



## **Liberty University, Inc.**

### **Consolidated Financial Statements and Supplementary Information Years Ended June 30, 2021 and 2020**

## **Liberty University, Inc.**

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Consolidated Financial Statements and Supplementary Information  
Years Ended June 30, 2021 and 2020

# Liberty University, Inc.

## Contents

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<b>Independent Auditor's Report</b>	3-5
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	7
Consolidated Statements of Activities	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-38
<b>Supplementary Information</b>	
Title IV Strength Factor Score	40
Notes to Title IV Strength Factor Score	41
Schedules of Financial Position - Excluding Subsidiaries	42



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## **Independent Auditor's Report**

To the Board of Trustees  
Liberty University, Inc.  
Lynchburg, VA

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Liberty University, Inc. and its subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Emphasis of Matter***

As described in Note 23 to the consolidated financial statements, the Executive Committee of the Board of Trustees engaged an external law firm to investigate certain facets of the University's operations during former President Jerry Falwell, Jr.'s leadership. The investigation is on-going and expected completion of the investigation is anticipated for December 2021. Our opinion is not modified with respect to this matter.



## Other Matters

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Title IV Strength Factor Score and Schedules of Financial Position - Excluding Subsidiaries are 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. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*BDO USA, LLP*

November 18, 2021

## **Consolidated Financial Statements**

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# Liberty University, Inc.

## Consolidated Statements of Financial Position

<i>June 30,</i>	2021	2020
<b>Asset</b>		
Cash and cash equivalents	\$ 414,330,189	\$ 340,553,045
Accounts receivable, less allowance for doubtful accounts of \$6,531,684 and \$11,281,627 as of June 30, 2021 and 2020, respectively	36,656,036	40,539,545
Accounts receivable from related organizations	174,157	271,250
Notes receivable, less allowance for bad debt of \$315,954 and \$597,438 as of June 30, 2021 and 2020, respectively	5,982,334	2,972,081
Contributions receivable, net	416,840	7,500
Prepaid expenses and other assets	29,412,722	35,903,258
Investments, at fair value	1,995,763,951	1,530,514,291
Investments in real estate	164,903,165	155,482,000
Property, plant, and equipment, net	1,288,774,178	1,267,638,629
<b>Total Assets</b>	<b>\$ 3,936,413,572</b>	<b>\$ 3,373,881,599</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - vendors	\$ 21,315,258	\$ 20,489,851
Accounts payable - other	8,904,468	7,834,173
Accrued liabilities	52,169,724	57,533,417
Accrued interest payable	2,739,190	3,536,560
Deferred revenue and deposits	163,833,426	145,709,844
Gift annuities payable	27,420,466	27,826,254
Liability under split interest agreements	751,930	1,181,373
Other long-term liabilities	3,346,245	2,460,291
Long-term debt, net	194,994,010	197,589,939
<b>Total Liabilities</b>	<b>475,474,717</b>	<b>464,161,702</b>
<b>Net Assets</b>		
Without donor restrictions		
Quasi endowment	2,136,296,121	1,697,866,458
Undesignated	1,292,960,275	1,188,905,213
<b>Total net assets without donor restrictions</b>	<b>3,429,256,396</b>	<b>2,886,771,671</b>
With donor restrictions		
Perpetual endowments	16,054,181	15,872,893
Purpose restricted	14,939,235	6,956,343
Time restricted	689,043	118,990
<b>Total net assets with donor restrictions</b>	<b>31,682,459</b>	<b>22,948,226</b>
<b>Total Net Assets</b>	<b>3,460,938,855</b>	<b>2,909,719,897</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,936,413,572</b>	<b>\$ 3,373,881,599</b>

*See notes of accompanying consolidated financial statements.*



**Liberty University, Inc.**  
**Consolidated Statements of Activities**

<i>Years Ended June 30,</i>	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue</b>						
Tuition and fees, less institutional scholarships of \$316,672,358 and \$293,983,133, respectively	\$ 960,248,884	\$ -	\$ 960,248,884	\$ 888,570,282	\$ -	\$ 888,570,282
Contributions	4,588,044	5,948,233	10,536,277	9,844,217	1,337,057	11,181,274
Grants and contracts	33,472,989	500	33,473,489	5,237,946	1,500	5,239,446
Auxiliary services	85,637,298	-	85,637,298	82,673,187	-	82,673,187
Other sources	63,365,921	38,564	63,404,485	55,443,913	110,841	55,554,754
Net assets released from restrictions	1,667,232	(1,667,232)	-	1,587,146	(1,587,146)	-
<b>Total operating revenue</b>	<b>1,148,980,368</b>	<b>4,320,065</b>	<b>1,153,300,433</b>	<b>1,043,356,691</b>	<b>(137,748)</b>	<b>1,043,218,943</b>
<b>Operating Expense</b>						
Instruction	283,121,093	-	283,121,093	260,500,300	-	260,500,300
Academic support	84,711,836	-	84,711,836	75,728,595	-	75,728,595
Student services	242,942,435	-	242,942,435	227,428,913	-	227,428,913
Auxiliary services	77,751,576	-	77,751,576	77,564,636	-	77,564,636
Public services	15,772,374	-	15,772,374	11,507,436	-	11,507,436
Institutional support	134,054,795	-	134,054,795	148,033,551	-	148,033,551
Research	1,489,594	-	1,489,594	1,892,969	-	1,892,969
<b>Total operating expense</b>	<b>839,843,703</b>	<b>-</b>	<b>839,843,703</b>	<b>802,656,400</b>	<b>-</b>	<b>802,656,400</b>
<b>Changes in net assets from operations</b>	<b>309,136,665</b>	<b>4,320,065</b>	<b>313,456,730</b>	<b>240,700,291</b>	<b>(137,748)</b>	<b>240,562,543</b>
<b>Nonoperating Revenue (Expense)</b>						
Contributions to endowments	-	133,450	133,450	-	23,340	23,340
Investment income (loss), net	4,546,479	(103,888)	4,442,591	12,516,811	282,241	12,799,052
Realized and unrealized gains (losses), net	228,410,264	3,814,553	232,224,817	(41,257,418)	(908,788)	(42,166,206)
Change in split interest agreements	10,961,353	570,053	11,531,406	1,908,648	(108,148)	1,800,500
Goodwill impairment	(10,570,036)	-	(10,570,036)	-	-	-
<b>Changes in net assets from nonoperating activities</b>	<b>233,348,060</b>	<b>4,414,168</b>	<b>237,762,228</b>	<b>(26,831,959)</b>	<b>(711,355)</b>	<b>(27,543,314)</b>
<b>Changes in net assets</b>	<b>542,484,725</b>	<b>8,734,233</b>	<b>551,218,958</b>	<b>213,868,332</b>	<b>(849,103)</b>	<b>213,019,229</b>
<b>Net Assets, beginning of year</b>	<b>2,886,771,671</b>	<b>22,948,226</b>	<b>2,909,719,897</b>	<b>2,672,903,339</b>	<b>23,797,329</b>	<b>2,696,700,668</b>
<b>Net Assets, end of year</b>	<b>\$ 3,429,256,396</b>	<b>\$ 31,682,459</b>	<b>\$ 3,460,938,855</b>	<b>\$ 2,886,771,671</b>	<b>\$ 22,948,226</b>	<b>\$ 2,909,719,897</b>

*See notes of accompanying consolidated financial statements.*

**Liberty University, Inc.**  
**Consolidated Statements of Cash Flows**

<i>Years Ended June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 551,218,958	\$ 213,019,229
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation of property, plant and equipment	61,745,703	59,495,721
Amortization of other assets	124,070	(214,836)
Change in value of split-interest agreements	(11,531,406)	(1,800,500)
Bad debt expense on accounts receivable	10,260,448	11,291,077
Donations of property, plant and equipment	(222,583)	(7,978,000)
Realized and unrealized (gains) losses on investments, net	(232,224,817)	42,166,206
Loss on disposal of property, plant, and equipment	324,463	5,746,092
Contributions to endowment	(133,450)	(23,340)
Goodwill impairment	10,570,036	-
Net (increase) decrease in operating assets:		
Accounts receivable	(6,376,939)	16,003,052
Accounts receivable from related parties	97,093	60,448
Contributions receivable	(409,340)	(7,500)
Prepaid expenses and other assets	(4,079,500)	5,466,933
Net increase (decrease) in operating liabilities:		
Accounts payable - vendors and other	1,895,702	(5,630,188)
Accrued liabilities	(5,363,693)	25,728,283
Accrued interest payable	(797,370)	124,004
Lease liability	959,941	2,490,337
Deferred revenue and deposits	18,123,583	13,525,575
Gift annuities payable	309,767	(1,788,260)
Liability under split interest agreements	(401,592)	(16,286)
<b>Net cash provided by operating activities</b>	<b>394,089,074</b>	<b>377,658,047</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from notes receivable	129,812	-
Issuances of notes receivable	(3,140,065)	-
Purchases of property, plant, and equipment	(95,170,760)	(177,157,079)
Proceeds from sale of property, plant, and equipment	2,766,463	9,227,668
Purchases of investments	(1,047,735,932)	(891,209,390)
Proceeds from sales and maturities of investments	826,242,495	755,574,468
<b>Net cash used by investing activities</b>	<b>(316,907,987)</b>	<b>(303,564,333)</b>
<b>Cash Flows From Financing Activities</b>		
Payments on gift annuities	(715,555)	(728,793)
Payments on split interest agreements	(27,851)	(22,245)
Imputed interest on finance leases	(73,987)	(30,046)
Contributions to endowment	133,450	23,340
Proceeds from long-term debt	-	99,710,000
Payments on long-term debt	(2,720,000)	(104,622,096)
<b>Net cash used by financing activities</b>	<b>(3,403,943)</b>	<b>(5,669,840)</b>
<b>Net increase in cash and cash equivalents</b>	<b>73,777,144</b>	<b>68,423,874</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>340,553,045</b>	<b>272,129,171</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 414,330,189</b>	<b>\$ 340,553,045</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest	\$ 9,055,668	\$ 10,237,669

