

# LOURDES UNIVERSITY

**Independent Auditor's Report and Consolidated Financial Statements**  
June 30, 2017 and 2016

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# Lourdes University

June 30, 2017 and 2016

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## Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees  
Lourdes University and Subsidiaries  
Sylvania, Ohio

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lourdes University and Subsidiaries (University), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### *Auditor's Responsibility*

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

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

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

## ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lourdes University as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 September 25, 2017, 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 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 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.

**BKD, LLP**

Fort Wayne, Indiana  
September 25, 2017

**Lourdes University**  
**Consolidated Statements of Financial Position**  
**June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,279,608	\$ 1,921,180
Investments	11,854,218	10,528,780
Receivables		
Student accounts, less allowance for doubtful accounts of \$465,000 at 2017 and \$476,000 at 2016	824,131	925,139
Student loans, less allowance for doubtful accounts of \$12,500 at 2017 and 2016	729,192	676,325
Contributions, less allowance for doubtful accounts of \$57,500 at 2017 and \$107,500 at 2016	659,222	1,171,208
Grants	118,990	210,180
Other	<u>523,562</u>	<u>632,567</u>
Total receivables	2,855,097	3,615,419
Prepaid expenses	972,048	682,576
Deferred tax asset	34,145	31,883
Deposits and other	45,335	44,485
Property and equipment, net	39,424,319	39,889,863
Beneficial interest in perpetual trusts	<u>1,207,996</u>	<u>1,111,250</u>
Total assets	<u>\$ 59,672,766</u>	<u>\$ 57,825,436</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses		
Accounts payable	\$ 896,673	\$ 1,140,992
Line of credit	—	1,000,000
Salaries and withholdings	405,604	339,498
Deposits and prepaid fees	1,403,354	1,574,844
Capital lease	595,371	775,884
Long-term debt	24,363,044	25,852,610
Annuities payable	63,430	68,427
Advances from government for federal loans	<u>503,963</u>	<u>425,978</u>
Total liabilities	<u>28,231,439</u>	<u>31,178,233</u>
<b>Net Assets</b>		
Unrestricted		
Undesignated	19,011,721	12,264,525
Designated for capital acquisitions	1,700,000	1,700,000
Board-designated funds	<u>300,000</u>	<u>300,000</u>
	21,011,721	14,264,525
Temporarily restricted	1,843,260	3,927,853
Permanently restricted	<u>8,586,346</u>	<u>8,454,825</u>
Total net assets	<u>31,441,327</u>	<u>26,647,203</u>
Total liabilities and net assets	<u>\$ 59,672,766</u>	<u>\$ 57,825,436</u>

**Lourdes University**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2017 and 2016**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains and Other Support</b>				
Student tuition and fees	\$23,124,975	\$ —	\$ —	\$23,124,975
Less student aid	<u>(6,620,518)</u>	<u>—</u>	<u>—</u>	<u>(6,620,518)</u>
	16,504,457	—	—	16,504,457
Auxiliary	3,956,293	—	—	3,956,293
Grants				
Government for student aid	218,216	—	—	218,216
Government for programs	<u>969,504</u>	<u>—</u>	<u>—</u>	<u>969,504</u>
	1,187,720	—	—	1,187,720
Contribution from Sisters of St. Francis	9,506,642	—	—	9,506,642
Other contributions, including promises to give	531,355	229,580	34,776	795,711
Investment return designated for current operations	198,907	325,508	—	524,415
Other revenue	176,365	68,088	—	244,453
Net assets released from restriction	<u>2,969,026</u>	<u>(2,969,026)</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>35,030,765</u>	<u>(2,345,850)</u>	<u>34,776</u>	<u>32,719,691</u>
<b>Expenses and Losses</b>				
Instruction	8,774,961	—	—	8,774,961
Institutional advancement	1,149,999	—	—	1,149,999
Management and general	1,419,512	—	—	1,419,512
Student services	3,974,614	—	—	3,974,614
Operational and maintenance	3,828,656	—	—	3,828,656
Institutional support	6,106,034	—	—	6,106,034
Auxiliary	2,266,027	—	—	2,266,027
Grant expenditures	<u>1,106,973</u>	<u>—</u>	<u>—</u>	<u>1,106,973</u>
Total expenses and losses	<u>28,626,776</u>	<u>—</u>	<u>—</u>	<u>28,626,776</u>
<b>Change in Net Assets From Operations</b>	6,403,989	(2,345,850)	34,776	4,092,915
<b>Nonoperating Revenue and Expenses</b>				
Change in value of split-interest agreements	(8,604)	—	96,745	88,141
Investment return in excess of (deficient for) designated for current operations	<u>351,811</u>	<u>261,257</u>	<u>—</u>	<u>613,068</u>
<b>Change in Net Assets</b>	6,747,196	(2,084,593)	131,521	4,794,124
<b>Net Assets, Beginning of Year</b>	<u>14,264,525</u>	<u>3,927,853</u>	<u>8,454,825</u>	<u>26,647,203</u>
<b>Net Assets, End of Year</b>	<u>\$ 21,011,721</u>	<u>\$ 1,843,260</u>	<u>\$ 8,586,346</u>	<u>\$ 31,441,327</u>

