

**LOGAN UNIVERSITY, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**Year Ended August 31, 2016**  
**(With Comparative Totals for 2015)**

# LOGAN UNIVERSITY, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Logan University, Inc.

We have audited the accompanying financial statements of Logan University, Inc. (the University), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Logan University, Inc. as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Logan University, Inc.'s financial statements for the year ended August 31, 2015, and our report dated November 30, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, 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 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.

The logo for UHY LLP is written in a stylized, cursive script. The letters 'UHY' are larger and more prominent, with 'LLP' following in a smaller, similar font.

St. Louis, Missouri  
November 17, 2016

**LOGAN UNIVERSITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**August 31, 2016 (With Comparative Totals for 2015)**

	<u>August 31,</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents		
Unrestricted	\$ 4,790,544	\$ 8,530,224
Restricted	593,371	3,423,000
	<u>5,383,915</u>	11,953,224
Accounts receivable, net	88,356	54,630
Contributions receivable, net	1,128,919	1,221,500
Student loans receivable	5,635,143	5,723,068
Prepaid expenses	421,970	398,090
Property and equipment, net	39,671,014	41,035,410
Investments	33,766,443	29,036,139
Cash surrender value of life insurance policies	473,453	445,720
Other assets	16,133	25,580
Beneficial interest in Logan University Education Foundation	10,083	10,083
	<u>10,083</u>	<u>10,083</u>
Total assets	<u>\$ 86,595,429</u>	<u>\$ 89,903,444</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 361,966	\$ 336,214
Accrued liabilities	640,122	313,292
Deferred revenues	395,995	263,645
U.S. Government grants refundable	5,185,445	7,625,762
	<u>5,185,445</u>	<u>7,625,762</u>
Total liabilities	<u>6,583,528</u>	<u>8,538,913</u>
<b>NET ASSETS</b>		
Unrestricted	76,240,951	77,052,928
Temporarily restricted	2,734,613	3,313,498
Permanently restricted	1,036,337	998,105
	<u>1,036,337</u>	<u>998,105</u>
Total net assets	<u>80,011,901</u>	<u>81,364,531</u>
	<u>\$ 86,595,429</u>	<u>\$ 89,903,444</u>

See notes to financial statements.

# LOGAN UNIVERSITY, INC.

## STATEMENT OF ACTIVITIES

Year Ended August 31, 2016 (With Comparative Totals for 2015)

	Year Ended August 31,			Comparative Totals Only	
	2016	2015	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
Tuition and fees	\$ 23,756,898	\$ -	\$ -	\$ 23,756,898	\$ 23,051,713
Less institutional aid	(88,878)	-	-	(88,878)	(90,555)
Net tuition and fees	23,668,020	-	-	23,668,020	22,961,158
Federal grants and contracts	89,534	-	-	89,534	268,472
Private gifts, grants and contracts	23,300	161,386	38,232	222,918	336,268
Sales and service of educational activities	752,386	-	-	752,386	802,249
Investment income	601,843	77,102	-	678,945	618,569
Net unrealized gain (loss) on investments	570,775	-	-	570,775	(1,656,752)
Net realized gain (loss) on investments	(109,547)	-	-	(109,547)	572,056
Gain (loss) on sale of property and equipment	37,823	-	-	37,823	(37,803)
Other sources	422,373	-	-	422,373	663,352
Sales and services of auxiliary enterprises	21,630	-	-	21,630	32,787
	<u>26,078,137</u>	<u>238,488</u>	<u>38,232</u>	<u>26,354,857</u>	24,560,356
Net assets released from restrictions	817,373	(817,373)	-	-	-
Total revenues, gains and other support	<u>26,895,510</u>	<u>(578,885)</u>	<u>38,232</u>	<u>26,354,857</u>	24,560,356
<b>EXPENSES</b>					
Education and general					
Instruction	10,792,568	-	-	10,792,568	9,950,205
Research	189,012	-	-	189,012	478,639
Academic support	918,399	-	-	918,399	984,089
Student services	2,947,784	-	-	2,947,784	2,941,774
Institutional support	7,465,095	-	-	7,465,095	6,932,386
Operation and maintenance of plant	2,614,908	-	-	2,614,908	2,560,113
Total expenses before depreciation and amortization	24,927,766	-	-	24,927,766	23,847,206
Depreciation and amortization	2,779,721	-	-	2,779,721	2,682,278
Total expenses	<u>27,707,487</u>	<u>-</u>	<u>-</u>	<u>27,707,487</u>	26,529,484
CHANGES IN NET ASSETS	(811,977)	(578,885)	38,232	(1,352,630)	(1,969,128)
NET ASSETS, Beginning	<u>77,052,928</u>	<u>3,313,498</u>	<u>998,105</u>	<u>81,364,531</u>	83,333,659
NET ASSETS, Ending	<u>\$ 76,240,951</u>	<u>\$ 2,734,613</u>	<u>\$ 1,036,337</u>	<u>\$ 80,011,901</u>	\$ 81,364,531