*See notes of accompanying consolidated financial statements.*

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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### 1. Business and Basis of Presentation

#### *Business*

Liberty University, Inc. (the “University”) is a nonprofit institution of higher education, initially established in 1971. The University is a Christian academic community in the tradition of evangelical institutions of higher education, with the primary mission of providing quality collegiate education. The University provides associate, baccalaureate, master, and doctoral programs for both liberal arts and professional disciplines in residential and off-campus formats. These programs seek to transmit and expand knowledge, as well as provide opportunities for research and service. The University is accredited by the Southern Association of Colleges and Schools. The affairs of the University are governed by the Board of Trustees.

#### *Basis of Accounting*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). In accordance with this method of accounting, revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which they are incurred.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of Liberty University, Inc. and its majority- and wholly-owned subsidiaries:

- 747 River Road, LLC - Real estate property
- Airport Plaza Holdings, LLC - Retail shopping centers, classified as quasi-endowments
- Burton Realty, LLCs - 6 LLC real-estate holdings, classified as quasi-endowments
- C&C Aviation, LLC - Provides charter air service to the University
- CFA-Wards Road, LLC - Potentially to hold Chick-fil-a parcel on Wards Road
- Crossroads Investments, LLC - Real-estate holdings, classified as quasi-endowments
- Currus Holdings, LLC - Investment holding company, classified as quasi endowments
- Eleanor’s Bench, LLC - Cinematic Arts motion picture
- Freedom Aviation, Inc. - C-corporation that provides charter air and repair and maintenance services to the public
- Ivy Hill Recreation, LLC - Lake donated for various student activities (property sold April 16, 2019) - classified as quasi-endowments
- Jerry Falwell Ministries, LLC - Created to accept donations
- Liberty Christian Academy, Inc. - A Christian, co-educational school for grades K-12, and Early Learning Center for ages 2-4
- Liberty Health Services, LLC - Acts as a holding company for various health services
- Liberty Motion Picture, LLC - Provides opportunities for students and former students to produce motion pictures
- Liberty Mountain Capital, Inc. - C-corporation - investment purposes, classified as quasi-endowments
- Liberty Mountain Medical Group, LLC - Medical clinic
- Liberty Ridge, LLC - Created to hold and manage real estate rental property
- Liberty Village Community Association, Inc - Homeowner’s Association for Liberty Ridge

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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- LU Candler's Mountain Road Holdings, LLC - Holds land and building
- LU Candler's Station Holdings, LLC - Retail shopping centers, classified as quasi-endowments
- LU Plaza Holdings, LLC - Retail shopping centers, classified as quasi-endowments
- LU Wards Road Center Holdings, LLC - Real-estate holdings, classified as quasi endowments
- LUCOM Graduate Medical Education Services, LLC - Created to support LUCOM (currently inactive)
- Morning Star Broadcasting, LLC - Provides broadcasting of Liberty University and other athletics, weather, news to the Lynchburg community
- Philanthropy Lynchburg, LLC - Retail franchise
- Red Tie Music, LLC - Produces, publishes, and distributes music
- Richmond Highway Properties (9 LLCs) - Owns several real estate parcels, classified as quasi endowments
- River Ridge Mall JV, LLC - Retail shopping mall, classified as quasi endowments
- Vertical Ventures, LLC - Telecommunication assets

All significant intercompany transactions and balances have been eliminated in the consolidation.

## 2. Summary of Significant Accounting Policies

### *Cash and Cash Equivalents*

The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents utilized within a managed portfolio are accounted for as investments. All depository accounts of the University are with institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Certain accounts are required to be segregated. Included in cash and cash equivalents are short term treasury bills in the amount of \$323,827,805 and \$264,431,358 as of June 30, 2021 and 2020, respectively. Although not insured by the FDIC, these treasury bills are backed by the U.S. government. At times during the year, the University maintains balances in financial institutions which exceed the federally insured limits. The University minimizes this risk by periodically evaluating the stability of the financial institutions. Amounts reported as cash and cash equivalents which exceeded the FDIC limits were \$91,818,393 and \$79,213,759 at June 30, 2021 and 2020, respectively.

### *Liquidity and Availability*

As part of its liquidity management, the University has a policy to structure 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 operating funds in short-term investments such as treasury bills, certificates of deposit, and money market funds.

The following schedule explains the University's financial assets available to meet cash needs for general expenditures within one year. The financial assets were derived from the total assets on the consolidated statements of financial position by excluding the assets that are unavailable for general expenditures in the next 12 months. The University seeks to maintain sufficient liquid assets to cover one quarter of annual operating and capital expenditures.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

Asset Categories	2021
Cash and cash equivalents	\$ 414,330,189
Accounts and notes receivable, net	42,638,370
Investments	1,995,763,951
Less: Non-current portion of note receivable	(5,816,208)
Less: Investments designated for quasi endowment	(1,903,939,464)
Less: Investments designated for other purposes	(91,434,255)
Less: Unfunded commitments	(24,593,883)
Add: Endowment spending-rate distributions and appropriations	413,575
Financial assets available to meet cash needs for general expenditures within one year of June 30, 2021	\$ 427,362,275

Asset Categories	2020
Cash and cash equivalents	\$ 340,553,045
Accounts and notes receivable, net	43,511,626
Investments	1,530,514,291
Less: Non-current portion of note receivable	(2,820,539)
Less: Investments designated for quasi endowment	(1,467,056,955)
Less: Investments designated for other purposes	(63,283,236)
Less: Unfunded commitments	(32,801,795)
Add: Endowment spending-rate distributions and appropriations	321,855
Financial assets available to meet cash needs for general expenditures within one year of June 30, 2020	\$ 348,938,292

### ***Accounts Receivable***

Accounts receivable represents the amount receivable for tuition and other student fees and expenses, trade accounts receivable, and investment property rent and income receivable. The University provides for uncollectible accounts annually based on total write-offs from the preceding three years. Bad debt totaled \$10,260,448 and \$11,376,974 for the years ended June 30, 2021 and 2020, respectively. The University's allowance is calculated based on the average percentage of revenue that is written-off per payor type. This methodology follows Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"). When accounts from prior fiscal years are deemed uncollectible, or an accounts receivable balance for the current fiscal year is greater than the associated revenue, they are charged against the allowance for doubtful accounts through bad debt expense. ASC 606 indicates that revenue presented on the consolidated statements of activities should only reflect the transaction price, or amount reasonably expected to be collected. As a result, the portion of current year tuition and fees not expected to be collected reduces revenue instead of increasing bad debt expense.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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### ***Contributions Receivable and Contributions Revenue***

Contributions, including unconditional promises to give, are recognized as revenue by the University in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized.

### ***Prepaid Expenses and Other Assets***

Prepaid expenses primarily consist of insurance, dues, subscriptions, and other expenditures that are amortized over their useful lives. Other assets include right-of-use assets, inventories, vendor deposits, and intangible assets.

### ***Investments***

Investments are recorded at estimated fair value. The fair values of investments are determined based on quoted market prices or estimated fair values. Net investment income/(loss) is reported in the accompanying consolidated statements of activities and consists of interest income, dividend income, and realized and unrealized gains and losses less external and direct internal investment expenses.

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk. Management does not anticipate that losses resulting from market or credit risks would materially affect the financial position of the University.

### ***Investments in Real Estate***

The University's investments in real estate consist of land and buildings donated from various individuals or purchased by the University for investment purposes. The University holds investments in real estate at historical cost less depreciation. These investments are analyzed for impairment each year based on current market conditions.