See Notes to Consolidated Financial Statements

**2016**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 22,909,767	\$ —	\$ —	\$ 22,909,767
<u>(5,202,210)</u>	<u>—</u>	<u>—</u>	<u>(5,202,210)</u>
17,707,557	—	—	17,707,557
3,237,528	—	—	3,237,528
356,165	—	—	356,165
<u>1,572,131</u>	<u>—</u>	<u>—</u>	<u>1,572,131</u>
1,928,296	—	—	1,928,296
1,927,198	—	—	1,927,198
437,342	812,636	360,702	1,610,680
220,734	290,800	—	511,534
87,632	59,098	—	146,730
<u>817,894</u>	<u>(817,894)</u>	<u>—</u>	<u>—</u>
<u>26,364,181</u>	<u>344,640</u>	<u>360,702</u>	<u>27,069,523</u>
9,373,847	—	—	9,373,847
1,231,897	—	—	1,231,897
1,249,219	—	—	1,249,219
4,816,027	—	—	4,816,027
3,740,494	—	—	3,740,494
4,354,669	—	—	4,354,669
1,338,932	—	—	1,338,932
<u>1,955,623</u>	<u>—</u>	<u>—</u>	<u>1,955,623</u>
<u>28,060,708</u>	<u>—</u>	<u>—</u>	<u>28,060,708</u>
(1,696,527)	344,640	360,702	(991,185)
(10,815)	—	(67,455)	(78,270)
<u>(319,494)</u>	<u>(384,212)</u>	<u>—</u>	<u>(703,706)</u>
(2,026,836)	(39,572)	293,247	(1,773,161)
<u>16,291,361</u>	<u>3,967,425</u>	<u>8,161,578</u>	<u>28,420,364</u>
<u>\$ 14,264,525</u>	<u>\$ 3,927,853</u>	<u>\$ 8,454,825</u>	<u>\$ 26,647,203</u>

**Lourdes University**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Change in net assets	\$ 4,794,124	\$ (1,773,161)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	2,673,740	2,125,382
Forgiveness of debt	(2,753,305)	—
Net realized and unrealized (gains) losses on investments	(680,338)	802,464
Provision for bad debts	229,085	293,391
Permanently restricted contributions	(457,146)	(577,866)
(Gain) loss on beneficial trust	(96,746)	67,455
Changes in		
Receivables	531,237	(403,124)
Prepaid expenses	(289,472)	(129,376)
Accounts payable and accrued expenses	(178,213)	(715,385)
Deposits and prepaid fees	(171,490)	(216,426)
Other assets and liabilities	<u>69,876</u>	<u>168,161</u>
Net cash (provided by) used in operating activities	<u>3,671,352</u>	<u>(358,485)</u>
<b>Investing Activities</b>		
Purchases of property and equipment	(2,161,149)	(4,829,689)
Purchase of investments	(3,511,577)	(2,472,242)
Sales of investments	<u>2,866,477</u>	<u>1,693,900</u>
Net cash used in investing activities	<u>(2,806,249)</u>	<u>(5,608,031)</u>
<b>Financing Activities</b>		
Permanently restricted contributions	457,146	577,866
Contributions for long-lived assets and contributed services	—	993,747
Lease payments	(180,513)	(217,863)
Additions to debt	2,020,183	1,457,437
Repayment on debt	<u>(1,803,491)</u>	<u>(816,952)</u>
Net cash (used in) provided by financing activities	<u>493,325</u>	<u>1,994,235</u>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	1,358,428	(3,972,281)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,921,180</u>	<u>5,893,461</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,279,608</u>	<u>\$ 1,921,180</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 770,300	\$ 713,535
Payable to Sisters of Saint Francis transferred to debt	—	1,675,750
Fixed assets in accounts payable	18,185	653,297
Fixed asset purchases financed with debt	—	2,979,817