**LOGAN UNIVERSITY, INC.****STATEMENT OF CASH FLOWS**

Year Ended August 31, 2016 (With Comparative Totals for 2015)

	<b>Year Ended August 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (1,352,630)	\$ (1,969,128)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	2,779,721	2,682,278
Revenues restricted for scholarships	(38,232)	(74,600)
Revenues restricted for property	(72,829)	-
Loss (gain) on sale of property and equipment	(37,823)	37,803
Net unrealized loss (gain) on investments	(570,775)	1,656,752
Net realized loss (gain) on investments	109,547	(572,056)
Changes in		
Accounts receivable	(33,726)	(46,080)
Contributions receivable	92,581	7,000
Student loans receivable	87,925	164,950
Prepaid expenses	(23,880)	(16,303)
Cash surrender value of life insurance	(27,733)	15,149
Other assets	9,271	14,045
Accounts payable	25,752	32,070
Accrued expenses	326,830	103,446
Deferred revenues	132,350	3,811
U.S. Government grants refundable	(2,440,317)	291,979
Net cash provided (used) by operating activities	<u>(1,033,968)</u>	<u>2,331,116</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,476,326)	(1,538,125)
Proceeds from sale of property and equipment	99,000	350
Purchases of investments	(24,939,766)	(15,071,723)
Proceeds from sales of investments	20,670,690	13,362,858
Net cash used by investing activities	<u>(5,646,402)</u>	<u>(3,246,640)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds restricted for scholarships	38,232	74,600
Proceeds restricted for property	72,829	-
Net cash provided by financing activities	<u>111,061</u>	<u>74,600</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,569,309)</b>	<b>(840,924)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b>11,953,224</b>	<b>12,794,148</b>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b><u>\$ 5,383,915</u></b>	<b><u>\$ 11,953,224</u></b>

See notes to financial statements.

**LOGAN UNIVERSITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the financial statements of Logan University, Inc. (the University). These accounting policies conform to accounting principles generally accepted in the United States of America.

**History and Business Activity**

The University was founded in 1935 and offers one degree in Doctor of Chiropractic, two Bachelor of Science degrees, a master's degree in Sports Science and Rehabilitation, and a master's degree in Nutrition and Human Performance. The University is located on a 112-acre campus in Chesterfield, Missouri. The University has an enrollment of 1,176 (906 as of August 31, 2015) students and is primarily supported by tuition, contributions and earnings from investments. The University operates seven satellite health centers in the St. Louis area.

**Financial Statement Presentation**

The University's resources are classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories is as follows:

**Unrestricted Net Assets** - Represent those that are not subject to donor-imposed stipulations. Unrestricted net assets include discretionary designations made by the Board of Trustees.

**Temporarily Restricted Net Assets** - Represent those net assets subject to donor-imposed stipulations that may or will be met, either by actions of the University and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets include donations for scholarships to students, building renovation and equipment purchases and educational and other activities.