### ***Property, Plant and Equipment***

Property, plant and equipment consisting of land and land improvements, buildings, and furniture and equipment are stated at cost at the date of acquisition or at fair value at the date of the gift, less accumulated depreciation and amortization. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 years for furniture and equipment up to 60 years for certain buildings. Property and equipment held under capital leases are amortized straight-line over the shorter of the lease term or estimated useful life of the asset. Interest on outstanding debt is capitalized based on the balance of cumulative payments made on construction in progress until the specified assets are ready for their intended use. Capitalized interest is amortized over the useful life of the related asset.

### ***Deferred Revenue and Deposits***

Student deposits consist primarily of student payments received for University summer and fall sessions received during the current year. These payments are designated to be used in future periods and will be recognized as revenue within one year.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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### ***Net Assets***

The University's net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net asset changes therein are classified and reported as follows:

- Without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. During the year ended June 30, 2020, the University's Board of Trustees authorized the President and Senior Vice President of Finance and Investment Management to designate net assets for quasi endowment from other net assets without donor restrictions. Beginning fiscal year ended June 30, 2021, only the Board of Trustees has this authority.
- With donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by purpose specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions and these restrictions are not met within the current reporting period. Expenses are reported as decreases in net assets without donor restrictions. Expirations and releases of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions (see Note 12). Donor restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

### ***Methods Used for Allocation of Expenses to Programs and Supporting Services***

The University allocates expenses on a functional basis to its various programs and supporting services. The accompanying consolidated financial statements report certain categories of expenses that are attributable to one or more program(s) or supporting service(s) of the University. These expenses include utilities and maintenance, depreciation, interest, and information technology. Utilities and maintenance, depreciation, and interest are allocated based on square footage. Information technology is allocated based on estimates of time and effort and is reported in the Compensation and benefits natural classification within the Analysis of Expense by Functional and Natural Categories as discussed in Note 4.

### ***Revenue and Expense Classifications***

The University classifies its revenues and expenses as operating or non-operating in the accompanying consolidated statements of activities. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principle ongoing operations. Operating revenues include activities such as student tuition and fees, contributions to University operations or capital projects, certain educational grants and contracts for services, sales and services of auxiliary enterprises, and gains and losses on sale of operating assets. Operating expenses are all expense transactions incurred other than those related to investing activities. Non-operating revenues and expenses include transactions not related to the principle operations of the University such as endowed gifts, investment income and expenses, gains and losses on sale of non-operating assets, and changes in split interest agreements.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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### ***Income Taxes***

The Internal Revenue Service has ruled that the University qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not generally subject to income taxes under present tax laws. Management believes that any income tax liability resulting from unrelated business income for the periods ended June 30, 2021 and 2020 would not have a significant impact on the University's results of activities. Certain subsidiaries of the University are taxed as separate entities. The impact of taxes from taxable entities is not material to the accompanying consolidated financial statements and therefore such information has not been itemized herein.

### ***Concentration of Credit Risk***

Financial instruments that potentially subject the University to a concentration of credit risk consist of interest-bearing transaction accounts and accounts receivable. The University places its interest-bearing transaction accounts with high credit quality financial institutions. Student receivables are limited in risk due to the large number of students, those who pay in advance, and those who receive grants and loans to cover tuition and related expenses.

### ***Advertising Expenses***

The University expenses advertising costs as incurred. Advertising expense totaled \$17,353,462 and \$17,510,605 for the years ended June 30, 2021 and 2020, respectively.

### ***Use of Estimates***

The University has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates and assumptions.

### ***Change in Accounting Principle***

During the year ended June 30, 2021, the University elected to adopt the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2017-04, *Intangibles—Goodwill and Other (Topic 530)*. This ASU simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. That step measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Instead, the impairment charge is recognized by the amount the carrying amount of the reporting unit exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. This method is preferable as it is simpler to obtain the fair value of the entire reporting unit, than that of the goodwill carried by the reporting unit.

### ***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires recognition of a right-of-use asset and liability for future lease payments for contracts that meet the definition of a lease and requires disclosure of certain information about leasing arrangements. Generally, a lease exists when a contract or part of a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether a lease exists, the University considers whether a contract provides the University with both the right to obtain



# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The University adopted the standard on July 1, 2019 using the effective date approach. The right-of-use assets and lease liabilities are classified under prepaid expenses and other assets and other long-term liabilities, respectively, within the consolidated statement of financial position. There was no cumulative impact to net assets, and the adoption did not have a material impact on the University's results of operations or cash flows.

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)* ("ASU 2018-13"), which requires non-public entities to disclose 1) purchases and issuances of Level 3 Investments, and 2) transfers into or out of Level 3 Investments and reasons for the transfers. ASU 2018-13 is effective for annual periods beginning after December 15, 2019. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. The entities may amend disclosures using the retrospective application for all presented periods. The new standard was effective for the University during the fiscal year ending June 30, 2021. There was no material impact from adoption.

In March 2021, FASB issued ASU No. 2021-03, *Intangibles - Goodwill and Other (Topic 350)* ("ASU 2021-03"), which allows private companies and not-for-profit organizations to elect performing evaluation of goodwill impairment as of the end of the fiscal year instead of on the triggering date of impairment. ASU 2021-03 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available as of March 30, 2021. The entities electing this alternative may do so on a prospective basis only and may not retroactively apply for any financial statements already issued. The University has elected to utilize this alternative for recognizing impairment of goodwill beginning in the year ended June 30, 2021.

### ***Recent Accounting Pronouncements***

In October 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07") to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. Under the standard, contributed nonfinancial assets will be presented as a separate line in the statement of activities apart from contributions of cash and other financial assets and specific disclosures will be required regarding the contributed nonfinancial assets. The effective date for this standard is for fiscal years beginning after June 15, 2021. The University is currently evaluating the impact of adopting this ASU on the University's consolidated financial statements.

### ***Reclassifications***

As discussed further in Note 21 to the consolidated financial statements, certain items in the 2020 consolidated financial statements and notes have been reclassified to conform to the 2021 presentation. Such reclassifications had no impact on previously reported changes in net assets or net asset balances.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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### 3. Revenue

The University measures revenue from contracts with customers based on the consideration specified in the contract and recognizes revenue as a result of satisfying its promise to transfer goods or services in a contract with a customer using the following general revenue recognition five-step model: (1) identify the contract; (2) identify performance obligations; (3) determine transaction price; (4) allocate transaction price; (5) recognize revenue.

#### *Disaggregation of Revenue from Contracts with Customers*

ASC 606 requires that entities disclose disaggregated revenue information in categories (such as type of good or service, geography, market, type of contract, etc.) that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. ASC 606 explains that the extent to which an entity's revenue is disaggregated depends on the facts and circumstances that pertain to the entity's contracts with customers and that some entities may need to use more than one type of category to meet with the objective for disaggregating revenue.

The University's disaggregated tuition and fees and auxiliary services revenues consisted of the following:

<i>Years Ended June 30,</i>	<b>2021</b>	<b>2020</b>
Liberty University Online	\$ 883,439,022	\$ 799,995,254
Residential	355,573,527	360,506,446
LUOA	37,908,693	22,051,695
Tuition and fees, gross	\$ 1,276,921,242	\$ 1,182,553,415
Less: Institutional aid	(316,672,358)	(293,983,133)
<b>Tuition and fees, net</b>	<b>\$ 960,248,884</b>	<b>\$ 888,570,282</b>

<i>Years ended June 30,</i>	<b>2021</b>	<b>2020</b>
Student housing	\$ 49,940,247	\$ 43,999,821
Food services	33,923,944	34,194,697
Retail operations and other auxiliary services	1,773,107	4,478,669
<b>Auxiliary services revenue</b>	<b>\$ 85,637,298</b>	<b>\$ 82,673,187</b>

#### *Judgements*

The University earns revenue primarily through instruction. The University provides instruction to students residentially, on its Lynchburg, Virginia campus, and online to students around the world. The University serves both domestic and international students. The University recognizes this revenue per day based on the start and end dates for each individual course. In addition to instruction, the University also earns revenue through auxiliary services and other sources. These sources of revenue can be disaggregated by whether there is a contract with a student or non-

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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student, or if there is no contract. The University recognizes non-student contracts based on the date of the event or when the service is provided.

### *Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to a customer and is the unit of account under ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The University does not capitalize contract costs.

The performance obligations related to contracts with students involves providing instruction, housing and dining (if applicable), and access to the University's facilities and services throughout the contract term. As a result, the performance obligation is satisfied over time ratably throughout each contract's applicable period.

The University enters into contracts that include various combinations of services, which are generally capable of being distinct and are accounted for as separate performance obligations.

Revenue is recognized in an amount that reflects the consideration the University expects to receive in exchange for its services. Arrangements may include variable consideration in the form of tuition discounts, scholarships, or institutional aid. For any such arrangements, the transaction price only includes tuition and fees net of the awarded discounts or institutional aid. Refunds and withdrawals have been deemed immaterial.