# **Lourdes University**

## **Notes to Consolidated Financial Statements**

### **June 30, 2017 and 2016**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Lourdes University (University) is a sponsored ministry of the Sisters of St. Francis of Sylvania, Ohio (Sisters). The University is a private, coeducational university accredited by The Ohio Department of Higher Education, The Higher Learning Commission and the Ohio State Department of Education. The University is organized into four colleges: Arts and Sciences; Business and Leadership; Social Sciences; and Nursing and offers 33 majors. The University's revenues and other support are derived principally from tuition and fees, residence and dining fees, contributions and federal and state grants.

##### ***Principles of Consolidation***

The consolidated financial statements include accounts of Lourdes University and its Subsidiaries: Center Enterprises, Limited (Enterprises); Lourdes Properties, Limited (Properties); and Lourdes Main Street Properties, Limited (Main Street Properties), collectively, Lourdes.

Enterprises was formed in 2001 by the Franciscan Center (Center) as a limited liability company and the Center leases a portion of its property to Enterprises to provide food and beverage catering at various events held at the Center. The term of the lease is on a month-to-month basis until terminated by one of the parties. The Center is a department of the University.

Properties was formed in 2002 by the University as a limited liability company to account for the transactions of the University's rental properties. Properties had previously disposed of its assets in 2003; however, it was reactivated in fiscal year 2007 and includes the University's public rental apartments.

Main Street Properties was formed in 2008 by the University as a limited liability company to account for a transaction to purchase a piece of property near the University.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

##### ***Cash and Cash Equivalents***

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017 and 2016, cash equivalents consisted primarily of money market accounts and repurchase agreements.

# **Lourdes University**

## **Notes to Consolidated Financial Statements**

### **June 30, 2017 and 2016**

The University maintains interest-bearing cash balances at multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017, the University's interest-bearing cash accounts exceeded federally insured limits by approximately \$2,841,000.

Cash and cash equivalents related to uninvested cash are considered part of investments in the accompanying consolidated financial statements.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as temporarily restricted net assets and then released from restriction. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

#### ***Student Accounts Receivable and Loans***

Accounts receivable are stated at the amount billed to students less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is generally due at the beginning of the semester unless the student has a payment plan established. Charges that are unpaid and past due for three consecutive months and have had no response to the due diligence process are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Student loans receivable consist primarily of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amounts, net of allowance for doubtful accounts. The federal government guarantees all or a significant portion of loans issued under the Program. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful notes which is based on a review of outstanding loans, historical collection information and existing economic conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	30-40 years
Leasehold improvements	5-15 years
Equipment	3-10 years
Furniture and fixtures	3-10 years
Vehicles	5 years

***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the University has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the University in perpetuity.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are recorded as temporarily restricted and then released from restriction.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

***Deferred Revenue***

Revenue from tuition and fees is deferred and recognized over the periods to which the fees relate.

# **Lourdes University**

## **Notes to Consolidated Financial Statements**

### **June 30, 2017 and 2016**

#### **Government Grants**

Support funded by grants is recognized as the University performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

#### **Income Taxes**

The University is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

The University files tax returns in the U.S. federal jurisdiction. Center Enterprises, Limited; Lourdes Properties, Limited; and Lourdes Main Street Properties, Limited are wholly-owned limited liability companies that have elected to be treated as disregarded entities for U.S. tax purposes.

#### **Long-Lived Asset Impairment**

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2017 and 2016.

#### **Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the footnotes to the consolidated financial statements. Certain costs have been allocated among the program, management and general and fund raising categories based on estimates of time spent by the University personnel.

