questioned Costs		
	Amount	Recipients	Amount	% of Population Amount	Recipients	% of Population Recipients	Amount	% of Sample Amount	% of Sample Recipients
Florida Academic Scholarship	\$ 3,022,225	471	\$ 317,992	11%	50	11%	\$ –	–%	–%
Florida Medallion Scholarship	1,799,610	410	194,972	11	50	12	–	–	–
Total Florida Bright Futures Scholarship Program	4,821,835	881	512,964	11	100		–	–	–
Florida Resident Access Grant	8,842,752	2,847	155,750	2	50	2	–	–	–
Minority Teacher Scholarship Program	6,000	2	6,000	100	2	100	–	–	–
Scholarships for Children and Spouses of Deceased or Disabled Veterans Grant	33,496	6	33,496	100	6	100	–	–	–
Florida Student Assistance Grant	2,234,269	1,278	88,000	4	50	4	–	–	–
Florida Work Experience Project	13,112*	5	13,112	100	5	100	–	–	–
Benacquisto Scholarship	19,236	1	19,236	100	1	100	–	–	–
Jose Marti Challenge Grant Program	2,000	1	2,000	100	1	100	–	–	–

* There is a difference between this amount and the amount reported in the Schedule of Expenditures of State Financial Assistance (SEFA) above due to an additional \$230 of indirect costs being included in the SEFA expenditure amount of \$13,342.

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