### *Contract Payment Terms*

Before the beginning of each contract term, students are required to complete Financial Check-in ("FCI"). During this process, they are presented with the total amount that is due from them for the upcoming period. This amount is due in full upon completion of FCI when they electronically sign their contract. However, students may opt-in to a payment plan to delay paying portions of their tuition. The University does not consider the payment plan participation fees for this option to represent a significant financing component because payments are due within 120 days.

### *Revenue recognition*

The University recognizes revenue from contracts with students over the term or sub-term during which their courses are offered. Each course has a set beginning and ending date. The University recognizes revenue over time based on the number of days that have elapsed for each course.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

### 4. Analysis of Expense by Functional and Natural Categories

Expenses by functional and natural classifications are as follows:

<i>Year Ended June 30, 2021</i>	Academic Instruction and Student Services	Institutional Support	Total
Compensation and benefits	\$ 401,099,004	\$ 72,011,162	\$ 473,110,166
Utilities, maintenance, insurance, taxes	12,029,125	10,373,033	22,402,158
Supplies, services, travel, and other	235,705,882	40,853,361	276,559,243
Depreciation	51,322,058	10,423,645	61,745,703
Interest expense	5,632,839	393,594	6,026,433
<b>Total Functional Expenses</b>	<b>\$ 705,788,908</b>	<b>\$ 134,054,795</b>	<b>\$ 839,843,703</b>

<i>Year Ended June 30, 2020</i>	Academic Instruction and Student Services	Institutional Support	Total
Compensation and benefits	\$ 368,444,026	\$ 81,917,816	\$ 450,361,842
Utilities, maintenance and insurance, taxes	12,725,924	9,107,596	21,833,520
Supplies, services, travel, and other	216,925,565	47,709,664	264,635,229
Depreciation	50,635,002	8,860,720	59,495,722
Interest expense	5,892,332	437,755	6,330,087
<b>Total Functional Expense</b>	<b>\$ 654,622,849</b>	<b>\$ 148,033,551</b>	<b>\$ 802,656,400</b>

### 5. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. ASC Topic 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. The framework for measuring fair value under the guidance is based on a fair value hierarchy that distinguishes between observable inputs (i.e., inputs that are based on market data obtained from independent sources) and unobservable inputs (i.e., inputs that require the University to make its own assumptions about market participant assumptions because little or no market data exists). The three levels of the fair value hierarchy are described below:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

**Level 2** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds and common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Fixed income securities are valued at exchange close price or, if not available, last sale price or average bid/ask. Real estate is recorded at the appraised value or depreciated cost, which approximates fair value. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. All assets have been valued using a market approach, except for Level 3 assets. For Level 3 assets, the University's management, with the help of its investment committee and a third-party investment advisory firm, determine fair value measurement valuation policies and procedures. The carrying amount of Level 3 investments approximate fair value as of June 30, 2021 and 2020. There were no changes in the valuation methodology during the year ended June 30, 2021.

	Fair Value at June 30, 2021					Total
	Level 1	Level 2	Level 3	NAV <sup>1</sup>	Total	
<b>Assets:</b>						
Cash and cash equivalents	\$ 143,445,385	\$ 8,642,910	\$ -	\$ -		\$ 152,088,295
Publicly traded equities	494,718,549	-	-	241,071,468		735,790,017
Traditional fixed income	31,475,965	178,912,211	-	556,351,212		766,739,388
Hedge funds	1,148,154	-	-	199,574,919		200,723,073
Private equity	-	-	6,478,506	42,650,553		49,129,059
Commodities/other alternatives	1,905,744	-	-	89,388,375		91,294,119
<b>Total Assets</b>	<b>\$ 672,693,797</b>	<b>\$ 187,555,121</b>	<b>\$ 6,478,506</b>	<b>\$ 1,129,036,527</b>		<b>\$ 1,995,763,951</b>
<b>Liabilities:</b>						
Gift annuities payable	\$ -	\$ -	\$ 27,420,466	\$ -		\$ 27,420,466
Liability under split interest agreements	-	-	751,930	-		751,930
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,172,396</b>	<b>\$ -</b>		<b>\$ 28,172,396</b>

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

	Fair Value at June 30, 2020				
	Level 1	Level 2	Level 3	NAV <sup>1</sup>	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 282,555,286	\$ 8,565,842	\$ -	\$ -	\$ 291,121,128
Publicly traded equities	120,772,302	-	-	152,995,947	273,768,249
Traditional fixed income	20,712,236	185,524,929	-	491,366,613	697,603,778
Hedge funds	1,058,420	-	-	137,882,736	138,941,156
Private equity	-	-	6,528,661	33,919,994	40,448,655
Commodities/other alternatives	1,238,407	-	-	87,392,918	88,631,325
<b>Total Assets</b>	<b>\$ 426,336,651</b>	<b>\$ 194,090,771</b>	<b>\$ 6,528,661</b>	<b>\$ 903,558,208</b>	<b>\$ 1,530,514,291</b>
<b>Liabilities:</b>					
Gift annuities payable	\$ -	\$ -	\$ 27,826,254	\$ -	\$ 27,826,254
Liability under split interest agreements	-	-	1,181,373	-	1,181,373
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,007,627</b>	<b>\$ -</b>	<b>\$ 29,007,627</b>

<sup>1</sup> NAV column above represents the University's ownership interest in investment vehicles that are not publicly traded (i.e. Limited Partnership, etc.). As a practical expedient, the University uses its ownership interest in the NAV to determine the fair value of all alternative investments that do not have a readily determinable fair value and have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. These NAVs are provided by an independent, third-party administrator, and each vehicle also has an audit completed yearly.

The NAV of these investments is approved by the general partner upon calculation from the third-party administrator and is based upon appraisal or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the general partner will take into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed due diligence around these investments to ensure that NAV is an appropriate measure of fair value as of June 30, 2021 and 2020.

Redemptions are generally permitted after some period of time after initial investment (for example, monthly, quarterly, annually, five-year, and ten-year), subject to certain restrictions, which include a notice period ranging from 30 days to one year.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

### Redemption Information for Assets Valued at NAV Fair Value as of June 30, 2021

Classification	NAV	Redemption Terms	Days' Notice
Publicly Traded Equities	\$ 48,369,724	Daily	Daily
	151,955,576	Monthly	30 Days
	16,476,238	Annual	In redemption
	24,269,930	Annual	90 days
Traditional Fixed Income	556,351,212	Monthly	30 days
Hedge Funds	559,841	In Progress	N/A
	15,328,107	Quarterly	60 Days
	129,004,250	Quarterly	90 Days
	29,802,293	Semi-annual	60 days
	24,880,428	Quarterly	5 years or more
Private Equity/Venture Capital	42,650,553	Not redeemable	3 years or more
Commodities/Other Alternatives	89,388,375	Monthly	30 Days
<b>Total Assets Valued at NAV</b>	<b>\$ 1,129,036,527</b>		

### Redemption Information for Assets Valued at NAV Fair Value as of June 30, 2020

Classification	NAV	Redemption Terms	Days' Notice
Publicly Traded Equities	\$ 8,470,808	Daily	Daily
	108,007,006	Monthly	30 Days
	36,518,133	Quarterly	3 years rolling
Traditional Fixed Income	491,366,613	Monthly	30 days
Hedge Funds	26,209,129	Monthly	60 Days
	12,440,252	Quarterly	60 Days
	85,754,638	Quarterly	90 Days
	13,478,717	Annual	5 years or more
Private Equity/Venture Capital	33,919,994	Annual	5 years or more
Commodities/Other Alternatives	87,392,918	Monthly	30 Days
<b>Total Assets Valued at NAV</b>	<b>\$ 903,558,208</b>		

Private equity funds had \$24,593,883 and \$32,801,795 remaining unfunded with up to 8 years as of June 30, 2021 and 2020, respectively.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

Changes in Level 3 assets for the years ended June 30, 2021 and 2020 are as follows:

<i>Years Ended June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Balance</b> , beginning of year	\$ 6,528,661	\$ 2,241,062
Purchases and sales, net	-	4,287,599
Realized/unrealized gains (losses)	(50,155)	-
<b>Balance</b> , end of year	<b>\$ 6,478,506</b>	<b>\$ 6,528,661</b>

Changes in Level 3 liabilities for the years ended June 30, 2021 and 2020 are as follows:

	<b>Gift Annuities Payable</b>	<b>Other Split-Interest Agreements</b>
Balance, June 30, 2019	\$ 30,343,307	\$ 1,219,905
Additions/purchases	822,303	-
Payouts	(2,933,852)	(119,792)
Realized/unrealized gains (losses)	420,722	(28,170)
Change in value of split-interest agreements	(826,226)	109,430
Balance, June 30, 2020	\$ 27,826,254	\$ 1,181,373
Additions/purchases	841,976	3,056
Payouts	(2,917,924)	(118,676)
Realized/unrealized gains	10,556,115	219,466
Change in value of split-interest agreements	(8,885,955)	(533,289)
<b>Balance, June 30, 2021</b>	<b>\$ 27,420,466</b>	<b>\$ 751,930</b>

## 6. Property, Plant and Equipment

Property, plant and equipment, net consists of the following at June 30:

	<b>2021</b>	<b>2020</b>
Buildings	\$ 1,250,647,166	\$ 1,127,564,502
Furniture and equipment	264,911,729	253,202,241
Land and land improvements	188,607,577	188,312,585
Construction in progress	25,722,591	98,571,324
Total property, plant and equipment	1,729,889,063	1,667,650,652
Accumulated depreciation and amortization	(441,114,885)	(400,012,023)
<b>Property, plant and equipment, net</b>	<b>\$ 1,288,774,178</b>	<b>\$ 1,267,638,629</b>



# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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The University capitalized \$2,416,400 and \$4,283,010 of interest for the year ended June 30, 2021 and 2020, respectively. Depreciation expense for the years ended June 30, 2021 and 2020, was \$61,745,703 and \$59,495,721, respectively.