#### **Reclassifications**

Certain reclassifications have been made to the 2016 financial statements for the adoption of ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, that were deemed to be immaterial. These reclassifications had no effect on change in net assets.

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**Note 2: Investments and Investment Return**

Investments at June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 1,309,054	\$ 1,240,044
Fixed income funds (nongovernmental)	4,119,695	3,713,290
Mutual funds		
Domestic	4,018,723	3,585,748
International	<u>2,406,746</u>	<u>1,989,698</u>
	<u>\$ 11,854,218</u>	<u>\$ 10,528,780</u>

Total investment return is comprised of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 457,145	\$ 610,292
Net realized and unrealized gains (losses) on investments reported at fair value	<u>680,388</u>	<u>(802,464)</u>
	1,137,483	(192,172)
Investment return designated for current operations	<u>(524,415)</u>	<u>(511,534)</u>
Investment return in excess (deficient for) designated for current operations	<u>\$ 613,068</u>	<u>\$ (703,706)</u>

**Note 3: Contributions Receivable**

Contributions receivable consisted of the following:

	<u>June 30, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Due within one year	\$ 21,548	\$ 98,071	\$ 174,068	\$ 293,687
Due in one to five years	<u>3,297</u>	<u>185,997</u>	<u>233,741</u>	<u>423,035</u>
	24,845	284,068	407,809	716,722
Less				
Allowance for uncollectible contributions	<u>(1,993)</u>	<u>(22,790)</u>	<u>(32,717)</u>	<u>(57,500)</u>
	<u>\$ 22,852</u>	<u>\$ 261,278</u>	<u>\$ 375,092</u>	<u>\$ 659,222</u>

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ 37,547	\$ 145,402	\$ 420,115	\$ 603,064
Due in one to five years	<u>7,500</u>	<u>259,985</u>	<u>408,159</u>	<u>675,644</u>
	45,047	405,387	828,274	1,278,708
Less				
Allowance for uncollectible contributions	<u>(3,611)</u>	<u>(37,495)</u>	<u>(66,394)</u>	<u>(107,500)</u>
	<u>\$ 41,436</u>	<u>\$ 367,892</u>	<u>\$ 761,880</u>	<u>\$ 1,171,208</u>

Discount rates ranged from 1.38 percent to 1.85 percent and from .73 percent to 1.49 percent for 2017 and 2016, respectively. There are no discounts related to pledges due within one year; however, pledges due from one to five years are shown net of discount.

**Note 4: Beneficial Interest in Perpetual Trusts**

The University is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in the trusts. The estimated value of the expected future cash flows is \$1,207,996 and \$1,111,250, which also represents the fair value of the trust assets at June 30, 2017 and 2016, respectively.

**Note 5: Property and Equipment**

Property and equipment at June 30 consists of:

	2017	2016
Land and land improvements	\$ 7,351,073	\$ 7,327,257
Leasehold improvements	12,315,366	12,096,339
Equipment	10,727,603	10,101,815
Vehicles	312,323	312,323
Theater equipment	181,686	181,686
Building	27,611,936	20,398,667
Construction in progress	<u>123,529</u>	<u>6,069,526</u>
	58,623,516	56,487,613
Less accumulated depreciation and amortization	<u>(19,199,197)</u>	<u>(16,597,750)</u>
	<u>\$ 39,424,319</u>	<u>\$ 39,889,863</u>

**Lourdes University**  
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**Note 6: Lines of Credit**

The University has a \$1,000,000 line of credit with a commercial bank with interest rate of Prime Lending Rate + 0 percent with a minimum interest rate of no less than 3.25 percent per annum at any time. The Prime Lending Rate shall mean the prime interest rate as published in the money section of the Wall Street Journal. The line of credit has an initial ending date on October 31, 2016. At June 30, 2017 and 2016, the University has borrowed \$0 and \$1,000,000 against this line.