**Permanently Restricted Net Assets** - Represent those net assets donated for the purpose of establishing a perpetual endowment to earn interest to benefit the University, assets donated to provide earnings for scholarships and assets donated to provide non-interest-bearing loans to students for emergency situations. The income earned on any related investments is also generally subject to donor-imposed stipulations.

**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 and disclosures. Accordingly, actual results may differ from those estimates.



**LOGAN UNIVERSITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Totals**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended August 31, 2015, from which the summarized information was derived.

**Cash and Cash Equivalents**

The University considers all highly liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents. The University's money market funds, which are included in investments, are deposited with national brokerage houses. These funds are insured by the Securities Investor Protection Corporation (SIPC).

Restricted cash and cash equivalents includes Perkins cash balances of \$593,371 and \$3,423,000 as of August 31, 2016 and 2015, respectively.

**Accounts Receivable**

The University carries its accounts receivable at cost. Management charges off uncollectible receivables to expense when it is determined the amounts will not be realized. The allowance for doubtful accounts is based on the University's prior experience of collections.

**Contributions Receivable**

Contributions receivable consist of unconditional promises-to-give. Unconditional promises-to-give are reported at fair value at the date of the pledge and subsequently measured at the present value of future cash flows. Such gifts are recorded as restricted revenue if the gifts are received with donor stipulations that limit the use of the donated assets or are to be received at some future date greater than one year. When a donor restriction expires, i.e. when a stipulated time restriction ends or the purpose of the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Gifts received without donor restrictions are recorded as unrestricted revenue.

**Student Loans Receivable**

Student loans receivable consist of Perkins loans. These loans are reported net of an allowance for doubtful accounts. A reasonable estimate of the market value of student loans receivable under government loan programs cannot be made because the notes are not saleable and can only be assigned to the U.S. Government or its designees. In the event that student loans are non-collectible, they are offset against the related government payable resulting in no loss to the University.

**LOGAN UNIVERSITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Investments are reported at fair value. 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.

Realized and unrealized gains and losses include gains and losses from purchases and sales of investments, as well as changes in value of assets held during the year and are recognized in the accompanying statement of activities. Gains or losses on investments are recognized as an increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in investments in the near-term would materially affect the amounts reported in these financial statements.

Management evaluates securities for other-than-temporary impairment at least on an annual basis and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the University to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

**Property and Equipment**

Property and equipment are carried at cost, if purchased, or at fair market value at the date of donation, if acquired by contribution, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years. All gifts of land, buildings and equipment are recorded as unrestricted non-operating resources, unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted non-operating resources. Absent donor restrictions on how long those long-lived assets must be maintained, the expiration of donor restrictions are reported as being released from restriction when the donated or acquired long-lived assets are placed in service.

**Asset Impairment Assessments**

The University reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from use and disposition of the assets is less than carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value.

**LOGAN UNIVERSITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Beneficial Interest in Logan University Education Foundation**

The University has a beneficial interest in the assets of Logan University Education Foundation. Accounting Standards Update 958-20-25-4, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which a donor makes contributions to a not-for-profit organization (the recipient organization) that agrees to transfer those assets, the return on investment of those assets or both to another entity (the beneficiary). Under ASU 958-20-25-4, a financially interrelated beneficiary is required to recognize the interest in the net assets of the recipient organization and adjust that interest for its share of the change in net assets of the recipient organization.

**U.S. Government Grants Refundable**

U.S. Government grants refundable consists of the liability associated with the Perkins student loans receivable. These funds are revolving funds. The total liability associated with the Perkins student loans receivable is reduced by the Institution Capital Contribution, which is recognized as temporarily restricted contributions.

**Fair Value Measurements**

The fair value measurements standard defines fair value as the exchange price that would be received for the asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University determines the fair values of its financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using 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 of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation. There are no level 3 financial instruments.

**Income Taxes**

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code. However, income from certain activities not directly related to the tax exempt status of the University is subject to taxation as unrelated business income.