### 7. Investments in Real Estate

Investment in real estate, net consists of the following:

<i>June 30,</i>		2021		2020
Investment in real estate	\$	189,358,087	\$	168,374,972
Accumulated depreciation and amortization		(24,454,922)		(12,892,972)
Investment in Real Estate, net	\$	164,903,165	\$	155,482,000

The University's investments in real estate consist of land and buildings donated from various individuals or purchased by the University for investment purposes. The University holds investments in real estate at historical cost less depreciation. These investments are analyzed for impairment each year based on current market conditions. During the years ended June 30, 2021 and June 30, 2020, the University recognized no impairment loss on investments in real estate.

### 8. Deferred Revenue and Deposits

Deferred revenue and deposits consist primarily of student related charges including tuition and fees which are deferred until earned. The deferral is calculated based on number of class days used or unused. The deposits are primarily monies deposited with the University toward a term for which the University's performance obligation has not yet been performed for the individual. Deferred revenue and deposits consist of the following at June 30:

		2021		2020
Deferred Student - Fall	\$	56,979,152	\$	49,160,425
Deferred Student - Summer		71,452,548		62,812,895
Deposits		25,612,956		24,724,220
Deferred - Other		5,310,295		5,893,523
Deferred Student - Liberty University Online Academy		4,478,475		3,118,781
Total Deferred Revenue and Deposits	\$	163,833,426	\$	145,709,844

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

The following tables summarize the contract liability activity for the years ended June 30, 2021 and 2020:

<i>Year Ended June 30, 2021</i>	Beginning Balance	Revenue Recognized	Cash Receipts	Ending Balance
Tuition and fees	\$ 115,005,088	\$ (960,248,884)	\$ 978,119,822	\$ 132,876,026
Auxiliary activities	87,016	(83,864,191)	83,811,324	34,149
<b>Total</b>	<b>\$ 115,092,104</b>	<b>\$(1,044,113,075)</b>	<b>\$1,061,931,146</b>	<b>\$ 132,910,175</b>

<i>Year Ended June 30, 2020</i>	Beginning Balance	Revenue Recognized	Cash Receipts	Ending Balance
Tuition and fees	\$ 91,262,115	\$ (888,570,282)	\$ 912,313,255	\$ 115,005,088
Auxiliary activities	257,106	(78,173,543)	78,003,453	87,016
<b>Total</b>	<b>\$ 91,519,221</b>	<b>\$(966,743,825)</b>	<b>\$ 990,316,708</b>	<b>\$ 115,092,104</b>

The University expects the full amount outstanding as of June 30, 2021, less refunds, to be recognized into revenue during the year ended June 30, 2022, given the time span of each of its terms being less than a year. Consideration from these contracts was not excluded from the transaction prices.

### 9. Liabilities under Split-Interest Agreements

The University receives gifts from donors who receive income from the assets until their deaths. These split-interest agreements consist primarily of charitable gift annuities and charitable remainder unitrusts. These agreements provide either fixed annual payments or fixed annual returns to the original donor or a designated beneficiary. The assets received from the donor are recorded at fair market value upon receipt of the gift and the liability is recorded using a discount rate reflecting expected rates of return in the marketplace and the expected lives of the donors. Fixed payout percentages range from 3.1% to 11.7%.

The University utilized the 2012 Individual Annuity Reserving Table (“2012 IAR Table”) for reserving purposes for the years ended June 30, 2021 and 2020. The discount rate used in calculation of split interest agreements ranged from 0.4% to 2.8% at June 30, 2021 and 2020.

The University received contributions under split-interest agreements of \$136,842 and \$596,183 for the years ended June 30, 2021 and 2020, respectively.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

### 10. Long-Term Debt

Long-term debt consisted of the following at:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
Bond issue 2012, unsecured and issued at a discount of approximately \$950,000, with interest only payments due each March 1st and September 1st at a fixed rate of 5.1%. Principal is due in full in 2042.	\$ 100,000,000	\$ 100,000,000
Bond issue 2019, unsecured and issued at a discount of approximately \$714,000, with various principal and interest payments due each March 1st and September 1st in amounts ranging from \$778,000 to \$2,366,000 through 2034. Semi-annual sinking fund payments will be due from March 2021 through March 2034 in amounts ranging from \$2,720,000 to \$46,590,000. Interest rates range from 2.25% to 3.34%.	96,990,000	99,710,000
Long-term debt, gross	196,990,000	199,710,000
Less: Unamortized debt issuance costs	(711,995)	(754,867)
Less: Net discount on long-term debt	(1,283,995)	(1,365,194)
Long-term debt, net	\$ 194,994,010	\$ 197,589,939

There were no financial covenants over long-term debt at June 30, 2021 and 2020.

There are seven certificates of deposit from Carter Bank and Trust in an amount totaling \$5,922,213 pledged as collateral to secure a performance bond with the City of Lynchburg and Campbell County for various campus construction projects.

As of June 30, 2021, there are 15 letters of credit totaling \$2,372,705, that were issued between April 2013 and May 2021, on behalf of the University to local municipalities (City of Lynchburg and Campbell County) and the state of Virginia for various construction projects. The expiration dates occur between July 2021 and December 2023.

Interest expense on long-term debt amounted to \$6,004,738 and \$6,169,240 for the years ended June 30, 2021 and 2020, respectively.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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The aggregate annual maturities of long-term debt as of June 30, 2021 are as follows:

<i>Years Ending June 30,</i>	
2022	\$ 3,580,000
2023	3,660,000
2024	3,745,000
2025	3,825,000
2026	3,955,000
Thereafter	178,225,000
Total	\$ 196,990,000

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### 11. Leases

The University has historically entered into a number of lease arrangements under which it is the lessee. Specifically, eleven of the University's leases are subject to financing lease standards, and three are subject to operating lease standards. The majority of the financing leases entered into consist of communications tower leases. The remaining financing leases consist of equipment leases. The three operating leases consist of equipment, parking lot, and communications tower leases.

All of the University's leases include optional renewal periods. To the extent the initial lease term of the related lease is less than the useful life of the leasehold improvements, the University concludes it is reasonably certain that a renewal option will be exercised, and thus that renewal period is included in the lease term with the related payments reflected in the right-of-use ("ROU") asset and lease liability. Each lease is routinely evaluated to determine the likelihood that renewal periods will be exercised.

All of the University's leases include fixed rental payments, but some of the leases also include variable rental payments. In addition, the University also commonly enters into leases under which the lease payments increase at pre-determined dates based on the change in the consumer price index. While the majority of the leases are gross leases, the University also has a number of leases in which separate payments are made to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the property. The University has elected to separate lease and non-lease components for all leases.

As of June 30, 2021, lease liabilities have been determined using a weighted-average discount rate of approximately 4.40%. The rate implicit in the University's leases is not readily determinable. Accordingly, the University uses its estimated incremental borrowing rate, which represents the rate of interest that it would pay to borrow on a collateralized basis over a similar term. The remaining weighted-average life of the University's finance leases and operating leases is approximately 3.68 years and 4.57 years, respectively, with a weighted-average of 4.19 years across all leases.

The University has decided to exclude non-lease components when measuring right-of-use assets and lease liabilities. Non-lease components include payments for utilities, and payments based on the usage of the leased assets.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

Lease costs were as follows:

<i>Year Ended June 30,</i>	<b>2021</b>	<b>2020</b>
Operating Lease Cost		
Fixed rent expense	\$ 543,232	\$ 439,737
Finance Lease Cost		
Amortization of ROU assets	345,063	157,499
Interest expense	73,987	30,046
<b>Net Lease Cost</b>	<b>\$ 962,282</b>	<b>\$ 627,282</b>
Lease Cost - Instruction	\$ 8,231	\$ 16,300
Lease Cost - Public service	104,566	153,036
Lease Cost - Student Services	9,782	-
Lease Cost - Institutional support	839,703	457,946
<b>Net Lease Cost</b>	<b>\$ 962,282</b>	<b>\$ 627,282</b>

Amounts recognized as right-of-use assets related to finance leases are included in prepaid expenses and other assets, net in the accompanying statements of financial position, while related lease liabilities are included in other long-term liabilities. Right-of-use assets totaled \$952,083 as of June 30, 2021. Current and long-term portions of lease liabilities related to finance leases totaled \$310,225 and \$961,408, respectively, as of June 30, 2021.