**Note 7: Long-Term Debt**

	<b>2017</b>	<b>2016</b>
2013 Toledo-Lucas County Port Authority Bonds Series A, fixed interest rate at 3.93%, interest due monthly along with monthly principal payments beginning in January 2017 and maturing in December 2038. Unamortized debt issuance costs were \$122,934 and \$130,385 at June 30, 2017 and 2016, respectively.	\$ 9,918,686	\$ 10,065,000
2013 Toledo-Lucas County Port Authority Bonds Series A, variable interest rate of one-month LIBOR plus 277 basis points multiplied by 65.01% (effective rate of 1.90% at June 30, 2016), interest due monthly along with monthly principal payments beginning in January 2017 and maturing in December 2038. Unamortized debt issuance costs were \$122,933 and \$130,384 at June 30, 2017 and 2016, respectively.	9,882,273	10,065,000
2013 Toledo-Lucas County Port Authority Bonds Series B, variable interest rate of one-month LIBOR plus 196 basis points (effective rate of 2.11% at June 30, 2016), with monthly principal and interest payments beginning January 2014 and maturing in December 2016. Unamortized debt issuance costs were \$0 and \$5,192 at June 30, 2017 and 2016, respectively.	—	362,558
Note payable, interest rate is 2.5%, payable monthly with a maturity date of November 23, 2020. Unamortized debt issuance costs were \$80,156 and \$112,301 at June 30, 2017 and 2016, respectively.	4,888,108	2,979,817
Note payable, related party, interest rate of 3.0%, payable monthly, due in full within nine years.	—	682,205
Note payable, related party, interest of 3% with interest only payments due through July 1, 2018, followed by yearly P&I payments through July 2028.	—	2,071,100
	24,689,067	26,225,680
Less unamortized debt issuance costs	(326,023)	(373,070)
	<b>\$ 24,363,044</b>	<b>\$ 25,852,610</b>

The terms of the loan agreement for the 2013 Series bonds direct purchase agreement with the financial institution provide for a mortgage on certain facilities and the University pledging all its revenues to the financial institution. The loan agreement also requires the University to meet certain financial covenants on an ongoing basis.

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Aggregate annual maturities of long-term debt at June 30, 2017, are:

	<b>Long-Term Debt</b>
2018	\$ 768,344
2019	768,961
2020	769,538
2021	5,372,098
2022	751,884
Thereafter	16,258,242
	\$ 24,689,067

**Note 8: Capital Lease**

The University entered into a noncancellable capital lease for equipment expiring in 2020.

Aggregate annual maturities of lease payments at June 30, 2017, are:

	<b>Lease</b>
2018	\$ 217,863
2019	217,863
2020	217,863
	653,589
Less amount representing interest	(58,218)
	\$ 595,371

Property and equipment include the following property under capital leases at June 30:

	<b>2017</b>
Equipment	\$ 892,708
Less accumulated depreciation	(228,964)
	\$ 663,744

**Note 9: Annuities Payable**

The University has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at June 30, 2017 and 2016, of \$63,430 and \$68,427, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 1.8 percent to 6.2 percent.

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
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**Note 10: Net Assets**

***Temporarily Restricted Net Assets***

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
The University Campaign (capital)	\$ —	\$ 2,288,884
Appreciation of Endowment Funds	654,149	392,894
Scholarships	484,922	553,473
Miscellaneous non-scholarships	532,020	531,292
Student loans	55,557	58,408
Mission and ministry	12,101	17,686
Lecture series	8,217	4,421
Athletics	94,449	77,485
Library	<u>1,845</u>	<u>3,310</u>
	<u>\$ 1,843,260</u>	<u>\$ 3,927,853</u>

***Permanently Restricted Net Assets***

Permanently restricted net assets at June 30 are restricted to:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 5,507,882	\$ 5,292,540
Operations of the University	1,086,541	1,181,765
Program endowments	1,608,439	1,599,181
Student loans	300,195	300,200
Lecture series	48,945	48,945
Library	<u>34,344</u>	<u>32,194</u>
	<u>\$ 8,586,346</u>	<u>\$ 8,454,825</u>

***Net Assets Released From Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 425,730	\$ 327,992
The University Campaign	2,299,656	286,232
Miscellaneous non-scholarships	193,759	170,484
Lecture series	4,611	5,434
Mission and ministry	9,191	5,113
Athletics	32,769	20,255
Library	<u>3,310</u>	<u>2,384</u>
	<u>\$ 2,969,026</u>	<u>\$ 817,894</u>

**Lourdes University**  
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**Note 11: Endowment**

The University's endowment consists of approximately 70 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (Board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body has interpreted the State of Ohio Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (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 remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at June 30, 2017 and 2016, was:

	<b>2017</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor-restricted endowment funds	\$ (14,006)	\$ 654,149	\$ 6,670,345	\$ 7,310,488
Board-designated endowment funds	<u>300,000</u>	<u>—</u>	<u>—</u>	<u>300,000</u>
Total endowment funds	<u>\$ 285,994</u>	<u>\$ 654,149</u>	<u>\$ 6,670,345</u>	<u>\$ 7,610,488</u>

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
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	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (72,456)	\$ 392,894	\$ 6,215,699	\$ 6,536,137
Board-designated endowment funds	<u>300,000</u>	<u>—</u>	<u>—</u>	<u>300,000</u>
Total endowment funds	<u>\$ 227,544</u>	<u>\$ 392,894</u>	<u>\$ 6,215,699</u>	<u>\$ 6,836,137</u>

Changes in endowment net assets for the years ended June 30, 2017 and 2016, were:

	<b>2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 227,544	\$ 392,894	\$ 6,215,699	\$ 6,836,137
Investment return				
Investment income	18,224	236,626	—	254,850
Net appreciation	<u>28,196</u>	<u>364,952</u>	<u>—</u>	<u>393,148</u>
Total investment return	46,420	601,578	—	647,998
Contributions	—	—	457,146	457,146
Other transfers	50	19,840	(2,500)	17,390
Reclass of restriction	36,902	(36,902)	—	—
Appropriation of endowment assets for expenditure	<u>(24,922)</u>	<u>(323,261)</u>	<u>—</u>	<u>(348,183)</u>
Endowment net assets, end of year	<u>\$ 285,994</u>	<u>\$ 654,149</u>	<u>\$ 6,670,345</u>	<u>\$ 7,610,488</u>

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 298,375	\$ 777,104	\$ 5,649,702	\$ 6,725,181
Investment return				
Investment income	78,548	229,420	—	307,968
Net depreciation	<u>(117,455)</u>	<u>(357,429)</u>	<u>—</u>	<u>(474,884)</u>
Total investment return	(38,907)	(128,009)	—	(166,916)
Contributions	—	—	577,866	577,866
Other transfers	12,652	1,775	(11,869)	2,558
Reclass of restriction	32,815	(32,815)	—	—
Appropriation of endowment assets for expenditure	<u>(77,391)</u>	<u>(225,161)</u>	<u>—</u>	<u>(302,552)</u>
Endowment net assets, end of year	<u>\$ 227,544</u>	<u>\$ 392,894</u>	<u>\$ 6,215,699</u>	<u>\$ 6,836,137</u>

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30 consisted of:

	<b>2017</b>	<b>2016</b>
Permanently restricted net assets, portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	<u>\$ 6,670,345</u>	<u>\$ 6,215,699</u>
Temporarily restricted net assets, portion of perpetual endowment funds subject to a time restriction under SPMIFA		
With purpose restrictions	<u>\$ 654,149</u>	<u>\$ 392,894</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$14,006 and \$72,456 at June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of Board-designated endowment funds. Under the University's policies, endowment assets are invested in a manner that is intended to produce results that exceed the ratio of inflation (Consumer Price Index) plus 5.0 percent while assuming a moderate level of investment risk. The University expects its endowment funds to provide an average rate of return of approximately 8.0 percent annually over time. Actual returns in any given year may vary from this amount.

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

The University has a policy (the spending policy) of appropriating for expenditure each year 5.0 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the year in which expenditure is planned. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3.0 percent annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
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**Note 12: Related Party Transactions**

The University has two lease agreements with the Congregation for use of the Congregation's buildings. These leases renew annually. No rent is charged under these agreements; however, the University is responsible for all operating and capital costs of the buildings. The fair value of the leases of \$958,848 and \$603,198, was recorded as rental expense in 2017 and 2016, respectively, and a similar offsetting amount was recorded as a contribution revenue.

The University also leases 3.499 acres of land from the Congregation at no charge. This lease renews annually. The University pays real estate taxes, assessments, utilities, improvements, maintenance and all other costs associated with the land. The University granted, with the permissions of the Congregation, a mortgage leasehold interest in this ground lease as collateral to a Bank.