**LOGAN UNIVERSITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes (Continued)**

The primary income tax position taken by the University for any years open under the various statutes of limitations is that the University continues to be exempt from income taxes except for unrelated business income. The University believes that there are no uncertain tax positions that are material to the financial statements.

**Concentration of Credit Risk**

Financial instruments, which potentially subject the University to concentration of credit risk, consist principally of cash and cash equivalents. The University places its cash and cash equivalents with high credit quality financial institutions. At times, such cash and cash equivalents may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

**Reclassifications**

Certain reclassifications have been made to the financial statements for the year ended August 31, 2015 to conform to the presentation for the year ended August 31, 2016.

**Subsequent Events**

The University has performed a review of events subsequent to the statement of financial position date through November 17, 2016, the date the financial statements were available to be issued.

**NOTE 2 — ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	August 31,	
	2016	2015
Health Center Patients	\$ 26,174	\$ 20,295
Students	32,239	21,573
Purser Center Receivable	29,943	12,598
Employees and Other	-	164
	<u>88,356</u>	<u>54,630</u>
Less Allowance for Doubtful Accounts	-	-
	<u>\$ 88,356</u>	<u>\$ 54,630</u>

**LOGAN UNIVERSITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2016 (With Comparative Totals for 2015)**

**NOTE 3 — CONTRIBUTIONS RECEIVABLE**

Contributions receivable consists of the following:

	August 31,	
	2016	2015
Due Within One Year	\$ 217,765	\$ 287,000
One to Five Years	1,080,654	1,111,500
More Than Five Years	<u>7,500</u>	<u>-</u>
	1,305,919	1,398,500
Discount	177,000	177,000
Allowance for Uncollectible Amounts	<u>-</u>	<u>-</u>
	<u>\$ 1,128,919</u>	<u>\$ 1,221,500</u>

A discount rate of 4.6% was used to record unconditional promises-to-give at the present value of the future cash flows as of August 31, 2016 and 2015.

**NOTE 4 — STUDENT LOANS RECEIVABLE**

Perkins student loans receivable consists of the following:

	August 31,	
	2016	2015
Loan Balances Not Yet in Repayment	\$ 2,295,473	\$ 2,248,545
Loan Balances in Repayment	<u>3,339,670</u>	<u>3,474,523</u>
Total student loan receivables	5,635,143	5,723,068
Less Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
Net student loan receivables	<u>\$ 5,635,143</u>	<u>\$ 5,723,068</u>

The following table provides aging information on the University's student loans:

	Students in School - Amounts Not Due	Loans in Repayment			Total
		Current or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days Past Due	
<b>August 31, 2016</b>					
Student Loans	<u>\$ 2,295,473</u>	<u>\$ 2,789,112</u>	<u>\$ 16,243</u>	<u>\$ 534,315</u>	<u>\$ 5,635,143</u>
<b>August 31, 2015</b>					
Student Loans	<u>\$ 2,248,545</u>	<u>\$ 2,956,955</u>	<u>\$ 16,738</u>	<u>\$ 500,830</u>	<u>\$ 5,723,068</u>

**LOGAN UNIVERSITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2016 (With Comparative Totals for 2015)**

**NOTE 5 — PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	August 31,	
	2016	2015
Land	\$ 735,508	\$ 735,508
Buildings	55,234,010	54,430,996
Equipment	15,809,697	15,216,734
Vehicles	305,206	291,281
Leasehold Improvements	894,245	888,360
Construction in Progress	51,884	82,889
	<u>73,030,550</u>	<u>71,645,768</u>
Less Accumulated Depreciation	<u>33,359,536</u>	<u>30,610,358</u>
	<u>\$ 39,671,014</u>	<u>\$ 41,035,410</u>

Depreciation expense was \$2,779,545 and \$2,681,927 for the years ended August 31, 2016 and 2015, respectively.