The University had the following cash and non-cash activities associated with leases as follows:

<i>Year Ended June 30,</i>	<b>2021</b>	<b>2020</b>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 482,351	\$ 444,658
Operating cash flows from finance leases	312,334	138,295
Financing cash flows from finance leases	73,987	30,046
Non-cash investing and financing activities additions to ROU assets obtained from:		
New operating lease liabilities	768,833	1,963,796
New finance lease liabilities	\$ 1,666,561	\$ 833,904

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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Future minimum lease payments due under financing and operating leases as of June 30, 2021 were as follows:

	Financing Leases	Operating Leases
2022	\$ 371,687	\$ 564,288
2023	341,983	539,279
2024	333,097	313,561
2025	130,989	301,908
2026	25,920	138,482
2027 and thereafter	429,885	207,722
Total lease payments	\$ 1,633,561	\$ 2,065,240
Less: Variable portion of lease payments	-	(52,927)
Less: Imputed interest	(361,928)	(142,130)
Present Value of Lease Liabilities	\$ 1,271,633	\$ 1,870,183

### 12. Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Net assets restricted for the construction of a building are released when the building is placed in service. Total net assets primarily used for scholarships and athletic expenses released or reclassified were \$1,667,232 and \$1,587,146 for the years ended June 30, 2021 and 2020, respectively.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

### 13. Net Assets

The amounts included as net assets with donor restrictions consist of the following at:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
<hr/>		
Perpetual Endowments		
Scholarships	\$ 12,253,818	\$ 12,111,221
General University	3,557,705	3,557,082
Seminary	43,204	43,204
Endowment requiring earnings added to corpus	199,454	161,386
<hr/>		
Total perpetual endowments	\$ 16,054,181	\$ 15,872,893
<hr/>		
Purpose Restricted Net Assets		
Scholarships	\$ 9,123,535	\$ 6,878,410
Athletics	1,332,810	424,346
Capital projects	760,681	251,912
Benevolence and missions and other	4,494,344	801,706
Underwater endowments	(772,135)	(1,400,031)
<hr/>		
Total purpose restricted net assets	\$ 14,939,235	\$ 6,956,343
<hr/>		
Time Restricted Net Assets		
Split interest agreements	\$ 689,043	\$ 118,990
<hr/>		
Total time restricted net assets	689,043	118,990
<hr/>		
<b>Net assets with donor restrictions</b>	<b>\$ 31,682,459</b>	<b>\$ 22,948,226</b>

### 14. Endowments

The University's endowment consists of 89 individual donor-restricted endowment funds as well as quasi endowment funds. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

<i>June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift	Accumulated (Loss) Gain	
Quasi endowment	\$ 2,136,296,121	\$ -	\$ -	\$ 2,136,296,121
Underwater funds	-	3,441,200	(772,135)	2,669,065
Other funds	-	12,612,981	5,020,429	17,633,410
<hr/>				
Total	\$ 2,136,296,121	\$ 16,054,181	\$ 4,248,294	\$ 2,156,598,596

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

<i>June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift	Accumulated (Loss) Gain	
Quasi endowment	\$ 1,697,866,458	\$ -	\$ -	\$ 1,697,866,458
Underwater funds	-	3,435,950	(1,400,031)	2,035,919
Other funds	-	12,436,943	2,123,244	14,560,187
<b>Total</b>	<b>\$ 1,697,866,458</b>	<b>\$ 15,872,893</b>	<b>\$ 723,213</b>	<b>\$ 1,714,462,564</b>

The quasi endowment is held to support the general purpose of the University as needed.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor-intent and the organization’s overall resources and charitable purpose. Based on its interpretation of the law and in compliance with donor intent, the University classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment that is not classified as perpetual endowments is classified as purpose or time restricted net assets until those amounts are appropriated for expenditure.

Changes in endowment funds consisted of the following for the years ended June 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ 1,570,528,552	\$ 17,390,007	\$ 1,587,918,559
Investment return, net	(30,598,455)	(776,552)	(31,375,007)
Contributions, net	157,936,361	23,340	157,959,701
Appropriations for expenditure	-	(40,689)	(40,689)
<b>Endowment net assets, June 30, 2020</b>	<b>\$ 1,697,866,458</b>	<b>\$ 16,596,106</b>	<b>\$ 1,714,462,564</b>
Investment return, net	<b>221,631,136</b>	<b>3,591,770</b>	<b>225,222,906</b>
Contributions, net	<b>216,798,527</b>	<b>133,450</b>	<b>216,931,978</b>
Appropriations for expenditure	-	<b>(18,852)</b>	<b>(18,852)</b>
<b>Endowment net assets, June 30, 2021</b>	<b>\$ 2,136,296,121</b>	<b>\$ 20,302,474</b>	<b>\$ 2,156,598,596</b>



# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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The University has adopted donor-restricted endowment and quasi endowment spending policies to help ensure the continued viability of endowment funds and to preserve the long-term purchasing power of endowment funds. Investment returns are achieved through capital appreciation (realized and unrealized), current yield (interest and dividends), and net income on endowed subsidiaries. The University has a diversified asset allocation that places emphasis on investments in equities and absolute return strategies to achieve its long-term return objectives within prudent risk constraints.

The Board-approved spending formula for the donor restricted endowment provides for spending the lesser of 3% of the original gift, including earnings returned to principle as of the prior year end, or historic accumulated earnings distributed to the endowment fund.

### 15. Employee Benefit Plans

The University participates in retirement plans for all eligible faculty, staff, and hourly employees and matches plan participants' contributions up to 5% of gross pay. Eligible participants are subject to a five-year vesting schedule. The University contributed \$8,501,864 and \$8,502,424 under these plans during the years ended June 30, 2021 and 2020, respectively.

The University is self-insured for employee health care claims up to \$400,000 per covered individual per plan year. The University has purchased specific stop loss coverage from a commercial insurance carrier to provide for any claim in excess of these amounts. At June 30, 2021 and 2020, the University had provided an accrual of \$4,751,765 and \$4,187,430, respectively, which represents our Incurred But Not Reported claims for the previous plan year. Participants are fully vested at enrollment. For the years ended June 30, 2021 and 2020, the University incurred claims, premium expenses, and administrative fees related to its health care plan totaling \$31,826,026 and \$32,759,323, respectively.

During the year ended June 30, 2020, the University provided then-President Jerry Falwell ("Falwell") an additional nonqualified retirement plan to supplement his University-provided 403(b). The benefit was structured so that it was treated as having been earned as an annual notional credit of \$385,000 (reduced by the University-provided 403(b) employer contribution) to an account earning 6% investment returns annually over the term of Falwell's service as President, including credits for the period 2007-2019. Annual credits attributable to service periods after July 1, 2019 require Falwell to be employed as President through the crediting date to receive the credit, and the entire benefit is subject to forfeiture if certain conditions are not met or if a court rules in the University's favor in pending litigation with Falwell. As of June 30, 2021 and 2020, \$8,738,208 and \$7,635,927 was accrued, respectively, as the liability for this plan.

### 16. Compensated Absences

The University provides paid personal/sick days to all benefited full-time employees at a rate of five days per year. The policy does not allow for the accumulation of sick leave. Unused personal sick day benefits are not paid to employees while employed or upon termination.

The University provides for vacation days accrued based on years of employment and paid at the employee's base pay rate at the time of vacation. The policy does not allow for carryover of unused days into the next calendar year nor compensation in the form of payment at the end of the calendar year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work. Accrued vacation was \$2,674,683 and \$3,230,120 at

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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June 30, 2021 and 2020, respectively, and is included in accrued liabilities on the consolidated statements of financial position.

### 17. Related Party Transactions

The University provides printing, postal, telephone, custodial, security, and facilities usage to related parties. Recorded receivables in connection with these services in the accompanying consolidated statements of financial position are as follows at:

<i>June 30,</i>		2021		2020
Thomas Road Baptist Church	\$	128,281	\$	233,352
Liberty Godparent Home		1,473		37,392
Jerry Falwell, Jr.		43,949		114
Old Time Gospel Hour		227		196
Liberty University Foundation		227		196
<b>Total</b>	<b>\$</b>	<b>174,157</b>	<b>\$</b>	<b>271,250</b>

As part of the consideration of the purchase of the LCA facilities and a Danville, Virginia shopping center from Thomas Road Baptist Church (“TRBC”), the University provides custodial services to TRBC at no additional charge. The value of these custodial services was \$174,000 for each of the years ended June 30, 2021 and 2020. The University also provided \$282,857 in usage of LCA facilities to TRBC, and \$152,040 in usage of the Dan River Church facilities to TRBC for each of the years ended June 30, 2021 and 2020. The value of the custodial charges is recorded as donation expense on the University’s consolidated statements of activities, and the donated facilities usage is recorded as rental revenue and donation expense.