During 2012, Lourdes signed a note payable for \$982,205 to the Congregation for its portion of renovations on a building that serves as shared space between the Congregation and the University. During 2016, this note was forgiven by the Congregation.

The University signed a note payable for \$2,071,000, effective December 2015 and updated in May 2016, to the Congregation for renovations of a building which is used by Lourdes. During 2016, this note was forgiven by the Congregation.

At June 30, 2017 and 2016, the University had cash and investments of approximately \$13,429,586 and \$14,438,000, respectively, at one financial institution where Board members are either employed or have an ownership interest. The University also has outstanding debt in the amount of approximately \$19,800,959 and \$20,493,000 at June 30, 2017 and 2016, respectively, at one financial institution where Board members are either employed or have an ownership interest. The respective Board member's term ended in June 2016.

**Note 13: Functional Expenses**

	<u>2017</u>	<u>2016</u>
Instructional	\$ 10,479,029	\$ 12,174,612
Academic support	1,412,532	1,548,672
Student services	4,782,906	5,833,609
Auxiliary	<u>2,436,258</u>	<u>1,309,442</u>
Total educational	19,110,725	20,866,335
Institutional support	8,132,184	5,702,187
Development	<u>1,383,867</u>	<u>1,492,186</u>
Total expenses	<u>\$ 28,626,776</u>	<u>\$ 28,060,708</u>

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
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**Note 14: Employee Retirement Benefits**

The University participated with other affiliated organizations in the Sisters of St. Francis Lay Employees' Retirement Plan (Plan), which was a noncontributory defined benefit retirement plan covering eligible lay employees. Effective December 31, 2013, the Plan was frozen and all pension Plan benefits earned through that date were immediately vested for all participants who were actively employed with the University and other affiliated organizations on December 31, 2013. The defined benefit Plan was replaced with a defined contribution pension Plan as of January 1, 2014.

The Plan was accounted for as a multi-employer pension plan. Accordingly, the University recorded its required contributions to the Plan as net periodic pension expense. The financial risks of participating in multi-employer plans are different from single employer defined benefit pension plans in that assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

Effective July 1, 2015, participating employers in the Plan were no longer required to make contributions, which had been determined as an amount equal to a percentage of projected covered compensation.

Effective December 31, 2015, the Plan was terminated. The Congregation elected to pay the amount by which there was a shortfall between the fair value of plan assets and the accumulated benefit obligation.

Subsequent to December 31, 2016, the final calculation of annuity benefits due to the remaining plan participants was completed. The final calculated shortfall between the value of the plan assets and the amount needed to fund the annuity benefits was approximately \$2.7 million. The remaining liability recorded by the Congregation as of December 31, 2016, was sufficient to cover the benefits and the remaining administrative fees associated with the plan termination.

***Defined Contribution Plan***

Effective January 1, 2014, employees were eligible to participate in a newly created 403(b) defined contribution benefit plan. The University provides employees with an employer basic contribution equal to 1 percent of compensation, plus a matching contribution equal to 50 percent of the first 6 percent that employees contribute, resulting in a maximum matching contribution of 3 percent of compensation. Employees become 100 percent vested in the 1 percent basic contribution after 3 years of service and are immediately vested in the matching contribution. Pension expense was \$296,224 and \$309,869 for the years ended June 30, 2017 and 2016, respectively.

**Note 15: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Lourdes University**  
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- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Recurring Measurements**

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and 2016:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2017</b>				
Investments				
Money market funds	\$ 1,309,054	\$ 1,309,054	\$ —	\$ —
Fixed income nongovernmental funds	4,119,695	4,119,695	—	—
Mutual funds				
Domestic	4,018,723	4,018,723	—	—
International	2,406,746	2,406,746	—	—
Beneficial interest in perpetual trust	1,207,996	—	—	1,207,996

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2016</b>				
Investments				
Money market funds	\$ 1,240,044	\$ 1,240,044	\$ —	\$ —
Fixed income nongovernmental funds	3,713,290	3,713,290	—	—
Mutual funds				
Domestic	3,585,748	3,585,748	—	—
International	1,989,698	1,989,698	—	—
Beneficial interest in perpetual trust	1,111,250	—	—	1,111,250

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2017. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There were no Level 3 investments.