**NOTE 6 — INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The cost, fair value, and fair value measurements of investments consist of the following:

	August 31, 2016		August 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Level 1 Investments				
Money Market Funds	\$ 794,472	\$ 794,472	\$ 737,486	\$ 737,486
Equity Securities	11,282,971	12,233,442	12,889,410	13,440,210
Exchange Traded Funds				
Equities	659,470	1,182,784	659,470	1,117,247
Fixed income	1,335,726	1,358,286	1,313,864	1,324,980
Other	-	-	21,996	20,666
Mutual Funds				
Equities	124,654	76,430	123,294	75,144
Fixed income	1,803,136	1,761,109	140,952	120,946
	<u>16,000,429</u>	<u>17,406,523</u>	<u>15,886,472</u>	<u>16,836,679</u>
Level 2 Investments				
Certificates of Deposit	5,578,000	5,578,000	7,819,000	7,819,000
Mortgage-Backed Securities	8,757,701	8,757,701	2,552,824	2,552,824
Fixed Income Funds				
U.S. treasuries	277,622	303,986	330,309	330,105
Corporate bonds	1,492,758	1,532,388	1,381,412	1,340,572
CMO and asset-backed	92,987	92,197	68,490	67,752
Agency securities	87,068	93,293	88,529	86,852
Other Investments	2,355	2,355	2,355	2,355
	<u>16,288,491</u>	<u>16,359,920</u>	<u>12,242,919</u>	<u>12,199,460</u>
	<u>\$ 32,288,920</u>	<u>\$ 33,766,443</u>	<u>\$ 28,129,391</u>	<u>\$ 29,036,139</u>

**LOGAN UNIVERSITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2016 (With Comparative Totals for 2015)**

**NOTE 6 — INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

	Years Ended August 31,	
	2016	2015
Net Unrealized Gain (Loss) on Investments	\$ 570,775	\$ (1,656,752)
Net Realized Gain (Loss) on Investments	<u>(109,547)</u>	<u>572,056</u>
	<u>\$ 461,228</u>	<u>\$ (1,084,696)</u>

**NOTE 7 — NET ASSETS**

**Unrestricted Net Assets**

Unrestricted net assets consist of the following:

	August 31,	
	2016	2015
Undesignated	\$ 19,029,383	\$ 19,073,662
Board Designated for Endowment	14,564,036	14,073,299
Board Designated for Research	2,976,518	2,870,557
Investment in Property and Equipment	<u>39,671,014</u>	<u>41,035,410</u>
	<u>\$ 76,240,951</u>	<u>\$ 77,052,928</u>

**Temporarily Restricted Net Assets**

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

	August 31,	
	2016	2015
Program Restrictions		
Scholarships	\$ 383,140	\$ 338,901
Educational activities	501,937	561,976
Perkins	1,043,070	1,520,307
General activities	<u>113,142</u>	<u>113,142</u>
	2,041,289	2,534,326
Buildings and Equipment	394,672	394,672
Property (Honoring Tradition - Bell Tower Renovations)	45,652	-
Time Restrictions	<u>253,000</u>	<u>384,500</u>
	<u>\$ 2,734,613</u>	<u>\$ 3,313,498</u>

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**NOTE 7 — NET ASSETS** (Continued)

**Temporarily Restricted Net Assets** (Continued)

Net assets released from restrictions consist of the following for the year ended August 31, 2016:

Scholarships	\$ 83,450
Honoring Tradition - Bell Tower Renovations	27,177
Educational Activities	60,039
Perkins	513,457
Time Restrictions	131,500
Other	1,750
	<u>\$ 817,373</u>

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of investment funds designated by the donor to be held indefinitely by the University.

The income from the permanently restricted net assets is expendable to support:

	August 31,	
	<u>2016</u>	<u>2015</u>
Scholarships	<u>\$ 1,036,337</u>	<u>\$ 998,105</u>

**NOTE 8 — OPERATING LEASES**

The University has entered into various operating leases for buildings and office equipment through 2025. It is expected that in the normal course of business, such leases will continue to be required. Net expenditures for rentals under leases for the years ended August 31, 2016 and 2015, amounted to \$454,851 and \$400,485, respectively.