The University also made contributions of \$0 and \$628,378 to Liberty University Foundation (“LUF”) and \$0 and \$36,666 to Old Time Gospel Hour (“OTGH”) for the years ended June 30, 2021 and 2020, respectively. In addition, the University holds a note receivable from OTGH with balances of \$189,069 and \$181,489 at June 30, 2021 and 2020, respectively.

The University does not control TRBC, Liberty Godparent Home, LUF, or OTGH.

Jonathan Falwell, University Trustee and Senior Pastor of TRBC, is a permanent member of LCA’s Board of Directors. As part of the original consideration of the purchase of the LCA facilities from TRBC, LCA has been granted access rights to various TRBC buildings and land at no additional cost to LCA. The fair value of the rent of the TRBC property was estimated to be \$292,546 and \$235,765 for the years ended June 30, 2021 and June 30, 2020, respectively. LCA has made improvements to the buildings and land which are recorded by LCA as leasehold improvements and depreciated based upon the shorter of the lease term or estimated useful life of the improvements. During the years ended June 30, 2021 and June 30, 2020, LCA received \$6,000 and \$40,042 from TRBC, respectively. The members of TRBC also receive a tuition discount to attend LCA, which approximated \$73,500 and \$74,000 for the years ended June 30, 2021 and June 30, 2020, respectively. These amounts are recorded in Other Sources and Institutional Support in the University’s consolidated statements of activities.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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During the years ended June 30, 2021 and 2020, the University engaged in the following related party transactions with former President Jerry Falwell, Jr. and/or members of his immediate family. Construction and maintenance services valued at \$7,361 and \$19,603, respectively, were performed at Falwell's private residence. Travel costs of \$27,803 and \$5,756 were billed during fiscal years 2021 and 2020, respectively. As of June 30, 2021 and 2020, respectively, the University has recorded \$43,949 and \$114 due from Falwell related to these expenses. Other services were provided as part of his compensation package. Additional amounts may be determined as due from Falwell based on results of pending litigation or the investigation described in Note 23.

During the year ended June 30, 2021, Freedom Aviation, Inc. ("Freedom") performed \$13,929 in charter services for Jerry Falwell, Jr. Freedom and its wholly owned subsidiary Virginia Aviation Resources, Inc. performed \$57,932 and \$41,654 aviation fueling and maintenance services to Jonathan Falwell and his company N-J Aviation LLC in the fiscal years ended June 30, 2021 and 2020, respectively. As of June 30, 2021, \$42,508 was due from N-J Aviation LLC.

Real estate management fees were paid to firms owned by the children of Jerry Falwell, Jr., who were also employees of the University, during the years ended June 30, 2021 and 2020: \$0 and \$12,293, respectively, were paid to Cedar Ridge Management, LLC, and \$40,655 and \$63,683, respectively, were paid to JF Management, LLC.

During July 2020, the University made a \$486,566 payment in full on a Carter Bank and Trust note held by the Falwell Family GST Irrevocable Trust (the "Trust"). At June 30, 2021, the University holds a note receivable from the Trust with a balance of \$492,126, including interest accrued at 1.17% per year.

During the year ended June 30, 2020, real estate valued at \$850,000 was donated by Jerry Falwell, Jr., Jonathan Falwell, and their sister. Real estate valued at \$142,000 was purchased from the Falwell siblings during the year ended June 30, 2020.

Other immaterial related party transactions are disclosed in public documents as required by federal or state regulations.

### **18. Commitments and Contingencies**

On June 25, 2021, the University issued a Letter of Intent to create a Foundation to provide clinical medical services in support of the Liberty University College of Osteopathic Medicine. If executed, the University would expand its investment and oversight regarding its clinical practices in Central Virginia.

The University is subject to certain claims that arise in the ordinary course of operations. Many of these claims are in the early stages of the evaluation process. Accordingly, it is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits. In the opinion of management, after consultation with counsel, adequate insurance exists, so the eventual outcome of such claims is not expected to have a material adverse effect on the University's financial position. However, an unfavorable resolution of some or all of these matters could materially affect the future results of operations or cash flows in a particular period.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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The University's students receive a substantial amount of support from federal and state student financial assistance programs. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the University's programs and activities. Amounts received and expended by the University under various federal and state programs are subject to audit by various federal and state agencies and therefore subject to adjustment.

According to Iskason & Roe (Public law 116-315; Section 1019), the process of issuing overpayments of Veterans Administration payments has changed. Effective January 2021, any overpayment of tuition and fee funds for a student using Post-9/11 GI Bill®, Fry Scholarship, and/or Edith Nourse Rogers STEM Scholarship will be a liability of the school. This includes payments made to the school for the tuition and fees, as well as payments made to the student for tuition and fees. Due to this change in legislation, there are now times when a school will be in debt for more than the school was paid for the term. In these cases, a charge will be placed on the student's account in the amount that the school paid the Veterans Administration over and above the money that the University received for this student.

There are various commitments and contingencies related to the University's construction projects, which are listed below. Listed by project is the contract amount in place, contract costs completed, and as of June 30, 2021, the remainder of contract costs to be completed.

Project	Contract Amount	Costs to Date	Costs to Complete
Hydaway Lake Expansion	\$ 10,178,065	\$ 1,055,342	\$ 9,122,723
Circle Dorm Renovations	7,175,784	4,810,220	2,365,564
River Ridge Mall	6,974,889	2,366,737	4,608,152
West William Stadium Suites	6,117,889	4,086,250	2,031,639
New Reber Thomas Dining	4,549,416	1,412,083	3,137,333
<b>Total</b>	<b>\$ 34,996,043</b>	<b>\$ 13,730,632</b>	<b>\$ 21,265,411</b>

The University also has agreed to certain guarantees that could be, but are highly improbable to be, material to financial statements in future years.

### 19. Other Sources

For the years ended June 30, 2021 and 2020, the University had other sources income of \$63,404,485 and \$55,554,754, respectively. These amounts include various non-mandatory student fees, fines, vehicle registration fees, sales and commissions, rental income, advertising income, athletic league distributions, and various sporting event related income and other miscellaneous income.

### 20. Goodwill Impairment

During the year ended June 30, 2021, the University engaged with third-party appraisers to assess the value of the property of its wholly-owned subsidiary, River Ridge Mall JV, LLC (the "Mall"). The Mall is currently in the midst of a multi-phase redevelopment, and with the changes in occupancy and the effects of the coronavirus pandemic, an assessment of its goodwill was deemed necessary. Using the most recently obtained appraisal and the Mall's cash and receivable balances, net

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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liabilities, the University determined that the Mall's \$10,570,036 of goodwill was fully impaired and recognized a goodwill impairment loss of that amount within the accompanying consolidated statement of activities.

### 21. Reclassifications

During the preparation of these consolidated financial statements, the University identified certain amounts presented in the prior year consolidated financial statements that would require reclassification to be comparable to the current year. As a result, certain 2020 consolidated financial statement captions are being adjusted as follows:

Financial Statement Caption	Previously Presented	Reclassification Adjustments	As Reclassified
Property, plant, and equipment, net	\$1,261,696,016	\$ 5,942,613	\$1,267,638,629
Investments in Real Estate	161,424,613	(5,942,613)	155,482,000

### 22. COVID-19 and Related Funds

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of the COVID-19 outbreak, the University ceased most in-person instruction at the beginning of Spring Break on Friday, March 13. In-person instruction resumed in August 2020.

Students were given the option to return to or stay on campus for the remainder of the semester to finish their classes online. The students who chose, by March 28, 2020, not to return to campus, were granted a \$1,000 housing credit to be applied to the Fall 2020 semester or, if the student was graduating, to be applied to their student account, with any resulting credit balance being refunded to the student. Revenue was reduced by \$5,414,230 as a result of this credit.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security ("CARES") Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

During the year ended June 30, 2020, the University was allocated federal funds from the CARES Act for Higher Education Emergency Relief Fund ("HEERF Grant") in the total amounts of approximately \$15,205,124 related to relief efforts in light of the COVID-19 outbreak. The University did not draw any of the HEERF Grant funds during the year ended June 30, 2020.

As of the date of this report, the University drew down and distributed all \$15,205,124 of the HEERF Grant to students. No less than 50% of the grant is to be utilized for direct emergency aid to students. The University recognized the remaining 50% of the HEERF Grant that was allocated to

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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the institution, as allowed by Sections 18004(a)(1) and 18004(c) of the CARES Act, which can be used as reimbursement for forgone revenue resulting from student refunds for services that could not be provided as a result of the impacts to campus resulting from COVID-19. The University has elected to distribute 100% of the HEERF Grant funds to students.