***Beneficial Interest in Perpetual Trust***

Fair value is estimated using the fair value of the assets contributed to the trust which also approximates the present value of the future cash flows expected to be received over the term of the agreement. The University does not make any adjustments to these values. Due to the nature of the valuation input, the interest is classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements are the responsibility of the Controller's Office. The Controller's Office obtains valuation information from third parties as needed to generate fair value estimates. The Controller's Office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States of America.

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<b><u>Beneficial Interest in Perpetual Trust</u></b>
Balance, June 30, 2015	\$ 1,178,705
Total realized and unrealized gains and losses included in change of net assets	
Unrealized depreciation on trust	(67,455)
Balance, June 30, 2016	1,111,250
Total realized and unrealized gains and losses included in change of net assets	
Unrealized appreciation on trust	96,746
Balance, June 30, 2017	\$ <u>1,207,996</u>
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	
Year ended June 30, 2017	\$ <u>96,746</u>
Year ended June 30, 2016	\$ <u>(67,455)</u>

**Note 16: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**Investments**

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement(s) of financial position.

**Lourdes University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

**Note 17:     Subsequent Event**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Lourdes University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

<b>Federal Agency/Pass-Through Entity</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Pass-through from Ohio Department of Education Summer Food Service Program for Children	10.579	\$ <u>3,297</u>
<b>U. S. Department of Education</b>		
Federal Supplemental Educational Opportunity Grant Program	84.007	81,819
Federal Work-Study Program	84.033	69,757
Federal Perkins Loan Program	84.038	253,088
Federal Pell Grant Program	84.063	1,941,916
Federal Direct Loans	84.268	11,284,620
Teacher Education Assistance for College and Higher Education Grants	84.379	21,428
Nurse Faculty Loan Program	93.264	<u>274,115</u>
Total Student Financial Assistance Program Cluster		<u>13,926,743</u>
TRIO Student Support Services	84.042	279,705
TRIO Upward Bound Program	84.047A	<u>294,659</u>
Total TRIO Cluster		<u>574,364</u>
Total U.S. Department of Education		<u>14,501,107</u>
<b>U.S. Department of Health and Human Services</b>		
Nurse Anesthetist Traineeship	93.124	<u>20,464</u>
<b>National Science Foundation</b>		
Passed-through University of Toledo – Center for Science Education & the Environment	47.076	<u>493</u>
Total other federal awards		<u>20,957</u>
Total expenditure of federal awards		\$ <u>14,525,361</u>

**Lourdes University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Lourdes University under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Lourdes University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lourdes University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Lourdes University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. There were no subrecipients during the year ended June 30, 2017.
4. The federal loan programs listed subsequently are administered directly by Lourdes University and balances and transactions relating to these programs are included in the University's basic consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2017, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2017
84.038	Federal Perkins Loan Program	\$ 223,540
93.264	Nurse Faculty Loan Program	274,711

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

Board of Trustees  
Lourdes University and Subsidiaries  
Sylvania, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Lourdes University, which comprise the consolidated statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2017.

***Internal Control Over Financial Reporting***

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

### ***Compliance***

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

### ***Purpose of This Report***

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

**BKD, LLP**

Fort Wayne, Indiana  
September 25, 2017

## Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

Board of Trustees  
Lourdes University and Subsidiaries  
Sylvania, Ohio

#### Report on Compliance for Each Major Federal Program

We have audited Lourdes University and Subsidiaries (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2017. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

**BKD, LLP**

Fort Wayne, Indiana  
September 25, 2017

**Lourdes University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

**Summary of Auditor's Results**

*Financial Statements*

1. The type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
2. The independent auditor's report on internal control over financial reporting disclosed:  
 Significant deficiency(ies)?       Yes       None reported  
 Material weakness(es)?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:  
 Significant deficiency(ies)?       Yes       None reported  
 Material weakness(es)?       Yes       No
  
5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?       Yes       No
  
7. The University's major program was:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
  
9. The University qualified as a low-risk auditee?       Yes       No

**Lourdes University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
No matters are reportable.		

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Questioned Cost</b>
No matters are reportable.		

**Lourdes University**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2017**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Questioned Cost</b>
	No matters are reportable.	