Total future minimum lease payments are as follows:

Year Ending	
<u>August 31,</u>	
2017	\$ 333,084
2018	315,994
2019	234,632
2020	178,916
2021	135,520
Thereafter	542,080
	<u>\$ 1,740,226</u>



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**NOTE 9 — RETIREMENT PLANS**

The University has defined contribution pension plans covering all full-time employees. Under terms of the plans, the University contributes 5% of the participants' annual compensation. Employees can voluntarily contribute additional funds from their annual compensation up to the amount limited by law. The University's contributions for the years ended August 31, 2016 and 2015 were \$581,689 and \$594,890, respectively.

**NOTE 10 — ENDOWMENT**

The University's endowment consists of various funds established for program purposes (Note 7). The endowment includes donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

**Interpretation of Relevant Law**

The Board of Trustees of the University has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the 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 the donor restricted endowment fund that is not classified in permanently restricted net assets is classified by 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) The duration and preservation of the fund
- (2) The purposes of the University and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investment
- (6) Other resources of the University
- (7) The investment policies of the University

**Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the University must hold in perpetuity or for a donor specified period as well as Board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate index while assuring a moderate level of investment risk. Actual returns in any given year may vary from this amount.

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**NOTE 10 — ENDOWMENT (Continued)**

**Strategies Employed for Achieving Objectives**

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

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The University has a policy of distributing interest, dividends and capital gains to the extent the then-current market value of the fund principal exceeds the historical dollar value of the gift less any distributions of principal allowed under the terms of the gift, unless otherwise specified by the donor. In establishing this policy, the University considered the long-term expected return on its endowment.

Endowment net assets consist of the following:

	August 31, 2016			Total	August 31,
	Unrestricted	Temporarily Restricted	Permanently Restricted		2015
Scholarships	\$ -	\$ 18,433	\$ 1,036,337	\$ 1,054,770	\$ 768,506
Buildings and Equipment	-	-	-	-	74,159
Emergency Loans for Students	-	-	-	-	155,440
	-	18,433	1,036,337	1,054,770	998,105
Board Designated Endowment	14,564,036	-	-	14,564,036	14,073,299
2016 Totals	<u>\$ 14,564,036</u>	<u>\$ 18,433</u>	<u>\$ 1,036,337</u>	<u>\$ 15,618,806</u>	
2015 Totals	<u>\$ 14,073,299</u>	<u>\$ -</u>	<u>\$ 998,105</u>		<u>\$ 15,071,404</u>

Changes in endowment net assets are as follows:

	August 31, 2016			Total	August 31,
	Unrestricted	Temporarily Restricted	Permanently Restricted		2015
Endowment Net Assets, Beginning of Year	\$ 14,073,299	\$ -	\$ 998,105	\$ 15,071,404	\$ 15,541,201
Interest and Dividends	134,362	16,665	-	151,027	203,272
Realized Gain (Loss)	(50,230)	(205)	-	(50,435)	475,241
Net Unrealized Gain (Loss)	406,605	24,423	-	431,028	(1,183,019)
Additions - Gifts	-	-	38,232	38,232	74,600
Appropriated for Expenditure	-	(22,450)	-	(22,450)	(39,891)
Endowment Net Assets, End of Year	<u>\$ 14,564,036</u>	<u>\$ 18,433</u>	<u>\$ 1,036,337</u>	<u>\$ 15,618,806</u>	<u>\$ 15,071,404</u>

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**NOTE 11 — STUDENT FINANCIAL ASSISTANCE PROGRAMS**

The University participates in various student financial aid programs. These programs are subject to periodic review by the United States Department of Education. Disbursements under each program are subject to disallowance and repayment by the University.

**NOTE 12 — CONTINGENCIES**

The University, from time to time, is involved in litigation in the ordinary course of business. The University is a party to lawsuits or proceedings which, in the opinion of management, is not individually or in the aggregate, likely to have a material adverse effect on the statement of financial position.