On December 27, 2020, President Trump signed into law the “Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)”. This legislation added to the federal funds previously allocated under the HEERF Grant (“HEERF II”). The University was allocated \$37,777,577 from the HEERF II funds, with \$10,282,412 to be utilized for direct aid to students. As of the date of this report, the University drew down and distributed \$10,221,498 of the HEERF II funds to students and drew down all \$27,495,165 of the portion meant to reimburse institutional expenses related to COVID-19.

On March 11, 2021, President Biden signed into law the “American Rescue Plan (“ARP”) Act.” The ARP Act created an additional allocation of federal funds for education under the HEERF Grant (“HEERF III”). The University was allocated \$63,492,347 of HEERF III funds. As of the date of this report, the University has not drawn down any of the HEERF III funds.

### **23. Other Matters**

Prompted by litigation, on August 31, 2020, the Executive Committee of the University’s Board of Trustees engaged an external law firm to investigate matters dating back at least 14 years relating to certain facets of the University’s operations during former President Jerry Falwell, Jr.’s leadership. The external law firm subsequently engaged a public accounting firm to assist with the investigation. Critical areas of the investigation include potential misuse of the University’s assets, certain construction contracts and/or real estate transactions, the engagement of certain third parties, and various related party transactions. As of the date of this report, the investigation team has conducted over 100 interviews of both current and former University personnel and related parties and has also reviewed an extensive amount of documentation obtained from University management and associated third parties. The investigation team has incurred substantial hours in its efforts to complete these procedures, some of which are still on going. The current expected completion of the investigation is anticipated for December 2021.

Based upon the results of the investigation to date, there may be adjustments not only to certain disclosures but also to certain balances and/or classifications presented on the accompanying consolidated financial statements. To date, management has not identified any matters that would have a quantitatively material impact on the consolidated financial statements before or after June 30, 2018. The consolidated financial statements of the University currently do not reflect an accrual or disclosure of the adverse outcome, if any, that may result from this investigation.

### **24. Subsequent Events**

Management has evaluated subsequent events and their potential effects on these financial statements from June 30, 2021 (the date the statement of financial position is being presented) through November 18, 2021 (the date these financial statements were available to be issued). The following disclosures were determined to be necessary.

# Liberty University, Inc.

## Notes to Consolidated Financial Statements

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The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the University's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

The outbreak may have a material adverse impact on economic and market conditions, triggering a period of global economic slowdown. However, the University has the necessary resources to continue its mission in fiscal year 2022.

On September 30, 2021, the University received notice of an Internal Revenue Service examination for fiscal year 2019. Management does not believe this examination will result in material liabilities or adjustments to the financial statements.

## Supplementary Information

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# Liberty University, Inc.

## Title IV Strength Factor Score Year Ended June 30, 2021

Reference	Ratio/Variable Description	Data	Strength Factor	Strength Factor Calculation	Strength Factor Weight	Weighted Strength Factor
<b>Primary Reserve Ratio</b>						
Consolidated Statement of Financial Position	Net assets without donor restrictions	+ \$ 3,429,256,396				
Consolidated Statement of Financial Position	Net assets with donor restrictions	+ 31,682,459				
Consolidated Statement of Financial Position	Net assets with donor restrictions: restricted in perpetuity	- 16,054,181				
N/A	Annuities, term endowment, and life income funds with donor restrictions	-				
See Note C to this schedule	Intangible assets	- 5,703,119				
Consolidated Statement of Financial Position	Net property, plant and equipment (see Note A to this schedule)	- 1,288,774,178				
N/A	Post-employment and defined benefit pension liabilities	+ 8,738,208				
Consolidated Statement of Financial Position	All debt obtained for long-term purposes, not to exceed net property, plant and equipment (see Note B to this schedule)	+ 194,994,010				
Consolidated Statement of Financial Position	Unsecured related-party receivables	- 174,157				
	Numerator total	\$ 2,353,965,438				
Consolidated Statement of Activities - Total Operating Expenses Plus Nonoperating Losses	All expenses and losses without donor restrictions less any losses without donor restriction on investments, post-employment and defined benefit pensions, and annuities	+ \$ 850,413,739				
	Denominator total	\$ 850,413,739				
	<i>Primary Reserve Ratio:</i>	2.77	10.00	3.00	0.40	1.20
<b>Equity Ratio</b>						
Consolidated Statement of Financial Position	Net assets without donor restrictions	+ \$ 3,429,256,396				
Consolidated Statement of Financial Position	Net assets with donor restrictions	+ 31,682,459				
See Note C to this schedule	Intangible assets	- 5,703,119				
N/A	Unsecured related-party receivables	- 174,157				
	Numerator total	\$ 3,455,061,579				
Consolidated Statement of Financial Position	Total assets	+ \$ 3,936,413,572				
See Note C to this schedule	Intangible assets	- 5,703,119				
Consolidated Statement of Financial Position	Unsecured related-party receivables	- 174,157				
	Denominator total	\$ 3,930,536,296				
	<i>Equity Ratio:</i>	0.88	6.00	3.00	0.40	1.20
<b>Net Income Ratio</b>						
Consolidated Statement of Activities	Change in net assets without donor restrictions	+ \$ 542,484,725				
	Numerator total	\$ 542,484,725				
Statement of Activities - Total Operating Revenues Without Donor Restriction Plus Nonoperating Revenues	Total revenues without donor restriction, including net assets released from restrictions and gains	+ \$ 1,392,898,464				
	Denominator total	\$ 1,392,898,464				
	<i>Net Income Ratio:</i>	0.39	1 + (50x)	3.00	0.20	0.60
<b>Strength Factor Score</b>						<b>3.0</b>

*See independent auditor's report on supplementary information as well as notes to Title IV Strength Factor Score*

# Liberty University, Inc.

## Notes to Title IV Strength Factor Score

June 30, 2021

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### Note A. Property, Plant and Equipment, Net

<i>June 30,</i>	<i>2021</i>
Pre-Implementation	
Net property, plant and equipment	\$ 1,020,166,306
Post-Implementation	
Net property plant and equipment - With outstanding debt for original purchase	-
Net property plant and equipment - Without outstanding debt for original purchase	242,885,281
Construction in process	25,722,591
<b>Total property and equipment, net</b>	<b>\$ 1,288,774,178</b>

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### Note B. Long-Term Debt for Long-Term Purposes

<i>June 30,</i>	<i>2021</i>
Long term debt for long term purposes - pre-implementation	\$ 194,994,010
Long term debt for long term purposes - post-implementation	
<b>Total long-term debt for long-term purposes</b>	<b>\$ 194,994,010</b>

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Long term debt exceeds twelve months and was used to fund capitalized assets (i.e., property, plant and equipment or capitalized expenditures in accordance with accounting standards generally accepted in the United States of America).

### Note C. Intangible Assets

Intangible assets includes goodwill, rights to domain names, and favorable lease positions in accordance with accounting standards generally accepted in the United States of America.

# Liberty University, Inc.

## Schedules of Financial Position - Excluding Subsidiaries

June 30,	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 389,828,649	\$ 317,453,353
Accounts receivable, less allowance for doubtful accounts of \$6,419,508 and \$11,177,882 for the years ended June 30, 2021 and 2020, respectively	49,684,225	50,426,953
Accounts receivable from related organizations	174,157	271,250
Notes receivable, less allowance for bad debt of \$283,415 and \$544,393 as of June 30, 2021 and 2020, respectively	6,473,239	3,542,836
Contributions receivable, net	416,840	7,500
Prepaid expenses and other assets	21,525,959	17,505,909
Investments, at fair value	2,191,487,788	1,726,390,787
Investments in real estate	47,722,396	50,122,917
Property, plant, and equipment, net	1,264,707,111	1,241,164,059
<b>Total Assets</b>	<b>\$ 3,972,020,363</b>	<b>\$ 3,406,885,564</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable - vendors	61,180,090	56,614,446
Accounts payable - other	8,882,431	7,825,354
Accrued liabilities	51,646,515	57,046,760
Accrued interest payable	2,739,190	3,536,560
Deferred revenue and deposits	160,109,666	141,353,312
Gift annuities payable	27,420,466	27,826,254
Liability under split interest agreements	751,930	1,181,373
Other long-term liabilities	3,357,210	4,191,669
Long-term debt, net	194,994,010	197,589,939
<b>Total Liabilities</b>	<b>511,081,508</b>	<b>497,165,667</b>
<b>Net Assets:</b>		
Without donor restrictions	3,429,256,396	2,886,771,671
With donor restrictions	31,682,459	22,948,226
<b>Total Net Assets</b>	<b>3,460,938,855</b>	<b>2,909,719,897</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,972,020,363</b>	<b>\$ 3,406,885,564</b>

*See independent auditor's report on supplementary information.*